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Reporter's Resource on Climate Related Financial Risk

Overview: A Threat to Financial Stability is a Threat to All of Us

Climate-related financial risk is a dimension of the climate crisis that remains misunderstood and under-addressed, both in policy circles and by the general public. Climate risk is on track to deeply harm Americans who rely on a functional, fair and stable financial system for banking, insurance, savings and wealth generation. That includes every one of us, from the billionaires to the hard-working families struggling to make ends meet.

Climate-related financial risk is characterized by four broad types of risk to financial actors and the financial system: a) *physical risk*, associated with the impacts of climate outcomes such as climate-driven disasters on communities, firms and the economy; b) *transition risk*, associated with failing to prepare for an inevitable and likely disorderly transition away from fossil fuels to a sustainable energy economy; c) *legal risk* from litigation related to regulatory or contractual obligations, including around material disclosures and greenwashing, and d) *reputational risk*, where climate-conscious consumers and investors may punish institutions for financing fossil fuel expansion or otherwise failing to address climate change or climate-related financial risk.[1]

As experts are observing,[2] an increasing number of climate-related shocks are triggering vulnerabilities in the financial system. Related impacts, up to and including the risk of a catastrophic global financial collapse, will come for all Americans, and indeed, people around the world, if we do not move swiftly to address these risks. Climate-related financial risk knows no politics, and will not go away simply because we choose to ignore it. Unlike previous risks to the financial system, climate-related financial risk is tied to limits in the Earth's capacity to assimilate greenhouse gas (GHG) emissions. As a result, it is radically uncertain[3] and less reversible than prior risks. The complexities of the Earth's environmental processes and our evolving understanding of their relationship to our financial system make it extremely difficult, if not impossible, to calculate the probabilities of specific climate-risk related financial outcomes.

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[1] For an overview of climate-related financial risk focused on physical and transition risk in particular, see: https://ourfinancialsecurity.org/wp-content/uploads/2025/03/AFR_Climate-Change-Financial-Threat_March-2025.pdf

[2] https://www.fsb.org/2025/01/fsb-develops-analytical-framework-and-toolkit-to-assess-climate-related-vulnerabilities/

[3] https://www.sciencedirect.com/science/article/pii/S092180092100015X

What is not in doubt is that we will see significant financial harm if we don't change course. Furthermore, many changes to these environmental processes are not easily reversible, or in some cases may be irreversible.[4] We cannot let this uncertainty stop regulators from taking urgent action.

Failing to understand and address these risks today will only limit or foreclose the opportunities to meet existential challenges, maintain a stable financial system and a livable environment, and lead the world in a sustainable energy transition. Failing will also disproportionately impact low- and moderate-income communities and communities of color. These communities shoulder more than their share of the effects of both climate change, fossil fuel infrastructure, unjust financial practices such as red lining and the expected harms from a climate-driven financial crisis.

Financial regulators already have the authority and mandate to mitigate climate-related financial risks to individual financial institutions and the financial system as a whole. These mandates are increasingly imperiled by the second Trump administration.

Climate Risk Policy Progress at Risk Under the Trump Administration

The following is an overview of the most important outcomes on climate-related financial risk that emerged from the Biden administration, many of which have already been rolled back. We anticipate further efforts to erode or reverse these important policies in the months and years ahead.

Climate Related Financial Risk Language in FSOC Reports

What this Is: Starting in 2022,[5] the Financial Stability Oversight Council (FSOC) acknowledged that the developing insurance crisis was a growing threat to financial stability. The Council has recommended data development and coordination, as well as a tool to monitor climate-related financial stability risks. FSOC's 2024 report notes the potential for risk transfer from mortgage defaults associated with uninsured damages to other parts of the financial system, and calls for agencies to collaborate around analysis of the impacts of the intersection of physical risk, real estate, and insurance on financial stability.[6]

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[4] https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/12/climate-tipping-points_9994de90/abc5a69e-en.pdf
[5] https://home.treasury.gov/system/files/261/FSOC2022AnnualReport.pdf
[6] https://home.treasury.gov/system/files/261/FSOC2024AnnualReport.pdf

Why it matters: Given FSOC's central role in identifying and responding to emerging threats to financial stability, its failure to mention climate-related financial risk would have represented both a critical gap in awareness and a missed opportunity to raise awareness of this key challenge. Moreover, climate-related insurance protection gap issues that were recognized by FSOC as an emerging threat to financial instability in 2022[7] have since exploded, including in areas not previously recognized as climate vulnerable.[8] As more individuals and families lack access to affordable insurance, threats to municipalities, lenders, government-sponsored enterprises, and investors in mortgage-backed securities and credit risk transfers are growing, as are threats to financial stability.

What to expect: How FSOC discusses climate-related financial risk in the current administration will be a test for the Council's integrity, independence, and ability to identify and address financial stability risk irrespective of political headwinds. In March 20, 2025, FSOC held its first meeting of the current administration,[9] where its Chair, Treasury Secretary Bessent, took the opportunity to signal support for efforts to end the use of reputational risk in bank supervision. The meeting included an announcement from the acting Comptroller of the Currency that reputational risk will no longer be considered when that agency examines banks.[10]

OCC/FDIC/Fed Principles for Climate-Related Financial Risk Management for Large Financial Institutions:

What this Is: In October 2023, bank regulators provided a high-level framework for banks with over $100 billion in total assets to manage their exposures to climate-related financial risk in a safe and sound manner. The agencies outlined the need for banks to consider such risks in business strategy, risk management, and strategic planning; incorporate climate risks when identifying and mitigating several common subtypes of risk that banks face, and use scenario analysis to assess forward-looking impacts on the institution resulting from climate risks. The principles also directed banks to pay attention to fair lending concerns, making clear that banks cannot just withdraw from climate-vulnerable areas without considering and attempting to address discriminatory impacts.

Why it matters: Through this guidance, bank regulators acknowledged that failure to measure and mitigate climate-related financial risks can adversely impact the banks they supervise and,

[7] https://home.treasury.gov/system/files/261/FSOC2022AnnualReport.pdf
[8] For instance, Asheville, North Carolina was devastated by flooding associated with Hurricane Helene in September, 2024.
[9] https://home.treasury.gov/news/press-releases/sb0058
[10] https://www.citizen.org/news/bessent-takes-on-reputational-risks-for-financial-institutions-in-first-meeting-as-chair-of-fsoc/

for the first time, instructed banks to assess their exposure to these new risks, as well as to consider climate risk in traditional risk areas like credit and liquidity risk.

What to expect: On March 31, 2025, the OCC announced it has withdrawn from participation in these interagency principles.[11] Other agencies may follow suit. Such steps will leave significant risks to banks unmeasured and unaddressed by regulators, and ultimately could contribute to instability in the financial system. These risks will not disappear simply because the current administration decides to ignore them.

Treasury Principles for Net-Zero Financing & Investment

What this is: In September 2023, the Treasury Department issued a set of voluntary Principles for Net-Zero Financing & Investment, aimed at promoting consistency and credibility across private sector net-zero commitments and encouraging the adoption of best practices. Net-zero refers to a state where global human-caused GHG emissions have been limited to a residual level that can be absorbed and stored for the long term by natural processes and credible technologies to capture them, resulting in zero additional GHG's being added, on balance, to the atmosphere.[12] Net-zero financing, in turn, references the alignment by financial institutions of their financing, investment, underwriting and advisory activities with the goal of achieving net-zero on a credible timeframe.

The Treasury principles state that net-zero commitments should be paired with a net-zero transition plan detailing how the firm intends to accomplish them. They also call for financial institutions to assess the alignment of the commitments made by companies they lend to, insure and hold positions in, with regard to their own net-zero targets. Furthermore, financial institutions should engage with those companies and other stakeholders on their net-zero commitments.

Why it matters: Net-zero commitments are undergoing a low point of voluntary support from financial institutions. Many large banks, for example, have left the Net Zero Banking Alliance (NZBA), and existing NZBA members have responded to these departures by weakening member commitments.[13] However, achieving net-zero financing remains essential to the urgently needed decarbonization of our economy, because banks,[14] insurers and other financial actors make possible the development of new fossil fuel infrastructure that is not needed[15] for an energy transition. Ensuring the integrity and transparency of transition planning in this context is absolutely critical.

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[11] https://www.occ.gov/news-issuances/news-releases/2025/nr-occ-2025-27.html
[12] https://www.un.org/en/climatechange/net-zero-coalition
[13] https://www.unepfi.org/net-zero-banking/media/nzba-renews-mandate-with-increased-focus-on-unlocking-opportunities-for-financing-real-economy-decarbonization/
[14] https://www.bankingonclimatechaos.org/wp-content/uploads/2024/07/BOCC_2024_vF3.pdf
[15] https://www.iea.org/reports/net-zero-by-2050 see page 21.

The principles are one of the clearest articulations from the Treasury Department of what is required to decarbonize the financial system. While other actions taken by financial regulators during the Biden administration were focused on climate-related risks to large banks at the firm level, Treasury's principles acknowledged that financial institutions, through financed and facilitated emissions, are creating risks for other financial institutions and the financial system. The principles indicate that financial institutions should engage in transition planning to wind down their emissions contributions, consistent with a net zero by 2050 target. This is a vital point that must not be lost in future climate financial regulation.

What to expect: We expect the Treasury Department to either publicly rescind these principles or quietly drop them. Instead of encouraging financial institutions to engage in transition planning, the Trump administration will almost certainly actively discourage it. We may see a prohibition through legislation, executive action, or informal, irregular or even illegal pressure against financial institutions aligning their financing activities with climate-safe pathways.

SEC Climate Disclosure Rule

What this is: In March 2024, the SEC adopted amendments to its rules under the Securities Act of 1933 and Securities Exchange Act of 1934 to accomplish the enhancement and standardization of climate-related disclosures, often referred to simply as the "climate disclosure rule".[16] The rule is currently stayed in litigation.[17] The rule requires publicly traded companies to publish climate-related information in their annual reports and registration statements. The final rule reflected the Commission's efforts to be responsive to investor demands for consistent, comparable and reliable information about the financial impacts of climate-related risks on investors.

Industry groups politicized the rule,[18] with the Chamber of Commerce and others fighting it every step of the way on grounds that climate risk was not the kind of "material financial risk" that falls within the SEC's purview. The comment period was protracted, and the number of comments filed was among the highest in SEC history.[19]

The final rule was significantly weaker than when it was introduced two years prior. Notably, it omitted the requirement that companies disclose all emissions at all levels of their value chain, including the direct emissions owned or operated by the company (Scope 1), indirect emissions from energy, heating and cooling purchased by the company (Scope 2), and upstream and downstream indirect emissions from activities that are not part of the company's direct

[16] https://www.sec.gov/newsroom/press-releases/2024-31
[17] https://news.bloomberglaw.com/esg/sec-climate-disclosure-rules-case-frozen-by-eighth-circuit
[18] https://us.influencemap.org/briefing/Industry-Groups-and-the-SEC-Climate-Disclosure-Rule-28934
[19] https://corpgov.law.harvard.edu/2022/07/03/__trashed-4/

operations, throughout their value chain (Scope 3).[20] Such disclosure is understood by experts to be a proxy for a firm's commitment to decarbonization. Despite these concessions, the rule was immediately litigated and voluntarily stayed by the SEC on April 4, 2024. The US Court of Appeals for the Eighth Circuit has decided to hold the litigation in abeyance[21] until the SEC determines whether to rescind or modify the rule through the required notice and comment procedures.

Why it matters: Investors, including working families invested through their pension funds and 401ks, want and deserve information about climate-related financial risk. The SEC's climate disclosure rule was a critical step in fulfilling the investor-protection mandate of the SEC, as it would have given US investors the information they need to gauge whether companies are taking climate change and the energy transition seriously. The politicization of this rule is an example of a deeply problematic dynamic in a regulatory environment that must be grounded in facts and fundamentals, rather than politics and rhetoric. This dynamic will ultimately harm investors and slow down our society's urgently needed decarbonization.

What to expect: The future of this litigation and regulation remain unclear, but could determine whether the SEC has the authority to require companies to disclose climate-related risk. We anticipate the SEC will move to rescind this rule through a formal rulemaking process.

However, in October 2023, California passed two laws, the Climate Corporate Data Accountability Act, and the Climate-Related Financial Risk Act. The first requires businesses operating in California with over $1 billion in revenue to disclose GHG emissions across scopes 1 and 2 initially, and later scope 3, along with limited third party assurance. The latter requires disclosure of climate related financial risks faced by companies with over $500 million in revenue.[22] This climate disclosure regime is now in the process of implementation by the California Air Resources Board. Public Citizen and coalition partners, including advocates in California, are actively engaged with the implementation process, and will continue to seek a robust outcome that puts investor protection and transparency regarding climate-related financial risk at the forefront. Since the SEC is likely to repeal its own rule, California's laws, their successful implementation, and similar, interoperable legislation to follow in other states, now take on heightened priority.

DOL ESG Rule

What this is: The Department of Labor (DOL) promulgated its Final Rule on Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights (ESG Rule) in 2022,

[20] https://www.wri.org/initiatives/greenhouse-gas-protocol
[21] https://news.bloomberglaw.com/esg/sec-climate-disclosure-rules-case-frozen-by-eighth-circuit
[22] https://ww2.arb.ca.gov/our-work/programs/california-corporate-greenhouse-gas-ghg-reporting-and-climate-related-financial

with an effective date of January 30, 2023. The rule clarified that retirement plan fiduciaries are free to consider environmental, social, and governance (ESG) factors, just like any other factors, when making investment decisions and when exercising shareholder rights. The rule was immediately challenged in court by 26 Republican attorneys general, fossil fuel interests, and others. The district court in Texas upheld the rule, but the Fifth Circuit appeals court vacated that ruling after the Supreme Court overturned the *Chevron* doctrine, on which the trial court had relied. On February 14, 2025, the district court again upheld the rule in a post-*Chevron* context.[23] DOL requested that the appeal be held in abeyance given that new agency leadership intends to reconsider the rule, and the Fifth Circuit granted that request on April 28, 2025, directing DOL to update the court within 30 days.[24]

Why it matters: The ESG rule provides clarity for fiduciaries and investors around the ability to consider ESG factors related to climate change and other sustainability issues that could affect the risk or return of investments. There is ample evidence that ESG issues are material financial issues, making this rule eminently sensible and valuable to investors, with major potential implications for retirees and other Main Street investors.

What to expect: The Trump DOL has indicated that it intends to reconsider the ESG Rule. Rescinding or amending it would require notice and comment rulemaking.

FAR Council Sustainable Products Procurement Rule

What this is: The Sustainable Products Procurement Rule, finalized in April 2024, requires federal agency contracting officers to procure products and services that are federally recommended as sustainable when such a designation exists for that product or service type, for example products designated as energy or water efficient by EPA ecolabels. The rule directs agencies to follow the EPA's Recommendations of Specifications, Standards, and Ecolabels for Federal Purchasing in effect as of October 2023.

Why it matters: The US government is the world's largest purchaser of products and services, with roughly $700 billion in annual procurements. Tapping into this purchasing power is a critical lever to advancing the energy transition, and this rule directs federal agencies to align the US government's vast purchasing power with decarbonization and sustainability goals. In addition to reducing the federal government's own contribution to greenhouse gas emissions, this rule incentivizes private sector investment in sustainability innovation in order to expand eligibility for federal contracts.

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23 https://news.bloomberglaw.com/daily-labor-report/texas-judge-upholds-labor-departments-esg-401k-investing-rule

24 https://www.law360.com/energy/articles/2331350/5th-circ-grants-dol-30-day-stay-in-states-esg-rule-appeal

Reductions in US government emissions from sustainable procurement standards will also reduce climate change impacts and environmental harms that are set to cost the US government trillions of dollars in disaster recovery, healthcare, and environmental cleanup costs, in addition to the cost of climate change on lives, livelihoods, communities, and on the US economy.

What to expect: The Sustainable Products Procurement Rule does not automatically incorporate new ecolabels as they are created. Instead, incorporating new products into the rule would require a proposal by the FAR Council and a notice and comment period. We do not expect the Trump administration to expand the scope of the rule by attempting to incorporate ecolabels created after October 2023. Federal agency contract officers may also stop complying with the rule, effectively halting its implementation without a formal repeal.

Climate-related Financial Risk Advisory Committee (CFRAC)

What this is: The Climate-related Financial Risk Advisory Committee (CFRAC) is FSOC's first external advisory committee. The Committee assists the Council in gathering information on, conducting analysis of, and making recommendations to identify, assess, and mitigate climate-related risks to the financial system. This is consistent with the Council's purposes and duties under the Dodd-Frank Wall Street Reform and Consumer Protection Act.[25]

Why it matters: CFRAC is a vehicle for experts from civil society, academia, and industry to work with senior Treasury officials to assess and identify measures to mitigate climate related risks to the financial system. It is also a bulwark of transparency and an access point to decision-makers tasked with this important issue set.

What to expect: While it has not done so at the time of this writing, it is likely the Trump administration will dissolve CFRAC. This would result in a critical loss of expertise and transparency.

FSOC Analytic Framework and Guidance on Designating Nonbank Financial Institutions as Systemically Important

What this is: In November 2023, FSOC published guidance describing the process it will take to determine whether a nonbank financial company should be designated as systemically important, and thus subject to supervision and regulation by the Board of Governors of the Federal Reserve System. FSOC's corresponding analytic framework details its substantive approach to identifying, assessing, and responding to certain potential risks to US financial stability. Importantly, FSOC identified climate-related financial risk as a potential risk to financial stability in the analytic framework. This guidance also removed three elements from the 2019

[25] https://www.govinfo.gov/app/details/PLAW-111publ203

guidance that made designating nonbank financial companies as systemically important virtually impossible. Unfortunately, despite the improvements made to the designation guidance in 2023, FSOC did not use the tool to designate any firms during the Biden administration.

Why it matters: Non-bank financial institutions can have significant impacts on financial stability, and it is important for FSOC to designate major property and casualty insurers so that their impacts can be better understood and regulated. FSOC designations are the primary tool available to subject such institutions to federal prudential oversight. This authority is particularly critical at a time when insurers are facing heightened stress as a result of the climate crisis, as well as creating significant risks to the financial system through their insured and financed emissions.

What to expect: The Trump administration will likely repeal the 2023 designation guidance and again make it more difficult for FSOC to designate nonbank financial companies as systemically important. The administration may pursue more aggressive legislative proposals to limit FSOC's designation authority or the authority of FSOC writ-large through an attempted rollback of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Guidance on Voluntary Carbon Markets and Carbon Credits

What this is: Voluntary carbon markets (VCMs), where companies can purchase carbon credits from a third-party to offset their own emissions at a cheaper price, once held promise as a climate mitigation tool. However, decades in practice have revealed a broken system rife with fraud and mismanagement, with questionable benefit to the climate, undue enrichment of brokers, and human rights abuses. The Biden administration, predisposed to supporting offsets as a means of facilitating climate finance, sought to add guardrails to the system and strengthen accountability and enforcement mechanisms. This resulted in two pieces of guidance that remain relevant to the private sector's thinking on VCMs:

- **Commodity Futures Trading Commission (CFTC) Guidance Regarding the Listing of Voluntary Carbon Credit Derivative Contracts:**
    - The CFTC has jurisdiction over markets that list commodity derivatives for trade.
    - Despite being a tiny part of the derivatives marketplace, VCM derivatives offered an alluring possibility to VCM proponents seeking to grow the market through additional financialization of related products.
    - In an effort to shore up the credibility of VCM derivatives and provide markets with criteria for their listing, the CFTC published final guidance in Sept 2024.[26] The final guidance deferred to the Integrity Council on Voluntary Carbon Markets (ICVCM), noting that any listings must conform to ICVCM's Core Carbon Principles.[27]
- **Joint Policy Statement and Principles on Voluntary Carbon Markets**

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[26] https://www.cftc.gov/PressRoom/PressReleases/8969-24
[27] https://icvcm.org/core-carbon-principles/

- In May 2024, the White House issued a statement recognizing the significant integrity challenges with the VCM. It adopted a posture that "integrity could be restored," and reinforced its position that VCM was an essential tool for climate finance transfer to the developing world.

Why it matters: Both pieces of guidance ultimately cosigned third-party efforts to promote the continued use of offsets in the marketplace, as led by the ICVCM, rather than acknowledging the position of Public Citizen and allies that offsets are fundamentally not fit for the purposes for which they were intended.[28] Nevertheless, language from these processes bolstered the concerns around the integrity of these markets.

What to expect: The impact of both pieces of guidance is likely to be narrow during the Trump administration, which has already deleted the Joint Policy Statement & Principles[29] from the White House website. Moreover, the CFTC guidance on VCM derivatives has been challenged under the Congressional Review Act, which allows Congress to rescind regulations promulgated within a specific timeframe, with the introduction in January 2025 of a joint resolution of disapproval.[30] Indeed, with so many corporates backing away from climate commitments, and withdrawing from various climate accountability groups, the VCM will likely enter a period of increased contraction. State-level VCM policy will be an important backstop in the years ahead, as well as the work of the Science Based Targets Initiative, the voluntary standard-setter and *de facto* leader on corporate climate target-setting and transition plans. It is developing new corporate level guidance this year, and Public Citizen will be urging it to prohibit the use of offsets in transition planning across scope 1, 2, and 3 emissions.

Climate Scenario Analysis

What this is: Climate scenario analysis is a forward-looking approach to assessing climate-related risk in a variety of future scenarios. The exercise is meant to help decision-makers understand how a spectrum of potential climate-related scenarios can impact financial institutions by requiring financial institutions to consider a range of possibilities and, in turn, help them prepare for a future that is fraught with uncertainties related to climate change.

During the Biden administration, the Fed pursued a pilot climate scenario analysis that was exploratory in nature, with no direct impact on supervisory expectations or capital requirements for banks. The exercise relied on overly simplistic models that underestimated climate risk and failed to account for network effects. Even so, the Fed's report identified that the participating

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[28] https://www.citizen.org/article/cftc-proposed-carbon-offsets-derivatives/

[29] https://www.whitehouse.gov/briefing-room/statements-releases/2024/05/28/fact-sheet-biden-harris-administration-announces-new-principles-for-high-integrity-voluntary-carbon-markets/

[30] https://www.congress.gov/bill/119th-congress/senate-joint-resolution/9?q=%7B%22search%22%3A%22congressId%3A119+AND+billStatus%3A%5C%22Introduced%5C%22%22%7D&s=2&r=1

banks faced major challenges assessing and managing these risks, including "significant data and modeling challenges." The Fed also emphasized the importance of "better understanding and monitoring of indirect impacts (e.g., disruptions to local economies) and chronic risks (e.g., sea level rise)."[31]

Why it matters: Scenario analysis is vital for assessing impacts over longer time horizons that are often overlooked in typical risk assessments. The lack of long-term assessment and mitigation of climate risks has been called the "tragedy of the horizon,"[32] as climate risks are usually long-tail risks that will manifest in significant, uncertain, and non-linear ways. Because of this predicament, scenario analysis is used to understand the manifestation of these medium and long-term climate risks to inform decision-making in the present. Specifically, macroprudential scenario analysis assesses the resilience of regional, national, or international financial systems under varying climate-related stress conditions, and identifies potential systemic risks and contagion effects across regions. Microprudential scenario analysis informs the adjustment of capital requirements and supervision frameworks. Scenario analysis has been used to build capacity to identify climate risks, set agendas to prepare for the unpredictability of climate risks, start strategic planning for mitigation and adaptation, and prepare for operational resilience.

What to expect: Due to the limitations of the exercises and underestimation of risk inherent to current versions of scenario analysis, the Fed has not used climate scenario analysis to implement supervisory consequences. It is highly unlikely the Fed will conduct climate scenario analysis that will lead to consequential changes to risk mitigation during the Trump administration. The Fed has already indicated its retreat from climate policy by withdrawing from the Network for Greening the Financial System.[33]

Treasury Federal Insurance Office (FIO) Data Call and Report

What this Is: Filling a gap in state-based insurance regulation, Congress created the Federal Insurance Office (FIO) after the 2008 financial crisis with the missions of collecting and analyzing data, monitoring impacts on low- and moderate-income, minority, and traditionally underserved communities, and making recommendations. As the costs of the climate crisis mount, rising prices and retreating insurers are driving an affordability crisis. In January 2024, FIO published the first national report and most comprehensive data set available detailing the impact of climate change on the affordability and availability of homeowners' insurance to US households.

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[31] https://www.federalreserve.gov/publications/files/csa-exercise-summary-20240509.pdf

[32] https://www.bankofengland.co.uk/speech/2015/breaking-the-tragedy-of-the-horizon-climate-change-and-financial-stability

[33] https://www.federalreserve.gov/newsevents/pressreleases/bcreg20250117a.htm

Why it matters: While this report is an essential step, it is only a first window into the data necessary to monitor this crisis. The data only goes up to the year 2022 and does not include analysis of impacts on low- and moderate-income, minority, and traditionally underserved communities. A lack of timely updated data going forward will impede regulators, municipalities, researchers, and community organizations from monitoring trends, assessing economic impacts, providing analysis, and proposing solutions.

What to expect: FIOhas faced repeated attacks in response to efforts to monitor climate-related risk in particular. In January 2024, Montana Congressman Troy Downing introduced a bill aimed at abolishing FIO,[34] following a similar letter from regulators in states like Oklahoma, Louisiana, and North Carolina.[35] While bills to limit or abolish FIO have been unsuccessful in the past, FIO will likely garner more attention as the insurance crisis heats up. Without a federal entity responsible for monitoring insurance markets, the federal government would be dependent on piecemeal data collection from fifty-six regulators in US states and territories. Public Citizen and the Revolving Door Project recently compiled an interactive map of zip-code-level data from FIO, including: 1) nonrenewal rates, 2) nonpayment cancellation rates, 3) other cancellation rates, 4) claim frequency rates, 5) average claim amounts, 6) paid loss ratios, and 7) average premiums at the ZIP code-level across the country from 2018 to 2022.[36]

Suite of White House and Treasury Climate Risk Data Collection and Research Efforts in Support of Effective Financial Regulation

What this is: The White House and Treasury initiated a number of other data collection and dissemination practices to help inform and support financial regulators and others in addressing climate-related financial risk within their areas of authority, including the following:

- The FSOC Data Infrastructure Working Group has been facilitating the sharing of climate-related data among Council members and coordinating with Treasury's Office of Financial Research on the Joint Analysis Data Environment.
- The Treasury's Office of Financial Research created a data and analytics hub, a collaborative space that streamlines access to public climate and financial data, as well as computer hardware and software to support data analysis and visualization.
- OMB conducted research on the impacts of climate-related financial risk on the federal budget.

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[34] https://www.insurancebusinessmag.com/us/news/legal-insights/congressman-introduces-bill-to-abolish-federal-insurance-office-522088.aspx

[35] https://www.insurance.nh.gov/sites/g/files/ehbemt861/files/inline-documents/sonh/doge-letter-20241220.pdf

[36] https://www.citizen.org/article/mapping-the-home-insurance-crisis/

Why it matters: Climate data is increasingly critical for financial regulation as physical climate risks become more significant to the stability of the financial system. Without this data, financial institutions cannot adequately prepare for or adapt to the economic impacts of climate change, whether at the individual firm level or systemically.

Many private-sector climate analytics firms have already demonstrated the value of translating complex climate data into financial risk assessments. However, these firms often charge high fees for proprietary catastrophe models, despite relying heavily on publicly available climate data. Without Treasury's climate data and analytics hub and FSOC's Joint Analysis Data Environment, there would not be a public climate data option for investors, homeowners, insurers, and financial institutions. This underscores a growing issue: climate data, which should be considered a public good, will be repackaged for profit, leaving homeowners, investors, and smaller, resource-constrained finance-sector actors such as credit unions, community development financial institutions, and minority-owned depository institutions without affordable access to tools for assessing climate-related risk.

What to expect: We anticipate a rollback in this data-sharing and research infrastructure, which would result in the removal of a vital public climate data option for financial institutions and a lack of actionable information on climate risk for financial regulations. It would also bolster the prominence of potentially inaccurate proprietary climate data, to the detriment of the public interest and everyday investors.

International Financial Regulation Diplomacy and Standards Bodies

What this is: US financial regulators, including particularly the Federal Reserve Board, the SEC, and the Treasury Department, have worked with global allies, particularly in Europe, to advance climate finreg-related international norms, including through standards, guidelines and best practices, to address challenges this global concern poses to financial institutions and global financial stability. In the waning months of the Biden Administration, the Federal Reserve Board began to put the brakes on climate risk-related progress.[37] Nevertheless, the Financial Stability Board (FSB), the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, the International Sustainability Standards Board (ISSB), the International Organization of Securities Commissions, among others, have advanced important, albeit incomplete, measures. The FSB, for example, in 2021 adopted a Roadmap for Addressing Climate Related Financial Risks,[38] with a 2023 Progress Report,[39] and a 2025

[37] https://greencentralbanking.com/2024/08/09/out-of-touch-jerome-powell-fed-climate-responsibility/
[38] https://www.fsb.org/2021/07/fsb-roadmap-for-addressing-climate-related-financial-risks/
[39] https://www.fsb.org/2023/07/fsb-roadmap-for-addressing-financial-risks-from-climate-change-2023-progress-report/

Analytic Framework and Toolkit for assessing climate-related vulnerabilities[40] to help regulators monitor and respond to such risks.

Why it matters: Global coordination and norms provide a level playing field that incentivizes action and avoids a race to the bottom on climate action. As the US signals an isolationist approach to climate risk, Europeans and others are re-calibrating their response and considering less stringent standards and timeframes for action.

What to expect: The Trump administration has already withdrawn from the Paris Agreement and will likely continue to discount and weaken international measures. European regulators have signaled their willingness to advance climate action without the US, but at a slower pace. Meanwhile, international standard-setting bodies are beginning to ease climate-related requirements. The ISSB, for example, is proposing to reduce requirements for company reporting of greenhouse gas emissions.[41] Nevertheless, in remarks delivered on Feb 12, 2025, the head of the European Central Bank signalled a pathway forward of continuity, integrity and seriousness with regard to climate-related financial risk. He noted that central banks and financial regulators are not “climate and nature policymakers,” but rather “policy takers” who face a growing array of climate and biodiversity factors they must take into account to deliver on their mandate.[42] US financial regulators should take heed of this more sensible and responsible approach, and apply it to their own mandates.

[40] https://www.fsb.org/2025/01/assessment-of-climate-related-vulnerabilities-analytical-framework-and-toolkit/

[41] https://www.esgtoday.com/issb-eases-scope-3-reporting-requirements-for-financial-sector/

[42] https://www.ecb.europa.eu/press/key/date/2025/html/ecb.sp250212~b69d86d8f2.en.html