



EUROPEAN CENTRAL BANK

EUROSYSTEM

Christine Lagarde

President

Mr Stanislas Jourdan
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Frankfurt, 20 May 2020

LS/CL/20/140

R.E: Your letter dated 27 April 2020

Dear Mr Jourdan,

Thank you very much for your letter of 27 April 2020. As I noted on a variety of occasions, including during my hearings before the Economic and Monetary Affairs Committee of the European Parliament, the European Central Bank (ECB) is exploring every area where we could usefully participate in the fight against climate change.

It is precisely for these reasons that we included deliberations on this issue into our strategy review. Although the completion of the review has now been postponed to mid-2021, due to the coronavirus pandemic, this does not mean that our work or reflections have stopped.

However, the immediate focus of our policies has been to address the acute economic and financial strains created by the pandemic. In March, we launched the pandemic emergency purchase programme (PEPP). The core features of this extraordinary policy measure are designed in a broad and flexible manner to support its widest possible impact and to avoid distortions of specific market segments. Like under our existing asset purchase programme, the Eurosystem will purchase a significant and increasing amount of green bonds also under the new PEPP, supporting the corporate sector's increasing efforts to adopt more energy-efficient technologies, reduce their carbon footprints and setting incentives to reorient their portfolios towards renewable resources. In this regard, the Eurosystem holds close to 20% of outstanding eligible green corporate bonds, which is in line with the programme eligibility criteria and market capitalisation.

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The pandemic is a reminder that we need to strengthen the resilience of our societies and economies against disruptive exogenous shocks, including those stemming from climate change. The public policy response to the pandemic is an opportunity to step up the efforts to achieve the EU's sustainability objectives. We welcome the European Council's commitment to integrate the need for a green transition in the roadmap for recovery. We encourage the European Commission to provide a framework to direct the unprecedented EU and national spending programmes towards sustainable uses. Rapid progress with the sustainable finance strategy, including the swift implementation of the EU taxonomy, will be essential to steer financial flows towards sustainable activities.

Within our own remit, we have taken a number of concrete measures already. In the interest of providing a comprehensive overview of all aspects, I should like to refer you to our recently published 2019 ECB Annual Report ¹ where we dedicated a specific box to "The ECB and climate change" to describe the rationale of our actions and the various facets of our contributions. In the same vein, our 2019 Annual Report on supervisory activities ², published in March 2020, contains a dedicated box on "Green finance" to provide an overview of current and planned supervisory action in relation to banks' handling of climate-related and environmental risks.

In pursuing these multi-faceted efforts across the full range of our central banking and supervisory competencies, we are in close consultation with our European and international partners.

Given that climate change affects everyone, continued dialogue with all interested stakeholders is essential. Just today, for instance, we launched a public consultation ³ on the draft ECB Guide on climate-related and environmental risks, which we expect to provide valuable input. Furthermore, our forthcoming "ECB Listens" events in the context of the strategy review will offer further opportunities to engage with different voices and perspectives on this crucial topic.

Yours sincerely,



¹ <https://www.ecb.europa.eu/pub/annual/html/ar2019~c199d3633e.en.html>

² <https://www.bankingsupervision.europa.eu/press/publications/annual-report/html/ssm.ar2019~4851adc406.en.html>

³ https://www.bankingsupervision.europa.eu/legalframework/publiccons/html/climate-related_risks.en.html

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