Eco-Insurance for a Sustainable Future

AN OVERVIEW

KATOOMBA VI CONFERENCE, LOCARNO, SWITZERLAND – November 2003
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

- 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

Two key decisions: How much (biocapacity) by when?

Source: Lovink and Wackernagel 2003 (forthcoming)
21st Century Risk Management

- From the Global to Individual Level

![Diagram showing the relationship between number of planets, years, and risk index.]
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

<table>
<thead>
<tr>
<th>Thematic Areas</th>
<th>Eco-Insurance Global Performance Funds</th>
<th>% Target*</th>
<th>Eco-Insurance Global Development Funds</th>
<th>% Target*</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Water</td>
<td>• Greening Financial Markets</td>
<td>TBD</td>
<td>• EcoEnterprises Development</td>
<td>TBD</td>
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<td></td>
<td>• Publicly Quoted Companies</td>
<td>TBD</td>
<td>• Direct Payment Systems for Ecological Goods &amp; Services</td>
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<td></td>
<td>• Triple Bottom Line Performance</td>
<td>TBD</td>
<td>• Capacity Building and Training</td>
<td>TBD</td>
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<td></td>
<td>(People, Planet, Profit)</td>
<td>TBD</td>
<td>• Grants, (semi) Equity, (soft) Loans and Guarantees</td>
<td>TBD</td>
</tr>
<tr>
<td>• Energy</td>
<td>• Global Network of Sustainable Asset Managers</td>
<td>TBD</td>
<td>• Global Network of Financial Intermediaries</td>
<td>TBD</td>
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<tr>
<td>• Health</td>
<td>• Online Investment Platform</td>
<td>TBD</td>
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<td>• Agriculture</td>
<td>• Transparency &amp; Accountability</td>
<td>TBD</td>
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<td>TBD</td>
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<tr>
<td>• Biodiversity</td>
<td></td>
<td>TBD</td>
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<td>TBD</td>
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<tr>
<td>Total</td>
<td></td>
<td>90%→75%**</td>
<td></td>
<td>10%→25%**</td>
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</tbody>
</table>

* 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

- 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/MOU 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