

2 July 2021

Update on the Coalition for Climate Resilient Investment Q2 2021



Dear members and friends,

Thanks to your commitment and support, which we are delighted to see increasing day by day, CCRI continues to advance its technical workplan at pace. The excellent work on credit risk and resilience at the cash flow model level of the ADS working group and the overwhelming support following the initial invitation of interest in the Systemic Resilience Forum are just two examples.

Thanks to this progress at the technical level - combined with support from the UK government, the COP26 Unit and key figures in international climate action such as Mark Carney – 2021 continues to be a very positive year. CCRI membership is now at 97 members, representing USD 16tn in assets. The importance of the work being led by the Coalition also received welcome recognition in the Communique from this summer's G7 Foreign and Development Ministers' Meeting in London.

Progress to date has been exceptional. Whilst increased visibility and recognition may also mean greater scrutiny and expectation, we remain fully committed and confident in achieving our goal of announcing transformational solutions by COP26 and beyond. Meanwhile, your continued support in realising CCRI's collective ambition remains as important and needed as ever.

Please find enclosed both an executive summary and a detailed report regarding CCRI's progress.

As always, many thanks for your support.



Carlos Sanchez,
Executive Director, CCRI

Progress Executive Summary

Working groups exceed expectations

As mentioned, all working groups are moving ahead as expected. Below is a summary:

- **Asset Design & Structuring (ADS)** – Led by Mott MacDonald, the ADS working group has developed the Physical Climate Risk Assessment Methodology (PCRAM). PCR assessment, adjustments to cashflow forecast and relevant resilient options of the first CCRI case study were presented to ADS producers. Further progress on the case study with Cost of Capital and Asset Valuation modules underway. Two additional case studies are well advanced and a fourth about to begin.
- **Financial Innovation (FIWG)** – Following presentations on potential case studies, we identified two candidate transactions this working group will focus on and are ready to start defining workplans. More details below.
- **Systemic Resilience Forum (SRF)** – The SRF was recently launched with over 50 members already confirmed – inc. governments, international organisations, MDBs, financial institutions and technical experts. The first meeting is planned for mid-July. In parallel, the pilot project in Jamaica – in partnership with the Government of Jamaica’s Planning Institute and with the support of the Green Climate Fund (GCF), the UK Government’s Foreign and Commonwealth Development Office (FCDO) and the University of Oxford - is advancing well with a prototype tool already in testing.

Membership growing rapidly

- **New members** – Denham Capital, G20 Global Infrastructure Hub, National Grid, SURA Asset Management.
- **Joining soon** – Active conversations with several Australian Pension Funds, global asset owners, asset managers and banks.

Strong positioning and engagement

- **California’s Climate Risk Framework** – CCRI’s Executive Director had the opportunity to present our work to Governor Newsom’s Climate-related Risk Disclosure Advisory Group. Positive feedback received.
- **Blue Dot Network** – CCRI to be part of OECD’s Blue Dot Network, with the opportunity of contributing to the resilience component of the envisaged quality infrastructure label.
- **Race to Resilience** – CCRI has been selected as a Partner Initiative of Race to Resilience.
- **London Climate Action week** – CCRI Executive Director and CCRI partners joined the Finance for Adaptation Solutions & Technologies Roundtable (FASTR): ‘Accelerating Adaptation Investment Toward COP26’ to discuss the pioneering work they have been doing with CCRI.
- **CDRI Dialogues** – CCRI is co-curating a series of dialogues on ‘Finance for resilient infrastructure’ in partnership with the Coalition for Disaster Resilient Infrastructure. The [first event is planned for 14th July](#), culminating in a final event at COP26 in November.
- **CFA’s Climate Risk and Investing Certification** – CCRI’s Executive Director appointed vice-Chair of the panel in charge of advancing this new certification. Offer to CCRI members to be part of the pilot exam. Please contact us for more information.
- **Australia’s Intergenerational Report** - on 28 June 2021, the Australian Government released the fifth [Intergenerational Report](#), which is published every five years and provides a modelled view of the future over the next 40 years, detailing the economic challenges and opportunities facing Australia. Page 64 of the Report mentions the CCRI and emphasises the importance of this work for Australia.
- **World Pension Summit 2021** – CCRI to partner with WPS for their event on 12th November: <http://bit.ly/WPSP>. We are thankful for the exclusive discount offered by the organisers to CCRI members to attend the summit. Please contact margarete.ciuk@willistowerswatson.com to learn more.

- **IGCC Climate Change and Investment Summit** – CCRI is partnering with the IGCC for their event on 25th October to curate a dedicated segment on the Coalition and its deliverables. We are grateful for the continued support of the IGCC in championing CCRI and for this opportunity to present and discuss our work with key representatives from the region.

COP26 CCRI Programme

- CCRI is working closely with the UK Cabinet Office to curate CCRI’s COP26 Programme of events and has received strong endorsement for activities planned, which include panel-style events and an Art Exhibition:
 - **Three proposed panel events**, aligned to CCRI’s three areas of technical focus, will be organised predominantly during Resilience Day at COP. In addition, we are exploring a further three sessions in partnership with other countries to be hosted within their Pavilions and/or within the Resilience Hub.
 - CCRI’s Art Exhibition “**Resilience in the Arts & the Art in Resilience**” will feature works exploring stories of climate risk and resilience in art and culture and risk analytics as a form of art. Traditional art works will be displayed via an Augmented Reality Art Trail across country pavilions and beyond, while a showpiece digital light sculpture will be positioned centre stage in the Blue zone.
 - We have identified artists and experts to support the exhibition with **Aiwekhoe Iyahen** leading as Exhibition Manager. We welcome the support (financial or otherwise) of CCRI member institutions in implementing the exhibition. Please contact margarete.ciuk@willistowerswatson if you would like to learn more about opportunities to collaborate or arrange a discussion.



Detailed Technical Progress Report

Systemic Resilience (SR)

Mandate: Advancing solutions for the integration of physical climate risks in national planning processes

The Systemic Resilience work has picked up pace with the launch of the Systemic Resilience Forum in June.

- **Jamaica** – In partnership with the Government of Jamaica, and with GCF and the UK Government/FCDO support, we have advanced the technical development of an investment prioritisation tool in Jamaica. This will allow public decision makers to identify investments that protect the most economic and social value from physical climate risks over the next 20 years. The prototype tool, developed by the expert team at the University of Oxford, has already been presented to the government of Jamaica and we have begun planning for the next, pipeline generation phase of the pilot.
- **Systemic Resilience Forum (SRF)** – The SRF received 50 expressions of interest during its initial EOI period. The first meeting will be in mid-July when we will translate the Forum’s vision and goals - to mobilise capital towards resilience at the national, systemic level - into action by defining the scopes of work for both the national prioritisation tool and the systemic resilience metric(s). With several governments already part of the Forum, we expect to identify and announce by COP26 at least three further pilot projects (both OECD and non-OECD).

Asset Design & Structuring (ADS)

Mandate: Advancing practical solutions for the integration of physical climate risks in valuation practices

- **CCRI Africa case study:**
 - Mott MacDonald, Jupiter Intelligence and Lobelia Earth presented the Physical Climate Risk (PCR) assessment and Resilience options of the CCRI Africa case to the ADS producers.
 - We have been progressing the financial analysis of the case study with dedicated support from HSBC who have adjusted the project cashflow forecast to develop a set of Climate Base Cases and Sensitivities related to acute drought events.
 - Additional financial analysis is underway: Climate Resilience Credit Quality Drivers for this project being developed by S&P Global; a debt re-sizing exercise to take into account the revised cashflow forecast of the Climate Base Cases; and an analysis of the way in which longer-term climate impacts could be incorporated in asset valuation.

- **Other case studies:**
 - Mott MacDonald have completed the PCR assessment for the CCRI Windfarm case study in Southeast Asia, with support of AIR and Jupiter who produced the climate risk analytics. HSBC have adjusted the cashflow forecast to account for different scenarios. The benefits of a resilience investment embedded in the project has been quantified.
 - We are making very good progress on a third case study concerning a Rail network in Europe with a view to completing the climate analysis and PCR assessment by late July.
 - We have now kicked-off our fourth case study (water reservoir in Europe) with a view to conducting the climate risk assessment over the summer.
 - We are exploring additional high-quality case studies for ADS and are open to any suggestions.

- **Academic workshop:**
 - On 24th June, Imperial College London, Toulouse School of Economics and University of Washington co-hosted a pilot Academic Network Workshop to discuss methods for incorporating physical climate change risks into physical asset and project valuation methodologies.
 - The workshop served as an opportunity to bring academics and practitioners together to provide academic rigour to the current work of the CCRI case studies presented during the meeting. A summary note is available on request.

- **Guideline Development:**
 - The Physical Climate Risk Assessment Methodology (PCRAM) developed by Mott MacDonald will be integrated in CCRI's 'Guidelines to Incorporating Physical Climate Risks into Infrastructure Investment'.
 - We will work on the Guidelines over the summer period and incorporate further insights from the case studies with the view to present them at COP26.

Financial Innovation (FI)

Mandate: Advancing financial instruments that incentivise and reward an efficient pricing of physical climate risks in investments

- Two candidate transactions – one from the California Treasurer's office and one within a non-OECD context - were presented and validated by working group members. A third pilot transaction is being assessed.
- The working group is now focused on defining execution teams and work plans.

- We are incredibly proud of the support and enthusiasm of all participants, which represents a true collaboration between the public and private sectors to develop innovative and practical solutions to incentivise and reward the integration of PCRs in the investment chain.

Publications

- We are advancing well with our whitepaper which will outline CCRI's vision and deliverables, with contributions from active members. The working title is '***Risk and Resilience: Addressing Climate Change Impacts to Physical Asset Values***'. The paper will cover the context of market failure, mispricing of physical climate risks and opportunities to address these, complemented by the activities of CCRI's three working groups.
- We will also look at the roles of the multiple actors in this area and how they can engage with the CCRI workflow to achieve the ambition of physical climate risks being integrated into all physical asset valuations by 2025.
- Lastly, we will cover the complementary organisations such as CDRI, TCFD, Fast Infra and TPI, whilst also looking at the possibilities in the sprint to COP and beyond. We expect to have the first draft ready by August.