



No More Ambiguous Science

The science is now clearer than ever. With the Intergovernmental Panel on Climate Change (IPCC), latest conclusion in its fifth assessment report that now there is a 95 % probability that the climate change acceleration is due to human activities there should be no more doubts. The statement is from an international body created by the UN in 1988 to collect and synthesize the latest science on climate change. The report considered new scientific evidence, based on many independent scientific analyses from observations of the climate system, historical climate archives, theoretical studies of climate processes and simulations using climate models and has gone through a rigorous peer and expert review process. The report also points out that the warming of the climate system since 1850 is unequivocal and unprecedented over a period of millennia, as confirmed by historical climate reconstructions. The 30 year period between 1983-2012 is likely to have been the warmest in the past 1,400 years. In a way, we represent the generation passing through the most direct and threatening impacts phase of this climate change and this urges us to take action.

This immediate threat refocuses the attention of both academia and civil society upon developing much improved underlying quantitative metrics from which to provide not only the required assurance to Financial Institutions, both from the private and governmental sector as to definition and prediction of climate change investment risks. Importantly, these metrics must also provide a common consensus driven basis for the prediction of natural disasters this to alleviate the societal and humanitarian impacts of these ever more frequent disasters while reducing the costs thereof.

In May 2013, just five months prior to the publication of the IPCC report, the U.N. Office for Disaster Risk Reduction warned that economic losses from disasters since 2000 are in the range of \$2.5 trillion, a figure at least 50 percent higher than previous international estimates.

This is further stressed by U.N. Secretary-General Ban Ki-moon in a report, stipulating that the review of disaster losses in 56 countries clearly demonstrates that “economic losses from disasters are out of control” and can only be reduced in partnership with the private sector he commented that, “Our startling finding is that direct losses from floods, earthquakes and drought have been underestimated by at least 50 percent”.



Ban further reiterated “So far this century, direct losses from disasters are in the range of \$2.5 trillion.

This is unacceptable when we have the knowledge to reduce the losses and benefit from the gains”. For too many years, the secretary-general said, financial markets have placed greater value on short-term returns than on sustainability and resilience, which in the long-term are far more attractive and can save millions of dollars. “In the years ahead, trillions of dollars will be invested in hazard-exposed regions,” Ban said. “If that money fails to account for natural hazards and vulnerabilities, risk will increase. Where such spending does address underlying risk factors, risk will go down.”

Additionally, Antony Bugg-Levine and John Goldstein, of the non-profit Finance Fund, describe the emergence of an industry the Rockefeller Foundation refers to as impact investing. Broadly defined, impact investing is that which helps solve social or environmental problems while generating financial returns. They go on to state that;

Products and services that present solutions to the increasing constraints on natural resources and unmet basic human needs will be a major driving force for our economy. While there will be numerous investment opportunities that claim both premium financial returns and social/environmental benefit, non-financial metrics will enable us to distinguish the “pretenders” from the “real deal”.

We are currently at the stage where scientific evidence is overwhelmingly strong along with a growing consensus that cost of no action is set to increase exponentially. But this is also a reality that a considerable investment gap remains towards low carbon solutions, cleaner technologies and sustainable development approaches. **Apart from uncertainty of climate policy, we believe, lack of credible approaches and established financial matrices to integrate climate related risks into investment portfolios is a bigger challenge.**

Historically we know that markets can work in a political uncertain situation but investments do not flow if the investors are not able to measure their returns with a reasonable accuracy.