

ClimateWise Investing for Resilience

Progress Report 1

We held a very useful roundtable on 28 January to start the project off. It was attended by representatives from nine organisations, and as well as helping to set the context provided some helpful ideas about what the project's focus areas should be. There were four major topics of discussion:

- What is resilience?
- Who benefits from resilience and how?
- Investments
- Investing for resilience

During the course of the discussion, the following points were made:

- We should be considering resilience to risks related to climate change: ie, mostly severe weather events. There was a suggestion that earthquake should be included as well, as it is so similar to weather risks. The focus should be on physical risks, though it might be worth thinking about cyber risks too. Although much of the discussion centred on flood, other risks that were mentioned included drought, bush fires, and convection storms.
- There was no real agreement on how to define resilience, or even whether a quantitative approach would be useful.
- It's difficult to get people to pay for resilience, at least partly because the risks are hard to communicate, and loss of life is more compelling than monetary loss. However, some property owners might be prepared to pay – the example of property owners partly paying for Crossrail was cited.
- Investment mandates might need to include factors other than the purely monetary, if investing in resilience is to be encouraged. There might be an argument that fiduciary duty is broader than simply financial.
- Longer term outlooks might incentivise resilience more: for instance, longer term insurance policies (maybe attached to the property or mortgagor rather than the property owner); or something akin to social impact bonds – paying by results.
- Governments, both national and local, are major stakeholders and influencers. They are mainly self-insured, so have potential benefits from resilience, and through their policies affect the incentives for others (building regulations, zoning, compulsory insurance, etc).

Since the roundtable, we have been following up on some the suggestions that were made, as well as pursuing other lines of enquiry. We have held eight interviews with ClimateWise members and others, and have further interviews arranged.

- We are developing a framework for considering types of resilience: for instance, preventing a flood, reducing the damage a flood causes, and making recovery after a flood easier are different ways of being resilient to floods. We will use this to characterise the possibilities for investing in resilience.
- We are finding and analysing case studies of situations in which resilience has been seen as desirable and has been invested in.
- We are looking at the role of rating agencies and the effects of resilience on ratings.

- It is clear that a major barrier is that of monetising the return on resilience. We are looking into possible incentives and other mechanisms for overcoming or reducing the “tragedy of the commons”.

We would welcome any further suggestions from ClimateWise members. We would be especially interested in knowing about any activities connected with resilience that they are involved in, possibly through CSR initiatives, or indeed activities by others that they are aware of.

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