

United States Senate

WASHINGTON, DC 20510

August 2, 2021

John E. Morton
Climate Counselor
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Counselor Morton:

We are writing to urge you to take swift and aggressive action to tackle the climate crisis, which is a major threat to our nation's health, security, and financial system. We are pleased that the U.S. Department of the Treasury (Treasury) has committed to addressing this serious issue by establishing a new Climate Hub.¹ As the new Climate Counselor, you have the unique responsibility of leading efforts to “[b]ring to bear the full force of the Treasury Department on domestic and international policymaking, leveraging finance and financial risk mitigation to confront the threat of climate change” and “coordinate and enhance existing climate-related activities by harnessing the tools, capabilities, and expertise from across the Department.”² We are seeking information on how you plan to fulfill this role in the months ahead, including how you intend to coordinate a strategy in response to President Biden's recent Executive Order, which directs Treasury to issue a report on how Financial Stability Oversight Council (FSOC) member agencies are integrating climate-related financial risk into their policies and programs.³

Secretary Yellen first announced her intention to appoint a “very senior-level” official to lead Treasury's climate efforts during her Senate confirmation hearing in January 2021.⁴ In April, the department announced that it was prioritizing a broad range of climate-related policies and that you would serve as the first Climate Counselor to lead a newly created Climate Hub as part of its new coordinated climate strategy.⁵ As described by Treasury, this climate policy strategy is to “support the Biden-Harris Administration's critical climate-related goals,”⁶ and includes the following outlined objectives:

¹ U.S. Department of the Treasury, “Treasury Announces Coordinated Climate Policy Strategy with new Treasury Climate Hub and Climate Counselor,” press release, April 19, 2021, <https://home.treasury.gov/news/press-releases/jy0134>.

² *Id.*

³ The White House, “Executive Order on Climate-Related Financial Risk,” May 20, 2021, <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/20/executive-order-on-climate-related-financial-risk/>.

⁴ Politico, “Yellen vows to set up Treasury team to focus on climate, in victory for advocates,” Zachary Warmbrodt, January 19, 2021, <https://www.politico.com/news/2021/01/19/yellen-treasury-department-climate-change-460408>.

⁵ U.S. Department of the Treasury, “Treasury Announces Coordinated Climate Policy Strategy with new Treasury Climate Hub and Climate Counselor,” press release, April 19, 2021, <https://home.treasury.gov/news/press-releases/jy0134>.

⁶ *Id.*

- Mobilizing financial resources for climate-friendly investments at home and abroad, and prioritizing the expedited transition of high-emitting sectors and industries;
- Leveraging economic and tax policies to support building climate-resilient infrastructure and ensuring the transition to a net-zero decarbonized economy;
- Ensuring that environmental justice considerations feature centrally in programs, policies, and activities given the disproportionate impacts that climate change has on disadvantaged communities;
- Ensuring that policies designed and implemented to assist with the transition to a lower-carbon economy are broadly just and equitable and support well-paying jobs;
- Helping household, businesses, workers, and investors analyze, stay informed about, and adapt to the economic and financial risks and opportunities associated with climate change;
- Promoting globally consistent approaches to climate-related financial risks; and
- Understanding and mitigating the risks that climate change poses to the stability of the U.S. and global financial system and economy.

Although the department anticipated “[moving] nimbly and efficiently in prioritizing climate action”⁷ through the Climate Hub, we have seen few reports of how the Hub is working to achieve these goals since your appointment. Given Treasury’s central role in coordinating financial regulatory activities and developing tax and economic policies, we are eager to learn about what steps the Climate Hub is taking to support the Biden administration’s “whole-of-government approach to climate change.”⁸

In particular, we are interested in learning about the role the Climate Hub will play in meeting President Biden’s Executive Order (EO) on climate-related financial risk, which was announced on May 20, 2021 and seeks “to advance consistent, clear, intelligible, comparable, and accurate disclosure of climate-related financial risk...to lead the global economy to a more prosperous and sustainable future.”⁹ Included within the EO is a section on assessing climate-related financial risk by financial regulators, which directs the Treasury Secretary (the chair of the FSOC) to engage with FSOC members and “[issue] a report to the President within 180 days of the date of this order on any efforts by FSOC member agencies to integrate consideration of climate-related financial risk in their policies and programs.”¹⁰ Given that FSOC is comprised of a mix of regulators – at both the federal and state levels – with potentially differing priorities,¹¹ it is imperative that you wield your leadership position in the Climate Hub to support FSOC’s efforts to align these financial regulators and implement strong guidelines to ensure that banks

⁷ *Id.*

⁸ *Id.*

⁹ The White House, “Executive Order on Climate-Related Financial Risk,” May 20, 2021, <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/05/20/executive-order-on-climate-related-financial-risk/>.

¹⁰ *Id.*

¹¹ U.S. Department of the Treasury, “Financial Stability Oversight Council,” accessed on July 22, 2021, <https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/fsoc>.

and financial institutions, which continue to finance risky fossil fuel investments,¹² are adequately prepared for climate-related disruptions.¹³

In her Senate confirmation hearing, Secretary Yellen referred to the climate crisis as an “existential threat”¹⁴ and described the “very real risks”¹⁵ and dangers this crisis poses to our country’s economic well-being. We are glad to see that Treasury is committed to exercising its unique responsibilities to develop and deploy economy-wide strategies to mitigate climate-related risks, and we look forward to working together to use every tool available, as quickly as we can. We urge you to develop and implement the bold and long overdue agenda that is necessary to facilitate the transition to a clean energy economy and combat the urgent climate crisis facing us.

In order to better understand how you plan to leverage your role as Climate Counselor to ensure that “Treasury is doing everything it can to respond to climate change while creating opportunities that strengthen our economy,”¹⁶ we ask that you provide answers to the following questions no later than August 16, 2021:

- 1) Please describe the role the Climate Hub is playing in helping Treasury meet the requirements of President Biden’s May 20th EO.
- 2) What actions are you taking to coordinate the financial regulators so that they are all aligned on climate risk, and what is your timeline for implementing these actions?
- 3) Have you provided guidance to the financial sector on how to assess environmental risks? If so, please explain what that guidance was and when it was issued.
- 4) In your view, what are the most significant challenges you foresee in developing and implementing a strong regulatory agenda to ensure the financial system is adequately prepared for climate-related disruptions?
- 5) Regarding the aforementioned policy goals outlined in Treasury’s climate strategy:
 - a) What is your timeline for implementing these goals?

¹² CNBC, “60 largest banks in the world have invested \$3.8 trillion in fossil fuels since the Paris Agreement,” Catherine Clifford, March 24, 2021, <https://www.cnbc.com/2021/03/24/how-much-the-largest-banks-have-invested-in-fossil-fuel-report.html>.

¹³ New York Times, “As Winter Sweeps the South, Fed Officials Focus on Climate Change,” Jeanna Smialek, February 18, 2021, <https://www.nytimes.com/2021/02/18/business/economy/federal-reserve-climate-change-banks.html>.

¹⁴ Politico, “Yellen vows to set up Treasury team to focus on climate, in victory for advocates,” Zachary Warmbrodt, January 19, 2021, <https://www.politico.com/news/2021/01/19/yellen-treasury-department-climate-change-460408>.

¹⁵ *Id.*

¹⁶ U.S. Department of the Treasury, “Treasury Announces Coordinated Climate Policy Strategy with new Treasury Climate Hub and Climate Counselor,” press release, April 19, 2021, <https://home.treasury.gov/news/press-releases/jy0134>.

b) Which of these do you plan on prioritizing and why?

Thank you for your attention to this important matter. We look forward to your response.

Sincerely,


Elizabeth Warren
United States Senator


Kirsten Gillibrand
United States Senator


Chris Van Hollen
United States Senator

CC:

The Honorable Janet Yellen, Secretary, U.S. Department of the Treasury