ADAPTATION AND PRIVATE SECTOR ENGAGEMENT:
RECENT INSIGHTS FROM OECD WORK

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Adaptation is the cumulative effect of many private actors and their decisions:

- large companies, SMEs, commercial building owners, households and consumers, farmers, bankers, engineers, architects... etc

**Developed countries:** high capacity for private sector action, yet large market barriers

**Developing countries:** lower capacity, higher vulnerability

- prevalence of informal activities and poverty
- MSMEs, weak financial markets, lack of relevant expertise and skills
- poor infrastructure, rapid urbanisation
- weak government institutions, etc
Who gives and who receives climate adaptation finance as ODA?

Total adaptation ODA: $1.8 – 8.3 bn, 21-49% total climate aid

TOP 10 ADAPTATION DONORS

90% of total adaptation-related aid

TOP 10 ADAPTATION RECIPIENTS

62% of total adaptation-related aid

- About 20% of the portfolio is urban; portfolio roughly split between grants and concessional loans (OOF not included)
- Significant funds also flow through multilaterals
- OECD DAC starting to capture these flows (e.g. GEF, WB – IDA, AfDB)

Source: OECD DAC CRS System; 2011 - constant 2011 prices, both principle and significant.
Development co-operation: total ODA targeting adaptation

About 2.6 – 8.7 bn USD per year (2010/11 avg)

Key sectors: total vs portion targeting adaptation

Opportunities for private engagement?
Adaptation: 3 levels of engagement

- **Risk Awareness**
  - Acknowledgement of climate change as a business risk

- **Risk Assessment**
  - Identification and assessment of potential climate risks and adaptation options

- **Risk Management Action**
  - Development of adaptation strategy, implementation of risk management measures

Corporate engagement in adaptation – what do we know?

Analysis of **16 large companies** by **Agrawala et al (2011)** and the **2009 CDP survey** found:

- **Awareness of climate change high**
  - link to experience with disaster and subsequent market disruptions, e.g. Katrina, French heat wave & Xynthia

- **Assessment exists but is limited**
  - attention to current climate variability, risk to physical assets; no clear evidence of attention to long-term, systemic or economic risk
  - new business opportunities: consulting services, water management technologies

- **Action more limited**
  - more activity on adaptation does not mean being better adapted
  - Where action taken, 2/3 implement “soft” measures (building risk assessment capacity), under 1/3 implement “hard” measures

- **Other key findings – company-led adaptation:**
  - adaptation not a meaningful "label" – make the business case
  - incentives and risk perceptions vary: business model (e.g. service vs goods), time horizons, in-house risk management expertise
  - long-term vs short-term trade offs point to policy role
  - careful about interpreting “no action” – corporate actors cautious about what they share; link to financial performance and competitiveness concerns?
What role for government to mobilise private engagement?

- **Raise awareness**
  - research partnerships to join up business, research community and governments
  - hazard and vulnerability mapping

- **Step in where markets fail and there are large public goods to align regulations and strengthen policy to reflect climate change**
  - network infrastructure—such as water and transport
  - infrastructure research, permitting and siting
  - encourage companies to identify and disclose their exposure to climate risks
  - provide climate data and tools at meaningful scale (e.g. local climate projections)

- **Protect the poor and most vulnerable**
  - local action: land use and zoning, municipal planning
  - national action: risk sharing such as insurance pools, social infrastructure such as hospitals, emergency and disaster management services

- **Financial transfers to mainstream risk management across levels of government, encourage and partner with private sector where appropriate**
  - national to local
  - international development co-operation to support action in developing countries
THANK YOU!

For more information:
OECD DAC-CRS - Methods and data on climate change financing
www.oecd.org/dac/stats/riocovnventions.htm

OECD DCD Environment and Development Homepage
www.oecd.org/dac/environment-development

OECD, Climate Change Policy and Finance
www.oecd.org/env/cc
www.oecd.org/env/cc/financing

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Corporate engagement – Agrawala et al. 2011 paper methodology

• Key questions
  - What actions are companies taking to manage climate risks?
  - What factors affect adaptation decisions?
  - What can governments do to encourage private sector adaptation?

• Case studies provide detailed information on adaptation processes
  - 16 companies, across a range of industries

• Supported by analysis of Carbon Disclosure Project responses

Common factors affecting company engagement

**Capacities**
- Financing
- In-house capacity
- R&D infrastructure
- Partnerships

**Incentives**
- Uncertainty
- Flexibility (i.e. choice of location, supply chain)
- Policy & regulation
- Business planning horizons

**Perspectives**
- Previous experiences
- Opportunities versus risks