

Position on new EU strategy for adaptation to climate change

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Introduction

Insurance Europe supports the European Commission’s aim of adopting a new, more ambitious EU strategy on adaptation to climate change as part of the European Green Deal. As climate change will continue to create significant upheaval in Europe (and beyond), despite mitigation efforts, climate change adaptation continues to be a key priority of insurers, who have long campaigned about the need for policymakers to not only take measures to mitigate the effects of climate change, but also to invest in adapting to its consequences. Climate change is already manifesting itself in increasingly damaging natural hazard events, and an adequate balance between mitigation and adaptation must be met.

Beyond adaptation, Europe’s (re)insurers are ready to continue contributing to the EU’s political commitment to be climate neutral by 2050. The (re)insurance industry has long recognised the threats posed by climate change and acknowledges the central role insurance plays in identifying, measuring and pricing material climate risks. The industry is therefore keen to continue playing a leading role in financing the transition to carbon-neutrality, resource-efficiency and greater sustainability (for more on this, please refer to this [position paper](#)).

Given its importance, the insurance industry is willing to continue to contribute to the Commission’s efforts on climate change adaptation. While it is important to recognise that each member state is affected by climate change differently – and therefore a one-size-fits-all solution is not possible at a European level – there is a key role to be played by the EU in coordinating adaptation efforts.

The 2013 EU Adaptation Strategy: a good start, but short of what’s needed

Broadly speaking, Insurance Europe supported the findings of the evaluation of the 2013 EU Adaptation Strategy. European (re)insurers are of the view that the strategy was a crucial first-step in recognising that EU-level action is necessary to adapt to climate change.

For the European (re)insurance industry, however, the key shortcomings of the EU Adaptation Strategy were that:

- It was not sufficiently forward-looking in addressing the future impact of climate change (>2°C).
- Climate change adaptation has not yet been effectively *mainstreamed* in EU policies. Nor has it been sufficiently well-aligned to sub-national, national and international policies and actions.
- The strategy was not effective enough in shifting priorities and actions from *post*-disaster to *pre*-disaster.
- Knowledge gaps remain, best practices are not sufficiently well shared across member states and awareness levels of adaptation remain low.
- The strategy did not help member states to improve the link between vulnerability, funding and insurance as a risk management tool.

Now is the time to give more prominence to adaptation

It is the view of European (re)insurers that even if measures that radically reduce greenhouse gas (GHG) emissions were to be adopted, climate change mitigation measures would no longer be enough. Extreme weather events are already frequent and severe and the number and scale of these events is likely to increase further. Indeed, mitigation actions alone are not enough to address the economic, social and environmental implications of a changing climate. **More prominence must be given to adaptation.**

2020 has been designated by the Global Commission on Adaptation as the “year of action” on adaptation and the EU is well-placed to seize on this momentum. With its new strategy on adaptation to climate change, the EU should raise the prominence of adaptation in EU policy by mainstreaming adaptation and shift its focus from reacting to disasters to a more proactive approach that prioritises prevention, risk reduction and resilience building.

In this vein, the Commission should consider the following points:

- Successful mainstreaming of adaptation requires coordinated action that encompasses the dissemination of coherent, high quality data on adaptation measures and introduces public-private partnerships where necessary. Such partnerships can aid, for example, in investing in adaptation measures that might otherwise not be adopted due to the prohibitive cost.
- Beyond partnerships, effective adaptation also requires the sharing of responsibility between governments (eg flood defences, building codes, emergency sewage plans); the private sector (eg investment in adaptation measures); and the public (eg awareness of adaptation and avoidance of high-risk zones).
- It is vital that the EU continues to support *ex ante* financing for natural hazards and for reducing the risks stemming from them. This includes permitting insurers to negotiate terms and conditions with their policyholders directly, which can encourage adaptation measures to reduce exposure to risk.

Considering the different and unique needs of EU member states, risk mapping and analysis should also be examined at a local level. Adaptation guidelines, mainstreaming of adaptation measures and the sharing of information through EU databases can assist member states in developing solutions that work best for their markets and environmental conditions. Lastly, and importantly, while it is clear that climate change “knows no borders”, the variety of circumstances in different EU member states demonstrates that there is no “one size fits all” scheme with respect to natural catastrophes.

More ambition needed

In conclusion, the new and more ambitious EU strategy on adaptation to climate change is a vital opportunity for the EU to build up adaptation capacity and therefore resilience.

- Improving insurability through the **enforcement of adaptation measures** should be the first step in minimising the damage that is caused by natural hazard events in Europe today. The EU has a key role to play here in terms of spearheading and coordinating efforts. Public authorities need to encourage, through awareness-raising and enforcement of relevant adaptation legislation, **and move towards**

more preventative behaviour. This should include enforcement of risk-adverse policies, such as building codes, flood defences and avoidance of construction in high-risk zones (ie for floods, storms, earthquakes, etc).

- A focus on preventing the overflow of sewage systems during hydrological disasters would also be well-placed (for more, see our views on the EU Floods Directive [here](#)).
- Additionally, nature-based solutions offer a promising avenue in making some ecosystems more resilient in a more sustainable way
- Insurance Europe believes that **cooperation between insurers and policymakers** is absolutely essential in order to ensure that a holistic approach to adaptation and natural catastrophes in Europe is taken. This new strategy should encourage market-driven initiatives and permit risk transfer mechanisms to adapt to the local conditions of the region where risk transfer systems are implemented.
- **Enhance awareness** of the actual and potential consequences of climate change and the need and possibilities for successful, economically viable and beneficial (for a wide range of stakeholders) adaptation to climate change at regional/ local level.
- **More high quality and usable data on climate risks is needed.** The pre-requisite for the pricing of climate risks is good data on how such risks can materialise and affect the real economy. The EU is in a favourable position to support EU-wide efforts to model physical risks relating to climate, which ought to be accessible on an affordable, digital platform to all investors and insurers – and possibly the whole of society in order to create a well-informed, level playing field.
- As investment by the private sector is also essential, there also needs to be:
 - An increased supply of sustainable investment assets, which remains limited; more long-term sustainable assets therefore need to be created.
 - A clear link to the EU Taxonomy which will eventually make clear the classification of investments that contribute towards adaptation to climate change.
 - The creation of more incentives (eg tax benefits) and the elimination of wrong incentives (for short-term or “climate-blind” decision making) is necessary for businesses to incorporate such measures into their operations.

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