COP25 Side-Event Concept Note

How to build an integrated framework to manage climate-related risks: Technical insights from financial institutions

Thursday 5 December - 14:00 to 15:00

MDB Pavilion

Organised by: AFD and EIB, under auspices of the Climate Action in Financial Institutions initiative

Description: The event will provide an opportunity for financial institutions from the private and public sector to exchange on their approaches to build integrated solutions to manage climate change risks at different levels. More specifically, it will provide an overview of some of the technical challenges and practical implications that financial institutions have to grapple with when it comes to assessing and managing climate change risks at project, portfolio and counterparty level.

Such technical aspects refer to tools and methodologies that financial institutions need to develop, test and implement in order to assess transition and physical climate change risks. They also relate to, inter alia, the use of carbon pricing instruments, the availability of data, including on emissions, the choice of time horizons, the assessment of the adaptive capacity of counterparties, the relevance of top-down versus bottom-up analysis, and the ability to translate qualitative data into quantitative (financial) outputs. Practical implications include change management and the integration of climate change risks in project cycles and wider risk frameworks. What to do with the results, how to use them to identify opportunities for climate finance and counterparty engagement.

The event will be preceded by a closed-door event on Thursday December 5th at 9am in the IDFC Pavilion where interested Financial Institutions can exchange lessons learned on implementing climate change risk assessment methodologies and management systems. All FIs welcome! If you want to participate, please reach out to Alice Pauthier (alice.pauthier@I4CE.org).

Provisional Agenda:

- **Introduction and Context** (5 min) – Climate Action Secretariat/I4CE (types of financial risks related to climate change such as physical, transition and litigation, and approaches for assessing these risks at e.g. portfolio level, client level, project level), Ian Cochran

- **Short presentations of different climate risk management approaches and systems**
  - AFD (5 min) - AFD’s Initiative on Assessing and Managing Physical Climate Risks, Thomas Nicolas de Lamballerie (Risk Analyst)
  - EIB (5 min) - How the EIB assesses climate change risks at project and portfolio level & next steps, Wouter Meindertsma (Climate Change Specialist)

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Climate Action in Financial Institutions
- Natixis (5 min) - Green Weighting factor, how it fits in 2° trajectory? How it helps managing risks and developing opportunities? Progress on transition risk assessment & management, Louis Douady (Head of Environmental and Social Responsibility)

- **Panel discussion** (20 min) – Moderated by I4CE - Why did you choose this approach? What are the challenges that you are facing or that you foresee for the future implementation of an integrated approach? What are the elements that are still missing? How does your approach differ from others, and how could your approach be of use for other financial institutions?
  - AFD
  - EIB
  - Natixis

- **Q&A with the room** (20 min)

Following-up on this event, join us for a third and final climate risk discussion session at COP25 on Friday 6th of December, 18:00 – 19:00 in the IDB Pavilion for a side-event to move “From Climate Risk Assessment to Climate Risk Management”.

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The *Climate Action in Financial Institutions* initiative is a coalition of 44 public and private financial institutions around the globe aiming to systematically integrate climate change considerations across their strategies, programs and operations. Launched in 2015, and built around *5 Principles for Mainstreaming Climate Action Within Financial Institutions*, the initiative aims to provide an opportunity for Supporting Institutions to learn from each other, to disseminate good practice and lessons learned and to collaborate on areas of common interest.

Through its workstream on “Climate Risks: Approaches, tools and methodologies”, the Initiative facilitates knowledge sharing between Supporting Institutions on climate-related risk management. It aims to develop common understanding of climate risk-related issues and to share definitions and experience on developing metrics to assess this issue quantitatively and qualitatively. At the 2019 Annual Assembly, Supporting Institutions shared their experience as well as discussed the current ‘trends’ on climate risk, including exchanges with the Secretariat of the Network for Greening the Financial Systems (NGFS) as well as Moody’s Investors Service.