ADAPTATION AND PRIVATE SECTOR ENGAGEMENT:

RECENT INSIGHTS FROM OECD WORK

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Private sector engagement in adaptation – what do we know?

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

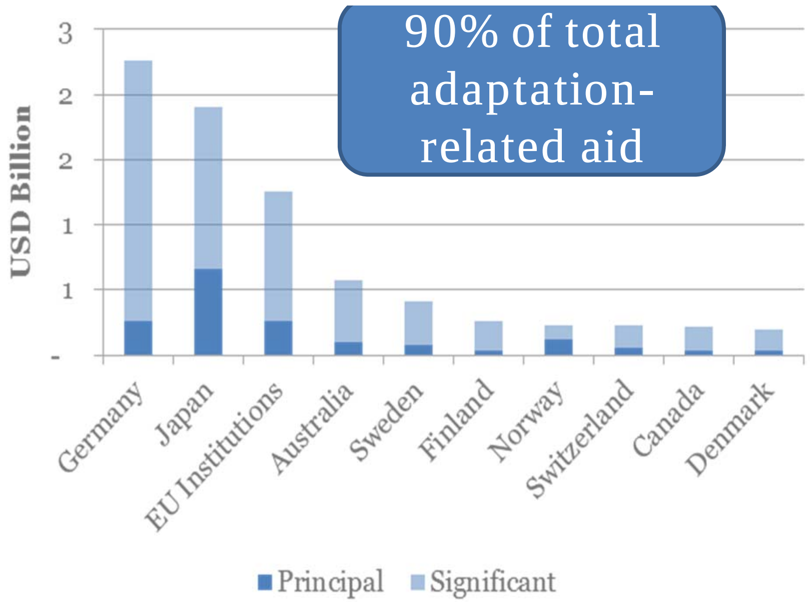
- prevalence of informal activities and poverty
- MSMEs, weak financial markets, lack of relevant expertise and skills
- poor infrastructure, rapid urbanisation
- weak government institutions, etc

Who gives and who receives climate adaptation finance as ODA?

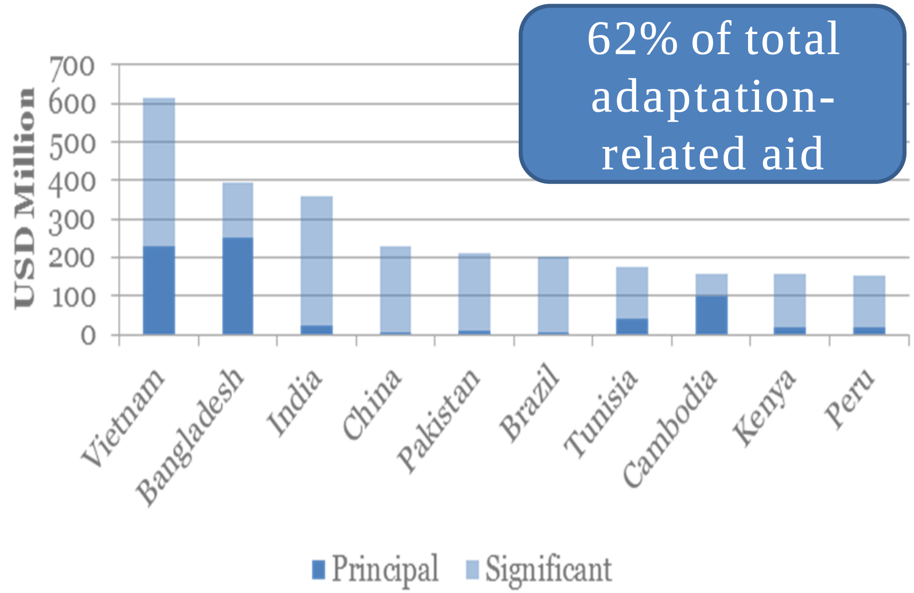
SNAP SHOT – Rio Markers 2011

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

TOP 10 ADAPTATION DONORS



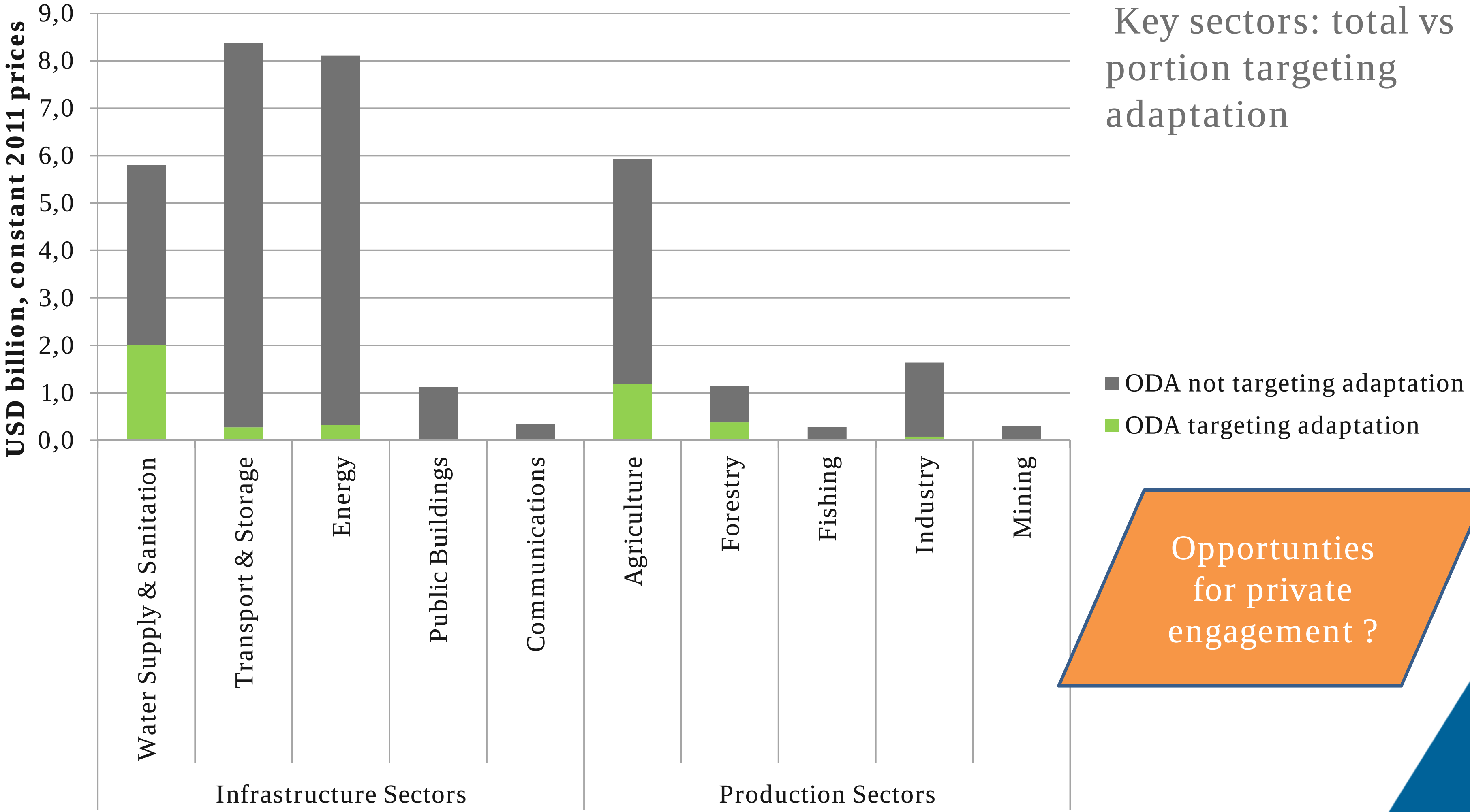
TOP 10 ADAPTATION RECIPIENTS



- **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.

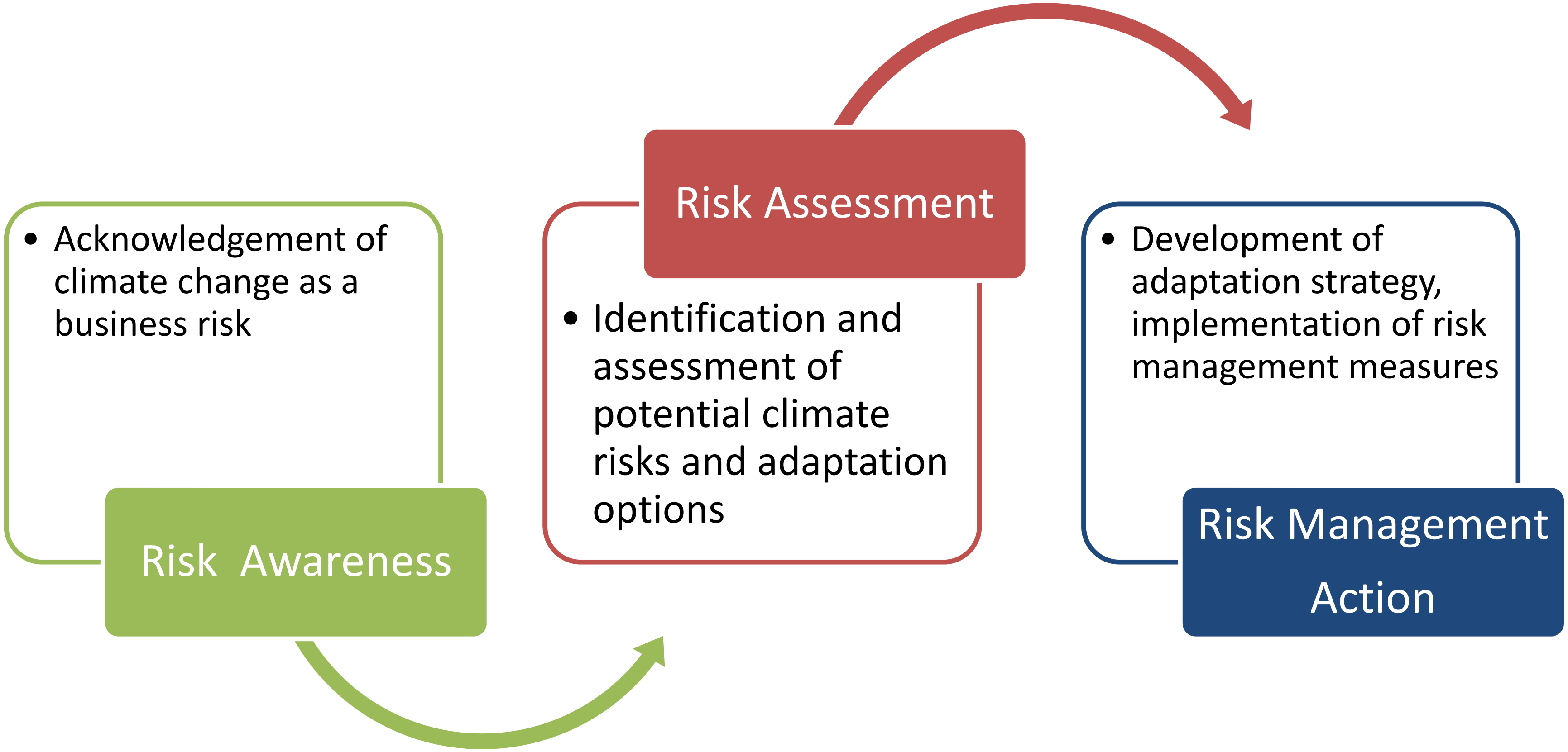
Development co-operation: total ODA targeting adaptation
About 2.6 – 8.7 bn USD per year (2010/11 avg)



Key sectors: total vs portion targeting adaptation

Opportunties for private engagement ?

Adaptation: 3 levels of engagement



Source: Agrawala, S., et al. (2011), "Private Sector Engagement in Adaptation to Climate Change: Approaches to Managing Climate Risks", *OECD Environment Working Papers*, No. 39, OECD Publishing.

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 sub-sequent 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/rioconventions.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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Extras

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

Source: "Private Sector Engagement in Adaptation to Climate Change: Approaches to Managing Climate Risks", *OECD Environment Working Papers*, No. 39, OECD Publishing.

Common factors affecting company engagement

Capacities	Incentives	Perspectives
• Financing • In-house capacity • R&D infrastructure • Partnerships	• Uncertainty • Flexibility (i.e. choice of location, supply chain) • Policy & regulation • Business planning horizons	• Previous experiences • Opportunities versus risks