

“The ECB must act now on climate change”

Open letter to Christine Lagarde

Brussels, November 27th, 2019

Dear Christine Lagarde,

As the new President of the European Central Bank you'll face many challenges in the years to come, but the most crucial one is to determine how the ECB will act to fight climate change and accelerate the transition towards a carbon-neutral economy. During your hearing at the European Parliament, **you rightly pledged to make sure the ECB puts the “protection of the environment at the core of the understanding of its mission.”** As academics, civil society and trade union leaders, entrepreneurs and citizens deeply concerned by climate change, we believe that the most powerful financial institution in Europe cannot just sit passively as we witness a growing environmental crisis.

Climate change not only imperils life-sustaining processes, it also threatens the financial stability, real economy and jobs. It has been estimated that without mitigation efforts, **physical risks related to climate change could result in losses of up to \$24 trillion** of the value of global financial assets¹. For all those reasons, we need a massive shift of financial flows towards a low carbon and socially just transition, and this can hardly be done without central banks actively pushing the financial system in the right direction. This will not only make our economy more sustainable but it will facilitate job creation in less carbon-intensive sectors.

We know that this issue is being discussed among many central banks which are members of the “Network for Greening the Financial System”, including the ECB. But progress is much too slow and we are losing time. **We cannot wait for years to study the long-term financial risks involved; central banks must use all the tools at their disposal to proactively prevent these risks.** In that regard, it is particularly shocking that the ECB – in the name of market neutrality – is still buying assets on a massive scale from companies involved in carbon-intensive and fossil fuel-related industries. If the ECB is truly concerned by climate-related risks, it should recognise that its current monetary policy is part of the problem and is reinforcing a dangerous status quo.

¹ Dietz, Simon, Bowen, Alex, Dixon, Charlie and Gradwell, Philip (2016) ‘Climate value at risk’ of global financial assets. Nature Climate Change, 6. pp. 676-679. ISSN 1758-678X

Without any further delay, the ECB should commit to **gradually eliminating carbon-intensive assets from its portfolios**, starting with immediate divestment from coal-related assets. Without waiting for the “green taxonomy” developed by the European Commission, climate-impact criteria should be used to screen all assets currently eligible for monetary operations.

As the emergency response to the last financial crisis showed, central banks are not lacking in imagination when the situation demands it. Under your leadership, the ECB could deploy similar ingenuity in addressing the threats posed by climate change; by re-designing “Quantitative Easing” or refinancing operations to ensure they are supporting investments contributing to the green transition.

You will inevitably face ideological resistance from those who think central banks should leave climate policies to others and remain “market-neutral.” But it’s time to revisit this principle. If one agrees with Nicholas Stern that “*climate change is a result of the greatest market failure the world has seen*”, then the idea that monetary policy should simply mirror the market amounts to adding a regulatory failure on top of market failure.

On the other hand, you will also find strong political support for resolute action. Fighting climate change is a major EU policy objective, and as such it fits in your mandate as defined by Article 127 of the Treaty on the Functioning of the European Union. This has been confirmed several times by the European Parliament². In addition, the ECB as an EU institution is legally bound by the Paris Climate Agreement. And should there be any doubt on this point in the future, you can trust the European Parliament – to whom the ECB is accountable – to provide further clarity and guidance on the role the ECB should play within the broader EU climate strategy.

If you are serious about your pledge to put the ECB at the forefront of the fight against climate change, you can count on our support in contributing to this debate in a constructive and democratic manner.

We wish you good luck and success.

² European Parliament resolution on sustainable finance, April 2018
https://www.europarl.europa.eu/doceo/document/TA-8-2018-0215_EN.html

Signatures from organisations:

1. Secours Catholique - Caritas France
2. Potsdam Institute for Climate Impact Research
3. Finnish Confederation of Professionals (STTK)
4. Greenpeace Netherlands
5. Confédération française démocratique du travail
6. European Federation of Ethical and Alternative Banks & Financiers (FEBEA)
7. UNI-Europa
8. Stockholm Resilience Centre
9. Finance Watch
10. Institute for Climate economics (I4CE)
11. WWF European Policy Office
12. Fondazione Finanza Etica
13. World Future Council
14. Finanzwende
15. ASUFIN
16. FEPS
17. IPSO ECB Trade Union
18. The Club of Rome
19. Positive Money Europe
20. Veblen Institute for Economic Reforms
21. Centre des Jeunes Dirigeants
22. Greenpeace France
23. Fondation Nicolas Hulot
24. Attac Germany
25. The Shift Project
26. Rethinking Economics
27. Institut Louis Bachelier
28. KEDGE Business School
29. WEED - World Economy, Ecology & Development
30. Attac France
31. AXYLIA
32. 350.org
33. Society for International Development (SID)
34. Fondation Copernic
35. Urgewald
36. Sauvons l'Europe
37. BankTrack
38. Chaire Positive Business - Université Paris Nanterre
39. PowerShift e.V.
40. FISAC/CGIL
41. Sunrise Project
42. Green Economy Coalition
43. SOMO
44. Greentervention
45. The Green New Deal for Europe
46. European Alternatives

47. Greenpeace International
48. Réseau Action Climat
49. Fair Finance Institute
50. Federazione degli Organismi Cristiani Servizio Internazionale Volontario (FOCSIV)
51. Monetative e.V.
52. Observatorio de la Deuda en la Globalización
53. Attac Austria
54. Asociación de las Comunidades Autofinanciadas
55. Réseau International de recherche sur les Organisations et le Développement Durable (RIODD)
56. Schutzstation Wattenmeer
57. SDSN France
58. Edgeryders
59. WECF France
60. FISAC/CGIL
61. Banca Etica
62. Alofa Tuvalu

Signatures from individual experts:

63. **Adam Tooze**, Professor, Columbia University, European Institute, USA
64. **Adair Turner**, Chairman, Energy Transitions Commission & Former Chairman of the UK Financial Services Authority, UK
65. **Tim Jackson**, Professor, University of Surrey, UK
66. **Herman Wijffels**, Former CEO at Rabobank, Netherlands
67. **Panicos Demetriades**, Professor of Financial Economics, University of Leicester, UK
68. **Jézabel Couppey-Soubeyran**, Professeur, Université de Paris 1 Panthéon-Sorbonne, France
69. **Nick Robins**, Professor, Grantham Institute on climate change and the Environment, UK
70. **Rens van Tilburg**, Director, Sustainable Finance Lab, Netherlands
71. **Francesco Papadia**, Senior Fellow, Bruegel, Belgium
72. **Dominique Plihon**, Professeur émérite, Université Sorbonne Paris Nord, France
73. **Vincent Aussilloux**, Head of the Economics Department, France Stratégie, France
74. **Benjamin Braun**, Senior Researcher, Max Planck Institute for the Study of Societies, Germany
75. **Andrew Watt**, Macroeconomic Policy Institute (IMK), Germany
76. **Miguel Otero-Iglesias**, Professor, IE School of Global and Public Affairs, Spain

77. **Jacob Funk Kirkegaard**, Senior Fellow, PIIIE, USA
78. **Jeroen van den Bergh**, Professor of environmental economics, Universitat Autònoma de Barcelona, ICREA & Vrije Universiteit Amsterdam, Spain & The Netherlands
79. **Jacqueline Cramer**, Professor & Former Minister of the Environment, Utrecht University, Netherlands
80. **Rick van der Ploeg**, Professor of Economics, University of Oxford, UK
81. **Hans Schenk**, Emeritus Professor, Utrecht University, Netherlands
82. **Dirk Schoenmaker**, Professor of Banking and Finance, Erasmus University Rotterdam, Netherlands
83. **Irene van Staveren**, Professor of pluralist development economics, Erasmus University Rotterdam, Netherlands
84. **Pier Vellinga**, chairman of various boards and academic professor, Netherlands
85. **Bert de Vries**, Prof. em., Utrecht University / SFL, Netherlands
86. **Lara Lázaro Touza**, Lecturer, Universidad Complutense de Madrid, Spain
87. **Alain Grandjean**, Fondateur, Carbone4, France
88. **Mark Blyth**, Professor, Brown University, USA
89. **Joze Damijan**, Professor of Economics, University of Ljubljana, Slovenia
90. **Koen Schoors**, Professor Economics, Ghent University, Belgium
91. **Dirk Ehnts**, Technical University of Chemnitz, Germany
92. **Eric Lonergan**, Economist, UK
93. **Sergio Rossi**, Professor of Economics, University of Fribourg, Switzerland
94. **Henk de Vos**, Retired associate professor, Netherlands
95. **Hubert Kempf**, Professor, Ecole Normale Supérieure Paris Saclay, France
96. **Michaël Malquarti**, Promoter of a monetary reform and published author, Switzerland
97. **Hugues Chenet**, Honorary Senior Research Associate, University College London, France
98. **Jean Hetzel**, Expert Green Finance, France Nature Environnement, France
99. **Nadia Ameli**, University College London, UK
100. **Yamina Tadjeddine**, Professeure de sciences économiques, Université de Lorraine, France
101. **Sebastian Diessner**, Researcher, European University Institute (EUI), Italy
102. **Catherine Karyotis**, NEOMA Business School, France
103. **Jean Christophe Carteron**, CSR Director, KEDGE BS, France
104. **Laurence Le Poder**, Associate Professor, Kedge Business School, France
105. **Nicolas Mottis**, Professor, Ecole Polytechnique, France
106. **Tim Foxon**, Professor of Sustainability Transitions, SPRU, University of Sussex, UK
107. **Luis Reyes**, Professor of Finance, Kedge Business School, France
108. **Jörg Haas**, Head of Division International Politics, Heinrich Böll Stiftung, Germany
109. **Frank Van Lerven**, Senior researcher, New Economics Foundation
110. **Oliver Picek**, Senior Economist, Momentum Institut, Austria
111. **Irene Monasterolo**, Assistant Professor, Climate Economics and Finance, Vienna University of Economics and Business (WU), Austria
112. **Denis Dupré**, Professor of finance and ethics, Université Grenoble-Alpes, France
113. **Philippe Givry**, Professor of finance, Kedge Business School, France
114. **Paul Dermine**, Expert in EMU Law, Maastricht University, Belgium
115. **Léo Charles**, Maître de conférence, Université Rennes 2, France
116. **Regis Marodon**, Conseiller finance durable, Agence Française de Développement, France
117. **Pierre Cours-Salies**, Professeur émérite Sociologie, France
118. **Anaïs Henneguelle**, Assistant Professor in Economics, Université de Rennes 2, France
119. **Léo Malherbe**, PhD student, Université de Bordeaux, France
120. **Ludovic Suttor-Sorel**, Research officer, Finance Watch - TEG member, Belgium
121. **Christiane Bernard**, CGT, France
122. **Johann Walter**, Prof. Dr., Westfälische Hochschule Gelsenkirchen (University of Applied Sciences), Germany
123. **David Bourghelle**, Professor, Lille University, France
124. **Enrico Giovannini**, Full professor of statistics and economics, University of Rome Tor Vergata, Italy
125. **Olivier Gergaud**, Professor, Kedge Business School, France

126. **Nicoletta Dentico**, Director, Health Innovation in Practice (HIP), Italy
127. **Lidia Brun Carrasco**, Economist, Université Libre de Bruxelles, Spain
128. **Claude Calame**, Directeur d'études EHESS, ATTAC, France
129. **Janie Arneguy**, Conseillère Municipale Ensemble, Ensemble, France
130. **Carlos Alvarez-Pereira**, President, Innaxis Foundation, Spain
131. **Matthias Kroll**, Chief Economist, World Future Council, Germany
132. **Marion Cohen**, President, MC Conseil, France
133. **Axel Troost**, Geschäftsführer, Arbeitsgruppe Alternative Wirtschaftspolitik e.V., Germany
134. **Esther Regnier**, Doctor, University of Brest, France
135. **Nicholas Dorn**, Part-time course lecturer, Financial sociologist, Institute of Advanced Legal Studies, London, UK
136. **Padraic Kenna**, Director, Centre for Housing Law Rights and Policy, Ireland
137. **Nicolas Huchet**, lecturer, Université de Toulon, France
138. **François Chantran**, Attac, France
139. **Frederique Dejean**, Professor, Paris Dauphine PSL, France
140. **Marc Lenglet**, Associate Professor, NEOMA Business School, France
141. **Aurélien Decamps**, Associate Professor, KEDGE Business School / Sulitest.org, France
142. **Nicolas Rose**, Chargé de mission innovation & Référent développement durable, Région Nouvelle-Aquitaine, France
143. **Jens van't Klooster**, FWO Postdoctoral Fellow, KU Leuven, Belgium
144. **Stephanie Jalabert**, Adjunct professor in Management accounting, International University of Monaco
145. **Pierre Lachaize**, Directeur, Innovation Durable Consulting, France
146. **Nicolas Postel**, Professor of economics, University of Lille, France
147. **Dimbi Ramonjy**, Associate professor, La Rochelle Business School - Excelia group, France
148. **Janina Urban**, Research Assistant, Research Institute for Societal Development, Germany
149. **Magalie Marais**, Associate Professor/Enseignante-Chercheure, Montpellier Business School, France
150. **Clément Séhier**, IMT Lille-Douai, France
151. **Roland Pérez**, Professeur (hon.), Université Montpellier, France
152. **Morgane Fritz**, Associate Professor in Supply Chain Management, La Rochelle Business School - Excelia Group, France
153. **Michel Capron**, Professeur honoraire des universités, Université Paris 8 - Saint Denis, France
154. **Corinne Vercher-Chaptal**, Professor, Université Paris 13, France
155. **Dilip Subramanian**, Associate Professor, NEOMA Business School, France
156. **Robin Jarvis**, Professor, Brunel University, UK
157. **Valentina Carbone**, Professor, ESCP Europe, France
158. **Dorothea Schäfer**, Research Director in the Macroeconomics Department, DIW Berlin, Germany
159. **Rudolf Hickel**, Vorsitzender, Arbeitsgruppe Alternative Wirtschaftspolitik e.V., Germany
160. **Thomas Korbun**, Scientific Director, Institute for Ecological Economy Research (IOEW), Berlin, Germany
161. **Steffen Lange**, Postdoctoral Researcher, Institute for Ecological Economy Research (IOEW), Berlin, Germany
162. **Davide Castro**, Digital Communications and Strategy, DiEM25, Belgium
163. **Matthias Schmelzer**, Researcher, Konzeptwerk Neue Ökonomie e.V., Germany
164. **Esther Jeffers**, economist, Université de Picardie Jules Verne (UPJV), France