ECB and climate change

13/01/2022

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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.

**Monetary policy**

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

**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.

**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

**Support** key stakeholders in implementing climate change strategy within the ECB and beyond

**Steer the ECB climate change strategy** by aligning priorities, objectives, and processes across business areas

**Connect** business areas and external stakeholders for collaboration on climate change work

**Coordinate** climate change work, align overall messages and flag synergies

**Inform** to achieve better awareness for ECB climate change work within the institution and beyond
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
- Corporate sustainability
- Data

*Some initiatives will be subject to Supervisory Board input and decision making

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:

- **EU Technical Expert Group on Sustainable Finance**
- Platform on sustainable finance
- **EBA** - European Banking Authority
- **EFRA** - European Financial Reporting Advisory Group
- **FSB** - Financial Stability Board
- **OECD**
- **G7 Germany**
- **G20 Indonesia 2022**
- **BIS**
- **IAIS**
- **NGFS**
- **ETF**
- **Sustainable Insurance Forum**
- **Climate Training Alliance**
- **ECB member of the NGFS Steering Committee**

Sustainable finance network
Looking forward to hearing from you!