



# State of play: Network for Greening the Financial System (NGFS)



# MISSION, MEMBERS, DEVELOPMENTS

- **Launched at the One Planet Summit in December 2017.**
- **Mission:** a group of Central Banks and Supervisors willing, on a voluntary basis, to exchange experiences, share best practices, contribute to the development of environment and climate risk management in the financial sector, and to mobilize mainstream finance to support the transition toward a sustainable economy.
- **Members:** From 8 founding participants to 34 members and 5 observers, across 5 continents in 16 months. The EBA joined as a member in November 2018
- **Chairman:** Frank Elderson (DNB). Banque de France serves as Secretariat. 3 WS:
  - WS1 (Chair: PBOC), microprudential/supervision issues [you could mention that many
  - WS2 (Chair: Bank of England), macrofinancial impacts of climate related risks
  - WS3 (Chair: Bundesbank), role of central banks in scaling up green finance
- **Progress report published in October 2018: “*climate-related risks are a source of financial risk*”.**

# NGFS WS1: FOCUS ON SUPERVISION

- **First step a stock taking exercise of:**
  - Supervisory practices pertaining to climate risks
  - Disclosure practices among NGFS jurisdictions
  - Preliminary work on a potential risk differential brown vs green assets
- **Main findings:**
  - Need for a forward looking and longer-term perspective. Benefit of using data driven stories based on future potential scenarios.
  - Supervisors are starting to actively assess the prudential risks and begin to set supervisory expectations to enhance financial risk management of supervised firms.
  - The tools and methodologies are still at an early stage and there are a number of analytical challenges to overcome.

# NGFS WS1: FOCUS ON SUPERVISION

- Second step:

- 17 April NGFS comprehensive report : publication of a comprehensive report putting forward some recommendations to the relevant stakeholders
- The first recommendation will call Supervisors to integrate climate risks into supervision (qualitative/quantitative approach)
- Going forward in 2019-early 2020: conducting some technical work to help authorities in conducting scenario analysis (data driven approach) and turning the NGFS recommendations into concrete processes.
- Nurturing a close dialogue with the relevant stakeholders (among them the EBF).

- Alignment work EBA – NGFS

- many WS1 members also take part in the EBA Sustainable Finance Network – this would safeguard strong alignment

# ANNEX: NGFS GOVERNANCE

**NGFS Plenary (34 members + 5 observers)**

**Chairman: Frank Elderson (DNB)**  
**Secretariat: Morgan Després (BDF)**

**NGFS Steering Committee (10 members + 1 observer)**

**WS1: Ma Jun (PBOC)**

**Microprudential/supervisory**

- Mapping of current supervisory practices
- Encouraging climate-related risks disclosure
- Considering the extent to which a financial risk differential exists between 'green' and 'brown' assets

**WS2: S. Breeden (BoE)**

**Macrofinancial**

- Sizing the impact of climate related risks on the economy both in the central case and in the event of tail scenarios
- Focus on the transmission channels of climate-related risks to both the macroeconomy and the financial system
- Identify areas where further research is needed

**WS3: J. Wuermeling (BBK)**

**Scaling up green finance**

- Leading by example and Greening the activities of Central Banks and supervisors
- Understanding/monitoring the market dynamics of green finance
- Being catalysts for a sound scaling up of green finance

**NGFS Stakeholders: non public list of key partners, providing dedicated expertise**