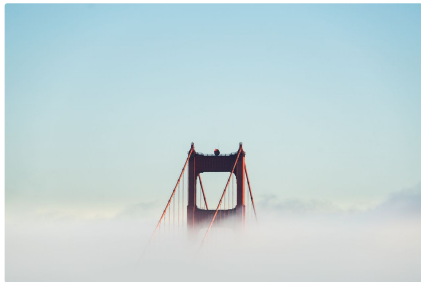


# Payment System Could Be Imperiled by Climate Risk, Says San Francisco Fed Chief

By [Leslie P. Norton](#) Nov. 8, 2019 2:05 pm ET



Photograph by Joshua Sortino

Mary Daly, president of the [Federal Reserve Bank of San Francisco](#), said in [opening remarks](#) Friday at the bank's conference on climate change that understanding climate risk is "essential to achieving [the Fed's] mission" to promote "a healthy, stable economy."

Daly cited risks to the payment system, in particular, including extreme weather events such as hurricanes or wildfires that destroy property and disrupt health care, education, and financial transactions. "Without power, electronic payments systems just don't work, so you need cash for everything. We think about this a lot in the [Fed's] 12th District," Daly said. "We manage the cash product for the entire Federal Reserve."

The San Francisco Fed oversees the U.S. central bank's cash distribution process.

The 12th Fed District includes the nine western states—Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington—plus American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. Of the 12 Federal Reserve Districts, the 12th District is the largest by geography and the size of its economy.

Daly also cited climate-related risks to the banking system's regulation. Fallout from global warming "can cause catastrophic losses to property and casualty insurers...and impacts bank customers, making it harder to satisfy loan obligations, which can stress bank balance sheets."

Moreover, climate change affects the ability of a central bank to promote full employment and price stability. "Increased warming has already hurt average output growth," said Daly.

The Economics of Climate Change is the first conference of its kind for the Fed. [Sessions include](#) Labor Supply in a Warmer World: The Impact of Climate Change on the Global Workforce; Long-Term Macroeconomic Effects of Climate Change: A Cross-Country Analysis; and On the Implications of Pollution for the Measurement of Output, Volatility, and the Natural Interest Rate.

The event was oversubscribed and will be [livestreamed during the day](#).

In a [letter to Congress](#) this year, Federal Reserve Chair Jerome Powell wrote that climate change has “the potential to inflict serious damage on the lives of individuals and families, devastate local economies (including financial institutions), and even temporarily affect national economic output and employment.”

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