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Emerging Issues: Climate Related Financial Risk and Financial Reporting
• March 29, 2023

- **W104 Emerging Issues: Climate Related Financial Risk and Financial Reporting (Executive Order 14030)**
- Subject matter experts will provide an overview of the EO 14030 on climate-related financial risk. The discussion will include an overview by OMB of climate risk in the President's Budget; research efforts by FASAB to develop climate-related financial disclosures for Federal financial reports; and GAO audits on limiting the federal government's fiscal exposure by better managing climate change risks.

Introductions



**JESSE CARPENTER,
CPA**
PARTNER
**COTTON, A SIKICH
COMPANY**



- Candace Vahlsing
- Associate Director for Climate, Energy, Environment and Science (CEES)
- the Office of Budget and Management (OMB)



**ROBIN M. GILLIAM,
CPA, PMP**
ASSISTANT DIRECTOR
**FEDERAL ACCOUNTING
STANDARDS ADVISORY
BOARD (FASAB)**



JOE THOMPSON
**ASSISTANT DIRECTOR,
NATURAL RESOURCES AND
ENVIRONMENT**
**GOVERNMENT
ACCOUNTABILITY OFFICE
(GAO)**

Poll Question #1

- Who is in the audience? Please identify your Agency affiliation.

Policy

- Advance consistent, clear, intelligible, comparable, and accurate disclosure of climate-related financial risk, including both physical and transition risks;
- Act to mitigate that risk and its drivers, while accounting for and addressing disparate impacts on disadvantaged communities and communities of color and spurring the creation of well-paying jobs;
- Achieve our target of a net-zero emissions economy by no later than 2050.

[Source](#)



Candace Vahlsing

Associate Director for Climate, Energy, Environment and Science (CEES)
the Office of Budget and Management (OMB)

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Poll Question #2

- Is your agency (or federal agency client) considering climate-related financial risks to formulate strategy, budgets, and risk management decisions?



Poll Question #3

- Do you know what climate change observations and projections to use when determining agency climate-related financial risks?





Robin M. Gilliam, CPA, PMP
Assistant Director
Federal Accounting Standards Advisory Board (FASAB)

Disclaimer

- Information presented is not authoritative. Therefore, it does not reflect authoritative views of the Board.
- Official positions of FASAB are determined only after extensive due process and deliberations.

Climate-Related Toolbox for Agencies

Phase 1 – completed May 17, 2022

- Non-authoritative staff paper available on the [climate project](#) page:
 - identifies **existing** Statements of Federal Financial Accounting Standards (SFFASs) for assets, liabilities, other transactions, and RSI
 - that may be relevant to accounting for or reporting on
 - the effects of climate-related events that have occurred and
 - the potential effects of climate-related financial risks that may occur in the future.

Phase II – Developing a Climate-Related Financial Disclosure Framework

- In the research phase – working with a task force of approximately 65 SMEs
- At the December 2022 meeting, Board members learned about how Canadian cities are implementing the Task Force on Climate-related Financial Disclosure (TCFD) recommendations into their financial reporting.
- At the February 2023 meeting, Board members learned about the SEC’s proposed climate-related reporting rules and common themes from the 12K+ comment letters.
- From April – August 2023, the Board will receive education sessions on the climate-related executive orders and what agencies are reporting, A-136 required and recommended reporting, and the President’s budget.

Not sure how to account for or report on a climate-related event?

- Submit a technical inquiry to FASAB staff at Technical Inquiries – fasab.gov
 - (<https://fasab.gov/technical-inquiries-2/>)
- Staff will research and help answer questions about the application of existing standards to specific climate-related scenarios

How to Stay Informed

- Subscribe to FASAB Mailing List. E-mail Updates – fasab.gov
 - [\(https://fasab.gov/newsroom/listserv-signup/\)](https://fasab.gov/newsroom/listserv-signup/)
- Visit the FASAB Climate Project Page. Climate-Related Financial Reporting – fasab.gov
 - [\(https://fasab.gov/projects/active-projects/climate-impact-andk-risk-reporting/\)](https://fasab.gov/projects/active-projects/climate-impact-andk-risk-reporting/)

Poll Question #4

- Do you understand how to determine agency climate-related financial risks for financial reports as required by OMB Circular A-136?





Joe Thompson

Assistant Director, Natural Resources and Environment
Government Accountability Office (GAO)

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GAO'S MISSION AND ROLE



Source: GAO file photo. | www.gao.gov



Source: GAO file photo. | www.gao.gov

GAO'S HIGH RISK LIST



Source: GAO

Source: GAO analysis. | GAO-21-

Source: GAO analysis. | GAO-21-119SP

analysis. | GAO-21-119SP

Source: GAO analysis. | GAO-21-119SP

DISASTER RESILIENCE FRAMEWORK

Principle:		
<p>i Information</p> <p>Accessing information that is authoritative and understandable can help decision makers to identify current and future risk and the impact of risk-reduction strategies.</p> <p>Provide reliable and authoritative information about current and future risk</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> Enhance the validity and reliability of the disaster risk information produced? Generate and share additional information that would help decision makers understand their disaster risk? Reduce the complexity of and translate risk information for non-technical audiences? Help leverage and synthesize disaster risk information from other partners across agencies, governments, and sectors? Promote consensus around the reliability of the sources and methods that produce disaster risk information? <p>Improve the ability to assess alternatives to address risk</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> Help decision makers identify and select among disaster risk-reduction alternatives? Provide technical assistance to help build capacity of nonfederal partners? Contribute to an understanding of approaches for estimating returns on investment? Help decision makers identify and combine available funding sources and innovative methods for meeting disaster risk-reduction needs? <p>Strengthen the ability to assess status and report progress</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> Advance methodologies or processes to measure the current state of nationwide resilience? Promote monitoring of progress toward resilience on a programmatic basis? 	<p>Integration</p> <p>Integrated analysis and planning can help decision makers take coherent and coordinated resilience actions.</p> <p>Build an overarching strategic vision and goals</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> Help to establish overarching strategies that guide national resilience efforts? Ensure that resilience goals are incorporated into relevant national strategies? Prioritize resilience goals that reflect the most pressing resilience challenges? <p>Promote coordination across missions and sectors</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> Ensure consistent and complementary policies, procedures, and timing across relevant federal funding mechanisms? Convene stakeholders with different perspectives and interests to create whole systems solutions? Encourage governance mechanisms that foster coordination and integrated decision making within and across levels of government? Engage non-government partners in disaster risk reduction? <p>Recognize relationships among infrastructure and ecosystems</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> Promote better understanding and awareness of the interactions among infrastructure components and ecosystems in disaster resilience actions? Assist decision makers in determining what combination of ecosystem and built infrastructure solutions will best suit their needs within their constraints? Assist in ensuring that projects undertaken under different programs and by different actors do not conflict? Facilitate planning across jurisdictions and sectors to avoid or respond to cascading failure? 	<p>Incentives</p> <p>Incentives can help to make long-term, forward-looking risk-reduction investments more viable and attractive among competing priorities.</p> <p>Provide financial and nonfinancial incentives</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> Make risk-reduction measures more viable and attractive? Incorporate disaster risk-reduction measures in infrastructure and ecosystem management financial assistance? Require disaster risk-reduction measures for government-owned or -operated infrastructure and for federally funded projects? <p>Reduce disincentives</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> Alleviate unnecessary administrative burden? Streamline review processes? Improve program design to motivate risk-reduction actions?



October 2019

Disaster Resilience Framework

Principles for Analyzing Federal Efforts to Facilitate and Promote Resilience to Natural Disasters



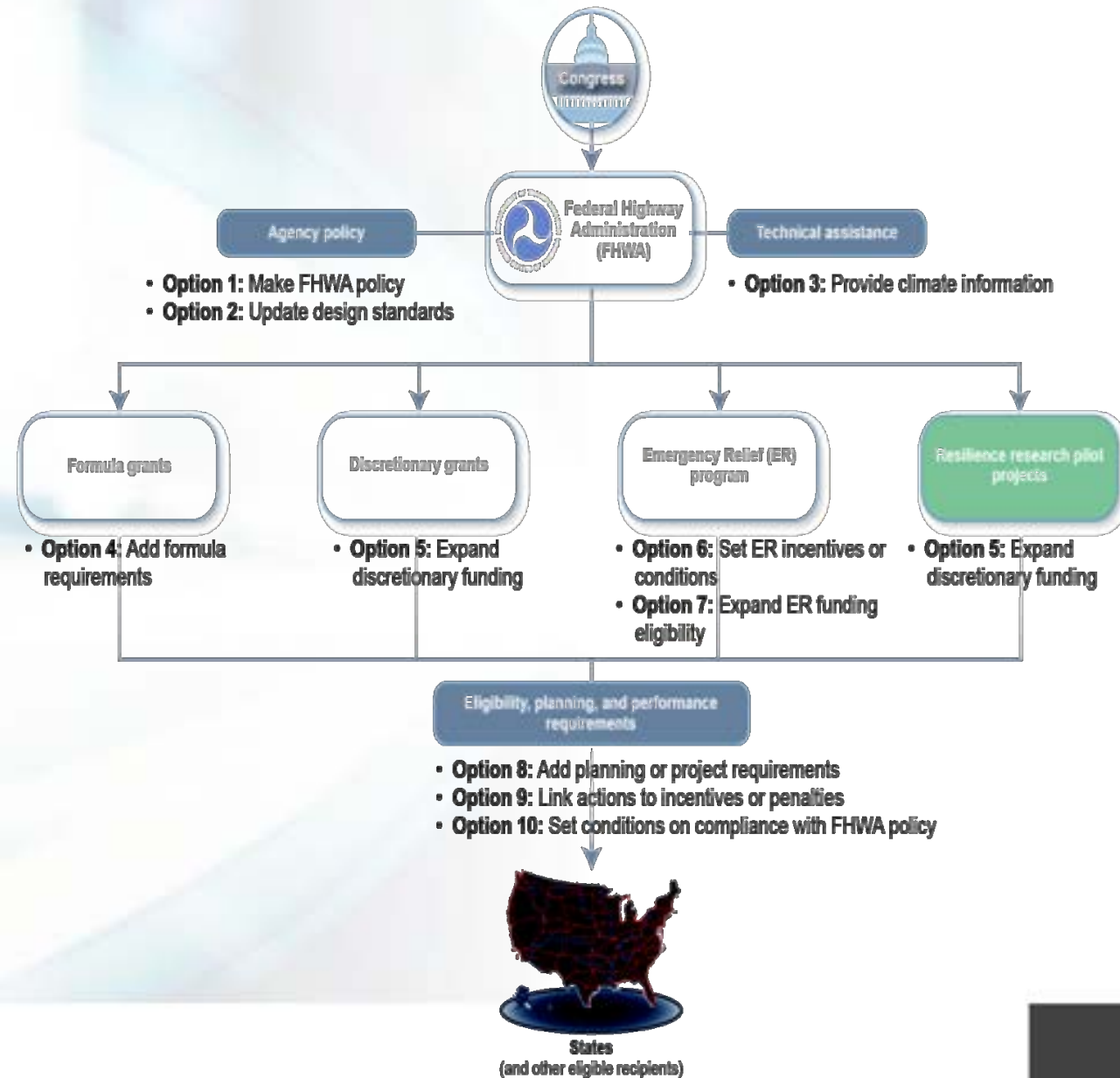
GAO-20-100SP

CLIMATE RESILIENCE

Options to Enhance the Resilience of Federally Funded Roads and Reduce Fiscal Exposure

Matter for Congressional Consideration:
 As Congress considers reauthorizing legislation for the federal-aid highway program, it should consider providing direction or authority to the Federal Highway Administration to implement one or more of the options to enhance the climate resilience of federally funded roads identified in this report. (Matter 1)

Recommendation for Executive Action:
 The Secretary of the U.S. Department of Transportation should consider how the Federal Highway Administration (FHWA) plans to implement options to enhance the climate resilience of federally funded roads, such as the options identified in this report, when prioritizing actions on climate change in policy-making, as called for in Executive Order 14008. (Recommendation 1)



Poll Question #5

- Please identify your #1 priority need when determining federal agency climate-related financial risks.



QUESTIONS?

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