

Climate change: policies to manage its macroeconomic and financial effects

Download Other Working Papers Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHORS AND/OR EDITORS Bernal-Ramírez, Joaquín F. Ocampo-Gaviria, José Antonio

The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc)

Publication Date: Friday, 21 of August 2020

The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Abstract

It is increasingly recognized that climate change generates major macroeconomic and financial risks. There are physical risks associated to the disasters generated by hydrometeorological events and to gradual but persistent changes in temperatures that have structural impacts on economic activity, productivity and incomes. Additionally, the process of adjustment towards a lower-carbon economy, prompted by changes in climate-related policies, technological disruptions and changes in consumer preferences, generates transition risks. After a brief analysis of the macroeconomic, fiscal and tax policies to manage these risks, this paper concentrates on: (i) how financial policies can help improve transparency and climate-related risk disclosure in financial institutions' balance sheets and assets prices, particularly with appropriate prudential regulation and supervision; and (ii) how those risks could be taken into account in monetary policy and central banks' balance sheets and operations. The paper ends with some reflections on the Covid-19 pandemic and the will for a "green" recovery.