



PACIFIC ISLANDS FORUM SECRETARIAT

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FORUM ECONOMIC OFFICIALS MEETING

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Virtual

INFORMATION PAPER NO. 1: PACIFIC ISLANDS CLIMATE CHANGE INSURANCE FACILITY (PICCIF)

Purpose and Summary

Purpose

This paper provides a progress update on the *Pacific Islands Climate Change Insurance Facility* (PICCIF) initiative launched by Tuvalu in 2016 and endorsed by the Smaller Islands States (SIS) Leaders meeting, in 2017.

Summary

- i. The PICCIF has made good progress in refining and refocusing the work from what was initially conceptualised, bringing in a wealth of real-world examples of what could work for the region.
- ii. The work is yet to be completed but there is great promise in what has been proposed so far in the process. SPREP has secured financing as well as the collaboration of a team of experts, including CROP and UNEP, to further the work in 2019 and 2020. A workshop was held in October 2019, which agreed on a pathway to further development of the concept.
- iii. Key issues relate to: the diversity of products that will be required for the region, which are not limited to insurance; that the process will focus on the SIS initially; and, that a final report will be available in September 2020, for Forum Economic Ministers and SIS consideration. It is expected that while SIS are the preliminary focus, the recommendations will be applicable to all Members, particularly for smaller communities and outer islands.

A. Overview/Summary

The Prime Minister of Tuvalu first proposed a Pacific Islands Climate Change Insurance Facility (PICCIF) in 2016, which sought to:

- a) address climate change insurance needs of the region beyond disaster risk; and,
- b) generate sufficient financing for climate change insurance.

2. Several workshops and taskforce meetings were held from 2017 to 2019, but sufficient resources were not secured until 2019 by SPREP, supported by UNEP. The securing of the resources allowed for an expert group meeting to be convened in October 2019. An action plan was developed for next steps. The meeting also agreed on the scope for synergies between various regional processes. It was agreed to follow a multi-fold approach, including the following work packages:

- **Identification of risks that will need to be covered** (defining the coverage) both in terms of specific events and the level of coverage for individuals, communities, nations and/or the region. By identifying the climate change threats to Pacific Island countries, the nature of the insurance-type response most applicable to those threats can be designed. A technical exchange with the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) on the results of previous risk assessments and the possible integration of appropriate response measures is planned;
- **Build on existing databases** of various current disaster risk management and finance mechanisms available to establish an appropriate means of knowledge management on these issues; and,
- **Dataset, scenarios and modelling.** Review the existing PCRICs dataset. Work with the Pacific Metrological Council panels on identifying relevant data, scenario and modelling work on the effects of climate change.

B. Discussion

3. The work has focused on finding a Pacific or SIS relevant set of suggestions. A key challenge in developing appropriate and effective climate risk management and financing tools, in the context of a changing climate, is in the interaction between what is more traditionally understood as disaster risk (that is the volatility associated with shock events that have always been a feature of the natural earth system, such as storms and earthquakes) and what is more precisely climate change related risk. Climate change will amplify the hazard profile of the SIS with respect to those hydrometeorological perils they already face. It will also introduce novel threats.

4. In addition to modifying the acute hazard profile of the SIS, chronic climate change related pressures represent a change to baseline environmental processes, which pose slow-onset threats in and of themselves. Sea level rise resulting from climate warming and associated melting of glacial and polar regions is a pertinent example. When chronic changes occur over extended time scales, societies and environments can adapt. However, the rate of global environmental change has accelerated dramatically since the 1950s resulting in relatively rapid changes to environmental baseline processes. Climate adaptation financing is therefore crucial to facilitate environmental and societal adaptation to these changes.

5. In order to ensure that the management cycle is progressive, the work to date is suggesting the need to make a key conceptual shift in the climate change risk management and financing framework: wherein actions will not be hazard event driven, but rather they will be adaptation goal driven.

6. Rather than a framework built around anticipating certain hazards at the first step, it is now proposed that the following framework looks to clarify the priorities for action at each stage of the cycle and ensures that financing is targeted to support the achievement of maximum impacts at each phase. This cycle is divided into four components:

- Response:** Activities required just prior to and immediately after an event to ensure impacts are minimised and lives and livelihoods are saved;
- Recovery:** Activities that ensure the short to medium term impacts of forced action events, like loss of income to a community, are minimised until the community can get back on its feet;
- Reconstruction:** Activities that facilitate the reconstruction of assets after an event to restore a community's health (including financial, physical, spiritual and environmental dimensions); and
- Adaptation:** Activities that facilitate the redevelopment of assets prior to an event or on a longer timescale to ensure a new level of resilience is achieved.

7. Therefore, the team supporting the PICCIF initiative has identified the following 'Guiding Questions' to provide and orient the development of PICCIF's climate risk management tools and financing:

- i. What do we want to protect? What do we have/own/treasure? (asset focus) What drives our prosperity and livelihood? (cashflow focus)
- ii. What are the potential impacts? How do hazards cause damage/disruption?
- iii. Where do those impacts fit in the cycle? How could we best respond? How does action contribute to better actions at other stages in the cycle?

C. Next Steps

8. The PICCIF team has made good progress in refining and refocusing the work from what was initially conceptualised. They have brought in a wealth of real-world examples of what could work for the Pacific region. The work is yet to be completed but there is great promise in what has been proposed so far in the process.

9. It is hoped that a regional workshop will be held in September 2020 to validate the findings and to recommend concrete actions going forward. Forum Economic Ministers are encouraged to note the progress and remain engaged in these discussions.

Secretariat of the Pacific Regional Environmental Programme
12 June 2020