



AIGCC

ASIA INVESTOR GROUP
ON CLIMATE CHANGE

Asia Investor Group on Climate Change (AIGCC)

Investor Expectations of National Adaptation Plans in Asia

November 2022

 info@aigcc.net

 www.aigcc.net

INTRODUCTION

The [Asia Investor Group on Climate Change](#) (AIGCC) is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. [AIGCC members](#) come from 11 different markets in Asia and include asset owners and managers with a combined AUM of over US\$35 trillion.

AIGCC investor members are committed to working closely with governments scaling ambition on Nationally Determined Contributions (NDCs) and achieving set targets. The National Adaptation Plan (NAP) process, which is a requirement under the UNFCCC, complements and reinforces countries' adaptation strategies by providing a concrete means for successful achievement of these initiatives.

KEY ASKS

The members of AIGCC's Physical Risks Working Group have put together the following list of key asks from governments on the various [elements of the National Adaptation Plan process](#):

- 1. Outline a consistent, national view of physical climate risk**

Regularly undertake and communicate physical risk assessments of assets, particularly critical infrastructure, and risk mitigation measures to be taken. Sufficient information should be presented in a way that allow stakeholders (including investors) to assess material risks and/or opportunities that affect them, or inspire confidence that the risks have been, or will be mitigated.

- 2. Base national adaptation plans on scenario analysis**

To ensure adequate consideration of risks in a range of potential climate futures, we recommend the use of multiple climate scenarios including a worst-case high future emissions scenario that references IPCC. Government can play a crucial role in supporting the development of science to produce the data used for physical risk assessments.

- 3. Identify and prioritise vulnerable systems, groups and communities in NAPs in adaptation planning and implementation.**

4. Ensure corporate disclosure on physical risks

Ensure enforcement of corporate disclosure requirements to present investors with decision-useful information regarding physical risk assessments and risk management efforts. We recognise that required data and analysis may not be readily available and companies would need time to achieve full disclosures over time.

5. Consult with members of the finance sector as part of the NAP process

As part of the NAP process, a role should be created for a representative to serve as a point of contact that can coordinate with and keep financial institutions informed of the discussions and developments in the NAP process.

6. Include inter-regional effects in developing NAPs

There is increased recognition of transmission of climate impacts across regions. Alignment of public and private strategies to identify cross-border climate impacts and collaborate on adaptation planning would be crucial to addressing these inter-regional climate risks.

7. Include action-oriented points on implementation and financing strategies in NAPs

Identify pipeline projects that are fundable and implementable, finance gaps and financing options, and assign implementation responsibilities, timelines, and evaluation criteria.

- a. The **role of public funding** to de-risk, reassure and attract private investments in adaptation projects is critical. Creating a platform with a pipeline of ready-to-be-funded adaptation projects that has assurance of public funding support would enable easy flow of private finance into these projects.
- b. **Transparent and open processes** are necessary to ensure effective stakeholder participation, dispute resolution and effective implementation of NAPs.

Investor Expectations of National Adaptation Plans in Asia – Further Detail

KEY ASKS

The members of AIGCC’s physical risks WG have put together the following list of key asks from governments on the various [elements of the National Adaptation Plan \(NAP\) process](#):

1. Outline a consistent, national view of physical climate risk

Regularly undertake and communicate physical risk assessments of assets, particularly critical infrastructure, and provide periodic, accurate, comprehensive, timely and commercially available records in relation thereto. Publicly accessible datasets and assessments would ensure higher private sector participation in the adaptation planning process and the private sector can work together with governments on consolidating data sources that are used in the assessment process. This assessment should intend to set standards for physical risk assessments that:

- a. Align with international best practice
- b. Can be adopted by state/local governments and other actors (e.g., investors) to ensure a nationally consistent view of physical risk.

Where information may be too sensitive to be shared publicly, governments can share information that inspire confidence on risk mitigation.

2. Base national adaptation plans on scenario analysis

Governments should consider funding adequate science to produce the data used for physical risk assessments reliably and also conduct scenario analysis to support climate-proofing strategies across NAPs. For longer-term analysis, for which the timeframe should be disclosed, at least two climate scenarios should be used to ensure risks have been considered in a range of potential climate futures. Governments can partner with or engage the private sector to build capacity to downscale the outputs of climate models to resolutions that are able to quantify climate risk vulnerability and exposure.

3. Identify and prioritise vulnerable systems, groups, and communities in NAPs

While adaptation assessments focus on vulnerable systems exposed to climate hazards, it is important to also ensure that the approaches applied provide information on the identification of particular vulnerable groups and communities for affected regions and prioritise them in adaptation planning and implementation.

4. Ensure corporate disclosure on physical risks

Investors need to conduct their own physical risk analyses which is dependent on climate disclosure data from companies. To enable that, enforce disclosure requirements and ensure that disclosure frameworks present investors with decision-useful information. This should be introduced in a phased approach. Enhanced disclosure of the location of physical assets associated with company operations would be a crucial step to better integrate climate considerations into investment decision-making processes. Disclosures and metrics that cover systemic resilience and availability of production weighted data would be important to determine adaptive capacity. Engagement with data analytics providers will also be essential to ensure increased accessibility, consistency, and transparency of data products.

Details of tools and service providers used by Asian investors to assess physical risks have been compiled into [an AIGCC report available here](#).

5. Consult with members of the finance sector as part of the NAP process

As part of the NAP process, a role must be created for a member to serve as a point of contact that can coordinate with and keep the finance sector informed of the discussions and developments in the NAP process. Consultation with members of the finance sector on the management of stranded assets must be central to the development of NAPs.

6. Include inter-regional effects in developing NAPs

NAPs typically identify climate impacts within defined administrative boundaries, failing to take into account interregional climate risks. Interregional risks from climate change include factors such as transboundary water use, supply chains, concurrent impacts, etc. risks related to water, migration. As such, regional and international coordination of NAPs is important to integrate interregional aspects into climate change risk assessments and adaptation plans and to ensure that resources are oriented towards reducing inter-regional risks and building systemic resilience to climate change globally.

Leveraging Asian inter-governmental platforms such as ASEAN to create inter-regional climate risks model can help countries develop more effective NAPs.

7. Include implementation programs and financing strategies in NAPs

Following up on NAPs, governments should put in place adaptation implementation programs to encourage adaptation initiatives. To enable more investors to participate from a financing perspective:

- a. [Clearly layout the NAP process from a financing perspective](#) from the development phase to the implementation phase. Financing strategy for adaptation plans should:
 - i. identify where the finance gaps are
 - ii. determine financing options
 - iii. identify operational next steps
 - iv. recognise and develop investment strategies across different asset classes
- b. Clear articulation of the role of, and [engagement strategies](#) for, institutional investors across the various stages of the NAP process including planning, implementation, reporting, monitoring and evaluation
- c. The role of public funding to de-risk, reassure and attract private investments in adaptation projects is critical. A standing advisory group with relevant government representatives, MDBs, philanthropic funders and the private sector should be established, with a core mandate to develop and drive a range of financial products, mandates and co-investment opportunities to co-fund resilience and adaptation investment. The development of a platform which provides essential details of pipeline of ready-to-be-funded adaptation projects in each country would be an essential tool that this advisory group can use to structure discussions.
- d. Adaptation assessment and implementation measures may have social, political and economic implications, potentially becoming a cause for conflict. Transparent and open processes are necessary to ensure effective stakeholder participation, dispute resolution and effective implementation of NAPs.

About AIGCC



ABOUT AIGCC

The [Asia Investor Group on Climate Change](#) (AIGCC) is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. AIGCC provides capacity and a trusted forum for investors active in Asia to share best practice and to collaborate on investment activity, credit analysis, risk management, engagement and policy related to climate change.

With a strong international profile, the AIGCC network also engages with government pension and sovereign wealth funds, family offices, and endowments, AIGCC represents the Asian investor perspective in the evolving global discussions on climate change and the transition to a net zero emissions economy.

ABOUT THE PHYSICAL CLIMATE RISKS AND RESILIENCE WORKING GROUP

AIGCC facilitates a Physical Climate Risks and Resilience Working Group which is member-only and is chaired by an AIGCC investor member. The physical climate risk and resilience working group is intended to focus on the development of solutions to enable investors to integrate physical risk and resilience considerations into portfolio management and drive more investment into adaptation solutions. A notable piece of publication developed and reviewed by AIGCC and this WG is a [guidance report](#) that puts together a compendium of tools and service providers for investors in Asia to integrate physical climate risks into investment analysis and stakeholder engagement.

AIGCC investor members are committed to working closely with governments scaling ambition on Nationally Determined Contributions (NDCs) and achieving set targets. With many countries already experiencing the physical impacts of climate change, adaptation goals, objectives and priorities have been included in their NDCs as well. The National Adaptation Plan (NAP) process initiated by several countries complements and reinforces countries' adaptation strategies by providing a concrete means for successful achievement of these initiatives.