

# Recap of the panel session: "Climate Change: Financial Risks and Opportunities" TC's Executive Panel at the 2019 IMF/WB Spring Meetings

Thursday, April 11, 2019 | Video

More than ninety senior officials from around the world, including governors and deputy governors of central banks, financial sector supervisors/regulators, the IMF, the WBG, NGOs, and various other international development agencies attended Toronto Centre's Executive Panel at the IMF-World Bank Spring Meetings on Thursday, April 11, 2019 in Washington, DC.



From left to right: **BABAK ABBASZADEH**, President & CEO, Toronto Centre, **TIMOTHY ANTOINE**, Governor, Eastern Caribbean Central Bank (ECCB), **STEFAN INGVES**, Governor, Central Bank of Sweden; Chair, Toronto Centre, **TOBIAS ADRIAN**, Financial Counsellor and Director, Monetary and Capital Markets Department, IMF, **ALZBETA KLEIN**, Director and Global Head of Climate Business, IFC, **CARIN JÄMTIN**, Director General, Sida, **ROBERT ORR**, Dean, the School of Public Policy, University of Maryland; Special Advisor to UN Secretary General on Climate Change, **CARMEN REINHART**, Minos A. Zombanakis Professor, International Financial System, Harvard Kennedy School and **ADITYA NARAIN**, Deputy Director, Monetary and Capital Markets Department, IMF and Board Member, Toronto Centre.

The panel was introduced by **Carin Jämtin**, Director-General, Swedish International Development Agency (SIDA) followed by a keynote speech by **Tobias Adrian**, Financial Counsellor and Director, Monetary and Capital Markets Department, IMF. They delivered stimulating speeches outlining the SIDA's and the IMF's work on climate risk, respectively.



**CARIN JÄMTIN**, Director General, Sida



**TOBIAS ADRIAN**, Financial Counsellor and Director, MCM, IMF

The discussion was skillfully moderated by **Aditya Narain**, Deputy Director, Monetary and Capital Markets Department, IMF, and Board Member, Toronto Centre.



Five distinguished senior panelists examined the next steps that financial authorities can take to protect financial systems, investors, and the public against climate-related risks. Key highlights included:

**Stefan Ingves**, Governor, Central Bank of Sweden and Chair, Toronto Centre noted that it is important to bring financial sector closer to the climate change agenda, but he also pointed out that there are limitations to the extent that in which this can be adopted to the regulatory and supervisory framework. Central banks' balance sheets are not designed to deal with climate related risks and prudential regulations can only address to prudential risks. He also highlighted the importance of the work by the Financial Stability Board's Task Force on Climate-related Financial Disclosure. This will give financial market participants right price signals. He highlighted the importance of the standardised information at international level so that there will not be a confusion on what we refer to. Without proper information we cannot factor the issues into the equation.

**Timothy Antoine**, Governor, Eastern Caribbean Central Bank elaborated on how the countries in the region are trying to build resilience to climate change. Among others, he mentioned the structural resilience by investing in physical and digital infrastructure, early warning systems, financial resilience and fiscal resilience. He emphasized the importance of fiscal resilience in the form of fiscal buffers: Fiscal buffer will enable the countries to implement countercyclical policies in the event of a shock. He also emphasised the social affects as well as how to communicate climate related disasters. He highlighted the main challenge for being access to finance. The small islands in the region do not qualify for many grants despite the fact that they are at the front line of climate change.

**Carmen Reinhart**, Minos, A. Zombanakis Professor, Harvard Kennedy School, also mentioned that stress test is a useful tool to measure the effects of extreme events like climate risk. Stress tests that we considered in the past has changed in the light of the global crisis. From now on climate risk should also be factored in those tests. She underscored the importance of fiscal capacity to build a new infrastructure is key including the level of domestic and external debt in the economy. Therefore, being able to pull of the global funds to deal with idiosyncratic shocks is important. She also mentioned that guidelines in terms of applicability and allocation of funds are needed as the impact of such extreme events are not symmetric across the members of the IMF and the WBG.

**Robert Orr**, Dean, the school of Public Policy, University of Maryland and Special Advisor to UN Secretary General on Climate Change started by thanking Toronto Centre as he acknowledges that the financial sector is not the answer to the climate change but also there is no answer to climate change without financial sector involvement. He said that climate change is an extreme threat and should be addressed as such but there is also an opportunity to it. It is important to include both sides in the equation when dealing with climate change. He gave the example of China being one of the leading economies on climate change front today. China used to be largest hold out on the global agreement but turned out to be the global leader in addressing climate change. China shifted gears very quickly to address urban pollution in the country and take the opportunity to promote Chinese market in the strategic areas. The main take away is that we can both address risks and pursue opportunities at the same time. He informed about the upcoming UN Climate Change Summit in September 2019, in which leaders will be looking at the way forward from the Paris Climate Agreement as well as opportunities. He highlighted that the biggest opportunity for political leaders is pursuing/driving private finance to the developing countries but emphasized that this will require a lot of governmental and international

action. He mentioned that the technological developments will help for quick actions and returns so, we should take advantage of technology. We can get the scale if we systematically pursue on that.

**Alzbeta Klein**, Director, Global Head, Climate Business, IFC started with mentioning the first climate related bankruptcy in the USA to highlight the indirect impact of climate risk. Climate risk can hit through access to insurance, access to finance or through other channels in the financial sector. Climate change used to be seen as a corporate social responsibility and it is good to do something about it without materializing reputational risk. This has been changing today as we see change in the regulatory environment (e.g. Bank of England, San Francisco Fed). She highlighted the importance of investor's expectation to be aligned with Sustainable Development Goals (SDGs). A survey conducted by the IFC in 21 leading emerging market economies showed that those countries are committed to the Paris Agreement and this is a great investment opportunity. She concluded by saying that (i) it is clear that climate change cannot be addressed by one party. It requires many actors act together for comprehensive solutions. (ii) It is a systemic solution and it is not the same for every country. This needs to be engineered on country priorities. Aligning regulatory and financial systems and country priorities will make it happen.

**WATCH THE ENTIRE DISCUSSION:**

<https://vimeo.com/330517050>

## Executive Panel

### CLIMATE CHANGE: FINANCIAL RISKS AND OPPORTUNITIES

Spring Meetings of the International Monetary Fund (IMF) and the World Bank Group

Thursday, April 11, 2019, 12:30 p.m. - 2:00 p.m.

Venue: IMF Building, Cedar Hall, HQ1-1-660  
700 19<sup>th</sup> Street NW, Washington, DC, 20431

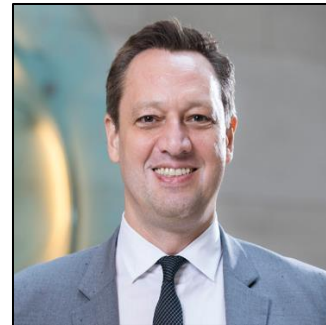
#### BRIEF OPENING REMARKS BY



**CARIN JÄMTIN**

Director-General

Swedish International Development Agency, SIDA

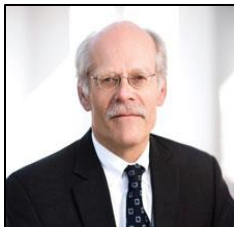


**TOBIAS ADRIAN**

Financial Counsellor and Director,

Monetary and Capital Markets Department, IMF

#### PANELISTS



**STEFAN INGVES**

Governor, Central Bank of Sweden;  
Chair, Toronto Centre



**TIMOTHY ANTOINE**

Governor, Eastern Caribbean Central Bank



**CARMEN REINHART**

Minos A. Zombanakis Professor, Harvard Kennedy School; Former Senior Policy Advisor and Deputy Director, IMF



**ROBERT ORR**

Dean, the School of Public Policy, University of Maryland; Special Advisor to UN Secretary-General on Climate Change



**ALZBETA KLEIN**

Director, Global Head, Climate Business, International Finance Corporation (IFC), WBG



#### MODERATED BY

**ADITYA NARAIN**

Deputy Director, Monetary and Capital Markets Department, IMF;  
Board Member, Toronto Centre

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## Why You Should Attend

This session is designed for financial sector regulators and supervisors, central bankers, officials from Ministries of Finance, the IMF and the World Bank, international development agencies, non-governmental organizations, and the private sector.

Confronting climate change and its effects while encouraging economic development and fighting poverty is a complex global challenge. It requires both global cooperation as well as innovative national solutions. Since the Paris Agreement, assessing and mitigating the consequences of climate change on economies and financial systems has been a priority of international organizations, forums, and standard-setters. Examples include the G20, the Financial Stability Board (including its Task Force on Climate-Related Financial Disclosures), the IMF, and the World Bank – all of which have taken steps to account for and respond to climate change in their policies and programs. There are development challenges and opportunities associated with climate change for the financial sector as well. Certainly, there is scope to develop new insurance products, and more generally to promote the availability of commercially-sustainable insurance coverage for those exposed to climate related risks. There is also a need to develop long term, local currency financing mechanisms such as green bonds, as well as supportive definitions, standards, and disclosures. These challenges and opportunities are relevant to financial authorities overseeing banks, insurers, pension funds, and the capital markets.

This panel will help advance the conversation by examining the next steps that financial authorities can take to protect financial systems, investors, and the public against climate-related risks. It will also examine ways that financial authorities may facilitate government responses to climate change. More specifically, the panel will examine:

- The likely impacts of climate change on financial institutions and potential consequences for financial stability
- How to respond to new and increased risks by adapting and enhancing existing regulation, supervision, and disclosure requirements affecting intermediaries, markets, and products
- The need to promote the financial market and product innovations related to climate change, such as green bonds and market-based financing of green infrastructure initiatives
- The experiences of countries on managing climate-related risks in financial institutions, such as through stress-testing

### **ABOUT TORONTO CENTRE**

*Established in 1998, Toronto Centre for Global Leadership in Financial Supervision (Toronto Centre) is an independent not-for-profit organization that promotes financial stability and access to financial services globally by providing high quality capacity building program for financial sector regulators and supervisors, particularly in emerging markets and low-income countries. We believe that for countries to thrive, their financial systems must be stable and inclusive. By helping to build these economic foundations, the Centre's mission supports sustainable growth and job creation, and helps to reduce poverty. Toronto Centre's mission is aligned with UN 2030 Sustainable Development Goals and Canada's Feminist International Development Assistance and Swedish International Development priorities. Since 1998, the Centre has trained more than 10,000 supervisors and regulators from over 190 countries and territories. Toronto Centre is supported by Global Affairs Canada, the IMF, Swedish Sida, and other valuable international partners such as the World Bank. For more information, please visit [www.torontocentre.org](http://www.torontocentre.org)*

**This is an OPEN EVENT, but we expect seating will be limited due to high demand.**

**REGISTRATION IS ENCOURAGED.**

Please inform **Ms. Demet Çanakçı** at [dcanakci@torontocentre.org](mailto:dcanakci@torontocentre.org) if you wish to attend.