

IN FOCUS



Immense gas wasted

Gas flaring, the process of burning off unwanted associated gas brought up when oil is pumped out of the ground, is fairly common practice in places where there is no infrastructure to make use of it.

At its peak, the practice pumped about 110 million metric tonnes of CO₂ into the atmosphere each year, about 0.5% of the world total. Since then, the practice has reduced, mainly because companies have realised the commercial potential of the gas released. But gas flaring is still common in Nigeria, where an estimated 40% of gas produced is flared off.

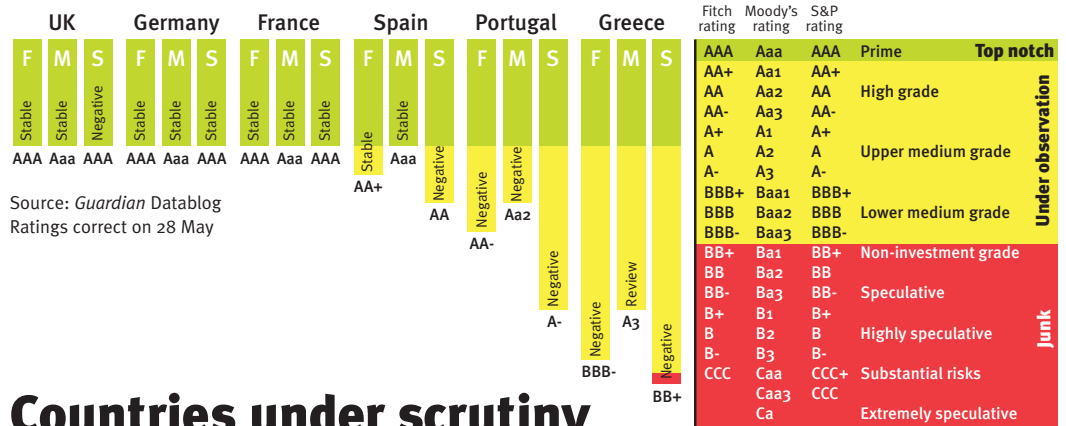
50m Tonnes of CO₂ emissions gas flaring generates up to every year

5,000 The number of homes, shops and businesses a single gas flare in Nigeria could supply power to

1/3 The proportion of the EU's natural gas needs each year that gas lost to flaring worldwide could meet

Source: *Independent*

CREDIT RATINGS



Countries under scrutiny

First it was systemic risk in the financial sector, then counterparty risk in the real economy. Now the biggest worry for many economists is country credit risk and sovereign defaults. The fallout from Greece's financial crisis has shone a light on the work of the credit rating agencies, which were so widely discredited in the run-up to and aftermath of the banking meltdown. The *Guardian's* Datablog created a handy infographic that shows how different country scores compare (see above).

Fears spread from Greece to Spain, whose public deficit was one of the biggest in the euro area last year, amid rumours that Germany's frustration with the crisis could cause Berlin to quit the eurozone.

A country's credit rating is an assessment of how likely it is to be able to repay its debts. Losing a rating or being downgraded can have a fatal effect on a country's ability to borrow money on the markets. The UK currently has a negative outlook from Standard & Poor's.

NATURAL RESOURCES

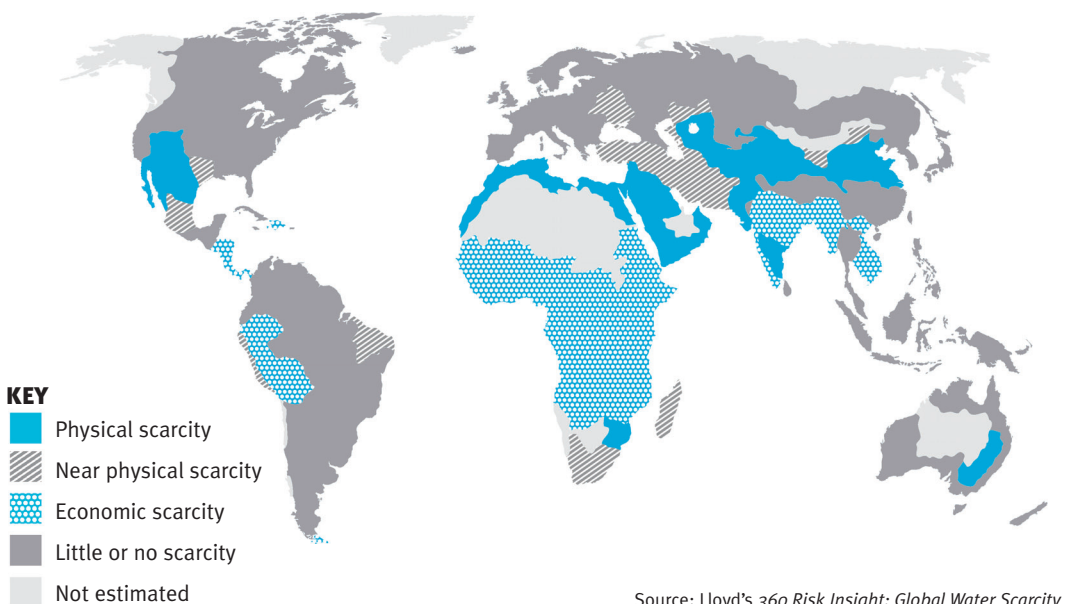
Businesses must tackle water supply risk

Water scarcity is an increasing threat to business as populations continue to grow and climate change takes hold, according to a report from Lloyd's and WWF conservationists.

Businesses will have to address and manage the risk of water scarcity in the future. Only 3% of the total water in the world is fresh water, and less than 1% is readily accessible to humans. As water resources become insufficient, companies have to deal with governments seeking to reallocate water to priority users.

Lloyd's chief executive Richard Ward said that managing water is a core business issue: "Water scarcity is already a reality for some businesses and, as this trend increases, all risk managers will need to consider their organisation's exposure."

"The most simple risk management response is to reduce your own water use, or that of your suppliers. However, businesses cannot manage this risk alone and will need to work with the wider community to improve water management and protect this critical resource."



Source: Lloyd's 360 Risk Insight: *Global Water Scarcity*

SOUNDBITES

“ If a storm comes into this situation, it could vastly complicate everything ”



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Florida State University oceanography professor Ian MacDonald says that a hurricane could seriously hamper the clean-up effort after BP's Gulf of Mexico

oil spill following the Deepwater Horizon explosion. Meteorologists say that conditions are ripe for an unusually destructive hurricane season.

“ The Greek economy has fallen into a vicious circle with only one way out: the drastic reduction of the deficit and debt ”



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The Bank of Greece says that it approves of Athens' strategy to bring down the country's budget deficit, but that the impact will be worse than first thought, leading to

a 2% fall in economic output.

“ I am very concerned that we have decisions on opening and closing airports based on a theoretical model ”



Reuters

British Airways boss Willie Walsh (pictured) says that the airspace shutdown was a gross over-reaction to a very minor risk.

Nathan Skinner investigates the full implications of the volcanic ash cloud in our feature on page 14

“ Surprisingly, such an event does not appear to have featured as a risk that airlines and many other companies needed to manage ”



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International Organisation for Standardisation chair Kevin Knight says that, given knowledge of the Eyjafjallajökull volcano in Iceland, along with the impact on aviation of past eruptions, it is alarming that no plans were in place to manage such a risk.

Sources: Daily Telegraph, Bank of Greece, BBC

The bad news

15

The number of hurricanes (eight) and tropical storms (seven) predicted to form in the Atlantic this year. The 50-year average is around nine

Source: Colorado State University

The good news

€72m

The amount of compensation that UK insurers will end up paying to travellers disrupted by the volcanic ash

Source: Association of British Insurers

23m

The number of hits on Google for 'BP oil spill'

€60m

The liability cap that BP said was irrelevant because it would pay for all costs and legitimate claims from the Gulf oil spill

Source: Reuters

NATURAL DISASTERS

Vesuvius eruption could kill 8,000

Forget about the Eyjafjallajökull volcano in Iceland, which caused so much travel grief in northern Europe these past months. Europe's most dangerous volcano is Vesuvius. A major eruption there could kill 8,000 people and cost more than \$24bn (€19.7bn), according to the Willis Research Network, which has compiled a list of Europe's 10 most dangerous volcanoes. Eyjafjallajökull was not even on the list, but the Hekla volcano, Iceland's most active, was ranked as the ninth most dangerous volcano in Europe. The study found that, together, the 10 volcanoes could affect almost 2.1 million people with a total exposed residential property value of \$85bn.

VOLCANO	COUNTRY	AFFECTED POPULATION	PROPERTY RISK
Vesuvius	Italy	1,651,950	\$66.1bn
Campi Flegrei	Italy	144,144	\$7.8bn
La Soufrière	Guadeloupe	94,037	\$3.8bn
Etna	Italy	70,819	\$2.8bn
Agua de Pau	Azores	34,307	\$1.4bn

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