



2023 Economic and Financial Stability Cluster High Level Policy Dialogue
Climate Change Risks to Financial Stability in CAREC Region

14 June 2023, 1:45 – 4:35 P.M. (GMT+4)

Ballrooms 1,2 and 3, (Level 3)

Pullman Tbilisi Axis Towers

37m Chavchavadze Avenue, 0179 Tbilisi

Georgia

Background and Agenda

Climate change poses a significant threat to financial stability, and it therefore falls within the mandates of central banks and supervisors to ensure the financial system is resilient to these risks. The impact of climate change can affect the value and performance of assets, liabilities, and income streams of financial institutions and markets. These risks can be categorized into two main categories: physical risks and transition risks.

Physical risks arise from extreme weather events such as floods, droughts, heatwaves, and storms, which can cause damage to property, infrastructure, and land. This can result in losses for insurers, banks, and investors who are exposed to affected sectors and regions. Additionally, physical risks can have systemic implications by disrupting financial intermediation, impairing market functioning, and amplifying shocks through various channels.

Transition risks result from changes in climate policy, technology, and consumer and market sentiment during the adjustment to a lower-carbon economy. These changes can affect the profitability and viability of carbon-intensive sectors and activities such as fossil fuel production, transportation, and agriculture, creating stranded assets and credit risks for lenders and investors. Furthermore, transition risks can have systemic implications by creating uncertainty, volatility, and mispricing in financial markets.

The financial sector in the CAREC region faces the challenge of managing its exposure to climate-related risks while also playing a role as a catalyst for green finance. Policy makers, central banks, and regulators have a crucial role to play in ensuring that financial institutions adequately assess, disclose, and mitigate their climate-related risks while supporting their transition to a low-carbon economy.

In this context, it is crucial to examine the risks associated with climate change, particularly in relation to financial stability in the region. Sustainable finance plays a vital role in mobilizing resources necessary for investments in climate mitigation, such as reducing greenhouse gas emissions, and adaptation, such as building resilience to climate change, towards green growth. This event provides a platform for policy makers, development partners, and private sector representatives from CAREC member countries to share their perspectives, experiences, and plans regarding climate change risks to financial stability and the role of the financial sector. The overarching issues for discussion are as follows:



1. the optimal government and financial system policies and actions in response to the climate change related risks and challenges posed to financial stability, and
2. how the CAREC DMCs can promote sustainable finance to mitigate and respond to climate change risks for green growth.

The forum will consist of senior officials from finance ministries, central banks, financial regulatory authorities, and other officials and private sector players from CAREC countries, together with senior representatives from the ADB, International Monetary Fund, and the World Bank. After a keynote presentation by IMF, country delegates and panel discussants will be invited to share their experiences and insights on responding to climate change risks to financial stability in the region and promoting sustainable finance to mitigate those risks for green growth. The panel discussion will close with a summary of the main results of the discussion.

Wednesday June 14 (Tbilisi time)

13:45–13:50	<p>Event Introduction Ms. Lyaziza Sabyova, Director Regional Cooperation and Operations Coordination Division (CWRC), Central and West Asia Department (CWRD), Asian Development Bank (ADB)</p>
13:50–14:00	<p>Opening Remarks Ms. Mariam Kharashvili, Head of Macrofinancial Modeling and Analysis Division, Financial Stability Department, National Bank of Georgia</p>
14:00–14:05	<p>Welcome Remarks Ms. Xiaohong Yang, Deputy Director General Central and West Asia Department, ADB</p>
14:05–14:20	<p>Keynote Presentation Mr. Selim Cakir, Senior Resident Representative, International Monetary Fund</p>
14:20–14:30	Coffee Break
14:30–16:00	<p>Panel Discussion: Climate Change Risks to Financial Stability and Policy Options to Promote Sustainable Finance for Green Growth</p> <p>Moderated by: Ms. Emma Fan, Director, Public Management, Financial Sector, and Regional Cooperation Division (EAPF), EARD, ADB</p> <p>Panel discussants:</p> <ul style="list-style-type: none"> • Mr. Tianqi Sun, Director General, Financial Stability Bureau, People’s Bank of China • Ms. Mariam Kharashvili, Head of Macrofinancial Modeling and Analysis Division, Financial Stability Department, National Bank of Georgia • Mr. Enkhtaivan Ganbold, Deputy Governor, Central Bank of Mongolia

- Mr. Abrori Shukuhiddin, Advisor in the Office of the Assistant to the President of Tajikistan for Economic Issues
- Mr. Aidyn Dauletbaev, Director, Securities Market Department, Agency of the Republic of Kazakhstan for the Regulation and Development of Financial Markets
- Mr. Saeed Ashraf Siddiqui, Joint Secretary, Economic Affairs Division, Ministry of Economic Affairs, CAREC National Focal Point, Pakistan
- Mr. Junkyu Lee, Chief of Finance Sector Group, Sustainable Development and Climate Change Department, ADB

Guide questions:

- What are the specific climate change risks and challenges to financial stability each country is facing?
- What are the effective policy options to respond to those risks and to promote sustainable finance for green growth?
- What kind of support do CAREC countries expect from IFIs in terms of policy and financial support to deal with climate change risks to financial stability?
- How can regional cooperation through CAREC help its member countries respond to those risks and explore new opportunities for green growth?

16:00–16:30

Q & A

Moderated by Ms. Emma Fan, Director, EAPF, EARD, ADB

16:30–16:35

Closing Remarks

Ms. Lyaziza G. Sabyrova
 Director, CWRC
 Central and West Asia Department, ADB