

Press Release



FSOC Recognizes Climate Change as an Emerging Threat to the Financial System

PAULINA ENCK | OCTOBER 22, 2021

Following a Biden Administration executive order in May 2021 calling for the launch of a government-wide climate risk assessment, the Financial Stability Oversight Council (FSOC) has released its Report on Climate-Related Financial Risk, calling climate change an “emerging threat to the financial system.” In a new insight, Director of Financial Services Policy Thomas Wade and Director of Energy Policy Ewelina Czapla review the report’s recommendations, but notes that—as FSOC’s recommendations have no legal force—the impact of the report’s recommendations on financial actors participating in financing the fossil fuel industry may be minimal and in any event merely duplicate messages the administration has released elsewhere.

Key points:

- FSOC released its Report on Climate-Related Financial Risk as part of a larger effort by the Biden Administration to institute climate change analyses throughout the executive branch.
- FSOC’s report recommends practices to its member agencies to better account for the role of climate change within the financial sector such as data collection, disclosure requirements, and scenario analysis.
- With no legal enforcement power, FSOC’s recommendations serve as additional messaging which at best highlight actions already underway at agencies and in industry.

Read the analysis