



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB and climate change

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Topics to cover today

- 1 Our climate change activities
- 2 ECB Climate change centre (CCC)
- 3 Challenges and other considerations



1.

Our climate change activities

Monetary policy, economic analysis, financial stability and banking supervision

Our objectives for addressing climate change

Economic analysis

Ensure that **climate change and mitigation policies are accounted for** in its macroeconomic models, staff projections and risk assessments, and will assess their **impact on monetary policy** transmission

Banking supervision

Ensure that supervised institutions **proactively incorporate climate-related and environmental risks** into their business strategies and their governance and risk management frameworks, in order to **mitigate and disclose** such risks.

Monetary policy

Including climate change considerations in monetary policy operations in the areas of disclosure, risk assessment, collateral framework and corporate sector asset purchases

Financial stability

Identify, measure and assess the **risks posed to the financial system by climate change**, also to inform public debate, market participants and policy makers



Looking back: some highlights since June 2021



Monetary policy & economic analysis

Progress on our monetary policy **climate roadmap** is **on track**



Financial stability

Our **economy-wide climate stress test** showed that the short-term costs of the green transition are more than compensated by its long-term benefits



Banking supervision

Our large-scale **assessment of banks' climate risk management** showed that most banks do not meet supervisory expectations in this regard



Climate change centre (CCC)

The CCC was launched to **shape and steer the ECB's climate strategy**

Looking ahead: coming up in 2022 (1)

Monetary policy climate roadmap milestones, including:

- ✓ **Macroeconomic projections:** introducing assumptions on carbon pricing and evaluating the impact of climate-related fiscal policies (*end 2022*)
- ✓ **Corporate sector purchase programme:** developing proposals to adapt the CSPP framework to include climate change considerations in the CSPP (*mid 2022*) adaptation (*end 2022*)
- ✓ **Eurosystem balance sheet:** executing pilot climate stress test (*end 2022*)
- ✓ **Collateral framework:** reviewing valuation and risk controls to ensure climate change risks are reflected in our collateral framework + assessing financial innovation related to environmental sustainability (*mid 2022*)
- ✓ **Disclosures:** designing the operational and legal preparations to introduce disclosures requirements for private sector assets in the collateral framework and asset purchases (*end 2022*)
- ✓ **Statistical data:** developing indicators on green financial instruments, portfolio exposures of financial institutions to physical risks, and carbon footprint of financial institution portfolios (*end 2022*)

Looking ahead: coming up in 2022 (2)



Financial stability

Improved and regular assessment of **exposures of the financial system** to climate-related risk



Banking supervision

Completion of **supervisory climate risk stress test**

Thematic review of banks' climate strategies and governance and risk management frameworks

On-site inspections

Follow-up by Joint Supervisory Teams on banks' disclosure practices and **adherence to supervisory expectations** laid down in the related ECB Guide

Feedback to banks and report on **climate-related risk disclosures**



2.

ECB Climate change centre (CCC)

ECB climate change centre: main functions



ECB climate change centre: structure

Executive Board

Climate change centre

10 team members, 6 workstreams:

Financial stability & prudential policy*

Financial market operations and risk

Macroeconomic analysis & monetary policy

EU policy and financial regulation

Data

Corporate sustainability

Business areas

Financial stability

Statistics

International

Banking supervision

Market operations

Monetary policy

Economics

Risk management

Market infrastructure and payments

Banknotes

Research

Corporate services

Legal

Environmental protection at the ECB



Within its **corporate sustainability** workstream, the climate change centre works with the **Green ECB team**, which leads the development of the **ECB's environmental management system**.

Environmental policy: focus areas



Stimulating sustainable change in behaviour



Reducing carbon emissions and using resources efficiently



Integrating sustainable procurement considerations



Complying with legal regulations & EMAS (EU Eco-Management and Audit Scheme)



Communicating transparently on environmental performance



Key milestones:

- **37% reduction of its carbon footprint between 2008 and 2019** (pre-pandemic)
- **Alignment** of ECB's emissions' reduction objectives **with the Paris Agreement**



3.

Challenges and other considerations

Challenges and other considerations



Complexity of foreseen actions

Our policies must be grounded in **thorough analysis**, requiring enough time and major leaps in the availability and quality of climate change-related data and modelling techniques.



Policy-making process

Enough time is required for **decision-making within the Eurosystem** (ECB+19 euro area NCBs) to ensure our measures are legitimate. The Eurosystem also acts in parallel with other policymakers, which our actions need to account for.



Progress in (EU) regulation

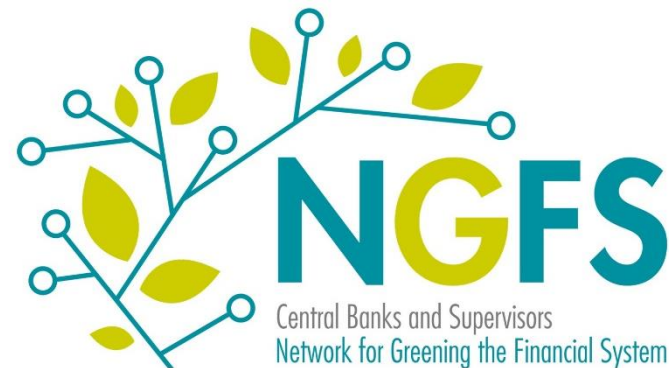
Governments and parliaments remain the primary actors in addressing climate, with the widest toolbox to address it. The success of our measures hinges on **regulatory progress**, notably related to defining clear transitions paths and taxonomy, data and disclosure requirements concerning climate change.

Global cooperation for a global challenge

We participate in the following EU and international bodies working on climate issues



Basel Committee on Banking Supervision
BANK FOR INTERNATIONAL SETTLEMENTS



ECB member of the NGFS
Steering Committee



CLIMATE
TRAINING
ALLIANCE

SUPPORTED BY:





**Looking forward to
hearing from you!**
