Indexing capital requirements on climate – some reflexions

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I4CE – Finance for Tomorrow

October 18, 2021

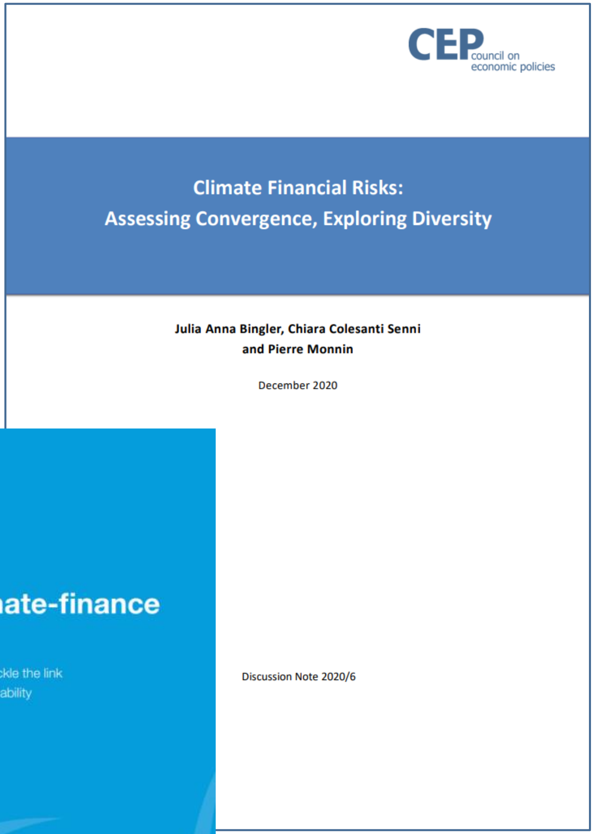
Climate risks, capital requirements and financial stability

- Capital requirements’ first goal is to strengthen financial stability
- Hypothesis: requirements are at optimal level for financial stability
- GSF: only if green has lower probability of default than in the past
- BPF: when climate risks are not duly accounted for.
- Latter is much more likely than former

CEP

Focusing on high climate risk exposure

- Meaningful impact and no credit crunch
- High climate risk exposures are easier to spot
- One-for-one for new fossil fuel reserves


CEP council on economic policies

Climate Financial Risks:
Assessing Convergence, Exploring Diversity

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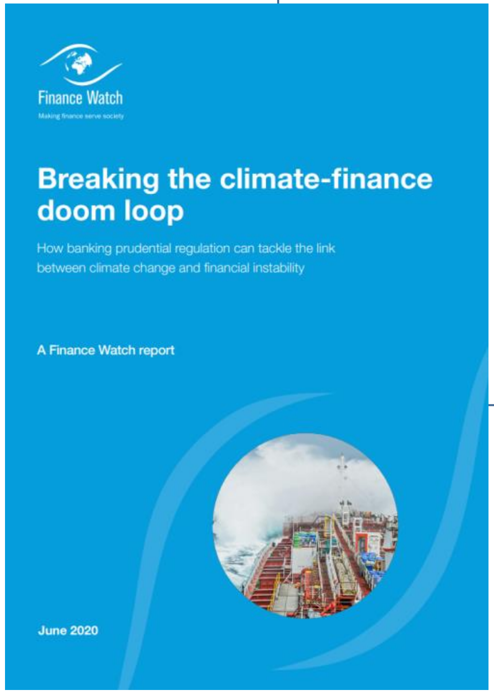
December 2020

Discussion Note 2020/6



Alternative prudential tool

- A systemic risk buffer for climate risks

CEP council on economic policies

SYSTEMIC RISK BUFFERS - THE MISSING PIECE IN THE PRUDENTIAL RESPONSE TO CLIMATE RISKS

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CEP POLICY BRIEF
June 2021