

Opening Statement of Chairman Sheldon Whitehouse
Senate Committee on the Budget
“Risky Business: How Climate Change is Changing Insurance Markets”
March 22, 2023

Ranking Member Grassley, colleagues,

We are here today for the fourth Committee hearing examining the budgetary perils associated with climate change. Today, we focus on the danger to the National Flood Insurance Program and private insurers, and on the impact that climate-related natural disasters will have on insurance markets. As we’ve heard already, and will hear again today, climate disruptions upset insurance markets, which in turn upsets mortgage and housing markets. As we have heard, and will hear again, sea level rise and wildfire risk can upset property markets so profoundly as to cause systemic economic damage across the whole economy, similar to what we lived through in 2008. You won’t have to have property in flood zones or wildfire country to feel the pain.

I hear colleagues’ say that the true long-term budget crisis affecting our country is debt and deficits. Let’s have that conversation. The President’s budget would reduce deficits by almost \$3 trillion, while adding at least 25 years of solvency to the Medicare trust fund. House Republicans want to add \$3 trillion to the debt, by extending the Trump tax cuts for the rich. Let’s have that debate.

But let’s not pretend that economic shocks don’t affect the budget. The 2008 mortgage meltdown added \$5 trillion to the national debt, primarily due to decreased revenues. Covid added another \$5 trillion. In both crises we were warned, failed to act in time to head them off, and were engulfed. Today, those trillions of added ‘shock debt’ amount to 40 percent of our total national debt.

And let’s not pretend that global climate disruption won’t create economic shocks. Warnings abound of what rising seas, droughts, floods, and wildfires will do to American families and businesses, and to our economy. This is the point: if you’re serious about debt and deficits, you have to be serious about climate change.

The Intergovernmental Panel on Climate Change, the scientists charged with synthesizing the latest science on climate change, a group cited favorably by previous Republican witnesses here, released its latest report Monday, warning of severe risks to agriculture, infrastructure, public health, and coastal and flood-prone communities. The report states:

“Climate change is a threat to human well-being and planetary health. There is a rapidly closing window of opportunity to secure a livable and sustainable future for all. [...] The choices and actions implemented in this decade will have impacts now and for thousands of years.”

That’s a pretty clear warning — impacts for thousands of years. For our children’s children’s children’s children’s children’s children, and on and on into the future. I ask you: why are we here, if not to try and leave our nation and our planet better off for future generations? We have the chance now to bend the arc of history – of geophysical history, of economic history, of national security history – towards a more livable, prosperous future for generations.

The Economic Report of the President also came out Monday. Just like we've heard in these hearings, it warns that climate change threatens volatile and cascading economic instability. Here's a relevant part:

“Certain financial instruments – such as insurance contracts ... and mortgages – that directly or indirectly price weather-related risks are ... highly exposed to climate change. Rapid changes in asset prices or reassessments of the risks in response to a shifting climate could produce volatility and cascading instability in financial markets ... [P]roperty insurance against catastrophic natural hazards is at the forefront of climate change risk exposure and is already showing signs of strain....”

These latest reports echo statements made by the Treasury Secretary earlier this month. She declared:

“[C]limate change will likely become a source of shocks to the financial system in the coming years. As climate change intensifies, natural disasters and warming temperatures can lead to declines in asset values that could cascade through the financial system. And a delayed and disorderly transition to a net-zero economy can lead to shocks to the financial system as well. [...]n response to rising insured losses, some insurers are raising rates or even pulling back from high-risk areas. This has potentially devastating consequences for homeowners and their property values. Developments like these can spill over to other parts of our interconnected financial system.”

I know there are powerful interests that don't want these hearings to happen, that want to change the subject, that want you to ignore the warnings from scientists, from economists, from financial institutions, from government. Those powerful polluter interests want you to listen instead to their noise and nonsense – the denial, the delay, the obstruction, the obfuscation – that for far too long has halted a bipartisan defense against the climate threat. It's time to choose. What we do here now will not just have impacts for thousands of years, it will be remembered for thousands of years. We might do well to consider how we would like to be remembered, because that moment of choice is upon us.