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NGFS publishes the report “Scenarios in Action: a progress report on global supervisory and central bank climate scenario exercises”

Today, the NGFS released the report [“Scenarios in Action: a progress report on global supervisory and central bank climate scenario exercises”](#), which sets out how a growing number of NGFS members, across all continents, are using climate scenarios to identify, assess and understand climate risks in their economies and financial systems.

This report is released on the first day of the research conference on “The macro-financial impacts of climate change and the net zero transition”, organised jointly by Banca d’Italia and the Bank of England. The report is part of the NGFS’ contribution to the 2021 United Nations Climate Change Conference (COP26) to be held in Glasgow next month, alongside several other reports and announcements.

The progress report features 31 NGFS members’ climate scenario exercises to date, and reveals that the NGFS scenarios are a foundational component in almost all of them. As climate scenario analysis is a new and growing field of activity, it also highlights a number of the challenges that need to be addressed in undertaking this work. And by providing insight into how central banks and supervisors have sought to address these challenges, the report serves as a practical reference work for those seeking to do climate scenario exercises in the future.

Sarah Breeden, Chair of the NGFS’ “Macrofinancial” workstream and Executive Director and member of the Financial Policy Committee at the Bank of England: *“This report highlights the keen efforts of many central banks and supervisors to develop and launch exercises which assess the financial risks and economic consequences that arise from climate change. Not only does this report attest to the value of scenario analysis as the leading tool for sizing climate impacts, but it also highlights that the extensive free-to-use package of NGFS scenarios is enabling authorities to take such necessary strides quickly, and so supporting the global transition to net zero. I am sure all those undertaking scenario analysis - whether in the public or the private sector, whether in the financial system or the real economy - will learn from this report.”*

Objectives of climate scenario exercises range from assessing microprudential, macroprudential and economic risks, to developing capabilities both internally and within the broader financial sector. As most NGFS members are indeed conducting climate scenario analysis for the first time, many view developing awareness and capabilities around climate-related risks as equally important to assessing the risks themselves.

Frank Elderson, Chair of the NGFS and Member of the Executive Board of the European Central Bank: *“This new NGFS report confirms how scenario-analysis and stress-testing can be used in practice to better understand the economic and financial risks from climate change. The NGFS will continue to support central banks and supervisors to incorporate these important analytical tools in their tasks and responsibilities”*.

Ultimately, as climate scenario exercises develop, insights into the financial impacts from transition and physical risks will become increasingly comprehensive, based on a converging set of methodological practices and a growing body of data.

Looking forward, the NGFS will facilitate this development by continuing to serve as a platform for knowledge sharing between central banks and supervisors, and will report on these findings as they emerge. Building on this progress report, the NGFS and the Financial Stability Board will publish a joint report in 2022 on the main implications of possible future climate scenarios for the financial system. The NGFS will also continue to improve its scenarios with the aim to be as relevant as possible for economic and financial analyses. Lastly, the NGFS will continue to collaborate with a range of actors to ensure the scenarios are suitable for wider use.

New members/observers

The NGFS is pleased to announce that the International Organisation of Pension Supervisors (IOPS) has recently joined the Network as an observer.

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 95 central banks and supervisors and 16 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.

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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