



EUROPEAN CENTRAL BANK

EUROSYSTEM

The ECB pledge on climate change action

On the occasion of the 2021 United Nations Climate Change Conference (COP 26), the ECB pledges to contribute, within its field of responsibility, to decisive action by policymakers to implement the Paris Agreement and mitigate the consequences of climate change.

The Paris Agreement sets out – amongst other aims – the objective of making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.¹ The financial sector has a key role in the transition to a greener society by mobilising funds towards a more sustainable economy.

We are committed to do our part to achieve this aim. To that end, the Governing Council on 8 July 2021 decided on an [action plan](#), with an ambitious roadmap to further incorporate climate change considerations into its monetary policy framework. In the field of European banking supervision, the ECB has identified climate-related risks as a key risk driver affecting the banking sector, and we have set out ambitious actions in our [supervisory priorities](#) for 2021.

To make a difference in tackling climate change, central banks and supervisors across the world need to work closely together. The ECB is an active member of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), which has today published the [NGFS Glasgow Declaration – Committed to Action](#) outlining the collective global efforts of central banks and supervisors towards greening the financial system and managing climate-related risks.² Our pledge complements the NGFS declaration.

In line with its recent decisions, the ECB pledges to contribute, within its mandate, to goals of the Paris Agreement and to the efforts of the NGFS with the following specific actions.

¹ Article 2.1.(c) of the Paris Agreement, 2015.

² The recommendations to central banks, supervisors, policymakers and financial market participants are set out in NGFS (2019), "[First comprehensive report – A call for action](#)", April.

1

Integrating climate-related risks into financial stability monitoring and prudential supervision of banks



Completed action	Completion date
Publish supervisory expectations for banks to manage and disclose climate-related and environmental risks	November 2020
Develop and carry out a first economy-wide climate stress test for firms and banks, and publish methodology and results	September 2021

ECB pledge	Envisaged completion date
Assess whether banks' risk management and disclosure practices are aligned with supervisory expectations, and take appropriate follow-up action	Ongoing (intermediate results by Q4 2021)
Develop the supervisory methodology for climate-related and environmental risks and all related supervisory requirements	Ongoing (intermediate results by Q4 2021)
Conduct supervisory climate stress tests for banks, and macroprudential climate stress tests/scenario analyses for banks and other financial intermediaries	2022 (preparatory work started)
Regularly monitor and assess in its Financial Stability Review and ECB/ESRB reports : <ul style="list-style-type: none"> - Climate risks for banks, insurers, other financial institutions and firms - Structural developments, particularly with regard to sustainable finance 	Ongoing, regular publications since November 2019

2

Integrating sustainability factors into own portfolio management



ECB pledge	Envisaged completion date
Implement a sustainable and responsible investment strategy for the ECB own funds and staff pension fund portfolios	Ongoing since 2020
Disclose climate-related information on ECB non-monetary policy portfolios in cooperation with the other Eurosystem central banks	Q1 2023

3 Exploring the effects of climate-related risks on the Eurosystem monetary policy framework within our mandate



ECB pledge	Envisaged completion date
Assess how credit rating agencies accepted by the Eurosystem credit assessment framework include climate-related risks in their credit ratings, and consider developing minimum standards to ensure consistent inclusion of climate change risks in the Eurosystem's internal credit ratings	Q2 2022
Enhance the ECB's macro models to take into account the impact of climate change on economic activity, inflation and monetary policy transmission	Q4 2024
Introduce climate disclosure requirements for private sector assets used as collateral in Eurosystem monetary policy operations and for asset purchases as a new eligibility criterion or as a basis for differentiated treatment, and adjust the rules for corporate sector asset purchases to incorporate climate change criteria	Detailed plan by Q4 2022
Disclose climate-related information on corporate sector holdings in monetary policy portfolios	Q1 2023

4 Bridging data gaps on climate-related data



ECB pledge	Envisaged completion date
Develop climate change metrics and indicators to help bridge data gaps in the area of physical risks, the carbon footprint of financial institutions' portfolios and green financial instruments	Q4 2022

5 Working towards higher awareness and intellectual capacity, also through technical assistance and knowledge sharing



Completed action	Completion date
Establish an ECB climate change centre to coordinate all the climate change-related work carried out across the ECB	Q3 2021

ECB pledge	Envisaged completion date
Disclose sustainability information in the ECB Annual Report, including ECB-wide carbon emissions reduction targets in line with the Paris Agreement in its 1.5 degrees Celsius trajectory	2022
Promote training, seminars and research on climate change-related topics and train supervisors in assessing climate-related and environmental risks	Ongoing (open-ended)
Contribute to climate change-related policy debates in Eurosystem, European and relevant international fora	Ongoing (open-ended)

Note: Carbon emissions reduction targets related to ECB premises, business travel, and goods and services purchased, as set down in the ECB's Environmental Statement.

© **European Central Bank, 2021**

Postal address 60640 Frankfurt am Main, Germany

Telephone +49 69 1344 0

Website www.ecb.europa.eu

All rights reserved. Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.

For specific terminology please refer to the [ECB glossary](#) (available in English only).