



Paris, 7 September 2022

NGFS publishes a paper exploring the effects of the current energy crisis and the links with the NGFS climate scenarios

The NGFS released today a note exploring the effects of the current energy crisis stemming from the war in Ukraine, and how they relate to the latest iteration of the NGFS scenarios published yesterday.

While the sharp spike in global energy prices is not reflected in the [latest iteration of the NGFS scenarios](#) (which were largely completed before recent events), it illustrates how one of the adverse NGFS scenarios of a disorderly transition might look like. If anything, the current energy crisis is both more adverse and more immediate than any of the NGFS scenarios. The NGFS will work on integrating the implications of recent shocks in its next iterations.

To relate the latest set of NGFS scenarios to the current situation and cast a light on the feasibility of achieving an orderly transition to net zero by 2050, the NGFS has produced a companion note entitled "[Not too late – Confronting the growing odds of a late and disorderly transition](#)", prepared by a team led by Luiz Awazu Pereira da Silva, Deputy General Manager, Bank for International Settlements.

The note argues that the current crisis presents a narrow but unique opportunity to accelerate the transition to net zero. The world is at a crossroad, having a choice between two paths. One path will take us backward by increasing the carbon intensity of our energy systems and raising the odds of a delayed and disorderly transition further down the road, or worse still lead to a failed transition with catastrophic climate impact. The other path will take us towards net zero through a coordinated and progressive move away from fossil fuels that improves the chances for a less costly low carbon transition.

Meeting the objectives of the Paris Agreement should remain a priority. The role of governments is crucial in facilitating the green transition and mitigating its economic impact on the most vulnerable groups in society. Central banks and regulators should play a supporting role to promote the greening of the financial sector within their mandates.

Ravi Menon, Chair of the NGFS and Managing Director of the Monetary Authority of Singapore: *"Climate change is not taking a pause for the current energy crisis; natural disasters are increasing in frequency and intensity. In dealing with the energy crisis, the key risk to guard against is to lock into a carbon-intensive pathway that will prove very costly to transition away from in future or lead us into catastrophic climate change. We must ensure that any increase in carbon intensity to alleviate the energy crisis is strictly temporary. We must seize the opportunity presented by the current high prices of fossil energy to accelerate investments in renewable energy and substantially increase energy efficiency. The financial sector must stand behind this effort."*

Luiz Awazu Pereira da Silva, Deputy General Manager of the Bank of International Settlements: *"The current crisis, with all its tragic dimensions, represents also a unique opportunity to take decisive action toward the net zero transition. Its longer-term benefits are even stronger especially after the relative price shift with the sharp rise in the cost of fossil fuel. This can be additional incentives to be used to show it is not too late to*

avoid a delayed and disorderly transition. Today, accelerating the transition is even more so our best option to reduce the social and economic costs, the large financial risks that climate change is bringing us. Naturally, this has to be done with pragmatic decisions and coordinated planning to help overcome the challenges associated with the scaling up of necessary investments in non-fossil energy sources and mitigate the negative redistributive impacts of 'fossilflation'."

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 116 central banks and supervisors and 19 observers. Together, they represent five continents and more than 85% of global greenhouse gas emissions, and are responsible for the supervision of all of the global systemically important banks and 80% of the internationally active insurance groups. The NGFS is chaired by Mr Ravi Menon, Managing Director of the Monetary Authority of Singapore. The Secretariat, headed by Mr Jean Boissinot, is provided by Banque de France.

For more details, 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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