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NGFS publishes a Technical Document providing guidance on the purpose and use of the NGFS scenarios

Today the Network for Greening the Financial System (NGFS) published the Technical Document “[NGFS scenarios: Purpose, use cases and guidance on where institutional adaptations are required](#)”. In the context of the growing use of the NGFS scenarios, this Document sets out the purposes and practical applications of the NGFS scenarios, as well as acknowledges the need for scenario users to clarify what they intend to achieve and to consider how the scenarios they use allow them to meet their objectives and/or specific requirements. The document concludes with frequently asked questions about the scenarios an online version of which will be regularly updated.

Since their initial release, the NGFS scenarios have played a crucial role in supporting central banks, supervisors, and other financial entities in exploring the implications of diverse potential futures related to climate change and transition. The NGFS has continually strengthened its scenarios in successive releases by refining modeling techniques, broadening the coverage of risks and incorporating the latest state of climate knowledge, computational capabilities as well as user needs. However, the scenarios remain improvable and should not be seen as forecasts, but as internally consistent macrofinancial descriptions of potential pathways based on outlined assumptions for each narrative informed by state-of-the-art climate science. They allow users to evaluate different possible futures and the range of risks they represent.

This Technical Document sets out that, while being a starting point for assessing climate and transition related financial risks, the NGFS scenarios reflect only a small selection of potential future pathways, which do not necessarily represent the most likely or most extreme potential outcomes. Owing to technical and practical limitations they also do not encompass every potential implication of climate change. Hence, this Technical Document emphasizes the need for scenario users to seek to tailor their analyses to suit their requirements and determine what additional risk assessment tools and scenario calibration may be required. The Document also provides the main areas where users may need to adapt the intensity of the scenarios.

While the NGFS reaffirms its commitment to regularly updating and improving the scenarios, it also welcomes feedback by users and other interested parties to help enhance the accuracy and usability of the NGFS scenarios.

Sabine Mauderer, Chair of the NGFS, and Member of the Executive Board of the Deutsche Bundesbank:

“The NGFS scenarios allow central banks, supervisors as well as the financial industry to analytically capture the risks from climate change and climate policy for a portfolio, a balance sheet or the entire

financial system of their jurisdiction and beyond. A key advantage of the NGFS scenarios is that the scenarios can capture both the transition and physical risks, thus leading to a comprehensive assessment of the vulnerabilities.”

Livio Stracca, Chair of the NGFS Workstream “Scenario Design and Analysis”, and Deputy Director General Financial Stability at the European Central Bank:

“Unlocking the true potential of the NGFS climate scenarios calls for a better understanding of not only their unique features, but also their potential limitations. With this note, we encourage well-informed, sensible, and proper use of the NGFS scenarios.”

About the NGFS

The Network for Greening the Financial System (NGFS), launched at the Paris One Planet Summit on 12 December 2017, is a group of central banks and supervisors, which on a voluntary basis is willing to share best practices and contribute to the development of environment and climate risk management in the financial sector, and to mobilize mainstream finance to support the transition toward a sustainable economy. The NGFS brings together 134 central banks and supervisors and 21 observers. Together, they span across five continents, operate in economies that account for more than 88% of global greenhouse gas emissions and are collectively responsible for the supervision of all global systemically important banks and 80% of the internationally active insurance groups. The NGFS is chaired by Ms Sabine Mauderer, Board Member of the Deutsche Bundesbank. The Secretariat, headed by Mr Jean Boissinot, is provided by Banque de France.

For more details, visit the [NGFS website](#), [LinkedIn](#) and [X account](#) or contact the NGFS Secretariat at Banque de France sec.ngfs@banque-france.fr

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