



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI

President

Mr Paul Tang
Ms Neena Gill
Mr Jonás Fernández
Members of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 12 June 2018

L/MD/18/207

Re: Your letter (QZ-033)

Honourable Members of the European Parliament,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs (ECON), accompanied by a cover letter dated 4 April 2018.

During the regular hearing before the ECON Committee on 26 February 2018, I reiterated that the ECB supports and welcomes a number of initiatives on sustainable finance being undertaken in the EU and international fora, including the ongoing work at G20 level. Indeed, in my letter to your honourable colleagues Ernest Urtasun, Sven Giegold, Molly Scott Cato, Michel Reimon and Bas Eickhout dated 10 October 2017¹ I stated that “the ECB recognises the challenge posed by climate change and shares the view that achieving the environmental goals of the Union, including those set out in the Paris Agreement, is of great importance to our societies”.

In the light of the global nature of this challenge, the ECB cooperates with other central banks and financial regulators across the world to better understand and manage the financial risks posed by climate change. In this context, the ECB recently joined the Network for Greening the Financial System (NGFS), which brings together central banks and supervisors committed to developing common supervisory and macroprudential practices to address climate-related and environmental risks.

¹ The letter is available on the ECB's website at: https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter171010_Urtasun.en.pdf

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal Address

European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

We also welcome the Action Plan on sustainable finance recently published by the European Commission as an important step towards integrating sustainability into financial decision-making. We actively support the proposed development of a common EU taxonomy of sustainable assets, as well as the proposals for strengthening sustainability disclosure, which could contribute to better pricing of environmental risks that might pose a threat to financial stability.

Regarding your question on the climate impact of one of the ECB's monetary policy portfolios, namely the corporate sector purchase programme (CSPP), I would like to point out that the CSPP is part of the ECB's asset purchase programme (APP), which aims to support a sustained adjustment in the path of inflation that is consistent with the ECB's aim of achieving inflation rates below, but close to, 2% over the medium term. The eligibility of assets for our purchase programmes is thus guided by our monetary policy objective, taking into account appropriate financial risk management considerations. In order to ensure the effectiveness of our monetary policy decisions and to avoid undue market distortions and level playing field concerns, the CSPP-eligible universe and purchases are deliberately broadly defined and do not positively or negatively discriminate on the basis of the issuers' economic activity, which is also why we have not conducted any specific climate impact assessment.

Despite the absence of an explicit climate-related target, it should be noted that our monetary policy portfolios include so-called "green" bonds, meaning that the APP does in fact contribute positively to the funding of climate-related projects. The Eurosystem has purchased several green bonds under the CSPP and the holdings of these bonds are broadly in line with their weightings in the benchmark. Moreover, under the public sector purchase programme (PSPP), that is also part of the APP, we have purchased bonds issued by supranational issuers such as the European Investment Bank, which is one of the world's largest issuers of green bonds. We have also purchased green bonds issued by governments and the holdings of these bonds are in line with their share in the PSPP-eligible universe.

While the purchase volumes required to achieve the programme's monetary policy objective far exceed the amount of available green bonds, it should be recognised that our purchase programmes are well established in this market and that, without prejudice to achieving our price stability mandate objective, and subject to the APP's risk management framework, we have been helping to finance sustainable projects with our monetary policy portfolios.

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The scope for integrating sustainable finance considerations is slightly larger within the ECB's non-monetary policy portfolios, and the ECB makes use of this leeway. For example, the ECB's pension funds invest in a wide range of asset classes that allow for different approaches to incorporate environmental, social and governance (ESG) considerations. Further ways of incorporating ESG principles into the management of other ECB euro-denominated non-monetary policy portfolios are currently being investigated. Moreover, some Eurosystem central banks are also examining, or have already introduced, methods of applying responsible investment to their non-monetary policy portfolios.

Yours sincerely,

[signed]

Mario Draghi

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