

CONCEPT NOTE

Results of the Climate Scenario Analysis

6th May 2025

14:00 – 17:00

Bank of Mongolia Office

Context

Mongolia faces growing climate risks from both slow-onset and extreme weather events such as dzuds, droughts, and flooding. These hazards pose serious threats to agriculture, livestock, and infrastructure, leading to economic disruption and heightened inflation volatility. The transition to a low-carbon economy is essential to mitigate these risks and build a climate-resilient society. Integrating environmental, social, and governance (ESG) principles into Mongolia's financial system is a critical first step toward addressing these challenges and unlocking new opportunities for sustainable development.

Climate scenario analysis is a vital tool for understanding and managing long-term climate risks. As climate risk modeling becomes increasingly important for financial sector resilience, there is a growing need to strengthen capacity, establish clear strategies, and develop practical guidance on methodologies and forward-looking macroeconomic modeling that reflects the impacts of climate change on the financial system.

The Bank of Mongolia, in collaboration with ESCAP, conducted an assessment of climate risks to Mongolia's financial sector, focusing on key industries such as energy, agriculture, mining, and industry. The analysis, based on forward-looking climate scenarios, provided recommendations to strengthen climate risk management. Building on this, the Bank of Mongolia launched its first bottom-up Climate Scenario Analysis Exercise in October 2024, involving five systemically important banks and one voluntary participant—marking a pioneering step for Landlocked Developing Countries in integrating climate risk management into macroprudential supervision.

Objective

This workshop aims to present the findings of the Climate Scenario Analysis results on an aggregate financial system level. The sessions will inform the participants about credit risks to the Mongolian financial sector under three transition scenarios, including: credit risks from Dzuds, drought and floods and transition risks from financed emissions. The sessions will also dive deep into methodological challenges and differences in the processes followed, highlighting the gaps in capacities that should be addressed at the bank and the regulators' level. Banks' assessments of qualitative risks will also be discussed.

Audience

- Bank of Mongolia (relevant staff of the Monetary Policy Department and Banking Resolution and Policy Department)
- Risk management and sustainability representatives of banks (3 per participating bank)
- Representatives from non-participating banks (1 per bank)

- Mongolian Sustainable Finance Association (MSFA) and MoF
- Supporting National Agencies (NAMEM, NEMA, MET, GIZ)

Agenda

Time	Agenda
14 :00 – 14 :15	Opening Remarks <ul style="list-style-type: none"> • Ms. Urgamalsuvd Nanjid, Head of Monetary Policy & Forecasting Division, Bank of Mongolia • Ms. Subathirai Sivakumaran, Section Chief Macroeconomic Policy and Financing for Development, ESCAP
14 :15 – 14 :30	Session 1: Overview of the Climate Scenario Analysis <ul style="list-style-type: none"> • Deanna Morris, Economic Affairs Officer ESCAP
14 :30 – 15 :00	Session 2: Quantitative Assessment of Climate Change Related Risks <ul style="list-style-type: none"> • Anant Jha, Project Specialist Sustainable Finance, ESCAP
15 :00 – 15 :30	Coffee Break
15 :30 -16 :00	Session 3: Qualitative Assessment of Climate Change related risks <ul style="list-style-type: none"> • Anant Jha, Project Specialist Sustainable Finance, ESCAP
16 :00 -16 :30	Session 4: Experience Sharing by Banks <ul style="list-style-type: none"> • Anant Jha, Project Specialist Sustainable Finance, ESCAP
16 :30 – 16 :45	Session 5: Lessons learned and next steps <ul style="list-style-type: none"> • Ms. Urgamalsuvd Nanjid, Head of Monetary Policy & Forecasting Division
16 :45 – 17 :00	Closing Remarks Deanna Morris, Economic Affairs Officer ESCAP