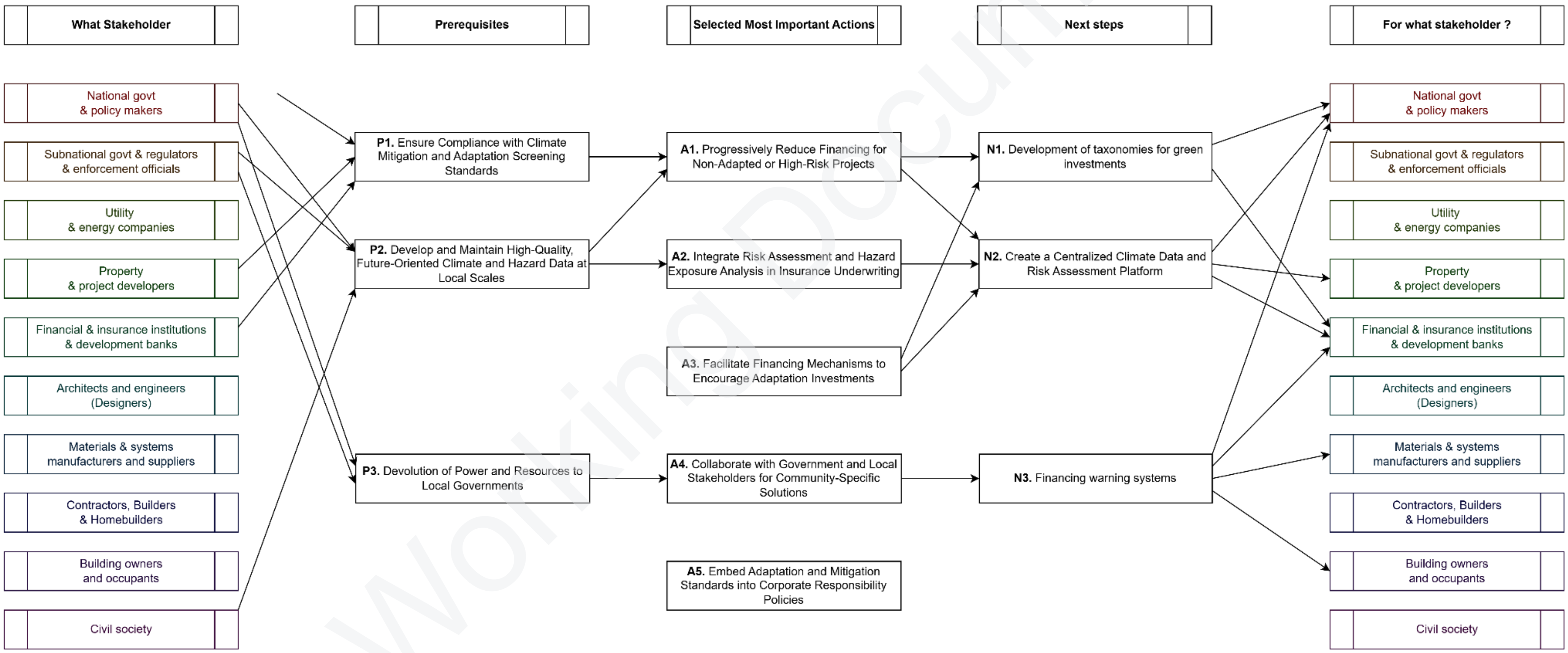
Global Alliance for Buildings and Construction

Financial & insurance institutions & development banks

Adaptation Pathway



P1. Ensure Compliance with Climate Mitigation and Adaptation Screening Standards

Description: Establish robust screening protocols to evaluate all investments for alignment with the Paris Agreement's climate mitigation and adaptation goals. This includes criteria to assess projects based on their projected emissions and resilience measures.

Inputs from Other Stakeholders: Governments and regulatory bodies need to establish and enforce standardized screening criteria, while project developers should demonstrate how their projects align with these climate goals.

P2. Develop and Maintain High-Quality, Future-Oriented Climate and Hazard Data at Local Scales

Description: Reliable, localized data on future climate scenarios and hazard risks must be accessible for financial institutions and insurers to make informed risk assessments and adjust their financing criteria accordingly.

Inputs from Other Stakeholders: National governments, local authorities, and research institutions should collaborate to develop comprehensive databases that include projections of hazards like flooding, heatwaves, and storms at the local level.

P3. Devolution of Power and Resources to Local Governments

Description: Adequate authority and resources need to be allocated to local governments, enabling them to enforce climate resilience requirements, respond to region-specific risks, and collaborate with financial institutions in adaptation efforts.

Inputs from Other Stakeholders: National governments need to establish a framework for power devolution, supporting local governments in developing and enforcing resilience measures and codes suited to local conditions.

A1. Progressively Reduce Financing for Non-Adapted or High-Risk Projects

Goal: Align financing portfolios with climate adaptation and mitigation goals by gradually reducing or stopping financial support for projects in high-risk areas or that do not prioritize resilience measures.

Description: Develop criteria to assess projects based on their alignment with climate goals, particularly in areas prone to flooding, fires, or extreme weather. Prioritize funding for projects that incorporate adaptive, low-carbon, and sustainable practices. This shift will push developers to prioritize resilience in their proposals and support risk reduction across the sector.

A2. Integrate Risk Assessment and Hazard Exposure Analysis in Insurance Underwriting

Goal: Base insurance premiums and coverage on detailed assessments of climate risks and resilience measures implemented in properties and projects.

Description: Mandate comprehensive risk assessments for properties seeking insurance, assessing exposure to relevant hazards and adaptation measures in place. Premiums should reflect the level of risk reduction and resilience investments made by property owners, with higher premiums for high-risk properties lacking adaptation features.

A3. Facilitate Financing Mechanisms to Encourage Adaptation Investments

Goal: Collaborate with governments and other stakeholders to provide financial incentives and grants to encourage communities and businesses to adopt climate resilience measures.

Description: Coordinate with policymakers to develop financing schemes—such as low-interest loans, tax credits, and subsidies—that incentivize climate-resilient construction and retrofitting. These mechanisms can help streamline adaptation efforts by making resilience investments more accessible and attractive to property owners.

A4. Collaborate with Government and Local Stakeholders for Community-Specific Solutions

Goal: Develop partnerships to create locally adapted financial and insurance solutions that consider specific regional risks and resources.

Description: Work with national and local governments, as well as community organizations, to devise insurance and financing solutions that distribute responsibility for resilience equitably among stakeholders. For example, insurance companies, banks, and governments can co-finance resilience upgrades in high-risk areas, each assuming part of the financial burden in alignment with their capacity and local needs.

A5. Embed Adaptation and Mitigation Standards into Corporate Responsibility Policies

Goal: Ensure that corporate social responsibility (CSR) policies explicitly address climate adaptation and mitigation as core principles in financial and insurance practices.

Description: Establish clear standards and accountability mechanisms that require projects funded by financial and insurance institutions to incorporate resilience measures. Strengthen CSR policies to include obligations for managing unforeseen risks and escalating resilience investments in response to climate impacts.

N1. Development of Taxonomies for Green Investments

Objective: Establish clear and consistent criteria for defining "green" or climate-resilient investments, guiding financial institutions to prioritize projects that align with national and international climate goals.

Rationale: A well-defined taxonomy, provides a transparent and standardized framework for identifying sustainable projects. This clarity enables better decision-making by investors, banks, insurers, and the whole value chain, ensuring that funds are directed towards projects that deliver tangible adaptation and mitigation benefits, thereby fostering a more resilient built environment.

N2. Create a Centralized Climate Data and Risk Assessment Platform

Objective: Establish a shared platform for climate and risk data that provides up-to-date, localized information on hazards, vulnerabilities, and resilience strategies to guide financing, insurance underwriting, and project planning.

Rationale: A centralized data platform allows financial institutions, insurers, developers, and policymakers to make informed decisions based on consistent and high-quality information. Improved access to climate and hazard data enables accurate risk assessment, encourages investment in safer locations, and supports the design of resilient infrastructure and buildings, ultimately reducing financial risk across the sector.

N3. Financing Warning Systems

Objective: Create and support dedicated funding mechanisms for the development and maintenance of early warning systems for climate hazards, enabling timely response and mitigation efforts.

Rationale: Financing reliable warning systems enhances community preparedness and mitigates the financial impacts of extreme weather events. By involving financial institutions, insurers, governments, and technology experts, these systems can be deployed effectively, reducing future losses and building a proactive culture of risk management across the sector.