Indexing capital requirements on climate – some reflexions

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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
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
Alternative prudential tool

• A systemic risk buffer for climate risks