# US regulators plan downgrade of climate risk task force amid global backlash



# US Regulators Propose Downgrading Climate Risk Task Force, Sparking Concerns Over Global Standards

As debates surrounding climate change intensify, US regulators have initiated a proposal that would significantly downgrade the position of a high-level task force created to safeguard the financial system against climate risks. Established by the Basel Committee on Banking Supervision in 2020, this task force has been pivotal in advancing global standards and frameworks for addressing the financial implications of climate change. The proposed change reflects a troubling trend in US policy, particularly since Donald Trump's presidency, which has seen a marked retreat from environmental commitments.

According to multiple reports from insiders, top officials at various US financial regulatory bodies—including the Federal Reserve, the New York Federal Reserve, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation—are advocating for this task force to be reclassified as a working group. This move is set to be discussed at an upcoming meeting of central bank governors and financial supervisors, raising alarm among environmental advocates and regulators in Europe, who are staunchly in favour of maintaining a robust structure for addressing climate-related financial risks.

The ramifications of such a downgrade could be far-reaching. Observers warn that diminishing the task force's role may convey to global markets that climate risks no longer warrant serious consideration in the realm of financial stability. Benoît Lallemand, secretary-general of the lobby group Finance Watch, described this potential decision as “the wrong move at the worst possible time,” citing the increasing frequency of extreme weather events and their impact on credit losses and asset values. The disbandment of this initiative would send an "absurd signal" that contradicts the pressing need for comprehensive climate risk management in finance.

Central bankers from Europe are expected to defend the task force's continuity. The European Central Bank and the Bank of England have recently urged supervised banks to intensify their efforts to manage climate risks. The ongoing tenure of this climate-focused task force has been significant; it has produced vital reports designed to help banks disclose climate risks effectively and establish principles for mitigating the threats posed by climate change.

Tensions surrounding climate policies are not new to US regulatory frameworks. Since Trump's administration, there has been a noted withdrawal from international climate agreements, including the departure from the Paris Agreement, which has been described by various environmental organisations as “devastating.” This retreat raises questions about the United States' long-term commitment to climate leadership and its role in international climate negotiations, particularly regarding financial contributions that developing nations rely on for climate adaptation efforts.

Further complicating matters, Federal Reserve Chair Jay Powell distanced the organisation from a more expansive role in tackling climate change, insisting that its responsibilities are narrowly defined. During a recent press interaction, he asserted that diverging into broader mandates could undermine the Fed's independence. This sentiment echoes the stance taken by some US banks, who have expressed apprehension about stringent banking capital requirements that emerged from international consensus at the Basel committee.

The consequences of these developments may reach far beyond regulatory circles, potentially undermining trust in the integrity of the Basel Committee as a standard-setter in the global financial system. With the climate crisis escalating, many argue that now is the time to bolster—not dilute—regulatory frameworks aimed at addressing financial risks associated with climate change. Such a shift would not only reflect a commitment to global standards but also send a powerful message regarding the importance of sustainability in financial practices.

With voices from various sectors rallying for more robust climate action within financial regulation, the outcome of the upcoming discussions could set a precedent that either strengthens or weakens global efforts to mitigate climate-related financial risks. The stakes are undeniably high, and the eyes of the international community will be keenly observing the US regulators’ next steps.

## Reference Map:

* Paragraph 1 – [[1]](https://www.ft.com/content/c6dca292-ebc0-40a9-93d5-477e3b05e8b3), [[2]](https://www.ft.com/content/c6dca292-ebc0-40a9-93d5-477e3b05e8b3)
* Paragraph 2 – [[1]](https://www.ft.com/content/c6dca292-ebc0-40a9-93d5-477e3b05e8b3), [[6]](https://www.americanprogress.org/article/the-trump-administrations-retreat-from-global-climate-leadership/)
* Paragraph 3 – [[2]](https://www.ft.com/content/c6dca292-ebc0-40a9-93d5-477e3b05e8b3), [[3]](https://www.dw.com/en/trump-orders-devastating-us-withdrawal-from-the-paris-climate-agreement/a-71354256)
* Paragraph 4 – [[4]](https://www.theguardian.com/environment/2025/jan/24/paris-climate-agreement-withdrawal-trump-world-response-us), [[5]](https://www.spglobal.com/commodity-insights/en/news-research/latest-news/natural-gas/012125-trumps-withdrawal-from-climate-pact-un-treaty-could-leave-us-on-the-sidelines)
* Paragraph 5 – [[2]](https://www.ft.com/content/c6dca292-ebc0-40a9-93d5-477e3b05e8b3), [[7]](https://time.com/7208955/trump-paris-climate-agreement-withdraw-impact/)

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## Bibliography

1. <https://www.ft.com/content/c6dca292-ebc0-40a9-93d5-477e3b05e8b3> - Please view link - unable to able to access data
2. <https://www.ft.com/content/c6dca292-ebc0-40a9-93d5-477e3b05e8b3> - US regulators are advocating for the Basel Committee's climate risk task force, established in 2020, to be downgraded to a working group. This proposal, discussed among central bank governors and financial supervisors, has raised concerns among environmental groups and European regulators, who view it as a retreat from addressing climate-related financial risks.
3. <https://www.dw.com/en/trump-orders-devastating-us-withdrawal-from-the-paris-climate-agreement/a-71354256> - President Donald Trump signed Executive Order 14162 on January 20, 2025, directing the United States to withdraw from the Paris Climate Agreement and related international climate commitments. This move has been described as 'devastating' by environmental organizations, as it removes the U.S. obligation to reduce emissions and could have wider ramifications for global climate efforts.
4. <https://www.theguardian.com/environment/2025/jan/24/paris-climate-agreement-withdrawal-trump-world-response-us> - The African Group of Negotiators expressed deep concern over the U.S. withdrawal from the Paris Agreement, stating it poses a direct threat to global efforts to limit temperature rise and avert catastrophic climate impacts, particularly for vulnerable nations. They emphasized the U.S.'s historical responsibility to lead in climate action.
5. <https://www.spglobal.com/commodity-insights/en/news-research/latest-news/natural-gas/012125-trumps-withdrawal-from-climate-pact-un-treaty-could-leave-us-on-the-sidelines> - President Trump's executive order to withdraw the U.S. from the Paris Agreement and disengage from the UN Framework Convention on Climate Change raises questions about America's future role in global climate negotiations and its standing in international environmental agreements.
6. <https://www.americanprogress.org/article/the-trump-administrations-retreat-from-global-climate-leadership/> - The Center for American Progress discusses the Trump administration's retreat from global climate leadership, highlighting the cessation of U.S. contributions to international climate finance, including the Green Climate Fund, and the potential long-term impacts on global climate efforts.
7. <https://time.com/7208955/trump-paris-climate-agreement-withdraw-impact/> - TIME magazine examines the consequences of the U.S. withdrawal from the Paris Agreement, focusing on the abrupt end to climate finance and the impact on developing nations that relied on U.S. contributions to the Green Climate Fund for climate mitigation and adaptation efforts.