

May 14, 2020

To: Climate-Related Market Risk Subcommittee
From: Jim Doyle, Business Forward Foundation

Re: Comments to the Climate-Related Market Risk Subcommittee under the Market Risk Advisory Committee of the Commodity Futures Trading Commission

As we've seen during the COVID-19 crisis, external shocks to our supply chains and broader economy can threaten the stability of our financial system. Unlike the current pandemic however, climate change poses an easily *foreseeable* risk. We must act to prepare financial markets for future shocks that could cripple our economy.

One indispensable tool that regulators and legislators must use is mandatory disclosure of financed emissions.

Business Forward Foundation's work has mainly focused on how banks are propagating investment risks. Since 2016, banks have provided \$2.7 trillion in financing to fossil fuel companies. We know these loans are trouble, because the banks themselves are warning their high net worth clients to avoid fossil fuel companies. Once these banks earn their fees, they securitize fossil fuel loans and pass the risk off to investors. Because their own high net worth clients aren't buying, the risk flows to small investors, retirees, and pensioners who own index funds.

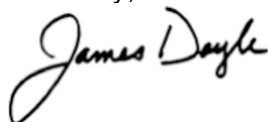
Our view is that we cannot manage this problem if we cannot measure it. Each bank or asset manager must disclose its financed emissions so that customers can pick which bank to use, and investors can identify which banks face, and are financing, too much climate risk. With universal and comparable data, bank customers and investors can help fix our broken energy markets.

We believe that the Subcommittee must recommend a mandatory disclosure framework to MRAC. It is a necessary tool for evaluating systemic risk.

To complement this comment, we're linking to our [business leader statement on sustainable banking](#), which is signed by more than 500 business leaders calling for banks to disclose their financed emissions and includes many of their comments. We also encourage you to read our [issue brief on sustainable banking](#).

We appreciate your consideration in this matter.

Sincerely,



Jim Doyle
President



ABOUT BUSINESS FORWARD FOUNDATION

The Business Forward Foundation is an independent research and education organization that takes a business-minded look at policy issues affecting America's economic competitiveness. Our work combines insights and advice from tens of thousands of business leaders across the country with rigorous policy analysis. Through white papers, issue briefs, conference calls, and other events, we educate policy makers and the public about climate change, immigration reform, infrastructure investment, the future of work, and other critical issues.