

Swiss Re report shows that better risk management can secure future energy supplies and reduce the impact of climate change

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- **Swiss Re report investigates how the global energy mix will take shape and the impact of sustainable energy sources on climate change**
- **Report uses a scenario-based approach to outline possible energy futures and provides a framework for decision-making**
- **Insurers will see business growth in the energy sector, especially in the Asia-Pacific region**

Zurich, 21 January 2013 – Swiss Re's latest report, *Building a Sustainable Energy Future: Risks and Opportunities*, describes the impact of the changing global energy mix on climate change. Using a combination of economic analysis and scenario building, the report provides a framework for decision-makers when it comes to questions of renewable energies, greenhouse gas emissions and how to adapt to climate change. The report concludes with a look at how insurance can enable development in the energy sector.

The composition of our future global energy mix is uncertain. On the one hand, renewable energy sources are established in the market and the growth in energy production from sources such as solar and wind will continue to grow. On the other hand, existing fossil fuel and nuclear technologies will continue to play an important role in meeting the energy needs of a growing global population.

Swiss Re's report looks at how new sustainable energy technologies, shifts in public perception, market forces and the policies set by global and national decision-makers will influence the way we power society in the future.

At the centre of the report is the link between decisions on the global energy mix and their consequences for how we mitigate and adapt to global climate change.

"This study clearly shows that renewable energy will play an important role in the global power mix of the future," says Andreas Spiegel, Head of Sustainability & Political Risk at Swiss Re and author of the report. "At the same time it shows that adaptation to climate change will increase in importance because the window of opportunity for mitigating climate change is getting much narrower."



Building a Sustainable Energy Future's approach is based on an economic analysis of different future energy mix scenarios. These scenarios range from a future with no attempt to curb global warming to more moderate scenarios which reflect a slow greening of the economy or the influence of technological advances and political action on the global energy mix.

In the best-case scenario, a successful mix of political, social and technological factors would mean that low-carbon technologies could supply 92% of the global power supply by 2050. This would cap the global temperature increase at 3°C. However, reaching this goal would involve global policy consensus, relatively stable economic conditions and strong public support for the replacement of fossil fuel technologies with low-carbon energy sources.

The report also provides a framework for decision-making and emphasises the need for a realistic approach to the energy issue. In doing so, it tackles some of the difficulties that need to be overcome in diversifying the energy system. For example, as renewable energies become more prevalent in the energy mix, demand for fossil fuel technologies will sink. This suggests that increased renewable energy demand would make fossil fuels more attractive from a relative price perspective.

The changing energy landscape will provide new growth opportunities for insurers. According to the scenarios presented in the report, the Asia-Pacific region will drive growth in the energy sector and is expected to account for 50% of the total annual global energy financing by 2030.

As investment and infrastructure develop, the need for insurance protection will also increase. Under one scenario, the total annual losses across the energy sector could reach up to USD 42 billion by 2030. Insurers can provide financial protection against these losses as well as risk management expertise to help avoid losses in the first place.

"Insurers should support the further development of low carbon-intensive power production," says Agostino Galvagni, CEO Swiss Re Corporate Solutions. "They need to be innovative and provide solutions along the whole value chain. For example, insurers can enable project financing through construction insurance and reduce cash flow volatility of intermittent energy production through weather risk transfer solutions."

Notes to editors

Copies of *Building a Sustainable Energy Future: Risks and Opportunities* can be downloaded from the Swiss Re web site: www.swissre.com/rethinking/.

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Swiss Re's energy and climate experts are available to discuss developments in the energy sector. For interviews please contact Swiss Re media relations +41 43 285 7171 or Media_Relations@SwissRe.com

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