February 9, 2022

Michael J. Hsu  
Acting Comptroller of the Currency  
400 7th St. SW  
Washington, DC 20219

Dear Acting Comptroller Hsu,

We are writing in response to your request for feedback on your draft Principles for Climate-Related Financial Risk Management for Large Banks (Docket ID OCC-2021-0023).

As a national consumer advocacy organization, the U.S. Public Interest Research Group (U.S. PIRG) is concerned about the impacts of climate change on the consumer.

The Intergovernmental Panel on Climate Change (IPCC)’s most recent report in August 2021 warned about the planet’s course toward global warming of 1.5°C and 2°C and the resulting extreme weather patterns, unless there are deep cuts to carbon dioxide and other greenhouse gas emissions. Avoiding these threats will require financial institutions and regulators taking them seriously.

We, therefore, commend the OCC for its framework to address climate change risks, including measuring and monitoring risks, collecting data, and considering disparate impacts.

Please find our rundown of climate change threats posed to consumers and solutions for mitigating those risks that we would like to see implemented, not just for large banks, but smaller banks too. We urge solutions that support and hold banks accountable for their responsibility to adequately respond to these risks.

**Ensuring reliable and fair products and services**

Operational resilience is critical for ensuring banks stay in business and continue to provide reliable services, including brick and mortar locations and disaster recovery loans, that many consumers depend on.

Regarding safety and soundness, simply put, consumers will be hurt if their banks go under due to climate related shocks. For example, there could be disruptions to consumers’ ability to get paid and pay their bills.

There are also other consumer financial protection considerations when looking at transition risks. We are concerned about a lack of access to affordable loans if banks increase their interest rates or pull their services from climate vulnerable areas altogether.
This raises outstanding questions for consumers: Will there be an increase in mortgage application denials? Will banks increase their interest rates in anticipation of demand for climate resiliency or natural disaster recovery loans, or in response to successive natural disasters? Who will be impacted? A September 2021 Environmental Protection Agency (EPA) report found that climate change not only affects all Americans but poses outsized risks to low-income people and people of color, who are more likely to live in areas projected to be impacted by climate change.

Banks should be required to collect data for the purpose of avoiding or addressing negative impacts to consumers. For example, changes in interest rates, loss of revenue from successive climate induced weather events, changes in product offerings and where products are sold, and disparate impacts should be monitored.

We encourage the OCC to work with other agencies to assess the needs of community-based banks and available resources to help consumers and communities prepare for and recover from extreme weather events in climate vulnerable communities.

Assessing these needs, however, needs to be coupled with slowing down and preventing these risks in the first place. While we recognize the vital role community-based banks play in helping people prepare for and recover from extreme weather events, the costs of climate change should not be offloaded onto consumers.

For example, we are aware that in a November 2021 report, the Federal Reserve Bank of New York concluded that weather disasters increase the demand for loans and therefore do not pose much of a risk to banks. However, that means the costs of climate induced weather are being offloaded onto the consumer, which is bad in and of itself. But it's also not sustainable. For instance, will banks be able to continue issuing home repair loans if the frequency of climate weather events increases and in turn causes customers to come back and apply for multiple loans?

**Mitigating risks by mitigating global warming**

Banks ultimately have a role and responsibility to help slow down or prevent the effects of climate change from extreme weather that could lead to financial, safety and soundness, and systemic risks.

In addition to the concerns over access to products and services discussed above, consumers face different types of potential risks, including loss of or damage to property, the loss of property value, and possible economic fallout from systemic shocks.

In its November 2020 financial stability report, the Federal Reserve brought up the example of increased storm surges from more intense and frequent hurricanes that accompany climate change that could decrease consumer home values and set off a chain reaction. According to
the same report, climate change increases the risks of economic uncertainty and financial shocks to the system.

Continued investments in financed emissions, which contribute to climate change and will suffer big losses as the world moves away from carbon energy, put individual financial institutions and our economy at risk. Banks should stop adding fuel to the fire and divest from greenhouse gas emissions that cause global warming. Every time a bank funds another project that keeps us locked into drilling for, mining for and burning fossil fuels, it just means more lives, homes and communities will be lost or damaged by extreme weather.

The Glasgow Financial Alliance for Net Zero (GFANZ), an international coalition of more than 450 banks, insurers, and other asset managers, was launched in April 2021. Coalition members, including nine U.S. banks, have committed to net-zero emissions by 2050. Corresponding with the 26th UN Climate Change Conference of the Parties (COP26), GFANZ members pledged $130 trillion toward a clean energy economy and their net-zero goal. However, the pledge does not include commitments to move away from financing fossil fuel emissions, which ultimately leaves the risks of those emissions unaddressed. While climate solutions are necessary, we can’t afford to let progress on the clean energy front be counteracted by continued fossil fuel emissions. Nor can we “offset” our way out of the problem.

Accountability is necessary, as demonstrated by six of the U.S. bank members of GFANZ investing $1.2 trillion in fossil fuels since the Paris Agreement in 2015.

Net-zero commitments by banks should be accompanied by measurable, science-based benchmarks, such as a 50% reduction in financed emissions by 2030.

Supporting projects that reverse climate change caused by global warming

The OCC is in a position to support community-based banks with helping businesses, communities, and consumers live more sustainably and mitigate the impacts of climate change. For example:

- We ask that you provide guidance and best practices that support and encourage loans for projects that fight global warming.
- Banks should be steered away from offering products that are marketed for their purported sustainability benefits but put consumers at risk.
- People should also be able to trust that green investment offerings are not greenwashed.

Thank you for addressing the climate financial risk issue and for considering our comments. We look forward to working with you to address the financial risks of climate change, implement the solutions, and support and hold banks accountable for adequately responding to these risks. Please feel free to reach out to Mike Litt at mlitt@pirg.org.
Sincerely,

Mike Litt
Consumer Campaign Director
U.S. Public Interest Research Group (U.S. PIRG)