



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Climate and nature plan 2024-2025

30 JANUARY 2024



## WHY ARE CLIMATE AND NATURE RELEVANT FOR THE ECB'S WORK?

### The ECB needs to work on climate and nature because:

- The physical impacts of climate change and nature degradation are increasingly tangible;
- The urgency to transition to a net-zero economy is greater than ever.

**We need to account for these aspects in conducting the tasks within our mandate:** climate change and nature degradation affect the economy and financial system, as well as the ECB's own exposure to related risks.

**We must support the general economic policies in the European Union,** without prejudice to our price stability objective and with a view to contributing to a high level of protection and improvement of the quality of the environment.



## WHAT ARE WE DOING ABOUT IT?


In [2022](#) we set **three key strategic objectives** for our climate-related activities



Managing climate-related risks



Supporting the green transition



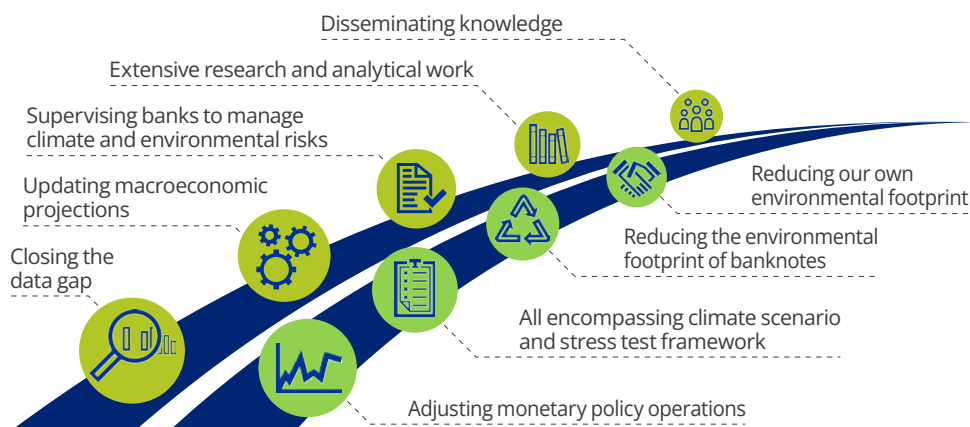
Fostering wider action

Following a stocktake of our climate actions since 2022 and building on the lessons learned, our work on climate change is now entering a new phase.

With our **climate and nature plan for 2024-2025**, we will:

- I. Continue to implement and expand our current climate-related actions
- II. Explore three focus areas in 2024 and 2025, with a view to initiating new activities

## WHAT WE HAVE ACHIEVED SO FAR



In recent years, the ECB has stepped up its efforts to better understand and account for climate-related risks and, within its mandate, contribute to the transition. The image shows highlights of achievements of the ECB, the Eurosystem and the European System of Central Banks in the context of the [action plan](#) 2021 to incorporate climate considerations into monetary policy, [supervisory priorities](#) for 2024-2026 and the [climate agenda](#) 2022.

### Find out more:

- [ECB Annual Report](#) and [Annual Report – ECB Banking Supervision](#)
- [Publications on climate change](#)
- [Climate-related financial disclosures](#)
- [ECB environmental statement](#)
- [Study on the environmental impact of euro banknotes](#)
- [Climate change-related statistical indicators](#)

## WHAT WE WILL CONTINUE TO DO

### Macroeconomic analysis and monetary policy

- Further improve our analytical tools to assess and project the impact of climate change and the green transition on the macroeconomy
- Enhance the management of climate change risks on the Eurosystem balance sheet and collateral framework, and consider climate change in the preparation of monetary policy

### Banking supervision and financial stability

- Continue to address climate-related and environmental risks (a supervisory priority for 2024-2026)
- Enhance our framework to identify, assess and mitigate climate-related risks to financial stability
- Further integrate climate risks into prudential frameworks and support rules for better climate-related disclosures in European and international fora

### Climate-related data

- Improve our set of climate-related indicators and support work on establishing international statistical standards in this domain

### The ECB's corporate sustainability

- Strive to reduce the environmental footprint of our own operations and non-monetary policy financial portfolios
- Consider environmental aspects in tasks related to banknotes and market infrastructure and payments
- Report publicly on our climate-related work in our regular disclosures

## THREE FOCUS AREAS WILL GUIDE THE ECB'S WORK IN 2024 AND 2025

The ECB will focus its work on the following three areas in 2024-2025. This will help us to better assess the impact of climate change and nature degradation on price stability and the associated financial risks. The first focus area will also support the green transition.

By sharing its knowledge and expertise and cooperating with peers in international and European fora, the ECB aims to foster wider action across our economies and societies.



### Navigating the transition to a green economy

The successful transition to a green economy depends on both the availability of sufficient public and private funding for green investment and transition policies such as carbon pricing, regulation and structural reforms.

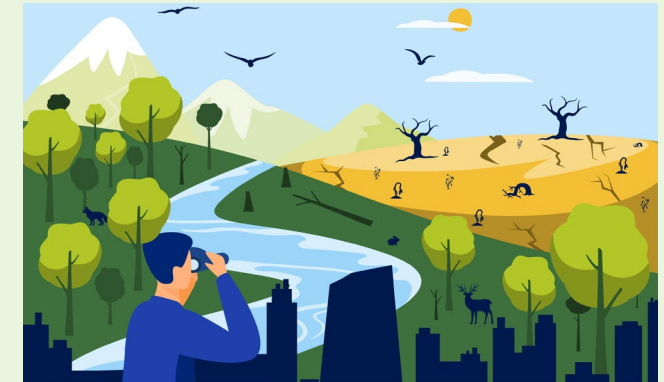
For the ECB to maintain price stability and deliver on its other core tasks, it is essential that it has a better understanding of how the transition progresses, of the investment flows needed to finance the transformation, as well as the associated economic and financial implications and risks. The ECB will also explore, within its mandate, the case for further changes to its monetary policy instruments and portfolios in view of this transition.



### Addressing the increasing physical impact of climate change

The increase in extreme weather events affects the macroeconomy and financial system through various channels. The ECB aims to better understand the physical impact of climate change on the economic variables that are key for delivering on its core tasks.

The ECB will also explore the economic implications of the climate adaptation policies and associated investment needs that are required to make our economy more resilient to a changing climate.



### Advancing work on nature loss and degradation

Nature loss and degradation affect the economy and lead to financial risks. Climate and nature are also inextricably linked.

The ECB will further explore the impact of nature-related risks on our economy to deepen our understanding of the possible implications for monetary policy and the financial system.

## OUR ROADMAP

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



EUROPEAN CENTRAL BANK

EUROSYSTEM

© European Central Bank, 2024

**Postal address:** 60640 Frankfurt am Main, Germany

**Telephone:** +49 69 1344 0

**Website:** [www.ecb.europa.eu](http://www.ecb.europa.eu)

All rights reserved. Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.

For specific terminology please refer to the ECB glossary (available in English only).