

Reserve Bank Climate Change Strategy

1. The Reserve Bank of New Zealand (the Bank) seeks to contribute to the Government's objective of a sustainable, productive and inclusive economy. The Bank also seeks to facilitate, where possible, a smooth transition to a low carbon economy, ensuring that this transition does not diminish or adversely impact the financial system's soundness and efficiency.
2. Our climate change strategy focuses on the channels through which the Bank can contribute to efforts to mitigate the effects of climate change. These include managing our own direct impact on the climate, reflecting climate risks within our core functions, and contributing to wider efforts to identify, monitor and manage climate risks domestically, and as part of the global regulatory community.

Monitoring and managing the Bank's impact on climate

3. While the Bank is a small institution, it can have a direct impact on climate change through the level of emissions that it generates. We are committed to reducing our own carbon emissions and the environmental impact of all the activities undertaken by the Bank. We regard this both as an important element in meeting our own objective to exhibit a sense of social responsibility, and as critical to our own credibility in seeking to promote responsible actions to manage climate risks across the financial system.
4. Specifically, the Bank will:
 - Calculate its carbon footprint (based on the current accepted practice for New Zealand) and publish a breakdown of emissions in its Annual Report; and
 - Establish a target for reducing or mitigating its future carbon emissions, formulate a strategy for achieving that target, and report on performance against it.

Understanding and incorporating the impact of climate change on the Bank's core functions

5. Understanding, quantifying and managing risk is critical to many of the Bank's core functions. This includes the setting of monetary policy, the monitoring of financial stability risks and financial markets, and the identification of appropriate prudential requirements.
6. In conducting these core activities, the Bank must have regard to all relevant risks and operate according to appropriate time horizons. Climate change will increasingly represent an important risk that we must factor into our decision-making when carrying out our functions.
7. Specifically, the Bank will:
 - Consider the impact of climate change policies and private sector adaptation to climate change on inflation and labour market outcomes as per the mandate of monetary policy;
 - Analyse the potential impact of climate change on future capital and migration flows, and the implications for the New Zealand economy and financial system;
 - Undertake more in-depth analysis of the potential implications of climate change for financial stability. Among other things, the Bank expects to:
 - Analyse the insurance sector's response to climate risks, and explore the risks posed by New Zealand's exposure to off-shore reinsurance markets;
 - Analyse the extent to which climate risks may be factored into current house prices across the country;
 - Explore the impact of climate change on New Zealand farms, with particular focus on the potential impact on highly levered farms; and
 - Explore options for incorporating climate risks within its stress testing framework.

- Engage with regulated entities to understand how climate related risks are being addressed within the sectors that we regulate. As part of this, the Bank will:
 - Engage with entities to explore their own internal climate risk strategies to evaluate the New Zealand financial system's awareness and management of climate risks; and
 - Seek to identify opportunities to enhance disclosure of climate risks in New Zealand.
- Monitor the development and operation of capital markets to identify any impediments to the efficient provision of finance for 'green' investments.

Providing leadership as an institution

8. No single institution working alone can achieve meaningful progress on a global challenge such as climate change. Furthermore, it is not for financial policymakers to drive the transition to a low-carbon economy, nor is it the role of the Bank to advocate one policy response over another. That is the role of government.
9. However, appropriate action on a national or global level can only be achieved if individuals and entities are able to take action on a micro level. For this to occur, two conditions need to be met. First, there has to be proactive and effective leadership to drive our collective understanding of climate risks and to establish robust strategies to respond to those risks. Second, there has to be effective and timely dissemination of those assessments and strategies. Appropriate information will be vital in enabling entities and individuals to price and manage risks, facilitating the transition to a low-carbon economy, and ultimately contributing to both the soundness and efficiency of the financial system.
10. The Bank will play an active role in helping to support policy development and close information gaps. The Bank will:
 - Support other agencies in New Zealand in achieving their own objectives with respect to climate change by engaging in cross-agency work streams and contributing knowledge and resources, as appropriate;
 - Facilitate and encourage engagement across the financial sector to ensure that information flows freely and widely;
 - Work with other central banks and policy makers, both globally and within the Pacific region, to ensure that the financial sector contributes effectively to efforts to manage and mitigate climate risks; and
 - Engage with other regional central banks to explore opportunities to develop the green bond market in the Asia-Pacific region (e.g. through the EMEAP ABF fund programme).

UPCOMING FSR ANNOUNCEMENTS

The following is the Reserve Bank's schedule for the release of the *Financial Stability Report* (/financial-stability/financial-stability-report):

27 May 20 Media conference

25 Nov 20 Media conference

Read more information on how the Reserve Bank releases information (/about-us/how-the-reserve-bank-releases-information).

Go to the live-stream → (/research-and-publications/webcasts)

LIVE-STREAMS



Live-streams of *Monetary Policy Statement* media conferences are scheduled to commence at 3pm on release day.

Live-streams of *Financial Stability Report* media conferences are scheduled to commence at 11am on release day.

Videos of the events are posted to YouTube (<http://www.youtube.com/reservebankofnz>) and to our videos page (</research-and-publications/videos>) by the end of the next business day.

Go to the live-stream [➔ \(/research-and-publications/webcasts\)](/research-and-publications/webcasts)

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