Insurance Marine News

# Time pressure a factor in move towards sustainability

*By admin On October 20, 2022 In Insurance Marine News, Keep, Offshore Energy, Political Risk, Credit & Finance*

The global events of 2022 have caused the maritime sector's aim of reaching net zero by 2050 to be put under pressure, but ESG is continuing to move in the same direction, a panel concluded last week at Cannon Events' Energy Insurance London.

Earlier this year a panel had discussed in the US whether the ESG "pendulum" might have swung too far and whether the industry would be subject to a "reality check", but Claire Williams, European Regional Leader, Energy and power, Marsh, said that she did not see the move towards ESG as a pendulum. While the pace of change might have to change as a result of events, "we are only going one way", she said.

On a panel moderated by Gary Walking, Partner at RPC Law, Simon Sjothun, Head of London Office at Rysta Energy, said that in the long term energy had to be affordable, reliable and sustainable, but that Europe since the industrial revolution had skipped the "sustainable" part. Affordability and reliability had not been much of a problem. This meant that a greater focus could be put on the sustainable part of the equation. Unfortunately, the recent events in Russia had meant that the affordability and reliability parts of the energy supply equation had come back into the spotlight. "We can't rely on fossil any more, because the sources are in a small number of areas. So we need to build more 'E' stuff (renewables), making it more affordable and reliable." However, Sjothun noted that this would take time, which meant that in the short term in Europe there was no choice but to burn coal as a replacement for the lost energy supplies from Russia.

Tom Dickson, CEO New Energy Risk, said that he did not think that the pendulum had "moved" so much as encountering resistance. "The 'E' has encountered the real world. The models had not taken into account real-world factors such as the war in Ukraine", he said. Dickson also noted that an important question was how quickly we could get technology in place. "The urgency is different now. Carbon capture is happening at a much quicker place" and it was happening in the private sector. Dickson said that this could start to "fill in the gaps" of how we get to from where we are today to where we want to be in 2050.

Sjothun said that, because our modern life was predicated on the reliable availability of cheap energy, as soon as it was taken away, things fell apart rapidly. The increase in energy prices was, in a sense, a very regressive tax that hit the poor the hardest. “We don’t want to burn more coal, but it is a dilemma that is difficult to balance”.

All three panel members agreed that the economic structure of energy production was part of the problem. Emissions control was seen as “waste management” rather than as part of an entire energy process from A to Z. Dickson said that the companies best positioned to capture emissions were the emitters.

Sjothun said that some sort of carbon sink had to be put in place “because we have to pay for carbon. It’s not sufficient to decarbonize. We need to extract the existing carbon in the atmosphere. It’s that or we renege on our targets. Something has to happen immediately.”

The implications for insurance would depend on how the business system for carbon capture was put together. Dickson observed that carbon capture had three elements – cost of capturing, cost of transport, and efficiency of storage. “There’s an opportunity for developing new risks that are covered by this. If it leaks it isn’t a pollution issue, it’s a financial issue for the storer.”

One suggestion was that, because carbon capture was currently seen as waste treatment, all one could do about that is for carbon emission was to have a price attached to a “unit” of carbon. That would encourage fossil fuel energy producers to balance the cost imposed with all energy production with a benefit gained from all carbon capture – which would therefore be seen as part of the whole process, rather than “the bit at the end”. At the moment, there was no market signal to invest to solve the problem.