Meeting Summary

Workshop for Emerging Scholars - Advancing Climate Finance and Economics

July 21, 2026

High-Level Summary

- There is substantial and growing research literature, but many unresolved open questions remain across analytical, empirical, and communication dimensions.
- Persistent challenges in communicating climate research beyond financial supervisors, including responding to denial and distrust, translating urgency (potential climate Minsky moments) to broader audiences, and tailoring analyses to the specific needs of firms, households, and sectors.
- Climate is one of several interacting drivers of macro-financial risk (alongside business cycles, geopolitics, demography, digitalization, etc.), whose impacts are already materializing, and more research is needed to understand the impact of compound risks.
- Uncertainty (both scientific and model-based) requires new tools, including short- and long-run scenarios and methodologies to assign probabilities to scenarios, meta-analyses of damage functions, and frameworks for robust decision-making under uncertainty.
- Cross-disciplinary engagement is essential: climate research must connect with adjacent fields, and researchers will benefit from understanding other disciplines.
- New climate economics work standing on the shoulders of prior contributions requires reproducibility standards in order to promote continuity and rigor.
- Incentives are needed for emerging scholars to communicate the policy-relevance of their research to broader stakeholder groups beyond traditional economics and finance journals.

Discussion Areas

Theme 1: Impact on Banking and Insurance Markets

- What are the fundamental drivers of disruptions in insurance markets?
- What is the right scope of public intervention in insurance markets, and what objectives should it serve?

    (i) heightened information to improve the informational environment for agents in the economy;

    (ii) fostering competition and/or limiting markups;

    (iii) addressing market failures;

    (iv) protecting taxpayer exposures;

    (v) fairness, etc.
- How are risks distributed across the economy, and where do they ultimately sit on public balance sheets, given overlapping government programs and exposures?
- What is the appropriate level of policy intervention (e.g. local, federal, or global), especially when there may be tradeoffs among competing priorities, including political economy concerns, access to information, and risk pooling and diversification?

- How should incentives through financial markets be coupled with other regulations (e.g., zoning codes) to address risk mitigation and adaptation?
- To what extent do frictions and disruptions in insurance markets have broader impacts on the macroeconomy (e.g. on housing markets, the banking sector, or taxpayer exposures)?

Theme 2: Theoretical and Modeling Challenges

- What are the realistic frictions that render optimal climate policy inefficient and how should optimal policy confront these constraints? Such frictions include political frictions; fiscal or financial constraints; externality internalization; coordination failures; preferences; and time inconsistency.
- How should we properly evaluate and value climate change costs and benefits? There is a need and a role for climate change modeling to compare present discounted-value and pure cost criteria; explore risk-adjusted discounting of project valuations relative to risk-free or static discounting; take seriously both Bayesian and Knightian uncertainty, as well as higher order (tail-risk) moments; evaluate the gap between private and social discount rates; develop systematic and transparent criteria for evaluating climate policies across models and welfare objects.
- How does the ``real optionality'' of climate interventions (irreversibility, uncertainty, learning, and varying ``moneyness'' of actions) influence and impact our modeling of optimal climate policy action? Work is needed to understand critical aspects related to the central aspects around technological innovation: private vs public sector responses; substitution and complementarity between mitigation and adaptation; the role of governments in subsidizing innovation; micro-foundations underlying the economic impacts of climate change that necessitate climate policy action.
- What are alternative policy mechanisms that can help address current shortcomings to the consequences of climate change? This will require new ways of thinking about and building models for climate-economics and climate-finance; accounting for micro- and macro-impacts of climate change; recognizing that applying or adapting existing policy tools may be too coarse or blunt.
- What are the standardized benchmarks, both empirically and theoretically, that should be used to validate or confirm the contribution and importance of our analysis? Addressing this issues requires better communication between academics, policymakers, and the general public; providing clear linkages between theory and data with anchored and standardized welfare criteria; transparency in the scientific and economic modeling and empirical inputs to strengthen confidence in the research; enhancing reproducibility and accessibility by providing a public “repository” of methods and tools, code, AI prompts, etc. for public consumption; facilitating the publication of cutting-edge research, including work that challenges conventional thinking, in journals such as *Science*, *Nature*, and *PNAS*.

Theme 3: Macroeconomic Impact and Sovereign Fiscal Sustainability

Analytical priorities

- Brown firms and the sovereign-bank nexus: how much should the macro level care about brown firms' failure, and if so, how to reduce it? Trace-through to heterogeneous bank exposures and the sovereign-bank nexus under climate stress test explore the potential of reallocating replacement investment into green technology; and design policies tailored to specific national contexts.
- Labor reallocation and stranded assets: a proper cost-benefit analysis of the transition versus unmitigated climate change must go beyond aggregate estimates to capture disaggregated (heterogeneous) effects.
- Market access, climate-debt instruments, and sovereign risk: how climate risks reshape sovereign market access, and how climate-linked debt instruments can support fiscal sustainability while remaining credible to investors.

Data and empirical foundations

- Firm-level data gaps: beyond the analytical questions raised above, granular firm-level data on climate exposures remain scarce; physical risk is better understood than transition risk, where blind spots persist. Room for a critical assessment of the (perverse) effects of climate disclosure regimes, and the case for mandatory disclosure standards
- Adaptation data: need to develop measures of both public adaptation (e.g. through textual analysis of local and national government budgets) and private adaptation. Heterogeneity in private adaptation capacity across firms, households, and regions is under-explored
- Sovereign-linked climate instruments inventory: complementing the analytical treatment of climate-debt instruments above, systematic empirical mapping of climate, nature, and green sovereign debt instruments is needed to support comparative analysis of their design and effectiveness

Cross-cutting focus

- EMDEs deserve dedicated analytical attention across all of the above. The macroeconomic stakes of the transition are especially acute in these economies, and the societal value of investments in physical risk mitigation and adaptation may be substantially higher than in advanced economies. The fiscal and market-access implications of these dynamics also warrant further attention