

July 1, 2024

The Honorable Jerome H. Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

The Honorable Michael Hsu
Acting Comptroller
Office of the Comptroller of the Currency
400 7th St SW
Washington, DC 20219

The Honorable Martin Gruenberg
Chair
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Dear Chair Powell, Acting Comptroller Hsu, and Chair Gruenberg,

We, the undersigned organizations, call upon the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation to address, with much greater urgency, the clear threats posed by climate change to banks and the financial system. The world is experiencing unprecedented and significant climate change-related financial impacts, while scientists are warning¹ with steadily increasing alarm that our window of opportunity to avoid even more significant and permanent harm from climate change is closing more quickly than imagined. When we look back on this period, it will be clearer than ever that regulators should have acted resolutely to mitigate climate-related risks to our financial system, rather than studying the problem for years on end without taking decisive action. The latter approach will rightly be seen as a failure to meet the responsibilities of your offices and the missions of your institutions.

¹ Lydia Marsden, Josh Ryan-Collins, Jesse Abrams & Timothy Lenton, (April 25, 2024), "Ecosystem tipping points: Understanding the risks to the economy and the financial system," <https://www.ucl.ac.uk/bartlett/public-purpose/publications/2024/apr/ecosystem-tipping-points-understanding-risks-economy-and-financial-system>.

Climate change is contributing to a fast growing insurance protection gap that's already harming consumers² and threatening lenders, municipalities, and interconnected financial actors. It is also reducing the availability of food, water, and other critical resources,³ as well as raising health costs, and heightening inflation.⁴ Already marginalized communities, particularly communities of color, are being hit hardest while lacking the capacity to respond. The Financial Stability Oversight Council's (FSOC's) 2023 Annual Report observed that escalating climate change-driven disasters are "imposing significant costs on the public and the economy, with economic costs from climate change expected to grow."⁵

FSOC, US Treasury Secretary Janet Yellen, and the federal banking agencies⁶ themselves have recognized that climate-related risks pose an emerging and increasing threat⁷ to the safety and soundness of individual institutions and to financial stability. And alarming indications that we are nearing ecological "tipping points"—non-linear, self-amplifying, and irreversible changes in ecosystem states that can occur rapidly and on a large scale⁸—mean that such risks are not longer-term, but rather immediate. If we do not act now to minimize climate change, we will miss our opportunity to avoid catastrophic harm to numerous geographies, economic sectors, and our financial system.

While the European Union and other financial regulators are acting now to tackle this profound reality, US bank regulators are, inexplicably, dangerously and unacceptably lagging behind. It appears your teams are focused on studying a problem that requires

² Christopher Flavelle, New York Times, (May 13, 2024), As Insurers Around the U.S. Bleed Cash From Climate Shocks, Homeowners Lose, <https://www.nytimes.com/interactive/2024/05/13/climate/insurance-homes-climate-change-weather.html>.

³ Nitish Pahwa, Slate, (June 17, 2024), The Climate is the Economy, <https://slate.com/business/2024/06/floods-storms-inflation-florida-texas-home-insurance-climate-change-economy.html>.

⁴ Marco Quiroz-Gutierrez, Fortune, (March 12, 2024), Why is Inflation So High? Jerome Powell Says Insurance, <https://fortune.com/2024/03/12/why-inflation-high-jerome-powell-says-insurance-climate-change/>.

⁵ Annual Report, Financial Stability Oversight Council, (December 2023), <https://home.treasury.gov/news/press-releases/jy1991>.

⁶ Principles for Climate-Related Financial Risk Management for Large Financial Institutions 88 FR 74183, (Oct 2023), <https://www.govinfo.gov/content/pkg/FR-2023-10-30/pdf/2023-23844.pdf>.

⁷ Climate Change, US Department of the Treasury, <https://home.treasury.gov/policy-issues/climate-change>.

⁸ Lydia Marsden, Josh Ryan-Collins, Jesse Abrams & Timothy Lenton, (April 25, 2024), Ecosystem tipping points: Understanding the risks to the economy and the financial system, <https://www.ucl.ac.uk/bartlett/public-purpose/publications/2024/apr/ecosystem-tipping-points-understanding-risks-economy-and-financial-system>.

urgent intervention, while also, according to Bloomberg,⁹ actively obstructing progress on these risks at the international level. Bloomberg notes that, among other moves, the U.S. Federal Reserve has blocked action by the Basel Committee on Banking Supervision (BCBS) to make climate risk a focus of financial rules.

Differences in US and EU approaches are stark, as summarized in the chart below. The US has adopted supervisory guidance to help prevent a climate-related failure of the largest US banks but done little else to reduce the source of climate-related threats to the financial system. By contrast, the European Central Bank has already confirmed it will impose fines on banks that have not met climate-related financial risk management expectations and is developing a strategy to address the macroprudential risks of climate change.

U.S. bank regulators are dragging their feet on addressing climate-related financial risk when compared to European counterparts¹⁰

	United States	European Union
<i>Adopted supervisory guidance on climate-related financial risk for the largest banks</i>	X	X
<i>Conducted economy wide climate stress testing</i>		X
<i>Mandated transition plans</i>		X

⁹ Alastair Marah, Bloomberg, (April 3, 2024), Fed Blocks Tough Global Climate Rules for Wall Street Banks, <https://www.bloomberg.com/news/articles/2024-04-03/fed-blocks-tough-global-climate-risk-rules-for-wall-street-banks>.

¹⁰ Principles for Climate-Related Financial Risk Management for Large Financial Institutions 88 FR 74183, (Oct 2023), <https://www.govinfo.gov/content/pkg/FR-2023-10-30/pdf/2023-23844.pdf>;
 Guide on climate-related and environmental risks, European Central Bank, (Nov 2020), <https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202011finalguideonclimate-relatedandenvironmentalrisks%7E58213f6564.en.pdf> at 42, 45; Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending Directive 2014/59/EU, (Oct 2021), eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021PC0663;
 Walking the talk: Banks gearing up to manage risks from climate change and environmental degradation, European Central Bank, (Nov 2022), https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.thematicreviewcerreport112022~2eb322a79c_en.pdf?c59ddfc36c950805785e5f3112dda4cb; The macroprudential challenge of climate change, European Central Bank, (July 2022), https://www.esrb.europa.eu/pub/pdf/reports/esrb.ecb.climate_report202207~622b791878.en.pdf;
 Nicholas Comfort, Banks Told to Brace for ECB Fines After Mismanaging Climate Risk, Bloomberg, (June 2024), <https://www.bloomberg.com/news/articles/2024-06-05/banks-told-to-brace-for-ecb-fines-after-mismanaging-climate-risk?embedded-checkout=true>.

<i>Implemented climate considerations in the capital requirement framework</i>		X
<i>Mandated disclosure of financed emissions</i>		X
<i>Initiated strategic planning for macroprudential strategy to address climate risk</i>		X
<i>Prepared plans to fine banks for noncompliance with climate-related risk management requirements</i>		X

US regulators must take concrete steps now, including via the BCBS, to address climate-related financial risks to both individual financial institutions and to the financial system. We are far past the point where it would be acceptable to “sit tight and assess” whether climate-related risks pose urgent threats to the financial system and the economy that demand commensurate responses.¹¹ We urge you to fulfill your responsibilities, and to use all of your authorities to accomplish a rapid and sustainable reduction in risks critical to financial system health.

Thank you for your urgent attention to this matter. For questions, please contact Anne Perrault, aperrault@citizen.org.

- Public Citizen
- The Sunrise Project
- Americans for Financial Reform Education Fund
- Sierra Club
- Third Act
- Texas Campaign for the Environment
- Rise Economy
- Revolving Door Project
- Earth Ethics, Inc.
- 350 Chicago
- Climate Stick Project
- Institute for Agriculture and Trade Policy

¹¹ Daniel Kreps, ‘Sit Tight and Assess’ This New Clip From Netflix’s All-Star Comedy ‘Don’t Look Up,’ Rolling Stone, (Sept. 25, 2021), <https://www.rollingstone.com/tv-movies/tv-movie-news/dont-look-up-meryl-streep-president-clip-1232376/>.

Third Act SoCal
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Santa Cruz Climate Action Network
350 Conejo / San Fernando Valley
350 Yakima Climate Action
Stand.earth
West LA Democratic Club
Greenpeace USA
Third Act SoCal
Third Act
BankTrack
350Hawaii
350NYC
The Greenlining Institute
Green America
Friends of the Earth U.S.
Connecticut Citizen Action Group (CCAG)
Micah Six Eight Mission
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350Juneau--Climate Action for Alaska
THIS! Is What We Did
Louisiana Bucket Brigade
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