

Remarks by Secretary of the Treasury Janet L. Yellen on the Executive Order on Climate-Related Financial Risks



May 20, 2021

Achieving net zero emissions in the United States will require transformational investments in our energy sector and the broader economy, and the global financial sector will be a crucial player, helping channel capital into investments that green our society.

But in order for the financial sector to do that, it also must be resilient to the risks that climate change poses.

The Executive Order (EO) articulates a plan to make that happen; it coordinates regulatory efforts to assess climate-related financial risks and risks to financial stability. As Chairperson of the Financial Stability Oversight Council (FSOC), I am prioritizing this work.

At my first FSOC meeting as Chairperson in March, we discussed climate change and financial stability. FSOC members were highly engaged and have already begun to analyze the issues within their jurisdictions. FSOC can build on these efforts underway at individual regulators in several important ways.

Financial regulators, financial institutions, and investors need to have access to the best information and data to measure climate-related financial risks. FSOC will work with Council members to improve climate-related financial disclosures and other sources of data to better measure potential exposures.

Regulators also face common challenges incorporating climate risks into their regulatory and supervisory activities. Assessments of climate-related financial risks may require new perspectives and new tools. FSOC will work with regulators to share perspectives, identify common impediments, and find solutions to those impediments. A critical task is pulling together individual agency perspectives to assess how climate risks may impact the stability of the entire financial system.

As directed in the EO, I will engage with FSOC on all these challenges to issue a report later this year, including reporting on any actions the Council recommends to mitigate risks to financial stability.

The coordinated approach to financial stability I have outlined is what FSOC is designed to do—and will ensure the most effective approach to improving the resilience of the financial system. This work will be challenging, and we cannot delay this hard work any longer. I will also work to ensure that Treasury engage fully with our global partners through the G-7, G-20, and Financial Stability Board, helping to promote a strong and consistent global approach.

Our pensions, our savings – our future livelihoods – depend on the financial sector to build a more sustainable and resilient economy. We all need to have the best tools and the best data to make well-informed decisions. This EO puts us on a path to get there.

####