RESOLUTION 03/2024

COMMITTEE ON INTERNATIONAL MONETARY LAW

The Climate Emergency and the Financial Sector

The 81st Conference of the International Law Association, held in Athens, Greece, 25-28 June 2024:

HAVING CONSIDERED the report of the Committee on International Monetary Law;

NOTING FIRST that the climate emergency, together with the unprecedented decline in nature and biodiversity, poses an **urgent and existential threat to humanity**.

SECOND that on 12 December 2015,196 Parties adopted the **Paris Agreement** as a legally binding international treaty on climate change. The Paris Agreement aims, *inter alia*, to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development;

THIRD that on 19 December 2022, 196 Parties adopted the **Kunming-Montréal Global Biodiversity Framework (GBF)**, aiming to protect and restore nature for current and future generations, ensure its sustainable use as well as spur investments for a green global economy;

FOURTH that the 2023 Report of the United Nations' International Panel on Climate Change (IPCC) has stated that **finance flows fall short** of the levels needed to meet climate goals across all sectors and regions, and that if climate goals are to be achieved, both adaptation and mitigation financing would need to increase many-fold. Both the Paris Agreement and the Kunming-Montréal Global Biodiversity Framework **note the significant role of public funds** in this process, and emphasise the importance of public investment;

FIFTH that citizens, civil society organisations, and States are increasingly turning to the courts to enforce compliance with international law commitments and with national laws, and to protect the fundamental rights of citizens threatened by the climate emergency and decline in nature. Even the General Assembly of the United Nations requested in 2023 the International Court of Justice to give an advisory opinion on "the obligations of States in respect of climate change". **Climate and environment-related litigation** is being directed against governments, State bodies, companies, and financial institutions;

SIXTH that the climate emergency poses risks to **price stability, financial stability and the soundness of financial institutions** which must be addressed by central banks and prudential supervisory authorities, within their mandates. Nonetheless, given the scale of the threat, monetary policy and supervisory action alone cannot effectively compensate for failures in public policy in respect of climate action;

SEVENTH the progress of the international community, and bodies such as the Network of Central Banks and Supervisors for Greening the Financial System; of regional bodies; and of national governments to develop legal frameworks to facilitate **sustainable finance**, both to support the flow of funding towards climate action, and to ensure that financial markets properly price-in climate- and environment-related risks;

CONCLUDING that further measures, at global, regional and national levels, are needed to comply with the Paris Agreement and the Kunming-Montréal Global Biodiversity Framework, in particular by supporting public and private investment in climate mitigation and adaptation, and in nature protection; and by correcting market failures in the pricing of climate- and environment-related risks;

CALLS ON:

A. International institutions, governments, central banks, supervisors, institutions in the financial industry, and the international legal community to facilitate increase of private investment, including by further developing and enforcing the legal framework for sustainable finance, for instance by exploring the introduction of a green supporting factor in risk-weighing, and tackling market failures in the pricing of climate and environment-related risks;

B. Governments and international organisations, including international financial institutions, to increase public investment in climate mitigation and adaptation, and in nature preservation, both domestically, and internationally, in order to effectively meet the goals of the Paris Agreement and the Kunming-Montréal Global Biodiversity Framework;

C. Central banks and supervisors, within their mandates, to take or support efforts to address the risks to price stability and financial stability posed by the climate emergency and the decline in nature;

D. Supervisors, to ensure that their supervised entities properly investigate and price-in climate and environment-related risks, including litigation risk;

E. Institutions in the financial industry, to put in place adequate transition plans and, where necessary, to adapt their operations and business models, to ensure their resilience in view of the climate emergency and the decline of nature.