IEAGHG Information Paper: 2017-IP1; Task Force on Climate-related Financial Disclosures releases recommendations

This Task Force was launched at COP-21 and is led by Mark Carney and Michael Bloomberg. It has worked to produce recommendations on climate risk disclosure by businesses, and released these in a report on 14 December 2016. The intention is to enable the correct pricing of the financial impacts of climate change on businesses. The recommendations are a start to address this issue. They have started a consultation process on these recommendations. Their recommendations are based on four themes:

- Governance – to disclose the organisations governance around climate-risks and opportunities
- Strategy - to disclose to actual and potential impacts on the organisations' business.
- Risk management – to disclose the processes used to identify and manage climate risks.
- Metrics and targets – to disclose the metrics and targets used in the above.

As part of the background and context setting, the report discusses the current known financial implications of climate change. This includes the following:

"*The reduction in greenhouse gas emissions implies movement away from fossil fuel energy and related physical assets. This coupled with rapidly declining costs and increased deployment of clean and energy-efficient technologies could have significant, near-term financial implications for organizations dependent on extracting, producing, and using coal, oil, and natural gas.……….. While changes associated with a transition to a lower-carbon economy present significant risks, they also create significant opportunities for a broad range of organizations focused on climate change mitigation and adaptation solutions.*

Because this transition to a lower-carbon economy requires significant and, in some cases, disruptive changes across economic sectors and industries in the near term, financial policymakers are interested in the implications for the global financial system, especially in terms of avoiding severe financial shocks and sudden losses in asset values. Potential shocks and losses in value include the economic impact of precipitous changes in energy use and the revaluation of carbon-intensive assets—real and financial assets whose value depends on the extraction or use of fossil fuels. Given such concerns, and the potential impact on financial intermediaries and investors, the G20 Finance Ministers and Central Bank Governors asked the Financial Stability Board to review how the financial sector can take account of climate-related issues. "

Whilst CCS Is listed with the other low carbon technologies that are expected to be used in as lower-carbon economy, the report does not mention the role of CCS in addressing the risks to "carbon-intensive assets". Hence we have responded to the consultation to draw attention to our report "Can CCS Unlock Unburnable Carbon" (IEAGHG 2016/05) and the significant role that CCS can have in such issues.

For more information on this Task Force and its recommendations, see https://www.fsb-tcfd.org/about/ .

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