



Systemic Climate Risk Governance

A Proposed Mechanism for the Integrated Framework for European Climate Resilience and Risk Management

A joint submission by the Stockholm Environment Institute (SEI),
the Strategic Climate Risks Initiative (SCRI), Adaptation Without Borders (AWB) and RICKLE Research
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Executive Summary

This submission proposes a governance mechanism for systemic climate risk under the forthcoming Integrated Framework for European Climate Resilience and Risk Management. As per our initial submission¹, our definition of systemic climate risk includes transboundary, cascading and compounding climate risks. The mechanism operationalises the concept of risk ownership, already identified by the Commission as a central element of the Framework, through a structured three-lines model that assigns differentiated governance obligations to risk owners at EU, Member State and sectoral levels.

Systemic climate risks do not respect administrative borders or policy boundaries. They compound and interact with the risks that every DG across the Commission is mandated to manage. Climate-driven disruptions to global food production threaten the trade stability that DG TRADE works to maintain. Extreme weather events overwhelm the civil protection systems coordinated by DG ECHO. Climate-related asset revaluations and fiscal shocks fall on the financial systems overseen by DG ECFIN and DG FISMA. Energy infrastructure failures cascade across the interconnected grids that DG ENER regulates. Agricultural losses from compound drought and heat events undermine the food security objectives of DG AGRI. Many of these dynamics can evolve into cross-sectoral cascades: drought-related yield reductions of crops disrupt agricultural commodity supply chains, which leads to narrowed insurance coverage, which prompts tightening credit conditions, for example.

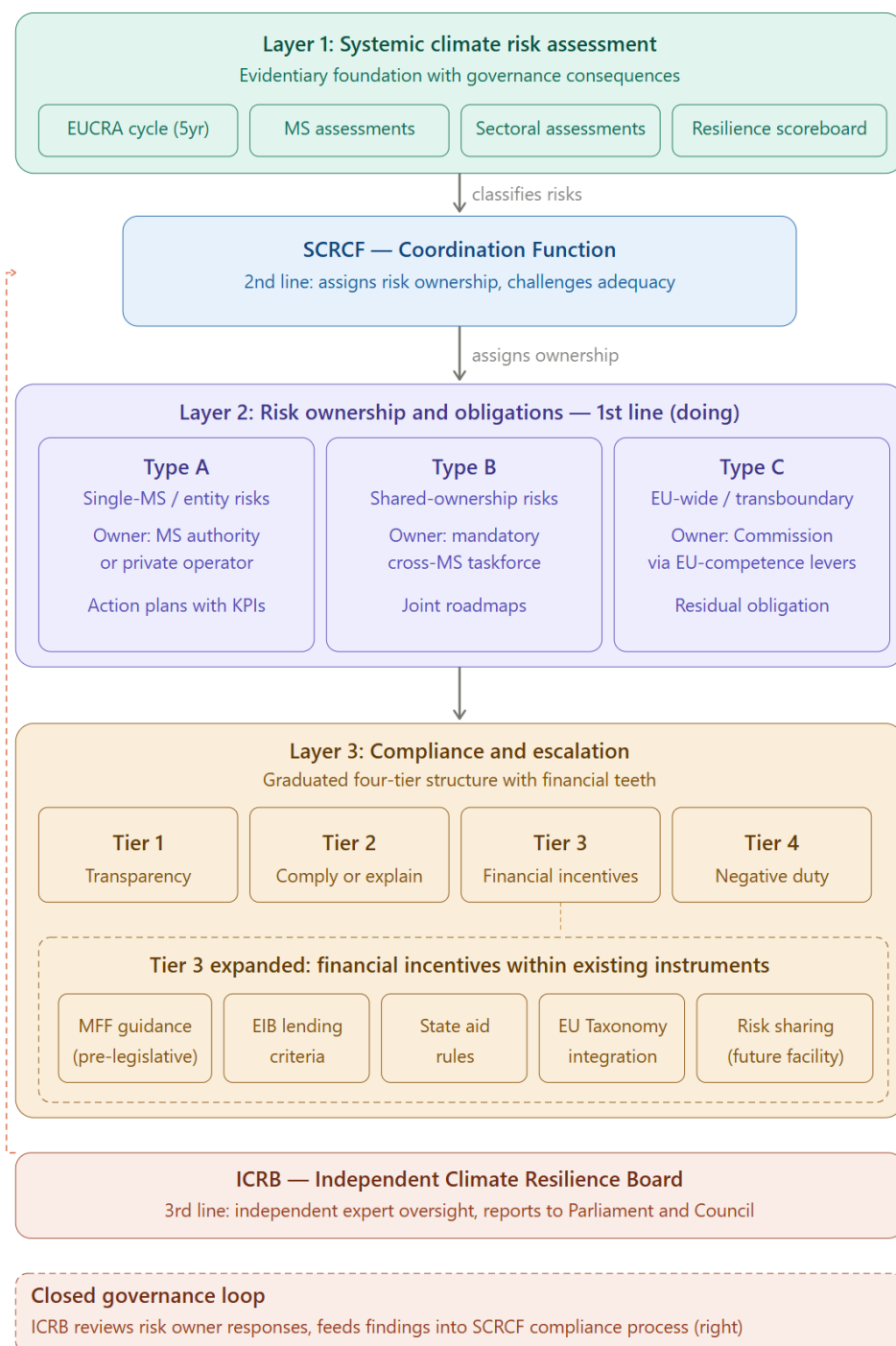
Collectively, systemic climate risks threaten the EU's top agendas – from the competitiveness of the Union to the security of European societies and the prosperity of the European economy. Many of the risks are transboundary in nature and originate outside of the EU, making external partnerships and investments in international climate resilience integral components of European resilience governance. The mechanism proposed here is designed to protect these equities by ensuring that systemic climate risks are identified, owned and managed before they cascade into crises that each DG must then respond to reactively, without sufficient capacity and at far greater cost.

The governance architecture rests on four layers, as described in the schematic below. The EU does not lack risk identification: the EU Climate Risk Assessment (EUCRA), the European Scientific Advisory Board on Climate Change (ESABCC) and a growing body of Horizon-funded research on systemic climate risks provide an increasingly robust evidence base. What the EU lacks is a governance mechanism to ensure that identified risks are owned, managed and subject to accountability. The four layers address this gap: (1) a systemic climate risk assessment process that formalises the existing EUCRA cycle and Member State assessments into a governance mechanism; (2) a risk ownership and obligations framework structured around the three-lines model of 'doing, checking and assuring'; (3) a graduated compliance and escalation mechanism; (4) financial incentives and disincentives that work within existing instruments rather than requiring new budget lines. We have adopted a deliberate hard/soft law design that ensures a decent proportion of the mechanism is deliverable even if legislation stalls.

The mechanism is served by two institutional bodies: a Systemic Climate Risk Coordination Function (SCRCF) within the Commission, and an expanded Independent Climate Resilience Board (ICRB) building on the existing European Scientific Advisory Board on Climate Change. We recommend a hybrid institutional placement model, with central ownership of the process at presidential or

¹ <https://www.sei.org/wp-content/uploads/2026/02/sei-eu-submission-on-systemic-climate-risks-final.pdf>

Secretariat-General level, DG CLIMA holding the substantive lead on the systemic climate risk assessment and risk classification, and a dedicated secretariat servicing a cross-DG coordination structure. The proposal is designed to build on and operationalise existing EU commitments — including the EUCRA, the ESABCC recommendations of February 2026, the Preparedness Union Strategy, and the Governance Regulation — rather than to duplicate or replace them. The ongoing revision of the Governance Regulation (2018/1999) provides a direct vehicle for embedding systemic climate risk reporting obligations into existing Member State planning and reporting cycles, reducing the legislative burden on the Integrated Framework itself. The proposal is framed to survive trilogue negotiation by anchoring core obligations in the legislation text itself, while offering soft law options which can deliver some impact absent this legal grounding.



1. Preface and Scope

This submission provides recommendations on how to implement EU systemic climate risk governance under the upcoming Integrated Framework for European Climate Resilience and Risk Management. The bulk of the submission assumes the Integrated Framework to be the focus and the vehicle, predominantly through utilisation of regulatory hard law but also specifying where soft law can either complement or act as an alternative to hard-law elements.

Building on existing commitments and the policy landscape

The submission has been developed to build on the Commission's existing commitments and the wider EU policy landscape, including: the European Climate Risk Assessment (EUCRA) published in March 2024; the recommendations of the European Scientific Advisory Board on Climate Change (ESABCC) of February 2026 on strengthening resilience to climate change; the Preparedness Union Strategy of March 2025; the 3°C common reference scenario announced by the Commission as a central planning benchmark; the concept of risk ownership already identified by the Commission as a core element of the forthcoming Framework; and the ongoing revision of the Governance Regulation (2018/1999) which provides a direct legislative vehicle for certain Member State assessment and reporting obligations proposed here. Our proposals are designed to operationalise these findings and commitments, not to duplicate or replace them.

Filling the gap in risk management and assurance

The central problem this submission addresses is not a deficit of risk identification. The EUCRA, the ESABCC, an evolving suite of Member State national risk assessments and a growing body of Horizon-funded research on systemic climate risks provide the EU with an increasingly robust evidence base on the nature, severity and trajectory of systemic climate risks. Rather, the gap is in risk management and assurance: the EU currently has no mechanism to ensure that identified risks are formally owned, that risk owners take adequate action and that the adequacy of that action is independently assured. This submission proposes such a mechanism.

2. Core Governance Architecture

The governance architecture rests on four layers, designed to make the most effective and proportionate use of regulation where soft law can complement hard law. This in itself is a risk mitigation measure in case legislative processes stall.

2.1 Layer 1: Systemic Climate Risk Assessment

The analytical risk assessment provides the evidentiary foundation for the governance mechanism. Critically, the primary purpose of this layer (Layer 1) is not to duplicate existing risk identification anchored within the EUCRA (see above), but rather formalise existing processes within a mandatory, cyclical process with governance consequences: to ensure that once risks are identified and assessed, they are classified, assigned to owners and subjected to the management and assurance obligations set out in Layers 2–4. The systemic climate risk assessment process builds on the existing EUCRA and the 3°C common reference scenario already announced by the Commission as part of the Integrated Framework, incorporating the analysis into a formal governance mechanism. The process should also align with, and bidirectionally input into/draw on, the EU-wide comprehensive risk and

threat assessment under the Preparedness Union strategy. The core elements are as follows.

The EUCRA

A mandatory EUCRA cycle, every five years and aligned with the Global Stocktake under the Paris Agreement, with each identified systemic risk classified using a standardised taxonomy.² Classification is a formal administrative act that triggers differentiated governance obligations under Layer 2. The EUCRA cycle should, as a minimum, use the 3°C common reference scenario as the baseline planning assumption, aligned with the ESABCC's recommendation to prepare for climate risks consistent with a pathway to 2.8–3.3°C of global warming by 2100. The EUCRA should, in addition, borrow from best practice in national security assessment, such as the UK's recent Nature Security Assessment,³ to ensure adequate engagement with plausible worst-case scenarios which may be neglected by other methodologies. Here in particular, we see opportunities for mutually beneficial alignment with the Preparedness Union's comprehensive risk and threat assessment, as well as the growing programme of work around hazards such as climate tipping points. The EUCRA would act as the central climate risk register for the EU.

Member State obligations

Complementing the EUCRA, a requirement should be established for Member States to incorporate systemic climate risks into their own climate risk assessments and mandatory national climate adaptation strategies. Member States should be required to report on systemic climate risks to the EU, with the Systemic Climate Risk Coordination Function (SCRCF, Section 3.1) and the Independent Climate Resilience Board (ICRB, Section 3.2) providing expert capacity in analysis and reporting to support Member States who require it. As we reiterate in Section 2.2, the EUCRA and Member State risk assessments are the analytic basis for governance decisions made by the SCRCF, but they do not assign risk ownership and management obligations themselves. This is to defend against accusations of technocratic overreach.

We recommend the legislation does not mandate a particular methodology for Member State risk assessments – due to concerns around overreach as well as differences in institutional capacity and unique geographical and economic contexts – but instead relies on the softer incentive of capacity support based on best practice. The mandatory component should exclusively extend to the assessment of systemic risks themselves, as defined in our previous policy submission.⁴ Member States should be encouraged to draw on the existing suite of EU and national disclosure and reporting tools and be free to adapt best practices around systemic climate risk assessments to their own contexts. *In other words, mandatory reporting on systemic climate risks should specify what must be reported and in what format, not how it must be assessed.* However, we would encourage the Commission, through the Coordination Function (SCRCF) and Resilience Board (ICRB), to develop guidance, offer proactive technical capacity support (following the positive example of support offered around CBAM implementation) and convene sessions between Member States to share and socialise best practice. This central support could also extend to fostering joint systemic climate risk assessments by neighbouring Member States, where there is demand.

² We recommend systemic risks are defined in line with the initial submission: <https://www.sei.org/wp-content/uploads/2026/02/sei-eu-submission-on-systemic-climate-risks-final.pdf>

³ <https://www.gov.uk/government/publications/nature-security-assessment-on-global-biodiversity-loss-ecosystem-collapse-and-national-security>

⁴ <https://www.sei.org/wp-content/uploads/2026/02/sei-eu-submission-on-systemic-climate-risks-final.pdf>

Article 5(4) of the Climate Law sets out that Member States must adopt and implement national adaptation strategies and plans that are based on robust climate change and vulnerability analyses, progress assessments and indicators, and be guided by the best available and most recent scientific evidence. Moreover, these plans and strategies shall be regularly updated and related information is to be submitted in accordance with Article 19(1) of the Governance Regulation. Part 1 of Annex VIII of the Governance Regulation sets out more detailed reporting requirements, namely the submission of "climate change projections, including weather extremes, climate-change impacts, assessment of climate vulnerability and risks and key climate hazards." The ongoing revision of the Governance Regulation presents a direct opportunity to embed the obligation to assess and report on systemic climate risks into this existing framework. We recommend that the revised Governance Regulation explicitly requires Member States to assess and report on systemic climate risks as a component of national energy and climate plans and progress reports, with a reporting format specified in sufficient detail to support the governance mechanism proposed in this submission. This approach is preferable to amending the Governance Regulation via the Integrated Framework legislation, as it reduces the legislative burden on the Framework and ensures that the reporting obligation is operational before or in parallel with the Framework's entry into force. Should the revision not incorporate these requirements, the Integrated Framework legislation should amend the Governance Regulation as a fallback.

Sectoral assessments

The mandating of meso-level risk assessments, for example in particular sectors, should be made on the basis of EUCRA or Member State assessments. These would be carried out by specific DGs and other relevant Services, with the support of the Resilience Board (ICRB). These risk assessments would similarly be fed into the Coordination Function (SCRCF) to assign ownership and action obligations in line with Section 2.2 below.

A Resilience Scoreboard

A public Resilience Scoreboard should be established to provide transparency and – when coupled with the incentive and disincentive structures outlined in section 2.4 – peer accountability. This should track comparative systemic adaptation progress at the Member State level with benchmarking, modelled on the European Semester Scoreboard with red/amber/green indicators per risk, per Member State. The scoreboard should be updated every three years to limit the administrative burden. Indicators could draw on quantitative data and explore supplementation with novel qualitative approaches.⁵ The Scoreboard should be specified in the legislation text itself to protect it from dilution, even though it could technically be delivered as a soft law instrument.

Soft law implementation: the Resilience Scoreboard and the capacity support function are both deliverable without legislation. The mandatory EUCRA cycle and formal risk classification require hard law.

2.2 Layer 2: Risk Ownership and Obligations — the Three-Lines Model

Through a structured three-lines model (adopted from the Institute of Internal Auditors report), this

⁵ See for example: <https://www.iddri.org/en/project/assessing-global-progress-climate-adaptation-gap-track>

layer specifies what ‘risk ownership’ means in practice for each category of risk.⁶ The three-lines model encompasses the following: the first-line (“doing”) assigns a risk owners’ role in managing the risk; the second-line (“checking”) provides for institutional oversight and coordination; the third-line (“assuring”) is a review function.

Formal assignment of risk ownership and mandating of governance response

The Coordination Function (SCRCF, Section 3.1) will draw on the EUCRA classification to formally assign risk owners and mandate a governance response. We recommend the Framework is not formulated such that the EUCRA itself generates binding governance obligations directly. Interposing the Coordination Function between risk assessment and obligation assignment insulates the process from accusations of technocratic overreach and ensures that risk ownership decisions carry political legitimacy. The Coordination Function will carry representation from a range of DGs, which will enable diverse perspectives to inform its risk assignment decisions.

The table below summarises the division of labour within the three-lines model across different risk types:

	A. Single-MS / single-entity risks	B. Shared-ownership risks	C. Emergent / EU-wide / transboundary risks ⁷
First line (doing)	Public entity: Member State competent authority or operator Private entity: relevant private-sector firm	Mandatory time-limited taskforce of relevant Member States/ stakeholders (public-private mix as required by the risk profile)	Commission itself, acting via EU-competence levers (trade, competition, internal market) for the system-level policy response; relevant DGs become first-line actors
Second line (checking)	Systemic Climate Risk Coordination Function – sets principles and minimum standards for assessment drawing on existing disclosure tools; challenges Member State action plans	Systemic Climate Risk Coordination Function – stress-tests taskforce plans for adequacy and coherence	Dedicated review function within the Coordination Function (necessary because Commission is both acting and setting frameworks; the challenge function must be structurally separated)
Third line (assuring)	Independent Climate Resilience Board – reviews whether Lines 1 & 2 are functioning; reports to Parliament and Council	Independent Climate Resilience Board – assesses whether taskforce process is producing adequate responses	Independent Climate Resilience Board – critical here because Commission is simultaneously first and second line; Board provides external accountability to Parliament and Council
Relationship to	Supplements adaptation	New instrument; partly	Draws on Preparedness

⁶ For more on the three lines model of risk management, see:

https://www.theiia.org/globalassets/site/content/articles/applying_the_three_lines_model_in_the_public_sector.pdf

⁷ By transboundary climate risk we refer to: (1) Countries exposed to the same risk, (2) A climate risk in one country cascading into one or more other countries, (3) A response to a climate risk in one country affecting one or more other countries

existing instruments	reporting under Article 19 of the Governance Regulation; systemic climate risk reporting obligations to be embedded in the ongoing Governance Regulation revision where possible, with Integrated Framework amendment as fallback	inspired by the cross-border cooperation under Governance Regulation Act. 12, extending this from energy and climate plans to systemic adaptation	Union Strategy architecture; novel enforcement element
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A. Single Member State / single-entity risks

Where a single entity can clearly be identified as a source of systemic vulnerability, such that they carry a singular obligation to act:

- Identified risk owners have a legal obligation to outline action plans with timelines, key performance indicators (KPIs) and support needs to address the risks. However, the mandate is agnostic as to where these plans are housed (e.g. within a National Risk Register, National Adaptation Plan or Strategy, or a dedicated publication).
- Action plans supplement rather than replace the climate adaptation reporting obligations under Article 19 of the Governance Regulation (2018/1999). If the ongoing revision of the Governance Regulation incorporates the systemic climate risk reporting obligations recommended in Section 2.1, the action plan requirement under the Integrated Framework would build on this pre-existing legal base rather than amending the Governance Regulation directly. Member States that already address identified systemic climate risks adequately within their plans and reports would satisfy the obligation. The purpose is to ensure that systemic climate risks are identified, assessed, disclosed and actively managed, not to create parallel-reporting bureaucracy.
- The second-line function – the Coordination Function (SCRCF) – sets the principles and minimum standards these plans must meet, drawing on the existing suite of EU and national disclosure and reporting tools, and formally assesses their adequacy.

B. Shared-ownership risks

Where multiple Member States or entities are identified as jointly contributing to or affected by a systemic vulnerability, such that they carry a joint obligation to act:

- The Coordination Function (SCRCF) convenes a time-limited taskforce of Member States and other relevant stakeholders to devise and implement joint solutions to manage the systemic risk. From then on, this group should self-organise, having agreed on its internal governance. This process could begin as voluntary (a softer on-ramp) before evolving into a mandatory obligation based on the EUCRA cycle: if a shared-ownership risk is identified in one cycle and the voluntary taskforce has not produced an adequate response (as assessed by the second-line function) by the next cycle, a mandatory taskforce is automatically triggered, with an obligation to report a roadmap and KPIs. Failure to do so opens liability to formal reprimand, ideally tied to the financial incentives outlined in Section 2.4.

C. Emergent, contested or EU-wide risks (including transboundary risks originating outside the EU)

- These trigger a residual Commission obligation to act via EU-competence levers (trade,

competition, internal market). As the Commission has simultaneous functions in the first-line (doing) and second-line (checking, via the SCRCF), the Resilience Board (ICRB) acts as an external check on Commission inaction or inadequacy. Should a central resilience function exist within the Secretariat-General, this body would be well placed to further hold the Commission and particular DGs to account. For category C risks, private-sector engagement requires particular attention given the scale of the obligations proposed. See Box 1 below.

- For transboundary risks originating outside the EU, the residual Commission obligation should be linked to external policy instruments, including NDICI-Global Europe, Global Gateway, trade agreements, Team Europe initiatives and regional investment platforms. Where EUCRA (or related assessments) identify systemic risks in third countries/regions with potential implications for EU resilience, the Coordination Function (SCRCF) should be able to request that DG INTPA, DG MENA, DG TRADE, the EEAS and relevant EU Delegations assess whether existing country, regional or thematic programmes are addressing those risks adequately. EU Delegations should act as first-line intelligence and coordination nodes (with adequate monitoring and evaluation processes): feeding partner-country risk analysis into the EU process and helping identify (1) where preventive adaptation and resilience investments could reduce future fiscal, humanitarian or security costs for the Union and (2) areas where existing external instruments can be used to invest in international climate resilience before risks cascade into Europe. Commission guidance should require Delegations to integrate systemic climate risk analysis into country and regional programming, Team Europe Initiatives and Global Gateway investment pipelines.

Box 1: Engaging the private sector

Where private-sector actors are identified as first-line actors for Type A or B risks (Type C risks, by their nature, do not have clear owners and so cannot ground private-sector risk ownership),⁸ this should be made explicit and align with the Critical Entities Resilience (CER) Directive (2022/2557). Multinational companies, financial institutions, critical infrastructure/service operators with interdependencies across countries and trade bodies operating critical supply chains are, in many systemic climate risks, the operational risk owners. The second-line function in such cases is the Commission (via the Coordination Function (SCRCF)), whose responsibility is to define the acceptable risk disclosure standards these actors must follow. The third line is the Resilience Board (ICRB).

The identification of critical sectors and treatment of private-sector firms within the proposed mechanism should strengthen the CER Directive by supporting a *systemic* approach to risk assessment and management, mandating additional coverage of systemic risks specifically to ensure that more subtle systemic risks are not overlooked as Member States harden their critical entities in line with the CER Directive. We recommend these obligations are created without prejudice to Directive (EU) 2022/2557 and folded into existing reporting under the CER – adding to, rather than replacing, the resilience obligations. While a further expansion from the demands of the CER Directive could be perceived to run counter to regulatory simplification and the Competitiveness Compass, it provides an important competitiveness and security benefit to firms. By demonstrating more robust systemic resilience, firms could gain a competitive advantage through lower insurance

⁸ This is not to say that private-sector organisations cannot be obligated in any way through Type C risk responses; however, these would arise from the actions of the Commission as ultimate risk owner

costs, better access to capital and reduced exposure to supply-chain disruption. We emphasise that this requirement would apply only to critical firms defined by the CER Directive, as opposed to those captured under the broader CSRD and CSDDD.

More specifically, systemic climate risk considerations could be integrated into the existing comprehensive risk assessments required by critical entities every four years as an additional request item in the Commission Guidelines and reporting template developed pursuant to Articles 5(5), 6(6) and 7(3) of Directive (EU) 2022/2557. Systemic climate risks could also be included as a cross-sectoral and cross-border concern for national-level CER strategies for the Directive, in coordination with the Critical Entities Resilience Group under DG HOME. Specific focus should be placed on EU-level investment and infrastructure projects of cross-border significance: the Trans-European Transportation Network (TEN-T) and Trans-European Networks for Energy (TEN-E), along with transnational financial infrastructure, for example.

In addition, a formalised public-private dialogue mechanism should provide a 'safe space' for firms to discuss emerging concerns between reporting cycles and receive unconditional expert support from the Commission in analysing and addressing systemic climate risks. As well as supporting firms as risk owners, this can also act as an intelligence function to support the Commission's governance of Type C risks. This is deliverable as soft law and could act as an alternative to mandatory reporting obligations if these prove politically infeasible.

Soft law implementation: the voluntary taskforce mechanism for Type B risks, and the public-private dialogue and external resilience programming guidance (for DG INTPA, DG MENA, EEAS and EU Delegations) for Type C risks, are all deliverable without legislation. The mandatory taskforce trigger for Type B risks, the individual Member State obligations for Type A risks, and the extended private-sector resilience obligations for Type C risks all require hard law, although soft law alternatives could be constructed for each of these.

2.3 Layer 3: Compliance and Escalation

A graduated four-tier compliance structure provides escalating consequences for inadequate action. The Resilience Board (ICRB) independently assesses the adequacy of risk-owner responses. Resilience Board findings feed into the Coordination Function (SCRCF), which triggers the relevant compliance tier. The Resilience Board then reviews whether the Coordination Function's actions were themselves adequate, creating a closed governance loop.

We note that this section is focused on substantive compliance, rather than procedural compliance in terms of transposition. The capacity-support functions specified for the SCRCF should include differentiated implementation support for Member States with capacity constraints, modelled on the CBAM implementation support referenced elsewhere in the document as an exemplar. Tiers 2 and 3 can be expanded to cover substantive non-compliance to supplement this support, as needed.

The four tiers are as follows:

Tier 1 (Transparency): Published roadmaps for alleviation of systemic climate risks by all actors assigned risk ownership obligations in Layer 2, with assessment by the Resilience Board (ICRB) to inform a formal adequacy judgement by the Coordination Function (SCRCF). An annual report to Parliament and Council, prepared by the SCRCF and ICRB, based on the European Semester model.

Public evaluation of EU-level adaptation, preparedness and resilience policy by the ICRB.

Tier 2 (Comply or explain): Initial escalation if the Layer 2 process of risk management fails. The Resilience Board (ICRB) assesses risk owners' responses, and publishes findings on their analysis, gaps and potential improvements. Based on this analysis, the Coordination Function (SCRCF) issues a formal judgement of adequacy and recommendations for revision. These are based on the ESRB model ('soft law') but should be anchored in the legislation. Risk owners whose responses are deemed inadequate must then comply with these recommendations within a certain time window or explain a lack of compliance. Inadequate explanations, as evaluated by the SCRCF, are reported to Parliament, Council, the ESRB and the ECB. ESRB/ECB reporting is particularly recommended to create a strong incentive through leveraging the power of market reactions to ESRB/ECB findings. However, the comply-or-explain mechanism should be designed to function without it and rely solely on the Parliamentary and Council reporting for accountability.

Tier 3 (Financial incentives): See Section 2.4.

Tier 4 (Negative duty on EU expenditure): Prohibit EU expenditure that creates or exacerbates systemic climate vulnerabilities, presented as a logical extension of the 'do no significant harm' principle already embedded in EU spending rules.⁹ We include this tier in full awareness that it is aspirational and to anchor the negotiation such that Tier 3 becomes the reasonable middle ground.

Soft law implementation: Tier 1 is fully deliverable without legislation. Tier 2 requires the legislation for its legal anchoring, but the ESRB model itself is soft law. Tiers 3–4 require hard law.

2.4 Layer 4: Financial Incentives

Financial incentives are essential to the mechanism. Obligations absent financial incentives risk being ignored or watered down to reporting exercises. Given that MFF negotiations are well advanced and the new MFF will likely be agreed before this legislation is adopted, direct hard conditionality on structural funds for this cycle is unrealistic. We propose instead a package of measures that work within existing instruments and anticipated future developments.

Shaping instruments still under negotiation

We recommend that colleagues within DG CLIMA, DG RTD and elsewhere intervene in MFF programming guidance to create hooks for the legislation. This is the essential precondition for incentive-backed obligations.

Instruments not requiring new budget lines

EIB lending criteria can be influenced through the next Climate Bank Roadmap (post-2030) and the Commission's strategic engagement with EIB governance bodies, which have already committed to Paris alignment and climate adaptation as core priorities. State aid guidelines can offer favourable conditions for resilience investment linked to risk assessment compliance.¹⁰ Existing external financing instruments, including NDICI–Global Europe, Global Gateway, EFSD+ guarantees and Team Europe Initiatives (and their potential new forms under the next MFF) could also be more systematically aligned with EUCRA-derived systemic risk assessments. This would allow the EU to use

⁹ For more detail, see: <https://www.sei.org/wp-content/uploads/2026/02/sei-eu-submission-on-systemic-climate-risks-final.pdf>

¹⁰ For more detail, refer to our initial submission: <https://www.sei.org/wp-content/uploads/2026/02/sei-eu-submission-on-systemic-climate-risks-final.pdf>

existing external investment portfolios and cooperation frameworks to strengthen resilience in strategically relevant partner regions to also build resilience in Europe – a case of ‘double dividends’.

EU Taxonomy integration

Risk classifications agreed under the governance process outlined above should inform what counts as “contributing to climate adaptation” under the EU Taxonomy Regulation. This creates a financial incentive for firms to pursue Taxonomy-aligned investments, which improve sustainability credentials and can also attract cheaper capital. Either legal provision could ensure coherence between the EUCRA risk classification and the Taxonomy’s technical screening criteria or the Commission could instruct the Platform on Sustainable Finance to take EUCRA risk classifications into account when advising on future updates to the technical screening criteria, without requiring legislation. This should be framed as replacing fragmented and inconsistent criteria with a coherent, systemic set of classifications. The argument is that this simplifies, not complicates, the Taxonomy landscape.

Macro-financial integration

EU and relevant sectoral risk assessments should be formally transmitted to the ESRB and ECB for incorporation into climate stress testing and macroprudential oversight. This provides the ESRB and ECB with a formalised evidence base, creating a channel through which systemic climate risk assessments can influence prudential oversight and market discipline. Tier 2 compliance (above), whereby published judgements of the Resilience Board (ICRB) of inadequate systemic climate risk management measures are also transmitted to the ESRB and ECB, strengthens market discipline before fiscal instruments are needed. A longer-term, aspirational goal (*not deliverable within this initial legislation*) should be for risk assessments to inform what counts as growth-enhancing or risk-reducing expenditure within fiscal surveillance, which would have significant implications for the Stability and Growth Pact.

Medium-term: a Climate Risk Sharing Facility

A further longer-term, aspirational goal is the creation of a climate risk sharing facility. While not deliverable within this initial legislation, we recommend that the legislation include a legal basis for this proposal; for example, a provision mandating the Commission to assess the feasibility of an EU-wide climate risk sharing facility within three years of entry into force. This could then ground a new legislative instrument at a later date to create such a facility. With access contingent on EUCRA-derived obligations, such a facility would be the strongest carrot in the mechanism. Climate impacts are already placing fiscal stress on Member States, and this stress will grow. Cascading climate risks mean this is no longer a simple North-South divide: extreme weather events are increasingly affecting northern Member States, and systemic risks such as potential disruption to Atlantic circulation patterns such as the AMOC would disproportionately affect Northern and Western Europe.

Soft law implementation: EIB steering, state aid guidance, and the Taxonomy integration via Platform instruction are all deliverable without legislation. The macro-financial transmission and the Risk Sharing Facility legal basis require the legislation.

2.5 Hard Law and Soft Law Design

The following table summarises the hard law/soft law character of each element:

Element	Hard law required	Soft law implementation	Notes
Mandatory EUCRA cycle with governance consequences	✓		Core of mechanism
Standardised risk classification (formal admin act)	✓		
Resilience Scoreboard		✓	Recommend anchoring in legislation for protection
MS reporting on systemic climate risks	✓		Supplements Governance Regulation
Capacity support and methodology guidance		✓ ¹¹	
Risk ownership assignment by Coordination Function	✓		
Single-MS action plans with KPIs	✓		
Mandatory taskforce trigger	✓		Voluntary version is soft law
Voluntary taskforce mechanism		✓	
Private sector disclosure obligation	✓		
Public-private dialogue mechanism		✓	
Comply-or-explain recommendations (ESRB model)	Partial	Partial	Anchoring in legislation needed; ESRB model itself is soft law
ESRB/ECB transmission	✓		Defend but design to function without
Negative duty on EU expenditure	✓		Aspiration anchor for negotiation
EIB lending criteria steering		✓	Via Climate Bank Roadmap
State aid guidance		✓	
Taxonomy integration		Partial	Can instruct Platform without legislation
Risk Sharing Facility legal basis	✓		Initial assessment only
Regional risk observatories		✓	
Independent Climate Resilience Board expansion	✓		Amending European Climate Law

¹¹ This could be done by soft law, but some regulations – e.g. CBAM Article 12 – specifically require the Commission to assist and support the competent authorities, coordinate their activities by supporting the exchange of, and issuing of guidelines on, best practices, and promote an adequate exchange of information and cooperation.

3. Institutional Architecture

The governance mechanism is served by two institutional bodies, corresponding to the second and third lines of the three-lines model. This section describes their functions, composition and form. The question of where within the Commission architecture these bodies should sit is addressed separately in Section 4.

3.1 The Systemic Climate Risk Coordination Function (SCRCF)

Value proposition

Systemic climate risk is, as the name suggests, systemic; it will touch essentially every EU policy area, every DG, every Member State in some way. System properties also create the potential for cascades and spillovers: what may appear optimal for one sector, DG or Member State may reduce the resilience of the EU system as a whole. Policymakers at the Commission and Member State level must therefore be able to apply a systems lens to prioritise adaptation and resilience policies and solutions that deliver system-wide benefits and co-benefits, while managing policy trade-offs and avoiding incoherence. This requires visibility across the different geographic and sectoral areas of the EU and Commission, and the further ability to meaningfully coordinate across these.

Functions

The Coordination Function (SCRCF) operates as the second line across all three risk-ownership categories. It both synthesises expert analysis to assign risk ownership and challenges the adequacy of first-line responses. These are complementary rather than conflicting roles: assignment is an administrative act (based on EUCRA classification and other expert analysis), while adequacy challenge is an ongoing oversight function.

Composition

While more detail is given in Section 4, we note that the Coordination Function should be comprised of representatives of a range of the DGs for which systemic climate risks are most significant, to ensure oversight and legitimacy.

General functions:

- Synthesising expert analysis on risks and responses to assign legally backed and governance-relevant risk ownership, grounding obligations for action by risk owners at both Commission and Member State level. This synthesis function is the critical mechanism by which scientific risk assessment such as the EUCRA is translated into governance obligations. It is the bridge between the systemic climate risk assessment process (Layer 1) and the compliance architecture (Layer 3).
- Synthesising expert analysis to trigger the transparency reports and comply-or-explain recommendations as detailed in Section 2.3. The Coordination Function (SCRCF) has the authority both to set the criteria for triggering these mechanisms and to activate them on the basis of Resilience Board (ICRB) assessments. This dual role – standard-setting and adequacy challenge – is essential to the function’s effectiveness.
- Feeding into the design and implementation of relevant EU strategy and policy; for example, the EU Adaptation Strategy and implementation of the Preparedness Union Strategy.

Commission-facing functions:

- Setting DGs tasks of risk assessments and response planning; maintaining oversight over such plans and reports; screening for risks of concern to the Union; and instructing DGs on

risk management on this basis. For example, the following DGs could be represented in or subject to the Coordination Function's (SCRCF's) oversight: CLIMA, ECHO, ECFIN, HOME, TRADE, INTPA, AGRI, ENER, MOVE, GROW, EEAS and FISMA, with JRC and EEA providing technical support.¹²

- Given the transboundary nature of systemic climate risks, DG INTPA, DG MENA and the EEAS should play a particularly important role in integrating systemic climate risk considerations into external partnerships, regional cooperation frameworks and investment portfolios. Many risks affecting European resilience – including disruptions to food systems, migration pressures, supply-chain vulnerabilities and climate-related instability – originate or cascade through partner countries and neighbouring regions. External action instruments should therefore be treated as core components of the EU's systemic climate resilience architecture, rather than as parallel or downstream policy domains.
- Maintain an EU-level Structured Dialogue on Systemic Climate Risks and Climate Resilience composed of relevant DGs in the Coordination Function (SCRCF) to ensure coherence and alignment across DGs. Issue-specific dialogues can originate from this, engaging DGs based on their competencies and areas of focus (e.g. a dialogue on systemic climate resilience for critical infrastructure would involve DG HOME and MOVE). Updates from structured dialogues can be filtered down to the EU Committee of Permanent Representatives (COREPER) to mainstream systemic climate risk considerations at the national level.
- Setting best practice on risk analysis across the Commission through the development of common principles, minimum standards and guidance that draw on the existing suite of EU and national disclosure and reporting tools. This approach respects Member State and DG-level discretion while ensuring a baseline of analytical rigour and comparability across the Commission.
- Liaising with other systemic resilience bodies and functions within the Commission to ensure systemic climate resilience is central to Europe's wider preparedness and resilience strategy.

Member State-facing functions:

- Supporting Member States in delivering their own systemic climate risk governance obligations, through capacity building and knowledge brokering.
- Supporting groups of Member States, when requested, in delivering and/or evaluating joint transboundary climate risk assessments for shared risks and cross-border risk ownership.

3.2 The Independent Climate Resilience Board (ICRB)

Value proposition

The Resilience Board (ICRB) operates as the third line of assurance in the three-lines model. Its core purpose is to provide independent, expert oversight that ensures accountability and alignment with

¹² We here acknowledge the balancing act of a composition which is expansive enough to address the systemic and cross-sectoral nature of systemic climate risks, while not triggering resistance or creating an entity with unwieldy governance. This list should thus be taken as indicative, with Commission colleagues trusted to propose a final scope and structure based on their judgement of functional need and feasibility. However, we recommend it includes a balance of internally and externally focused DGs: given the exogenous nature of systemic climate risks (i.e. with many risks originating from beyond the Union), the latter must act in more than a consultative role but rather as operational actors within the governance architecture.

frontier knowledge. The third line is structurally essential because the Commission, as both policymaker and (in the case of Category C risks) first-line actor, cannot credibly assure the efficacy of its own actions. The Resilience Board provides external accountability to Parliament and Council that is independent of the Commission.

Functions

- Independently assessing the EU's adaptation and resilience policies and actions for their ability to provide systemic resilience.
- Reviewing whether risk owners across all three categories are meeting their obligations.
- Publishing findings directly to Parliament and Council.
- Supporting the Coordination Function (SCRCF) in providing capacity support to national competent authorities in Member States who lack capacity.

Assessments feed directly into the compliance tiers (Section 2.3): Resilience Board (ICRB) findings are used by the Coordination Function (SCRCF) to trigger transparency reports and comply-or-explain recommendations. This creates a closed governance loop: the Resilience Board assesses, the Coordination Function acts on the assessment, and the Resilience Board subsequently reviews whether the Coordination Function's actions were adequate.

Composition

External multidisciplinary experts; for example, from climate and earth systems science, ecosystem science, risk governance, economics and finance, international security and health. Internal experts from the JRC and EEA.

Form

We recommend expanding and strengthening the remit of the ESABCC, rather than establishing an entirely new entity. The ESABCC was established by the European Climate Law in 2021 and already provides independent advice and evaluations to all three EU institutions. However, its current mandate is limited to advisory functions without enforcement hooks. Expanding the ESABCC — and potentially bringing it outside of the EEA to strengthen its independence — would give it the authority to feed directly into the compliance tiers outlined in Section 2.3. This is politically easier than creating a new body, builds on established institutional credibility and avoids the proliferation of advisory bodies that the simplification agenda resists.

Appointed by Parliament and Council on Commission nomination, to ensure independence.

Secretariat support from the Coordination Function (SCRCF) (whichever institutional home is chosen, per Section 4).

Precedents

The UK Climate Change Committee (CCC) is a comparable functional model, but with stronger enforcement hooks via the compliance tiers. The CCC's weakness is that the UK government can ignore its advice; here, Resilience Board (ICRB) findings feed directly into the Coordination Function's (SCRCF's) process of allocating formal governance obligations. CERAC is a similar European model with more power than the CCC providing another analogy. The ESRB model provides the precedent for the reporting and recommendation architecture. The existing ESABCC provides the institutional base to build on.

4. Recommended Institutional Placement

We recommend a hybrid institutional placement model (Option 4 in Annex A). Alternative options are set out in Annex A.

We make this recommendation in knowledge that any upcoming legislation cannot itself designate the institutional placement of any functions created. The legislation can create the analytical obligations, the compliance tiers and the ICRB expansion. The SCRCF's institutional home would need to be established separately, either through the Commission's Large Scale Review or through a Commission implementing decision. The legislation should include a provision requiring the Commission to designate an SCRCF and specify its minimum competences, without prescribing its precise institutional form. The suggestion below should thus be taken to advise internal Commission negotiations, not as substantive content for a proposal.

4.1 The Hybrid Model

The governance process requires both climate-specific analytical expertise and cross-Commission political authority. The hybrid model combines these by anchoring the systemic climate risk assessment and secretariat function for the SCRCF in DG CLIMA, while locating governance authority at a higher and more central level that can compel cross-DG action. This also opens broader cooperation opportunities, for example with the upcoming EU competence centre on climate change, defence and security.

If a central resilience function is established at SG level or in a similarly central location (a scenario we consider plausible), the Coordination Function (SCRCF) should operate as its climate-specific arm. DG CLIMA hosts the secretariat and coordinates the risk assessment process (Layer 1), while governance decisions such as risk ownership assignment and escalation triggers (Layers 2 and 3) are taken under the authority of the central function. The SCRCF's cross-DG composition ensures that climate-specific expertise from relevant DGs drives these decisions, while the central function's mandate ensures they carry institutional weight. Under such an arrangement we recommend that the SCRCF should have standing input into the Commission's annual management and performance cycle. The Resilience Board (ICRB) remains fully external as the third-line assurance body.

Advantages

This model balances political feasibility, mandate strength and climate focus. The secretariat model avoids the need for a full new body while still creating a named, accountable function. Central ownership ensures the mechanism has sufficient authority to coordinate across DGs, while DG CLIMA's substantive lead ensures that climate science and adaptation expertise drive the risk assessment process. Our rationale is that locating the risk ownership assignment function outside DG CLIMA is essential for cross-DG legitimacy and accountability. The hybrid model ensures that when the SCRCF assigns risk ownership to DG AGRI for agricultural climate risks, or to DG ECFIN for fiscal climate risks, the assignment carries the authority of a cross-Commission process rather than a unilateral DG CLIMA decision. Without this, the risk ownership architecture is unlikely to gain traction.

Locating the systemic climate risk governance function at or close to Secretariat-General level may also become increasingly important in the light of current MFF discussions regarding stronger annual prioritisation, performance steering and political reallocation mechanisms. This would ensure

continuity, cross-DG coordination and sustained political ownership across changing annual priorities related to the evolving governance dynamics of the next MFF. The governance mechanism should also be sufficiently anchored institutionally – at Secretariat-General level, with assurance from DG BUDG – to withstand shifts in short-term political priorities and annual programming cycles.

Limitations

We recognise the significant authority invested in non-climate actors to manage climate risks within this model. Any institutional arrangement at this level is further vulnerable to changes in political leadership, as a new Commission President could restructure or deprioritise the function. This vulnerability applies to all institutional options, though it is most acute for SG-level bodies.

Precedents

The UK Cabinet Office Resilience Directorate; the French SGPE (General Secretariat for Ecological Planning) under the Prime Minister; the CBAM implementation model (Commission support to national competent authorities where capacity gaps have bloc-wide implications).

4.2 Contingent Recommendation

If no such central function materialises, or it appears that such a function's form or mandate risks downplaying systemic climate risk compared to broader risks, the SCRCF should be established as a standalone cross-DG body with a secretariat hosted by DG CLIMA, and its governance mandate anchored directly in the legislation. This preserves climate focus but relies on the legislation's legal obligations rather than institutional hierarchy to compel DG action. This option is akin to 2b listed in Annex A.

Annex A: Alternative Institutional Placement Options

The following options were considered in developing the recommendation in Section 4.

Option 1: Task Force in the Secretariat-General

Mirrors the Competitiveness Task Force. This model differs from the hybrid model recommended in that there is no distinctive climate arm, and thus no discrete SCRCF which interfaces with a wider body within the SG's office. All these functions are instead carried out directly within a single Task Force in the SG's office. There are two versions of this option: one where systemic climate risk governance is undertaken by a generalised Systemic Risk and Resilience Task Force (1a) and the other where a climate-specific Task Force is established within the SG's office (1b). We discuss both below.

Advantages: strong authority and priority signal. Politically feasible in the current moment and speaks to the resilience agenda. Potential to capture wider systemic and transboundary dynamics.

Limitations: vulnerable to political discontinuity. Without a direct presidential reporting line, the SG option loses its core advantage over others.

1a. Systemic Risk and Resilience Task Force (General)

Containing representatives from a number of DGs (at minimum: CLIMA, ECHO, TRADE, GROW, FISMA, ECFIN, INTPA, and EEAS, with JRC, Eurostat, BUDG, REFORM, HOME, ENER, MOVE and AGRI as appropriate) but with heavy climate weighting.

Advantages: the creation of a broader resilience function is politically feasible (driven by defence and security concerns) with a strategic opportunity for DG CLIMA to shape this emerging agenda rather than stand apart from it (ensuring that climate is integral to EU resilience governance, rather than excluded from it). Opportunity to coordinate with the upcoming EU competence centre on climate change, defence and security.

Limitations: risk of climate change being crowded out, subsumed or instrumentalised for defence related objectives only. May not be judged to fall within scope of a climate-orientated proposal such as the Integrated Framework (so may receive pushback during internal negotiations).

1b. Systemic Climate Risk and Resilience Task Force

Advantages: avoids the crowding-out risk. Best enables systemic adaptation to be propagated.

Limitations: it may be hard for DG CLIMA to make a strong case for the value proposition of a Task Force with such expansive scope based merely on climate-related justification. Strong buy-in from all other DGs dealing with systemic risks may be challenging to attain.

Option 2: Reinforced Coordination Under DG CLIMA

2a. A DG CLIMA led cross-DG working group

Advantages: lower institutional resistance, retains climate centrality and fits cleanly within a climate-framed piece of legislation.

Limitations: other DGs may be hard to motivate/compel to act. A cross-DG working group will likely lack authority to enforce policy or compel legislative action.

2b. A coordinating body led by a small number of DGs, such as DG CLIMA, DG ECFIN and DG ECHO

Advantages: greater political clout, without requiring presidential-level political enforcement. A combination of climate (CLIMA), fiscal (ECFIN) and civil protection (ECHO) mandates gives the body cross-cutting credibility. More resilient to changes in political leadership than an SG-level function.

Limitations: coordination among even a small number of DGs can be slow and subject to inter-service politics. The lead DG question becomes politically fraught. May still lack the authority to compel action from DGs not represented in the body.

Annex B: Example Specifications for Legislation Text

Below we include an example set of specifications for the regulation text. While we have constructed these in line with what we judge to be plausible and useful, they are intended to indicate the types of elements we recommend are specified in the regulation text, rather than delegated so as to avoid dilution as per Section 1.

The legislation should specify that each designated risk owner for all Category A and C risks shall, within 30 months of risk-ownership assignment¹³, publish an action plan containing at minimum: (i) a description of the systemic climate risk as classified under the EUCRA cycle and/or other relevant risk assessment (e.g. national risk assessment), and the risk owner's assessment of its severity, trajectory and interaction with other identified risks; (ii) a set of measurable objectives for risk reduction or resilience-building, with quantified KPIs and defined baselines; (iii) a time-bound roadmap of specific actions, with interim milestones at intervals of no more than 24 months; (iv) an assessment of financial and institutional capacity needs, identifying where EU-level or cross-border support is required; (v) an account of how the plan interacts with and complements existing national adaptation plans, sectoral strategies and obligations under the Governance Regulation; and (vi) a description of how the risk owner will monitor and report on implementation progress. For shared-ownership risks (Category B), the joint taskforce plan is initially optional but becomes mandatory if not initiated and implemented by the next EUCRA cycle. This plan shall additionally specify the division of responsibilities among participating actors and the governance arrangements for the taskforce itself.

The legislation should specify that the ICRB shall assess action plans against the following minimum criteria: (i) scientific adequacy – whether the plan's risk assessment is consistent with the EUCRA classification and the 3°C common reference scenario or other state-of-the-art scientific assessment and analysis; (ii) ambition – whether the stated objectives, if achieved, would materially reduce the identified systemic climate risk or build sufficient resilience to absorb or manage it; (iii) specificity – whether the KPIs are measurable, the milestones are time-bound and the actions are concrete rather than aspirational; (iv) coherence – whether the plan avoids creating or exacerbating systemic vulnerabilities elsewhere, including in other Member States or sectors; (v) feasibility – whether the plan is realistic given available resources, and whether capacity gaps have been identified with proposed solutions; and (vi) alignment – whether the plan is consistent with the EU Adaptation Strategy, relevant sectoral legislation and the risk owner's existing obligations under the Governance Regulation¹⁴. The SCRCF shall then, on the basis of this assessment and its own additional analysis where appropriate, issue a formal judgement of adequacy. To close the governance loop, the ICRB shall separately assess whether the SCRCF's adequacy assessments are themselves rigorous and consistent.

The legislation should specify that the Commission shall publish a Resilience Scoreboard every three years which: (i) covers all systemic climate risks identified in the most recent EUCRA cycle and

¹³ After the inaugural risk assignment under the regulation, risk owners will be afforded 36 months and additional support by the Commission in acknowledgement of the learning requirement of the new process.

¹⁴ Other Decisions and Directives may also prove relevant, such as Decision No 1313/2013/EU on a Union Civil Protection Mechanism, Directive 2007/60/EC on the assessment and management of flood risks and Directive 2022/2557/EU on the resilience of critical entities

Member State assessments; (ii) provides a comparative assessment of each Member State's progress in addressing risks for which it has been assigned ownership, using a standardised rating system (e.g. red/amber/green, modelled on the European Semester Scoreboard); (iii) includes indicators for each of the following dimensions: existence and quality of the action plan, progress against stated KPIs and milestones, evidence of risk reduction, adequacy of institutional and financial capacity, and coherence with EU-level objectives; (iv) identifies risks where progress is insufficient and flags these for potential escalation under the compliance tiers (Section 2.3); and (v) is based on data reported by risk owners and independently verified by the ICRB. The Scoreboard shall be transmitted to Parliament, the Council, the ESRB and the ECB simultaneously with publication.