

Climate risks: Takeaways

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- We are dealing with new sources of financial risks
 - New area, lots of ongoing research, best practices have not yet been established
 - However, several points are becoming clear
 - Need for scenario analysis
 - Focus predominantly on short-term, possibly utilizing insights from long-term scenarios
 - Aligned with tools, mandates, current models
 - Focus predominantly on transition risks, as these can come more suddenly
 - Need to account for and synthesize possibly a number of different sources of risk
 - Asset prices change
 - Commodity price changes
 - Carbon pricing
 - Foreign demand change
 - Decline in agricultural productivity
 - Rich narrative is important!
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- **Data is a large obstacle**
 - We do not have accurate measures of vulnerability and exposure
 - This data is outside of our usual collection processes, expertise
 - Sometimes we can take data from other countries as benchmarks
 - Need to **look outside of our countries**
 - Many shocks originate outside of our countries
 - Climate policies can affect countries globally
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- We should make use of our current tools
 - Climate modeling is extremely difficult, and mostly not necessary
 - We can capture climate risks within our current paradigm
 - Use of suite of models
 - Structural model (DSGE-style) can help us understand the scenario in depth
 - Our current tools than can take the
 - Adaption of tools might be needed, revolution probably not
 - However, processes will have to be updated
 - New components of stress tests
 - Cooperation with private banks (pilot projects?)
 - New data collection
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Relevant papers can be downloaded [here](#).

Let's do scenarios

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