ClientEarth

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60 Rue du Trône
(3ème étage), Box 11,
Ixelles, 1050 Bruxelles,
Belgique

Christine Lagarde
President of the European Central Bank
European Central Bank
60640 Frankfurt am Main
Germany

By email (info@ecb.europa.eu)

Copied to Chiara Zilioli, Director General, DG Legal Services, European Central Bank

Dear President Lagarde

The ECB's Monetary Policy Strategy Review: corporate sector asset purchases, climate change and the ECB's legal obligations

ClientEarth AISBL is an international non-profit making, non-governmental organisation that uses the power of the law to protect people and the planet (**ClientEarth**). We write to you in your capacity as a member of the ECB's Executive Board and against the backdrop of the ECB's Monetary Policy Strategy Review (**Strategy Review**), which is currently underway.

We have commenced litigation in the Belgian courts challenging the Belgian National Bank's (**BNB**) implementation of the ECB's Corporate Sector Purchase Programme (**CSPP**) and seeking a preliminary reference to the Court of Justice of the European Union questioning the validity of the ECB's decision establishing the CSPP in 2016 (**CSPP Decision**).[1] We do so in the belief that the CSPP Decision is invalid and that the BNB's implementation of the CSPP Decision is illegal for breach of the ECB and BNB's legal obligations to take into account environmental protection requirements, specifically in relation to climate change, when establishing and implementing the CSPP.[2]

Numerous studies have found a structural bias within the CSPP and the corporate asset purchases under the Pandemic Emergency Purchase Programme (**PEPP**) (together, the ECB's **corporate asset purchase programmes**) towards greenhouse gas-intensive companies, with significantly over half of the assets purchased being issued by GHG-intensive sectors.[3] The

[1] Decision (EU) 2016/948 of the ECB of 1 June 2016 on the implementation of the corporate sector purchase programme (ECB/2016/16).

[2] These obligations arise pursuant to Article 11 TFEU and Article 37 EU Charter of Fundamental Rights; Article 127(1) TFEU and Article 3(3) TEU; Article 7 TFEU; Article 5(4) TEU; Articles 2, 7 and 51 EU Charter of Fundamental Rights interpreted in accordance with the European Convention on Human Rights; and Article 41(2)(c) EU Charter of Fundamental Rights and Article 296(2) TFEU.

[3] See for example: https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2017/05/Green-QE-policy-brief.pdf; https://www.veblen-institute.org/IMG/pdf/aligning_monetary_policy_with_eu_s_climate_targets.pdf; https://www.finexus.uzh.ch/dam/jcr:0103ed7b-71e9-4e81-9941-ee61feefd851/ECB%20sustainable%20finance%2022%20MarchIM.pdf; https://neweconomics.org/uploads/files/Decarbonising-is-easy.pdf; and a working paper "How unconventional is green monetary policy" by Papoutsi, Piazzesi and Schneider (2021) referred to in a speech by Isabel Schnabel, available at https://www.ecb.europa.eu/press/key/date/2021/html/ecb.sp210303_1~f3df48854e.en.html.

European Parliament has expressed concern about this bias on several occasions,[4] as have members of the ECB's Executive Board and Governing Council.[5]

In 2018, former ECB President, Mario Draghi, confirmed in relation to the CSPP that "*we don't have an analysis of the impact of our programme or of climate change considerations in our programme*"[6] and "*we have not conducted any specific climate impact assessment*."[7] ClientEarth believes this evidences a serious breach by the ECB of its legal obligations when establishing and subsequently implementing the CSPP.

Our litigation challenges the historical and current actions of the ECB and the BNB. The Strategy Review now underway provides the ECB with an opportunity to correct its course. Without prejudice to our legal action, we therefore write to urge you as a member of the ECB's Executive Board to ensure that the Strategy Review results in the corporate asset purchase programmes, as well as its other monetary policy operations,[8] being reformed so that they fully comply with the ECB's legal obligations. We set out those obligations in more detail below.

In order to mitigate climate-related risks and align with the EU's climate objectives and policies in a proportionate, precautionary and evidence-based way, ClientEarth believes the ECB must:

1. **Immediately exclude from its corporate asset purchase programmes bonds issued by companies whose activities are incompatible with achieving the Paris Goals[9] and/or are associated with high transition risk, including coal and unconventional oil and gas activities.**
2. **Exclude bonds or restrict asset purchases from companies unless the issuing company adopts by January 2023 a credible[10] Paris-aligned strategy to transition to net zero.**
3. **Set a comprehensive strategy to align its monetary policy portfolios and activities with the Paris Goals and EU emissions reduction targets, and issue a report in line with the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) annually, starting in 2022 alongside the ECB's 2021 Annual Report, disclosing its current level of alignment.**

We are available to discuss the contents of this letter further with you at your convenience.

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4 See for example: https://www.europarl.europa.eu/doceo/document/TA-8-2018-0215_EN.html at para 23 and https://www.europarl.europa.eu/doceo/document/TA-9-2020-0034_EN.pdf at para 23.

5 See for example: https://www.ecb.europa.eu/press/key/date/2021/html/ecb.sp210303_1~f3df48854e.en.html and https://www.bis.org/review/r210217d.htm.

6 See: https://www.europarl.europa.eu/cmsdata/151460/Monetary%20dialogue%2009.07.2018_EN.pdf at p.18.

7 See: https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter180615_Tang-Gill-Fernandez.en.pdf.

8 Such as the ECB's Collateral Framework and its Targeted Longer-Term Refinancing Operations (**TLTROs**): see for example https://news.greenpeace.at/assets/uploads/pdf/Greening-the-Eurosystem-collateral-framework-Report.pdf and http://www.positivemoney.eu/wp-content/uploads/2020/09/Green-TLTROs.pdf respectively.

9 The "**Paris Goals**" include (i) holding the increase in the global average temperature to well below 2ºC above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5ºC above pre-industrial levels, and (ii) making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development: Article 2(1)(a) and (c) of the Paris Agreement.

10 See footnote 38 for our commentary on what is required for a Paris-aligned strategy to be considered 'credible' and how that should be assessed.

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1. The climate-related risks and impacts of the ECB's corporate asset purchase programmes

In ClientEarth's view, and the view of numerous MEPs, experts, civil society organisations and scholars,[11] the bias in the corporate asset purchase programmes towards GHG-intensive assets runs contrary to and undermines the EU's environmental and climate objectives and policies.

These include the achievement of the Paris Goals, the European Green Deal[12] and the EU's targets to achieve at least 55% reduction of emissions by 2030 compared to 1990 levels and net zero emissions by 2050.[13]

Furthermore, the purchase of GHG-intensive assets (i) increases the exposure of the ECB's balance sheet to climate-related risks, and (ii) not only fails to mitigate the systemic risks of climate change to financial and price stability, but rather reinforces them, which undermines the ECB's own ability to maintain price stability in accordance with its mandate.

Mario Draghi has previously stated his view that the CSPP's structural bias towards GHG-intensive companies is a result of the eligibility criteria[14] having been deliberately broadly defined and not positively or negatively discriminating on the basis of the economic activity of the issuer.[15]

The proposed intention of the eligibility criteria might be that the corporate asset purchase programmes invest in a broadly 'market neutral' way, aiming to mirror the current market structure. However, this approach is widely recognised as unsuitable in the context of the persistent market failures that hinder the swift transition towards a low-carbon economy, and inadequate to overcome the immense challenge that climate change poses to financial and price stability.[16] The 'market neutral' approach reproduces the high-carbon status quo, and allows the ECB through its corporate asset purchase programmes to continue to provide liquidity and improved financing conditions to companies that are not aligned with the Paris Goals, locking in high-carbon business models and exacerbating the systemic risks of climate change to the global financial system.[17]

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11 See for example: https://neweconomics.org/uploads/files/Decarbonising-is-easy.pdf; https://www.europarl.europa.eu/doceo/document/ECON-QZ-655859_EN.pdf; https://www.europarl.europa.eu/doceo/document/ECON-QZ-655858_EN.pdf; and http://eprints.gla.ac.uk/168312/7/168312.pdf.

12 See: https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52019DC0640&from=EN.

13 See the Amended proposal for a Regulation on establishing a framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law) at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020PC0563. The Commission's proposed target of 55% emissions reduction by 2030 was endorsed by the European Council (https://www.consilium.europa.eu/media/47296/1011-12-20-euco-conclusions-en.pdf), while the European Parliament supports a higher target of a 60% reduction (https://www.europarl.europa.eu/doceo/document/TA-9-2020-0253_EN.html). The target will be enshrined in the European Climate Law, currently in trilogue.

14 The same eligibility criteria apply to corporate asset purchases under the PEPP.

15 See http://www.europarl.europa.eu/cmsdata/154962/Monetary_dialogue_24092018EN.pdf at p.16.

16 See for example: https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp200928_1~268b0b672f.en.html.

17 See https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/03/Net-zero-central-banking.pdf at p.11.

2. The ECB's legal obligations

The ECB is both empowered and legally required to take action to mitigate climate-related risks and reduce the impact on climate change associated with its corporate asset purchase programmes, within the scope of its existing mandate and its wider obligations as one of the EU institutions. These legal obligations include the following:

The ECB's primary objective in setting monetary policy is to maintain price stability.[18]

It is widely acknowledged that climate change is a major source of systemic risk to price and financial stability, impacting the real economy, financial risk, market prices and consequently the conduct of monetary policy.[19] It is further recognised that there is an urgent need to transition in an orderly manner to a net zero economy to mitigate those risks,[20] and that a stable climate and financial system is a prerequisite for the ECB to be able to deliver on its price stability mandate.[21]

In pursuit of its price stability objective, the ECB must therefore do its part to mitigate climate change and support a smooth transition to net zero – recognising the 'double materiality' inherent in climate-related financial risks, that the ECB's own operations are also having an impact on climate change and contributing to those risks.

To do so, the ECB must ensure that the current climate impacts of its corporate asset purchase programmes (namely, those arising through implicitly subsidising companies to continue to cause climate change without any conditionality requiring them to transition) are significantly reduced.

Without prejudice to achieving its primary objective, the ECB has a duty to support the general economic policies of the EU and contribute to the achievement of the EU's objectives.[22]

The EU's objectives include a high level of protection and improvement of the quality of the environment with a view to achieving sustainable development.[23] As recently highlighted by ECB Executive Board member, Frank Elderson, the ECB has a *duty* to provide this support; it is not merely an option.[24]

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18 Articles 127(1) and 282(2) TFEU.
19 See: https://www.ngfs.net/sites/default/files/medias/documents/ngfs_monetary_policy_operations_final.pdf at p.4.
20 See: https://www.ecb.europa.eu/press/blog/date/2021/html/ecb.blog210318~3bbc68ffc5.en.html.
21 See the comments of Klaas Knot of the Dutch National Bank at https://sustainablefinancelab.nl/en/every-avenue-available-lessons-from-monetary-history-for-tackling-climate-change/ and François Villeroy de Galhau of the Banque de France at https://www.banque-france.fr/en/intervention/role-central-banks-greening-economy.
22 Articles 127(1) and 282(2) TFEU.
23 Article 3(3) TEU and Article 191 TFEU.
24 See: https://www.ecb.europa.eu/press/blog/date/2021/html/ecb.blog210213~7e26af8606.en.html.

The ECB must take into account environmental protection requirements in its definition and implementation of monetary policy,[25] ensure consistency between monetary policy and climate policy,[26] and comply with the principle of proportionality.[27]

These obligations are separate from the ECB's mandate, but entirely relevant to how that mandate is implemented. Unlike the duty to contribute to the achievement of the EU's objectives, set out above, these obligations are not expressed to be 'without prejudice' to achieving the primary objective of maintaining price stability; rather, they require the ECB to balance the EU's climate objectives with the ECB's objective to maintain price stability, to ensure consistency and coherence.

In practice, these obligations imply that where different options are available to achieve its price stability objective, the ECB should choose the option that contributes most to improving the quality of the environment or, at least, the option that is least damaging to the environment.

The transition to a net zero economy is a vital part of EU policy due to the EU's commitment to the Paris Goals, the European Green Deal and its 2030 and 2050 emissions reduction targets. The ECB must ensure its corporate asset purchase programmes do not jeopardise the achievement of these policies or undermine a swift and orderly transition to net zero, but rather support them.

The ECB is required to respect the human rights, observe the principles and promote the application of the EU Charter of Fundamental Rights.[28]

Climate change raises known risks to health, homes and lives in Europe.[29] The ECB's corporate asset purchase programmes are not divorced from climate human rights risks; they support companies whose activities are aligned with increasing them. In recognising and considering the climate impacts of its corporate asset purchase programmes, the ECB must take into account the linked human rights risks.

The ECB must state reasons for the monetary policy decisions it takes.[30]

The ECB must explain how it has taken climate change into account and balanced the different objectives, in order to ensure transparency and accountability, and so that the Court of Justice of the European Union may exercise its powers of review.

The ECB must mitigate the climate-related financial risks facing its balance sheet through its corporate asset purchases.[31]

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25 Article 11 TFEU and Articles 37 and 51 EU Charter of Fundamental Rights.
26 Article 7 TFEU.
27 Article 5(4) TEU.
28 Articles 2, 7, 37 and 51 EU Charter of Fundamental Rights. See also Christine Lagarde's commentary on the ECB's promotion of the EU Charter of Fundamental Rights at: https://www.ecb.europa.eu/ecb/access_to_documents/document/correspondence/shared/data/ecb.dr.cor20200619daly.en.pdf?8630685c449cb9bbbda1c1dda7596c9b.
29 See for example: https://www.eea.europa.eu/publications/healthy-environment-healthy-lives, particularly from p.81.
30 Article 41(2)(c) EU Charter of Fundamental Rights, Article 296(2) TFEU, Article 17.4 Decision of the ECB of 19 February 2004 adopting the Rules of Procedure of the ECB (2004/257/EC), Case C-62/14 *Gauweiler and others*, judgment of 16 June 2015 at paras. 69-70, and Case C-493/17, *Weiss and others*, judgment of 11 December 2018 at paras. 30-31.
31 See: https://www.ecb.europa.eu/press/key/date/2021/html/ecb.sp210303_1~f3df48854e.en.html.

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Consequently, the ECB needs to take proactive action on climate change for three key reasons.

First, climate change is a systemic risk which threatens both price stability and financial stability and therefore taking action to mitigate climate change falls squarely within the ECB's primary mandate, to help prevent these systemic risks from materialising. Second, the ECB has to take into account the EU's climate objectives and policies and ensure it acts consistently with them, which necessarily involves reducing the impact of its programmes on climate change and human rights, and supporting the transition to net zero. Third, the ECB needs to mitigate the climate-related financial risks to which its corporate asset portfolios are exposed.

Taken together, these legal obligations require the ECB to (i) consider the options available for reforming its corporate asset purchase programmes, (ii) reconcile its monetary policy and environmental objectives, and (iii) commit to implementing the measures that most contribute to climate mitigation, are most supportive of the net zero transition and the EU's climate policies, and leave the ECB least exposed to climate-related financial risks, whilst still enabling it to deliver on its price stability objective.[32]

3. Action required by the ECB

ClientEarth believes that the necessary outcome of the ECB balancing its objectives, integrating environmental protection requirements and ensuring consistency with EU climate policy in a proportionate, precautionary and evidence-based way is that the ECB must take immediate steps to start decarbonising its corporate asset portfolios, with a view to aligning its portfolios with the Paris Goals, the European Green Deal and the 2030 and 2050 EU emissions reduction targets.

This should be achieved by:

1. Immediately excluding from its corporate asset purchase programmes bonds issued by companies whose activities are incompatible with achieving the Paris Goals and/or are associated with high transition risk,[33] including coal and unconventional oil and gas activities.[34]

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[32] In assessing the different options available to the ECB to reform its corporate asset purchase programmes, ClientEarth recognises that the ECB will need to consider: (i) the consequences for monetary policy effectiveness; (ii) the contributions to mitigating climate change; (iii) the effectiveness as risk protection measures; and (iv) operational feasibility. See further: https://www.ngfs.net/sites/default/files/medias/documents/ngfs_monetary_policy_operations_final.pdf at p.6.

[33] The NGFS recognises that non-financial climate-related data can be used to adjust monetary policy operations: see https://www.ngfs.net/sites/default/files/medias/documents/ngfs_monetary_policy_operations_final.pdf at p.7-8.

[34] See: https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/03/Net-zero-central-banking.pdf at p.11 and https://www.ngfs.net/sites/default/files/medias/documents/ngfs_monetary_policy_operations_final.pdf at p.43; by way of example, see the exclusion criteria proposed by Reclaim Finance (https://reclaimfinance.org/site/wp-content/uploads/2020/05/Report-Quantitative-easing-the-ECBs-dirty-secret-RF.pdf at p.5), the exclusion criteria and thresholds for coal, oil and gas companies adopted by the Banque de France (https://www.banque-france.fr/sites/default/files/medias/documents/responsible_investment_policy_reinforcing_exclusions_with_regard_to_fossil_fuels.pdf), the activity exclusions adopted for EU Paris-aligned Benchmarks (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R1818 at Article 12) and the Global Coal Exist List which includes divestment criteria for screening coal companies from investor portfolios (https://coalexit.org/).

2. Excluding[35] bonds or restricting[36] asset purchases from companies[37] unless the issuing company adopts by January 2023 a credible[38] Paris-aligned strategy to transition to net zero.
3. Setting a comprehensive strategy to align its monetary policy portfolios and activities with the Paris Goals and EU emissions reduction targets, and issue a report in line with the TCFD Recommendations annually, starting in 2022 alongside the ECB's 2021 Annual Report, disclosing its current level of alignment.[39]

As well as reducing the climate risks and impacts of the corporate asset purchase programmes, taking the above actions would eliminate implicit subsidies to companies that are not aligned with the Paris Goals, and would have the effect of aligning the CSPP with the EU's climate objectives. It would help foster greater transparency and improve market standards, supporting the EU's policy to transition to a net zero economy. As the production of a credible Paris-aligned strategy – and therefore satisfaction of the eligibility criteria – would remain primarily within the control of each individual company, this approach would help mitigate any potential concerns around prejudicial or unbalanced treatment of market participants.

The principle of 'market neutrality', which has long been used to justify the ECB's approach to asset purchases and gives rise to the carbon bias in the corporate asset purchase programmes, is neither enshrined in the EU Treaties[40] nor is it necessarily an appropriate benchmark, especially where markets are not correctly pricing in climate risk.[41] It should not be used as a justification to avoid taking appropriate action to exclude companies or to apply additional eligibility criteria.

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35 See: https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/03/Net-zero-central-banking.pdf at p.11; https://reclaimfinance.org/site/wp-content/uploads/2020/05/Report-Quantitative-easing-the-ECBs-dirty-secret-RF.pdf at p.5; https://neweconomics.org/uploads/files/Decarbonising-is-easy.pdf at p.16; and https://publications.banque-france.fr/sites/default/files/medias/documents/wp-790_0.pdf (in the context of the ECB's collateral framework).

36 By way of example of possible restrictions, see a method to tilt asset purchases towards low carbon assets proposed by Dirk Schoenmaker (https://www.tandfonline.com/doi/full/10.1080/14693062.2020.1868392), a suggestion for tilting based on whether company performance is compatible with the Paris Goals from François Villeroy de Galhau (https://www.banque-france.fr/en/intervention/role-central-banks-greening-economy), NGFS commentary on tilting asset purchases (https://www.ngfs.net/sites/default/files/medias/documents/ngfs_monetary_policy_operations_final.pdf at p.42), and a proposal by the New Economics Foundation, Greenpeace and others to exclude assets from companies in carbon-intensive sectors except to the extent they are green bonds (https://neweconomics.org/uploads/files/Decarbonising-is-easy.pdf at p.16) which could be used as an interim measure pending the deadline for adopting a credible Paris-aligned strategy.

37 The ECB could apply a size threshold for companies that would be subject to this eligibility criterion, to avoid an undue burden being placed on the smallest companies eligible under the CSPP. See for example the definition of public-interest entities (PIEs) under Directive 2014/95/EU (Non-Financial Reporting Directive).

38 To be 'credible', a company's Paris-aligned strategy must at least: (i) be based on a 1.5°C pathway with no or low overshoot; (ii) include short, medium and long-term targets for emissions reductions; and (iii) not rely on unproven or uncosted negative emissions technologies. While there is currently no market standard alignment methodology, there are a number of methodologies available (see the "Measuring Portfolio Alignment" report of the COP 26 Private Finance Hub: https://www.tcfdhub.org/wp-content/uploads/2020/10/PAT-Report-20201109-Final.pdf, which includes an overview of methods at p.48). The ECB's Climate Centre can assess the robustness of existing tools and metrics as part of developing its own assessment process.

39 See: https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/03/Net-zero-central-banking.pdf; and https://350.org/open-letter-ecb/.

40 It is rather a principle developed by the ECB which it previously considered to be the most appropriate concept to ensure the effectiveness of monetary policy while reflecting the requirement to "*act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources*" per Articles 127(1) and 119(2) TFEU: see https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter191122_Urtasun~2dc928d018.en.pdf. See also: https://www.cepweb.org/central-bank-market-neutrality-is-a-myth/ and https://www.positivemoney.eu/2019/09/ecb-market-neutrality-doctrine/.

41 See for example: https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp200928_1~268b0b672f.en.html; https://www.banque-france.fr/en/intervention/role-central-banks-greening-economy; and https://www.bis.org/review/r210217d.htm. See also the recent finding of the European Systemic Risk Board (**ESRB**) that "*climate risk does not appear to be fully reflected in asset prices so far*": https://www.esrb.europa.eu/pub/pdf/reports/esrb.report200608_on_Positively_green_-_Measuring_climate_change_risks_to_financial_stability~d903a83690.en.pdf?c5d033aa3c648ca0623f5a2306931e26 at p.3.

The Eurosystem central banks, alongside other central banks, have already started to exclude certain assets or apply sustainable investment principles to their *non-monetary policy* portfolios.[42]

In relation to monetary policy, while no central bank has yet taken comprehensive action to align its corporate asset purchase programmes with the Paris Agreement, the direction of travel is clear. The Network for Greening the Financial System ("**NGFS**") has acknowledged that central banks need to take steps to reflect climate-related considerations in their monetary policy operations[43] and underlined the risks of waiting to act until perfect data is available given that central banks can already use non-financial climate-related metrics to start taking action.[44] The Bank of England has recently confirmed it will adjust its corporate bond purchase scheme (which is currently aligned with a 3.5ºC temperature rise above pre-industrial levels by 2100[45]) to account for the climate impact of the issuers of the bonds it holds by Q4 2021,[46] and the Swedish Riksbank applies negative screening to its corporate asset purchases.[47] The law requires the ECB to take action, and evidence from other central banks indicates that the operational challenges can be managed.

According to the IPCC, global temperature rise could exceed 1.5°C as early as 2030 if decisive action is not taken now.[48] There may currently be some methodological and operational challenges and incomplete data, but the critical urgency of preventing climate breakdown requires a precautionary and "learning by doing" approach. The above steps can and must be taken without waiting for the entry into force of the EU Taxonomy,[49] the creation of a polluting taxonomy or the full disclosure of GHG emissions by issuers. Once new taxonomies or data are available, the ECB will be able to develop a more nuanced approach, but this must not preclude it taking action now.

Notwithstanding that governments have primary responsibility for setting environmental policy, the ECB has a vital role in supporting those policies, rather than undermining them. The ECB needs to recognise that the window for an orderly transition to a low-carbon economy is closing,[50] but that by providing clear signalling and clarity about the direction of travel to market participants through aligning its activities with the EU's policies and objectives, the ECB can help facilitate a smooth and timely transition.

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42 See for example the policies adopted by the Eurosystem central banks on climate change-related sustainable and responsible investment principles (https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210204_1~a720bc4f03.en.html), the Banque de France on fossil fuels (https://www.banque-france.fr/sites/default/files/medias/documents/responsible_investment_policy_reinforcing_exclusions_with_regard_to_fossil_fuels.pdf), and the Swiss National Bank on coal (https://www.snb.ch/en/mmr/speeches/id/ref_20201217_tjn/source/ref_20201217_tjn.en.pdf at p.4).

43 See: https://www.ngfs.net/sites/default/files/medias/documents/ngfs_monetary_policy_operations_final.pdf at p.2.

44 See the comments from the NGFS in this regard: "*When balancing the need for robust and comprehensive data against the opportunity cost of inaction, central banks should be cognisant of the risk that acting early with imperfect information could be less costly than acting only once stronger data standards have emerged*" and "*At the current juncture, in the absence of reliable and commonly agreed ways of putting a price tag on climate-related risks, central banks wishing to act may have no choice but to consider using non-financial climate-related metrics as a pragmatic starting point*" (https://www.ngfs.net/sites/default/files/medias/documents/ngfs_monetary_policy_operations_final.pdf at p.7-8).

45 See: https://www.bankofengland.co.uk/-/media/boe/files/annual-report/2020/climate-related-financial-disclosure-report-2019-20.pdf?la=en&hash=5DA959C54540287A2E90C823807E089055E6721B at p.5.

46 See: https://www.bankofengland.co.uk/news/2021/march/mpc-remit-statement-and-letter-and-fpc-remit-letter.

47 See: https://www.riksbank.se/globalassets/media/rapporter/ekonomiska-kommentarer/engelska/2021/sustainability-considerations-when-purchasing-corporate-bonds.pdf.

48 See: https://www.ipcc.ch/sr15/chapter/spm/ at para A.1.

49 See: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en.

50 See: https://www.bankofengland.co.uk/-/media/boe/files/paper/2019/the-2021-biennial-exploratory-scenario-on-the-financial-risks-from-climate-change.pdf at p.3.

ClientEarth

We remain available to discuss the contents of this letter with you at your convenience.

Yours sincerely,

Anaïs Berthier

Head of EU Affairs

+32 (0)2 808 34 68

ABerthier@clientearth.org

www.clientearth.org