

**Prime Minister's Finance Adviser for COP26**  
**Terms of Reference**  
January 2020

**Context**

This year, the threats from climate change spurred demonstrations across the country and prompted our Parliament to declare a 'climate emergency'. In response, the UK joined 70 other countries around the world in committing to reach net zero emissions by 2050. The Prime Minister has set up a Cabinet Committee on Climate Change to deliver coordinated policies to meet this commitment.

The financial sector will play a critical role in achieving these commitments. A sustainable financial system can accelerate and smooth the transition to a net zero economy by funding private sector initiatives and amplifying the effectiveness of government climate policies. This means ensuring that the financial system has the information to price and measure the financial risks of climate change, is resilient to climate change risks and can finance the opportunities in the transition to net zero.

Increasingly every country, every company and every investor will be asked what their plan is for the transition to net zero. Now is the time to ensure that the financial sector has what it needs so that every financial decision takes climate transition into account.

The UK is at the forefront of innovation and houses the world's largest global financial centre. COP26 in Glasgow in November provides a platform to bring the risks from climate change, and the opportunities from transition to a net zero economy, into the heart of financial decision-making. Disclosures of climate risk must become comprehensive, climate risk management must be transformed and investing for a net-zero world must go mainstream. The UK government, the Bank of England and the UK financial sector can play leading roles in making these imperatives happen.

Against this backdrop, the UK has decided to make building a sustainable financial system and greening financial flows a key priority of its COP26 presidency in 2020. In this context, the Prime Minister has appointed Mark Carney as his Finance Adviser for COP26 to help create a more sustainable financial system, mobilising the private sector to accelerate its transition to net zero. This will be complementary to his role as the United Nation's Special Envoy for Climate Action and Finance.

**Scope**

The Prime Minister's Finance Adviser for COP26 will focus on embedding climate into every financial decision and creating a more sustainable financial system to support the path to net zero. The Prime Minister's Finance Adviser for COP26 will:

- Advise the Prime Minister, Chancellor of the Exchequer and COP26 President in order to best leverage their leadership roles to scale up and mainstream climate finance to realise the major investment opportunities on offer. Work with other thought leaders on all elements of the COP26 finance strategy;
- Convene and engage with finance and business leaders to help build awareness and the tools to embed climate considerations into every financial decision and to develop a sustainable financial system to support the path to net zero;
- Support the refinement of disclosure standards for climate-related financial risks and define pathways to mandatory reporting: Refine climate-related financial risk metrics

to increase the quantity and quality of corporate disclosures. Define pathways to making such reporting mandatory and establish a grand coalition including countries and financial regulators committed to that;

- Enhance management of climate-related financial risks: Define scenarios for banks and insurers to assess the resilience of firms' strategies to the transition to net zero. Work with the Network for Greening the Financial System (NGFS) to roll out climate stress test scenarios so that other supervisors can stress test their own jurisdictions;
- Empower consumers with disclosures on whether their investments are consistent with the path to net zero: Working with the Task Force on Climate-related Financial Disclosures (TCFD) and the private sector to develop a reporting standard, such as those based on the climate impact of assets. Build a grand coalition of asset-owners and asset-managers signed up to this standard;
- Engage with Multilateral Development Banks and the Coalition of Finance Ministers for Climate Action as part of broader discussions with the International Monetary Fund (IMF) and National Development Banks to encourage adoption of the best of practices on managing reporting, risk and return from the private sector, and mobilise blended finance for adaptation, resilience and mitigation; and
- Mobilise Innovative Finance to support the transition, including, where necessary, by developing markets, such as green and transition bonds, and by reviewing the scope for improvements in the availability of insurance against climate policy risks.