Today a subcommittee of the Commodity Futures Trading Commission (CFTC) approved the release of a first-ever federal report on the risk that climate change poses to the stability of financial markets and the broader economy. In a new Insight, AAF’s Director of Financial Services Policy Thomas Wade and Director of Energy Policy Ewelina Czapla outline the report’s key findings and examine its policy recommendations.

They conclude:

The CFTC’s subcommittee report has three key implications. First, it is the first federal study of the impacts of climate change on financial markets, and it implicitly recognizes the dangers of climate change (a fact made more startling for other attempts by this administration to restrict global warming science). That this report was made at all is welcome. Second, in the authors’ view the risks posed by climate change, even with insufficient data available, represent not just a real but potentially systemic risk to financial markets and the economy. Third, the report makes thoughtful and, most important, concrete recommendations that federal agencies would be advised to begin adopting immediately, most notably on carbon pricing. While none of these recommendations have any legal force, and there is no obvious path toward progress prior to the election, the CFTC has all but endorsed a principled blueprint that should be of enormous value to future administrations as a starting point for the incorporation of climate change risk into financial markets regulation.

Read the analysis.