

119TH CONGRESS
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S. 1471

To require the Board of Governors of the Federal Reserve System, in consultation with the heads of other relevant Federal agencies, to develop and conduct financial risk analyses relating to climate change, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 10, 2025

Mr. SCHATZ (for himself, Ms. WARREN, Mr. MERKLEY, Mr. VAN HOLLEN, Mr. WHITEHOUSE, Mrs. MURRAY, Mr. HEINRICH, and Mr. BOOKER) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To require the Board of Governors of the Federal Reserve System, in consultation with the heads of other relevant Federal agencies, to develop and conduct financial risk analyses relating to climate change, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Climate Change Finan-
5 cial Risk Act of 2025”.

1 **SEC. 2. SENSE OF CONGRESS.**

2 It is the sense of Congress that—

3 (1) 2024 was the warmest year on record glob-
4 ally and the first calendar year that the average
5 global temperature exceeded 1.5 degrees Celsius
6 above pre-industrial levels;

7 (2) if current trends continue, average global
8 temperatures over the long term are likely to sur-
9 pass 1.5 degrees Celsius above pre-industrial levels
10 between 2030 and 2050;

11 (3) global temperature rise has already resulted
12 in an increased number of heavy rainstorms, coastal
13 flooding events, heat waves, hurricanes, wildfires,
14 and other extreme events;

15 (4) since 1980—

16 (A) the number of extreme weather events
17 per year that cost the people of the United
18 States more than \$1,000,000,000 per event, ac-
19 counting for inflation, has increased signifi-
20 cantly; and

21 (B) the total cost of extreme weather
22 events in the United States has exceeded
23 \$2,915,000,000,000;

24 (5) as physical impacts from climate change are
25 manifested across multiple sectors of the economy of
26 the United States—

1 (A) climate-related economic risks will con-
2 tinue to increase;

3 (B) climate-related extreme weather events
4 will disrupt energy and transportation systems
5 in the United States, which will result in more
6 frequent and longer-lasting power outages, fuel
7 shortages, and service disruptions in critical
8 sectors across the economy of the United
9 States;

10 (C) projected increases in extreme heat
11 conditions will lead to decreases in labor pro-
12 ductivity in agriculture, construction, and other
13 critical economic sectors;

14 (D) food and livestock production will be
15 impacted in regions that experience increases in
16 heat and drought, and small rural communities
17 will struggle to find the resources needed to
18 adapt to those changes; and

19 (E) sea level rise and more frequent and
20 intense extreme weather events will—

21 (i) increasingly disrupt and damage
22 private property and critical infrastructure;

23 (ii) drastically increase insured and
24 uninsured losses; and

25 (iii) cause supply chain disruptions;

(6) advances in energy efficiency and renewable energy technologies, as well as climate policies and shifting societal preferences, will—

(A) reduce global demand for fossil fuels;

and

(B) expose transition risks for fossil fuel companies and investors domestically and globally, and for companies and investors in other energy-intensive industries, which could include trillions of dollars of stranded assets around the world;

(7) climate change poses uniquely far-reaching risks to the financial services industry, including with respect to credit, counterparty, and market risks, due to the number of sectors and locations impacted and the potentially irreversible scale of damage;

(8) weaknesses in how a financial institution identifies, measures, monitors, and controls for the physical risks and transition risks associated with climate change could adversely affect the safety and soundness of a financial institution;

(9) financial institutions must take a consistent approach to assessing climate-related financial risks and incorporating those risks into existing risk man-

1 agement practices, which should be informed by sce-
2 nario analysis;

3 (10) the Board of Governors conducts annual
4 assessments of the capital adequacy and capital
5 planning practices of the largest and most complex
6 banking organizations (referred to in this section as
7 “stress tests”) in order to promote a safe, sound,
8 and efficient banking and financial system;

9 (11) as of the date of enactment of this Act—

10 (A) the stress tests conducted by the
11 Board of Governors are not designed to reflect
12 the physical risks or transition risks posed by
13 climate change; and

14 (B) the Board of Governors has conducted
15 1 pilot climate scenario analysis exercise with
16 only 6 United States banking organizations;

17 (12) the Board of Governors—

18 (A) has stated that economic effects of cli-
19 mate change and the transition to a lower car-
20 bon economy pose an emerging risk to the safe-
21 ty and soundness of financial institutions and
22 the financial stability of the United States;

23 (B) has the authority under section 39 of
24 the Federal Deposit Insurance Act (12 U.S.C.
25 1831p–1) and section 165 of the Financial Sta-

1 bility Act of 2010 (12 U.S.C. 5365) to take
2 into account the potentially systemic impact of
3 climate-related risks on the financial system to
4 preserve the safety and soundness of supervised
5 institutions and the financial stability of the
6 United States; and

7 (C) should develop new analytical tools
8 with longer time horizons to accurately assess
9 and manage the risks described in subpara-
10 graph (B);

11 (13) the Climate-Related Market Risk Sub-
12 committee of the Commodity Futures Trading Com-
13 mission has identified the importance of researching
14 “climate-related ‘sub-systemic’ shocks to financial
15 markets and institutions in particular sectors and
16 regions of the United States”; and

17 (14) the Financial Stability Oversight Council
18 likewise identified “[c]limate change [a]s an emerg-
19 ing threat to the financial stability of the United
20 States” and recommended that members of the
21 Council, including the Board of Governors, take ac-
22 tion to “strengthen the financial system and make
23 it more resilient to climate-related shocks and
24 vulnerabilities”.

1 **SEC. 3. DEFINITIONS.**

2 In this Act:

3 (1) BANK HOLDING COMPANY.—The term
4 “bank holding company” has the meaning given the
5 term in section 102(a) of the Financial Stability Act
6 of 2010 (12 U.S.C. 5311(a)).

7 (2) BOARD OF GOVERNORS.—The term “Board
8 of Governors” means the Board of Governors of the
9 Federal Reserve System.

10 (3) CLIMATE SCIENCE LEADS.—The term “cli-
11 mate science leads” means—

12 (A) the Administrator of the National Oce-
13 anic and Atmospheric Administration;

14 (B) the Administrator of the Environ-
15 mental Protection Agency;

16 (C) the Secretary of Energy;

17 (D) the Assistant Secretary for the Office
18 of International Affairs of the Department of
19 Energy;

20 (E) the Administrator of the National Aer-
21 onautics and Space Administration;

22 (F) the Assistant Secretary for the Bureau
23 of Oceans and International Environmental and
24 Scientific Affairs of the Department of State;

25 (G) the Director of the United States Geo-
26 logical Survey;

1 (H) the Secretary of the Interior;

2 (I) the Director of the National Climate
3 Assessment;

4 (J) the individual from the United States
5 elected to the Intergovernmental Panel on Cli-
6 mate Change Bureau;

7 (K) the Permanent Representative of the
8 United States to the World Meteorological Or-
9 ganization; and

10 (L) the head of any other Federal agency
11 that the Board of Governors determines to be
12 appropriate.

13 (4) COVERED ENTITY.—The term “covered en-
14 tity” means—

15 (A) a nonbank financial company or bank
16 holding company that has not less than
17 \$250,000,000,000 in total consolidated assets;
18 and

19 (B) a nonbank financial company or bank
20 holding company—

21 (i) that has not less than
22 \$100,000,000,000 in total consolidated as-
23 sets; and

24 (ii) with respect to which the Board of
25 Governors determines the application of

1 subparagraph (C) of section 165(i)(1) of
2 the Financial Stability Act of 2010 (12
3 U.S.C. 5365(i)(1)), as added by section 6
4 of this Act, is appropriate—

5 (I) to—

6 (aa) prevent or mitigate
7 risks to the financial stability of
8 the United States; or

9 (bb) promote the safety and
10 soundness of the company; and

11 (II) after taking into consider-
12 ation—

13 (aa) the capital structure,
14 riskiness, complexity, financial
15 activities, and size of the com-
16 pany, including the financial ac-
17 tivities of any subsidiary of the
18 company; and

19 (bb) any other risk-related
20 factor that the Board of Gov-
21 ernors determines to be appro-
22 priate.

23 (5) NONBANK FINANCIAL COMPANY.—The term
24 “nonbank financial company” has the meaning given

1 the term in section 102(a)(4)(C) of the Financial
2 Stability Act of 2010 (12 U.S.C. 5311(a)(4)(C)).

3 (6) PHYSICAL RISKS.—The term “physical
4 risks” means financial risks to assets, locations, op-
5 erations, or value chains that result from exposure
6 to physical, climate-related effects, including from—

7 (A) increased average global temperatures;

8 (B) increased severity and frequency of ex-
9 tremes weather events;

10 (C) increased flooding;

11 (D) sea level rise;

12 (E) ocean acidification;

13 (F) increased severity and frequency of
14 heat waves;

15 (G) increased frequency of wildfires;

16 (H) decreased arability of farmland; and

17 (I) decreased availability of fresh water.

18 (7) SURVEYED ENTITY.—The term “surveyed
19 entity” means a bank holding company, nonbank fi-
20 nancial company, or other entity that—

21 (A) is supervised by the Board of Gov-
22 ernors, the Office of the Comptroller of the
23 Currency, or the Federal Deposit Insurance
24 Corporation;

1 (B) has total consolidated assets of not
2 less than \$10,000,000,000; and

3 (C) is not a covered entity.

4 (8) TECHNICAL DEVELOPMENT GROUP.—The
5 term “Technical Development Group” means the
6 Climate Risk Scenario Technical Development Group
7 established under section 4(a).

8 (9) TRANSITION RISKS.—The term “transition
9 risks” means financial risks that are attributable to
10 climate change mitigation and adaptation, including
11 efforts to reduce greenhouse gas emissions and
12 strengthen resilience to the impacts of climate
13 change, including—

14 (A) costs relating to—

15 (i) international treaties and agree-
16 ments;

17 (ii) Federal, State, and local policies;

18 (iii) new technologies;

19 (iv) changing markets;

20 (v) reputational impacts relevant to
21 changing consumer behavior; and

22 (vi) litigation; and

23 (B) a loss in the value, or the stranding,
24 of assets due to any of the costs described in
25 subparagraph (A).

1 (10) VALUE CHAIN.—The term “value chain”—

2 (A) means the total lifecycle of a product
3 or service, both before and after production of
4 the product or service, as applicable; and

5 (B) may include the sourcing of materials,
6 production, and disposal with respect to the
7 product or service described in subparagraph
8 (A).

9 **SEC. 4. CLIMATE RISK SCENARIO TECHNICAL DEVELOP-**
10 **MENT GROUP.**

11 (a) ESTABLISHMENT.—The Board of Governors shall
12 establish a technical advisory group to be known as the
13 “Climate Risk Scenario Technical Development Group”.

14 (b) MEMBERSHIP.—

15 (1) COMPOSITION.—The Technical Develop-
16 ment Group shall be composed of 10 members—

17 (A) 5 of whom shall be climate scientists,
18 with a demonstrated record of peer-reviewed
19 publications and professional contributions to
20 climate modeling, climate risk assessment, or
21 related areas; and

22 (B) 5 of whom shall be economists, with
23 expertise in either the United States financial
24 system or the financial risks posed by climate
25 change.

1 (2) SELECTION.—The Board of Governors shall
2 select the members of the Technical Development
3 Group after consultation with the climate science
4 leads.

5 (c) DUTIES.—The Technical Development Group
6 shall—

7 (1) provide recommendations to the Board of
8 Governors regarding the development of, and up-
9 dates to, the climate change risk scenarios under
10 section 5;

11 (2) after the establishment of the climate
12 change risk scenarios under section 5, determine the
13 financial and economic risks resulting from those
14 scenarios;

15 (3) make any final work product, and any infor-
16 mation used in the development of the final work
17 product, publicly available;

18 (4) provide technical assistance to covered enti-
19 ties in assessing physical risks or transition risks;
20 and

21 (5) provide publicly available resources to enti-
22 ties that are not covered entities to help those enti-
23 ties assess physical risks and transition risks.

24 (d) PROHIBITION ON COMPENSATION.—Members of
25 the Technical Development Group shall serve without pay.

1 (e) INAPPLICABILITY OF CHAPTER 10 OF TITLE 5,
2 UNITED STATES CODE.—Chapter 10 of title 5, United
3 States Code, shall not apply with respect to the Technical
4 Development Group.

5 **SEC. 5. DEVELOPMENT AND UPDATING OF CLIMATE**
6 **CHANGE RISK SCENARIOS.**

7 (a) IN GENERAL.—

8 (1) INITIAL DEVELOPMENT.—Not later than 1
9 year after the date of enactment of this Act, the
10 Board of Governors, in coordination with the climate
11 science leads, and taking into consideration the rec-
12 ommendations of the Technical Development Group,
13 shall develop 3 separate climate change risk sce-
14 narios as follows:

15 (A) One scenario that assumes an average
16 increase in global temperatures of 1.5 degrees
17 Celsius above pre-industrial levels.

18 (B) One scenario that assumes an average
19 increase in global temperatures of 2 degrees
20 Celsius above pre-industrial levels.

21 (C) One scenario that—

22 (i) assumes the likely and very likely
23 average increase in global temperatures
24 that can be expected, taking into consider-
25 ation the extent to which national policies

1 and actions relating to climate change have
 2 been implemented, as of the date on which
 3 the scenario is developed; and

4 (ii) does not take into consideration
 5 commitments for national policies and ac-
 6 tions relating to climate change that, as of
 7 the date described in clause (i), have not
 8 been implemented.

9 (2) INTERNATIONAL COORDINATION.—In devel-
 10 oping and updating the 3 scenarios required under
 11 this subsection, the Board of Governors shall take
 12 into consideration analytical tools and best practices
 13 developed by international banking supervisors relat-
 14 ing to climate risks and scenario analysis in an ef-
 15 fort to develop consistent and comparable data-driv-
 16 en scenarios.

17 (3) RECOMMENDATIONS.—If the Technical De-
 18 velopment Group determines that the average in-
 19 crease in global temperatures described in subpara-
 20 graph (A) or (B) of paragraph (1) is no longer sci-
 21 entifically valid, the Technical Development Group
 22 may recommend that the Board of Governors, in co-
 23 ordination with the climate science leads, update the
 24 average increase in global temperatures described in

1 the applicable subparagraph to reflect the most cur-
2 rent assessment of climate change science.

3 (b) CONSIDERATIONS.—In developing and updating
4 each of the 3 scenarios required under subsection (a), the
5 Board of Governors, in coordination with the climate
6 science leads, shall account for physical risks and transi-
7 tion risks that may disrupt business operations across the
8 global economy, including through—

9 (1) disruptions with respect to—

10 (A) the sourcing of materials;

11 (B) production;

12 (C) transportation; and

13 (D) the disposal of products and services;

14 (2) changes in the availability and prices of raw
15 materials and other inputs;

16 (3) changes in agricultural production and with
17 respect to food security;

18 (4) direct damages to fixed assets;

19 (5) increases in costs associated with insured or
20 uninsured losses;

21 (6) changes in asset values;

22 (7) impacts on—

23 (A) aggregate demand for products and
24 services;

25 (B) labor productivity;

1 (C) asset liquidity; and

2 (D) credit availability;

3 (8) mass migration and increases in disease and
4 mortality rates;

5 (9) international conflict, as such conflict re-
6 lates to global economic activity and output; and

7 (10) changes in any other microeconomic or
8 macroeconomic condition that the Board of Gov-
9 ernors, in coordination with the climate science
10 leads, determines to be relevant.

11 **SEC. 6. CLIMATE-RELATED ENHANCED SUPERVISION FOR**
12 **CERTAIN NONBANK FINANCIAL COMPANIES**
13 **AND BANK HOLDING COMPANIES.**

14 Section 165(i)(1) of the Financial Stability Act of
15 2010 (12 U.S.C. 5365(i)(1)) is amended—

16 (1) in subparagraph (B)(i), by inserting “except
17 as provided in subparagraph (C)(ii)(I),” before
18 “shall provide”; and

19 (2) by adding at the end the following:

20 “(C) BIENNIAL TESTS REQUIRED.—

21 “(i) DEFINITIONS.—In this subpara-
22 graph—

23 “(I) the term ‘capital distribu-
24 tion’ has the meaning given the term
25 in section 225.8(d)(4) of title 12,

1 Code of Federal Regulations, as in ef-
2 fect on the date of enactment of this
3 subparagraph;

4 “(II) the term ‘capital policy’ has
5 the meaning given the term in section
6 225.8(d)(7) of title 12, Code of Fed-
7 eral Regulations, as in effect on the
8 date of enactment of this subpara-
9 graph; and

10 “(III) the terms ‘climate science
11 leads’ and ‘covered entity’ have the
12 meanings given those terms in section
13 3 of the Climate Change Financial
14 Risk Act of 2025.

15 “(ii) TESTS.—

16 “(I) IN GENERAL.—The Board of
17 Governors, in coordination with the
18 appropriate primary financial regu-
19 latory agencies and the climate
20 science leads, shall conduct biennial
21 analyses in which each covered entity
22 shall be subject to evaluation, under
23 an adverse set of conditions, of wheth-
24 er that covered entity has the capital,
25 on a total consolidated basis, nec-

1 essary to absorb financial losses that
2 would arise under each climate change
3 risk scenario developed under section
4 5 of the Climate Change Financial
5 Risk Act of 2025.

6 “(II) INITIAL TESTS.—With re-
7 spect to each of the first 3 analyses
8 conducted under subclause (I)—

9 “(aa) the covered entity to
10 which such an analysis applies
11 shall not be subject to any ad-
12 verse consequences as a result of
13 the analysis; and

14 “(bb) the Board of Gov-
15 ernors shall—

16 “(AA) not later than 60
17 days after the date on which
18 the Board of Governors
19 completes the analysis, make
20 a summary of the analysis
21 publicly available; and

22 “(BB) submit a copy of
23 the results of the analysis to
24 the Committee on Banking,
25 Housing, and Urban Affairs

1 of the Senate and the Com-
2 mittee on Financial Services
3 of the House of Representa-
4 tives.

5 “(III) CLIMATE RISK RESOLU-
6 TION PLAN.—

7 “(aa) IN GENERAL.—Except
8 with respect to the first analysis
9 conducted under subclause (I),
10 each covered entity shall, before
11 being subject to an analysis
12 under that subclause, submit to
13 the Board of Governors a resolu-
14 tion plan with respect to climate
15 risk planning (referred to in this
16 subclause as a ‘climate risk reso-
17 lution plan’), which shall be
18 based on the results of the most
19 recently conducted analysis of the
20 covered entity under that sub-
21 clause.

22 “(bb) CONTENTS.—Each cli-
23 mate risk resolution plan re-
24 quired under item (aa) shall in-
25 clude—

1 “(AA) a capital policy
 2 with respect to climate risk
 3 planning; and

4 “(BB) qualitative and
 5 quantitative targets for bal-
 6 ance sheet and off-balance
 7 sheet exposures, and other
 8 business operations, that
 9 remedy vulnerabilities identi-
 10 fied in the most recently
 11 conducted analysis of the
 12 applicable covered entity
 13 under subclause (I).

14 “(cc) REJECTION.—The
 15 Board of Governors may object
 16 to a climate risk resolution plan
 17 submitted by a covered entity
 18 under item (aa) if the Board of
 19 Governors determines that—

20 “(AA) the covered enti-
 21 ty has not demonstrated
 22 that such plan is reasonable
 23 to maintain capital above
 24 each minimum regulatory
 25 capital ratio on a pro forma

1 basis under the adverse set
 2 of conditions described in
 3 subclause (I);

4 “(BB) the climate risk
 5 resolution plan is otherwise
 6 not reasonable or appro-
 7 priate, including because the
 8 climate risk resolution plan
 9 no longer provides fair serv-
 10 ices to vulnerable and dis-
 11 advantaged communities;

12 “(CC) the assumptions
 13 and analysis underlying the
 14 climate risk resolution plan,
 15 or the methodologies and
 16 practices that support that
 17 plan, are not reasonable or
 18 appropriate; or

19 “(DD) the climate risk
 20 resolution plan otherwise
 21 constitutes an unsafe or un-
 22 sound practice.

23 “(dd) GENERAL DISTRIBUTION LIMITATION.—If the Board
 24 of Governors objects to a climate
 25

1 risk resolution plan submitted by
 2 a covered entity under item (aa),
 3 the covered entity may not make
 4 any capital distribution, other
 5 than a capital distribution arising
 6 from the issuance of a regulatory
 7 capital instrument eligible for in-
 8 clusion in the numerator of a
 9 minimum regulatory capital
 10 ratio.”.

11 **SEC. 7. SUB-SYSTEMIC EXPLORATORY SURVEY.**

12 (a) DEVELOPMENT OF SURVEY.—The Board of Gov-
 13 ernors, in consultation with the Comptroller of the Cur-
 14 rency and the Board of Directors of the Federal Deposit
 15 Insurance Corporation, shall develop a survey to assess—

16 (1) the ability of surveyed entities to withstand
 17 each climate risk scenario developed under section 5;

18 (2) which surveyed entities possess a large con-
 19 centration of business activities in geographical
 20 areas or industries that are significantly exposed to
 21 the short- and long-term impacts of climate change;
 22 and

23 (3) how the surveyed entities identified under
 24 paragraph (2) plan to make adaptations to the busi-
 25 ness models and capital planning of those entities in

1 response to the risks presented in each climate
2 change risk scenario developed under section 5.

3 (b) ADMINISTRATION OF SURVEY.—

4 (1) INITIAL ADMINISTRATION.—

5 (A) IN GENERAL.—Not later than 1 year
6 after the completion of the first analysis under
7 subparagraph (C) of section 165(i)(1) of the Fi-
8 nancial Stability Act of 2010 (12 U.S.C.
9 5365(i)(1)), as added by section 6 of this Act,
10 the Board of Governors, in consultation with
11 the Comptroller of the Currency and the Board
12 of Directors of the Federal Deposit Insurance
13 Corporation, shall administer the survey devel-
14 oped under subsection (a) to each surveyed en-
15 tity.

16 (B) ASSESSMENT AND REPORT.—Not later
17 than 18 months after the date on which the
18 Board of Governors completes the administra-
19 tion of the survey under subparagraph (A), the
20 Board of Governors shall publicly release a re-
21 port that—

22 (i) summarizes the results of the sur-
23 vey; and

1 (ii) analyzes whether the planned ac-
2 tions of the surveyed entities, in the aggre-
3 gate, are plausible and would be effective.

4 (2) SUBSEQUENT ADMINISTRATION.—

5 (A) IN GENERAL.—Not later than 2 years
6 after the date on which the Board of Governors
7 releases the report required under paragraph
8 (1)(B), and biennially thereafter, the Board of
9 Governors shall readminister to each surveyed
10 entity the survey developed under subsection
11 (a).

12 (B) SUBSEQUENT REPORT.—Not later
13 than 180 days after the date on which each sur-
14 vey described under subparagraph (A) is com-
15 pleted, the Board of Governors shall publicly re-
16 lease a report that summarizes the results of
17 the survey, which shall include the analysis de-
18 scribed in paragraph (1)(B)(ii).

19 (c) EFFECT OF SURVEY PARTICIPATION.—In any re-
20 port released with respect to a survey conducted under
21 this section, the Board of Governors may not identify any
22 individual surveyed entity that responded to the survey.

23 (d) RULE OF CONSTRUCTION.—Nothing in this sec-
24 tion may be construed to preclude the Board of Governors
25 from pursuing an enforcement action against a surveyed

1 entity because of a violation discovered by the Board of
2 Governors during an examination of the surveyed entity
3 that is independent of a survey administered under this
4 section.

○