



REMARKS BY
GOVERNOR, EASTERN CARIBBEAN CENTRAL BANK
TIMOTHY N. J. ANTOINE
Coping With Climate Change and Other Environmental Risks Workshop
ECCB Headquarters, St Kitts and Nevis
2 December 2019

Salutations:

Mr. Babak Abbaszadeh, President and CEO, Toronto Centre and team

Mr. Christopher Louard, Director, Bank Supervision Department (BSD) and other members of BSD, ECCB

Facilitators

Regulators

All

1.0 Introduction

I am delighted to welcome each of you to this important workshop styled: **Coping with Climate Change and Other Environmental Risks**.

The Eastern Caribbean Central Bank (ECCB) is pleased to partner with the Toronto Centre to deliver this most timely workshop.

Babak, you may recall our visit to the Toronto Centre in July 2018 at which time, we agreed to pursue a programme of cooperation. Since then, we have now collaborated on four events: two in Washington DC and two here at the ECCB. You and your team have been very responsive and professional and we look forward to our continued collaboration in 2020 and beyond.

2.0 The Existential Threat of Climate Change

It used to be called climate change. Of late, it has been described as a climate crisis. Last week, it was designated as a climate emergency.

Whatever the name, the situation is grave. In the words of Antonio Guterres, UN Secretary General:



“...Climate change is no longer a long-term problem. We are confronted now with a global climate crisis. The point of no-return is no longer over the horizon. It is in sight and hurtling towards us”.¹

Here in the Caribbean, perhaps, the Prime Minister of the Commonwealth of Dominica said it best after experiencing the devastation of Hurricane Maria in 2017, when he asserted: **“the Caribbean is on the frontline of the war against climate change”**.

Indeed, following the monster storms of 2017, the Caribbean Community (CARICOM) declared its stated ambition to make the Caribbean, the first climate resilient zone in the world.

According to the World Meteorological Organisation’s latest report: greenhouse gases in the atmosphere hit a new record in 2018, exceeding the average yearly increase of the last decade and reinforcing increasingly damaging weather patterns.²

Moreover, if this sobering fact were not enough, a report by the United Nations Environment Programme (UNEP) revealed it has become less likely to cap – through emissions management - rising temperatures at the proposed 1.5 degrees Celsius.³

This issue is taking centre stage this week, at COP25 in Madrid, where valiant efforts are being made to rally countries to **not merely have more climate ambition but take faster climate action** to deliver on their Paris Agreement commitments.

At 2.0 degrees Celsius, small islands such as ours will be under water by 2100. If that seems like a long way off, just recall Y2K. That was a mere 20 years ago!

According to the UN’s Intergovernmental Panel on Climate Change, to keep climate change within manageable limits, countries need to limit global temperature rise to 1.5 degrees Celsius, reach carbon neutrality by 2050 and reduce greenhouse gas emissions by 45.0 per cent from 2010 levels by 2030.

¹ Guterres, A. (2019). *UN Secretary-General's remarks at pre-COP25 press conference [as delivered]*. Retrieved from <https://www.un.org/sg/en/content/sg/press-encounter/2019-12-01/un-secretary-generals-remarks-pre-cop25-press-conference-delivered>

² World Meteorological Organization. (2019). *The state of greenhouse gases in the atmosphere based on global observations through 2018. WMO Greenhouse Gas Bulletin, 15*. Retrieved from https://library.wmo.int/doc_num.php?explnum_id=10100

³ United Nations Environment Programme. (2019). *Emissions Gap Report*. UNEP: Nairobi, Kenya. Retrieved from <https://wedocs.unep.org/bitstream/handle/20.500.11822/30797/EGR2019.pdf?sequence=1&isAllowed=y>



As governor of a central bank of small island developing states, I add my voice in appealing to developed nations to fulfil their commitments under the Paris Agreement and to deliver on their pledge of mobilising \$100 billion annually by 2020, for climate action, particularly adaptation in developing countries.

For those wondering about the ECCB's solar carports as you drove onto our campus, we have committed to make the ECCB campus carbon neutral by 2022. This month, we will complete the first phase of our Campus Greening Project and will then pivot to the second phase, which should be completed by June 2020. At that time, we project that we will be producing 60.0 per cent of our energy needs. We will then press on, with additional investments, to meet our target of carbon neutrality or net zero emissions. Even as a small central bank, we can do our part and we are doing just that. We call on large countries and the major emitters to do what only they can and must do to address our climate crisis.

3.0 The Importance of the Financial System

Permit me to remind you of three undisputed facts:

Fact No. 1: The Caribbean is among the lowest emitters of carbon but it is among the hardest hit.

Fact No. 2: The Caribbean is the most tourism-dependent region in the world. And most of our tourism assets are along our coasts, which are especially vulnerable to climate risks.

Fact No. 3: The frequency and ferocity of storms have increased as evidenced by the super storms in 2017.

Indeed, the increased frequency of strong hurricanes in the Caribbean basin is evidenced by statistics that show that 17 of the 18 warmest years have occurred since 2001⁴. Global warming is energising the atmosphere and resulting in more intense hurricanes.

While the threat of global warming to the Caribbean is most associated with hurricanes, the threat shows up in other manifestations such as droughts, unseasonal rainfall, coral bleaching and rising sea levels.

⁴ <https://climate.nasa.gov/vital-signs/global-temperature/>



According to the ECCB's 2018 Financial Stability Report (accessible on our website),⁵ banking sector assets in the ECCU account for 168.0 per cent of GDP. When we consider **the total assets in the financial sector, that number is 201.1 percent of GDP**. Consequently, the value of assets, at risk, in our financial system is approaching EC\$40 billion.

In sum, our climate crisis presents an existential threat not just to the physical existence of our small island developing states but to the stability and viability of our financial system.

4.0 Call to Action

The risks of our climate crisis include regulatory risk, systemic risk, reputational risk and physical risk, all of which have adverse effects on the financing and investment activities of financial institutions. Consequently, all financial institutions must explicitly incorporate climate risks in their risk management frameworks. This means assessing and updating their business continuity plans, as well as their business strategies going forward.

Furthermore, we must encourage our licensees to support green initiatives. Of necessity, our governments must provide the enabling environment, including updated legal frameworks and incentives to support the transition to low carbon economies.

The ECCB, as the regulator for the banking sector, has undertaken a risk assessment on itself and is assessing the operations of the banking sector. In undertaking this assessment, the areas considered include:

1. Gaps in business continuity plans;
2. Likely rise in non-performing loans and provisioning for loan losses;
3. Policy wordings on peril/property insurance;
4. Funding capacity;
5. Cooperation arrangements among stakeholders in the Eastern Caribbean Currency Union (ECCU) banking sector;
6. Appropriateness of ECCB standards; and
7. Fiscal impact on member governments.

⁵ <https://www.eccb-centralbank.org/documents/24>



What then are my expectations for this workshop?

First, that every participant will be fully seized of the tools available to undertake climate risk assessments. Second, each of us will move forward with a personal and passionate commitment to make a difference in our quest to build resilience in the face of our climate crisis.

5.0 Conclusion

In closing, if we are to maintain a strong and resilient financial system, each of us - regulators, supervisors and financial institutions - must accept responsibility to address the existential threat to our region by our climate crisis.

We must take collective action now.

As you consider the material shared with you this week, begin to craft your action plan. And when you leave here, go and become a champion for these policies.

Rest assured that the ECCB stands firmly with you and will be a leader in our coalition for climate action.

Finally, have some fun this week, it is necessary and encouraged.

I thank you.