

## **Sabine Mauderer: Climate change and supervision - prioritise action, foster collaboration**

Speech by Dr Sabine Mauderer, Vice-President of the Deutsche Bundesbank, at the Basel Committee on Banking Supervision (BCBS) and Financial Stability Institute (FSI) high level meeting, Kapstadt, 16 January 2025.

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*Check against delivery*

Ladies and Gentlemen,

I would like to begin my speech with a quote by the Nobel Laureate Desmond Tutu, who said: Twenty-five years ago people could be excused for not knowing much, or doing much, about climate change. Today we have no excuse.

Who could disagree with the wisdom and moral clarity of Archbishop Tutu's words?

### **1 Advancements**

Twenty-five years ago, the risks associated with climate change were not a major concern for central bankers and supervisors.

There were no climate hubs, no climate reporting and no climate stress tests.

A lot has changed since then.

In 2017, a handful of central banks—including the Bundesbank—founded the Network for Greening the Financial System. Surely, many of you are familiar with our network. The tremendous growth of the NGFS membership underlines our steadfast dedication to addressing climate-related risks.

Today we count over 140 central banks and supervisory authorities as members, alongside more than 20 observers globally. Recognizing that climate change is a major threat to our economies, we analyse its effects on key economic indicators, such as output, productivity and inflation.

Today, several central banks already incorporate climate-related risks into their analyses and decision-making processes. What is more, supervisory authorities are taking concrete steps to address the impacts of these risks on the financial institutions they oversee.

### **2 Capacity Building**

In order to reap the full benefits of our work, we must ensure that all stakeholders are on board.

Building capacity is crucial in this process.

The NGFS actively promotes capacity building across its membership and we are eager to extend our partnerships. This is really a priority for me!

As some of you may know, we successfully concluded our regional Outreach Meeting with African plenary members and observers here in Cape Town yesterday. We exchanged views on the best strategies to scale up financial flows for climate adaptation and mitigation measures in the region. We also discussed how to apply NGFS climate scenarios in the African context, among many other topics.

In my eyes, events like these are a great opportunity for mutual learning—to understand specific regional needs.

At the Bundesbank, we also have a long tradition of offering training courses to our international colleagues. In fact, we will offer several seminars around the topic of climate risks also this year. They are open to all our central bank colleagues<sup>1</sup>.

In late February, we will start a preparatory course on climate risks, targeting those who are still finding their way into the topic. There will be advanced courses too, for examples on climate change and monetary policy and on supervising sustainability risks later in 2025. In addition, we offer tailored bilateral seminars.

So please do not hesitate to get in touch with me or my colleagues from the Bundesbank.

The integration of climate-related risk into financial supervision is an on-going effort which requires collaboration and knowledge sharing.

### **3 The Role of Supervision**

Now, let us delve deeper into the role of supervision.

It is a given that supervisory authorities are responsible for ensuring that financial institutions manage all material financial risks they encounter.

Climate change clearly constitutes such a risk. The risk can come through transition or physical impacts—or even both. Additionally, nature degradation—such as deforestation and the erosion of soil — is increasingly becoming a focal point.

It is crucial for the financial sector to capture, monitor and manage climate and nature-related risks. To give a practical example: As you know, land often serves as collateral for loans to small and medium-sized African businesses. The collateral-to-loan ratios can be quite high<sup>2</sup>. Investment in land resilience, such as climate-adapted irrigation techniques, can increase its quality and, consequently, its asset value.

A bank that does not manage climate risk would fail to capture these effects. It would therefore be unable to adequately price the value of the collateral.

I consider it essential that the financial sector takes these aspects seriously and prepares accordingly.

In 2020, the central banks in the euro area published a guide outlining their expectations for prudent climate risk management. And several central banks, including the ECB and the Bundesbank, have conducted climate stress tests to assess climate risks in the financial sector.

## 4 Climate Scenarios

To conduct climate stress testing, climate scenarios are a fundamental tool. They explore a range of plausible futures, without assigning concrete probabilities, serving as the basis for stress assumptions.

In November of last year, the NGFS released an updated version of its long-term climate scenarios. The outcome of these scenarios is quite striking:

Potential losses in global GDP could reach almost 15% by 2050 compared to a scenario without climate change. And even this may still be an underestimation, as we need to understand the causalities and tipping points even better.

The NGFS plans to launch a set of new short-term scenarios this quarter, covering a period of up to five years. They will help improve our understanding of the near-term financial and economic effects of transitioning to a net zero economy, also including the consequences of severe natural disasters.

## 5 Conclusion

In conclusion, the results of our numerous analyses strongly support Archbishop Tutu's perspective: We simply cannot ignore the profound and multifaceted implications of climate change to our economies and societies.

It is hence crucial that we collaborate, share best practices and address these challenges jointly.

Let us start now and continuously refine our approach as we learn from experience. Today's session on climate risk offers an excellent springboard for our efforts. Thank you very much.

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[1 International Central Banking Courses | Deutsche Bundesbank](#)

[2 EIB, 2022 Finance in Africa: Navigating the financial landscape in turbulent times](#)