NGFS
Central Banks and Supervisors Network for Greening the Financial System

Integrating Adaptation & Resilience into Transition Plans

NGFS Input paper to the G20 Sustainable Finance Working Group

Why integrate adaptation and resilience into transition plans

Adaptation is a challenge, alongside mitigation

Climate change has a significant cost even if we achieve net zero

Global GDP loss by 2050 due to chronic physical risks:
- **7.3%** in a Net Zero scenario
- **15%** in a Current Policies scenario

Compared to a baseline future without climate impacts

Source: NGFS

Adaptation has short- and long-term benefits but is underfinanced

- **2:1 to 15:1 economic benefit-to-cost** ratios for adaptation measures in certain sectors
- **≈70% funding gap** for adaptation finance in EMDEs

Source: CPI, CDP

Transition plans can play a role

A strategic tool to facilitate risk management and investments

- Support a **forward-looking approach** to **manage physical risks and opportunities**, alongside transition risks
- **Guide capital** toward **resilience-building investments**
- This requires a strong **enabling environment**, including clear government policies and plans (e.g., national adaptation plans), to give the private sector confidence to invest

How adaptation and resilience can be integrated into transition plans

Ambition

Foundations

Set objectives

Manage exposure to physical risks

Take business opportunities that also support strengthening the resilience of customers, value chains and the broader economy

Scope and assess

Physical risk assessments (inc. scenario analysis)

Physical opportunities assessment (inc. review policies and taxonomies)

Action

Engagement Strategy

Leverage existing engagements

- Government
- Value chain
- Peers and academia

Implementation Strategy

Manage risks and opportunities

- Avoid risk
- Accept risk
- Transfer risk
- Reduce risk
- Integrate into investment decision-making process

Accountability

Metrics and Targets

A maturity pathway, building from a baseline of exposure data and building to measuring outcomes:

Baseline

Analysis to quantify the actual baseline vulnerability to physical climate risks

Example: % of credit portfolio exposed to businesses highly dependent on ecosystem services

Input

Quantification of resources being deployed to adaptation

Example: Amount of adaptation finance towards adaptation identified by taxonomies

Output

Quantification of outcomes from adaptation activity, ideally measuring effectiveness or performance of adaptation actions against targets

Example: % of risk-exposed assets that have risk mitigation in place in line with the 20[XX] projected 100-year risk event

Governance

Leverage existing transition planning frameworks and processes, which oversee and manage mitigation efforts, to track progress against adaptation targets, once set.

Find out more in the note