

Congress of the United States

Washington, DC 20515

February 11, 2025

The Honorable Jerome Powell
Chair
Federal Reserve Board of Governors
20th St and Constitution Ave NW
Washington, DC 20551

The Honorable Travis Hill
Acting Chair
Federal Deposit Insurance Corporation
550 17th St NW
Washington, DC 20429

Dear Chair Powell and Acting Chair Hill:

We write to express concern and seek additional information regarding your agencies' recent decision to withdraw from the Network for Greening the Financial System (NGFS),¹ a critical organization of leading global central banks and financial supervisors committed to sharing information on climate-related financial risks and analyzing the serious threat that such risks pose to the stability of the financial system.

The NGFS is a coalition of central banks and financial regulators representing more than 90 countries and covering 100 percent of global systemically important banks and 80 percent of the internationally active insurance groups.² In 2020, the Federal Reserve formally joined the NGFS, touting the group's role in "support[ing] the exchange of ideas, research, and best practices on the development of environment and climate risk management for the financial sector."³ At the time, Chair Powell committed the Federal Reserve to deepening its "understanding of how best to assess the impact of climate change on the financial system."⁴ In 2020, then-Federal Deposit Insurance Corporation (FDIC) Board Member Martin Gruenberg underscored the need to better understand how physical and transition risks related to climate change could manifest as threats to financial stability.⁵ The FDIC officially joined the NGFS in 2022, pledging to address climate-related financial risks as a top priority at the agency.⁶

However, earlier this year, the Federal Reserve and FDIC revoked their membership in the NGFS, reasoning that the work of the NGFS has drifted into areas that fall outside of your agencies' mandate.⁷ In a recent speech, Acting Chair Hill said that FDIC's authorities on climate-related risk "are limited to promoting safety and soundness, not to using banks to pursue environmental policy."⁸ These statements contradict the core work of the NGFS, which aligns with the banking agencies' statutory mission and has improved the Federal Reserve's and FDIC's own supervisory work on this issue in recent years.

In 2021, the Financial Stability Oversight Council (FSOC), including Chair Powell, voted to release a report that identified climate change as an emerging and increasing threat to financial stability⁹—a view that Chair

¹ "Federal Reserve Board announces it has withdrawn from the NGFS," 17 Jan. 2025, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20250117a.htm>; "FDIC Withdraws from the NGFS," 21 Jan. 2025, <https://www.fdic.gov/news/press-releases/2025/fdic-withdraws-network-central-banks-and-supervisors-greening-financial>.

² Membership, <https://www.ngfs.net/en/about-us/membership>.

³ "Federal Reserve Board announces it has formally joined the NGFS, as a member," 15 Dec. 2020, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20201215a.htm>.

⁴ *Id.*

⁵ "The Financial Stability Risks of Climate Change," 18 Dec. 2020, <https://www.fdic.gov/news/speeches/2020/spdec1820.html>.

⁶ "Acting Chairman Martin J. Gruenberg Announces FDIC Priorities for 2022," 7 Feb. 2022, <https://www.fdic.gov/news/press-releases/2022/pr22015.html>.

⁷ Federal Reserve Board announces it has withdrawn from the NGFS; FDIC Withdraws from the NGFS.

⁸ "Charting a New Course: Preliminary Thoughts on FDIC Policy Issues," 10 Jan. 2025, <https://www.fdic.gov/news/speeches/2025/charting-new-course-preliminary-thoughts-fdic-policy-issues>.

⁹ "FSOC Identifies Climate Change as an Emerging and Increasing Threat to Financial Stability," 21 Oct. 2021, <https://home.treasury.gov/news/press-releases/jy0426>.

Powell reaffirmed at a House Financial Services Committee hearing last year.¹⁰ In recent years, the Federal Reserve has advanced its work on understanding these potentially systemic risks, such as by including specific discussion of climate-related financial risks in its 2023 Financial Stability Report.¹¹ Furthermore, the Federal Reserve has incorporated the NGFS' efforts into its initiatives, such as by using two transition risk modules developed by the NGFS in the Federal Reserve's pilot climate scenario analysis.¹²

Moreover, in 2023, the Federal Reserve, the FDIC, and the Office of the Comptroller of the Currency (OCC) jointly issued climate risk management principles for large banks, maintaining that climate change poses an emerging risk to the safety and soundness of individual financial institutions and financial stability more broadly.¹³ The interagency guidance emphasized that climate-related risks can ripple throughout the economy and financial system. As a result, the financial sector could experience credit and market risks associated with loss of income, defaults, fluctuations in asset values, liquidity risks associated with changing demand for liquidity, operational risks associated with disruptions to infrastructure or other channels, or legal risks.¹⁴

We are at a critical inflection point, as these emerging risks are quickly becoming a tangible reality. The increasing frequency and severity of climate-related disasters are creating financial turmoil in property and casualty (P&C) insurance markets in coastal states and across the country.¹⁵ In response to rising insured losses due to climate change, insurance companies are increasingly exiting these markets, leaving many homeowners and renters uninsured or underinsured.¹⁶ In its 2023 report, the FSOC cautioned that these developments could affect mortgage markets and housing prices and generate "larger economic spillover effects."¹⁷ In its 2024 report, the FSOC detailed that "mortgage defaults from uninsured damages could push losses into other parts of the financial system, including to mortgage originators, mortgage servicers, mortgage-backed securities purchasers, and providers of risk mitigation products."¹⁸

Climate-related financial risk has never been more acute than now and will only intensify if the risk is not mitigated. The recent wildfires in Los Angeles, California, are the latest among a series of climate-driven disasters devastating communities, destroying property, driving up costs, debt, and raising risks of delinquency and default for borrowers, increasing the likelihood of financial institution failures, and making our financial system more vulnerable to shocks.

More broadly, climate change is a threat to the global financial system, and addressing the risks it poses to U.S. financial institutions and markets requires active participation in global forums rather than an isolationist approach. In 2020, then-FDIC Board Member Gruenberg argued that "international leadership by the U.S. is crucial towards making global progress on climate change, including its financial stability risks."¹⁹ He warned, "we are behind the curve and we have a lot of ground to make up."²⁰ Withdrawing from the NGFS puts our

¹⁰ "Casten Presses Powell: Is Climate Change 'Still An Emerging Threat' To US Financial Stability?," 10 Jul. 2024, <https://www.youtube.com/watch?v=wl6cXwiPpEY>.

¹¹ Financial Stability Report, Oct. 2023, pp. 49, <https://www.federalreserve.gov/publications/files/financial-stability-report-20231020.pdf>.

¹² "Pilot Climate Scenario Analysis Exercise," May 2024, <https://www.federalreserve.gov/publications/files/csa-exercise-summary-20240509.pdf>.

¹³ "Principles for Climate-Related Financial Risk Management for Large Financial Institutions," 30 Oct. 2023, <https://occ.treas.gov/news-issuances/news-releases/2023/nr-ia-2023-118a.pdf>.

¹⁴ *Id.*

¹⁵ "As Insurers Around the U.S. Bleed Cash From Climate Shocks, Homeowners Lose," 13 May 2024, <https://www.nytimes.com/interactive/2024/05/13/climate/insurance-homes-climate-change-weather.html>.

¹⁶ "US Home Insurance 'Bubble' Closer to Popping as Climate Risks Mount," 20 Sep. 2023, <https://www.bloomberg.com/news/articles/2023-09-20/us-home-insurance-bubble-closer-to-popping-as-climate-risks-mount>.

¹⁷ FSOC Annual Report, 2023, <https://home.treasury.gov/system/files/261/FSOC2023AnnualReport.pdf>.

¹⁸ FSOC Annual Report, 2024, <https://home.treasury.gov/system/files/261/FSOC2024AnnualReport.pdf>.

¹⁹ "The Financial Stability Risks of Climate Change," 2020, <https://www.fdic.gov/news/speeches/2020/spdec1820.html>.

²⁰ *Id.*

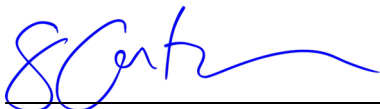
prudential regulators further behind and out of step with actions being taken by our global counterparts. The U.S. must have a seat at the table to influence these international standards and approaches as they are crafted.

Addressing all potential threats to safety, soundness, and financial stability, regardless of their source, is central to fulfilling your agency's statutory mandate. You should not deviate from those mandates due to political pressure. To gain greater clarity regarding your agencies' positions on climate-related financial risk and the decision to withdraw from the NGFS, we request that you answer the following questions by February 25, 2025:

1. Is it still the position of the Federal Reserve and the FDIC that climate change constitutes an emerging threat to U.S. financial stability?
2. Did any members of the Federal Reserve Board, the FDIC Board of Directors, or agency staff communicate with any officials from the Trump Administration or Trump Transition regarding the Federal Reserve's or the FDIC's membership in NGFS? If so, please provide all such written communications and/or a list of meetings with summaries.
3. The Federal Reserve Board published a vote to withdraw from the NGFS. Did any Governor submit a statement for the record regarding the reasoning behind their vote?
4. The FDIC Board of Directors did not appear to vote on the decision to withdraw from the NGFS. Who made the decision to withdraw and under what authority was that decision made? Given that withdrawing from the NGFS would constitute a "major matter" under the FDIC's bylaws, why was a vote not held? Did a majority of the Board express support for this decision?
5. Will the Federal Reserve continue to undertake climate-related financial risk scenario analysis exercises?
6. Will the Federal Reserve and FDIC continue to consider climate-related financial risks in examinations for the institutions it supervises?
7. What are the Federal Reserve's and the FDIC's plans for engaging with international counterparts on climate-related financial risk to ensure the U.S. has a seat at the table to influence international standards, if not through NGFS?

Thank you for your attention to this important matter. We look forward to continuing to work with you to address climate-related financial risk with the seriousness and urgency it requires.

Sincerely,



Sean Casten
Member of Congress



Tina Smith
United States Senator



Emanuel Cleaver, II
Member of Congress



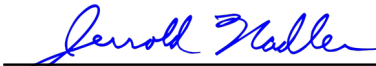
Elizabeth Warren
United States Senator



Seth Magaziner
Member of Congress



Jeffrey A. Merkley
United States Senator



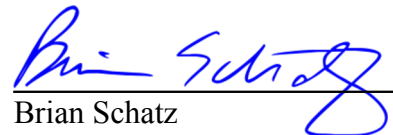
Ferrol Nadler
Member of Congress



Martin Heinrich
United States Senator



Mike Levin
Member of Congress



Brian Schatz
United States Senator



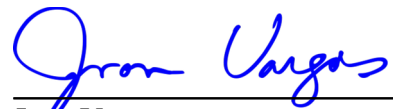
Paul D. Tonko
Member of Congress



Henry C. "Hank" Johnson, Jr.
Member of Congress



Andre Carson
Member of Congress




Juan Vargas
Member of Congress




Jimmy Panetta
Member of Congress



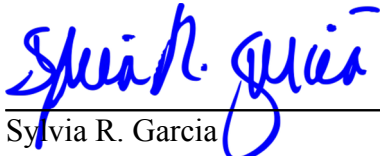
Robert Garcia
Member of Congress



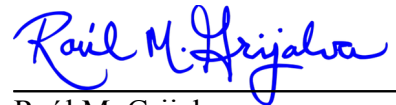
Joyce Beatty
Member of Congress



Dwight Evans
Member of Congress



Sylvia R. Garcia
Member of Congress



Raúl M. Grijalva
Member of Congress