



16 January 2023

Climate and the Financial Sector

This weekly newsletter highlights climate-related regulatory, litigation and enforcement developments relevant to the financial sector.

General

9 January [France] – The AMF has published its action and supervisory priorities for 2023

Marie-Anne Barbat-Layani, Chairwoman of the AMF, presented the AMF's priorities for 2023. Among them, the AMF intends to pursue its commitment to sustainable finance by improving the regulatory framework for sustainable finance and fighting against greenwashing. The AMF will also continue to support listed companies and asset managers in implementing key sustainable finance legislation, said the AMF Chairwoman. ([link](#)) and ([link](#))

Banking

10 January [UK] – PRA publishes letter setting out its 2023 supervision priorities for banks active in the UK, with a continuing focus on financial risks arising from climate change

The UK's Prudential Regulation Authority (PRA) published a Dear CEO letter, which it had sent to a wide range of banks. The letter sets out the PRA's supervisory priorities for 2023, with risk management and effective governance and oversight forming overarching themes. One key area of risk highlighted by the PRA are financial risks arising from climate change. The PRA reiterated points made in its 12 October 2022 Dear CEO letter, including (i) that it expects firms to take a proactive approach to addressing risks in this area, and (ii) that firms' approaches should be proportionate to the nature, scale, and complexity of the risks they face. [\[link\]](#) and [\[link\]](#)

10 January. [EU] – Isabel Schnabel (ECB) gives speech emphasising the role of banks in the green transition

Isabel Schnabel, member of the ECB's Executive Board, gave a speech at the International Symposium on Central Bank Independence. Schnabel noted that high inflation has necessitated interest rate increases, and that these interest rate increases, in turn, pose a challenge for the green transition. This is, for example, because they increase the cost of credit which affects renewable energy sources more than conventional energy plants. Whilst highlighting that fiscal policy is crucial in addressing these challenges, Schnabel noted that there are three areas where the ECB will focus additional efforts: (i) gradually shifting the ECB's *corporate*-bond portfolio towards "greener issuers" and fostering incentives for other issuers to reduce emissions; (ii) gradually "greening" the ECB's *sovereign*-bond portfolio, including by increasing the share of bonds issued by supranational institutions/agencies and re-allocating capital towards "green" government bonds; and (iii) "greening" lending operations, including by regulating the pledging of assets issued by high-carbon-footprint entities and by engaging in targeted "green" lending operations. [\[link\]](#)

Insurance

10 January. [UK] – PRA publishes letter setting out its 2023 insurance supervision priorities, with a continuing focus on financial risks arising from climate change

The PRA published a Dear CEO letter which it sent to a wide range of life and general insurers. The letter sets out the PRA's supervisory priorities for 2023, with financial resilience and risk management forming overarching themes. One key area of risk highlighted by the PRA are financial risks arising from climate change. The PRA emphasised that it will, on an ongoing basis, assess firms' ability to meet its supervisory expectations through supervisory engagement, firm-specific deep dives, and thematic work. The letter further highlights that the PRA expects firms to be able to demonstrate how they are responding to the PRA's expectations and to set out the steps they are taking to address barriers to progress. [\[Link\]](#)

11 January. [International] – IAIS publishes 2023-2024 work programme, announcing plans to publish two consultations related to climate-related risk

The International Association of Insurance Supervisors (IAIS) has published its 2023-2024 Roadmap outlining key projects and activities the IAIS will progress to address key risks and trends in the insurance sector. One key theme throughout the Roadmap are climate-related risks. Specific projects include: (i) exploring possible indicators for climate-related risks in the context of individual insurer monitoring; (ii) refining the data collection on climate-related risk in the course of the IAIS' global monitoring; and (iii) launching two consultations with a view to developing further supervisory guidance to promote a globally consistent, adequate response to the risks posed by climate change. [[link](#)]



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