



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI

President

Mr Ernest Urtasun
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 26 October 2018

L/MD/18/351

Re: Your letter (QZ-066)

Honourable Member of the European Parliament, dear Mr Urtasun,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 1 August 2018.

As I stated at the last regular hearing before the ECON Committee on 9 July 2018, the ECB recognises that the correct pricing of financial risks stemming from climate change is key to promoting sustainable development and preserving a well-functioning financial system. We share the objectives of the transparency and disclosure recommendations put forward by the Financial Stability Board's Task Force on Climate-related Financial Disclosures, and support the proposal by the Commission on disclosures relating to sustainable investments and sustainability risks.

As regards the disclosure of the aggregate amounts of assets purchased under the asset purchase programme (APP) by sector, I would like to first point out that the APP aims to support a sustained adjustment in the path of inflation that is consistent with achieving the ECB's price stability objective. In order to ensure the effectiveness of our monetary policy decisions and avoid undue market distortions, the Eurosystem does not discriminate on the basis of the issuers' economic activity when determining asset eligibility and actual purchases under the APP.

In the third quarter of 2017, the ECB increased the transparency of the corporate sector purchase programme (CSPP) by also disclosing, semi-annually, the economic sector distribution of the CSPP holdings

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vis-à-vis the eligible CSPP universe. Moreover, a list of the individual bonds purchased under the CSPP by the Eurosystem is available on the ECB's website and is updated on a weekly basis.

As to the disclosure of the climate-related financial exposure of the APP holdings, the ECB has provided information on its holdings in the March 2018 and April 2017 editions of the Economic Bulletin¹, and in several letters to Members of the European Parliament.² Moreover, as I had the opportunity to highlight at the last Monetary Dialogue, the ECB is currently looking more closely into the impact that our purchases have had on the green bond market in the euro area. According to our preliminary results, the Eurosystem holds close to 20% of the eligible green bond universe under the CSPP, or around €6 billion. This in turn accounts for approximately 4% of the ECB's total corporate bond holdings under the CSPP, and broadly mirrors the relative share of green bonds in the overall CSPP-eligible corporate bond universe. The ECB also joined the Network for Greening the Financial System (NGFS), which brings together central banks and supervisors to exchange views on how to assess vulnerability to climate change risks, develop relevant metrics to identify climate-related exposures and exchange best practices on how to enhance disclosure by both private and public financial institutions. In addition, the ECB is a member of the Commission's Technical Expert Group on Sustainable Finance, which will, *inter alia*, work on developing guidance to improve corporate disclosure of climate-related information.

Yours sincerely,

[signed]

Mario Draghi

¹ See "The impact of the corporate sector purchase programme on corporate bond markets and the financing of euro area non-financial corporations", in *ECB Economic Bulletin*, Issue 3/2018, available at: <https://www.ecb.europa.eu/pub/economic-bulletin/html/eb201803.en.html#IDofArticle2>, and "The ECB's corporate sector purchase programme: its implementation and impact", in *ECB Economic Bulletin*, Issue 4/2017, available at: <https://www.ecb.europa.eu/pub/economic-bulletin/html/eb201704.en.html#IDofBox2>.

² See Reply to MEP letter (QZ-096): https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter171108_S&D_Members.en.pdf?1bd55d50ff259f3d7815fd508f7566

See Reply to MEP letter (QZ-003): https://www.ecb.europa.eu/pub/pdf/other/ecb.mep180208_Kaili.en.pdf?7c6b2233b778233fe9b026c66ee8a3a8

See Reply to MEP letter (QZ-103): https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter180123_Valli_Agea.en.pdf

See Reply to MEP letter (QZ-080): https://www.ecb.europa.eu/pub/pdf/other/160831letter_buetikofer.en.pdf?2bbf5c727dfca4c84b961767c0401330

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