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May 14, 2020

The Honorable Heath P. Tarbert
Chairman
Commodity Futures Trading Commission
1155 21st Street NW
Washington, DC 20581

Dear Chairman Tarbert:

I write in regards to the Commodity Futures Trading Commission's (CFTC) invitation for public comment on issues being addressed by the Climate-Related Market Risk Subcommittee (Subcommittee) of the Market Risk Advisory Committee.¹ The Subcommittee was established to "identify and examine climate change-related financial and market risks, including for derivatives markets,"² and the report will include "policy recommendations on oversight, including disclosures and stress testing against climate events, as well as ideas for new products for hedging against climate risk."³ While public health officials combat the ongoing coronavirus disease 2019 (COVID-19) pandemic and the federal government addresses the associated economic collapse, we cannot afford to lose sight of climate-related threats to our health and economic well-being. To address these threats, the Subcommittee's recommendations must include strong requirements for regulations to incorporate climate risks, such as loss of value of existing fossil fuel investments.

The climate crisis will have significant economic impacts,⁴ but "U.S. regulators have been slow to respond to the threats that a warming planet can pose to financial assets."⁵ The

¹ Commodity Futures Trading Commission, Federal Register Notice, "Climate-Related Market Risk Subcommittee Under the Market Risk Advisory Committee," April 14, 2020, <https://www.cftc.gov/sites/default/files/2020/04/2020-07860a.pdf>; Commodity Futures Trading Commission, "CFTC's Market Risk Advisory Climate Subcommittee Seeks Public Comments," press release, April 17, 2020, <https://www.cftc.gov/PressRoom/PressReleases/8150-20>.

² Commodity Futures Trading Commission, Federal Register Notice, "Climate-Related Market Risk Subcommittee Under the Market Risk Advisory Committee," April 14, 2020, <https://www.cftc.gov/sites/default/files/2020/04/2020-07860a.pdf>.

³ Reuters, "U.S. regulator homes in on climate risks to U.S. markets," Ann Saphir, December 11, 2019, <https://www.reuters.com/article/us-climate-change-market-risks/u-s-regulator-homes-in-on-climate-risks-to-u-s-markets-idUSKBN1YF2D5>.

⁴ New York Times, "Climate Change's Giant Impact on the Economy: 4 Key Issues," Neil Irwin, January 17, 2019, <https://www.nytimes.com/2019/01/17/upshot/how-to-think-about-the-costs-of-climate-change.html>; Brookings Institution, "Ten facts about the economics of climate change and climate policy," Ryan Nunn, Jimmy O'Donnell, Jay Shambaugh, Lawrence Goulder, Charles Kolstad, and Xianling Long, October 23, 2019, <https://www.brookings.edu/research/ten-facts-about-the-economics-of-climate-change-and-climate-policy/>.

⁵ Reuters, "U.S. regulator homes in on climate risks to U.S. markets," Ann Saphir, December 11, 2019, <https://www.reuters.com/article/us-climate-change-market-risks/u-s-regulator-homes-in-on-climate-risks-to-u-s-markets-idUSKBN1YF2D5>.

Market Risk Advisory Committee advises the CFTC on “systemic issues that threaten the stability of the derivatives markets and other financial markets, and makes recommendations on how to improve market structure and mitigate risk,”⁶ and it is critical that the Subcommittee recommends robust climate disclosure, reporting, and stress test requirements.

Recent studies estimate that climate change may cause “permanent damage that would far eclipse the scale of the 2007-2008 financial crisis.”⁷ A 2018 report by 13 federal agencies also found that without significant climate action, as much as ten percent of the American economy may be wiped out by 2100.⁸ Additionally, a separate report argued climate change may lead to tens of trillions of dollars in global damages and will “universally hurt worker health and productivity.”⁹ Meanwhile, the Trump administration has exacerbated the climate crisis by weakening safeguards on air pollution, emissions, fossil fuel extraction, and more.¹⁰ According to government data, these changes may cause thousands of more premature deaths across the country.¹¹ The dangers from climate change, however, continue to grow.

For these reasons, I introduced *The Climate Risk Disclosure Act of 2019* as a climate disclosure regime for the Securities and Exchange Commission to require public companies to disclose climate-related risks so investors can accurately assess threats.¹² It requires rigorous disclosures of critical information about climate-related risks, including greenhouse gas emissions and financing; fossil fuel assets; effects of companies’ valuations under various climate scenarios; and climate risk management strategies.¹³

⁶ Commodity Futures Trading Commission, “Market Risk Advisory Committee,” Accessed May 12, 2020, <https://www.cftc.gov/About/CFTCCcommittees/MarketRiskAdvisoryCommittee/index.htm>.

⁷ Center for American Progress, “Climate Change Threatens the Stability of the Financial System,” Gregg Gelzinis and Graham Steele, November 21, 2019, <https://www.americanprogress.org/issues/economy/reports/2019/11/21/477190/climate-change-threatens-stability-financial-system/>.

⁸ New York Times, “U.S. Climate Report Warns of Damaged Environment and Shrinking Economy,” Coral Davenport and Kendra Pierre-Louis, November 23, 2018, <https://www.nytimes.com/2018/11/23/climate/us-climate-report.html>; U.S. Global Change Research Program, “Fourth National Climate Assessment,” November 23, 2018, <https://nca2018.globalchange.gov/>.

⁹ Moody’s Analytics, “The Economic Implications of Climate Change,” Chris Lafakis, Laura Ratz, Emily Fazio, and Maria Cosma, June 2019, <https://www.moodyanalytics.com/-/media/article/2019/economic-implications-of-climate-change.pdf>.

¹⁰ New York Times, “The Trump Administration Is Reversing Nearly 100 Environmental Rules. Here’s the Full List,” Nadja Popovich, Livia Albeck-Ripka, and Kendra Pierre-Louis, May 6, 2020, <https://www.nytimes.com/interactive/2020/climate/trump-environment-rollbacks.html>.

¹¹ New York Times, “Cost of New E.P.A. Coal Rules: Up to 1,400 More Deaths a Year,” Lisa Friedman, August 21, 2018, <https://www.nytimes.com/2018/08/21/climate/epa-coal-pollution-deaths.html>.

¹² Climate Risk Disclosure Act of 2019, S. 2075, <https://www.congress.gov/bill/116th-congress/senate-bill/2075>.

¹³ Office of U.S. Senator Elizabeth Warren, “Senator Warren, Representative Casten Lead Colleagues Introducing a Bill to Require Every Public Company to Disclose Climate-Related Risks,” July 10, 2020, <https://www.warren.senate.gov/newsroom/press-releases/senator-warren-representative-casten-lead-colleagues-introducing-a-bill-to-require-every-public-company-to-disclose-climate-related-risks>.

I am also an original cosponsor of the *Climate Change Financial Risk Act of 2019*,¹⁴ which would create climate risk stress tests for the nation’s largest financial institutions.¹⁵ It would require three stress test scenarios: one assuming 1.5 degrees Celsius of warming above pre-industrial levels, one assuming 2 degrees of warming, and one assuming “business-as-usual.” These tests will quantify risks on economic conditions and require institutions to define how they will adapt practices to limit climate impacts. The Federal Reserve Board would have the authority to restrict financial firms’ capital distributions if they did not adequately integrate climate risk into risk management, internal controls, governance, and capital planning processes.

These bills provide outlines for the Subcommittee, especially given the Subcommittee’s role to identify “challenges or impediments to evaluating and managing climate-related financial and market risks” and “how market participants can improve integration of climate related scenario analysis, stress testing, governance initiatives, and disclosures into financial and market risk assessments and reporting.”¹⁶ *The Climate Risk Disclosure Act of 2019* and the *Climate Change Financial Risk Act of 2019* ultimately provide a useful framework for the CFTC and the Subcommittee must adapt similar principles as the policies in these bills in its recommendations.

Thank you for your consideration of this important matter.

Sincerely,



Elizabeth Warren
United States Senator

¹⁴ Climate Change Financial Risk Act of 2019, S. 2903, <https://www.congress.gov/bill/116th-congress/senate-bill/2903>.

¹⁵ Office of Senator Schatz, “Schatz Introduces New Legislation to Ensure U.S. Financial System is Prepared for Climate Change,” November 20, 2019, <https://www.schatz.senate.gov/press-releases/schatz-introduces-new-legislation-to-ensure-us-financial-system-is-prepared-for-climate-change>.

¹⁶ Commodity Futures Trading Commission, “CFTC Commissioner Behnam Announces Members of the Market Risk Advisory Committee’s New Climate-Related Market Risk Subcommittee,” press release, November 14, 2019, <https://www.cftc.gov/PressRoom/PressReleases/8079-19>.