

Benchmarks for the financial sector in the face of climate-related risk: facts and recommendations

11 The climate emergency: four facts



111 The Paris Climate Agreement¹ aims at:

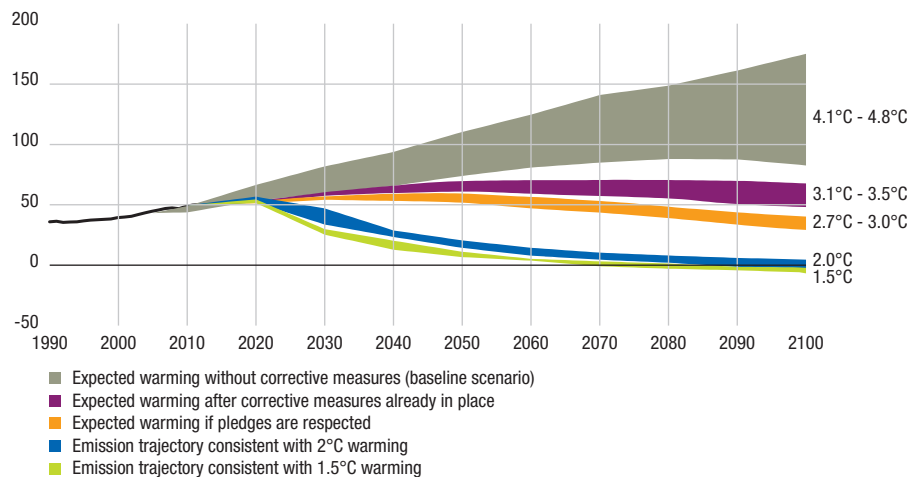
- limiting the increase in global temperature in 2100 to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase even further to 1.5°C;
- increasing the ability of countries to deal with the impacts of climate change by promoting low-carbon, climate-resilient growth;
- making finance flows consistent with this pathway.



112 The current carbon emissions trajectory must be radically changed to comply with the Paris Agreement

2100 projections for global greenhouse gas emissions and warming based on a range of scenarios

(emissions in gigatonnes of CO₂ (GtCO₂) per year with corresponding warming)



Source: Climate Action Tracker, *Warming Projections Global Update*, December 2018; and Banque de France presentation.

¹ The Paris Agreement entered into force on 4 November 2016, less than one year after its adoption. To date, it has been signed by 195 countries.



113 The risks of inaction are significant

-10%

losses to global GDP in 2100 if no action is taken to reduce carbon emissions²

USD 12,000 billion

the amount of stranded assets by 2050 – 3% of current capital stock³ – if policies remain unchanged



114 The financing needed for a successful transition is substantial

USD 830 billion per year

the additional annual average energy-related investment needed to limit warming to 1.5°C for the period from 2016 to 2050⁴

2 OECD (2016), *The economic consequences of climate change*, OECD Publishing, Paris: <https://doi.org/10.1787/9789264261082-fr>

3 IRENA (2019): *Global energy transformation: a roadmap to 2050*.

4 IPCC (2018): “Summary for policymakers”, in: *Global Warming of 1.5°C*.

5 NGFS (2019): “A call for action – Climate change as a source of financial risk”, *First Comprehensive Report*, April: <https://www.banque-france.fr/>

2I Action: six recommendations⁵

Recommendations	Actions of the Banque de France and the ACPR
1 Integrating climate-related risks into financial stability monitoring and micro-supervision	The ACPR is working toward the integration of climate-related risks into day-to-day prudential supervision. ^{1,2}
2 Integrating sustainability factors into own-portfolio management	The Banque de France has adopted a Responsible Investment Charter. ³
3 Bridging data gaps	
4 Building awareness and intellectual capacity and encouraging technical assistance and knowledge sharing	The Banque de France provides the Secretariat for the Central Banks and Supervisors Network for Greening the Financial System (NGFS).
5 Achieving robust and internationally consistent climate and environment-related disclosure	The Banque de France published its first Responsible Investment Report in March 2019. ⁴
6 Supporting the development of a taxonomy of economic activities	The Secretariat to the NGFS contributes to the activities of the European Commission Technical Expert Group that is notably working towards developing an appropriate taxonomy.

1 ACPR (2019), *French banking groups facing climate change-related risks*, *Analyses et Synthèse*, No. 101.

2 ACPR (2019), *French insurers facing climate change risk*, *Analyses et Synthèse*, No. 102.

3 Banque de France (2018), *Responsible Investment Charter of the Banque de France*, March.

4 Banque de France (2019), *Banque de France – Responsible Investment Report 2018*, March.