



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

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Your letter dated 1 June 2022

Dear signatories of the open letter to the European Central Bank (ECB)'s Governing Council,

Thank you for your letter dated 1 June 2022, which I have read with great interest.

Climate change is one of the greatest challenges of our time: the scale and irreversibility of its consequences call for urgent action from all stakeholders. Russia's war in Ukraine has highlighted Europe's high dependency on fossil fuels and has put upward pressure on energy prices. Speeding up the green transition would not only support the achievement of the European Union (EU)'s climate goals, but also help to reduce its dependency on fossil fuels, protect our economy from related energy price spikes and strengthen Europe's geopolitical security. The ECB strongly supports EU policy initiatives to foster the transition towards a greener economy. We urge all stakeholders to swiftly agree to, and implement, the ambitious policies proposed to achieve this objective.

Although it is primarily the responsibility of governments and parliaments to address climate change, we at the ECB firmly believe that all policymakers need to play their part in tackling this challenge. This is why, following

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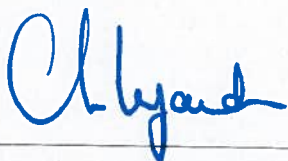
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our strategy review in 2020-21, we announced an action plan¹ with a detailed roadmap outlining our commitment to including climate change considerations in our monetary policy framework. The plan sets out the priorities that the ECB's Governing Council judged to be the most appropriate at the time, given their contribution to our primary objective of maintaining price stability and to general EU economic policy objectives and their practical feasibility. We have recently announced further steps to account for climate change in our corporate bond purchases, collateral framework, disclosure requirements and risk management.² These measures are designed in full accordance with the Eurosystem's primary objective of maintaining price stability. They aim to better take into account climate-related financial risk in the Eurosystem balance sheet and, with reference to our secondary objective, support the green transition of the economy in line with the EU's climate neutrality objectives. Moreover, our measures provide incentives to companies and financial institutions to be more transparent about their carbon emissions and to reduce them. An overview of ongoing actions can be found in the ECB-wide climate agenda.³

In your open letter, you specifically make the case for the introduction of a "green dual rate" to encourage banks to fund clean energy production and energy efficiency renovations. The feasibility of refinancing operations with a green target, or an energy efficiency target, crucially hinges on the availability of a proper definition of these criteria and the ability to measure them reliably. While ongoing regulatory developments can be expected to improve data availability over time, significant challenges persist in relation to data coverage and quality, as well as verification processes and capacities.⁴

Looking ahead, the Governing Council, within its mandate, is committed to regularly reviewing the measures that have been decided, assessing their effects and adapting them, if necessary.

Yours sincerely,



¹ See "ECB presents action plan to include climate change considerations in its monetary policy strategy", press release, ECB, 8 July 2021, available at: https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210708_1~f104919225.en.html.

² For more detailed information on the measures, see "ECB takes further steps to incorporate climate change into its monetary policy operations", press release, ECB, 4 July 2022, available at: <https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr220704~4f48a72462.en.html>.

³ See "ECB climate agenda 2022", available at: https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr220704_annex~cb39c2dcbb.en.pdf.

⁴ For more information, see "Climate change and monetary policy in the euro area", *Occasional Paper Series*, No 271, ECB, Frankfurt am Main, September 2021, available at: <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op271~36775d43c8.en.pdf>.

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