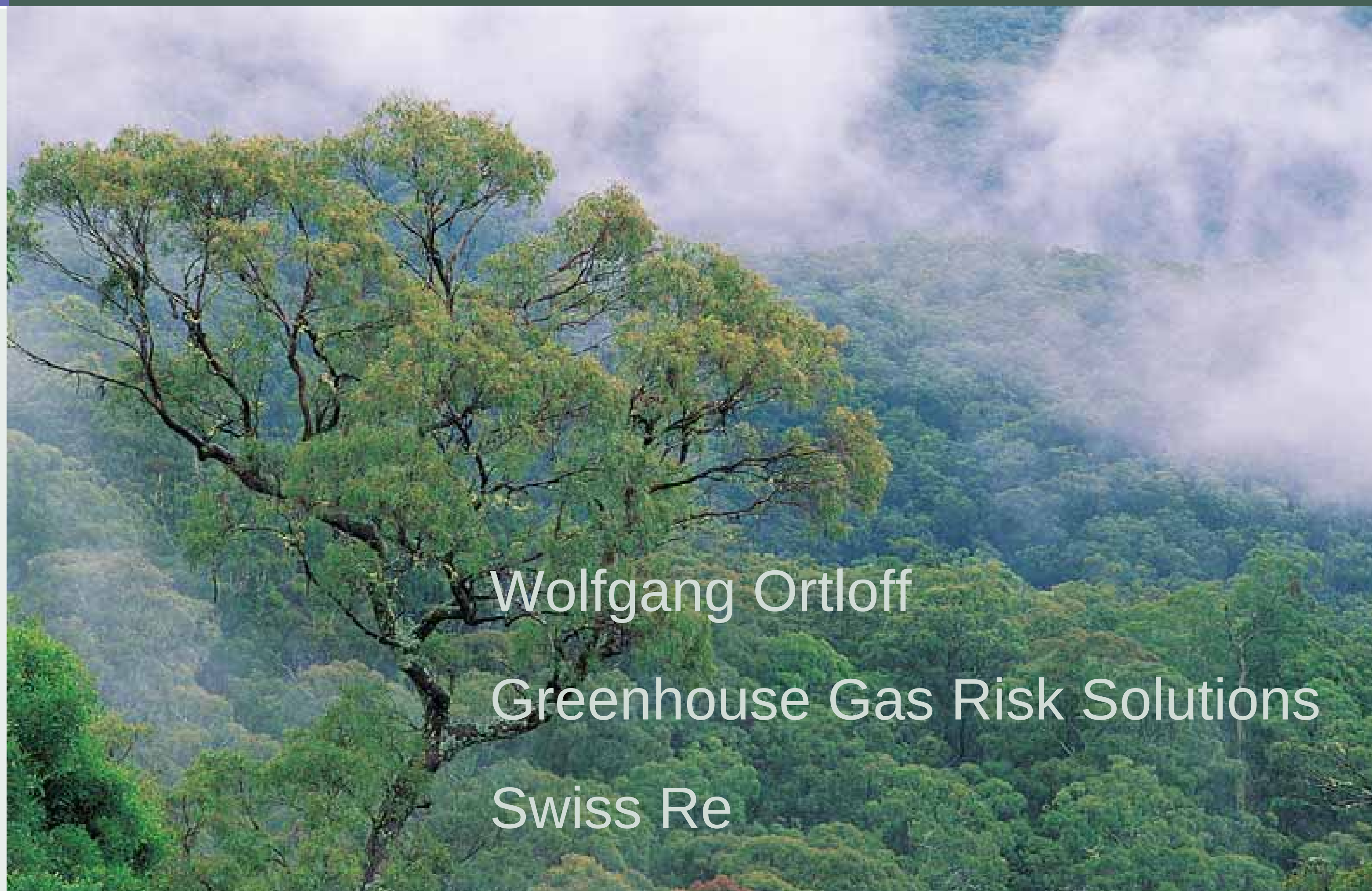
How to insure permanence ?



Wolfgang Ortloff

Greenhouse Gas Risk Solutions

Swiss Re

Beyond Carbon conference

29 - 30 October 2003

Swiss Re Rüschlikon

Centre for Global Dialogue

Sink credits vs. technological emissions reduction credits

- Main difference: permanence

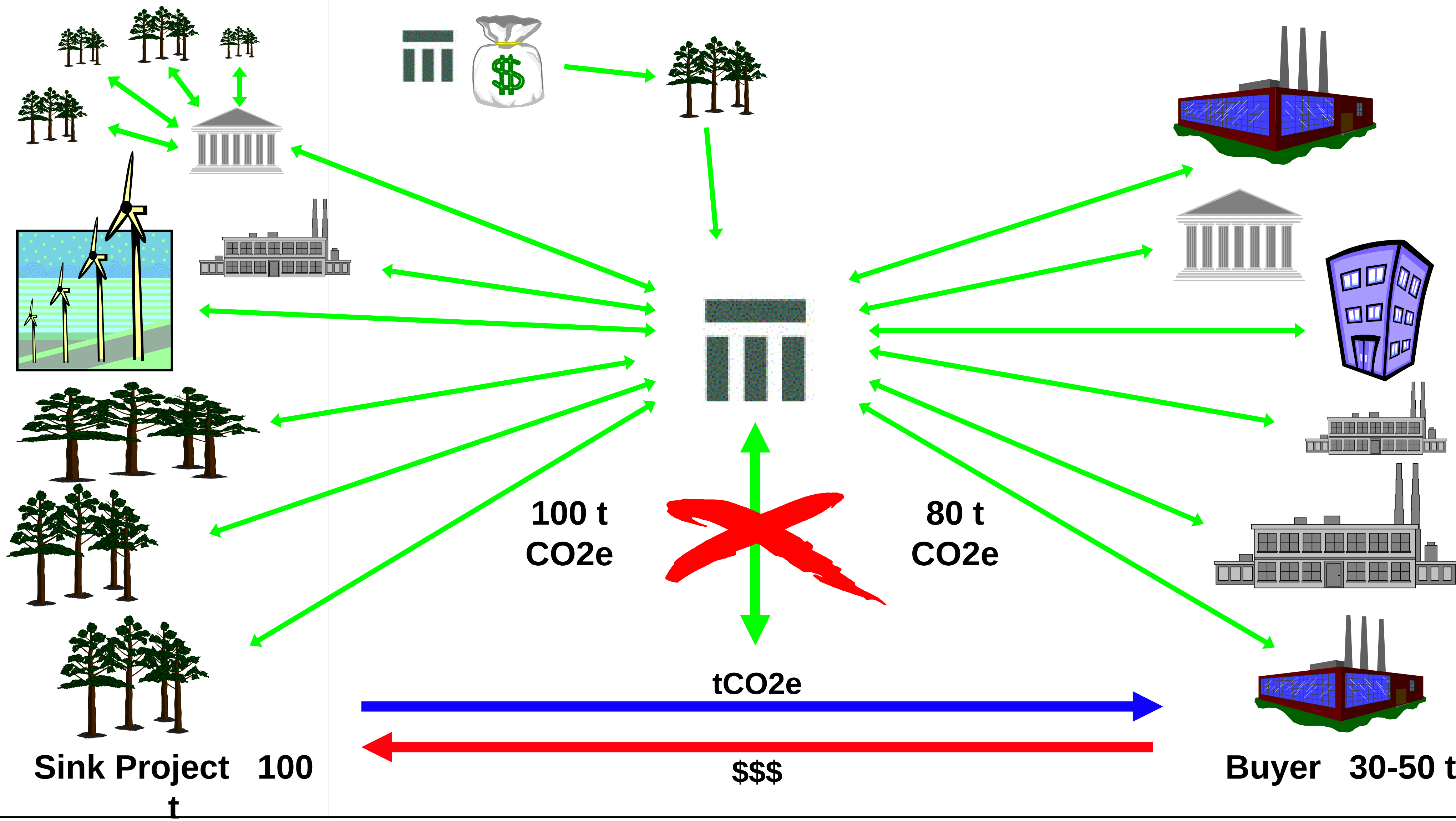
  A technological credit, as soon as certified and verified, is real and cannot be un-done.

  What happens if the underlying for a sink credit which has been sold or traded “disappears” because of a forest fire or another natural event?

The task:
to insure ...

- … a forestry / land-use project (trees!)
- … with a fuzzy underlying (what is carbon?)
- … in a foreign country (Banana Republic)
- … by an unknown counterparty (Treehugger Ltd.)
- … without a track record (first time ever)
- … for 100 years !!!

Insurance - the value of Swiss Re's balance sheet to a delivery guarantee



(Sorry for the last slide)

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In summary

- From insuring an individual project (buyer/seller)
  - to ensuring to the seller that we will be there to buy (a C purchase agreement helps him finding finance)
  - and to ensuring to the buyer that we will get him the expected credits, no matter what project they come from
- Liabilities:
  - on our sell side: Swiss Re is liable to deliver
  - on our buy side: Swiss Re takes risk of non-delivery, depending on risk profile of projects a lower price will compensate for uncertainties (permanence!)
  - It helps if traditional agro insurance is in place

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Carbon flow with different accounting systems