

# The near-term impacts of climate policies and climate change:

- i. Extreme weather events occurring regionally generate temporary but material GDP losses, and increase the cost of transition;
- ii. Delaying transition efforts increase the economic costs of transitioning and could cause additional financial stress



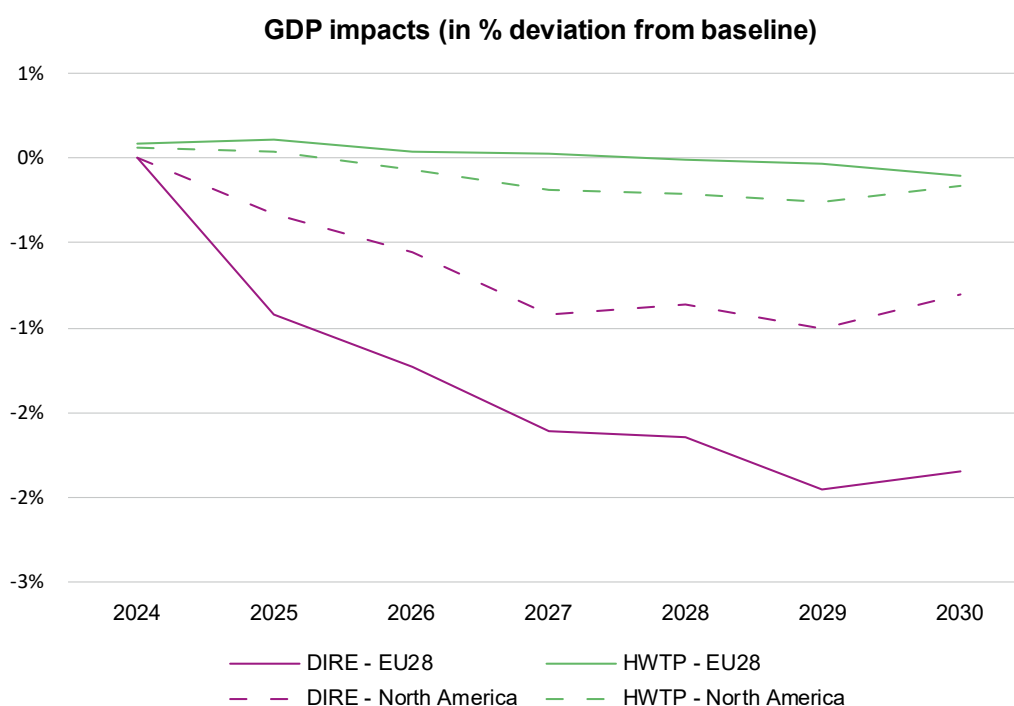
## Extreme weather events could cause severe regional GDP losses, with effects on the global economy

- **Regional disasters cause large GDP losses regionally, down to:**



- **Regional extreme weather events can also have effects on the global economy,** for instance, through trade and financial linkages

## Extreme weather events could also increase transition costs, already in the short-term



The Diverging Realities (DiRe) scenario assumes that regional weather events induce supply-chain disruptions, which inflate transition costs, compared to the transition risks-only Highway to Paris (HWTP) scenario.

## Delaying transition efforts could generate a global net economic loss, already in the short-term

- **An early implementation of ambitious but gradual climate policies limits the negative effects of a transition to a low-carbon economy**

### Global GDP losses in 2030

**Highway to Paris**  
A Paris-aligned orderly transition unfolds

-0.4%

-1.3%

**Sudden Wake-Up Call**  
Transition delayed by 3 years and unfolding too suddenly

- At the time of the shift in climate policies (2027), **global GDP falls by 1.2% and unemployment rate rises by 1.3 pp worldwide** (vs. baseline)

### What added value do the NGFS short-term scenarios bring?

- **Narratives on a 5-year policy-relevant timeframe**, relevant for climate stress-testing and macroeconomic risk assessment, by providing adverse but realistic pathways.
  - **Extensive modelling**, exploring how risks associated with climate policies and extreme weather events may compound and/or propagate across sectors and regions.
  - **High data granularity**, allowing users to investigate macroeconomic, but also sectoral and financial dynamics.
- The NGFS short-term scenarios are particularly well-suited for **climate stress-testing exercises** and for **analysing financial risks that may materialise within a business-planning, policy-relevant timeframe**.



The NGFS long-term scenarios remain more appropriate for strategic longer term risk assessments, to analyse structural changes in the economy or to assess how strategic policy or business decisions could affect the risks for financial institutions in the longer term.



Users should also be aware that the NGFS is constantly working to further improve the scenarios. It cannot be excluded that the economic effects of climate change might turn out to be even more severe than visualised under the NGFS scenarios. Neither the NGFS, nor its member institutions, nor any person acting on their behalf is responsible or liable for reliance on, or the use that might be made of these scenarios.



[NGFS Short-term Climate Scenarios](#)  
[Phase V of the NGFS long-term scenarios](#)

