

FAQ's/ Key messages – for external use

Background

- The Poseidon Principles for Marine Insurance were developed to recognize the role insurers play in the industry to promote responsible environmental stewardship throughout the maritime value chain.
- The Poseidon Principles for Marine Insurance serve as a framework for creating common, global baselines that are consistent with and supportive of society's goals.
- The Poseidon Principles for Marine Insurance are consistent with the policies and ambitions of the International Maritime Organization (IMO), including its ambition for greenhouse gas (GHG) emissions to peak as soon as possible and to reduce shipping's total annual GHG emissions by at least 50% by 2050 compared to 2008.
- Steps have also been taken to align the Poseidon Principles for Marine Insurance with the Paris Agreement, to achieve climate neutrality by 2050, and to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels, with the ambition to be fully aligned over time.

The Poseidon Principles for Marine Insurance

- The Poseidon Principles for Marine Insurance are a framework for assessing and disclosing the climate alignment of hull and machinery insurance portfolios.
- The Poseidon Principles for Marine Insurance create common global baselines that are consistent with and supportive of society's goals to better enable insurance providers to align their portfolios with responsible environmental impacts.

The four Principles are:

- Assessment of climate alignment
- Accountability
- Enforcement
- Transparency

What is the objective of the Principles for Marine Insurance?

- The objective of the Principles is to use the knowledge on portfolio climate alignment to guide and support marine insurance clients on how to adopt and align their business with responsible environmental impacts.
- The Principles aim to be voluntary, practical to implement, verifiable, fact-based, and effective. Signatories commit to implementing the Principles in their internal policies, procedures and standards.
- By following the framework and common baseline, valuable asset- and policy-level climate alignment data is available for Signatories to better support the alignment of their portfolios with responsible environmental impacts.
- The Principles and the framework are also a valuable engagement tool for Signatories to discuss decarbonization with their shipping clients, in order to support the industry-wide transition.

Who has been involved in developing the PPMI?

- The Poseidon Principles for Marine Insurance were developed in an effort spearheaded by global shipping insurers, leading industry players – brokers, shipowners and classification societies – as well as the Global Maritime Forum, Swiss Re Corporate Solutions, Swiss Re Institute, and University College London Energy Institute and UMAS.
- The drafting group included Gard, Cefor, Willis Towers Watson, Mærsk, Star Bulk, and Lloyd's Register. The Net Zero Insurance Alliance and IUMI were regularly consulted.
- Through industry-wide engagement throughout the drafting process, the Principles are a result of input from across the value chain, which has been fundamental in developing the PPMI.

Who can be a Signatory?

- The Poseidon Principles for Marine Insurance are applicable to insurers with H&M policies. However, the ecosystem of key players extends beyond this limit, and the framework must be inclusive of these perspectives and their support. Therefore, Affiliate membership is applicable to insurance brokers and collective groups (such as insurance associations, unions, and P&I Clubs), and such support is welcome.

How does the PPMI fit with other sustainable insurance initiatives?

- The Poseidon Principles for Marine Insurance are designed to support other sustainable insurance initiatives. They are aligned with the Poseidon Principles for Financial Institutions and the Sea Cargo Charter (SCC), and are also intended to support other initiatives, such as the Carbon Disclosure Project (CDP), the Task Force on Climate-related Financial Disclosure (TCFD), the Science Based Targets Initiative (SBTi), the Net Zero Insurance Alliance (NZIA), and UNEPFI Principles for Sustainable Insurance (UNEP PSI).

Why not jump directly to the 0 in 2050 target, that has been clearly communicated by large part of the industry throughout this autumn?

- Transparency is the first and most important step towards aligning with industry targets, and the PPMI is built on available and verifiable data. Over time, the aim is to develop PPMI based on available information as this evolves.
- Currently, the information used for reporting in what is reported through IMO DCS. This does not include a net-zero target by 2050, nor does the Paris agreement include targets for the shipping industry. In this lack of clear net-zero regulation guidance, the PPMI includes a 50% CO2 reduction trajectory (the same as the banks) as well a 100% CO2 reduction trajectory.
- The Principles are not envisioned to be static. The next envisioned step for the PPMI and for other initiatives is to aim for Net Zero. Once such data is available, the initiative will align with other net zero initiatives (NZIA, and SBTi) to make the next trajectory available.

Why are the PPMI more ambitious than Poseidon Principles for banks?

- The PPMI and PP for banks shares the same ambition of being a part of the decarbonization journey through increased transparency, knowledge, and cross-industry engagement.
- Both initiatives are built and developed based on what information is available and verifiable. What information is available develops over time, and because PPMI were drafted at a later stage than PP for banks, the climate alignment trajectories differ. It is the ambition of both initiatives to evolve as more information becomes accessible, and discussions on increased ambition are happening within the PPA and SCC.

How does this initiative contribute to reaching ambitious decarbonization of international shipping in a tangible way?

- The aim of this initiative is to drive transparency. With knowledge of where we stand, we can use this knowledge and increased understanding to steer where we are going.
- The PPMI allows marine insurers to have a foundation of knowledge before discussions with clients/shipowners.
- The decarbonization journey ahead required that all actors across the value chain get involved and take a part of the transition, and it is important to include insurers and find ways in which they can support and help the transition.
- The PPMI aligns with existing initiatives such as NZIA and PCAF. These initiatives provide tools for ambition and target setting, and PPMI provide a tangible framework on how to measure climate alignment.

Currently 6 Signatories and 4 supporting/associated members. What are your ambitions for the number of Signatories going forward?

- We are expecting more members and supporters, both in the form of Signatories and Affiliate members in the 2022. We have clear indications after fruitful dialogues with several parties in the industry and look forward to welcoming new members and supporters onboard.
- We are launching the initiative now to go public and to invite more people to join. Anyone who joins before the first Annual meeting in April, will be a part of the group of founding members.
- The PPMI is already an industry-wide backed initiative, with members like CEFOR, IUMI, Gard, and with shipowners involved in the drafting group and shaping the Principles.
- The initiative will evolve over time, both in number of members, diversity, and the coverage of the PPMI framework.

Why is the IMO CII metric not currently used?

- The aim is to continuously develop and improve the Principles over time.

CII (adopted by the IMO in summer 2021) looks at vessel sizing categories and can improve the reporting approach currently used.

- Continuous size bins, rather than discrete size bins currently used by the PPA and PPMI, has been investigated by the PPA, and it is the ambition to include this switch in the trajectories with the next revision. However, when the PPA was making this decision in early spring 2021, the final decision from the IMO was not made, and we did not wish to move without that confirmation.
- Based on that, we established the PPMI trajectories to be the same as the PPA, but because these two use the same methodology, it's anticipated that this becomes a logical next step along the lines of continually improving our existing trajectories based on the latest available information.
 - As methodology changes are at the discretion of the Signatories, this decision will need to be made once the governance structure of the Association is established, not before.