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Rethinking Climate Finance to Improve Infrastructure Resilience.

The impacts of a changing climate are no longer a hypothetical. Each year, extreme events such as hurricanes, droughts, fires, and freezes grow more frequent and more intense—destroying homes, disrupting businesses, and damaging the natural world along the way. Chronic challenges—including gradually rising temperatures, precipitation, and flooding—are adding even more stress. Minimizing and adapting to these impacts must be a priority for every unit of government and every sector of the economy.

Financial markets represent one of the most powerful ways to drive public and private action on climate resilience, as reflected in a May executive order from the Biden administration. The order calls for the Office of Management and Budget, the Department of the Treasury, and other federal agencies to better measure and address financial risks resulting from climate change.

The order’s core intent is for federal agencies and businesses—including financial service firms and insurance companies—to proactively account for and respond to climate risks, including the physical destruction of buildings and the disruption of business operations. Doing so can “promote the flow of capital toward climate-aligned investments and away from high-carbon investments,” as the White House said this April.

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