

United States Senate

June 2, 2020

Chairman Bob Litterman
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

RE: Climate-Related Market Risk Subcommittee

Dear Chairman Litterman:

We write to commend the Commodity Futures Trading Commission (CFTC) for creating the Climate-Related Market Risk Subcommittee and offer public comments in advance of its report. We appreciate that the CFTC recognizes the importance of climate change risk, and we encourage you to produce robust and specific recommendations for understanding and mitigating the risks of climate change to the U.S. financial system.

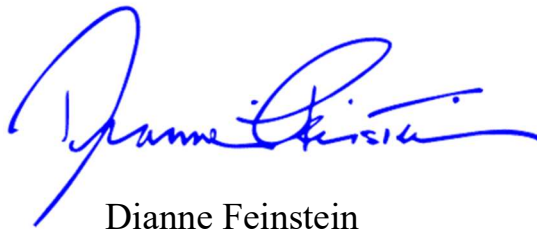
Increasingly, floods, hurricanes, wildfires, and other natural disasters and extreme weather events threaten not only the safety and property of millions of Americans, but also the stability of the financial system. In recent years, wildfires preceded by severe drought-inducing climate patterns have ravaged the West and inflicted a devastating toll on homeowners, businesses, and industries critical to the economy. Similarly, recent financial effects have been incurred by the impacts of unrelenting tropical weather along the Gulf Coast, U.S. territories and Eastern Seaboard. This year could see a continuation of these patterns, with the National Oceanic and Atmospheric Administration (NOAA) and National Interagency Fire Center (NIFC) predicting the possibility of an above average hurricane and wildfire season. Climate change and rising natural disaster risk have raised insurance premiums and reduced the value of high-risk land and related assets. NOAA estimates that weather and climate disasters cost the U.S. \$807 billion between 2010 and 2019 and approximately \$1.77 trillion since 1980. Such realities place the assets and financial institutions that underlie the U.S. financial system at great risk, as recent history demonstrates.

Because the Subcommittee's report will be the first of its kind for federal financial regulators, you have an opportunity to make recommendations that not only guide the CFTC, but could help to inform other U.S. regulators as well.

Specifically, we ask that your forthcoming recommendations address the questions we have attached.

Most experts understand that climate risk is a serious source of financial instability, and we are pleased to see a U.S. financial regulatory agency make recommendations that multiple federal regulators may be able to use as a model. It is essential to adapt our financial system to climate-related risks, and we look forward to reviewing the Subcommittee's recommendations.

Sincerely,



Dianne Feinstein
United States Senator



Marco Rubio
United States Senator

Enclosure: Questions re: Climate Risk

Attachment: Questions Regarding Climate Risk

1. How can federal financial regulators improve their communication and coordination with each other on climate risk? How can federal financial regulators help state regulators to consider climate risk?
2. How should financial regulators assess whether they have sufficient in-house climate risk expertise? How should they leverage outside experts?
3. How should financial regulators work with the entities they oversee to ensure that they have an adequate understanding of climate risk and appropriate controls in place for mitigating it?
4. What legislative measures may be necessary to enable financial regulators to adequately assess climate- and extreme weather-related risks?
5. The CFTC has authorized the Subcommittee through June 2021. Given that the United States is currently facing a pandemic that will likely alter the economy in unexpected ways— including with respect to particular commodities—will the Commission consider revisiting and updating its recommendations at regular intervals?