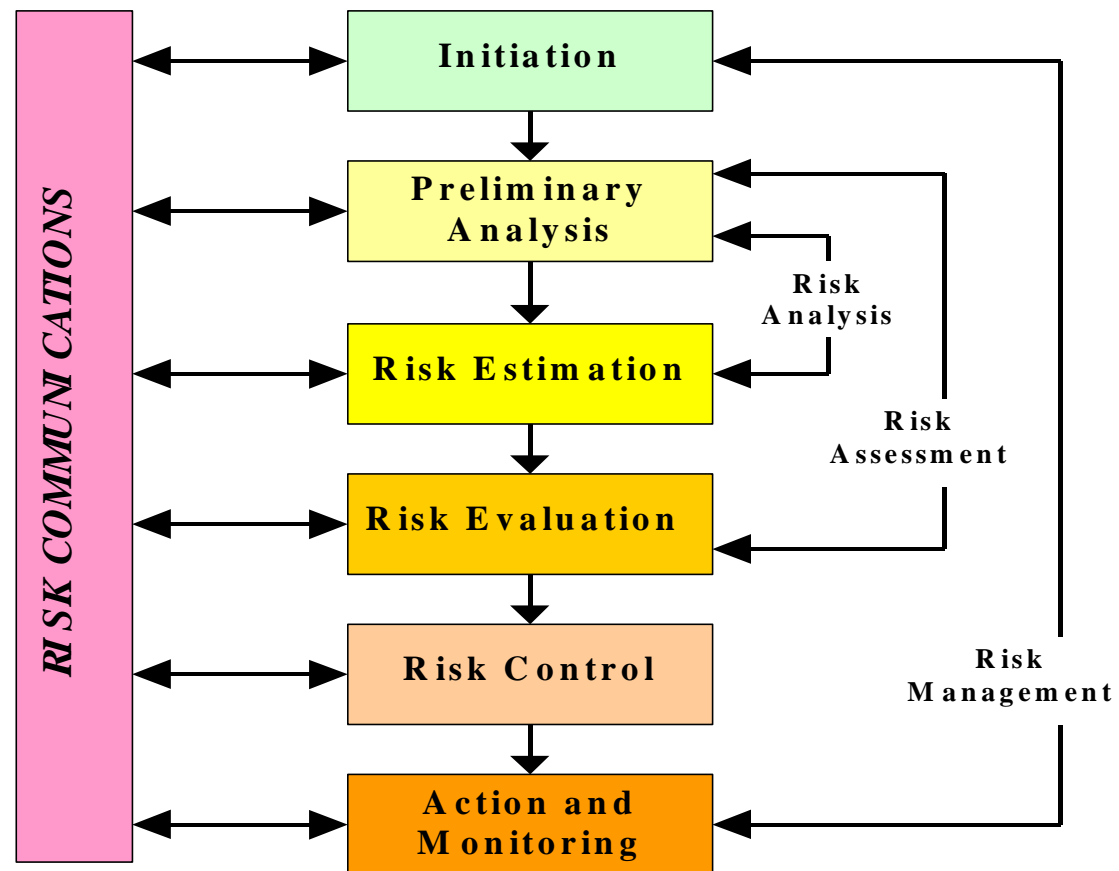


***The Risk Management Framework  
and its Application to Climate Change  
Process Description***

**by  
Mark Egner  
Global Change Strategies International**

**March 2002**

# THE RISK MANAGEMENT PROCESS

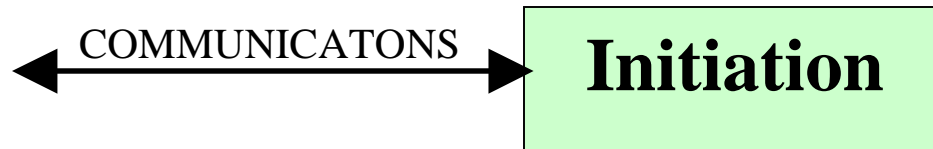


# RISK

**Risk is made up of three components:**

- **Frequency of the loss**
- **Consequences of the loss**
- **Perceptions of the stakeholders and acceptability of the risk**

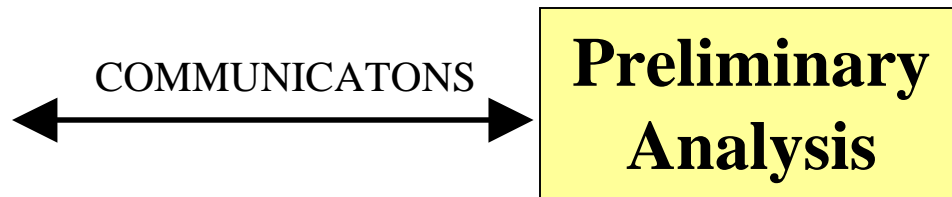
# 1. BEGINNING THE PROCESS



**Set up and start the process:**

- **Define the problem**
- **Identify the management team**
- **Assign responsibility and resources**
- **Identify potential stakeholders and begin to develop consultation process**

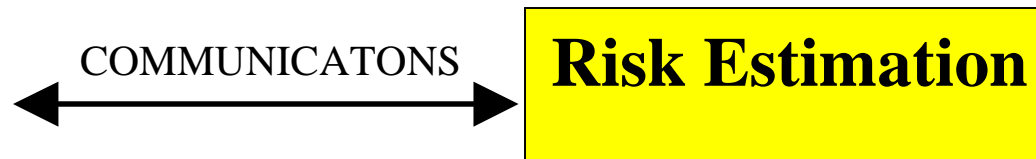
## 2. THE PRELIMINARY ANALYSIS



**Define the risk problem and undertake analysis and evaluation:**

- **Define scope of decisions**
- **Identify hazards**
- **Begin stakeholder analysis**
- **Start collecting information**

# 3. RISK ESTIMATION



**The frequency and consequences of loss associated with each risk scenario are estimated**

- **Decide methodology for estimating frequency and consequences**
- **Estimate frequency of risk scenarios**
- **Estimate consequences of risk scenarios**
- **Refine stakeholder analysis through dialogue**

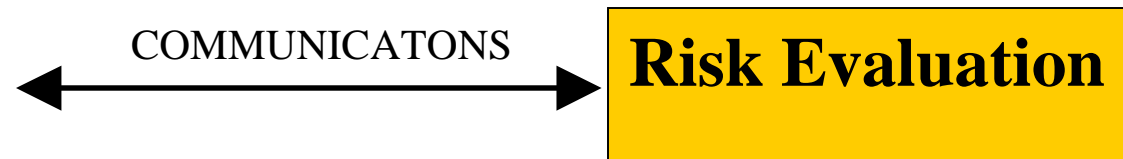
# TERMS - HAZARD

**A source of potential harm, or a situation with a potential for causing harm, in terms of human injury, damage to health, property, the environment, and other things of value, or some combination of these.**

# RISK ANALYSIS

**Step 2 plus Step 3 are often  
called “risk analysis”**

# 4. RISK EVALUATION



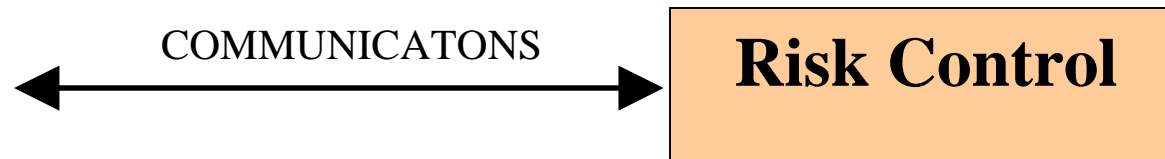
**Estimated risks are evaluated in terms of issues, stakeholder needs and concerns, benefits and costs.**

- **Estimate and integrate benefits and costs**
- **Assess stakeholder acceptance of risk**

# RISK ASSESSMENT

**The process in Steps 2, 3 and 4 is often referred to as ‘risk assessment’**

# 5. RISK CONTROL



**Risk control options to reduce, control, respond to or avoid the risk including mitigation of the effects.**

- **Identify feasible risk control options**
- **Evaluate risk controls**
- **Evaluate “residual” risk**
- **Assess stakeholder acceptance**

## 6. ACTION AND MONITORING

**The chosen risk control actions, financing and communications strategies are implemented, the effectiveness is evaluated and monitoring is set up:**

- **Develop and implement plan**
- **Evaluate effectiveness and input into next cycle**
- **Establish monitoring process**

## SOME ADDITIONAL THOUGHTS

- **This process is very flexible, science-based.**
- **Provides documentation of decisions and a “risk library”.**
- **Emphasizes communications with all stakeholders**
- **Applies to a wide variety of situations (adaptation to CC, extreme events etc.).**

# SUMMARY

- **Looked at the risks and choices issue related to climate change.**
- **Considered the dilemma of uncertainty, complexity and the impact upon making choices.**
- **Examined the risk management process as an aid to decision-making.**
- **Looked briefly at the components of the process.**
- **Considered some of the advantages offered.**