

Consultation Response

Response to EC Consultation on Climate Resilience

23 February 2026

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on **the European Commission’s consultation on climate resilience**. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

AFME is registered on the EU Transparency Register, registration number 65110063986-76. We set out below our answers to the individual questions raised.

Legislative framework for climate resilience

The Commission considers that including the below aspects and requirements in its legislative proposal is essential to better prepare our economies and societies for climate change, and to prevent major losses and damage. What is your view on each of them?

Common baseline climate trajectories/scenarios, and acceptable risk levels

	Fully agree	Slightly agree	Neutral	Slightly disagree	Fully disagree
Determination of the levels of global warming or a similar common baseline* for adaptation decisions that EU and national public policy and investments should consider, for example through common EU climate reference trajectories/scenario(s)	X				
<p><i>* An example is the decision by France to establish a Reference Trajectory for Adaptation to Climate Change (TRACC), setting +1.5°C by 2030, +2°C by 2050, and +3°C by 2100 as reference for national and regional adaptation strategies. Respondents to the Call for Evidence supported the development of minimum precautionary levels for climate resilience / common reference scenarios / reference warming trajectories.</i></p>					
Duty to consider a common baseline (e.g. reference trajectories/scenarios) of global warming, as described in the preceding bullet point, in climate risk assessments.	X				

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Duty to apply a precautionary approach by integrating a common baseline into planning decisions by the EU and Member States	X				
Common approach for deciding what level of residual risks society / public authorities choose not to eliminate: a way to determine what are we willing to live with and why		X			

Comments:

AFME strongly supports the European Commission's intention to establish a more coherent and ambitious legislative framework for climate resilience. We agree that common climate reference trajectories or scenarios (both short-term and long-term) can provide public authorities, businesses, and communities with a clearer understanding of future climate conditions. This will support more consistent and forward-looking adaptation decisions across the EU. It would also be important to ensure coherence across different frameworks that are, and may be, applicable to banks, such as the ECB's, EBA's, and NGFS'. At the same time, it is important that this allows for the flexibility needed to address local and sector specific circumstances.

It is key for any EU-level baseline to remain compatible with scientific advances and to allow for sufficient flexibility at national and local levels. Climate impacts and adaptation needs vary significantly across Europe, and effective planning must accommodate more granular, location-specific assessments, especially for risks, such as floods, droughts, or wildfires.

There is also value in the development of common reference trajectories or scenarios as an orientation framework to improve comparability, planning certainty, and risk assessment across sectors and Member States, provided their use remains proportionate and primarily serves as guidance rather than as a rigid regulatory requirement.

The right approach depends on local realities. Natural hazard profiles, geographic conditions, existing development patterns, climate change impacts, and socioeconomic factors vary significantly across regions, making context-sensitive solutions necessary. However, local flexibility must be balanced with robust minimum standards in order to ensure that risks do not stem from avoidable deficiencies in planning, enforcement, or preparedness.

Climate risk assessments

	Fully agree	Slightly agree	Neutral	Slightly disagree	Fully disagree
Development of climate risk assessments that would also cover the most affected policy sectors, at European level		X			
Development of climate risk assessments that would also cover the most affected policy sectors, at national level	X				
Common parameters for the scope and content of both EU and national climate risk assessments (e.g. climate scenarios, regularity, sector coverage)		X			

Comments:

A common approach to climate risk assessments at the EU and national level could help to improve comparability and coherence.

It would, however, be important to ensure that this allows for sufficient flexibility to accommodate regional specificities and the varying risk profiles across Member States. Climate exposure is highly location-specific with clear regional differences, including in flood, stormwater, and precipitation-driven losses.

EU-level assessments, even if sectoral, risk overlooking these local realities. On the other hand, national assessments can incorporate local hazard maps, municipal capacity, and existing

adaptation measures, allowing for more actionable insights than EU-only frameworks. For these reasons, nationally tailored assessments remain critical.

Adaptation planning and determination of risk owners

	Fully agree	Slightly agree	Neutral	Slightly disagree	Fully disagree
Definition of climate resilience and adaptation targets (possibly including sectoral / thematic targets) for EU institutions and Member States		X			
Robust obligation on the EU/Commission to prepare and implement an EU adaptation strategy and plan	X				
Climate resilience and adaptation plans should also cover the most affected policy sectors at EU level	X				
Robust obligation on Member States to develop national adaptation strategies and plans	X				
Climate resilience and adaptation plans should also cover the most affected policy sectors at national level	X				
Identification of risk owners responsible for and mandated to address the identified vulnerabilities	X				

Comments:

AFME would welcome robust obligations on the EU and Member States to prepare and implement EU and national adaptation strategies and plans. These should include adaptation investment plans clearly describing the types of investment (e.g., flood defences) that will be needed, investment needs, and the roles of public and private sector investors in helping to achieve these objectives.

It would, however, be essential for these strategies and plans to be regularly reviewed and adjusted to keep pace with the potentially accelerating risks and evolving scientific evidence. It is also crucial to recognise climate mitigation, including ambitious emissions reductions, as a top priority alongside adaptation. Only progress on climate mitigation will ensure that adaptation efforts are effective and are not outpaced by worsening climate impacts.

With these considerations in mind, the preparation and implementation of adaptation strategies and plans, designed with the above features, would provide clarity on how different policies would work together, provide long term policy certainty, and facilitate private investors and financial institutions in providing financing in support of the EU's adaptation priorities. This will allow financial institutions to invest in the internal capabilities required to achieve these objectives and facilitate the financing of longer-term investments.

With respect to the definition of sectoral or thematic climate resilience and adaptation targets, AFME recognises that the corresponding metrics, such as annual avoided losses, can be useful for measuring and identifying climate resilience and adaptation finance. This should not, however, result in new reporting requirements for financial institutions or the reopening of the EU Taxonomy. The focus of policy makers should be on supporting the real economy to improve its preparedness for the impacts of climate change.

Monitoring, reporting, evaluation and learning

	Fully agree	Slightly agree	Neutral	Slightly disagree	Fully disagree
Development of a limited number of performance indicators for both the EU and Member States, for measuring the effectiveness of climate adaptation and resilience measures			X		

In line with the simplification agenda, improvement and streamlining of monitoring, reporting, evaluation and learning practices at EU and national levels, through more targeted reporting on climate impacts		X			
Incorporation of corresponding resilience progress indicators into existing sector legislation to avoid duplication and new reporting requirements			X		

Comments:

While it is essential for banks to be able to access the data needed to assess climate-related risks, any new reporting requirements should be proportionate and not place additional burdens on businesses. If new indicators are to be developed, it would be important to first consider what is already being reported. It would also be important to clarify who would be responsible for the development of such indicators.

Please specify other impactful measures with transformational impact that the Commission should include in its legislative proposal on climate resilience:

A recommendation for Member States to allocate a portion of ETS revenues to dedicated national adaptation funds, within a coordinated EU framework to ensure consistency and economies of scale and to avoid fragmentation.

Decision-support tools for climate resilience

What information would help you determine if and how to take action to better prepare for the effects of climate change?

	Fully agree	Slightly agree	Neutral	Slightly disagree	Fully disagree
Recent economic losses or damage caused by climate events in my area or in activities related to my job	X				
Current severity of extreme or unseasonal weather in the area where I live or work (e.g. expected number of days with temperatures exceeding 35 °C)		X			
Estimates of future severity of extreme or unseasonal weather in the area where I live or work	X				
Current impacts of extreme or unseasonal weather on my community and me in terms of health (e.g. excess mortality due to dangerous heat waves), and economic activities (e.g. crop production losses from heat, damage to energy infrastructure due to floods, etc).		X			
Estimates of future impacts of extreme or unseasonal weather on my community and me in terms of health and well-being, and economic activities	X				
Information on insurability of exposed assets	X				
Benefits of specific adaptation solutions in reducing impacts on health and wellbeing and specific economic activities.	X				

If other information, please specify:

Geospatial, asset-level, and hazard-specific datasets would support physical-risk assessment and pricing.

The Commission should establish a unified EU Climate Data Hub for Adaptation, building on the Copernicus/EIB initiative, providing open access to these types of data. The Hub should ensure interoperability with global climate-data initiatives to facilitate consistent use by cross-border financial institutions.

The Commission considers developing a user-friendly web-based tool for non-experts that provides authoritative and harmonised quantitative information on climate change across Europe. This tool could translate the common climate scenarios into national, regional and local climate and weather conditions, which can be expected under these scenarios, and help to find possible solutions for addressing the identified risks. The Commission considers this tool essential for informing EU policies, addressing cross-border risks, and supporting people and businesses lacking alternatives. Would you benefit from such a tool?

	Fully agree	Slightly agree	Neutral	Slightly disagree	Fully disagree
Answer	X				

What features would help you use that tool?

	Fully agree	Slightly agree	Neutral	Slightly disagree	Fully disagree
Simple language that does not require specialist knowledge		X			
Tutorials and onboarding information		X			
Visual presentation of information, e.g. on a map		X			
Ability to download data or summary reports		X			
Clear link between climate risks and adaptation solutions	X				
Navigation support through an AI-powered chat			X		
Access to a help desk			X		

What other features would you find helpful?

The Commission should consider how to allow users to easily select different climate risk scenarios, relevant hazards, points in time, and GPS locations and addresses.

Finance and insurance

Public sector role in funding climate resilience

	Yes	No
Is it necessary to integrate climate resilience considerations in fiscal planning and financial decisions at all levels of the public sector as well as in the private sector?	X	
Would incorporating climate resilience considerations in investments, including public spending and procurement limit economic losses from climate events?	X	

Private-sector investments and climate resilience

	Fully agree	Slightly agree	Neutral	Slightly disagree	Fully disagree
National adaptation plans should be designed to serve as resilience and adaptation investment plans, unlocking the full potential of private-sector funding.	X				

The private sector needs more guidance on how to incorporate climate resilience into investment and business decisions.			X		
Effective public-private risk sharing mechanisms for climate adaptation investments (such as public-private partnerships, blended finance, disaster bonds, etc.) would increase resources invested in climate resilience and adaptation.	X				

What are the key obstacles for scaling up investments strengthening climate resilience and adaptation?

AFME welcomes the European Commission's initiative to create a European Climate Resilience and Risk Management Framework. AFME strongly supports the Commission's objectives to empower stakeholders to manage climate risks more effectively, seize the economic opportunities associated with climate adaptation, and strengthen the EU's position as a global leader in the production and export of climate resilience technologies.

The financial sector will have a crucial role to play in supporting the advancement of these priorities. It is, therefore, essential to address the challenges identified by financial institutions in order to facilitate greater private investment towards climate resilience and adaptation.

We set out below the key obstacles to scaling up investments strengthening climate resilience and adaptation:

The main obstacle to scaling climate resilience and adaptation finance is the lack of investable projects. There is a lack of a robust and visible pipeline of bankable adaptation projects. This is caused by a variety of factors.

First, climate resilience and adaptation projects are often characterised by long-term investment horizons and uncertain future cash flows. The benefits of adaptation are often not recognised in financial returns and are typically delayed far into the future, and are, therefore, harder to measure at the time of the initial investment. The benefits of investments are often not reflected in profits but avoided losses and resilience gains (public good). As a result, these benefits are not reliably taken into account by valuations, prices, or investor decisions. Additionally, even if these benefits could reliably be taken into account, these long-term investment horizons are usually misaligned with private sector investment cycles. Further, stakeholders habitually exhibit a tendency to over-index recent experience, when the frequency and severity of climate-related physical events have been below the levels that the scientific community forecasts for the future, and often do not take the proactive steps reduce their vulnerability. These factors further contribute to the low number of investable projects as actors in the economy may not seek investment in climate resilience and adaptation.

Climate resilience and adaptation projects also often tend to be relatively small-scale, location specific, and difficult to bundle. As a result, financial institutions and investors often lack the location specific expertise and incentives to invest in them, given the benefits associated with such small-scale projects are too low to enable justification.

The second main obstacle to scaling investment in climate resilience and adaptation is the lack of access to high quality data. Before assessing whether a climate resilience and adaptation project is investable or not, financial institutions and investors need to be aware of the climate-related physical risks that assets may be exposed to. At present, much of the available data is not sufficiently reliable, standardised, or granular to make such assessments about particular assets. The lack of sufficiently localised forward-looking data on climate-related physical events and the absence of information on assets' exposure to the associated risks, such as their exact location or preparedness for climate-related physical events, makes it difficult for financial institutions and investors to identify which assets are at risk and what needs to be done to mitigate those risks.

Finally, the fragmented nature of the climate resilience and adaptation policy landscape and uncertainty around how it will evolve in the medium to long-term make it more challenging for all actors in the economy to plan to invest in climate resilience and adaptation.

What policy measures would help overcome these obstacles and boost climate resilience finance?

A variety of policy measures should be considered to help overcome the obstacles identified above. It is also important to take into account the competitiveness of the European economy, including the financial sector, and ensure that any policy measures do not place excessive burdens on firms. With this in mind, we outline our recommendations below:

A number of measures would help to increase the number of investable climate resilience and adaptation projects for the financial sector to support.

The Commission should acknowledge and seek to address the obstacles negatively impacting the investment case for the required investments. It should promote the role of blended finance and the use of guarantees and risk-sharing instruments to enable the public and private sector to collaborate on important climate resilience and adaptation projects, with priority given to public goods, such as water, schools, and hospitals. For example, structures could be designed to de-risk and provide shorter term returns for private capital, based on resilience and adaptation-positive actions. This would allow the benefits of adaptation to be realised with a greater degree of certainty and in a shorter time frame, aligning more closely with the private sector investment cycle, and would, therefore, incentivise financial institutions and investors to channel more capital towards investment projects. Concessional capital and risk-sharing mechanisms could also help to reduce the risk to the private sector, overcoming the uncertainty associated with climate resilience and adaptation projects with long term investment horizons.

Additionally, the Commission should engage in actions to raise awareness of the risks associated with climate change. This would help to overcome the recency bias described above and inform those who are less aware. Economic incentives for households and small businesses, such as public guarantees, subsidies, or tax incentives, could also be introduced to support upfront investments in climate adaptation. These measures would encourage more actors in the economy to seek investment in climate resilience and adaptation.

Finally, policy makers should consider making available technical assistance and support with project preparation. This would be particularly important for encouraging investment in local-level small-scale resilience and adaptation projects.

With respect to improving access to quality data, AFME supports the Commission's proposal to create and maintain a public database of harmonised quantitative information on climate change, including climate scenarios, across Europe, which can help to identify and provide solutions to climate-related physical risks. It would be important for this data to be sufficiently granular for climate-related risks to be identifiable at the local level. The Commission should also consider supporting the more consistent disclosure of standardised information on the location of material physical assets and how protected they are from climate-related hazards through an EU-level platform, building on the implementation of the CSRD and ISSB standards and EIB adaptation criteria. The availability of standardised information and metrics and existence of standardised methodologies for assessing physical climate risks at asset and property level would empower investors, public authorities, and businesses to make informed, risk-based investment decisions and direct capital to where it is most effective.

Finally, to address the lack of medium to long term policy certainty and fragmented policy landscape, AFME would welcome robust obligations on the EU and Member States to prepare and implement EU and national adaptation strategies and plans. These should include adaptation investment plans clearly describing the types of investment (e.g., flood defences) that will be needed and the role of private sector investors in helping to achieve these objectives. The preparation and implementation of adaptation strategies and plans, designed with these features, would provide clarity on how different policies would work together, provide long term policy certainty, and facilitate investment.

Does the existing EU accounting framework duly reflect the climate physical risks in the valuation of assets? If not, what policy measures do you propose?

The current accounting framework does not yet fully reflect physical climate risks in a forward-looking and consistent manner. Clearer guidance on integrating climate risk into asset valuation would be beneficial.

Do the other existing policy / regulatory frameworks duly account for the climate physical risks? If not, what policy measures do you propose?

With respect to financial institutions, physical risk is already integrated into regulatory and supervisory frameworks. The EBA ESG risk management and scenario analysis guidance is already comprehensive and still needs to be implemented. The focus should be on harmonisation and avoiding duplications, including between the CSRD, risk management and investment rules, and prudential supervision, while supporting implementation (e.g., through the creation of public databases of physical risk relevant geospatial data). While data availability would be beneficial, we do not consider that further measures are required for financial institutions with respect to physical risk.

Climate risk insurance

	Fully agree	Slightly agree	Neutral	Slightly disagree	Fully disagree
Climate risks insurance products need to be clearer on the hazards they cover	X				

What policy / regulatory measures -based on market-based mechanisms- do you propose to address the increasing insurance gap and improve access to affordable insurance?

Closing the insurance gap and improving access to affordable insurance is essential for ensuring that, when unexpected events occur, individuals and businesses can benefit from a financial safety net. The risk sharing benefits of insurance are most pronounced when risks are uncertain and spread widely. When risks become predictable or concentrated, such as repeated flooding in the same area, insurance alone is not enough, and broader resilience and adaptation measures are needed. It is also true that access to, and the affordability of, insurance more broadly depends on improvements in resilience and adaptation. With these considerations in mind, a variety of measures based on markets-based mechanisms could be enacted to address the increasing insurance gap and improve access to affordable insurance.

Our recommendations are set out below:

AFME would support the implementation of the measures proposed by the ECB and EIOPA in their December 2024 joint paper, "Towards a European system for natural catastrophe risk management". An EU public-private reinsurance scheme that pools private risks across the EU and across perils would provide large diversification benefits, and would, therefore, help to reduce the cost of insurance and increase coverage. The proposed EU fund for public disaster financing, which targets reconstruction efforts following natural disasters, would also help to reduce downside risks, improving the affordability of insurance. The Commission should also encourage such measures to be adopted at the Member State level.

Additionally, improved access to tools and data, which enable individuals, households, businesses, and investors to better understand and assess exposure to climate-related physical risks, and greater clarity on what insurance products do and do not cover would allow consumers of insurance to better assess whether and how their assets are at risk and which insurance products would be most suitable for them. These improvements, in combination with measures to increase access to information on effective preventative measures and land-use planning, could also allow for individuals, households, businesses, and investors to better prepare for climate-related physical risks, increasing the affordability of insurance.

Providers of insurance could also be encouraged to reduce premiums of policy holders that implement verified resilience measures, further increasing the affordability of insurance and incentivising adaptation efforts.

Finally, insurers could support climate resilience initiatives by sharing high-level aggregated loss data, subject to any legal restrictions. This would improve risk modelling, enable more accurate pricing, and help insurers design products that better reflect real risks, supporting broader access.

- What kind of risk pooling and transfer mechanisms would be most suitable to increase insurance cover for secondary perils in the European Union?

Insurance-linked securities (ILS) and catastrophe (CAT) bonds (primary ILS component) can help transfer defined risks quickly and transparently when a trigger event happens.

- How can insurers in the Union access new capital to back climate-related policies?

Insurers can access more risk-bearing capacity by transferring part of peak risks to investors, for example, via catastrophe bonds or similar insurance-linked structures. This would help to free up their balance sheets so that they can keep writing policies.

Additionally, capital market platforms, bringing together capital providers, underwriters, and insurance seekers, could help insurers access new capital.

Targeted public risk-sharing initiatives would also help in areas where risks are too extreme or systemic for private markets to carry efficiently on their own.

- How to mobilise private investor interest in insurance-linked investment vehicles?

Investor interest in insurance-linked securities is already at a high level and has evolved significantly since the early days of the market. The amount of alternative capital from insurance-linked investment (ILS) vehicles and third-party investor sources in the global reinsurance market grew by 7% in 2024. This can be explained by strong investor returns and attractive market conditions, and the robust performance of catastrophe bonds.

With record high capital levels and sustained interest in the instrument, the ILS market remains a key space for both insurers and investors looking for alternative risk transfer solutions.

- Is there a need for a European marketplace where climate-related risk can be pooled among insurance companies and non-insurance investors?

There is a need for public-private partnerships. This would allow climate-related risks to be shared among investors.

What policy measures would be needed to avoid climate insurance protection gaps from having negative repercussions on financial or macroeconomic stability?

Promote innovative climate risk diversification and/or transfer approaches to mitigate the concentration of risk within specific sectors or regions.	X
Encourage market-based solutions that connect those who can afford to finance risk with those seeking climate risk coverage – this helps ensure business continuity and avoid disruptions caused by natural catastrophes.	X
Other – if so please specify:	X
Avoiding insurance protection gaps is critical to preserving financial stability. Market-based risk transfer mechanisms should be complemented by public support where risks become uninsurable.	
Strengthening risk diversification, ensuring affordable access to coverage, and maintaining the insurability of assets and activities are essential to prevent sudden losses in value, credit deterioration, and systemic impacts on households, businesses, and financial institutions.	

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