

Climate change and the 2024 US election - A financial sector tipping point

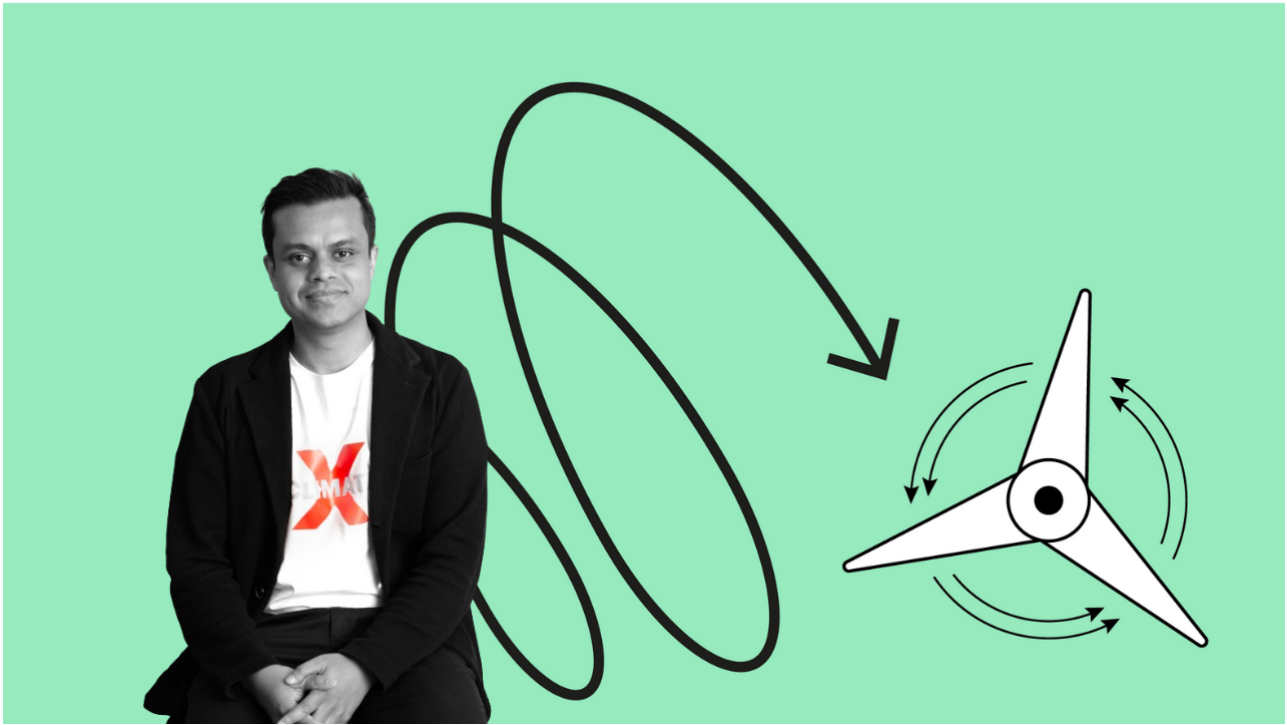
Let's be frank, climate change is no longer a distant threat but a present reality, and the 2024 US presidential election could be a watershed moment for the financial sector as well.

Temps de lecture : minute

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Climate X, a climate risk analysis leader, has released a report that's sending shockwaves through the banking, real estate, and insurance industries. It's not just about polar bears and melting ice caps anymore; we're talking billions of dollars at stake and the potential reshaping of entire industries.

Lukky Ahmed, CEO and founder of Climate X, doesn't mince words: "This US election will be seen as a pivotal moment for industries that are particularly vulnerable to climate risks. The outcome of which might see critical reversals of environmental protections, fundamentally changing the financial landscape."



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Let's break it down, shall we?

The Harris-Trump divide is more than just politics

On one side, we have Kamala Harris, who, one suspects, would have continued the cautious climate policy implementation for the financial sector. Think green mortgages and energy-efficient financing options. On the other, there's Donald Trump, with his potential (but not guaranteed) deregulation agenda. It's like choosing between a slow-cooked meal and fast food - both will fill you up, but the long-term effects could be drastically different

Ahmed explains, "Trump's presidency could show a different approach to regulation. As we've seen in the past, his financial regulation approach

has historically focused on deregulation, aiming to reduce regulatory burdens on banks."

But here's the kicker: even if Trump aims to reverse climate rules, including the SEC's Climate Disclosure rules, the global momentum might be too strong to ignore completely.

While the US election is crucial, it's not the only player on the field. Ahmed points out, "Europe and APAC regions will progress their climate policies irrespective of the US elections so the impact will be relatively limited." It's like a global game of climate risk chess, and the US is just one powerful piece on the board.

Stress testing, mitigation, or adaptation? Pick your poison

Climate X isn't just ringing alarm bells; they're offering solutions. Ahmed suggests a simple yet powerful approach: "Firms should start getting involved in adaptation finance. It used to traditionally be a role of Development Banks but those alone won't be able to close the financing gap."

In other words, it's time for the private sector to step up and play ball in the climate adaptation game.

So, what's a poor financial institution to do? Ahmed advises, "Firms should remain flexible in their approach, i.e. treat climate risk just like any other enterprise risk pillar - credit, market or operational - and rely on their own judgement as well as expertise of academia to incorporate relevant origination and stress testing strategies."

It's not about choosing one strategy over another; it's about being as adaptable as the climate itself.

But Climate X isn't just about doom and gloom predictions. They're leveraging technology to provide real solutions. Their platform creates digital twins of real-world assets, analysing a mind-boggling 500 trillion data points. It's like having a crystal ball, but one backed by hard science and big data. And hard data, more often than not, can be more persuasive than any emotion.

The road ahead might fork, but collaboration is key

Climate X isn't going it alone. Ahmed reveals, "We're engaged in active discussions with several banking regulators. There are also several institutes and bodies that help coordinate these efforts globally such as IPCC, BIS, NGFS and GRESB - they actively work with governments, industries and firms like Climate X."

It's a reminder that in the face of global challenges, global cooperation is essential.

As we begin to assess and take stock of the results of the 2024 US election, the financial sector finds itself at a crossroads. The choices made in voting booths across America could ripple through boardrooms around the world. Climate risk is no longer a fringe concern but a central pillar of financial strategy.

In this high-stakes game of climate roulette, one thing is clear: standing still is not an option. Whether it's through stress testing, mitigation efforts, or adaptation strategies, the financial sector must evolve or risk being left behind in a rapidly changing world.

The message from Climate X is clear: the time to act is now. The climate won't wait for election results, and neither should the financial sector. It's time to weather-proof those portfolios, folks. The storm is already here.

Article écrit par Maddyness UK