

# CLIMATE RISKS AND CLIMATE RESILIENCE

Communication COM(2024) 91 of 12 March 2024: **Managing climate risks – protecting people and prosperity**

cepPolicyBrief No. 7/2024

**SHORT VERSION** [[Go to Long Version in German](#)]

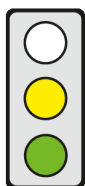
## Context | Objective | Interested Parties

**Context:** According to the European Commission, Europe is warming twice as fast as the average of the rest of the world. The effects of climate change are already being felt and will become more severe in the coming decades. Climate risks and climate-related losses, such as deaths and economic losses (“climate-related damages”), are the result of heat, droughts, floods, forest fires, diseases and crop failures. Climate adaptation measures are intended to make people and the environment more resilient to climate-related damages (“climate resilience”).

**Objective:** The Commission wants to ensure that essential social functions – such as healthcare and water supply – are maintained despite increasing climate risks. It also wants to clarify who is responsible for climate adaptation measures at EU level and in the Member States (“risk owners”).

**Interested Parties:** The entire economy.

## Brief Assessment



### Pro

- ▶ It is appropriate and required under European law for the EU to counter climate risks through precautionary climate adaptation measures.
- ▶ Clarifying who is responsible for climate adaptation measures as a “risk owner” at EU level and in the Member States at national, regional and local level can avoid gaps in responsibility and duplication of work as well as facilitate overall coordination.
- ▶ The Commission’s aim to increase knowledge of the expected impacts of climate change as well as the impacts and costs of adaptation measures will facilitate effective decision-making.
- ▶ Without private insurance cover, public funds are needed for reconstruction after natural disasters, which can be a major financial risk for public budgets. Incentives are therefore needed to increase insurance coverage against climate risks.

### Contra

- ▶ When defining climate resilience as a non-price criterion in public tenders, it is important to bear in mind that this can lead to distributional conflicts, as regions with stronger finances across the EU will have an advantage over those with weaker finances.

## Managing Climate Risks and Climate-related Damages

[Long Version A.2; C.1.1; C.2.3]

**Commission proposal:** Given the uncertainty about the future nature and extent of climate change impacts, political and economic actors need to address the likelihood of climate risks and the prevention of climate-related damage. In order to better manage climate risks and climate-related damages, it is necessary to clarify who is responsible as “risk owners” for climate adaptation measures at EU level and in the Member States – ensuring coordination at European, national, regional and local levels.



**cep-Assessment:** It is appropriate and required under European law for the EU to counter climate risks through precautionary climate adaptation measures. The fact that the Commission seeks to clarify who is the “risk owner” at EU level and in the Member States can help avoid gaps in responsibility and duplication of work, as well as facilitate overall coordination to ensure that all relevant issues are addressed effectively and efficiently.

## Tools for Risk Owners [Long Version A.2.2, C.1.1]

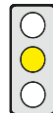
**Commission proposal:** Effective climate adaptation measures are hampered by significant skills, labour and knowledge gaps. Access to research results, operational tools and available data should enhance competitiveness of businesses and improve policymaking. To this end, access should be provided to key European data, products, applications and services – such as the European Climate-ADAPT platform and the Copernicus Earth Observation Programme.



**cep-Assessment:** The Commission’s aim to increase knowledge of the expected impacts of climate change as well as the impacts and costs of adaptation measures will facilitate effective decision-making. The provision of high-quality data by the EU ensures that each Member State and region does not have to set up its own systems but can conduct research on specific local conditions based on this data.

## Financing Climate Resilience [Long Version A.3.3, C.1.2]

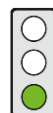
**Commission proposal:** Both public spending by the EU and its Member States as well as incentives for private investment should be designed in such a way so that avoiding climate-related damage and disruption to infrastructure is the best option. Member States should include climate resilience as a non-price criterion when defining “criteria for environmental sustainability” in public tenders.



**cep-Assessment:** The proposal offers the possibility of including climate risks in public investments. However, such non-price criteria can lead to distributional conflicts. Across the EU and within a Member State, regions with stronger finances will have an advantage over those with weaker finances. Moreover, the additional administrative burden of taking new criteria into account is less burdensome for larger companies than for smaller ones. Ultimately, this depends on the specific design.

## Sectors particularly at risk: Water [Long Version A.2.2, C.1.3]

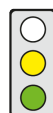
**Commission proposal:** The water supply in many parts of Europe is threatened by “structural mismanagement”, unsustainable land use and pollution, and changes in water patterns, with climate change exacerbating the situation. The Commission proposes to take stock of water issues, e.g. through Flood Risk Management Plans, and to make water management more agile, for example in response to geopolitical or environmental developments.



**cep-Assessment:** Agile water management includes not only static measures such as dikes, but also adaptation measures such as land use changes. This could mean that construction is no longer permitted in certain areas or only under certain conditions. Information or recommendations can also be provided to the population in these areas. The planned stock of water issues can support the identification of such areas.

## Climate Insurance [Long Version A.2.2, C.1.4]

**Commission proposal:** Private insurance covering assets and property exposed to climate risks is low. However, there are considerable differences between the Member States in terms of both the extent to which they are affected by climate-related damage and the level of insurance cover. In addition, as the frequency and severity of climate-related damage increases, the availability of insurance cover could decrease.



**cep-Assessment:** Without private insurance cover, public funds are needed for reconstruction after natural disasters, which can pose significant financial risks to public budgets. It can also create other disincentives, such as the purchase of property in disaster-prone areas. Against this background, incentives are needed to increase insurance cover against climate risks.