

Targeting a sustainable recovery with Green TLTROs

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Green TLTROs

Banks get cheap ECB credit, but only if they issue *green* loans.

A Green TLTRO programme falls with the ECB mandate even more so than regular TLTRO programmes

The programme can start today and will become more powerful over time

Green recovery

EU Taxonomy regulation (July 2020)

Technical specifications for private sector investments that contribute EU's green objectives

- Reduce GHG emissions
- Protect the EU against the impact of climate change

EU: Recovery fund & 55% emissions cut by 2030

ECB: Green TLTROs



Three justifications for Green TLTROs

Achieving inflation target while contributing to **long-term price stability**

The ECB has the secondary objective of supporting EU's environmental objectives

Promote **financial stability** by incentivizing banks to develop screening and monitoring of environmental impact

Promoting stability

	Transmission mechanism	Short-term price stability	Sustainable stability
Regular TLTROs	Energy-inefficient investments, combustion engine cars etc	Meet inflation target	Deflationary and inflationary shocks
Green TLTROs	Projects fit EU's long-term trajectory	Meet inflation target	Growth in line with long-term potential

Calibration

	Pilot programme	Full programme
Eligibility	Determined by Taxonomy-compliant loans	
Eligible assets	Loans for building and renovations	All Taxonomy-compliant loans
Procedure	Energy Performance Certificates	Banks and NCBs develop facilities? Benchmarks?

Green TLTROs

Banks get cheap ECB credit, but only if they issue **green *taxonomy-compliant*** loans.

A Green TLTRO programme will do better at achieving **price stability**, while also supporting **the EU's green agenda** and **financial stability**

The programme can start today, but will become more powerful over time