



April 10th 2020

Joint Letter to the NGFS:

We need NGFS' work and commitment to push for a green recovery

We are facing an unprecedented public health crisis that is placing significant stress on our financial system. While urgent action is required to support health systems, ensure the stability of the financial system and prevent a lasting economic crisis, **the current set of measures taken by different members of the NGFS are set to support high carbon emitters and contribute to a huge delay in climate action.** Being a main international coordinator of central banks' reflection about "greening" the financial system, the NGFS has a special responsibility to highlight and address this problem, both in their internal work and in public.

Much like in 2008, Central Banks have responded with strength and determination. The crisis is a historical challenge but the massive response it triggers is also a historical opportunity for greening the financial system. However, some of the NGFS member's measures aim at going back to "business as usual" and fail to take the climate emergency under consideration. By focusing exclusively on assuring the liquidity of the market and supporting all financial and economic actors, without distinction, they remain blind to the underlying flaws of the financial system, contribute to fossil fuels development and pave the way for future climate related crisis.

The NGFS has led the charge for a greener financial system. In times where many other stakeholders are going backwards against the will of the international community set in the SDGs and the Paris Agreement, the work and commitment of the NGFS probably is the most promising space for progress. Today is not the time to stop, for such a setback would mean the abandonment of the Paris Agreement goals that heavily depend on short term action. It is the time to step forward.

In the last progress report of the NGFS, Franck Elderson wrote that even in this time of crisis NGFS members "should not lose sight of the fact that climate change stays an urgent and vital issue". This reminder is important and shouldn't be taken lightly.

In this context, we ask the NGFS to publicly take position in favor of the immediate integration of climate change-related criteria, including fossil fuels exclusions in the stimulus plans. We also call the NGFS to make a “call for action” to proactively push central banks to commit to this agenda.

By doing so, the NGFS would align with its own recommendations, thereby preparing a more resilient financial system. As underlined by the work of the NGFS, it is fully within the mandates of central banks to tackle the issue of climate-related risks and build resilience to these risks.

The coronavirus demonstrated the financial system’s vulnerability to exogenous shocks. Climate change will only increase the occurrence and intensity of such events. As a result, ensuring the stability of the financial system entails rapidly reducing both its exposure and supports to the sectors that contribute the most to climate change.

In its “call for action”, the NGFS must promote concrete measures that could be implemented shortly, with immediate impact to mitigate and adapt to climate change.

Firstly, **the NGFS should suggest the exclusion of assets from the below-defined companies from central banks’ collateral frameworks.** Current frameworks allow for banks to deposit the most polluting assets, thus adding to their market values and exposing central banks to significant climate-related financial risks.

Secondly, **the NGFS should suggest concrete monetary policies for central banks to steer away from coal and unconventional oil and gas its quantitative easing programs by excluding from its corporate sector purchase assets from companies that are significantly exposed to coal and unconventional oil and gas, that develop new projects linked to coal and unconventional oil and gas or explore new fossil fuels reserves and that do not commit to align with the 1.5°C trajectory and phase-out coal by 2030 in the UE and 2040 worldwide.**

Finally, **the NGFS should mobilize against the cancellation of the few prudential progresses made regarding the inclusion climate-related risks by:**

- **Pushing for the development of both “green” and “brown” taxonomies.**
- **Suggesting that the deferral of Basel III’s implementation should be an occasion to include climate financial risks, particularly to adjust capital buffers.**
- **Asking central banks and supervisors to maintain climate stress-tests and make sure that the high level of risks of assets linked to coal and unconventional fossil fuels are accurately reflected.**
- **Continuing to push for an improved climate disclosure.**

We share your concern, as the previous analysis published in the various NGFS reports, that anything less raises financial instability in the future and adds to a high risk of systemic crisis. However, immediate action would protect the much-needed work of the NGFS and the overall green contribution of the financial system.

We can only agree with Chair of the NGFS’ statement: “The greener the recovery from the current crisis is, the better.” We stand by the NGFS side to make it happen.

Sincerely,

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