Climate Change Financial Risk Act of 2025: U.S. Senate Legislation Introduced Directing the Federal Reserve to Address Financial Risks of Climate Change



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United States Senator Brian Schatz (Hawaii) has introduced legislation titled:

Climate Change Financial Risk Act of 2025 ("Act").

The Act directs the United States Federal Reserve to conduct stress tests on large financial institutions to measure their resilience to climate-related financial risks.

Senator Schatz argues in support of the Act:

- Climate change is increasing the frequency/severity of extreme weather events.
- Long-term climate patterns will ultimately affect every sector of the United States economy.
- Financial institutions face the risks of:
- Direct losses from severe weather events.
- Fundamental changes such as drought and sea level rise affecting property values.
- Market instability, and erosion of investor confidence, and changes in carbon-intensive asset values.

The Act requires that the Federal Reserve:

- Create climate change scenarios for financial stress tests.
- Conduct stress tests every two years on the largest financial institutions requiring each to create and update a resolution plan.
- Describe how the institution plans to evolve its capital planning, balance sheet, off-balance sheet exposures, and other business operations to respond to the most recent test results.
- Partner with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation to design a survey to assess the ability of a broader set of financial institutions to withstand climate risks.

A copy of the Act can be downloaded here.