

SIXTY SECOND INTERVIEW: IVO MENZINGER

Ivo Menzinger is head of sustainability and emerging risk management and an executive team member of the risk management division of Swiss Re in Zurich. He has worked for the company since January 1998, starting as a specialist for natural hazard and flood risk assessment. His department is in charge of improving the identification and management of environmental, social and political risks and opportunities, and of emerging risks. It also drives Swiss Re's commitment to provide ethical and socially and environmentally responsible products and services.

What one single thing convinces you most that climate change is taking place?

For me, it's the fact that carbon dioxide concentration in the atmosphere now stands at 380 parts per million, which is way above what the earth has experienced for 800,000 years. In all that time, there has never before been a period where the concentration has been above 280 parts per million.

In what way will climate change affect our lives most in the next ten years?

There are two answers to that. One depends on exactly where you live. We will see more extreme weather; very hot summers, droughts and very heavy precipitation. What will affect everyone in the world is that there will be a lot more stringent legislation and regulatory action around reducing emissions. The UK for example has committed to reduce its CO2 emissions by 60 per cent by 2050, compared to 1990, and this will have a big effect on everyone. It will affect industry and there will be more measures like the congestion charge and what the mayor of London Ken Livingstone is doing to regulate sport utility vehicles (SUVs) in London. The legislative and regulatory environment will change and this will have an effect on each and every one of us.

What is the most important thing you're personally doing on climate change?

I am commuting to work by public transport, which everyone does in London but not everyone does in Zurich, and I am putting investment in the energy efficiency of my house very high on the agenda.

What's the most important thing everyone can do to make a difference?

That's for the individual. On the one hand it's improvements in energy efficiency. It's not difficult to fit energy efficient light bulbs and you can also see the results on your electricity bill. You can be careful with how much you travel. There are a lot of individual choices you can make and you can contribute to the political debate. It can be a small thing or a big thing. Changing your light bulbs is a very small investment.

There's so much noise about climate change. Do you think people are in danger of becoming complacent about the issue or plain bored of it? What can be done to motivate and mobilise them?

Yes. It could develop in that direction. We need to be very clear about how climate change will affect every one of us. It's not just going to affect others in emerging markets. Climate change will also come to the UK. It would be extremely helpful if we could manage to create the attitude that it is cool to avoid emissions. If we're always saying 'you can't do this' and 'you should not do that', young people become bored and don't listen after a while. It has to become part of all our lifestyles. A cool lifestyle becomes one where driving a hybrid car is much cooler than driving a big SUV. Famous actors can play their part by being role models. If they started driving hybrid cars, suddenly it could become very cool.

How will climate change alter the business environment? How should it affect business travel and company car policies, for example?

It's clear that emissions have become a liability. We have the EU carbon trading scheme and in the five industry segments that it applies to, you have to manage your carbon emissions or face fines. This is how it works. It means that the regulatory environment has changed. I think governments have a very important role in creating a framework of incentives for emissions to be reduced. There can be incentives in economic terms so that it pays to investigate alternative energy sources.

What's in it for businesses to adapt their models to climate change? How will that benefit them? What are the risks if they do not?

The big effect will be the opportunities that there are going to be. People have to replace their heating systems with more efficient ones or systems that use renewable and alternative energy. There are enormous opportunities for energy-efficient and alternative energy technology. The amount of investment in clean energy technology was \$40bn last year. Within ten years it is expected to grow to about \$170bn so there are enormous opportunities. As a proactive company, you also have the opportunity to build up your reputation on these issues.

Do you think the EU and national governments are doing enough to raise awareness and tackle the issue of climate change?

I think the UK government has really done a terrific job as one of the leading governments in Europe on this issue. However, I think governments could do more in general. There is so much more to be done than Kyoto, which committed industrialised nations to reduce their emissions by five per cent, compared to 1990 levels. The Stern report makes it very clear that five per cent is just a drop in the ocean. The level of reduction of countries like the UK or Switzerland is going to have to be 50-60 per cent. It is absolutely clear that in order to cope with the possible consequences of climate change, developed countries need to take much more radical action.

What role should insurance play in understanding and managing the impact of climate change?

The insurance industry is in a privileged position to understand the implications of climate change because risk – including long-term risk – is our business. This makes the industry an important partner in efforts to shape a framework in which the transition to a low carbon economy is efficiently incentivized. In addition, we can play an important role in providing risk transfer solutions that foster both mitigation of, and adaptation to, climate change. Solutions range from tapping the capital markets to secure capacity for coping with the financial consequences of extreme events to products that support the emerging carbon markets.

Should climate change inform businesses and underwriting strategy?

Absolutely. Climate change will change businesses in terms of regulation. It will also change businesses in terms of physical assets on the coast, for example, where there may be more risk of flooding or more intense hurricanes. Insurers are going to have to take account of all these changes and every business will have to assess the sustainability of their business models.