



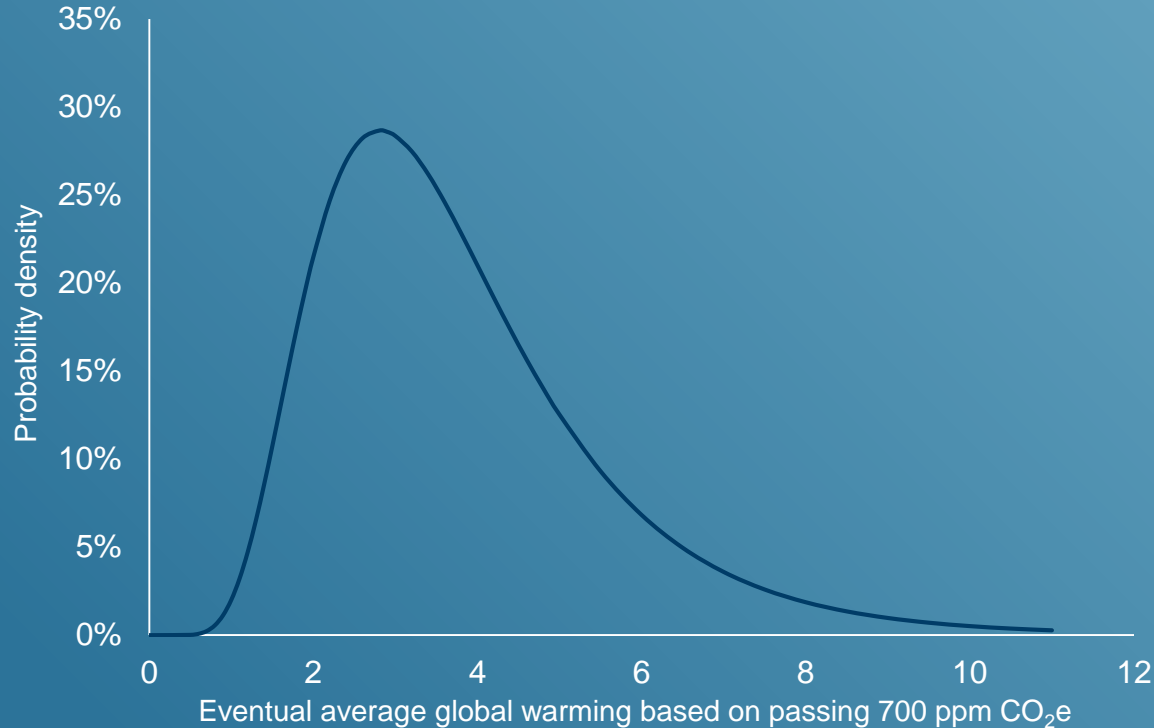
NORGES BANK AND CLIMATE RISK

DEPUTY GOVERNOR EGIL MATSEN

Oslo, 23 January 2020

What is climate risk?

Expected change with a potentially large downside exposure



Source: Wagner og Weitzman (2015), Chapter 3



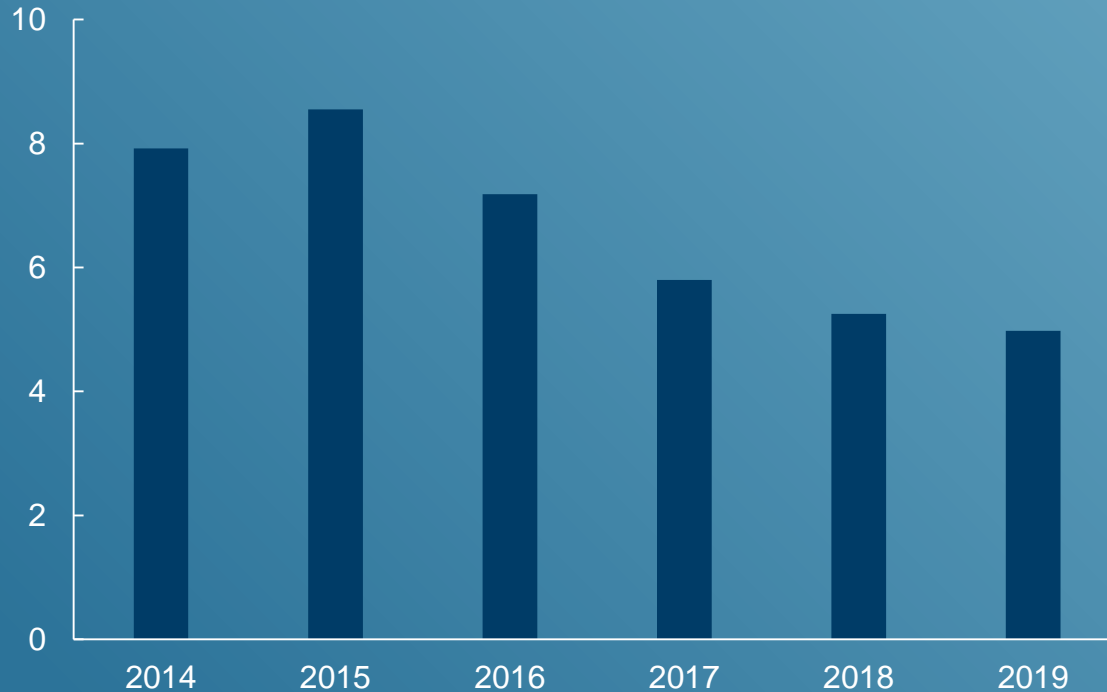
What is climate risk?

- Physical risk:
 - Direct consequences of climate change
 - Typically systematic - difficult to diversify
- Transition risk:
 - Consequences of transition to lower emissions
 - Typically unsystematic - is diversifiable



DNB's oil-related exposures

As a percentage of exposure at default (EAD)¹⁾

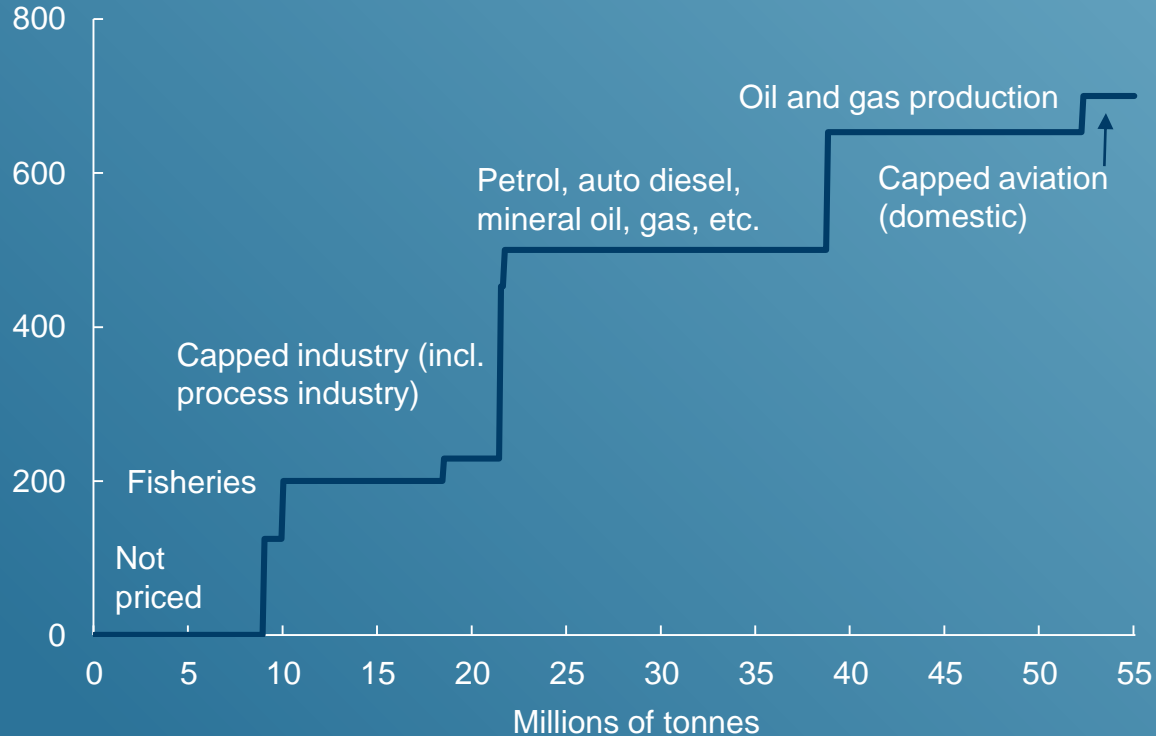


1) Data for 2019 as at 30 June 2019.
Source: DNB



Carbon pricing in Norway

NOK per tonne. CO₂ equivalents. 2016



Better assessment of climate risk

- New standards for reporting requirements
 - Task Force on Climate-Related Financial Disclosures (TCFD)
- Standards for what is environmentally friendly
 - EU taxonomy for sustainable finance
- International cooperation
 - Network for Greening the Financial System (NGFS)



Climate risk and the financial system

The financial system must adapt to climate risk

- Climate risk affects credit risk, financing risk and systemic risk
- Central banks and financial supervisory authorities can promote financial stability by helping to ensure that:
 - The financial sector includes climate risk in risk management
 - The financial sector communicates relevant information
 - Bank capital is adequate to cover all risks

In the future, Norges Bank will work on defining how climate risk should be integrated into the work on financial stability.



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