



Eco-Insurance for a Sustainable Future

AN OVERVIEW

KATOOMBA VI CONFERENCE, LOCARNO, SWITZERLAND – November 2003



People – Ecosystems - Sustainability



Home insurance for the planet



- **Eco-Insurance***

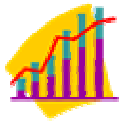
- A Risk Management Strategy for the 21st Century
- Promotes responsible Global Environmental Governance by means of Shrink & Share of ecological footprints
- Proposes to levy a modest Eco-Insurance Premium from People and Organizations to make large scale investments in the maintenance of the globe's life-supporting ecosystems
- Seeks to insure planet by promoting environmental, economic and human security for the globe's citizenry
- Fosters (and requires) international cooperation amongst multiple stakeholders

* from Greek *Oikos*, house + *Insurance*, the business of insuring against loss

Why we need it

- Risk Management in a Complex World

- Mounting environmental challenges



- » Deforestation

- Biodiversity Loss

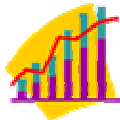
- » Dwindling Fresh Water Supplies

- Collapsing Fisheries

- » Climate Change

- Food & Health Safety

- Increasing economic instability



- » Financial Volatility

- Ecological Deficits

- » Environmental Costs

- Rich and Poor Divide

- » Energy Dependency

- Short-term Policy Focus

- Declining (human) security



- » Resource conflicts and war

- » Environmentally induced (mass) migrations

- » Poor most affected

Shrink & Share?



- Promotes responsible Global Environmental Governance

PRECAUTION

EQUITY

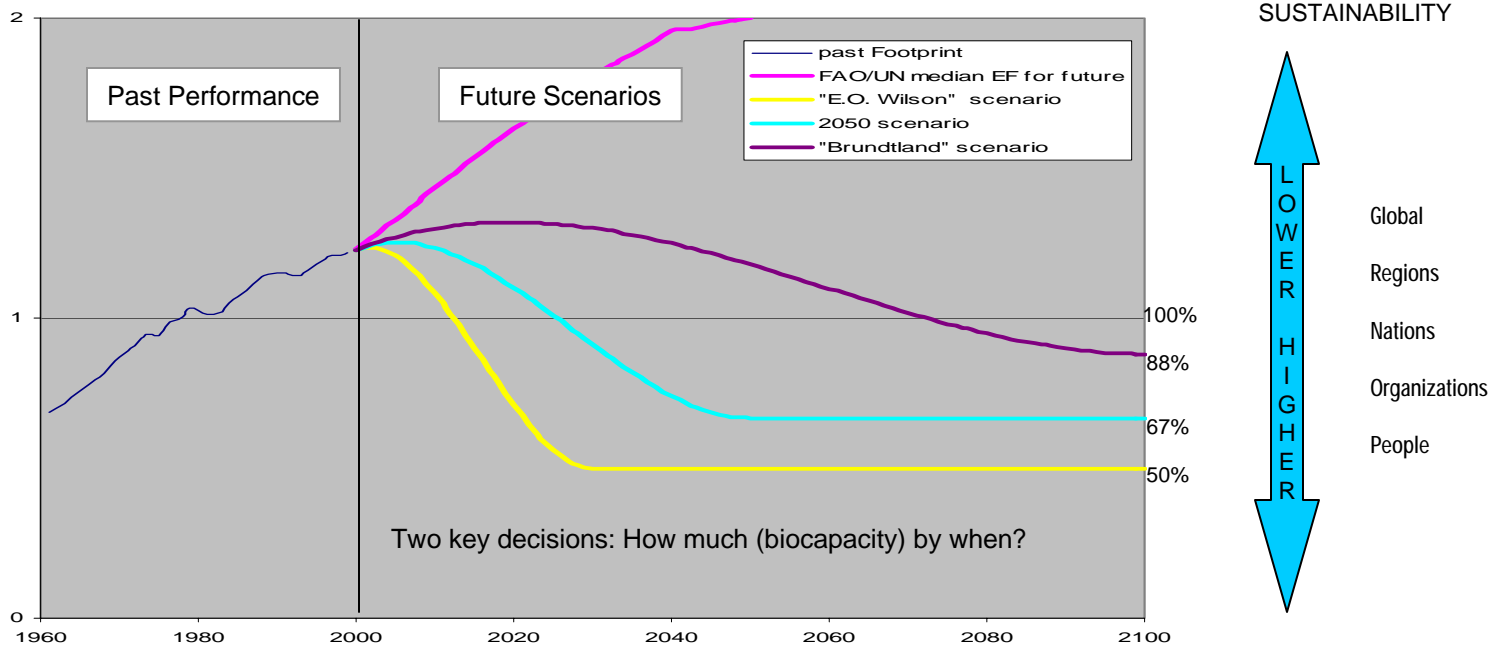
EFFICIENCY

CHOICE

- Builds on Contraction & Convergence Model
 - Applies to *total* Ecological Footprint, *not only* CO₂
- Requires Three Important Decisions
 1. How much of the globe's natural capital should be preserved to ensure sustainability?
 - » E.O. Wilson (50%), 2050 Scenario (67%), Brundlandt (88%)
 2. By when should goal be reached/how much time do we have?
 - » 2010, 2050, 2100
 3. How much should be invested to achieve goals 1 & 2?
 - » \$ 3 billion p/a (current level)
 - » \$ 50 billion p/a, \$ 100 billion p/a, or more

Managing Our Future

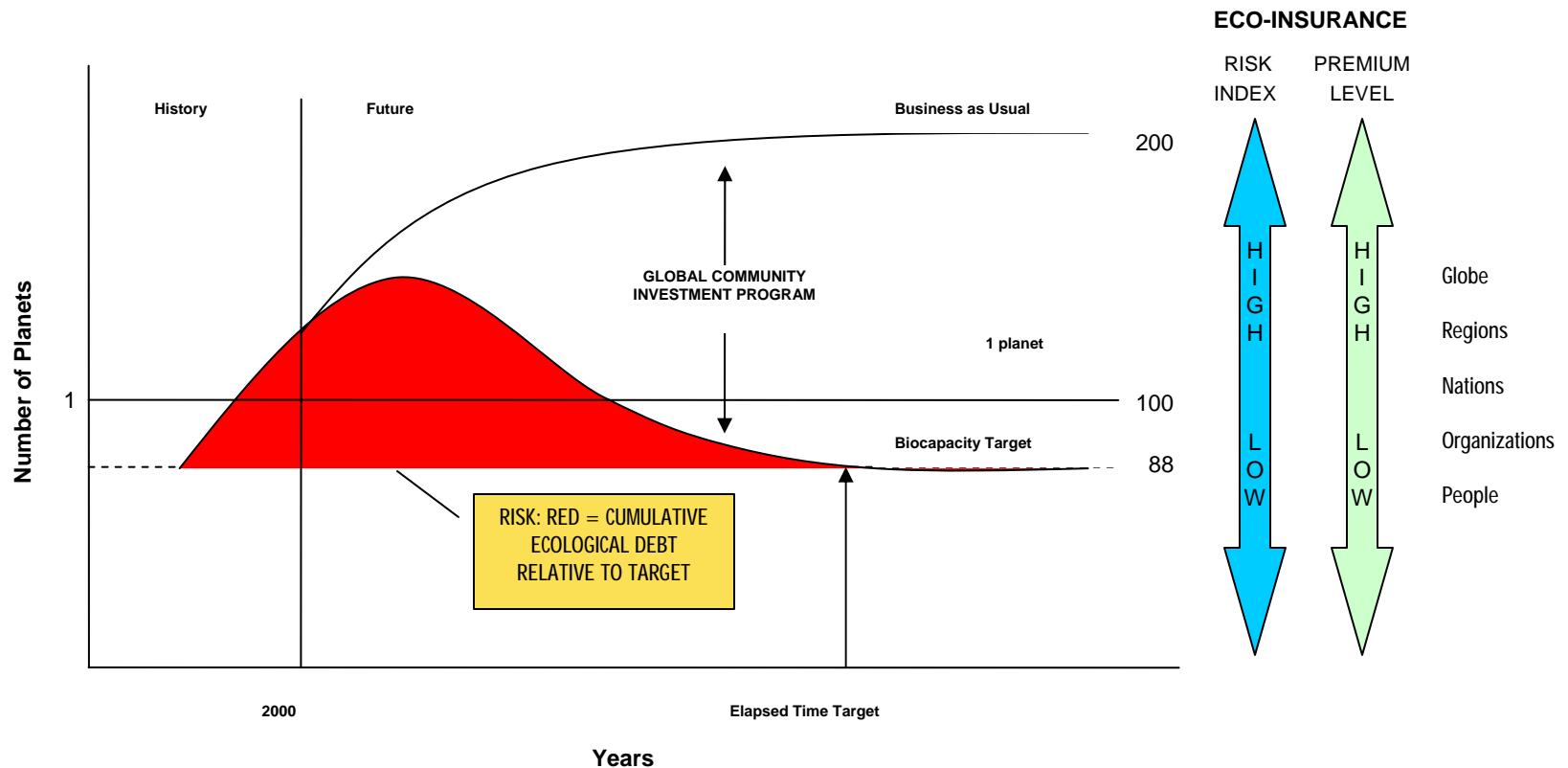
- Four Scenarios for the Planet



Source: Lovink and Wackernagel 2003 (forthcoming)

21st Century Risk Management

- From the Global to Individual Level



How it works



- People and organizations contribute Eco-Insurance Premiums based on
 - Ecological Footprint size
 - Income Levels
 - Global Eco-Insurance Risk
- Private sector driven initiatives promote voluntary adoption
 - EcoSmartCard™
 - One Percent for a Sustainable Future™
 - MyEcoFoot™ for People and Organization
- Governments play a catalytic role
 - Setting (Cap and Trade) Targets
 - Fiscal and Economic Incentives

The EcoSmartCard™



- Linking people – ecosystems – sustainability
 - Modeled on Affinity Credit Card Programs
 - Promotes Sustainable Consumption, Production, Trade and Investment
 - Catalogue of Eco-friendly Products and Services
 - Eco-tourism Sweep Stakes; Eco-Points
 - Links to Micro-finance Programs
 - Targets Launch Partners and their Employees
 - No Cost to User
 - Program revenues shared with Partners
 - Provides Online Transaction Platform
 - Eco-Insurance Premiums
 - Fiscal/economic incentives
 - Transparency, accountability

One Percent for a Sustainable Future™



- A Global Community Investment Plan
 - Modeled on successful SRI Campaigns
 - A ten-year home insurance plan for the planet
 - Stimulates People and Organizations to transfer 1% of investment assets into Eco-Insurance
 - Negligible Effect on overall Investment Portfolio
 - Campaign mobilizes 0.1% per year for ten years (\$ 300-500B)
 - Investments to be made via EcoSmartCard™
 - Online reporting, accountability and transparency
 - Performance tracking of eco-insurance payments, applicable government incentives, and investment performance
 - Participative/interactive governance of the Global Commons through online polls and voting mechanism

MyEcoFoot for People and Organizations™



- Awareness thru e-Learning
 - Ecological Footprints for People and Organizations
 - » Measure your Ecological Footprint interactively
 - » Learn why small is beautiful; get certified
 - » Get the tools for getting your Ecological Footprint down
 - » Become a (certified) environmentally responsible citizen
 - » Tell your friends
 - Learning applets via internet and cell phone
 - » Adults and kids
 - » MyEcoFoot Games and Competitions
 - Optional Eco-Insurance payment via EcoSmartCard™

Eco Insurance is about Scale



- “Eco-Investment Gap” \$ 50-100+ billion/year
 - The amount between what is and should be invested to restore and maintain the globe’s life-supporting ecosystems
- Eco-Insurance to catalyze balanced ecological budgets of nations, people and organizations
 - Only a large scale investment program in a sustainable future will accomplish this in a credible fashion
- Back of the Envelope Premium Target
 - \$ 9–18 average per global citizen (\$ 50-100 in OECD)
 - Approximately 0.2–0.3 percent of World GDP

How are premiums invested?



Eco-Insurance -- A Global Community Investment Program

Thematic Areas	Eco-Insurance Global Performance Funds	% Target*	Eco-Insurance Global Development Funds	% Target*
• W ater	<ul style="list-style-type: none"> • Greening Financial Markets • Publicly Quoted Companies • Triple Bottom Line Performance (People, Planet, Profit) • Global Network of Sustainable Asset Managers • Online Investment Platform • Transparency & Accountability 	TBD	<ul style="list-style-type: none"> • EcoEnterprises Development • Direct Payment Systems for Ecological Goods & Services • Capacity Building and Training • Grants, (semi) Equity, (soft) Loans and Guarantees • Global Network of Financial Intermediaries 	TBD
• E nergy		TBD		TBD
• H ealth		TBD		TBD
• A griculture		TBD		TBD
• B iodiversity		TBD		TBD
Total		90%→75%**		10%→25%**

* To be determined by global environmental strategic investment forum of financial experts based on clear performance criteria

** Percentages change over time following absorptive capacity for investments to be made by Eco-Insurance Global Development Funds

Who manages the money?



- **Eco-Insurance Finance Mechanism**
 - A Bank, Trust or Fund
 - Light, Networked Global Environmental Governance
 - » Flexible & Adaptive
 - » Values and Norm based
 - » Top-down and Bottom-up
 - » Organic growth model
 - » Decentralized yet integrated
 - Performance-based money management contracts with financial intermediaries
 - » Private Sector
 - » Multilateral Development Institutions
 - » NGOs

Who governs?



- Bottom up as well as Top Down
 - Strategic Direction
 - Board of Governors (multi-stakeholder)
 - International Panel of Advisors (multidisciplinary)
 - Investment Advisory Forum (independent)
 - Implementation
 - Executive Board and Staff
 - Network of financial intermediaries
 - Online Accountability, Transparency, Democracy
 - Performance Reports
 - Voting/polling on Strategic Direction and Investment Objectives
 - Bottom up feedback loops

Who benefits?



- Society as a whole
 - Enhanced environmental, economic and human security from the local to the global
 - An ethical/principled/responsible compass for poor Global Environmental Governance
- Individual nations, people and organizations
 - Lower financial (tax) burdens – precaution (= tangible ROI)
 - Fairer distribution of scarce resources – equity
 - Market-based allocation of resources – efficiency
 - Freedom to achieve sustainability in different ways – choice
- Future generations

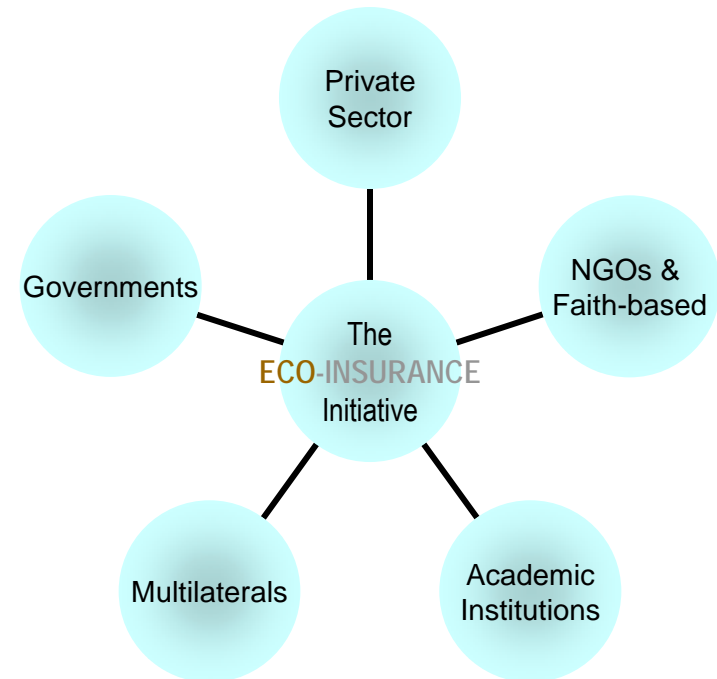
A Market based Approach



- Premium levels influence sustainability of patterns of
 - Consumption
 - Production
 - Trade
 - Investment
 - Cap and Trade (using Footprints as Proxy of Risk)
 - Internalizes Shrink & Share
 - Promotes responsible Global Environmental Governance
- PRECAUTION EQUITY EFFICIENCY CHOICE
- Harnesses market mechanisms for the common good

A Network of Launch Partners

- Who should become launch partners?
 - Pro-active Governments
 - Banking and Insurance Sector
 - Business Associations
 - Environmental NGOs
 - Faith-based organizations
 - Multilateral Development Organizations
 - Academic Institutions
 - Expert Individuals
- Qualifications
 - Dedication to Sustainable Development
 - Commitment to Eco-Insurance mission
 - Ability to add value and expertise
 - Resources (financial and/or in-kind)



Implementation Challenges



- Key Questions
 - Will the private sector embrace a voluntary approach?
 - Will governments provide appropriate incentives?
 - Will NGOs cooperate, support or compete?
 - Is international cooperation Eco-Insurance feasible?
 - Can Strategic Launch Partners be identified?
- Implementation Process
 - On-going Stakeholder Consultations
 - Supplementary Documentation and Research
 - A Phased Approach

Implementation Strategy



- A Phased Approach*
 - Phase I (2003)
 - » Publication of Eco-Insurance for a Sustainable Future
 - » Consultations with Experts; Phase II Fundraising (\$250K)
 - Phase II (2003-mid 2004)
 - » Steering Committee, Advisory Panel, Investment Forum
 - » Identification/MOUs with Strategic Launch Partners
 - » Refinement of Eco-Insurance Framework & Documentation
 - » Phase III Fundraising (\$ 2.0 million)
 - Phase III (mid 2004-mid 2005)
 - » Multi-stakeholder Consultations, Initiation of Pilots
 - » Development of Business Plan with Launch Partners
 - » Fundraising for Official Launch (\$ 10 million ++)

* *provisional time table*

A public private initiative



- Initiated by
 - Institute for Environmental Security
 - The Hague
 - TransGlobal Ventures
 - Washington DC
- Initial consultations by
 - European Centre for Public Affairs
 - Sussex, UK
- Co-financed by
 - Ministry of Housing, Spatial Planning and the Environment (VROM)
 - The Netherlands



For more.....



- Review the Consultation Paper
 - Released September 2003
 - Downloadable via www.eco-insurance.net
 - Hard copies upon request via info@envirosecurity.org
- Partnerships, comments and suggestions?
 - E-mail: jslovink@eco-insurance.net