

Press release

30 January 2024

ECB steps up climate work with focus on green transition, climate and nature-related risks

- Increasing impact of climate crisis on economy and financial system drives need for more action
- ECB reaffirms commitment to ongoing climate actions and will review them regularly
- Three focus areas to guide work for 2024 and 2025: implications of green transition, physical impact of climate change, and nature-related risks for the economy and financial system

The European Central Bank (ECB) has decided to expand its work on climate change, identifying three focus areas that will guide its activities in 2024 and 2025:

1. the **impact and risks of the transition to a green economy**, especially the associated transition costs and investment needs;
2. the **increasing physical impact** of climate change, and how measures to adapt to a hotter world affect the economy;
3. the **risks stemming from nature loss and degradation**, how they interact with climate-related risks and how they could affect the ECB's work through their impact on the economy and financial system.

“A hotter climate and the degradation of natural capital are forcing change in our economy and financial system. We must understand and keep up with this change to continue to fulfil our mandate”, said ECB President Christine Lagarde. “By broadening and intensifying our efforts we can better understand the implications of these changes and, in doing so, help to underpin stability and support the green transition of the economy and the financial system.”

To this end, the following concrete measures have been agreed.

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- On the transition to a green economy, the ECB will intensify its work on the effects of transition funding, green investment needs, transition plans and how the green transition affects aspects of our economy such as labour, productivity and growth. The results will also inform the ECB's macro modelling framework. Furthermore, the ECB will explore, within its mandate, the case for further changes to its monetary policy instruments and portfolios in view of this transition.
- On the **increasing physical impact of climate change**, the ECB will deepen its analysis of the impact of extreme weather events on inflation and the financial system, and how this can be integrated into climate scenarios and macroeconomic projections. It will also assess the potential impact of adaptation, or lack thereof, to climate change on the economy and financial sector, including related investment needs and the insurance protection gap.
- On **nature loss and degradation**, the ECB will analyse the close link with climate change, and the associated economic and financial implications. It will also further explore the role of ecosystems for the economy and the financial system.
- With regard to its **own operations**, the ECB will launch its eighth Environmental Management Programme to support achieving its 2030 carbon reduction targets. Together with the entire Eurosystem, its work will include eco-design principles for the future **euro banknote series** and incorporate environmental footprint considerations into the design of a digital euro that is currently in the preparation phase.

The decision to step up efforts in these areas follows the ECB's stocktake of its climate actions since launching its [2022 climate agenda](#), and an adjustment of its work plan in the light of the changing environment and improvements in data availability and methodologies.

The work planned for these focus areas will complement the ECB's current climate-related actions in its ongoing tasks, including monetary policy and banking supervision. The ECB will improve its climate-related indicators, risk monitoring and disclosures, and continue to contribute to the development of climate-related policies in European and international fora. Looking ahead, the ECB remains committed to regularly reviewing these actions to ensure they are fit for purpose and contribute to fulfilling its mandate.

A comprehensive overview of the planned work programme for 2024 and 2025 is available in the [Annex](#) and more information can be found on the [ECB's website](#).

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Notes

- The ECB needs to account for the effects of climate change in the conduct of its tasks within its mandate. Additionally, without prejudice to its price stability objective, the ECB must support the general economic policies in the European Union, with a view to contributing to a high level of protection of and improvement in the quality of the environment. This includes the goals of the European Climate Law. Under Article 11 of the Treaty on the Functioning of the European Union, the ECB is also required to integrate environmental protection requirements into the definition and implementation of its policies and activities.
- The ECB introduced [climate change considerations](#) into its monetary policy framework following its strategy review in 2021.

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CLIMATE AND NATURE PLAN 2024-2025 - ANNEX: OUR ROADMAP

Published as part of the climate and nature plan 2024-2025 on 30 January 2024. More information can be found in the related press release on the ECB's website.

		H1/2024	H2/2024	H1/2025	H2/2025
Continue and expand	Macroeconomic and financial stability analysis	Incorporate green transition policies into conjunctural analysis and macroeconomic models			
		Further develop risk monitoring and the macroprudential policy framework, and continue work on sustainable finance			
	Stress testing and scenarios	Contribute to the Fit-for-55 stress test			
		Chair the workstream of the Network for Greening the Financial System on Scenario Design and Analysis, leading the development of short-term scenarios and the provision of regular updates and improvements of long-term scenarios			
	Monetary policy strategy and implementation	Implement climate-related pool limits in the collateral framework assuming all technical conditions are in place			
		Introduce climate-related disclosure requirements in the collateral framework from 2026			
		Consider climate change in the preparation of monetary policy decisions			
	Banking supervision	Assess and follow up on banks' alignment with ECB supervisory expectations			
		Perform various supervisory actions on climate and environmental aspects, including preparatory work on transition planning			
	Climate-related data	Regularly expand and release updates of climate change-related indicators			
		Acquire and provide climate-related data and integrate climate data points into the ECB's own data collections			
	Payments, banknotes and market infrastructure	Consider environmental aspects in the preparatory phase of the design of a digital euro			
		Consider the relevance of environmental risks in the oversight of financial market infrastructures			
		Eco-design of the next euro banknote series and of banknotes with 100% organic cotton by 2027			
Environmental performance of the ECB's own operations and portfolios	Implement the Environmental Management Programme for 2022-2024 to continuously improve the ECB's environmental performance		Publish and implement the Environmental Management Programme for 2025-2027 to continuously improve the ECB's environmental performance		
	Continue to green the ECB's non-monetary policy portfolios and disclose progress				

		H1/2024	H2/2024	H1/2025	H2/2025
Initiate and explore	Focus area 1: Navigating the transition to a green economy	<ul style="list-style-type: none"> Analyse the effects of transition funding and risks on the monetary policy transmission mechanism Explore, within our mandate, the case for further climate change considerations in monetary policy instruments and portfolios Assess green investment needs and its funding Analyse the structural consequences stemming from the transition Advance the macroeconomic modelling framework with a focus on climate aspects 			
	Focus area 2: Addressing the increasing physical impact of climate change	<ul style="list-style-type: none"> Take further steps to integrate climate change impacts into climate scenarios and the analytical framework used for macroeconomic projections Explore the impact of climate adaptation, including the insurance protection gap Improve the availability of data to support physical risk analysis 			
	Focus area 3: Advancing work on nature-related risks	<ul style="list-style-type: none"> Further explore the economic and financial implications of biodiversity loss and the degradation of nature 			