

CONCEPT NOTE

Stakeholder Workshop: Climate Risks Impacts to Mongolian Financial Sector

13 May 2024

Blue Sky Hotel, Ulaanbaatar

Context

Mongolia is highly vulnerable to climate change and prone to unique acute and chronic climate-related risks given its geographical position, landscape, and strongly continental climate. According to the Global Climate Risk Index (CRI) 2019 which analyses to what extent countries have been affected by weather-related loss events Mongolia is ranked 22 out of 180 countries^{1,2}.

Despite the certainty that increasing greenhouse gas emissions from human activities are triggering climate change and the rising temperatures will have consequential effects on the economies and financial systems of countries, the exact pathway of how these effects will manifest remains uncertain due to the complex, systemic, and interconnected nature of the causal factors. One of the main difficulties in measuring climate risks is that historical data does not shed light on the future and the predictability in evaluating future risks remains weak. Climate risks involve complex dynamics that interact with each other through different aspects in the short, medium, and long term.³

To address these issues, climate scenario analysis serves as an important tool to analyze and manage future long-term risks. As climate risk modeling becomes more and more important to manage financial sector risks, there is a need for developing capacities within regulators and the financial sector to define strategies for climate scenario analysis in their financial systems, develop guidance on methods, and model relevant forward-looking macroeconomic data that incorporates the impact of climate change on the financial system.

The report currently being developed by Bank of Mongolia and ESCAP, looks at climate risk impacts to the financial sector of Mongolia over the next three decades and examines climate-related risks in the Mongolian context and their impact on the Mongolian financial system for the next three decades. The report focuses its analysis on key sectors which have been identified as critical to Mongolia's economy and financial system, and most vulnerable to the impacts of climate change. These sectors include Power/Energy, Agriculture, Industry and Processes, and Mining. The forward-looking impacts to these sectors are analyzed based on selected climate scenarios. The report also presents best practices on climate scenario analysis and quantitative, as well as qualitative, assessment of climate change-related financial risks.

¹ https://reliefweb.int/attachments/b6a6928e-214a-3398-bc01-1460f32bb3ad/Global%20Climate%20Risk%20Index%202021_1.pdf

² The CRI is a weighted average of ranking by number of deaths (weight 1/6), Ranking by number of deaths per 100 000 inhabitants (weight 1/3), ranking by sum of losses in USD in purchasing power parity (PPP) (weight 1/6), ranking by losses per unit of GDP (weight 1/3)

³ Climate Risk Report on Task Force on Climate-related Financial Disclosures (TCFD)

Objective

This workshop aims to present the primary findings of the research on climate risk impacts on the financial sector in Mongolia over the next three decades. The session will present the physical and transition risks of climate change to Mongolia and the macroeconomic and microeconomic transmission of climate risks to the financial sector.

The workshop will also inform financial sector stakeholders on the strategies and best practices for climate scenario analysis. As part of the workshop, experts will present the details of climate scenarios developed by the Network for Greening the Financial System (NGFS)⁴, available forward-looking data, its significance, and application to climate risk management in the financial sector.

Stakeholders from the financial sector, specialized agencies, development partners as well as civil society will also have the opportunity to provide feedback on the findings of the research.

Agenda

Time	Agenda
9:00-9:30	Opening Remarks <ul style="list-style-type: none">• Urganalsuvd Nanjid, Division Head, Monetary Policy Department Bank of Mongolia• Hamza Ali Malik, Director, Macroeconomic Policy and Financing for Development, ESCAP
9:30 - 10:15	Presentation of Report 1: Part 1 <ul style="list-style-type: none">• Anant Jha, Climate Finance Consultant ESCAP
10 :15 – 10 :30	Feedback and Q&A for Part 1
10:30 -10:45	Coffee Break
10:45 -11:45	Presentation of Report 1: Part 2 <ul style="list-style-type: none">• Anant Jha, Climate Finance Consultant ESCAP
11 :45 -12 :00	Feedback and Q&A for Part 2
12:30 - 1:30	Lunch
1:30 - 3:30	NGFS Scenarios Overview, NGFS scenarios, sources of uncertainties, ISIMIP data and the Climate Impact Explorer (CIE) <ul style="list-style-type: none">• Oliver Ritchers, Potsdam Institute for Climate Impact Research
3:30 - 4:00	Coffee Break
4:00 - 4:30	Climate Opportunities for the Financial Sector <ul style="list-style-type: none">• Alexander Weise, Consultant ESCAP
4:30 - 4:45	Feedback on Climate Opportunities <ul style="list-style-type: none">• Open Discussion
4:45 -5:00	Wrap-Up and Closing Remarks <ul style="list-style-type: none">• Anant Jha, Climate Finance Consultant ESCAP

⁴ The Network for Greening the Financial System is a network of 114 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role for climate change.