

## 4 years on, the ECB needs an updated climate and nature approach

### Open letter to the ECB Governing Council

28 January 2025

Dear members of the European Central Bank Governing Council,

Four years ago, the European Central Bank (ECB) adopted its Climate Roadmap as part of a monetary policy strategy review.<sup>1</sup> This marked a welcome turn in how climate change was considered by central banks across the Eurosystem and integrated into their activities. **But times have changed, bringing a new set of opportunities and challenges along the way for the Governing Council to consider.**

Central banks' understanding of the link between climate change and monetary policy has improved, various climate stress tests have been carried out,<sup>2</sup> and deadlines were set for banks to meet climate-related risk expectations.<sup>3</sup> European central banks have also recognised the need to extend the initial focus on climate to a more holistic approach also encompassing nature degradation and biodiversity loss.<sup>4</sup>

At the same time, the ECB's green agenda has experienced significant hurdles. High inflation, caused by Europe's dependency on fossil gas, transformed the economic context and monetary policy operations. Asset purchases, once abundant, are now being phased out, effectively ending the climate tilting policy introduced in the Roadmap.<sup>5</sup> Interest rates were raised to a restrictive stance, harming green investment and hampering the energy transition.<sup>6</sup>

Yet, the ECB has repeated that a faster and orderly transition is essential for price and financial stability.<sup>7</sup> Furthermore, as climate change and nature degradation intensify, so will their impact on monetary policy and the whole financial system. And, maintaining our fossil fuel dependency leaves us vulnerable to future price shocks.

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<sup>1</sup> European Central Bank (July 2021) [Press release: ECB presents action plan to include climate change considerations in its monetary policy strategy](#).

<sup>2</sup> This includes [an economy-wide stress test](#) highlighting the importance of a faster orderly transition (September 2023) and a ['Fit-For-55' climate stress test](#) (November 2024).

<sup>3</sup> European Central Bank (2 November 2022) [Press release: ECB sets deadlines for banks to deal with climate risks](#).

<sup>4</sup> See for example the ECB [Climate and Nature Plan 2024-2025](#) published in January 2024 or Banque de France's [Bulletin on Biodiversity loss](#) (October 2021).

<sup>5</sup> The ECB stopped purchases under the [pandemic emergency purchase programme](#) and under [the asset purchase programmes](#), putting an effective end to its climate tilting policy of corporate bonds.

<sup>6</sup> Berenschot (May 2023) [Impact of rising interest rates on sustainable projects: Business case analyses](#).

<sup>7</sup> European Central Bank (September 2023) [Press release: Faster green transition would benefit firms, households and banks, ECB economy-wide climate stress test finds](#).

In light of the situation, **we urge you, the ECB Governing Council, to put forward a new and improved Climate Roadmap as part of the monetary policy strategy assessment to be concluded in 2025.** Concrete measures that should be introduced include updating the collateral framework, tilting the *stock* of securities in the asset portfolios, and introducing green lending facilities (as explained in the Manifesto [\*Stability Through Sustainability: three recommendations for the ECB's 2025 Monetary Policy Strategy Review\*](#)). We stress that, by implementing these measures, the ECB's monetary policy would more effectively fulfil its primary mandate. Additionally, it would be more aligned with its secondary objective to support the EU's economic goals, which include the green transition and sustainable economic growth.

The ECB is at a crossroads. It can take satisfaction in its progress thus far, leaving a gulf of ambition to the true scale of the challenge. Or it can use that progress as a stepping stone towards developing a monetary policy strategy fit for ensuring stability in the face of the nature and climate crises. **Although governments should lead on environmental policies, the ECB has a responsibility to mobilise monetary policy to integrate climate and environmental risks and support the green transition to uphold its mandate.**

We, the undersigned, hope you will consider our demands when reviewing the ECB monetary policy strategy. We stand ready to contribute constructively to this work, within our expertise.

## Signatures from organizations

*The organizations signing this open letter are also the signatories of the related Manifesto available [here](#).*

1. Agir pour le Climat
2. AnsvarligFremtid
3. ASUFIN
4. Attac España
5. Attac France
6. BankTrack
7. Campax
8. ClientEarth
9. Coal Action Network
10. Denktank Minerva
11. ECCO Climate
12. Ecodes
13. EcoZ
14. Eko
15. Ember
16. Facing Finance
17. FairFin
18. Federación de Consumidores y Usuarios CECU
19. Finance Watch
20. Financité
21. Finanzwende
22. Hiilivapaa Suomi (Coal-Free Finland)
23. Institut Rousseau
24. Leave It in the Ground Initiative (LINGO)
25. Les Amis de la Terre France (Friends of the Earth France)
26. Mellempölkeligt Samvirke
27. Monetary Diversity
28. New Economics Foundation
29. Opportunity Green
30. Positive Money
31. Reclaim Finance
32. ReCommon
33. Réseau Action Climat France

34. REVO Prosperidad Sostenible
35. The Sunrise Foundation
36. Sustainable Finance Observatory (ex 2 Degrees Investing Initiative)
37. UGT, Unión General de Trabajadoras y Trabajadores
38. Urgewald
39. Veblen Institute for Economic Reforms
40. WWF
41. ZERO

### Signatures from individual experts

42. **Bezemer Dirk**, Full Professor of Economics of International Financial Development at University of Groningen, the Netherlands
43. **Chenet Hugues**, Associate Professor, IESEG School of Management, France; Honorary Senior Research Fellow, University College London, UK
44. **Coupey-Soubeyran Jézabel**, Assistant Professor Université Paris 1 Panthéon-Sorbonne and scientific advisor of Veblen Institute, France
45. **Dafermos Yannis**, Reader, SOAS University of London, UK
46. **Deyris Jérôme**, Postdoc, SciencesPo, France
47. **Dufrêne Nicolas**, Economist, President of Rousseau Institute, France
48. **Franka Nicolas**, Economist, Founder at Monetary Diversity, Université de Liège, Belgium
49. **Grandjean Alain**, Economist, President of The Other Economy, France
50. **Kedward Katie**, Senior Research Fellow, Institute for Innovation and Public Purpose, University College London, UK
51. **Nikolaidi Maria**, Associate Professor, University of Greenwich, UK
52. **Plihon Dominique**, Economist and emeritus professor at University Sorbonne Paris Nord, France
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58. **Van 't Klooster Jens**, Assistant Professor of Political Economy at the University of Amsterdam, the Netherlands
59. **Van Doorslaer Hielke**, Postdoc, Ghent University and researcher at Denktank Minerva, Belgium
60. **Van Tilburg Rens**, Economist at Sustinnova, the Netherlands
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