

NGFS Declaration on the Economic Cost of Climate Inaction

In the lead-up to the 30th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP30), we, members of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), issue this declaration to highlight the rising economic costs of climate inaction and to reaffirm our commitment to supporting a well-managed transition.

Ten years after the adoption of the Paris Agreement, the world stands at a critical juncture. While important progress has been achieved, the gap between current greenhouse gas emission trajectories and the objectives of the United Nations Framework Convention on Climate Change and its Paris Agreement remains wide¹. Scientific evidence confirms that the remaining window to limit global warming to 1.5°C is almost closed, requiring ambitious Nationally Determined Contributions that are effectively implemented². This is a moment to re-anchor global action in evidence, credibility, and coordination.

As a coalition of central banks and supervisory authorities, we recognize the mounting evidence that delayed climate action leads to material economic and financial risks with implications for our core mandates. While transitioning to net-zero emissions will have a cost, it will be much lower than the cost of facing increasingly severe and frequent weather events and long-term shifts in climate patterns³.

The recently released NGFS short-term scenarios show that regional extreme weather events may generate material GDP losses, with effects on the global economy over a 3 to 5 years horizon⁴. For instance, under an adverse scenario looking at physical risk only, regional climate disasters could cause large GDP losses at the regional level, ranging from 6% in Asia up to 12.5% of GDP in Africa⁵. Without timely and coordinated action, such shocks could lead to global spillovers by disrupting food systems, energy markets and supply chains, resulting in broader macro-financial instability. An early and globally coordinated implementation of climate policies can limit the negative effects of a transition to a low-carbon economy, even in the short term: early action could halve the cost of the transition by 2030, at 0.5% of global GDP against 1.3% in the case of a three-year delay⁶.

The potential impacts on GDP would have tangible implications, especially for the most vulnerable economies, which face specific challenges in tackling climate change. This means that delayed global action could translate into reduced economic activity, rising unemployment, lower disposable income, and reduced fiscal space even within a five-year timeframe. Moreover, existing estimates do not yet account for potential tipping points or the broader impacts of nature degradation, despite the deep reliance of our economies on natural systems. Ignoring these dimensions could lead to an underestimation of risks for the financial system and long-term economic costs, reinforcing the urgency to act.

The transition requires a whole-of-economy effort – both from public and private actors – and a sound and resilient financial system is essential to provide the enabling environment for that effort. Through the adoption of scenario analysis, climate disclosure standards and transition planning, financial institutions can factor climate and nature-related risks into the strategies and operations, and enable a smooth and effective transition towards a sustainable economy^{7,8}. This will also help align financial flows with long-term transition objectives, including mitigation and adaptation efforts, and will generate a double dividend by reducing drivers of nature degradation⁹.

As members of the NGFS, we remain committed to supporting this collective effort in line with our mandates to maintain a stable macroeconomic and financial environment. We will continue our joint efforts to provide free and openly accessible science-based analyses and data, forward-looking tools, and practical guidance, as well as seek to foster academic cooperation and cross-disciplinary capacity building beyond the central banks and supervisors' community. By working to ensure both price stability and financial stability, we contribute to an enabling environment for governments and corporates to act with confidence in pursuit of the Paris Goals.

References

- ¹ United Nations Environment Programme (2024). [Emissions Gap Report 2024: No more hot air ... please! With a massive gap between rhetoric and reality, countries draft new climate commitments.](#)
- ² IPCC (2022) Summary for Policymakers. In: Climate Change 2022: [Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change](#)
- ³ NGFS (2024), [NGFS Climate Scenarios for central banks and supervisors - Phase V](#)
- ⁴ NGFS (2025), [NGFS Short-term Climate Scenarios for central banks and supervisors](#)
- ⁵ See the “Disasters and Policy Stagnation” scenario in the NGFS Short-term Climate Scenarios
- ⁶ See the “Highway to Paris” and “Sudden Wake Up Call” scenarios in the NGFS Short-term Climate Scenarios
- ⁷ NGFS (2024), [Synthesis report on the greening of the financial system](#)
- ⁸ NGFS (2024) [NGFS Transition Plan Package](#)
- ⁹ IPBES (2024), [Summary for Policymakers of the Nexus Assessment Report](#)

About the NGFS

The Network for Greening the Financial System (NGFS) was launched at the Paris One Planet Summit on 12 December 2017. It represents a group of central banks and supervisors, which are willing to share best practices and contribute to the development of environment and climate risk management in the financial sector, and to mobilise mainstream finance to support the transition toward a sustainable economy. The NGFS brings together 146 central banks and supervisors and 23 observers. The NGFS is chaired by Sabine Mauderer, First Deputy Governor of the Deutsche Bundesbank, with the support of the Vice Chair, Fundi Tshazibana, Deputy Governor of the South African Reserve Bank and Chief Executive Officer of the Prudential Authority. The Secretariat, headed by Yann Marin, is provided by the Banque de France.

For more details, visit the [NGFS website](#), [LinkedIn account](#), and [2024 Annual Report](#), or contact the NGFS Secretariat at the Banque de France: sec.ngfs@banque-france.fr. Press Office at the Banque de France: +33 (0) 1 42 92 39 00 / presse@banque-france.fr