



CLIMATE AND TERRITORY

Conference
We are all concerned

Introductory speech by Denis BEAU,
Deputy Governor of the Banque de
France

26 September 2024
Neoma Business School, Reims

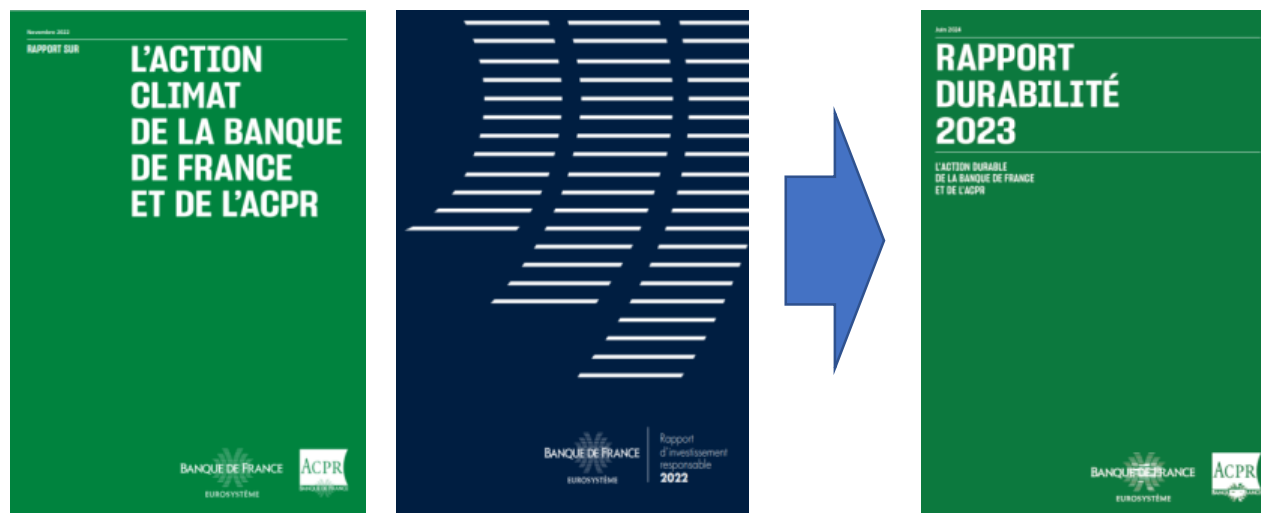
2023 SUSTAINABILITY REPORT

- **A new publication on BdF/ACPR sustainable action that combines:**

- The Banque de France and ACPR Climate Action Report (previous Report in November 2022)
- The Banque de France's annual responsible investment report

- **Expanding the reporting scope to include nature-related risks:**

- This change reflects the growing action of the Banque de France and the ACPR in terms, for example, of incorporating the economic risks associated with the degradation of nature and biodiversity loss.
- Expansion in line with NGFS recommendations



- **A report that will continue to evolve to provide greater transparency for both the public and our peer institutions**

- A context of heightened expectations for corporate sustainability reporting, particularly within the EU

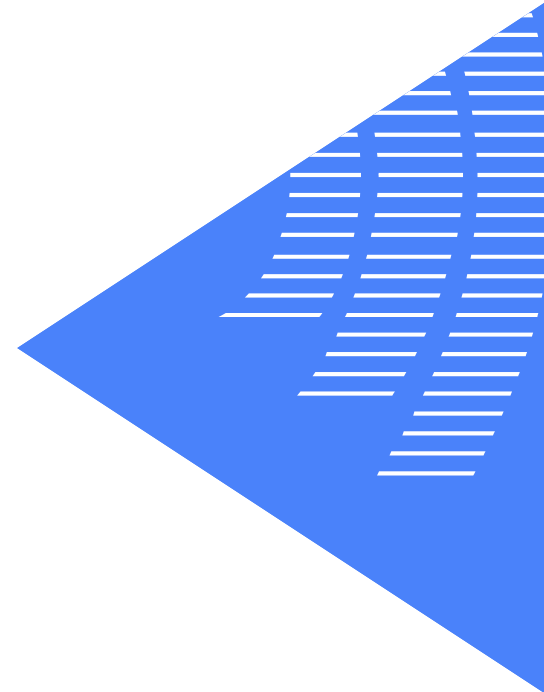


Incorporating climate risk into the Central Bank's missions

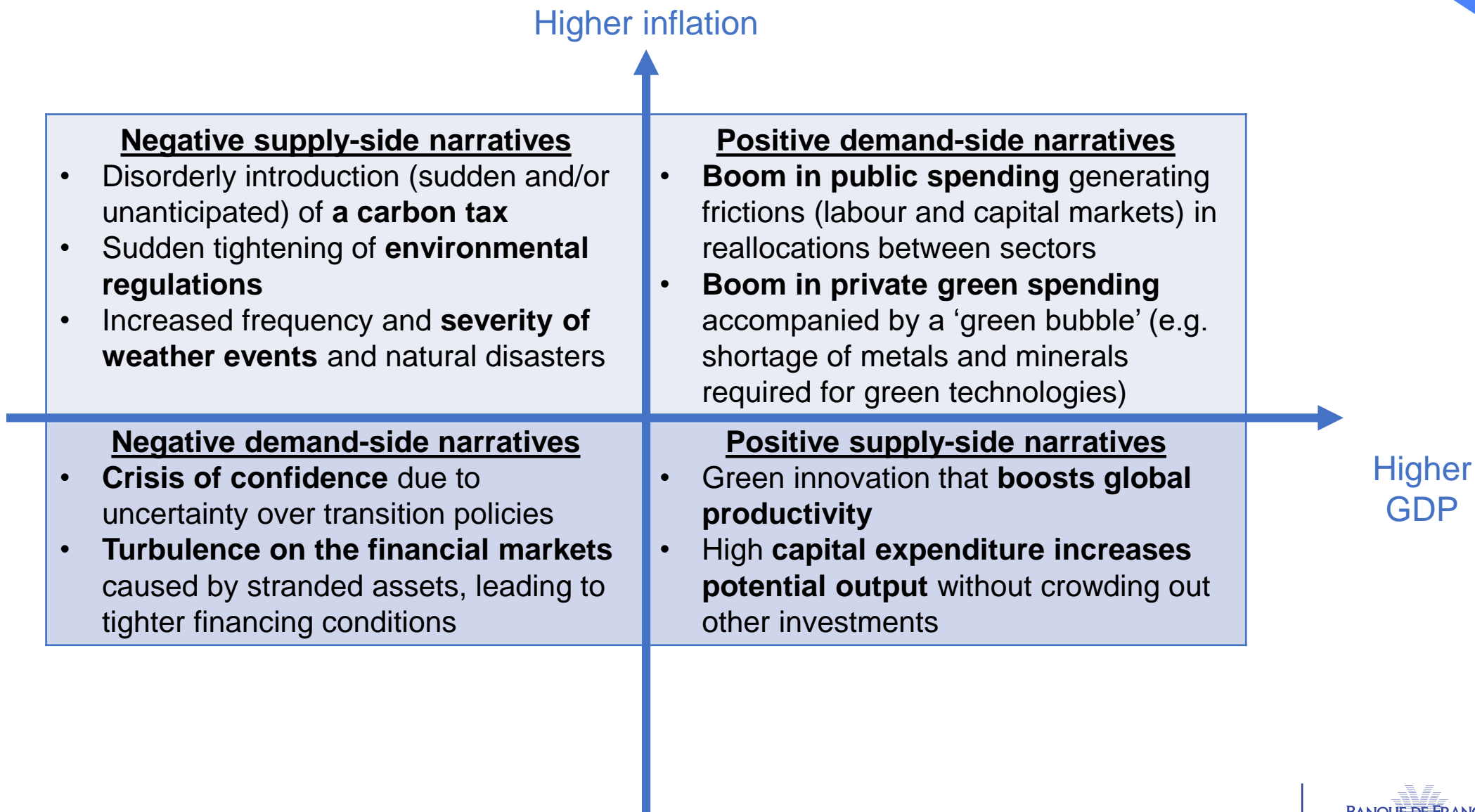
- 1 Monetary and macroeconomic policy**
- 2 Financial stability and financial system supervision**
- 3 Services to the economy and support for businesses**

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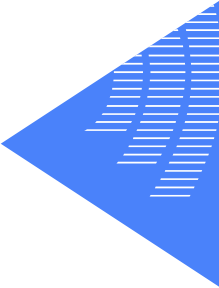
Monetary and macroeconomic policy



A variety of potential climate shocks, some of which could occur simultaneously

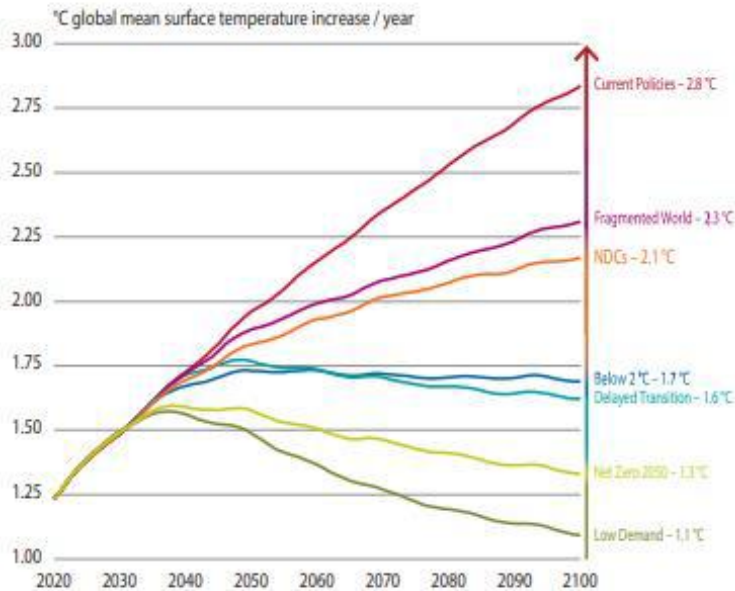


The impact of climate change on activity and prices: monetary policy response



Temperature Evolution by Scenario

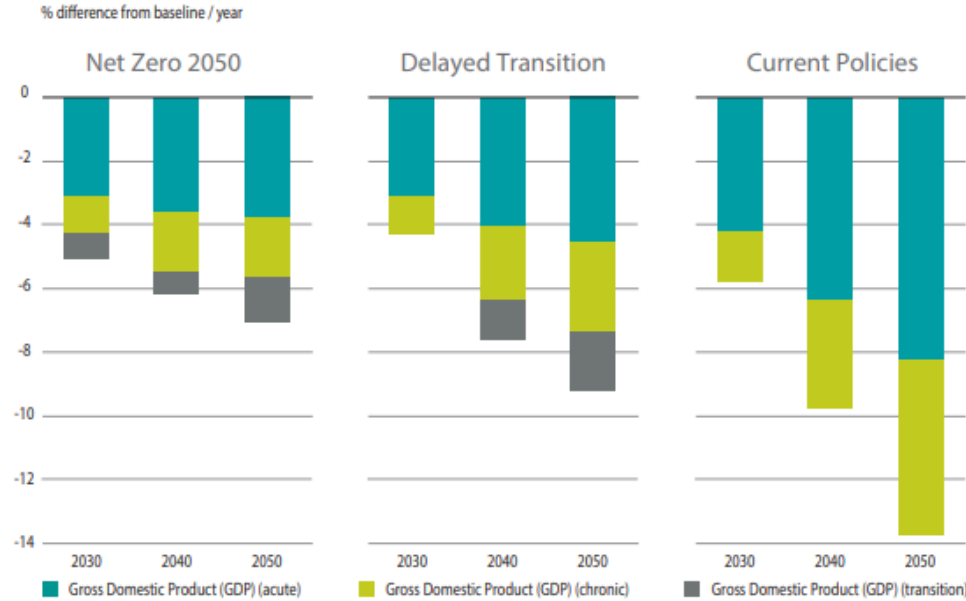
AR6 Surface Temperature (GSAT) increase (50th),
MAGICC with REMIND emission inputs



Sources: IIASA NGFS Climate Scenarios Database, MAGICC model (with REMIND emissions inputs). MAGICC provides a range of temperature increase compared to the pre-industrial levels. The temperature paths displayed here follow the 50th percentile.

Global GDP Impact by Climate Risk Source

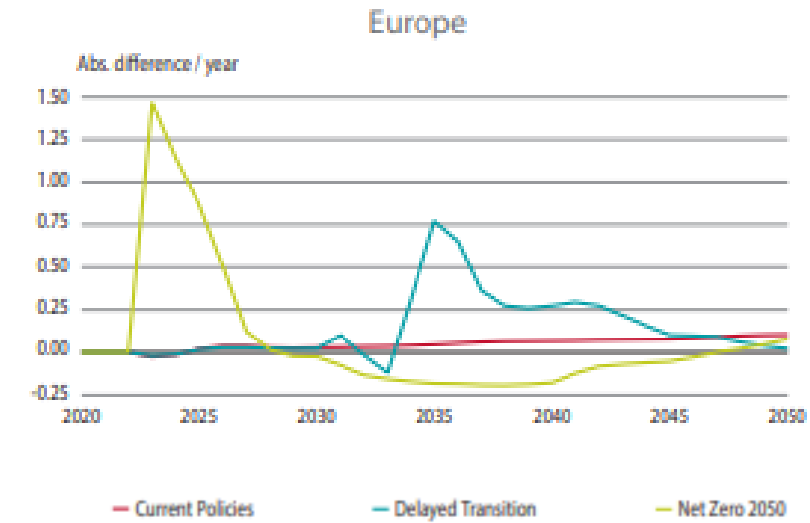
NiGEM based on REMIND input



Note: The above figure shows how GDP is impacted across scenarios compared with a hypothetical (and impossible) baseline scenario in which no transition or physical risks occur. This baseline scenario represents a world in which climate change does not occur. Thus, climate change has a negative impact on GDP in every plausible scenario, but the magnitude of the losses differs across them.

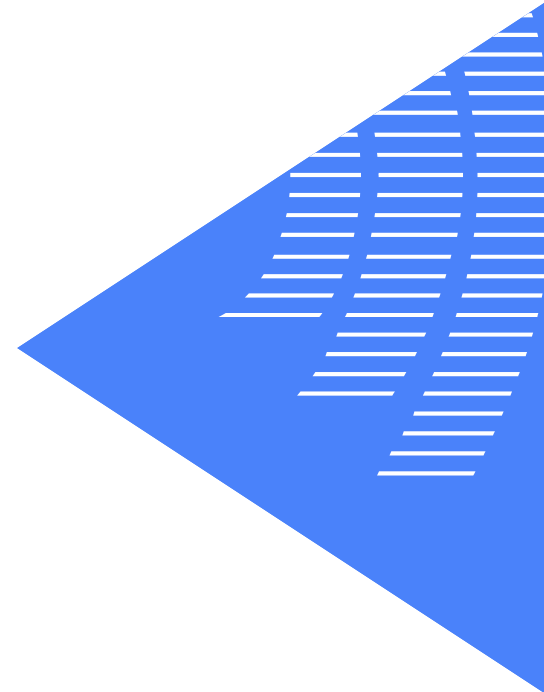
Inflation Rate Deviations

(Combined Risk, NiGEM based on REMIND input)



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Financial stability and financial system supervision



The BDF and the ACPR have been involved from the outset in the supervision of climate risks

As part of its financial stability mandate, the ACPR has been supervising the climate risks encountered by banks and insurers for nearly five years

1

Publication of best practices

- In 2020, the ACPR published a **pioneering guide to best practices** in climate risk governance and management



2

Conducting climate stress tests

- With its 2020 pilot programme, the ACPR was **the first supervisory authority to test the climate risk resilience of the banks and insurers that it regulates**
- A climate stress test specifically for insurers was carried out in 2023



A shared objective of incorporating sustainability issues more effectively

- The ECB has been able to draw on the work of the ACPR to devise its **prudential expectations** and initiatives for supervising climate risks

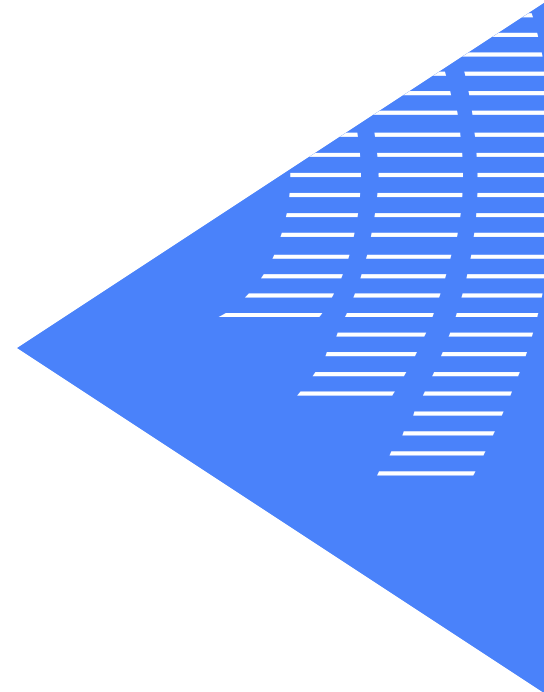


- The ACPR and ECB jointly oversee French banks' compliance with prudential expectations and, if necessary, they may deploy **supervisory measures or sanctions**
- As part of the new banking package, European supervisors will shortly be deploying measures to **supervise prudential transition plans**
- Internationally, the BDF and the ACPR are helping to enhance the assessment of **nature-related financial risks** within the



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Services to the economy and support for businesses



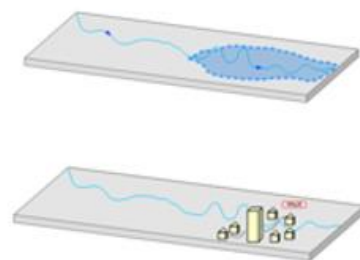
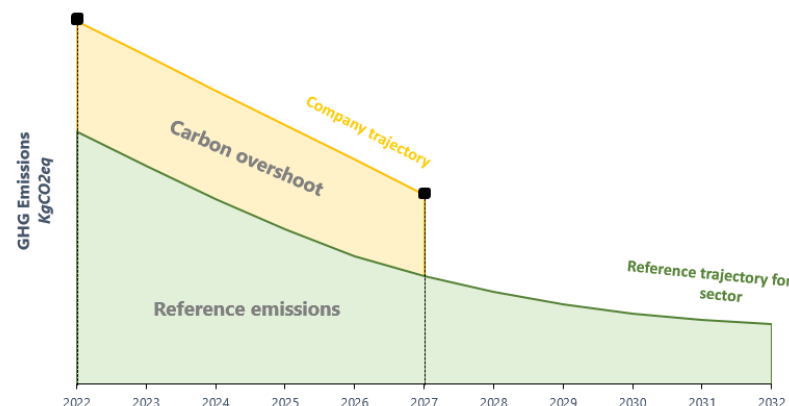
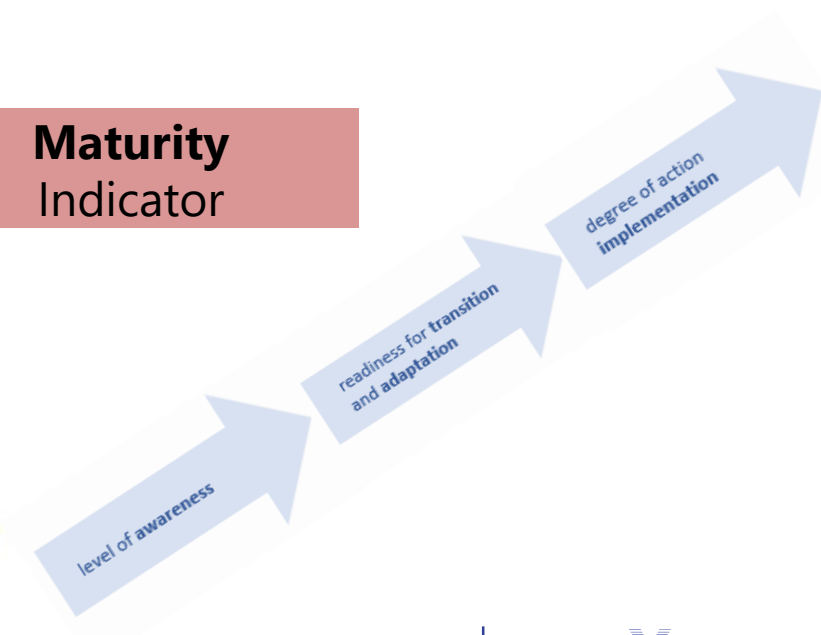
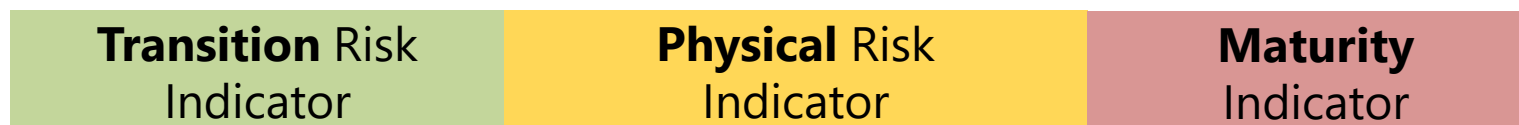
Banque de France Climate Indicator

For several years now, the BdF has been working to assess where companies stand in relation to climate issues. In this context, we have developed a prototype Climate Indicator.

This Climate Indicator assesses a company's transition strategy and its exposure to physical risks. It is structured around **3 axes**:

Two quantitative axes: **transition trajectory** and **physical risks**

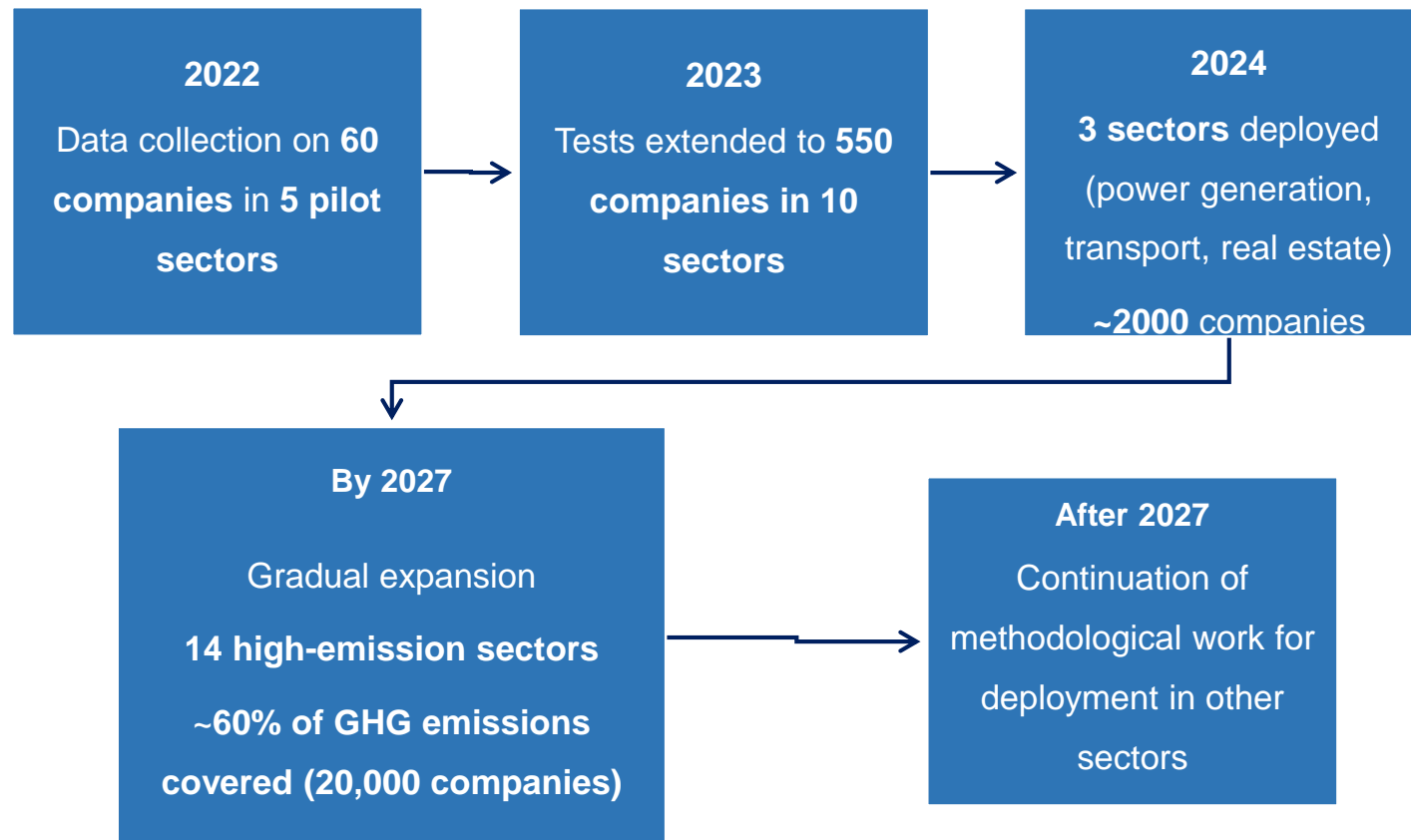
One based on expert assessment: **maturity** with regard to climate issues.



× = indicators

The climate indicator construction process

- ✓ Gradual construction, based on **field tests**, prioritizing the *transition dimension* in terms of development, coupled with **maturity** :



- ✓ For **physical risks**: roll-out to a larger number of companies
- ✓ For the **maturity dimension**: timeline identical to transition



CONCLUSION