

Letter calling on the G20 for a #SafeTransition

8 November 2022

Dear Leaders of G20,

We are writing to you to call for increased ambition from the G20 leaders to address the risks that climate change poses to our economies and financial system.

The Financial Stability Board, as well as financial supervisors across the globe, have taken positive steps towards analysing climate-related financial stability risks. Proactive leadership is now needed to tackle these risks. Global cooperation and aligned effort are crucial in this respect, as climate impacts have no borders. The G20 leaders should use their meeting in Bali to call for the adoption of a holistic set of rules to ensure financial institutions identify, manage and mitigate climate-related financial risks.

Climate change is causing enormous damage including environmental degradation, biodiversity loss, food insecurity, conflicts, mass displacement and migration. This has an increasingly destabilising impact on our economies and financial system. The longer we postpone mitigation and adaptation actions, the higher the chances are that we will also face financial crises induced by the climate crisis - either due to extreme weather events disrupting the economy or due to an abrupt and disorderly transition. **The climate crisis is creating a feedback loop where financial institutions are financing activities that are accelerating irreversible climate change.** This in turn increases their exposure to climate-induced financial crises.

When this happens, someone will have to pay the cost. As world leaders, you can set the agenda to decide whether the size is manageable or overwhelming. **As it stands, this cost looks like it will fall on public budgets and taxpayers, as the financial sector has not started to build up adequate capital buffers to absorb upcoming losses.** Some financial institutions have made commitments to support the transition away from the economy based on fossil fuels. This is a recognition of the need to address the issue, but so far falls short of taking impactful measures to tackle expanding climate-related financial risks. Supervisors have acknowledged the systemic nature of climate risk and stepped up collection of climate risk-related data and exploration of climate-related vulnerabilities in the financial sector, notably, by means of scenario analyses. Financial institutions are also being mandated to provide more disclosure about their transition plans, risks, and opportunities. This is again a recognition that these risks need to be dealt with. Yet, risk mitigation measures remain insufficient and the risks continue to build up in the financial system. If left unchecked, we could face a 'fossil subprime' crisis.

A new study¹ led by Finance Watch estimates that the 60 largest global banks have around USD 1.35 trillion of exposures to fossil fuel assets, which are an increasing

1 [A safer transition for fossil banking](#), Finance Watch, October 2022.

source of risk to banks and the financial system. At the moment this increasing risk is not reflected in bank capital rules at either a micro or macro-prudential level, to make sure banks can cover future losses. **To correct this, fossil fuel exposures should be recognised as higher risk assets under the Basel framework.** Doing this at the 60 largest global banks would only require an estimated USD 183.5 billion in additional capital. This is equivalent to around three to five months of banks' 2021 net income - a feasible and important step in preventing a snowball build-up of risk. **The current practice of not treating banks' fossil fuel exposures as higher risk is effectively a subsidy to the fossil fuel industry, which we estimate is worth around USD 18 billion a year.**

As time is of the essence, the level of ambition and urgency to address climate-related financial stability risk need to move up a gear. This means building on the positive statements in the G20 Rome Leader's Declaration² and upgrading the actions in the G20 Sustainable Finance Roadmap³. **Taking a proactive, precautionary approach garners broad-based support.** Concrete amendments⁴ to the prudential regulatory frameworks for banks and insurers have been recognised by a panel of 50 banks, NGOs, academics, regulators and investors from the United States, Canada, the European Union and the United Kingdom as the top-ranked policy proposal to tackle the link between climate change and financial instability⁵.

We urge you to move the agenda forward and define actions to address the systemic risks related to fossil fuel exposures at the G20 meeting in Bali. The global community needs you as the leaders of the biggest economies of the world to provide the political direction to regulators, supervisors and policymakers to take precautionary action before it is too late.

Thank you for your consideration. Please do not hesitate to get in contact should you wish to discuss this further.

Kind regards,

The signatories of our joint letter: **61** organisations and **129** individuals, including civil society, ethical banks associations, economists and citizens



2 [G20 Rome Leaders' Declaration](#), October 2021.

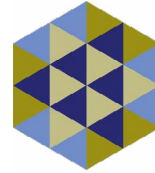
3 [G20 Sustainable Finance Roadmap](#).

4 [A 'silver bullet' against Green Swans](#), November 2021 and [Breaking the climate-finance doom loop](#), June 2020, Finance Watch.

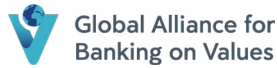
5 [Financial Stability in a Planetary Emergency](#), Climate Safe Lending Network, April 2022. See also [Call to action to ensure transition to net zero and nature positive economy](#), coordinated by WWF, September 2022.



BANKTRACK



E3G



GREENTERVATION



Re_Generation



a + b = 3





Organisations

1. 2 Degrees Investing Initiative
2. 350 Mass
3. 350.org
4. A and B Make 3
5. Americans for Financial Reform Education Fund
6. AnsvarligFremtid
7. Association For Promotion Sustainable Development
8. Association of Ethical Shareholders Germany
9. Association pour l'Intégration et le Développement Durable au Burundi, AIDB
10. ASUFIN
11. Attac Norway
12. Attac Spain
13. Ban SUP (Single Use Plastic)
14. BankTrack
15. Campax
16. Centre for Financial Accountability
17. Clean Air Action Group
18. Clean Air Action Group (Hungary)
19. ClientEarth
20. Climate Safe Lending Network
21. Democracy Watch
22. E3G
23. Environmental Defence
24. Ethique et Investissement (asso)
25. European Federation of Ethical and Alternative Banks and Financiers (FEBEA)
26. Fair Finance Institute
27. Fair Finance International
28. Fairfin
29. Finanzwende
30. Fondation Pour La Nature Et l'Homme
31. Fondazione Finanza Etica
32. Fossil-free.ch
33. Global Alliance for Banking on Values
34. Greentervention
35. Groen Pensioen
36. Indigenous Peoples Global Forum for Sustainable Development, IPGFforSD (International Indigenous Platform)
37. Institute for Agriculture and Trade Policy
38. Iraqi Journalism Rights Defense Association
39. Johanson International
40. KoalaKollektiv
41. Lithuanian Consumers Alliance
42. Make My Money Matter
43. Milieudefensie - Friends of the Earth Netherlands
44. National Campaign for Sustainable Development Nepal
45. New Economics Foundation
46. Notre Affaire à Tous
47. Positive Money
48. Profundo
49. Public Citizen
50. Public Eye
51. Re_Generation
52. Reclaim Finance

53. ShareAction
54. Sierra Club
55. Solutions For Our Climate (SFOC)
56. SumOfUs
57. Talousdemokratia / Economic Democracy Finland
58. The Sunrise Project
59. Trend Asia
60. Wellbeing Economy Alliance
61. West Coast Environmental Law Association

Economists and experts

1. **A. Erinç Yeldan**
2. **Aimilia Koukouma**
3. **Alain Grandjean**
4. **Bill McKibben**
5. **Brent Bleys**
6. **Brett Scott**
7. **Christel Dumas**
8. **Christine Cooper**
9. **Christoph Scherre**
10. **Coline Ruwet**
11. **Ina Dimitrieva**
12. **Inge Røpke**
13. **Jason Hickel**
14. **Jakob Kapeller**
15. **Josh Ryan-Collin**
16. **Judith Dellheim**
17. **Katie Kedward**
18. **Laurence Scialom**
19. **Lucas Trentin Rech**
20. **Marc Roche**
21. **Max Klingberg**
22. **Nathalie Boucquey**
23. **Neil Lancaster**
24. **Philippe Gillig**
25. **Reijer Hendrikse**
26. **Rens Van Tilburg**
27. **Robin Jarvis**
28. **Stephen Keen**
29. **Tim Jackson**
30. **Yasar Atacik**
31. **Young-jin Choi**

Individuals

1. **Agatha Allain**
2. **Alain Monod-Broca**
3. **Alain Minczeles**
4. **Anandi Vinken**
5. **Andrea Baranes**
6. **Anneliese Haslauer**
7. **Antoine Demey**
8. **Ava Bertolotti**
9. **Carlos Pluvinage**
10. **Christian Bläul**
11. **Christian Grosse**

12. **Christina Stevens**
13. **Claire-Marie Vincent**
14. **Claudia Fernandes**
15. **Claudia Soares**
16. **Claudio D'Eugenio**
17. **Daniel Pointeau**
18. **Demetrio Ortuño Ibáñez**
19. **Dennis Venter**
20. **Diego Pedraza Lahoz**
21. **Dieter Borkhart-Quilitz**
22. **Dominique Talidec**
23. **Duncan Lindo**
24. **Edo Von Glan**
25. **Elia Cortinovis**
26. **Eren Can Ileri**
27. **Fabrice Liardet**
28. **Fabrizio Villani**
29. **Florian Ramsauer**
30. **Francois Meerts**
31. **Frederic Legrand**
32. **Geert Calis**
33. **Georges Vaucheret**
34. **Gerhard Treffner**
35. **Guillaume Bulteau**
36. **Hans Gerlach-Erhardt**
37. **Hans Vernaeve**
38. **Hans Christoph Hudde**
39. **Henri Doisy**
40. **Henriette Hettinga**
41. **Jürgen Obernolte**
42. **Jacob Philipsen**
43. **Jacques Demeusoy**
44. **Jean Prosperi**
45. **Jean-Jacques Bieri**
46. **Jean-Marie Roux**
47. **Jean Michel Bonnet**
48. **John Nightingale**
49. **Kayleigh Woods Harley**
50. **Kedron Barrett**
51. **Kim Metson**
52. **Laurent Lahaye**
53. **Lauri Jaakkola**
54. **Lesterlin Dominique**
55. **Liselotte Unseld**
56. **Loïc Bontonou**
57. **Ludo Van Oyen**
58. **Manuel Vidal**
59. **Marc-Olivier Leclercq**
60. **Marcel Schaepman**
61. **Margaretha Piette**
62. **Marion Cohen**
63. **Martin Doussau de Bazignan**
64. **Matthieu Priem**
65. **Maurice Hearne**
66. **Meg Leon**
67. **Michael Jacobs**
68. **Michel Villard**
69. **Michel Becker**
70. **Michel Frey**
71. **Mike Van Vlasselaer**
72. **Mike Hope**
73. **Nicholas Roslund**
74. **Nicholas Berry**
75. **Paola Ricca Mariani**
76. **Paolo Burato**
77. **Patrice Tiolet**
78. **Patrick Hebert**
79. **Paul Vantomme**
80. **Peter Lauterbach**
81. **Peter Ras**
82. **Philippe Dubois**
83. **Philippe Marbaix**
84. **Pierre Herve**
85. **Pierre-Marie Le Pochat**
86. **Rainer Geiger**
87. **Raphaël Calame**
88. **Rene Chan**
89. **Ronny Moser**
90. **Sandro Leuenberger**
91. **Severin Sindizera**
92. **Shay Hearne**
93. **Sussanne Blegaa**
94. **Thibault de Williencourt**
95. **Tom Weafer**
96. **Victor Kommerell**
97. **Wandrille Selegny**
98. **Yannick Vanpouille**

Contact:

Benoît Lallemand

Secretary General, Finance Watch

office.sg@finance-watch.org

+ 32 (0)2 880 0430