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The joint Study Group on ‘Biodiversity and Financial Stability’ launched by NGFS and INSPIRE publishes a Vision Paper

Today, the joint Study Group on ‘Biodiversity and Financial Stability’ - recently launched by the NGFS and the International Network for Sustainable Financial Policy Insights, Research, and Exchange (INSPIRE) - published a Vision Paper entitled “[Biodiversity and financial stability: exploring the case for action](#)”. The document is published as part of the “NGFS Occasional Papers” series and, therefore, the views and opinions expressed do not necessarily represent those of the NGFS.

Central banks and prudential supervisory authorities are increasingly recognising the potential for biodiversity loss to threaten macroeconomy stability as well as the stability of the financial systems that they oversee. But the complexity of the issue, the lack of regulations and policy guidance, and limited tools to measure, disclose and manage nature-related financial risks create a range of challenges to overcome, according to the report.

The report sets out the links between biodiversity loss and the macroeconomic and financial systems. It considers both the dependency of the financial sector on ecosystem services, and the impact of the financial sector in exacerbating the degradation of natural systems. It then poses a series of questions regarding whether and how central bankers and supervisors should, in the context of pursuing their mandates, address the issue of biodiversity loss.

Frank Elderson, Chair of the NGFS and member of the ECB’s Executive Board: *“G7 member states recently concluded that biodiversity loss poses an existential threat to people, prosperity, security, and nature. An NGFS/INSPIRE Joint Study Group outlines in a new Vision Paper how it will seek to improve understanding of the potential financial stability implications.”*

This Vision Paper sets out the rationale for the work of the Study Group and proposes an initial agenda and a research focus. It is to be followed by an Interim Report, to be published ahead of the critical meeting of the parties to the Convention on Biological Diversity, in Kunming, China, in October 2021. That meeting is expected to agree on a post-2020 global biodiversity framework, which aims to halt and reverse biodiversity loss.

The Study Group will publish its Final Report in February 2022, setting out a research agenda for the following years.

“It is now widely accepted within the central banking community that the financial risks posed by climate change merit their attention. The impacts of biodiversity loss in many countries have the potential to be as severe,” says Dr Ma Jun, Chair of the NGFS Research Workstream and Chairman of China Green Finance Committee. *“There is a pressing need to ensure that central banks and supervisors understand how these impacts could affect their ability to discharge their mandates.”*

The Study Group is co-led by the Chair of the NGFS Workstream on Research (overseen by Dr Ma, managed by Dr Tianyin Sun) and INSPIRE (overseen by Professor Nick Robins, managed by Dr Simon

Dikau). It comprises around 30 NGFS members (central bankers and prudential supervisory authorities) and observers, and around 25 INSPIRE researchers, from academia, civil society groups and think-tanks.

“The Vision Paper shows why it is critical that central banks address climate change and biodiversity loss as a compound threat to the financial system, one that is posing a risk of profound and irreversible impacts,” says Professor Robins, Grantham Research Institute on Climate Change and the Environment. *“The next steps for the Study Group is to gather experience and insights on the role that financial authorities can play, given their missions and mandates.”*

About the NGFS

The NGFS, launched at the Paris One Planet Summit on 12 December 2017, is a group of central banks and supervisors, which on a voluntary basis are willing to share best practices and 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. The NGFS brings together 92 central banks and supervisors and 14 observers. Together, they represent five continents and around 85% of global greenhouse gas emissions, and are responsible for the supervision of all of the global systemically important banks and two thirds of global systemically important insurers. The NGFS is chaired by Frank Elderson, member of the ECB’s Executive Board. The Secretariat, headed by Jean Boissinot, is provided by Banque de France.

About INSPIRE

The International Network for Sustainable Financial Policy Insights, Research, and Exchange (INSPIRE) is an independent research network built to support the central banks and supervisors of the Network for Greening the Financial System (NGFS) in its work to manage climate and environmental risks and mobilise finance to support the transition to a sustainable economy. The INSPIRE secretariat is co-hosted by the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science and the ClimateWorks Foundation. It is guided by an Advisory Committee and has commissioned over 30 research projects across a range of critical themes.

**For more details on the NGFS, visit the [NGFS website](#) and [Twitter account](#) or contact the NGFS Secretariat at Banque de France sec.ngfs@banque-france.fr
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For more details on INSPIRE, visit the [INSPIRE website](#) and [Twitter account](#).