



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Christine LAGARDE  
President

Mr Ernest Urtasun  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
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Frankfurt am Main, 18 November 2020

L/CL/20/300

**Re: Your letter (QZ-056)**

Honourable Member of the European Parliament, dear Mr Urtasun,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 14 October 2020.

Climate change is an urgent and major challenge to which all stakeholders must respond and play their part, consistent with their respective mandates and responsibilities. As I recently set out in a letter of reply to you and several other Members of the European Parliament, the European Central Bank (ECB), within its mandate, is exploring how it should and can contribute to this in the context of the strategy review.<sup>1</sup>

Data and statistics are indispensable inputs for all sound policy decisions, including those to address climate change. In its recent reply to the European Commission's public consultations on the Renewed Sustainable Finance Strategy and the revision of the Non-Financial Reporting Directive,<sup>2</sup> the ECB already indicated that it thinks the quality of sustainability and climate-related information should be improved.

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<sup>1</sup> See the Letter from the ECB President to several MEPs, on monetary policy, ECB, 28 September 2020, available at [https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter200928\\_MEPMembers~329298ba99.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter200928_MEPMembers~329298ba99.en.pdf).

<sup>2</sup> See the Eurosystem reply to the European Commission's public consultations on the Renewed Sustainable Finance Strategy and the revision of the Non-Financial Reporting Directive, ECB, June 2020, available at [https://www.ecb.europa.eu/pub/pdf/other/ecb.eurosystemreplyeuropeancommissionpublicconsultations\\_20200608~cf01a984aa.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/ecb.eurosystemreplyeuropeancommissionpublicconsultations_20200608~cf01a984aa.en.pdf).

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The ECB has the task of collecting the statistical information necessary to pursue its mandate.<sup>3</sup> AnaCredit was designed with this in mind to deliver the necessary additional and harmonised information to support several central banking functions, such as monetary policy analysis and operations, risk management and financial stability. As explained in several ECB publications<sup>3</sup>, climate-related risks have the potential to become systemic for the euro area, in particular if markets are not pricing the risks correctly. Nevertheless, current analyses suffer from limitations related to the lack of comprehensive and comparable data on climate risk. A framework for monitoring climate-related risk in the financial sector would require more comprehensive information on carbon emissions and the exposures of banks and other financial institutions. The ECB will assess what indicators are needed to monitor the climate risk of the European financial sector and the extent to which they will need to be compiled through the Eurosystem statistical framework.

To answer your specific question, any substantial amendment of the AnaCredit Regulation, including the possible inclusion of a requirement for banks to disclose the environmental characteristics of their loans, would require a careful impact assessment, including a merits and costs procedure.<sup>4</sup> The new requirements would need to be translated into a draft update of the AnaCredit Regulation<sup>5</sup> (or its future successor, the Integrated Reporting Framework (IReF) Regulation<sup>6</sup>), which would then be subject to a public consultation prior to its adoption by the ECB's Governing Council. Moreover, any collection of additional data would require discussion on whether this is necessary and appropriate to deliver the additional information required for monetary policy and financial stability tasks. To date, the Governing Council has not yet discussed any amendment to the AnaCredit Regulation.

More fundamentally, a key precondition for the collection of such data through AnaCredit is that banks are able to collect the respective information from their customers. Banks would need to have access to detailed information on the environmental characteristics of their counterparts' underlying investments that are being financed by their lending operations. In order to ensure information of sufficient detail and quality, a standardised framework is needed to allow banks to determine the environmental impact of their credit exposures on the basis of commonly agreed criteria. Establishing a reliable information basis would require close cooperation among the European Union co-legislators, the European Commission, and the ECB, as well as coordination with current and upcoming policy initiatives on sustainable finance and non-financial disclosures.

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<sup>3</sup> See Article 5 of the Statute of the European System of Central Banks and of the European Central Bank.

<sup>3</sup> See, for instance, "Climate change and financial stability", *Financial Stability Review*, ECB, Frankfurt am Main, May 2019, available at [https://www.ecb.europa.eu/pub/financial-stability/fsr/special/html/ecb.fsrart201905\\_1~47cf778cc1.en.html](https://www.ecb.europa.eu/pub/financial-stability/fsr/special/html/ecb.fsrart201905_1~47cf778cc1.en.html).

<sup>4</sup> For more information, see "The ECB's merits and costs procedure in the field of European statistics", available at [https://www.ecb.europa.eu/stats/ecb\\_statistics/governance\\_and\\_quality\\_framework/html/merits\\_costs\\_procedure.en.html](https://www.ecb.europa.eu/stats/ecb_statistics/governance_and_quality_framework/html/merits_costs_procedure.en.html).

<sup>5</sup> See Regulation (EU) 2016/867 of the European Central Bank of 18 May 2016 on the collection of granular credit and credit risk data (ECB/2016/13) (OJ L 144, 1.6.2016, p. 44).

<sup>6</sup> See the ESCB approach to banks' data reporting, available at [https://www.ecb.europa.eu/stats/ecb\\_statistics/co-operation\\_and\\_standards/reporting/html/index.en.html](https://www.ecb.europa.eu/stats/ecb_statistics/co-operation_and_standards/reporting/html/index.en.html).

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With respect to your question on whether the ECB could make its targeted longer-term refinancing operations (TLTROs) dependent on the climate-related impact of bank loans, allow me to reiterate that the ECB will consider whether and how its monetary policy could take climate change considerations into account in line with its competences and mandate in the context of the strategy review. Allow me also to highlight that the ECB has already been making adjustments to the design of its asset purchase programmes and to its collateral framework which signal the Eurosystem's support for innovation in the area of sustainable finance. In particular, this includes the ECB's decision of 22 September 2020 to make bonds with coupon structures linked to certain sustainability performance targets eligible as collateral for Eurosystem credit operations and for Eurosystem outright purchases for monetary policy purposes, provided they comply with all other eligibility criteria.<sup>7</sup> In addition, the ECB supports action against climate change through its own investment decisions.

Finally, with respect to whether the ECB could expand the eligible assets for TLTROs to include loans for the purchase of climate-neutral housing, permit me to clarify that, as in the first two series of TLTROs, eligible loans under the third series of TLTROs continue to be defined as loans to euro area non-financial corporations and households (including non-profit institutions serving households) excluding loans to households for house purchase. Loans for house purchase were considered to be adequately served by the banking sector, and their exclusion was designed to avoid contributing to potential financial imbalances in housing markets. In line with their treatment in the statistical framework<sup>8</sup>, which is the basis for TLTRO reporting, loans to households for house purchase include loans for refurbishment purposes in all euro area countries.

Yours sincerely,

[signed]

Christine Lagarde

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<sup>7</sup> See "ECB to accept sustainability-linked bonds as collateral", press release, ECB, 22 September 2020, available at <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200922~482e4a5a90.en.html>.

<sup>8</sup> See Regulation (EU) No 1071/2013 of the European Central Bank of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (recast) (ECB/2013/33) (OJ L 297, 7.11.2013, p. 1) and the "Manual on MFI balance sheet statistics", ECB, January 2019.

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