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## ECB Issues First Reports on Climate Impact of Portfolios

May 5, 2023



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The European Central Bank (ECB) has **published** its first climate-related financial disclosures. The disclosures provide information on ECB portfolios, including detailing their carbon footprints and exposure to climate risks, and also discuss climate-linked governance and risk management. The disclosures are part of a Eurosystem-wide effort to increase transparency around the sustainability characteristics of European central bank portfolios.

The ECB issued the disclosures through two reports. A **report** on “Climate-related financial disclosures of the Eurosystem’s corporate sector holdings for monetary policy purposes” covers corporate securities purchased for monetary policy purposes under the corporate sector purchase program (CSPP) and the pandemic emergency purchase programme (PEPP). An **additional report** on “Climate-related financial disclosures of the ECB’s non-monetary policy portfolios” provides “quantitative and qualitative climate-related information about the ECB’s own funds and staff pension fund. The information covers governance, strategy, risk management, and metrics and targets.” The reports seek to provide greater transparency into the Eurosystem’s follow-through on its climate obligations over time, charting decarbonization efforts against benchmarks in the Paris Agreement and reporting on the results of the ECB’s **effort to “tilt”** its securities purchases toward companies “with a better climate performance.”

According to the ECB, with respect to its corporate securities portfolio, even though “the portfolios’ absolute greenhouse gas emissions have increased in recent years because the Eurosystem has purchased more securities for monetary policy purposes, issuers’ carbon intensity has gradually declined. This is partly due to the fact that the companies in our portfolio have lowered their emissions for every million euro of revenue they earn, reflecting their efforts to significantly reduce their emissions and boost carbon efficiency.” The ECB also attributes

progress on the climate-related aspects of its portfolio to its [October 2022 decision](#) to incorporate climate change into ECB's monetary policy operations by favoring or "tilting" toward issuers with improved climate performance.

The ECB has also made efforts to transition its own funds portfolio. "The ECB has more than halved emissions from corporate and equity investments in its staff pension fund since 2019," and the "share of green bonds in its funds portfolio went from 1% in 2019 to 13% in 2022."

The ECB will now publish annual updates on climate progress related to these portfolios, increasing the detail of the disclosures as data quality improves. Eventually, the ECB plans to disclose climate progress on its other monetary policy portfolios, including those under the public sector purchase programme (PSPP), the third covered bond purchase programme (CBPP3) and any other assets under the PEPP. The ECB will set its own interim decarbonization targets for its own funds portfolio, and will consider setting targets for corporate sector portfolios.

**Taking the Temperature: The ECB has been active with respect to climate-related financial stability issues as well as attempting to promote green transition efforts through its monetary policies and issuer engagement. Among other things, along with the European Banking Authority, the ECB [recently commented](#) on "the first set of European Sustainability Reporting Standards, which provide guidance for companies performing environmental materiality assessments and disclosures of certain sustainability metrics; [published "new experimental and analytical indicators"](#) that are intended to help analyze climate-related risks in the finance sector and monitor green transition; [undertook a thematic review](#) into climate-related and environmental risks confronting 186 banks with total combined assets of €25 trillion; and, along with the European Supervisory Authorities, published a [Joint Statement on climate-related disclosure for structured finance products](#). Notwithstanding these efforts, at least one member of the ECB's Executive Board has made the case that current climate-related actions being taken by the ECB will be insufficient for the central bank to meet its objectives of carbon neutrality by 2050, and [urged more aggressive action](#).**