



November 26, 2019

The Honorable Jerome H. Powell
Chairman of the Board of Governors
Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Chairman Powell,

I am writing to urge you to enhance the Federal Reserve's responsibility to the stability of our financial system in regards to the risks associated with climate change. The release of Volume II of the Fourth National Climate Assessment by the federally funded U.S. Global Change Research Program concludes that the "earth's climate is now changing faster than at any point in the history of modern civilization, and in the absence of significant global mitigation action and regional adaptation efforts, rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property, labor productivity, and the vitality of our communities."¹ Accordingly, as a representative of Dana Investment Advisors, we believe it is time for the Federal Reserve to proactively ensure that our financial system can endure the transition and physical risks posed by climate change.

In April 2019 the Network for Greening the Financial System (NGFS), an international group of Central Banks and Supervisors consisting of 34 members and 5 observers, issued its first comprehensive report acknowledging that "climate-related risks are a source of financial risks. It is therefore within the mandates of central banks and supervisors to ensure the financial system is resilient to these risks."² As the NGFS has taken a global leadership position in addressing climate risk within the financial system, scientists are attributing human expansion of greenhouse gases (GHG) as the most significant force in climate change since the mid-20th century.³ Astonishingly, more than any other country, the United States has been the biggest offender of filling the atmosphere with GHG on a cumulative basis while continuously being one of the largest carbon emitter on a per capita basis.⁴ Respectfully, at a minimum, the Federal Reserve should join the NGFS to begin actively addressing climate change related events and assuming a global leadership role.

¹ U.S. Global Change Research Program (2018), Fourth National Climate Assessment: Volume II: Impacts, Risks, and Adaptation in the United States, <https://nca2018.globalchange.gov>

² Network for Greening the Financial System First comprehensive report, <https://www.ngfs.net/en/first-comprehensive-report-call-action>

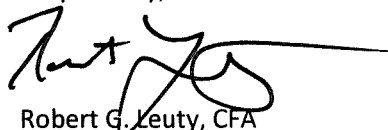
³ NASA: Climate Change and Global Warming, <https://climate.nasa.gov/causes/>

⁴ Justin Gills and Nadja Popovich, "The U.S. Is the Biggest Carbon Polluter in History. It Just Walked Away From the Paris Climate Deal," *The New York Times*, June 1, 2017, <https://www.nytimes.com/interactive/2017/06/01/climate/us-biggest-carbon-polluter-in-history-will-it-walk-away-from-the-paris-climate-deal.html>

Congress assigned the Federal Reserve microprudential supervisory responsibility with the creation of the Federal Reserve. The enactment of the Dodd-Frank bill expanded the Federal Reserve's responsibilities to include macroprudential supervision⁵. Therefore, by law, the Federal Reserve retains the responsibility for protecting the stability of our financial system as a whole, and we urge the Federal Reserve to begin accounting for risks related to climate change within the financial system. Climate change related actions that are consistent with the framework of the NGFS and which the Federal Reserve should take include, but not limited to, the following:

- Implement quantitative analysis to determine the degree of risks within the financial system
- Determine how transition and physical risks can be included in financial stability monitoring
- Develop and communicate consistent climate change related disclosure
- Become a member of the NGFS and actively lead the international effort toward establishing regulatory financial stability protections to limit both the occurrence as well as the degree of disruptive climate change related events within the financial system⁶

Respectfully,



Robert G. Leuty, CFA
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Dana Investment Advisors

⁵ Ben S. Bernanke, "Implementing a Macroprudential Approach to Supervision and Regulation," 47th Annual Conference on Bank Structure and Competition, May 05, 2011, <https://www.federalreserve.gov/newsevents/speech/bernanke20110505a.htm#:~:targetText=As%20I%20have%20mentioned%20C%20besides,and%20responsibilities%20of%20key%20agencies>

⁶ Network for Greening the Financial System First comprehensive report, <https://www.ngfs.net/en/first-comprehensive-report-call-action>