

# Climate risks: Takeaways

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Modeling

- 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
  - Adaption of tools is 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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# Let's do scenarios

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