

## **Soledad Núñez: Climate risk and sustainable finance - bridging policy, research and practice**

Speech by Ms Soledad Núñez, Deputy Governor of the Bank of Spain, at the High-Level Conference "Climate risk and sustainable finance: bridging policy, research and practice", jointly organised with the Network for Greening the Financial System (NGFS), the Centre for Economic Transition Expertise (CETEx), and the TPI Global Climate Transition Centre, both at London School of Economics, Madrid, 25 March 2026.

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Good morning, distinguished guests,

It is a pleasure to welcome you to the Banco de España for this High-Level Conference on "Climate Risk and Sustainable Finance: Bridging Policy, Research and Practice". A joint conference with the Network for Greening the Financial System (NGFS), the Centre for Economic Transition Expertise (CETEx), and the TPI Global Climate Transition Centre, both at London School of Economics. We sincerely thank these institutions for their valuable collaboration and contribution.

And I would like to thank all participants, in person and online from central banks, supervisors, academics, policy-makers and practitioners, for joining us today. Your commitment and expertise make gatherings like this not only possible, but truly meaningful. We meet at a time when the global context makes our work more urgent than ever. Climate change is no longer a distant or theoretical threat-it is a present and accelerating force shaping global economic and financial conditions. We are witnessing a sharp increase in physical risks with remarkable consequences from extreme weather events. At the same time, transition risks are becoming more complex, driven by rapidly evolving regulation, technological shifts, and rising expectations on transparency and accountability.

In today's increasingly complex geopolitical landscape, we are reminded of how deeply interconnected our world has become. These challenges underscore an urgent truth: the climate crisis does not pause political tensions, nor does it respect borders. More than ever, we must remain committed to advancing climate action, strengthening international cooperation, and accelerating the transition to a resilient, sustainable future. This requires embracing a long-term vision, as Mark Carney, former Governor of the Bank of England, reminded us with his idea of the 'tragedy of the horizon,' ensuring that today's decisions reflect the risks and opportunities that will unfold over the coming decades.

Extreme weather events are generating mounting economic and financial costs. These impacts translate into growing financial-sector vulnerabilities: higher credit risk in affected industries, increased insurance liabilities, and fiscal pressures that can weaken sovereign creditworthiness-all of which heighten systemic risk and challenge financial stability frameworks.

At the same time extreme weather events do not affect all regions or countries in the same way, and their economic and financial consequences vary widely depending on geographic exposure, structural vulnerabilities, and levels of development.

Moreover, the distinction between local and national impacts is crucial: while a flood or storm may devastate a specific region's productive capacity, employment, or credit conditions, the aggregate national effect may appear smaller-masking deep localized damage and financial-sector stress concentrated in the affected areas. For example, the October 2024 DANA in Valencia Spain, caused economically severe local losses for households and firms in the affected areas, though its overall impact on Spain's broader economy remained limited. From a financial stability perspective, the Banco de España concludes that, despite causing severe local damage and some deterioration in credit quality in the affected areas, had a non-systemic impact thanks to the relatively small share of exposed credit and the mitigating measures implemented by public authorities.

Recognizing this heterogeneity is essential for designing targeted adaptation policies and financial-stability frameworks that account for regional disparities and country-specific vulnerabilities.

In this context, strengthening our climate agenda is essential for boosting competitiveness and building greater resilience across our economies. Competitiveness and resilience are mutually reinforcing: the more resilient we become to environmental, energy, and geopolitical disruptions, the more competitive we are; and the more competitive we are, the better equipped we become to sustain long-term climate roadmap.

And for central banks and supervisors, this reality poses a fundamental challenge: we must ensure that the financial system remains resilient in the face of climate-related shocks. And to do so, we must deepen our understanding of how these risks propagate, how they interact with macroeconomic trends, and how they can impact financial stability. In this sense, advancing the knowledge, data, and analytical tools needed to assess climate risk is not optional-it is essential for fulfilling our mandates. And taking into account that today's challenges extend far beyond climate change alone, encompassing the accelerating loss of nature and biodiversity-crises that are deeply interconnected and must be addressed together.

Today's agenda reflects this imperative. Throughout the day, we will hear several presentations addressing both climate change mitigation and adaptation. While mitigation remains essential to reducing future risks, today's discussions will place particular emphasis on adaptation. This is a dimension that has become crucial for strengthening resilience, protecting vulnerable communities, and ensuring the stability of our economic and financial systems in the face of increasingly frequent and severe climate-related events.

In this regard, reliable, comparable, and sufficiently granular climate data is the foundation of any rigorous climate assessment. Without it, neither policy-makers nor supervisors can fully anticipate the risks ahead or design credible, effective responses.

Strengthening our analytical capacity is therefore essential to improving the quality and precision of our decisions. For that reason, exploring how better data and methodologies can support more informed and forward-looking policymaking.

At the same time, a key part of this effort involves deepening our understanding of how physical climate risks will shape economic activity in the years to come and evaluating the credibility of transition plans. These dimensions are central to ensuring that financial institutions properly integrate climate-related risks into their strategies and operations. And central banks themselves have an important role to play in the way we manage our own portfolios. Integrating climate considerations into portfolio management-while remaining fully aligned with our mandates-offers a concrete opportunity to lead by example.

Across all the sessions runs a common leitmotif: collaboration. No single institution, no single country, can address these challenges alone. We must strengthen the bridges between research and policy, between public and private sectors, and across jurisdictions. Only through coordinated efforts-rooted in sound science, rigorous analysis, and a long-term perspective-can we ensure that the financial system supports a sustainable and orderly transition. As the Network for Greening the Financial System has stressed, the cost of inaction far exceeds the cost of an orderly transition: delaying climate measures not only raises transition costs but also amplifies the economic and financial risks posed by increasingly severe climate-related shocks.

Let me close by expressing my gratitude once again for your presence and engagement. I am confident that today's discussions will not only deepen our understanding but also inspire concrete progress in the months ahead.

Thank you very much.