

The Cancun Agreement: Focus on insurance and risk transfer mechanisms

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By Laura Boudreau

The 2010 Cancun Agreement calls for enhanced action on climate change adaptation, with significant focus on the role of insurance and other risk transfer mechanisms in adaptation. Although the Cancun Agreement maintains the drive for mitigation of climate change central to past United Nations Climate Change Conference Agreements (e.g. Copenhagen Accord), it places significant focus on the necessity for international cooperation on climate change adaptation. It supports a country-driven approach to climate change adaptation, with a view to integrate adaptation measures into relevant social, economic, and environmental policies (Article 12). It establishes the Cancun Adaptation Framework (CAF), which has the objective of enhancing action on adaptation, including international cooperation and coherent consideration of matters relating to adaptation under the Convention (A13).

As part of the CAF, Parties are invited to enhance action on climate change adaptation through nine action areas (A14). One of these action areas is enhancing climate related disaster risk reduction strategies, taking into the account the Hyogo Framework for Action. This action area specifically promotes risk assessment and management as well as sharing and transfer mechanisms such as insurance at local, national, subregional, and regional levels (A14e). Other action areas include: The development and diffusion of technologies for promoting adaption, especially in developing countries (A14g); the strengthening of data, information and knowledge systems, and public awareness (A14h); and the improvement of climate-related research and systematic observation for climate data collection, archiving, analysis, and modeling in order to provide decision-makers at national and regional levels with improved climate-related data and information (A14i).

The CAF goes on to recognize the need to strengthen international cooperation and expertise to understand and to reduce loss and damage associated with the adverse impacts of climate change, including relevant impacts related to extreme weather events and slow-onset events (A25). It decides to establish a work program to consider possible approaches to addressing losses and damages caused by climate change in developing countries (A26). Included with this work program is an invitation for Parties and relevant organizations to submit proposals on the work program (A28). These proposals can include: The possible development of a climate risk insurance facility to address the impacts associated with extreme weather events (A28a); options for risk management and reduction, risk sharing and transfer mechanisms such as insurance (including micro-insurance) and resilience building, including through economic diversification (A28b); and the engagement of shareholders with relevant expertise (A28d).



Furthermore, the CAF invites Parties to establish regional centers and networks, in particular in developing countries, to facilitate and enhance national and regional adaptation activities (A30). It notes that these facilities should be country-driven, encourage cooperation and coordination among regional stakeholders, and improve the flow of information between the Convention process and national and regional activities.

The Cancun Agreement and Europa Re

The establishment of Europa Re is consistent with many of the climate change adaptation activities promoted in the Cancun Agreement. As a regional institution owned by country shareholders, it is aligned with the Agreement's focus on country-driven regional mechanisms to support climate change adaptation. Furthermore, because it is designed to address the specific risk-transfer needs of the countries of South East Europe and the Caucasus (SEEC), it embodies the promoted approach to integrate adaptation measures into relevant social, economic, and environmental policies.

Europa Re will address many of the action areas of the Cancun Adaptation Framework. Specifically, Europa Re will be a mechanism for risk assessment and management in the SEEC countries and will enable risk sharing and transfer at local, national, and regional levels (A14e). There will be positive externalities of Europa Re that will address many of the other action areas. The data collection, risk assessment and modeling, and pricing of risk will provide SEEC countries with significant understanding of their exposures to climate-related disaster risks (A14h). Furthermore, it will enable them to make informed decisions about investment in adaptation, mitigation, and prevention measures (A14i). The web-based underwriting and pricing platform will promote technology development and transfer (A14g). Marketing of insurance policies that will be reinsured by the Facility will promote public awareness of its exposure to climate-related disaster risks (A14h).

Lessons learned from the establishment of Europa Re can provide inputs for the Agreement's requested work on strengthening international cooperation and expertise to understand and to reduce loss and damage associated with the adverse impacts of climate change (A25). Indeed, Europa Re's design exemplifies the goals of the types of initiatives that could be born out of the Agreement to work on risk transfer and insurance mechanisms in response to climate change.