

Central Banks and Supervisors Mobilized Against Climate Change The Network for Greening the Financial System (NGFS)

THE NGFS: AN ANSWER TO CLIMATE URGENCY

- Climate change is a source of structural changes in the economy/financial system with a number of specificities:
 - Far-reaching impact in breadth and magnitude;
 - Foreseeable nature;
 - Irreversibility;
 - Dependency on short-term actions for medium/long term impacts;
 - Non linearity and tipping points.
- Climate-related risks are a source of financial risk (in particular physical risks and transition risks). It is therefore within the mandates of central banks and supervisors to ensure the financial system is resilient to these risks.

THE NETWORK FOR GREENING THE FINANCIAL SYSTEM

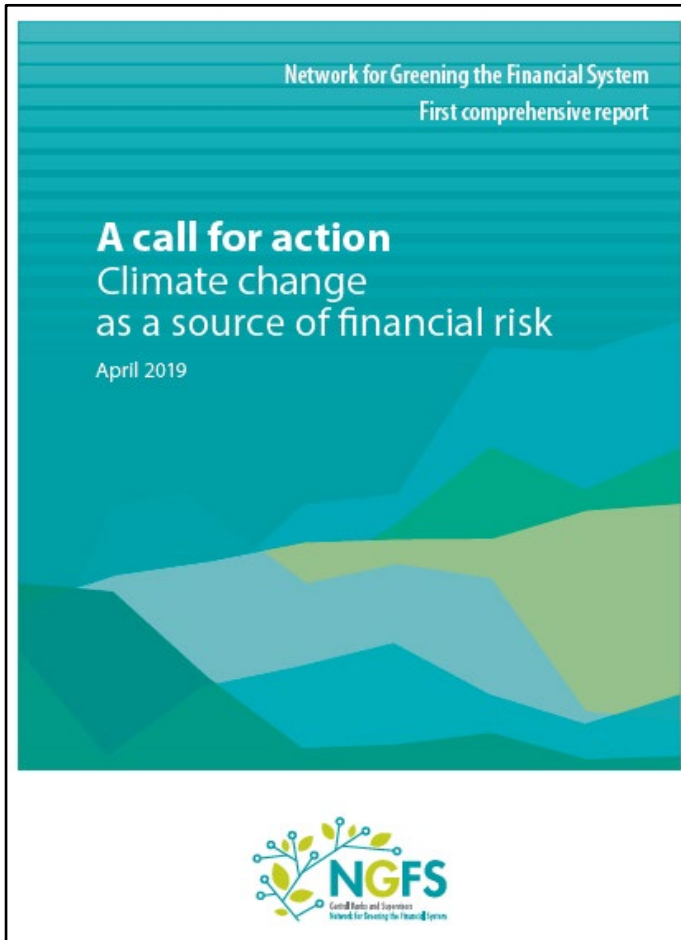


- Paris Dec. 2017 One Planet Summit: **8 Central banks and Supervisors** established the NGFS.
- Today: **77 members** and **13 observers**. Covering 5 continents.
- **Coalition of the willing**. Not a Standard Setting Body.
- **NGFS members' jurisdictions cover:**
 - Supervision of over **3/4** of the global systemically important banks and **2/3** of the global systemically important insurers;
 - Around **60%** of global greenhouse gas emissions.

THE NGFS: ORGANISATION OF THE WORK

- **Chair:** Frank Elderson (De Nederlandsche Bank)
- **Head of the Secretariat:** M. Després (Banque de France)
- **Plenary/ Steering Committee**
- **5 Workstreams:**
 - **WS1 (Microprudential and Supervision)** : chaired by Zeng Yi Wong (Monetary Authority of Singapore)
 - **WS2 (Macrofinancial)** : chaired by Sarah Breeden (Bank of England)
 - **WS3 (Scaling up Green Finance)** : chaired by Sabine Mauderer (Deutsche Bundesbank)
 - **WS on Bridging the Data Gaps:** co-chaired by Fabio Natalucci (International Monetary Fund) and Patrick Amis (Single Supervisory Mechanism/European Central Bank)
 - **WS on Research:** chaired by Dr Ma Jun (People's Bank of China)

THE FIRST NGFS COMPREHENSIVE REPORT (APRIL 2019) SETS OUT 6 RECOMMENDATIONS (INCLUD. 4 FOR CENTRAL BANKS AND SUPERVISORS)



Central banks and supervisors

1.



Integrating climate-related risks into financial stability monitoring and micro-supervision.

2.



Integrating sustainability factors into own-portfolio management.

3.



Bridging the data gaps.

4.



Building awareness and intellectual capacity and encouraging technical assistance and knowledge sharing.

Policy makers

5.



Achieving robust and internationally consistent climate- and environment-related disclosure.

6.



Supporting the development of a taxonomy of economic activities.

NGFS PRACTICAL GUIDES

- Since April 2019, the NGFS has been working on practical guides to better equip the community of central banks and supervisors (as a follow-up of the recommendations 1 and 2):
 - **Sustainable and Responsible Investment Guide for Central Banks' portfolio management** (October 2019);
 - **Guide for Supervisors: Integrating climate-related and environmental risks into prudential supervision** (May 2020);
 - **Guide on climate scenario analysis for Central Banks and Supervisors, along with the NGFS climate scenarios** (June 2020).
- These guides are valuable tools for learning more about what central banks and supervisors do around the world and encourage knowledge sharing (follow-up of the recommendation 4).

OTHER RECENT NGFS TECHNICAL DOCUMENTS

- In 2020, the NGFS also released additional instrumental documents which help the NGFS community (and beyond) to better assess climate-related risks:
 - **Status Report on financial institutions' experiences from working with green, non green and brown financial assets and a potential risk differential** (May 2020);
 - **Climate change and monetary policy: Initial takeaways** (June 2020);
 - **NGFS Research Priorities** (June 2020);
 - **Overview of Environmental Risk Analysis by Financial Institution** (Sept 2020).

NGFS: LOOKING AHEAD

- **The NGFS will update several reports published in 2019/2020**, to keep track of the initiatives/best practices among its membership.
- **The NGFS will also continue to work with a consortium of academic partners to refine and expand the scope of the scenarios** and share best practice.
- **The NGFS will review and assess potential options to integrate climate-related risks into monetary policy operational framework.**
- **The NGFS will work on the data and metrics needs** (as a follow-up of the recommendation 3):
 - Identifying data items needed for the purpose of climate-related risks' analysis and the scaling up of green finance;
 - Determining whether the listed data items are available and if so, what are the data sources, and limitations for accessing them.
- **The NGFS will further develop its research agenda.**

LINKS TO NGFS PUBLICATIONS

- **The First NGFS Comprehensive Report (April 2019):**
 - https://www.ngfs.net/sites/default/files/medias/documents/ngfs_first_comprehensive_report_-_17042019_0.pdf
- **Sustainable and Responsible Investment Guide (October 2019):**
 - <https://www.ngfs.net/sites/default/files/medias/documents/ngfs-a-sustainable-and-responsible-investment-guide.pdf>
- **Guide for Supervisors (May 2020):**
 - https://www.ngfs.net/sites/default/files/medias/documents/ngfs_guide_for_supervisors.pdf
- **Status Report on financial institutions' experiences from working with green, non green and brown financial assets and a potential risk differential (May 2020):**
 - https://www.ngfs.net/sites/default/files/medias/documents/ngfs_status_report.pdf
- **NGFS climate scenarios (June 2020):**
 - https://www.ngfs.net/sites/default/files/medias/documents/ngfs_climate_scenarios_final.pdf
- **Guide to scenario analysis (June 2020):**
 - https://www.ngfs.net/sites/default/files/medias/documents/ngfs_guide_scenario_analysis_final.pdf
- **NGFS scenario database (June 2020):**
 - <https://www.ngfs.net/en/publications/ngfs-climate-scenarios>
- **Climate change and monetary policy: Initial takeaways (June 2020):**
 - https://www.ngfs.net/sites/default/files/medias/documents/climate_change_and_monetary_policy_final.pdf
- **NGFS Research priorities paper (June 2020):**
 - https://www.ngfs.net/sites/default/files/medias/documents/ngfs_research_priorities_final.pdf
- **Overview of Environmental Risk Analysis by Financial Institutions (September 2020):**
 - https://www.ngfs.net/sites/default/files/media/2020/09/23/overview_of_environmental_risk_analysis_by_financial_institutions.pdf