

AIG Integrates Climate Into Its Investment and Underwriting Decisions: It's Progress, But Is It Enough?

Written by Seth D. Jaffe

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Last week, [AIG significantly restricted](#) its underwriting of and investment in fossil fuel projects. Specifically, it announced the following actions:

- With immediate effect, committed to no longer invest in or provide insurance for construction of any new coal-fired power plants, thermal coal mines or oil sands;
- With immediate effect, committed to no longer invest in or underwrite new operation insurance risks of coal-fired power plants, thermal coal mines or oil sands for those clients that derive 30 percent or more of their revenues from these industries, or generate more than 30 percent of their energy production from coal;
- Committed to phasing out the underwriting of all existing operation insurance risks and ceasing new investments in those clients that derive 30 percent or more of their revenues from coal-fired power, thermal coal mines or oil sands, or generate more than 30 percent of their energy production from coal by Jan. 1, 2030, or sooner; and
- With immediate effect, committed to not investing in or providing insurance cover for any new Arctic energy exploration activities.

The commitment is significant and was generally praised by NGOs, [according to the ClimateWire story](#) (subscription required) on the AIG announcement. However, it's not clear why AIG will still invest and/or underwrite projects if the client derives less than 30% of its revenues from relevant industries. After all, it's the impact of the investment that matters, not what the overall portfolio of the client is. AIG also did not say anything about why it is not going to restrict its investments in or insurance for conventional oil and gas development.

Finally, I'll note that there are limits to the ability of market participants to solve climate change. As long as some companies are willing to invest in coal, decisions such as this one by AIG will simply drive fossil companies to the remaining investors. It is still necessary to have a functioning regulatory system that forces both those in fossil fuel industries and those who provide capital to those industries to internalize the costs of fossil fuel extraction and combustion. And it's important to remember that this is not a punitive suggestion; this is just about addressing a market failure.

Can you say carbon tax?

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