

Thriving on Change

16th

**General
Insurance
Seminar**



9-12th Nov 2008
Hyatt Regency Coolum



Institute of Actuaries of Australia

Climate Change

The EEC Perspective

(in 15 minutes or less)

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Agenda

- The IAAust EEC?
- Recent EEC output
 - Submissions
 - Papers
 - Actuary Australia Magazine
- The future for EEC and actuaries generally



What is the IAAust EEC?

- Energy and Environment Committee
 - Former sub-committee but lost its parent
 - Now on the way to full practice committee
- It is the mission of the Energy and Environment Committee to:
 - Develop, promote and assist education of members in the energy and environment field;
 - Undertake and assist in research projects and public debate regarding energy and environmental issues, contributing a sound actuarial basis to the field.



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Who is the IAAust EEC?

- ~20 members
- About 40% actively work in related fields
 - Energy company (carbon strategy role)
 - Climate change consulting
 - Government departments
 - Ethical funds management
- # in the field is increasing all the time



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Recent EEC output - submissions

- March 2007 – PM's Task Group on Emissions Trading
- May & June 2007 – Letters to Opposition Leader and PM in support of Garnaut Review and APEC regional cooperation, respectively
- Feb 2008 – 2 submissions to Garnaut review:
 - Insurance Issues
 - Factors in ETS design
- April 2008 – submission to Garnaut following ETS discussion paper



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Recent EEC output - papers

- 2007 Convention
 - Paper on Stern Review
 - Paper on achieving 60% emissions reduction
- Insights sessions
- UK magazine article
- SOA magazine article
- 2009 Convention – review of white paper

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EEC and ACTUARY Australia

The love - hate relationship



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The Love

2007 and 2008 articles

- Issue 118 – Article on Stern Review
- Issue 119 – Modelling climate economics
- Issue 120 – GHG emissions
- Issue 126 – Economic costs of climate change (Stern)
- Issue 127 – GHG emissions Aust v NZ
- Issue 130 – Carbon delivery insurance
- Issue 132 – Opportunities in the Aust Carbon market



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The Hate (strong word?)

- Issue 112 – 2 Ducks
- Issue 115 – 2 Ducks
- Issue 117 – The Pulse (same author as 2 Ducks!)
- Issue 131 – 2 Ducks
- Issue 134 – Report on Modelling Climate Change

- Letters in response - Issues 116, 120 and 133

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The EEC's view on all this

disclaimer



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Anthropogenic Climate Change

- Evidence is clear
 - Basic physics, more atmospheric GHG's = hotter planet
 - Basic data – atmospheric concentration of GHG's steady increase
 - Global warming trend
 - Paleo-climatic studies confirm understanding
 - Modelling produces likely outcomes
 - But don't believe me – I am not a climate scientist read the papers yourself!



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Anthropogenic Climate Change

- Assessment & Support
 - 185 member countries of the UNFCCC unanimously agree on the IPCC Assessment Reports (i.e. Governments and their scientists)
 - Meta-study of 928 climate change papers published between 1993 and 2003 in refereed scientific journals found 75% explicitly or implicitly accepted the consensus view while 25% took no position. 0% disagreed with the consensus!
 - Consensus among climate scientists
 - Organisations as diverse as Shell, NewsCorp, Google, US Pentagon, NGO's take CC seriously (e.g. currently the single greatest risk to civilisation)



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Contrarians, conspiracy theories etc

- Contrarians v Skeptics
- The idea that this is some sort of conspiracy is as far fetched as:
 - The denial of the Holocaust
 - The moon landing was faked etc
- Asbestos & tobacco



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Actuary Australia

- Right to freedom of expression?
- But when does balanced reporting become biased reporting?
- Is it professional? Humourous?



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In summary

- The world has moved on...when will our magazine?
- And a note for true skeptical actuaries
 - Use Control Cycle
 - IPCC AR4 estimates are proving to be underestimates
 - GHG's concentrations growing faster
 - Ice melt faster than predicted
 - Sea rise higher than predicted



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Future aims of the EEC

- Become a full practice committee
- Develop the space for actuaries (although this will rely more on the individuals than the EEC)
- Continue the education of the membership and public policy submissions



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Carbon market opportunities

- Modelling / projections of carbon liabilities
- Cashflow implications of ETS
- Appropriate risk management responses
- Insurance
- Working for:
 - Energy companies
 - Government departments
 - Climate change consulting operations
 - Insurance companies
 - Fund managers, investment banks