



# Managing Climate Risk in the Financial Sector

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Risk Workshop

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CBCS

# Warnings of Intensifying Climate Change

- IPCC sixth assessment report 2021 projection: by 2100, 10% to 50% of small islands population in the Caribbean affected by coastal inundation
- NOAA: sea level rise and increased storm surge levels will cause more coastal destruction and increased economic damages. Rainfall and wind rates are expected to be up to 15% higher.

# Challenges on the Road to Adaptation

- Financial stability can be affected through several channels of transmission
- Adaptation may be long and costly
- Still, not as long and costly as the consequences of business as usual



# Horizons for Planning and Action

- Forward thinking and long-term planning is needed
- CBCS strategic agenda:
  1. Cooperation
  2. Data and Research
  3. Roadmap Supervisory Framework



# IMF Study: Projected Impact of Climate Change on GDP and Consumption

- Temperature increases of 2 degrees Celsius by 2050 will lead to loss of biodiversity, negative impact on health and productivity, and deterioration of coral reefs.
- More extreme rainfall and more intense tropical cyclones.
- Projected sea level rise to impact important economic areas, resulting in loss in GDP of between 7.5% and 14%.

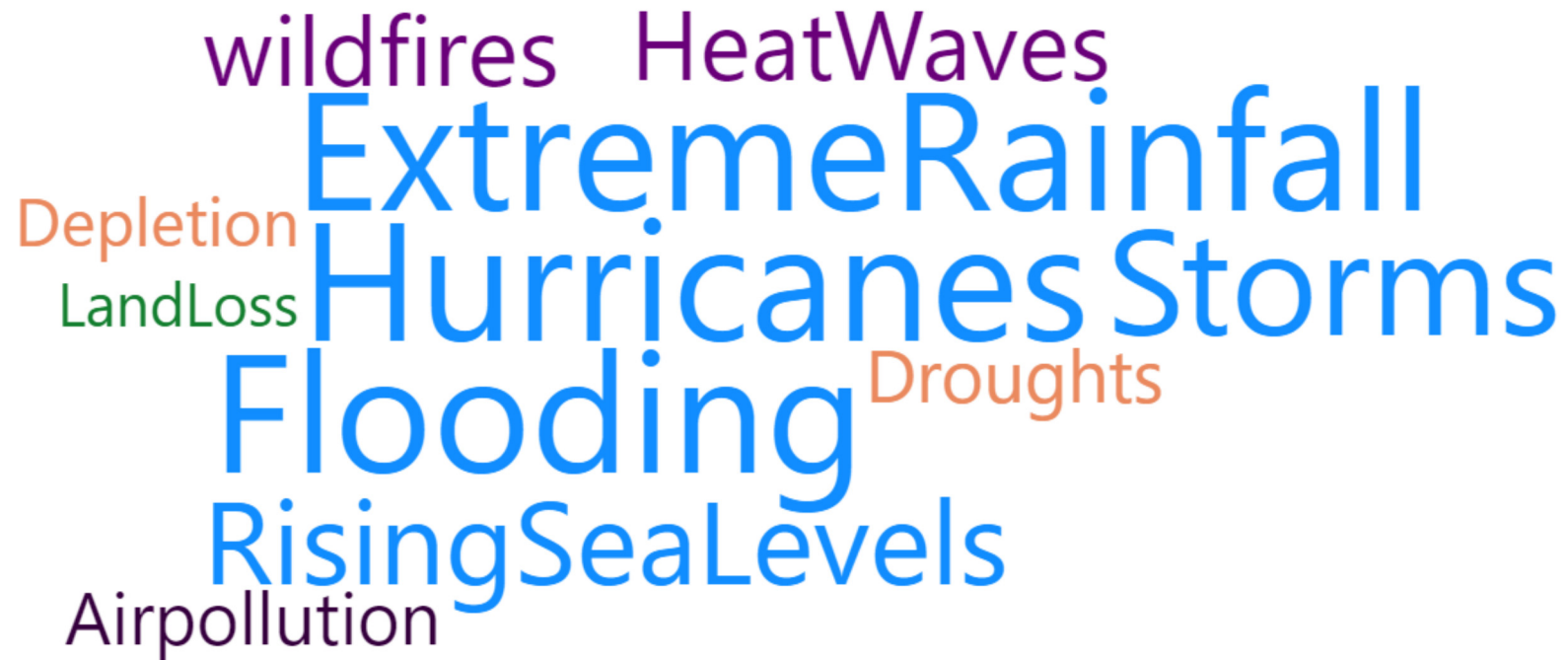
# Building our Data and Research

Hurricane Irma made landfall in Sint Maarten in 2017 and left a total estimated loss and damage of over USD 2 billion in its aftermath



# Preliminary Findings Climate Risk Survey

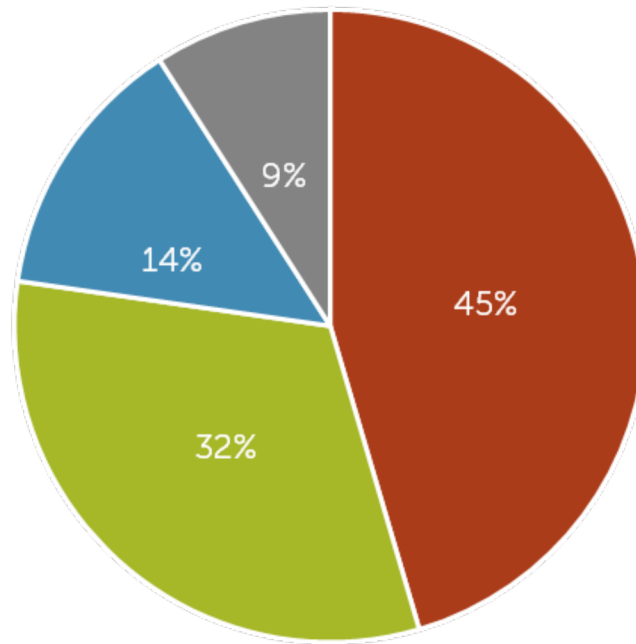
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# Preliminary Findings Climate Risk Survey

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■ No - not planned

■ Yes - on a yearly basis

■ Yes - every 3 to 5 years

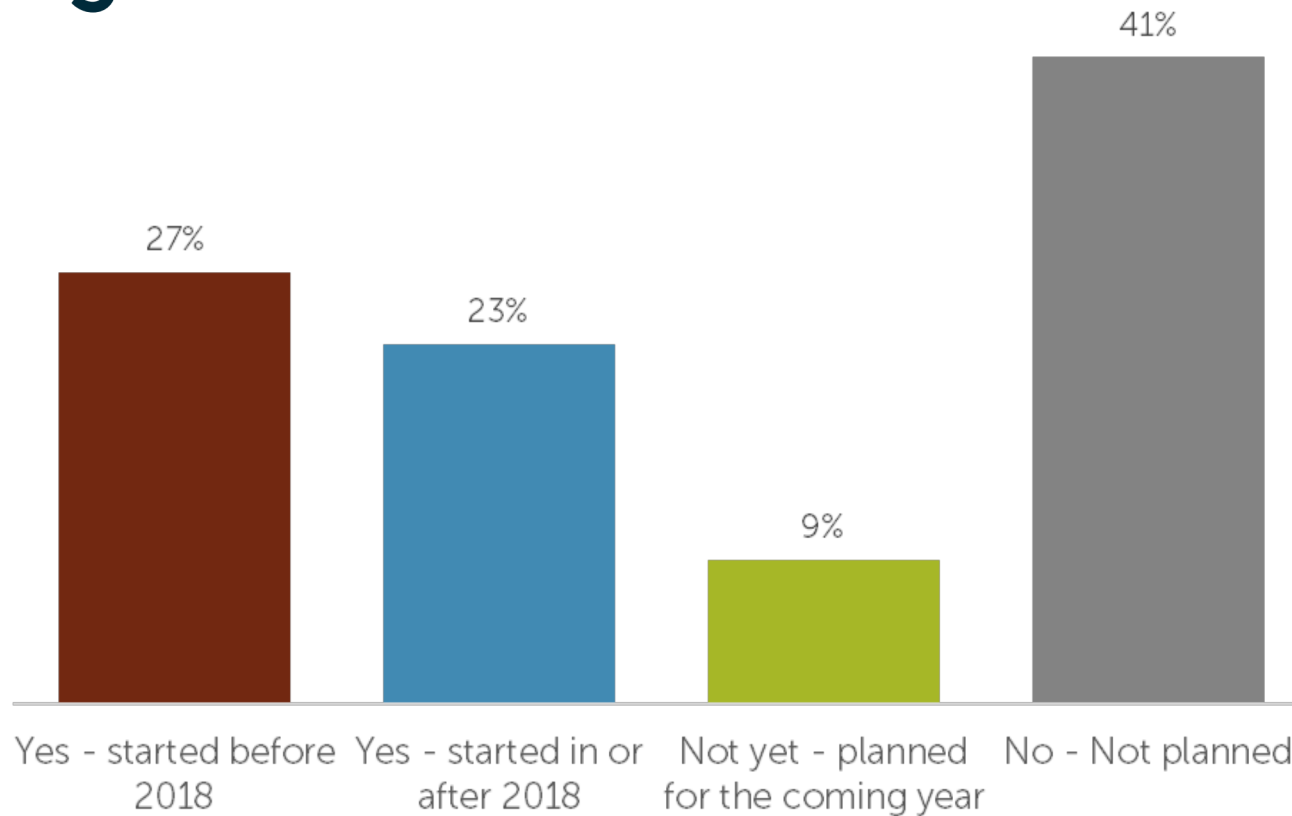
■ No - but will start soon

On average 46% examine the possible impact of climate risk on their operations



# Preliminary Findings Climate Risk Survey

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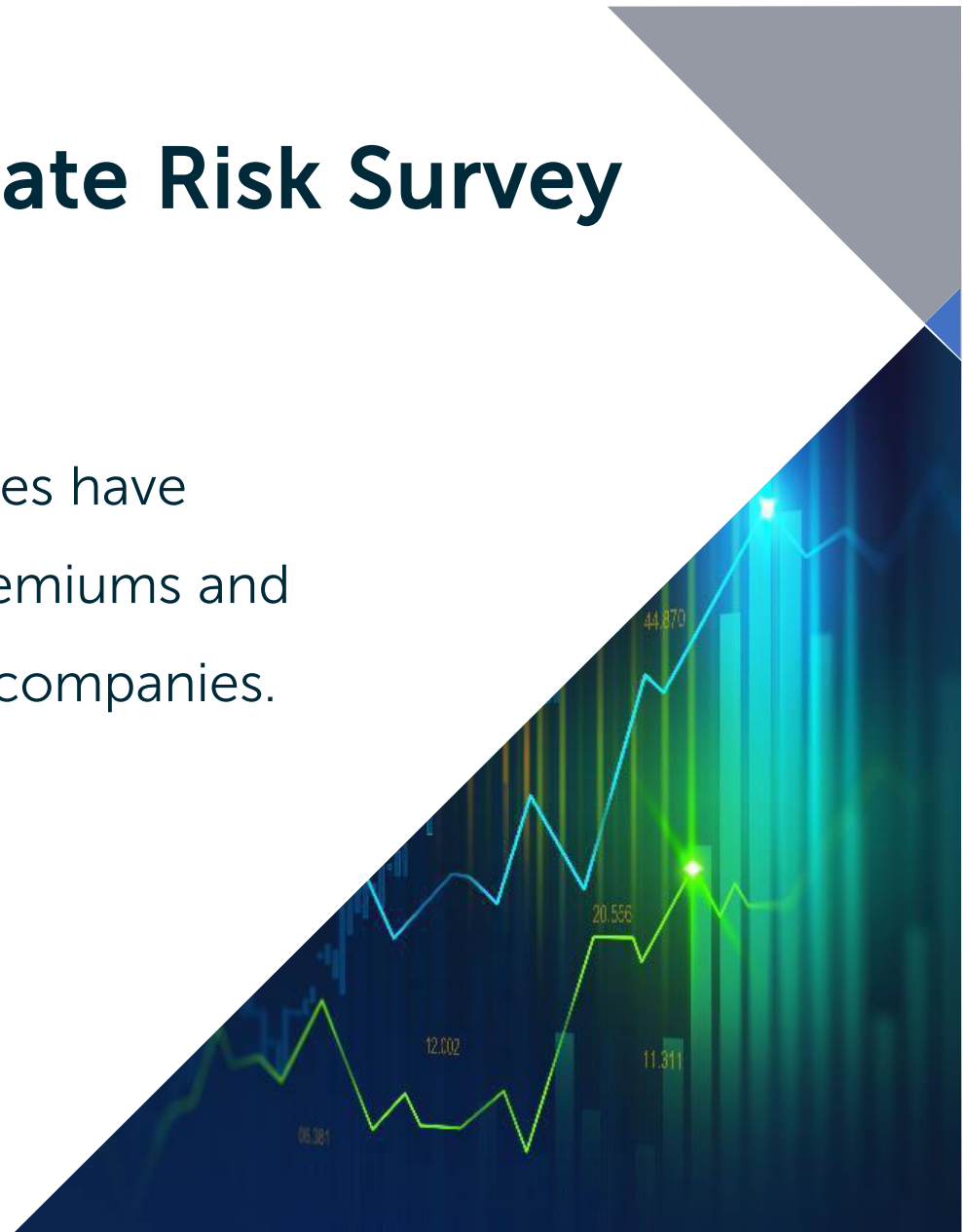


Half of the respondents, mostly insurance companies, said that mitigating climate risk is part of their organization's risk management framework

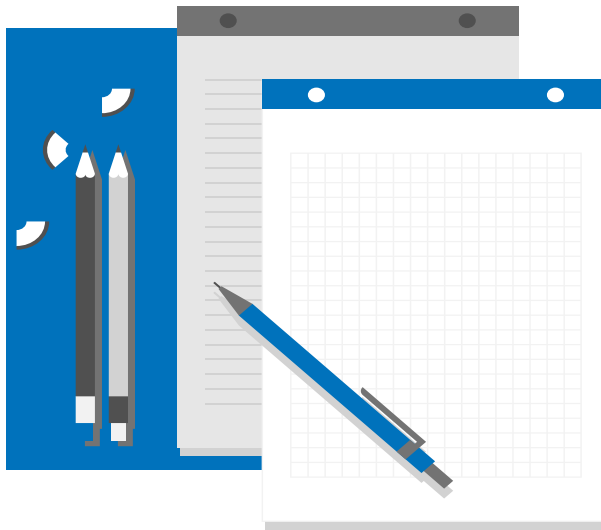
# Preliminary Findings Climate Risk Survey

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Over 80% of general insurance companies have experienced increases in reinsurance premiums and tightening of conditions by reinsurance companies.



# Which Roles for Central Banks



- Develop a supervisory framework
- Issue guidelines on climate risk in governance and risk management



- Develop climate stress testing
- and reporting mechanisms for climate risk exposure

# Working towards a Climate Risk Supervisory Framework

- Ensure good understanding of climate-related risks
- Issue guidance on climate risk disclosure, integrating climate risks into risk management frameworks
- Reporting mechanisms to help improve data on climate risks
- Continue strengthening CBCS expertise

# Partnering with International, Regional and National Organizations

CGBS Technical Working Group on Climate Risk

NGFS Membership

CARTAC Workshop and collaboration with other central banks



A man with a beard and wide eyes is shouting into a white megaphone. He is wearing a white t-shirt. The background is orange, with a dark blue polka-dot pattern in the bottom right corner.

**Time for Action**

Thank you!



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