**Climate and environmental risk analytics for resilient finance**

The aim of the CERAF programme is to establish a climate and environmental risk analytics capability and capacity in the UK that will:

* meet the specific needs of the financial services sector
* enhance the resilience of the financial system to the increasing impact of climate change.

Climate and environmental risks (CER) now exist at new levels of scale, likelihood and interconnectedness. Without robust information and effective management, global investment of capital is – and will increasingly be – exposed to these physical and transition risks. This results in inefficient allocation and high levels of stranded assets, and economic losses with severe consequences for economic growth and the value of savings and pensions.

To address this, financial services regulators and supervisors are demanding improved disclosure of climate and related risk. They are adopting measures including the G20 Financial Stability Board (FSB) Task Force for Climate-Related Financial Disclosures (TCFD) and the recently announced Bank of England stress test on the financial stability implications of climate change.

The [UK government green finance strategy](https://www.gov.uk/government/publications/green-finance-strategy) published in July 2019 references the role of CER analytics in ‘greening finance’ (through ensuring that financial risks from climate and environmental factors are integrated into mainstream financial decision-making) and supporting investment in green technologies and services.

In response, the overall vision for the Climate and Environmental Risk Analytics for Resilient Finance (CERAF) programme is to drive research and innovation to support a climate and environmental risk analytics capability and capacity in the UK. This would be aligned to the specific requirements of the financial services sector such as banks, insurers, asset managers, pension funds and ratings agencies. Programme outputs are expected to deliver information to make the financial system more resilient to the increasing impact of climate and environmental change and drive more sustainable investment of capital.

The programme objectives are to:

* deliver a step change in the provision and analysis of CER information for a specific set of use cases for financial services users (such as asset management, banking, pensions) that demonstrates impact from improved understanding and reporting of risk underpinned by robust science – for example, from improved quantification and disclosure and more effective and efficient allocation of capital
* develop common CER information, taxonomies, governance and reporting standards for use by financial services regulators and end users
* establish an institutional and infrastructural entity to manage the provision of open access CER data and analytics for commercial enterprises and public sector bodies to use that can continue beyond the programme funding term
* stimulate and accelerate an ecosystem of small, medium and large private sector enterprises to deliver analytics and reporting products and services using open-access CER information.

The programme is jointly funded by NERC and Innovate UK and comprises two stages:

* stage 1 involves a NERC single grant award to fund translational research and develop an open-access risk data and analytics information infrastructure, rather than novel climate or environmental science
* stage 2 will involve Innovate UK funding for SMEs and larger corporates to develop commercial CER analytics and reporting services that will generate and contextualise data, translating it into relevant information for the financial services sector.