

“The ECB must not sideline climate risks in its COVID-19 response”

Open letter to Christine Lagarde

Brussels, 27 April 2020

Dear Christine Lagarde,

Alongside the public health response to the COVID-19 crisis, governments and public institutions are rightly taking extraordinary measures to minimise the economic impacts of the crisis on individuals, businesses and society. The European Central Bank has a pivotal role to play in this response, and we applaud the level of ambition that is being shown.

However, the coronavirus crisis has hit us at a time of climate crisis too, and we cannot address one crisis while ignoring the other. It is essential that both short-term and long-term measures implemented by the ECB now are designed to both minimise the economic impacts of the coronavirus pandemic, and to achieve the EU's climate commitments. Achieving these commitments demands a structural re-alignment of our financial sector with the challenges and risks posed by climate change.

Prior to the crisis, the governing council of the ECB had launched a review of its strategic and operational framework, which was due to explore how the ECB could contribute to the EU's climate objectives. As the Covid 19 crisis unfolds, the ECB's strategy is being reviewed in real-time, with major changes in the ECB framework having been decided over the past few weeks.

We understand the need for urgency, but we are nonetheless concerned that short-term measures that ignore climate-related risks will have long-term negative impacts. For example, no conditions have been set for eligibility to the Pandemic Emergency Purchase Programme, and, as in the past, it is therefore likely that high-polluting sectors will disproportionately benefit from it. As a result, the ECB's policies and balance sheet will become even more misaligned with the EU's climate commitments over the coming months.

Now more than ever, we see the need for the ECB to press ahead with its strategic review and to address climate change risks and impacts. At the

earliest feasible opportunity, we hope the formal review will restart with renewed vigour, sticking as closely to the original timeline as possible. In the meantime, the ECB must ensure that its actions in response to the coronavirus pandemic do not inadvertently exacerbate the climate crisis, and that every opportunity is taken to tackle the two crises in tandem – channelling money towards investments that will create more resilient and sustainable economies, and away from the highest polluting sectors.

In particular, we urge the ECB to prioritise the following five steps:

1. Align its asset purchasing programmes and collateral frameworks with the Paris Climate Agreement, to support the low carbon transition.
2. Align its refinancing operations to the banking sector with the Paris Agreement to help boost sustainable bank lending and fill the green investment gap.
3. Support asset markets for sustainable investment and coordinate operations with the European Investment Bank (or other equivalent European institutions) to ramp up green investment and lock-in a low carbon future.
4. Implement prudential measures to increase the resilience of the European banking sector to climate risks and reduce brown financial flows (e.g. financing of fossil fuels)
5. Lead by example on climate disclosures and transparency by assessing and regularly communicating to elected officials alignment of its operations with the Paris Agreement and that of the European Banking sector.

The COVID-19 crisis has shown us the fragility inherent in our current economic and financial systems. Beyond the immediate public health response, which of course remains the priority, there will be an opportunity to build economies that are more resilient, more sustainable and more equitable. The ECB can play a visionary role in this moment. To miss this opportunity would be a grave failure.

We the undersigned stand ready to contribute constructively to this work.

Signatures from organisations

1. 350.org
2. Positive Money Europe
3. New Economics Foundation
4. Oxfam
5. Greenpeace
6. Sunrise Project
7. BankTrack
8. urgewald
9. Trócaire
10. Reclaim Finance
11. WWF Europe
12. Climate Bonds Initiative
13. Veblen Institute for Economic Reforms
14. Club of Rome
15. Oil Change International
16. NGO Eco-team
17. Ember
18. FOCSIV Federation Italiana Christian NGOs
19. Edgeryders
20. ASUFIN
21. The Shift Project
22. Greentervention
23. Leave It In The Ground Initiative (LINGO)
24. Finance Watch
25. WWF Greece
26. Green Economy Coalition
27. Instituto Internacional de Derecho y Medio Ambiente (IIDMA)
28. Rethinking Economics
29. Economists for Future
30. Finanzwende
31. Observatorio de la Deuda en la Globalización ODG
32. Society for International Development (SID)
33. Réseau Action Climat France
34. Economic Democracy Finland
35. Secours Catholique-Caritas France
36. The Green New Deal for Europe
37. World Future Council
38. Klima Allianz Switzerland
39. Client Earth
40. Barcelona Institute for Global Health, ISGlobal
41. Centre des Jeunes Dirigeants
42. The Green Tank
43. SOMO
44. UNI Europa Finance
45. Axylia