How to insure permanence?

Beyond Carbon conference
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Swiss Re Rüschlikon
Centre for Global Dialogue

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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

Sink Project 100 t CO2e 80 t CO2e

100 t 80 t CO2e

Sink Project 100 t CO2e

Buyer 30-50 t
**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
Carbon flow with different accounting systems

<table>
<thead>
<tr>
<th>Time [years]</th>
<th>Number of C credits [Mio]</th>
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<tr>
<td>1</td>
<td>3 5 7 9 1 11 31 51 71 92 12 32 52 72 93 13 33 53 73 9</td>
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