Statement to central banks and prudential supervisors on the 10-year anniversary of the Tragedy of the Horizon speech:

A Call for Global Financial Reform

September 29, 2025

Today marks ten years since then-Governor of the Bank of England Mark Carney delivered his landmark “Tragedy of the Horizon” speech at Lloyd’s of London. Its premise was clear and sobering: climate change poses an existential threat to the financial system—a tragedy stemming from the failure of financial institutions to bring long-term risk into today’s decision-making. A tragedy, which, in Carney’s view, could be avoided via better climate risk information disclosure to better inform financial decisions.

Yet, voluntary disclosure has proven insufficient; regulation to ensure capital reallocation is needed.

As we mark this 10-year anniversary, the tragedy is not only unresolved, it is growing. The horizon draws near. Extreme weather events once deemed exceptional are becoming increasingly routine, driving up economic costs for households, businesses, and governments alike. At the same time, nature-related losses have massively accelerated, further threatening the foundations of our economic system. Yet, we remain trapped in inaction.

Undoubtedly, Carney's speech helped trigger a global shift in how climate risk is factored into financial risk management and supervision. Over the past decade, central banks and financial regulators formed the Network for Greening the Financial System (NGFS) to share best practices and embed environmental risk into their mandates. Financial institutions joined the Glasgow Financial Alliance for Net Zero (GFANZ), committing to voluntary climate targets and enhanced disclosure. These groups have produced more climate risk information—but not meaningful action. Climate-crisis-fuelling financing has continued unabated.

Progress on Paper, Failure in Practice

Over the past decade, we've seen tangible progress:

- Mainstreaming climate scenario modelling exercises,
- Promoting better language and definitions to characterize climate risks,
- Creating standardized financed emissions accounting frameworks,
- Adopting climate-related disclosure regulations in some jurisdictions; and
- Advancing high-level transition planning principles.

These tools have helped financial actors and regulators better assess climate risk. Today, many institutions report their climate risk exposure—and how they plan to mitigate it—to shareholders and supervisory authorities.

But despite better information, behavior has not changed. Since 2015, greenhouse gas emissions have increased year over year. Major new investments in fossil fuel development continue to flow in the billions of dollars and investment in renewable energies remain insufficient.

Over the past nine years, the world's 65 largest banks have funneled nearly US$8 trillion into fossil fuel financing; and were exposed to approximately US$1.6 trillion of fossil fuel-related activities at the end of 2023. Although fossil fuel financing by these banks fell over 23% from 2021 to 2023, it rebounded sharply in 2024—reaching nearly US$869 billion, close to 2021 levels—much of it directed toward fossil fuel expansion.

Expanding the scope beyond major banks to other major investors, as of 2024, they held more than US$5.1 trillion in coal, oil, and gas assets. Meanwhile, global investment managers have a ratio of 0.48 invested in low-carbon energy compared to 1 in fossil fuels, far below the 4.8 to 1 ratio required by 2030 under 1.5-degree climate scenarios.

Fossil fuel assets, and those that depend on them, are at risk of losing value due to climate policy changes, stranded assets, or market shifts. They are also primary drivers of physical climate impacts, which pose much broader risks to our economy.

These figures make two things clear: the financial system has not merely failed to mitigate climate risk—it is actively fueling it.

The Costs of Inaction Are Mounting

Meanwhile, the latest UN Emissions Gap report warns that current policies are steering us toward a catastrophic 3°C of warming by 2100. Climate-related losses are rising faster than projected. From floods and storms to heatwaves and wildfires, the impacts are accelerating and the warning signs are undeniably clear.

Climate-related losses are growing rapidly, and with them, existential economic system risk. The International Chamber of Commerce estimates that extreme weather events have cost the global economy over US$2 trillion in the past decade. Swiss Re reports that natural catastrophe losses reached US$318 billion in 2024 alone, with annual insured losses rising 5–7%, continuing an exponential trend from 1995. These claims increase insurance costs for households and businesses and already render many assets uninsurable. And for the future, a 2025 article from the European Journal of Environmental & Resource Economics projects a 7% to 13% decrease in global GDP for a 3°C increase in global temperature.

In addition, nature is being lost at an equally devastating pace. For example, in 2024 alone, the world lost 6.7 million hectares of primary forest—an area nearly the size of Ireland—according to a new report from the World Resources Institute. These forests and other natural resources are critical to climate stability, water systems, and economic resilience, and their loss compounds the financial risks posed by climate change.

And just as climate risk intensifies, many in the financial sector are retreating from their commitments. Institutions have walked away from GFANZ. Climate disclosures and ambition are being watered down.

Voluntary disclosure alone has proved woefully insufficient—producing no real shift in financed emissions despite the fast approaching crisis. Ten years on, the crisis that was once on the horizon is now at our doorstep.

From Disclosure to Action: A Call to Regulators

The idea that better information alone would shift markets has proven flawed. Transparency is essential—but it is not sufficient. Without real incentives, disclosure has become a box-checking exercise.

It is time for central banks, supervisors and financial regulators to step up and use the full power of their mandates to preserve financial stability. This cannot be achieved by merely addressing the consequences of climate-related financial risks after they have materialized—it requires measures that prevent the financial sector from deepening the crisis (for example, by financing new high-emitting assets) and putting its own stability at risk.

We therefore call on central banks and financial regulators to rise to this moment. Not with more voluntary frameworks—but with the necessary systemic change.

We call for:

1. Clear and binding expectations for how financial institutions must identify, assess, and mitigate climate-related risks across their activities. This includes clarifying the tools that should inform capital planning and risk management frameworks, as well as their limitations (see below).
2. Mandatory adoption and implementation of Paris-aligned climate-related transition plans, including:
    - policies that encourage financing climate solutions (e.g. renewables) and restrict financing to fossil fuels, notably ruling out support to new coal, oil and gas projects and the companies that develop them; and
    - engagement to support public policies and financing to help reorient markets towards climate solutions and away from fossil fuels and create planning certainty for the financial sector.
3. Mandatory disclosures that drive change from institutions by providing meaningful data on how much they contribute to the energy transition, greenhouse gas emissions, and nature degradation via financing and facilitation.
4. Greater clarity from regulators on the limitations of their models and climate stress tests, which likely significantly underestimate climate costs. As a result, a margin of precaution is needed when using these models' results along with continued efforts to improve climate risk modelling.
5. Central banks and financial regulators should apply precautionary prudential tools—such as capital buffers for loans and investments in high-emitting, non–Paris-aligned activities—and create incentives to support financing for climate-aligned, low-emission projects.
6. Central banks should align monetary policy operations with Paris goals to promote the development of a sustainable economy and support price and financial stability.

As the Tragedy of the Horizon speech highlighted, broader policy certainty for the energy transition is a necessary and missing precondition for effective financial system regulation.

We Cannot Afford Another Ten Years

Ten years ago, the financial sector was warned. It listened, but it did not act decisively. Today, the risks are higher, the stakes greater, and the time shorter.

The horizon is no longer theoretical. The financial system is facing instability and potential collapse.

This is the decade of consequence. The next ten years must look much different than the last.

Endorsed by the following organizations:

Australian Centre for Corporate Responsibility (AUS) - Environmental Defence (CAN) - Finance Watch (BEL) - Investors for Paris Compliance (CAN) - Public Citizen (US) - Reclaim Finance (FRA) - ShareAction (UK) - Sierra Club (US) -Urgewald (DEU) - WWF - Market Forces (AUS) - Climate and Nature Solutions (CAN) - Union of Concerned Scientists (US) - Veblen Institute for Economic Reforms (FRA) - Finance for Environmental and Social Systemic Change, University of Cambridge (UK) - Rainforest Action Network (US) - ActionAid Denmark (DNK) - Sustainable Inclusive Solutions (BRA) - Finanzwende (DEU) - Climate Action Network Canada (CAN) - E3G (UK) - Ecojustice (CAN) - Fondazione Finanza Etica (ITA) - For Our Kids (CAN) - Friends of the Earth (US) - Opportunity Green (UK) - Les Economistes Atterrés (FRA) - Positive Money Europe (BEL) - Profundo (NLD) - West Coast Environmental Law Association (CAN) - REVO Prosperidad Sostenible (ESP) - Rise Economy (US) - Shift: Action for Pension Wealth & Planet Health (CAN) - Sustainable Finance Lab (NLD) - Stand.Earth (CAN) - BreakFree Suisse (SWI) - Centre for Future Work (CAN) - Change Course (CAN) - Facing Finance (DEU) - FairFin (BEL) - Global Canopy (UK) - Grand(m)others Act to Save the Planet (CAN) - Greentervention (FRA) - Instituto Talanoa, Politicas Climaticos (BRA) - Interfaith Center on Corporate Responsibility (US) - Leave it in the Ground Initiative (GER) - Money Justice Collaborative (US) - Mothers Rise Up (UK) - Oil and Gas Action Network (US) - ReCommon (ITA) - Re•generation (CAN) - Repattern (UK)