IFC Workshop on "Addressing climate change data needs: the global debate and central banks' contribution"

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Central banks' contribution to addressing climate change data needs: lessons from recent experience and outlook[1]

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[1] This contribution was prepared for the workshop. The views expressed are those of the authors and do not necessarily reflect the views of the Central Bank of the Republic of Türkiye, the BIS, the IFC or the other central banks and institutions represented at the event.

Concluding remarks

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Summary and main take-aways

Climate change presents a massive negative shock to the system: environmentally, economically and financially.

This conference illustrated that this shock is already happening and will become worse

- Manifestation of physical risks: declining wheat production in Turkey; floods and hurricanes in Mexico, Malaysia, Netherlands.. land uses in Chile…
- Manifestations of transition risks: bank exposures to climate policy-relevant sectors in Poland and the USA; carbon footprints & CBAM in Turkey; BIS scenario analyses for the banking system as a whole…

These risks are spread out across space and time, and need to be managed urgently, to avoid even tougher consequences and decisions in the future.

Summary and main take-aways

This conference – including high level key notes - also highlighted that there is a broad consensus that **Central Banks, considering the implications of climate change for many aspects of our mandates, have a clear role** to help managing these risks, and to facilitate efforts to finance the transition to ensure that these risks do not become worse.

Good policy is evidence-based & what gets measured gets managed

BUT

We face a data-void

Statisticians may help!

…this conference showed we are rising to the challenge

Collaboration

- Internationally including via international organisations and via networks (like NGFS, BIS I-hubs), but also with many other stakeholders (researchers, regulators, policy makers, accountants, companies…) to accommodate a wide variety of needs

Creativity & Innovation

- New models and estimations, new technologies, new – non-economic – datasources (& non-economic colleagues)

Curiosity – asking new (sometimes uncomfortable) questions

- E.g. Before we even know who owns the building - who owns what is INSIDE?

Convergence

- Shared initiatives (like DGI 3) & the development of standards (SNA/BPM)

Communication

- Dashboards (IMF, OECD, BIS…) and repositories (NGFS)
- Transparency on methodologies and qualification of the findings
- Explanations WHY method differences exist (e.g. OECD)
- Shortcomings and what is still needed

How full is our glass?

There are signs of hope

- For data: Growing amounts of data (partly due to regulation), insights and policy messages
- For the environment: growth in sustainable finance; some reduction in CO_2 footprints; growing # of transition plans…

But are we doing enough?

- We are doing now what we have always done in the face of new policy questions…develop, experiment, discuss at conferences, standardize…
- We do this fast, with reasonable resources and strong policy support, and using new technology and sources
- We are helped by policy context (bold regulation, new accounting frameworks, many policy initiatives)

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Avenues forward

Play our strengths: Continue what we have done successfully in the past (More conferences on climate & data are surely forthcoming)

Condense complexity to actional policy messages: highlight <u>why</u> indicators change, what policy measures work, to ensure policy is well-guided

Consider bolder steps to *really* fill the data void, lifting data to the next level: leveraging our Central Bank position as independent, legitimate, long-term focused regulatory and internationally connected institutions.

See: accounting for carbon in the value chain (BIS/IFC Hamburg conference) at the entity and product level: what can we do to support reporting agents – more guidance but also e.g. a data exchange system