

Professional Training Course

Climate Change Risks Hidden within Financial Institution's Balance Sheets

 @FBF_School

28- 30 October 2019

Theatre - Badia Fiesolana, Via dei Roccettini 9 - San Domenico di Fiesole (Fiesole, Florence)

Instructors:

Stefano Battiston | University of Zurich

Mitch Carpen | Green Climate Fund

Mark Cornelius | Bank of England

Francesca Gostinelli | ENEL Spa

Ilya Khaykin | Oliver Wyman

Anne Platou | Bank ASA

Alban Pyanet | Oliver Wyman

Bas Van Ruijven | IIASA

Introduction

The world has become increasingly aware of the mounting dangers posed by climate change. Historically, financial institutions have approached climate change through the lens of Corporate Social Responsibility (CSR). Climate risk assessments have often focused on managing impact of an institution's operations and financings on the environment, considering the bank's responsibilities as a "corporate citizen", and by extension, aiming to safeguard the institution's reputation. With increasingly high financial stakes and growing external pressures, the pure CSR approach is no longer sufficient. Climate change has become a financial risk and must be treated as such.

This course has been designed for staff members of financial institutions, micro-prudential and macro-prudential authorities who wish to understand the risks that climate change may pose for them. In addition to providing topical content and practical tools, this course will be a platform to stimulate exchange and debate between public officials and private practitioners.

This course focuses on the risks that climate change poses to the financial services sector. We will not only examine how the risk landscape has been altered by climate change, we will review practical approaches for quantifying their impact and discuss best practices for integrating climate risk into the risk management framework. Course participants will discuss how to approach risk disclosure and build transparency around climate risks.

Programme

28 October

12.00 - 12.30 *Light Lunch and Coffee*

12.30 - 13.00 **Introduction by the Florence School of Banking and Finance and Oliver Wyman followed by *tour de table***

13.00 - 14.15 **Session 1. Introduction to Climate-Related Financial Risks Stefano Battiston | University of Zurich**

- Nature and magnitude of climate risks today
- Physical risks and transition risks
- Cases of climate risks crystallising

14.15 - 14.30 *Coffee and juice break*

14.30 - 16.00 **Session 2. Climate Risk Metrics: Theory and Illustrations Stefano Battiston | University of Zurich**

- Key notions from recent literature transition risk
- Climate transition risk for financial portfolios
- Climate Value-at-Risk and Climate Stress-testing

16.00 - 16.15 *Coffee and juice break*

16.15 - 17.45 **Session 3. Climate Risk Metrics: A Practical Exercise Using Portfolio Data Stefano Battiston | University of Zurich**

- Assessing the exposure of example portfolios to climate transition risks
- Practical Exercise and insights for investors and policy makers

18.00 *Transfer by bus to the Guided Tour - **Meeting point for the shuttle bus: Pizzeria San Domenico***

18.30 - 20.00 ***Guided Tour on on the history of banking and finance in Florence***

20.00 - 21.30 ***Apericena at Il Caffé del Verone, Museo degli Innocenti, Piazza della Santissima Annunziata, 13, Florence***

29 October

09.30 - 11.00 **Session 4. Definition and Development of Climate Risks Scenarios/Climate Stress Tests**

Alban Pyanet | Oliver Wyman and **Bas Van Ruijven** | IIASA

- Using scenario analysis
- Considerations for applying scenario analysis
- Analytical choices involved in scenario analysis
- Types of climate-related scenarios

11.00 - 11.30 *Coffee Break*

11.30 - 13.00 **Session 5. Quantifying the Impact of Climate Risk - Transition Risk**

Ilya Khaykin | Oliver Wyman and **Alban Pyanet** | Oliver Wyman

- Transition risk scenarios
- Modus operandi: assessing the impact of transition scenarios on lending portfolios
- Case study in breakout session: Analysis of transition risk on oil & gas company
- Conclusion

13.00 - 14.00 *Lunch break*

14.00 - 15.30 **Session 6. Integrating Climate-Related Risk Factors into Risk Management Approach**

Ilya Khaykin | Oliver Wyman and **Anne Platou** | Bank ASA

- Identification of climate risks
- Climate risk in the underwriting and ratings processes
- Risk appetite for climate risks
- Integrating climate risk scenario analysis into strategic planning
- Practical illustrations and Exercises

15.30 - 16.00 *Coffee break*

16.00 - 17.30 **Session 7. Private Sector Disclosure of Climate Related Financial Risks**

Mark Cornelius | Bank of England

- Overview of industry initiatives for private sector disclosure
- Core elements of private sector disclosure:
 - Governance
 - Strategy
 - Risk management
 - Metrics and targets
- Practical illustrations

17.45 - 19.00 ***Wine Tasting*** in 15th century Renaissance Villa Schifanoia

19.00 - 21.30 ***Social Dinner***

21.30 *Transfer by bus to Via Cavour, Florence*

30 October

- 09.00 - 10.30 **Session 8: A global perspective on sustainable finance**
Mitch Carpen | Green Climate Fund
- 10.30 - 11.00 *Coffee Break*
- 11.00 - 13.00 **Session 9: What Central Banks and Supervisors Can Do (Group Activity)**
- Key findings of the NGFS Comprehensive Report
 - Key recommendations to private sector, micro and macro-prudential supervisors
 - The Way Forward: NGFS Workplan of the 3 Workstreams (Micro-Prudential/Supervisory WS1, Macro-Financial WS2, Scaling Up Green Finance WS3)
- 13.00 - 13.30 **Session 10: Wrap up and a look ahead**
- 13.30 - 14.45 **Lunch with Keynote Speaker**
Francesca Gostinelli | ENEL Spa
- (optional)
15.00-17.00 **Chatham House Roundtable on Integrating Climate Risks into Macro-Economic Models**