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CONSULTATION RESPONSE JULY 2025

CP10/25 – ENHANCING BANKS’ AND INSURERS’ APPROACHES TO MANAGING CLIMATE-RELATED FINANCIAL RISKS

E3G RESPONSE

E3G is pleased to provide feedback to the Prudential Regulation Authority’s (PRA) Consultation Paper ‘CP10/25 – Enhancing Banks’ and Insurers’ Approaches to Managing Climate-Related Financial Risks’. We support the strong recognition in the update to the PRA’s supervisory expectations that current practices are insufficient and that firms must do more to manage those risks. Now we would like to see the PRA go further, providing specific guidance in key areas, working to establish international best practice, and providing greater transparency about its own progress in integrating climate risk into its business-as-usual supervisory activities.

Summary

The PRA’s updated supervisory statement sets out welcome recommendations for firms’ approaches to managing climate-related financial risks. The materiality of climate risks was most recently identified in a study by the UK Sustainable Investment Forum, which found that climate-related risk could cost UK businesses and investors \$141 billion by 2040 if left unmanaged.¹ The proposed updates to SS3/19 clearly demonstrate that the PRA is serious about addressing the risks from climate change in its supervision of firms to prevent future, potentially destabilising losses.

The strong supervisory tone is appropriate and necessary. The PRA has already provided extensive guidance to firms (e.g. SS3/19, CFRF, ‘Dear CEO’ letters), and the proposed updates to SS3/19 further consolidate these expectations. This consultation also provides a very welcome signal to the market that there is a good practice gap and that this must be addressed. In particular, proposals on

¹ UKSIF, 2025, **UK Economy Heading for \$141 Billion Loss Caused by Stranded Fossil Fuel Assets**



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data and scenario analysis governance, including enhanced expectations for proxy use and scenario selection, are timely.

Nevertheless, there remain important gaps in firms' risk management approaches to climate risk. The Network for Greening the Financial System (NGFS) anticipates a 15% hit to global GDP by the middle of the century from climate-related risks even if governments stick to existing emissions reduction policies.² Whilst there is evidence that climate-related risks remain systematically underpriced³ financial sector continues to underestimate both transition and physical risks.

Therefore, some areas in the PRA's proposed updated supervisory statement require further specific guidance:

- > **Climate risks relating to carbon-intensive assets remain underpriced by some firms and therefore prudential guidance is needed.** This includes guidance on best practices for integrating climate risk into Probability of Defaults (PDs) and Loss Given Defaults (LGDs). More work is needed on how this affects Expected Climate Loss (ECL) calculations and own funds treatment.
 - **Guidance on high-risk sectors like Oil & Gas, in particular, is insufficient.** Sector-specific risks require clearer supervisory expectations. Fossil fuel-related assets are more exposed to transition risks than those linked to non-fossil fuel-related activities. Therefore, they warrant specific consideration within firms' capital risk management frameworks⁴.
- > **Tipping points and ecosystem collapse require greater attention.** We appreciate that the market and the Bank of England, including the PRA, are still working to upskill on the implementation of decision-useful scenarios, including the selection of 2, 3 and 4 degree scenarios. However, more work is needed to integrate and understand the potential impacts from tipping points. Learnings could be taken from the modelling of the impacts of ecosystem collapse incorporated into nature-based

² NGFS, 2024, **NGFS Climate Scenarios Technical Documentation**

³ Examples include Financial Times, 2025, **Top central banker defends climate work after US pushback**

⁴ https://www.eiopa.europa.eu/eiopa-recommends-dedicated-prudential-treatment-insurers-fossil-fuel-assets-cushion-against-2024-11-07_en



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scenario modelling. The PRA should integrate learnings from nature-based scenario analysis, including work in France⁵, Brazil⁶ and Malaysia⁷.

E3G's recommended next steps include specific considerations for the PRA in updating its guidance, as well as broader, supporting actions::

- > **Repeating the CBES exercise and recommitting to its biannual cadence could improve scenario design and credibility.** Repetition would support capability building within the market and comparability, in line with approaches in jurisdictions like the EU⁸ and Japan⁹.
- > **The PRA should clarify how time horizons differ across capital and strategy planning.** We welcome the inclusion of guidance on factors for determining appropriate time horizons for firms' impact analysis. The PRA should also clarify in its updated guidance that assessment of impacts from climate-related risks should include consideration of short, medium- and long-term horizons, including one looking out to at least 10 years¹⁰.
- > **Further guidance should be produced, and expectations should be clarified, on the use of transition plan disclosures.** Given current UK Government work to make transition plans mandatory,¹¹ the PRA should be expecting firms to integrate these resources into risk management processes where available, particularly given their importance in assessing firms' future resilience to climate-related risks in their business models.
- > **The PRA must integrate the actions and expectations set out in the consultation paper into its firm-level supervisory activity.** While the consultation sets out a clear direction of travel, the impact will depend on how these expectations are embedded into the PRA's business as usual supervisory approaches, such as the Proactive Intervention Framework (PIF) for insurers, Periodic Summary Meetings and continuing work to address gaps identified in high-risk firms through Risk Mitigation Plans,

⁵ Svartzman et al, 2022, **A 'Silent Spring' for the Financial System? Exploring Biodiversity-Related Financial Risks in France**

⁶ Calice, Diaz Kalan and Miguel, 2021, **Nature-Related Financial Risks in Brazil**

⁷ World Bank group and GNM, 2022, **An Exploration of Nature-Related Financial Risks in Malaysia**

⁸ ECB and others, 2024, **Fit-for-55 climate scenario analysis** and ECB, 2023, **Faster green transition would benefit firms, households and banks, ECB economy-wide climate stress test finds**

⁹ FSA and BoJ, 2024, **Climate-Related Scenario Analysis - Next Step in the Banking Sector**

¹⁰ EBA, 2025, **Guidelines on the management of environmental, social and governance (ESG) risks**

¹¹ UK Government, 2025, **Transition plan requirements consultation**



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for example. Firms need clarity that climate-related financial risks are a core supervisory concern. This includes ensuring that supervisory reviews – including the Supervisory Review and Evaluation Process (SREP) for banks - routinely examine the adequacy of firms' climate risk governance, scenario analysis, and transition planning and how these are accounted for in their Internal Capital Adequacy Assessment Process ('ICAAP').

Chapter responses

1. Governance

- > **The clarification of risk assessment factors is useful.** We welcome the detailed guidance on what factors firms should consider in their impact analysis and in particular the maturities and holding periods of financial instruments, as well as business model adaptation timescales and run-off books for insurers.
- > **The PRA should consider the incorporation of guidance on the governance of nature-related financial risks, particularly where these risks relate to or are compounded by climate risks.** Nature loss interacts with climate change to trigger and exacerbate acute and chronic physical risks and transition risks for firms. Guidance for firms should include identification of portfolio exposures and dependencies, as well as the incorporation into scenario analysis and stress testing.

2. Risk Management

- > **Consider alignment with the EBA on climate-specific metrics.** Though the PRA has chosen not to mandate metrics, doing so would improve the appropriate integration of climate risk, including outputs from scenario analysis into risk appetite frameworks. We have included further detail in our response to the '4. Data' section on which particular metrics could support forward-looking assessments of risk.
- > **PRA should set clear expectations on the use of transition plan disclosures in risk management.** Transition plans are increasingly recognised as critical tools for forward-looking risk assessment. For more details on steps the Bank should take, see our response to Section 5 'Disclosures'.



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3. Climate Scenario Analysis (CSA)

- > **Firm and international best practice with regards to scenario analysis and stress testing has moved on significantly in the last three to four years** (the last time the Bank of England ran its Climate Biennial Exploratory Scenario). This is demonstrated by the Bank of England's System-wide exploratory scenario exercise published last year.¹² However, several issues persist, including:
 - **Use by firms of scenario analysis beyond regulatory compliance is remains limited.** This could result in a negative feedback loop where model limitations impact the extent to which scenarios are used by firms, which in turn delays capability improvements. Prioritisation of the Bank's own scenario analysis and stress testing work within its own operations, including repeating the CBES, would send a strong signal to market participants that they should also prioritise scenario analysis beyond regulatory compliance. This would also bring the Bank of England in line with work undertaken by other Advanced Economy jurisdictions.¹³
 - **Scenario analysis continues to exclude second-order and compound effects.** The UN 'Bridging Climate and Credit Risk' report identifies that 71 percent of firms surveyed are not considering compound risk,¹⁴ identifying limitations in methodologies which rely on qualitative approaches and the risk of overlapping impact estimates. The development of technical guidance in this area would support firms in addressing this gap, alongside the development by the NGFS of its short-term climate scenarios that do account for compound physical risks.¹⁵
 - **Technical guidance would also be welcome in relation to the assessment of tipping points, including risks from ecosystem collapse.** The PRA should provide clear guidance on the limitations of climate-focused scenarios in assessing these risks, bring together best

¹² BoE, 2024, **System-wide exploratory scenario**

¹³ ECB and others, 2024, **Fit-for-55 climate scenario analysis** and ECB, 2023, **Faster green transition would benefit firms, households and banks, ECB economy-wide climate stress test finds**

FSA and BoJ, 2024, **Climate-Related Scenario Analysis - Next Step in the Banking Sector**

¹⁴ UNEP FI and Global Credit Data, 2025, **Bridging climate and credit risk**

¹⁵ NGFS, 2025, **NGFS Short-term Climate Scenarios for central banks and supervisors**



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and emerging practice on their incorporate into scenario analysis and stress testing work, and the likely implications for climate tipping points. This could include accounting for the non-substitutability of critical ecosystems; indirect effects through (global) value chains; and the role of shorter-term, high-magnitude shocks.¹⁶

- **NGFS scenarios are rarely combined with broader economic models.** Geopolitical risks can act as an important and influential variable in climate related risk modelling. However, the layering of climate scenarios with broader economic and geopolitical scenarios is still a nascent area. Currently, only one-third of banks combine climate scenarios with economic models.¹⁷
- **Whilst qualitative approaches may be appropriate, namely for much smaller firms (with limited exposure and in-house capabilities), firms should be encouraged as much as possible to transition towards more quantitative approaches.** For example, qualitative approaches are often found to have been applied by firms in assessing climate risks for residential and commercial real estate.¹⁸ Whilst we welcome the recognition of the importance of proportionality, we are concerned that the emphasis on qualitative narratives in certain cases may provide sufficient evidence for determining materiality.
- > **PRA should require explicit treatment of both physical and transition risks with consideration of how the two interact.** Whilst materiality assessments are important in ensuring that firms take a proportional approach, the PRA should make it clear that all firms must consider both physical and transition risks (as well as the interaction between the two) in their scenario analysis and that acute and chronic risks may have impacts on all firms. Scenario design should include chronic, acute, and interacting risks and these risks should be clearly identified in ICAAP, ILAAP and ORSA submissions.
- > **Further guidance on the use of longer time horizons would be welcomed.** The PRA should set out clearer expectations on where firms are expected to use longer time horizons and how long these time horizons should look out to. UN data shows most firms focus on 0–10 years for physical risks and 3–10 for transition risks, indicating a significant deviation in firm approaches to

¹⁶ Marsden et al, 2024, **Ecosystem tipping points: Understanding risks to the economy and financial system**

¹⁷ UNEP FI and Global Credit Data, 2025, **Bridging climate and credit risk**, p.56

¹⁸ UNEP FI and Global Credit Data, 2025, **Bridging climate and credit risk**



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long-term transition and physical risks to their business model that may not always be appropriate.¹⁹

- > The EBA, for example, has addressed this by proposing that long-term time horizons should look out to at least ten years.²⁰ **The PRA should encourage firms that have an international footprint to include in their analysis explicit information on the output of their models.** This information should include the following:
 - **Greater transparency on vendor selection and understanding of assumptions used in their models is needed.** Firms should disclose rationale for vendor choice, underlying model assumptions, and treatment of spillover effects.
 - **Firms should explain how spillover effects have been modelled.** This should build on the recent work undertaken by the FSB as part of its analytical framework for assessing climate vulnerabilities.²¹
- > **Specific guidance on the implementation of reverse stress testing is needed to help firms develop their capabilities.** While testing the resilience of firms' balance sheets and capital reserves to climate-related stresses is an important and welcome evolution in the PRA's expectations of firms, it is a relatively new areas for a number of firms. More detailed guidance would support firms in upskilling on key aspects, including the determination of severe, but plausible scenarios in the context of climate change.

4. Data

- > **Clear expectations on proxy use and uncertainty are welcome.** This provides a good foundation for consistency.
- > **The PRA should mandate reporting of exposures to high transition risk sectors.** The PRA should consider mandating firms to report on their concentration of exposures to high transition risk sectors (or carbon intensive assets), to support a more detailed view of the concentration of exposures to such sectors across UK Financial Services firms. This should be supplemented by reporting on exposures to high transition risk counterparties, to support the assessment of potential amplification of

¹⁹ UNEP FI and Global Credit Data, 2025, **Bridging climate and credit risk** p.29

²⁰ EBA, 2025, **Guidelines on the management of ESG risks**

²¹ FSB, 2025, **FSB develops analytical framework and toolkit to assess climate-related vulnerabilities**



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initial shocks through ‘fire sales’ as firms adjust their portfolios. This supports systemic analysis of concentration risks, aligning with ECB practice.

- > **Integration of risks from climate change to carbon-intensive assets into firms’ assessments of traditional risk drivers, such as credit and market risk, remains limited, therefore prudential guidance is needed.**²²

Guidance on integrating climate risk into Probability of Default (PD) and Loss Given Default (LGD) is essential.²³ More work is needed on how this affects Expected Climate Loss (ECL) calculations and own funds treatment.

- > **Alongside the consistent treatment of carbon-intensive assets, the Bank should promote reporting on the performance of low-carbon infrastructure assets.** This would support the assessment of the appropriate risk-sensitivity of existing capital requirements in reflecting actual and perceived investment risk (e.g., Moody’s data on renewable project finance default rates).²⁴

- > **Stress testing the impacts of climate-related changes in LTV in residential mortgages should be required.** Particularly in light of the work undertaken by the FSB under its analytical framework for assessing climate-related vulnerabilities, which highlights the financial stability implications from Natural Catastrophe (NatCat) disasters due to the links between real estate markets and availability and affordability of insurance.

- > **The PRA should pay close attention to the capacity of Flood Re to continue supporting insurers in absorbing losses from extreme weather events.** Flood Re is not only due to exit the market in 2039 but has, alongside a number of other stakeholders (including the FCA), also voiced concerns that “complex but essential discussions” are required if the scheme is to maintain its availability and affordability through to its conclusion.²⁵

²² EIOPA, 2024, **Prudential Treatment of Sustainability Risks**

²³ EBA, 2025, **Guidelines on the management of ESG risks**

and EBA, 2020, **Guide on climate-related and environmental risks**

²⁴ Global Capital, 2023, **Moody’s finds evidence sustainable projects are less risky**

²⁵ Flood Re, 2025, **Flood Re enters new phase as climate change transforms risk landscape**



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- > **Greater transparency over firm and market-wide exposure to 1-in-200-year NatCat loss events and capital provisioning.** Reporting gross/net losses and reinsurance reliance would align with the recommendations of the International Association of Insurance Supervisors (IAIS) in its input paper to the G20 SFWG²⁶ on insurance protection gaps and recent findings in its GIMAR. Alongside requiring stress testing of climate impacts on residential mortgage LTVs, this would build on and reflect work by the FSB that highlights the increased risk of contagion across the banking and insurance sectors through mortgages and property insurance emphasised by this year's wildfires in California.
 - > **The PRA should ensure that the CFRF updates its guidance²⁷ to reflect the most recent developments in market practice, including work published by the Financial Stability Board (FSB),²⁸ Basel Committee on Banking Supervision (BCBS)²⁹ and International Association of Insurance Supervisors (IAIS).** Since release in 2021, significant progress has been made by firms and other bodies to detail useful metrics as more and better data becomes available. The CFRF guidance is therefore in need of an update to match this progression in thinking. For example, the CFRF guide still references the IFRS S2 Exposure Draft and draws in large part from the TCFD Guidance which has now been adopted as a minimum standard by a number of jurisdictions and integrated into IFRS S2. The PRA should, at a minimum, consider working with the CFRF to review and update this guidance in light of the progress made, particular where this is relied on to guide firms in the appropriate metrics to include in their reporting to the Board and relevant committees.
 - > **The review of the CFRF guidance should the inclusion of metrics that are recommended by the FSB and IAIS and that firms are starting to use, particularly those that are forward-looking.** These include:
 - **Climate-stressed LTV:** Distribution of exposures by Loan-To-Value ratios and damages from physical hazards under different climate scenarios for both residential and commercial real estate

²⁶ IAIS, 2025, G20 **Sustainable Finance Working Group input paper: Identify and address insurance protection gaps**

²⁷ CFRF, 2021, **Climate Financial Risk Forum Guide 202 Climate Financial Risk Forum Guide 2020: Climate Data And Metrics**

²⁸ FSB, 2025, **Assessment of Climate-related Vulnerabilities: Analytical framework and toolkit**

²⁹ BIS, **The Basel Committee - overview**



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- **Normalised or collateral-adjusted exposure-at-risk:** Expected losses in the event of natural hazards derived from non-linear damage functions to quantify the economic impact to counterparties' physical assets.
 - **Market-Based Carbon value-at-risk (VaR):** Estimates the implied total value-at-risk of securities due to future changes in the carbon price.
 - **CRISK:** Expected capital shortfall of a financial institution in a climate stress generated via climate-related market and credit risk channels. Utilising FI's assessment of their climate beta to understand the potential market and credit risk impacts.

5. Disclosures

- > **The PRA should issue clear guidance on the role of transition planning and transition plan disclosures in financial risk management.** Transition plans are not only disclosure tools; the transition planning process supports firms' strategy-setting to inform and manage forward-looking climate risks. As such, the PRA should align with the FCA and UK Government's proposed plans³⁰ and set supervisory expectations for firms to assess and integrate their own transition plans - as well as those of their clients and counterparties - into risk identification, credit risk modelling, and scenario analysis. This is particularly important for high-emitting and hard-to-abate sectors, where a firm's future viability and creditworthiness are tightly linked to its ability to transition.
- > **Disclosure of climate transition plans remains limited, as does use of plans by banks and insurers, although market availability and uptake is growing.** Transition plans contain essential information for the management of climate risk. Voluntarily disclosed transition plans or similar documents are increasingly common but not universal amongst relevant firms, as detailed in the government consultation on transition plans.³¹ The UN 'Bridging Climate and Credit Risk' report finds most banks are not using client transition plans in climate-related PD modelling, undermining risk calibration and strategic planning.³²

³⁰ UK Government, 2025, **Transition Plan Consultation**

³¹ DESNZ, 2025, **Transition plan requirements: implementation routes**

³² UNEP FI and Global Credit Data, 2025, **Bridging climate and credit risk**



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- > **Transition plan disclosure improves the availability of decision-useful information for markets, reducing systemic risk.** A lack of firm-level transition planning is a significant barrier to capital allocation: 79% of financial institutions cite insufficient transition planning information as a barrier to climate investment.³³ Requiring firms to disclose transition plans - and setting guardrails around how firms disclose - would significantly improve comparability and credibility of disclosures, and would support the broader integration of climate risk into financial systems.
 - > **At the firm level, transition plan disclosures must be integrated into risk management processes.** Transition plan disclosures inform effective risk modelling and help reduce loss potential. Incorporating credible transition plans into probability of default (PD) and loss-given-default (LGD) assessments would enable more accurate valuation of risk exposures. Better integration of transition planning into risk models could help prevent avoidable losses.
 - > **Transition plan disclosures support supervisory alignment and feedback loops.** A consistent set of expectations for transition plans - such as those set out in the recent IFRS guidance³⁴ and TPT Disclosure Framework³⁵ - can also enhance feedback between firms, supervisors and policymakers. Aggregated insights from transition plan disclosures can inform macroprudential oversight and supervisory priorities. The PRA, in coordination with other regulators, should consider how to use these insights to strengthen the UK's approach to economy-wide transition risk and ensure that both private and public sector plans are aligned with net zero pathways.
 - > **Embedding transition planning across the financial system reinforces UK competitiveness and financial stability.** Firms with credible transition strategies are seen as more competitive - 65% of corporates believe that executing their transition plans will make them more competitive.³⁶ Moreover, 86% of UK institutional investors say they are more likely to invest in companies managing their climate risk.³⁷ The UK's ability to

³³ OECD, 2022, **OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans**

³⁴ IFRS, 2025, **Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2**

³⁵ TPT, 2023, **Disclosure Framework**

³⁶ Lloyds, 2024, **Credible Transition Plans: Reporting vs Reality**

³⁷ E3G, 2025, **Investors to UK – help us invest for growth by managing climate risks**



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remain a leading global financial centre depends on regulatory upgrades that support sustainable finance and reinforce London's global leadership in green investment.

- > **Transition plan disclosures support supervisory alignment and feedback loops.** A consistent set of expectations for transition plans - such as those set out in the IFRS guidance³⁸ and TPT Disclosure Framework³⁹ - can also enhance feedback between firms, supervisors and policymakers. Aggregated insights from transition plan disclosures can inform macroprudential oversight, supervisory priorities, and government policy design. The PRA, in coordination with other regulators, should consider how to use these insights to strengthen the UK's approach to economy-wide transition risk and ensure that both private and public sector plans are aligned with net zero pathways.
- > **The PRA should encourage firms to integrate transition planning into core governance, strategy, and risk management processes.** Transition planning should not be siloed as a compliance exercise. It should inform strategic business decisions, be tied to capital allocation, and be embedded in scenario analysis and risk assessments. Supervisory guidance should require firms to explain how their transition plans inform governance, capital planning, client engagement, and contingency measures—thus ensuring that plans are credible, science-aligned, and actionable.
- > **Regulatory consistency with IFRS S2 and global norms is essential.** The PRA can look to the International Sustainability Standards Board (ISSB), as a global baseline for disclosures, to help develop best practice for plan assessment and to ensure consistency and comparability across the sector. By aligning PRA expectations with IFRS S2 standards and supporting guidance, the UK can harmonise climate disclosures, reduce compliance costs, and strengthen the comparability of transition plans across jurisdictions. This supports the financial system's ability to assess risk across borders.

³⁸ IFRS, 2025, **Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2**



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6. Banking-Specific Issues

- > **Guidance on climate-adjusted Probability of Defaults (PDs) and Loss Given Defaults (LGD) is a key priority.** The PRA has provided welcome detailed guidance on the incorporation of material climate exposures into LGD and PDs, as well as clarity on where and how firms should include into own fund calculations under both the standard formula and internal models. However, more could be done to provide guidance to firms on the interaction between Expected Credit Loss (ECL) and climate risk exposures.
- > **There is international best practice to learn from.** The EBA has observed practice where firms are developing climate-informed shadow probabilities of defaults, which takes into consideration a detailed analysis of physical and transition risks for higher risk counterparties identified as part of a screening process.⁴⁰
- > **PRA should provide expectations on integrating climate risk into both standardised and internal models.** This includes potential use of shadow PDs, integrating climate risk appropriately and consistently into ESG scorecards, and differentiated treatment of high-risk counterparties.
- > **Internal Liquidity Adequacy Assessment Process (ILAAP) inclusion of climate risk is welcome.** Liquidity considerations are material and overdue for supervisory guidance.
- > **More clarity needed on Expected Credit Loss (ECL) and Post Model Adjustments (PMA) interaction with climate risk.** As models adapt, PRA should provide stronger expectations on how risks are captured and adjusted.
- > **7. Insurance-Specific Issues**
 - > **Solvency Capital Requirements should fully reflect climate risk.** It is now commonly recognized that such risks are being underpriced and that second order effects/tipping points need to be more rapidly taken into

⁴⁰ EBA, 2025, **Guidelines on the management of ESG risks** and EBA, 2020, **Guide on climate-related and environmental risks**



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account.⁴¹ Guidance on matching adjustment and fundamental spread would be helpful.

- > **Sector-specific guidance is needed.** Life and non-life insurers face distinct risks. Guidance should include:
 - *General insurers:*
 - Guidance needed on how firms should assess and report on the extent to which firms rely on reinsurance arrangements for their NatCat exposures, as well as understanding where they have dual exposures (assets/liabilities) that increases correlation and contagion risks within their balance sheets.
 - As damage functions become more readily available across the majority of natural hazards, the PRA should develop its own guidance on how the resulting expected losses at the debtor level are assessed by firms and their impacts accounted for in the risk management processes.
 - *Life insurers:* Greater attention is required on how physical risk affects longevity/morbidity assumptions. This is particularly timely given recent rapid attribution analysis assessing the contribution of climate change to heat-related deaths in Europe⁴².
- > **Insurer Solvency Capital Requirements (SCRs) may underprice long-term risk.** As per UN and NGFS findings,⁴³ tipping points and second-order effects remain excluded from modelling, leading to systemic underpricing.

⁴¹ WEF, 2024, **Are the Financial Risks of Climate Change Under-Priced?**

⁴² Grantham Imperial, 2025, **Climate change tripled heat-related deaths in early summer European heatwave**

⁴³ UNEP FI and Global Credit Data, 2025, **Bridging climate and credit risk**



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About E3G

E3G is an independent climate change think tank with a global outlook. We work on the frontier of the climate landscape, tackling the barriers and advancing the solutions to a safe climate. Our goal is to translate climate politics, economics and policies into action.

E3G builds broad-based coalitions to deliver a safe climate, working closely with like-minded partners in government, politics, civil society, science, the media, public interest foundations and elsewhere to leverage change.

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