Rolf Strauch in Bruegel podcast "Climate change, the next big financial threat"

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18/04/2024
Interviews
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ESM Chief Economist Rolf Strauch
Discussants Rebecca Christie and Stavros Zenios on 8th April 2024
Bruegel - The Brussels-based Economic Think Tank
Language: English
Publication date: 17 April 2021.

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Transcript:

Rebecca Christie: Hello, and welcome to the Sound of Economics, the podcast from Bruegel, the Brussels-based economic think tank.

I'm your host, Rebecca Christie, and I'm here today with Rolf Strauch, Chief Economist of the European Stability Mechanism in Luxembourg. We are joined by Stavros Zenios, who is also a fellow here at Bruegel. We are going to be talking about climate change and its implications for the global economy, and specifically, sovereign debt and risk management. Rolf, you recently wrote an op-ed talking about how climate change is one of the big mega trends that we're facing, and we, as a society in an economic community, need to be prepared to think about economic risk and how to consider even ensuring ourselves against some of these risks. How would you want to introduce people to this huge topic today?

Rolf Strauch: Well, let me first say, great to be here with you, Rebecca, and with you Stavros for us for this conversation. Now, climate risk is a big topic, obviously, and it's a global trend, as you said, and it will affect the euro area. I mean, in the language of the ESM, in language of economists, it's macro critical, right? So it will be something that affects the macroeconomy more broadly, and we have to be prepared for that. And, even though at this stage, at an early stage, maybe the impact doesn't seem so big, and there are some estimates it's about half a percentage point per year, it will become much bigger and it will carry significant risks. So, what can we do or how do we think about it? There is the point about a) we need to mitigate the impact of climate change, so that is the entire discussion on going towards net zero. And that will require huge investments, and those investments have to be done. Otherwise, the situation will become much worse. And there is the question about climate adaptation, because some warming will happen, and then we need to make sure that we have the economy prepared for this.

And to be able to cope with those risks. Now, you mentioned the question, what does it mean for people and how big are those risks? And here's the point what we have discussed and dealt with is the fact that nowadays, if you have a natural catastrophe, then what happens often is that people are unprepared. And if you look at the situation, actually, **there is a big insurance gap** that so far, only 30% of what can happen in terms of natural catastrophes in the current setting is insured, and two-thirds, basically not insured. So one of the questions that arises, if the climate impact becomes bigger, how can we address that gap? And here indeed, we need to get in the private sector, but as it turns out, the public sector may help with that. What we see in the private insurance market is actually a classical market failure. Insurance is too expensive or people underestimate the risk, and then when it actually happens, the government has to step in. And that, in a way, needs to be avoided. So we need to get to an affordable price so that people get insured, and then the government doesn't have to step in.

We have made a proposal for that. I'm happy to talk a bit more about the proposal when we go on in the discussion.

Rebecca: Excellent. Stavros, tell us about some of your work on this, and particularly how it interacts with government finances, because certainly in Europe, this is a constant concern, is how do we balance the books and also get done everything that needs to get done?

Stavros Zenios: I think it's important to recognise that climate change is a systemic risk. I'm very glad to hear the view of ESM, and nice to see you, Rolf, and be with him on this podcast. It's nice to see the attention paid by the European institutions like the ESM or like the European Central Bank on the issue, but also have to recognise that this is a systemic risk. So I'm not sure if it can be fully rely on private sectors in the financial market, in the insurance markets. We also have to understand that there are multiple risks that could materialise. And I want to echo what Rolf said, that in the short run, nothing seems to be major. Over the next 10 years, the impact seems to be small. But all the projections with various climate models seem to point out that within the next decade, we will start seeing increasingly stronger effects. And some of my work where we integrate some of the knowledge coming out of the climate science community, various integrated assessment models with debt sustainability analysis, the work we did with Rolf and his colleagues several years ago, putting these two pieces together , you see significant impacts within 10 years.

They start picking up with a 10-year horizon. And if you take one at a time, the impact may seem small, like transition risk. We find something like half a percent of GDP, but then you have the adverse effect from damages on the growth. That's another half a percent of GDP. Then you see some of the research discussing the effect of these risks on bond yields, and that's becoming another several basis points. So when you add them up together, there has been some literature on a sovereign debt climate doom loop. Like, there are big expenses. Now, I don't want to be alarmist, but it's important to understand these feedback mechanisms. If we don't act early to adapt for some of the damages, to develop the insurance markets that Rolf pointed out, and to recognise the importance of spending on transition, then things will become increasingly more difficult. Now, I've seen some of the interesting work from the Network for the Greening of the Financial System. They look at different transition mechanisms, orderly transition as a big working hypothesis, and disorderly transition. And a lot of studies are taking place. Can we deal with orderly or disorderly?

What is the cost? This is something I would like to see more attention from the fiscal authorities. We've seen lots of work on financial stability. Some of it, of course, is controversial, is discussed. Is European Central Bank doing too much on this issue? Are they doing something beyond their mandate? This is something to be discussed. But I would like to see also institutions that are responsible for fiscal stability, like the European Fiscal Board, the European Stability, the ESM, IMF, to pay more systematic attention to this issue along the of understanding what is going on. I was very happy, Rolf, to see your blog, seeing how much thought ESM put on this issue. I would like to see some more work from the fiscal stability authorities, require more disclosure and disclosure, transparency is good for the stability of the economies. So it's good to have this conversation on a very complex topic.

Rolf: If I may come in and follow up on what you said, Stavros, and pick up on this doom loop. We had in the past crisis, we had the bank sovereign doom loop. That was what we were concerned about. And what we came up with is basically a mechanism how the sector reinsures itself. And yes, then a common backstop. But that common backstop, the ESM, is meant to be fiscally neutral because we will be repaid, if ever we would come in, from the industry, from the banking sector, for any kind of support we give. And that is exactly the same idea that we think could help to close the insurance gap. Prices for insurance are too high because insurance companies want to be insured against extreme risks. So, we need a structure that covers the extreme risks for the individual company, for the individual insurance company, in order to make insurance affordable and more people can actually self-insure themselves. How can we get there? The insurance company has built up a fund, and then you have a backstop to that fund for extreme events. But eventually, that backstop could be paid back by the insurance industry as it is the same idea for the banking sector with the envisaged set up for the ESM under the new treaty.

So it's a very simple idea that you get in more private sector engagement by giving some risk insurance, but make sure that it's fiscally neutral. And in that regard, that structure would precisely help to avoid a doom loop situation and would help very much that what is currently the case, a catastrophe happens, and by default, the public sector has to step in just because the political cost of not helping is too big, that we cannot avoid it, and that is the socialisation of those costs. So I think it would be a real progress.

Rebecca: When you talk about the new treaty, do you mean the one that is almost about to pass that would allow the ESM also to become the backstop on bank resolution? Or do you mean a future new treaty that would be designed specifically with this climate rescue function in mind?

Rolf: The new treaty I talk about is the treaty that is currently, that is ratified by almost all countries and that we want to be in place. And that treaty would allow the ESM to be the common backstop to the Single Resolution Fund. And it's exactly the same setting that I said, we have created after the crisis, the structures in the banking sector: European supervision, European Resolution Authority, a European fund that supports resolution, and then a common backstop to that fund. That fund or that backstop, unfortunately, at this stage, is not yet functional because it still needs to be fully ratified by all countries. And the country missing is Italy. We hope that Italy will take that step when the parliamentary procedure allows. Now, this is the current setting for the banking sector. What I was saying is; there is a parallel that we thought of that could also work in the future to cover the insurance gap, because it also would be a structure that would avoid that the public sector is on the hook for the costs. But obviously, that's something for the future. This is not meant to be part of the current framework.

This would be to be discussed in a future setting. And I'm not even saying at this stage that ESM would have to be that backstop and it has to be that structure. There is a point that another institution could come up that would have to be seen in the future then.

Rebecca: Certainly the ESM has to reflect the priorities of the 20 Eurozone countries and any other countries that might join the Euro in the future. But just for my own clarity, is this new treaty something under which you could, with all the members' support, design this, or would you need another new treaty if you were to get involved in the future?

Rolf: That is a complex legal issue as well. We are not at this stage where we would be discussing this. For us, now, the priority is that the existing revised treaty that has been signed by all member states, that is supposed to become in place, that needs to become in place in order for the common backstop for the banking sector to be activated and be operational, that that is ratified.

Rebecca: Yeah, and that's super helpful and good to remember that what we're trying to do is advance the banking union, and this would be one more step to do that, to help the bank resolution system that the EU has put in place since the crisis get a little bit stronger. All that said, when we're doing some blue sky thinking, it is interesting to think about how the resources of the ESM could be used for this, because a climate backstop would have to be pretty big. Whether or not it's with one of these existing functions or if it's something that somebody else build, public finance would have to get involved somehow, right? Stavros, what scale of public money do we need and what giant ideas do we have for how it could come together?

Stavros: Let me add a dimension to what Rolf said. I mean, I agree with this notion of fiscal neutrality, of course, and it sounds very interesting the way they envision this insurance scheme. But I think, Rolf, there is an aspect to this climate debt doom loop that's different from the banking sovereign. There we found ways to decouple the two so there would not be so much intertwined. At a conceptual level, I have difficulty understanding how all possible climate risks could be decoupled from public finance. Like, damages, that I believe you are alluding to, that could be insured, the acute weather events. Conceptually, I could see how it works, and I find your discussion intriguing. But if you look at the long term, the chronic effects, like rising temperatures, reducing productivity. It's unavoidable in my mind that the public sector has to get involved. The transition to low-carbon economy, I believe that one we have to find ways to pay it by itself in the long run by raising productivity. Some of the work we are now doing, trying to introduce transition risk into debt sustainability analysis, we are asking the question, okay, we model the effect of transition risk on the sustainability.

Things may look reasonably bad, especially under a disorderly transition scenario. But if you ask the question, how much should productivity grow because of the transition? To pay back this debt, you find reasonable numbers. Half percent, 1 per cent productivity growth over a long horizon, from transition to green economy could pay for this. So transition, I believe, is something that countries should be able to handle. But the long term adverse effects from climate change, the chronic effects, I think it will need some coordination of resources because it's systemic risk. Also, the moral hazard issue is not there anymore in the following sense. The countries who may suffer more from climate change may be those who are least responsible for the effect. This is some of the discussion at the United Nations level. So I think this is an issue that we cannot avoid looking at public finances. I cannot see how they can be fiscally neutral with respect to climate change. And that's where I think we should be concerned a little bit, the fact that we had continuous hits. We had the global financial crisis, we had the Eurozone crisis, thanks to institutions like ESM, we managed to come out of it and move on.

Then we had the pandemic. There, the philosophy was a little bit different. They recognised it was a systemic thing. But the public debt is at high levels. There was a paper from the IMF a few days ago raising concerns about the new environment and creating risks to debt. It seems, at least my work, and I'm sure ESM follows it much more closely in the real economies, European economies, even if they have reasonably high debts, they don't seem to be at immediate risk from the current environment. But as the thedamages are coming in, there's need to spend more and more on mitigation and adaptation measures, I think this issue will come up. How much can the countries afford? Could the countries, at some level, work together? And that's where I believe... I don't have off the top of my head the numbers, what fraction...I mean, maybe 1,5 % of GDP I think I've seen global investments for transition over the next decade per annum. It's not trivial amounts that are expected. Europe seems to be lagging behind in having climate funds. So there are some challenges, I think, for public finance.

You have to build a fiscal space to be able to do these investments.

Rolf: I mean, Stavros, we were discussing, or I was mainly discussing the question, how we can cover this this insurance gap, right? So how we can deal with some natural catastrophes. And that's one specific aspect. But obviously, as we also said at the start, the overall issue is much, much broader. And I do absolutely see, as you see as well, that there is a need for public engagement beyond what we pointed just discussed on climate adaptation, climate mitigation. Now, my knowledge is the ballpark number that is in the room is €600 billion additional investment to have the transition, annually up to 2030, and then that amount would even increase. That has to be covered in order to get towards a net zero economy to comply with the climate objectives, targets that European countries have set themselves in order to prepare. I think, again, there's a big responsibility with the private sector to come in, and undoubtedly, the private sector will have to finance the bulk of that investment. But obviously, we also need the public sector. And we know that for the public sector, it's not only climate change, it's also aging that comes in that needs to be covered as additional cost.

So that is why we also think that actually the implementation of, the effective implementation of the economic governance review and the new fiscal framework that was set is critically important. And that we get public finances on the right track with a medium term orientation, with the creation of some fiscal buffers, but also not at the cost of investment. So because we need to keep investing in order to get the productivity growth that you mentioned, and in order to have the money for getting the transition right. I know this is a tough call, but I think at least the framework, as it's set up, sets some important incentives to get this going. Obviously, now the point is to really get it on the ground and have high-quality fiscal and structural programs that the countries need to come up with. And that would be the starting point.

Rebecca: It really does all come together, doesn't it? When we come back into the next section of our podcast, we'll talk more about the debt sustainability analysis that the ESM is doing and also that other actors are doing. Welcome back. I'm here with Ralph Strauch and Stavros Zenios. Stavros, you have worked a lot on debt sustainability and public finance. What are some principles for making sure that countries are taking care of their balance sheets and of their ability to borrow on markets when they face these huge needs for the transition and for bringing back growth and recovering from recent shocks? How do we do this?

Stavros: The first thing I would like to comment, Rebecca, is as we enter this new segment of debt sustainability analysis, is that the new fiscal rules of the European Commission and the Parliament agreed last January require member states to use debt sustainability analysis to come up with their short- and medium-term fiscal plans that Rolf mentioned just before we took the break. So it is a a very powerful tool that can be used, not only... We think debt sustainability analysis for a country that's about to go bankrupt. No, that's not the case anymore. It's an early warning system where things could go wrong. And now it brings me to your question. Countries should look at the multiple aspects of risk and how they interact together.

So the question at some level is simple. Is how much taxes can you bring in, which in a sense is a function of your growth? And what is your spending? You put these two pieces together and you balance the debt, the debt stays stable. But the effects on growth and the effects on public finance are subject to shocks from many different sources. And then the third variable, of course, is interest rates, the monetary policy.

How cheap or expensive is it to finance your debt. So these are the three aspects, and each one of them is affected in a non-trivial way and complex way by climate change. For example, the investments, the €600 billion that Rolf mentioned earlier. What is that going to do on the real interest rate? There are different estimates that rates will go up because of this demand for investment, or this investment will push rates down because of growth. But that's one channel it's going to affect. Then the effects of climate change on growth, which is the way for the sovereign to generate income, taxes. There, the picture is mostly negative. Acute climate events and chronic climate events adversely affect growth for most countries, some countries get to benefit. I mean, there is some interesting findings from the climate communities, the climate science, that some countries benefit from the climate change. And the third thing is the expenditure, which is a combination of the damages that are not insured. So I think it's great what the ESM is pushing to develop the insurance market, to relieve the pressure from public finance. It's the cost for adaptation. I hear discussions,

I believe the Prime Minister of France, a few weeks ago, talked about the private sector has to take mostly the adaptation cost. It's hard for me to see that happening, given that it's the systemic nature, happening fully. I'm fully supportive of the efforts to build the insurance market. But you have all these interacting factors, and I think it's important, the awareness. So let me repeat how happy I was to see the blog from the ESM, saying, look, here we are, we're responsible. Here's our mandate. And we think this mandate is an important issue. And so, doing the analysis and having disclosures is very important not only because transparency is good for stability, but because it forces the main actors at any level, from the regional and central governments, to European institutions, to the international institutions, to recognise that public finance is a part of the complex equation of climate risk.

Rebecca: Rolf, when you come back in, can you remind our listeners how the ESM complements what's happening at the European Commission? The ESM, of course, is managing rescue programs to five countries and has particular interest in how they manage their money so they can pay back these loans. But as I understand it, you're also looking at sustainability across the euro area, just to be ready, just to be prepared, just to keep an eye on things. Tell us what you're doing and how that works with what is happening at the other institutions.

Rolf: We as ESM, as a crisis resolution mechanism, we obviously are very interested in this aspect of debt sustainability, and we look at countries and their also capacity to manage crisis. In that context, for us, it plays a role as a lender, but at the same time, we obviously want to help countries to prevent crisis. And that is why we are looking more comprehensively at the euro area countries overall from a macro perspective. Now, in that here, we also have now to include the climate change aspect. And that is what we recently wrote about how we do it. And we actually see on how the risk is migrating from the private sector, the households, and the firms to the banking sector, and also to the public balance sheet. That is the framework at which we are looking and what risks the public sector can face in that. Well, if you look at the current situation, we have seen that European countries have come out the past two crisis surprisingly resilient, very resilient, also due to the policy measures that were taken. But we have higher debt in some countries, it was pointed out, and we have the long-term challenges, and that is what we now need to adjust to and what we have to deal with.

If you look at the debt sustainability monitor that was also published by the European Commission, yes, there are risks because some of the countries with no policy change may face increasing debt levels due to the interest rate growth differential due to ageing. And that has to be addressed. And that is why, and we have said a couple of times, governments need to be very conscious about the fiscal decisions that they take and how they use the fiscal space that is available and make the right choices on that fiscal space. I think with the Economic Governance Framework, there are a couple of important incentives set there that support that framework. There is a focus on debt, there is a focus on the medium-term, there is a focus on sustainability, and there are various mechanisms put in place that should ensure enforcement. There is a control account, there are safeguards built in there. Obviously, for making it all work, you need to have ownership and you need to have sufficient transparency. And that is the testing ground. But per se, I think the framework has actually some strengths to deal with that situation.

Stavros: I fully agree with the view of Rolf. And I think the challenge is the implementation of this new fiscal framework now under the new Commission. They will be implemented for the first time. There is some criticism that the new framework is not very much investment friendly when you have to look at the debt in a medium-term horizon. Even productive investments may be excluded. So there is some concern there. Some colleagues at Brueghel wrote about it. But in general, this is the implementation for the first time will be a challenge. We put the right parameters on the table. Now, I would like, if I could interject a little bit of a maybe a challenging suggestion, among friends. We've seen how the European Central Bank took this major undertaking to evaluate the effect of climate change on financial stability, and they did these major studies. This is something I would like some of the European institutions, I wouldn't name any specific name right now, to take a lead on this one. I mean, to recognise, I fully agree, not only, I fully respect the care of fiscal neutrality, but I fully agree with it. But having said this, I think it's important for someone to recognise that there is an European-wide fiscal stability issue under climate shocks.

And you should try to study it at a macro level and put out some analysis that will challenge people and also gradually reach the same level of recognition like the financial system did, the Network for the Greening of the Financial System, the task force for financial disclosure...I would like to see all this transposed to the public sector.

Rolf: Let me reassure you, Stavros, that actually this interaction is going on. So ESM, as I said, and as we now also made clear in this blog post, we are looking into the implications of climate change for fiscal sustainability. And we are in close contact also with the peer institutions, with the European Commission, but also the IMF. They are putting a lot of emphasis into that analysis. We are part of this Network for the Greening of the Financial System, which I find a wonderful exercise. It's a collective exercise, collective learning in trying to design scenarios about which we can all think that we can compare, that can be used as a basis for the analysis. I think we, as ESM, are part of this collective effort of the institutions to dig deeper into that issue. I'm very confident that you will be seeing the analysis that you are asking for.

Stavros: Very glad to hear this.

Rebecca: When we come back, we'll dig a little bit deeper into this idea of fiscal management for the future.

Stavros, you've mentioned fiscal neutrality a number of times. As I understand it, this is the idea that government financial action on climate issues shouldn't increase the deficit compared to what you would like the total to be anyway, that one needs to manage for a total amount of deficit and total amount of debt and that the climate just has to be wedged in there somehow. Is this because or do you think this could happen? Because countries think about the impact of climate as they plan the rest of their budgets? Do they need to make cuts to free up room to do climate stuff? How does fiscal neutrality look in practice? Can you say that again in different words?

Stavros: Well, I mean, first of all, I was referring mostly to the European-wide level. I see that the European institutions, whatever interventions they have, they have to be fiscal neutral. Otherwise, there will be transfer of funds, which is not part of the union.

Rebecca: So you mean the country money has to stay within the country where it's happening, as opposed to richer countries subsidising?

Stavros: Exactly. Now, that's the way I was referring to it. It doesn't mean I fully support it. Even if I come from a country that received the support and we had to to go through austerity, progress, etcetera. I supported in my country in those times that it's our responsibility. We should pay for the cost of our mistakes. And I think Rolf may have heard me saying this a few times. But when it comes to climate change, I have a somewhat different opinion like I had with the pandemic. It's a systemic risk. And some countries are not responsible. And even worse, some of the countries who are suffering may be less responsible than the problem. So it's unavoidable that we will have this discussion, I believe, at the European level, how much fiscal space is available and how much of it should be pooling of resources like a European Climate Fund. Again, with all the care not to have a free transfer of funds, but it's unavoidable. You have to deal with this issue. Now, at the more fundamental level, Rebecca, countries have to prioritise. There is limited fiscal space, and they have to prioritise.

Rolf brought up the issue of an aging population. Some of our colleagues at Bruegel said, given the other challenges, climate change may sound like a luxury issue. So this is a valid point. I don't think it's a luxury issue. I think it's a major challenge we have to deal, but what takes priority? The age of population, the climate change, inequalities? So, I don't have the answer to this. The important thing for academics like myself is to bring them up and try to document them with as much rigor and precision as we can and recognise that the political process has to deal with these trade offs.

Rebecca: Rolf, you sit at the intersection of the political process and research. So how do we get through this?

Rolf: Well, let me make a point here from my perspective. So, the way that the euro area has gained resilience over the past crises has essentially been also to a great extent by some form of risk sharing. We wanted that to be in the private sector, but here also the public sector has stepped in. The ESM, Next Generation EU, are also fundamentally institutions of European solidarity. Yes, countries have to repay us, but we have provided cheap financing, much cheaper financing that they would have gotten in the market. That created fiscal space. That was, if you wish, an element of solidarity. Next Generation EU clearly redistributive. So from that perspective, again, a big element of solidarity in that setting. And I think so some solidarity has taken place and has helped us to get resilience. And I would think that also forward-looking, we need to address that challenge that Stavros was mentioning in terms of having a common response to a common challenge. And we need to think about an efficient European financial architecture in that regard. In order to jointly whether...this global challenge that we see in the long run. How that will precisely look, we will still have to decide it. It's not yet decided. We know so far, and that is a priority, 'till '26, we have Next Generation EU running, and there is still a lot to be done in terms of Next Generation EU and promoting the climate agenda in that context. But as we go there, that discussion will be part and should be part of the next institutional cycle. ESMis part of a permanent financial European infrastructure, and we will be part of that picture as well within the mandate that we have. We will not be doing all types of investment projects, but we will be in charge of financial stability. That is our mandate. And in that context, try to deploy our instruments and make them efficient. And that is what we are discussing with member states.

Rebecca: As we close out this podcast, Stavros, do you have any final thoughts about the intersection between financial stability and climate change and then overall economic stability? This seems like the crux of the issue is climate is also a financial issue, and we have to be on top both of these to move forward successfully.

Stavros: Absolutely. I mean, if you look at the Paris Agreement that for the first time requested, the countries agreed to align the flow of funds with climate goals, I think it put the issue of financing center stage on the political debate on climate change. What I would like to add to this, and this was the point of my first Bruegel report, is that fiscal stability is also an important part of the equation because it's a systemic risk. Of course, you want to channel financial resources to deal with it and the markets and the insurance markets work efficiently, but unavoidably like in the case of the pandemic, I see the government having a big role. And I would like to see better understanding of the risk to fiscal stability, more analysis, which I think is coming, as Rolf pointed out, he promised it is coming, and also transparency to make everybody aware that this is an important issue for public finance. Thank you, Rebecca.

Rebecca: Rolf?

Rolf: From my perspective, I think it's very important that we have a good policy package forward-looking, that, we have discussed here climate change extensively, but I think overall, the package of addressing the main long-term challenges of Europe must fit, which is aging, geoeconomic fragmentation, and climate change. And the way of getting there is putting the different elements in the right place that come together. And for me, one of the critical starting points is also the single market. We need to get the single market work better on different aspects, finance, but also energy. With that, we can generate additional growth. We can generate additional productivity. That will give resources also to deal with the other issues. When we then on top have an efficient government framework that we have discussed before, it will help that those resources can be channeled into the right direction. And then as a third element, the supplementary part is the financial infrastructure of Europe to be effective with the different components, with the different actors, the Commission doing what they can, the EIB, the ESM as permanent institutions, doing their respective tasks. Then I think we also can have a good cooperation between European level and national level with an efficient division of labor.

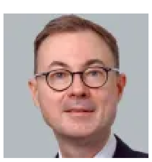
I think it's this package which will make it work.

Rebecca: Thank you so much for that. You've been listening to the Sound of Economics from Bruegel. We've been joined today by Rolf Strauch from the European Stability Mechanism. You can find the ESM's official writings on this on their website, esm.europa.eu. Rolf, also, I really have appreciated what you've done in newspaper columns, on LinkedIn in breaking down some of these concepts to make them more accessible to a wider audience. Our other guest today is Stavros Zenios, who is a non-resident fellow here at Bruegel. You can find his work at bruegel.org. I'm Rebecca Christie, Senior Fellow at Breugel. Thank you so much for joining us, and we hope to see you next time. Bye-bye.

Author

Rolf Strauch
Chief Economist and Management Board Member

Contacts



Cédric Crelo
Head of Communications and Chief Spokesperson
+352 260 962 205
c.crelo@esm.europa.eu

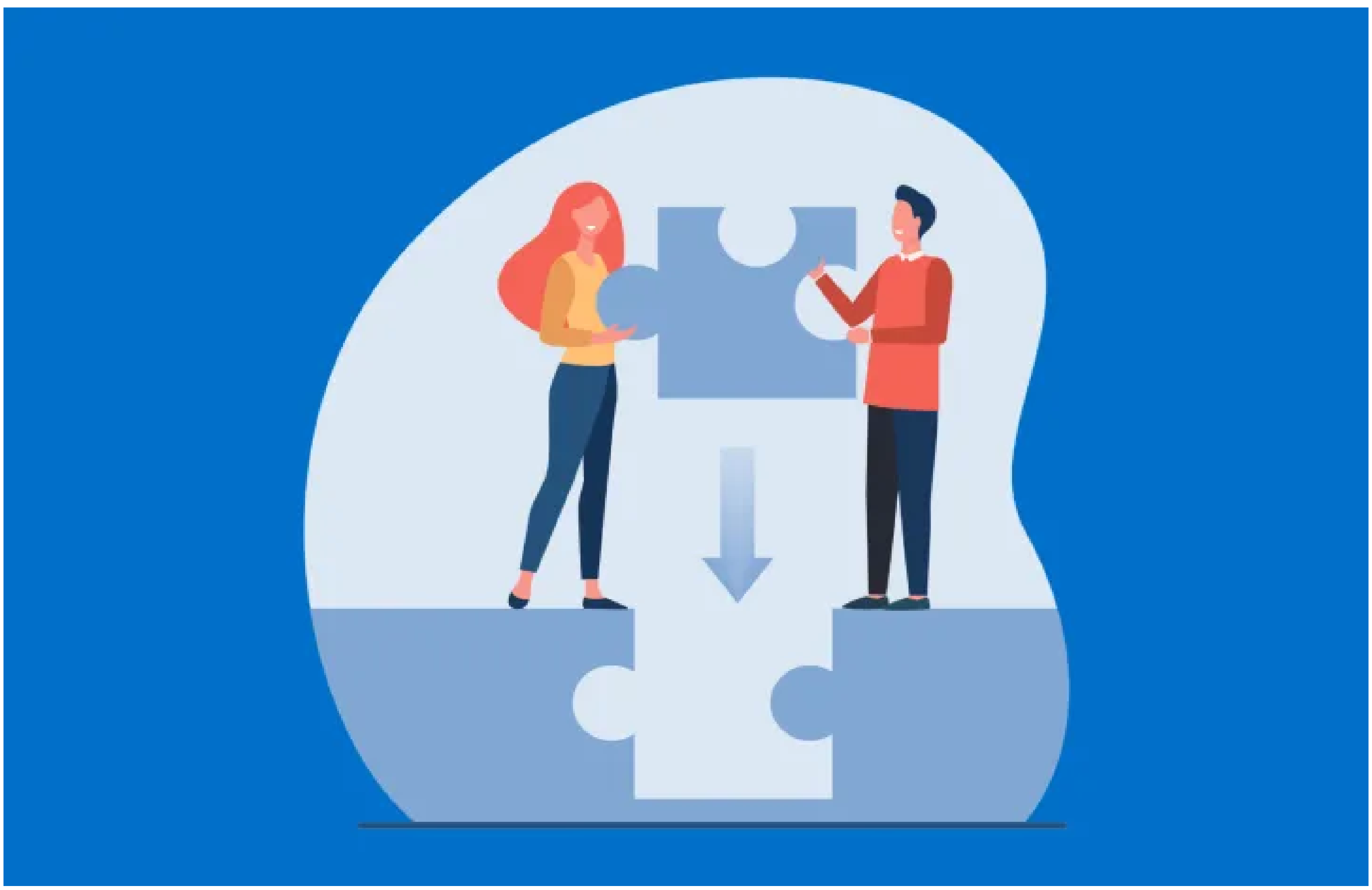
Anabela Reis
Deputy Head of Communications and Deputy Chief Spokesperson
+352 260 962 551
a.reis@esm.europa.eu

Juliana Dahl
Principal Speechwriter and Principal Spokesperson
+352 260 962 654
j.dahl@esm.europa.eu

06/11/2023

Bernhard Mayr

Mathias Skrutkowski



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Mind the gap – how a European risk-sharing scheme could bolster private insurance coverage of natural catastrophes

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