ADVANCING TCFD GUIDANCE ON PHYSICAL CLIMATE RISKS AND OPPORTUNITIES

Conference, 31 May 2018 • EBRD HQ, London, UK
AGENDA

Advancing TCFD Guidance on Physical Climate Risks and Opportunities
Conference co-hosted by the EBRD and the GCECA
Thursday, 31 May 2018, EBRD HQ, London

09:00 – 09:30 Welcome and coffee

09:30 – 09:45 Opening remarks: Physical climate risks – the next horizon in the green finance revolution
Pierre Heilbronn, Vice President, Policy and Partnerships, EBRD
Roald Lapperre, Deputy Minister at the Netherlands Ministry of Infrastructure and Water Management

09:45 – 10:30 Setting the scene: How climate change has become a strategic issue for financial markets
Climate change and financial stability
Olaf Sleijpen, Supervisory Policy Director, De Nederlandsche Bank
Physical climate risks in TCFD recommendations
Curtis Ravenel, Global Head, Sustainable Business and Finance, Bloomberg
An investor’s perspective
Roelfien Kuijpers, Head of Responsible Investments and Strategic Relationships, DWS

10:30 – 11:00 Coffee break

11:00 – 12:15 Panel: Advancing TCFD recommendations on physical climate risks and opportunities
Murray Birt, Senior ESG Strategist, DWS
Simon Connell, Head, Impact and Reporting, Group Sustainability, Corporate Affairs, Standard Chartered Bank
Craig Davies, Head of Climate Resilience Investments, EBRD
Greg Lowe, Global Head of Resilience and Sustainability, Aon
Moderator: Emilie Mazzacurati, Chief Executive Officer, Four Twenty Seven

12:15 – 13:30 Lunch

13:30 – 14:45 Panel: Managing physical climate risks and opportunities – experience to date
Kathy Baughman McLeod, Senior Vice President, Global Environmental and Social Risk Executive, Bank of America
John Kornerup Bang, Head, Sustainability Strategy and Shared Value, Maersk
Rahul Ghosh, Senior Vice President – ESG and Green Bonds, Moody’s
Jan-Peter Onstwedder, Managing Director, Risk Management Institutional Clients Group, Citi
Moderator: John Firth, CEO and Co-Founder, Acclimatise

14:45 – 15:15 Tea break

15:15 – 16:30 Panel: Setting the rules – how to include physical climate risks and opportunities in financial disclosure
Antoine Begasse, Policy Officer, Financial Services Policy and International Affairs European Commission
Jean Boissinot, Director Financial Stability, DG Trésor, Government of France
Mark Cornelius, Head of Major Life Groups, Bank of England
Simon Messenger, Managing Director, Climate Disclosure Standards Board
Moderator: Arlene McCarthy, Special Adviser to the Chairman, Bloomberg

16:30 – 17:00 Closing remarks
Roald Lapperre, Deputy Minister at the Netherlands Ministry of Infrastructure and Water Management
Curtis Ravenel, Global Head, Sustainable Business and Finance, Bloomberg LP
Josué Tanaka, Managing Director, Energy Efficiency and Climate Change, EBRD

17:00 – 18:30 Reception hosted by EBRD
Weather records continue to be broken with relentless frequency. The impacts of a changing and more variable climate are becoming ever more apparent. This new climate reality is creating physical risks, but also opportunities that affect both companies and financial institutions.

There is an urgent need for better market information to enable business and finance to factor physical climate risks into their operations, decision-making and financial reporting. The recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) are already transforming the way that markets respond to climate change.

We need to build on the TCFD recommendations and develop ways of disclosing physical climate risks and resilience opportunities in financial reporting. This requires better data, clear metrics and well-informed strategic planning. It also requires common ground rules that are understood and accepted across the market. This conference is a key milestone in the journey towards those goals.

The European Bank for Reconstruction and Development (EBRD) has joined forces with the Global Centre of Excellence on Climate Adaptation (GCECA) to advance financial market action on disclosing physical climate risks and resilience opportunities they face. This work is supported by partners from the financial, corporate and regulatory sectors. For more information visit www.physicalclimaterisk.com.
Pierre Heilbronn is responsible for the EBRD’s country and sector strategies, policy engagement, technical assistance and initiatives upholding and supporting the Bank’s transition mandate. Before joining the EBRD in 2015, he was deputy chief of staff for France’s Ministry of Economy and Finance. Before that, he served as the European advisor to the French Prime Minister for six years. Earlier in his career, he assisted in the creation of the European External Action Service. As head of Cabinet of the European Commissioner for External Relations and Management of Development Aid, he worked on the Neighbourhood policy and on the management of EU development aid at the programming cycle.

Roald P. Lapperre’s responsibilities include international climate policies, sustainability and environmental affairs as well bilateral, multilateral and EU affairs within the scope of the Ministry. Mr Lapperre has previously held several managerial and policy positions in the Ministries of Economic Affairs, Agriculture and Innovation, as well as the Government Service for Land and Water Use.

Since 2006, Tanaka has led the EBRD activities to scale up energy efficiency, renewable energy and climate adaptation the financing of central and eastern Europe and in southern and eastern Mediterranean countries. Cumulative EBRD climate financing at end-2017 reached €26 billion for a total value of over €148 billion, of which 60 per cent was in the private sector. Prior to joining the EBRD, Josué Tanaka was at the World Bank as Special Assistant to the President and worked in different posts on strategic planning, tropical forest conservation and environmental financing matters.

Prof Dr Olaf C.H.M. Sleighpen is Director of the Supervision Policy Division of the Dutch Central Bank (DNB). In this capacity, he is responsible for DNB’s work in the area of financial regulation, which includes DNB’s work on climate-related financial risks. Olaf is a member of the Basel Committee on Banking Supervision and an alternate member of the Board of Supervisors of the European Banking Authority.

As Global Head of Sustainable Business and Finance, Curtis Ravenel leads Bloomberg’s sustainability initiatives, integrating sustainability considerations into all firm operations and evaluating sustainability-related investment risks and opportunities. Previously Curtis was the Financial Controller for Asia, preceded by roles in the Capital Planning and Financial Analysis Groups at Bloomberg. He currently serves as a board member of the Sustainability Accounting Standards Board and is a member of the Secretariat of the FSB Task Force on Climate-related Financial Disclosures.

Roelfien Kuijpers is a Managing Director at DWS (formerly Deutsche Asset Management). Based in New York, she is the Head of Responsible Investments and Strategic Relationships. Known as a strong supporter of women and diversity, she served as Chairwoman of Women on Wall Street for many years, and helped establish the Women in European Business chapters in the UK and Germany. Roelfien is a member of the Women’s Leadership Board at Harvard University’s Kennedy School of Government, and serves on the President’s Advisory Council at Oberlin College and the Parent’s Committee at Middlebury College.
Simon Connell is Head, Impact and Reporting, Group Sustainability at Standard Chartered Bank. In this role he is responsible for ensuring that the Bank’s core business activities support long-term social and economic development, with a focus on complex cross-cutting themes such as climate change and human rights. A qualified management accountant and corporate treasurer, he has over a decade’s experience in embedding sustainability within organisations.

Dr Craig Davies heads the EBRD’s climate resilience investment operations in emerging markets from North Africa to Central Asia. He leads a team that works with businesses, financial institutions, utilities and government agencies to understand how they are affected by physical climate risks, and to integrate climate resilience into their business operations. Covering the infrastructure, corporate and financial sectors, the business area led by Dr Davies entails using climate change information to inform innovative investment design, technical cooperation and targeted policy dialogue.

Greg Lowe is Global Head of Resilience and Sustainability at Aon plc. He also heads Aon’s Weather and Climate Risk Innovation platform that brings together industry-leading capabilities in alternative risk transfer to non-traditional climate risks. He holds an MSc in Environment and Development from the London School of Economics and a BA in Political Science from the University of Maryland Baltimore County.

Emilie Mazzacurati is the founder and CEO of Four Twenty Seven (427mt.com), the leading provider of market intelligence on the impacts of climate change for financial markets. She has published extensively on the disclosure of climate risks, on the impacts of climate change on equity and US municipal bond markets, and on adaptation finance opportunities. Previously, she was Head of Research at Thomson Reuters Point Carbon. She also served as a policy adviser to the Mayor of Paris on environmental policy.

Murray Birt joined DWS in 2015 to undertake ESG thematic research and support the company’s responsible investment strategy. Prior to his current role, Murray worked at a Group level in Deutsche Bank, supporting senior management leadership in the area of climate finance and implementing the Bank’s climate change business strategy. He previously worked with companies to develop consensus policy positions, published papers and lobbied UK and European governments on energy and climate change policies at the Confederation of British Industry (CBI).
FOR STABLE FINANCIAL SYSTEMS THAT CAN COPE WITH THE CHALLENGES OF THE 21ST CENTURY, WE MUST ENABLE MARKETS TO UNDERSTAND THE PHYSICAL IMPACTS OF CLIMATE CHANGE AND FACTOR THEM INTO THEIR DECISION-MAKING.

Suma Chakrabarti
President, European Bank for Reconstruction and Development
Kathy Baughman McLeod is a global expert on environment, climate change, risk and financing, and a pioneer in the field of climate resilience. In her current role as Senior Vice President, Global Environmental and Social Risk Executive for Bank of America, she leads the bank’s climate change risk efforts and expands the bank’s global reach to advance low-carbon, climate-resilient and sustainable business.

Prior to joining BofA, Kathy was Managing Director, Climate Risk and Resilience for The Nature Conservancy.

Jan-Peter Onstwedder has been with Citi since 2011 in his current role. Prior to 2011 he worked for 3i, a British private equity firm, as portfolio manager. From 2001-07 he set up and ran the risk management function for BP’s internal supply and trading division, one of the world’s largest energy trading businesses; he covered market, credit and operational risk.

He started his career at Citi in New York in Global Electronic Markets where he developed the first live FX trading platform for corporate clients.

Jean Boissinot is Director, Financial Stability at Direction Générale du Trésor since 2017. He is also a special adviser to the Director General, leading cross-directorate work on a number of finance-related matters including the engagement with the financial sector on climate change. Within the Trésor, he previously held various positions including heading the banking and financial sector analysis team, serving as secretary general to the Haut Conseil de stabilité financière (French macroprudential authority) and overseeing European financial institutions. He also served as a senior policy adviser in the Financial Stability team at HM Treasury (UK, 2008-10) and as an economist at INSEE, the French National Institute of Statistics and Economic Studies.

Mark Cornelius is Head of the Major Life Groups Division within the Prudential Regulation Authority (PRA) at the Bank of England. Prior to joining the PRA, he was the Bank’s Chief Press Officer for three and a half years. He has spent nearly all his career working as a macroeconomist, predominantly at the Bank of England, where he has headed the Inflation Report and International Divisions. He served as Mervyn King’s Private Secretary, when Lord King was Deputy Governor. He has also worked at HM Treasury, the Cabinet Office and the Confederation of British Industry. He has degrees in economics from the University of London and Cambridge University.
Simon Messenger joined CDSB as Managing Director in 2017, with over 10 years of academic and professional experience in sustainability and non-financial reporting. He currently heads the team working with investors, companies and regulators to understand how to most effectively report environmental and natural capital information in mainstream reporting.

He leads CDSB’s work relating to the TCFD recommendations and works with companies to provide a framework for reporting environmental information with the same rigour as financial information.

Arlene McCarthy OBE is Executive Director of AMC Strategy. She is Special Adviser to the Chairman of Bloomberg, a Non-Executive Director for Bloomberg, an adviser to the CEO of IFPI and was a member of the European Commission High-Level Expert Group on Sustainable Finance (Jan 17 – Feb 18). During 20 years as an MEP, she chaired the European Parliament’s Internal Market Committee (2006-09) and was Vice Chair of the Economic Committee and Monetary Affairs Committee (2009-14). She was named as one of the top 100 influential women in European finance in 2010, 2011 and 2012 and was awarded MEP of the year in 2014 for her work in financial services.

The time has come to refine our understanding of the risks of physical climate change

John Kornerup Bang • Head, Sustainability Strategy and Shared Value, Maersk

So far, the public debate on climate change has been almost exclusively about emissions reduction. But that is no longer sufficient: we are at an inflection point.

To see why, consider the future from Maersk’s point of view. We are a very globally dispersed company. Our operations depend on global supply chains. As well as operating on the oceans, we have about 70 terminals inland worldwide: warehouses and other units. We don’t just need to know about carbon emissions. We also need to be able to make predictions about the physical risks of climate change – the increasing frequency and ferocity of extreme weather such as floods and heatwaves and the disruption it could cause to public infrastructure, transport systems and agriculture.

This is why advancing thinking on physical climate risks disclosure, building on the recommendations of the Task Force on Climate Related Financial Disclosures, is so important. It will take us from our macro-level, conceptual understanding of physical climate risks, to a more specific, granular, long-term, systematic understanding of those risks. We are laying the foundations for a common framework to standardise the metrics for measuring and reporting physical climate risks. Companies are keen to be able to incorporate these metrics into their decision-making.

I hope that in five years’ time, those companies which have put in place a progressive, forward thinking strategy will be rewarded by investors based on the new information they have. The hope is that investors, both big and small, institutional and individual, will start allocating investment with a deeper understanding of the physical climate risks.

Why TCFD is ultimately about helping business make better decisions

Greg Lowe • Global Head of Resilience and Sustainability, Aon

This conference is ultimately about enabling businesses to make better long-term decisions. If we are successful, we will give decision-makers a set of tools, standards, and better data and analytics to enable them to hold better-informed conversations on managing physical climate risks.

So far understanding the risks from the weather and climate has been like piecing together a multi-dimensional puzzle. At the moment we can still see only some parts of the final picture.

Our ability to quantify the risks from events which tend to stretch over fairly long periods of time, such as droughts, heatwaves and wildfires, for example, is less advanced than events which take place over a shorter timespan.

Another area where our understanding is less clear are the second and third-order effects of weather and climate change. These have consequences for corporate value chains, trade flows, and the broader macroeconomic environment, such as weather-based interruptions to business, delays to construction projects, the necessity to reroute shipping, and so on. This is what working group 3, which I chair, has looked at.

When we have new guidance on climate risk reporting in place, it will give financial analysts, institutions and other actors more information and enable them to take their own view of risks and opportunities and transform it into value. Companies which use these tools and the guidance we develop will be better equipped to come to conclusions about their future risks which are well-founded and rational. They will, in short, have an advantage.
Better market information about physical climate change impacts will change everything

Dr Craig Davies • Head, Climate Resilience Investments, EBRD

When you buy a train ticket online in the UK, a page pops up on your browser telling you how many kilograms of carbon dioxide you’ve saved by catching a train instead of driving. But when you buy shares in a company or open a savings account, you get no information about how your money may be affected by physical climate change impacts. Why not?

The problem is not that we can’t work out how climate change impacts affect businesses and investments. At the European Bank for Reconstruction and Development, we do this kind of assessment all the time.

The problem is that we can’t share this kind of information across the market in any standardised, systematised form which would allow for a meaningful comparison with competitors.

That matters. When reliable and consistent market information is available, the market starts to behave differently. With emissions, it has meant that investment is now pouring into clean energy technologies and investors are asking tough questions, such as whether they really want to invest in coal over a 10 year time horizon.

When it comes to physical climate risks, however, there is a long way to go.

Our task is nothing less than to design the systems and standards that can enable financial markets to internalise the reality of a changing and more variable climate. This will be a transformational change which will build climate resilience into the global economy.

Getting physical climate risks right will take time, but we must start

Simon Connell • Head, Impact and Reporting, Group Sustainability, Corporate Affairs, Standard Chartered Bank

Standard Chartered Bank, like any bank, is exposed to the physical impacts of climate change on the businesses to which we provide capital.

At present, however, understanding those risks remains a challenging task, for a number of reasons. We have much better information from some countries than others. Not all companies have sufficient resources to assess their physical climate risks. We have to compare the impacts of climate change with more familiar weather risks. We must take a view on the chance that companies’ mitigation efforts will be effective. And we have to assess how and when, if any given borrower were to experience climate-related disruption, it would hurt their cashflow.

But there are measures we can take. Standard Chartered Bank has been working with Oxford University to research the potential physical and transition climate risks exposure of our energy utilities clients, and with the United Nations Environment Programme – Finance Initiative (UNEP FI) to model climate risks and opportunities.

Working group 2, which I chair, focusses on identifying metrics which corporations can include in their financial disclosures on how they are improving climate resilience right along their value chains, for example at their facilities, or via their suppliers or customers.

The aspiration is consistency of disclosure from clients. If that were achieved, banks, insurers and investment managers would be able to make capital available to those who have the data to demonstrate that they are more resilient to physical impacts.

Ultimately, our work will bear fruit and we should see capital being directed to the right places. Those who manage their climate resilience and identify opportunities will benefit.
On physical climate change, we cannot ignore the risks of our present course

Murray Birt • Senior ESG Strategist, DWS

Part of the job of an asset manager is to lean against the cognitive biases which can harm our investment performance. One particularly pernicious example is ‘status quo bias’: the irrational preference for sticking with present choices. The trick is to remember that even though your present course is the path of least resistance, it can still be a very risky one.

That goes for climate change too. The risks of our current course, characterised by insufficiently granular and accessible information about physical climate risks are hard to discern. But they are very real.

For example, without visibility on how important any given factory or warehouse is to an overall company’s profitability, we cannot see how exposed they are to sea level rises. Without better information on the costs of risk mitigation, we cannot advise on the most efficient ways to respond.

There are also macro factors, such as the risk of a ‘climate Minsky moment’, when a large number of market actors together begin to price in physical climate risks, resulting in a shock to prices. This could be severely destabilising.

This is why the work of this conference is so vitally important.

I am proud to be chairing one of the working groups that aims to provide a broad financial sector perspective to corporates on how to disclose their risks and opportunities relating to physical climate change. We are proud to be making a start.