



EUROPEAN CENTRAL BANK

EUROSYSTEM

Christine LAGARDE

President

Mr Martin Schirdewan

Member of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt am Main, 17 September 2021

L/CL/21/183

**Re: Your letter (QZ-036)**

Honourable Member of the European Parliament, dear Mr Schirdewan,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 13 July 2021.

Climate change has profound implications for price stability through its impact on the structure and cyclical dynamics of the economy and the financial system. Addressing climate change is a global challenge and a policy priority for the EU. As outlined in our new monetary policy strategy, the ECB's Governing Council is committed, within its mandate, to ensuring that the Eurosystem fully takes into account the implications of climate change and the carbon transition for monetary policy and central banking, in line with the EU's climate goals and objectives.<sup>1</sup> Accordingly, we have committed to an ambitious climate-related action plan.<sup>2</sup> In addition to comprehensively incorporating climate factors into our monetary policy assessments, we will adapt the design of our monetary policy operational framework in relation to disclosures, risk assessment, corporate sector asset purchases and the collateral framework.

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<sup>1</sup> See "The ECB's monetary policy strategy statement", available at:  
[https://www.ecb.europa.eu/home/search/review/html/ecb.strategyreview\\_monpol\\_strategy\\_statement.en.html](https://www.ecb.europa.eu/home/search/review/html/ecb.strategyreview_monpol_strategy_statement.en.html).

<sup>2</sup> See "ECB presents action plan to include climate change considerations in its monetary policy strategy" and the annex outlining a "Detailed roadmap of climate change-related actions", 8 July 2021, available at:  
[https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210708\\_1~f104919225.en.html](https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210708_1~f104919225.en.html).

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Regarding your question on our collateral framework, let me first highlight that its key purpose is to adequately protect our balance sheet from the risks that arise from lending funds to our counterparties. At the same time, our framework is designed to ensure that sufficient collateral remains available to our counterparties to participate in our credit operations, thereby enabling the transmission of our monetary policy, in line with our statute.<sup>3</sup>

A broad range of assets are eligible under our collateral framework, conditional on their compliance with certain requirements and subject to the Eurosystem's credit assessment and risk control measures. Regarding your specific question on certain bonds issued by the Canadian province of Alberta, I can confirm that these bonds meet the current eligibility requirements of the Eurosystem's collateral framework and could therefore be mobilised as collateral for monetary policy operations by our counterparties. For the sake of completeness, and following up on your reference to the actions by Sveriges Riksbank, I would also like to highlight that bonds issued by the Canadian province of Alberta are not held in the Eurosystem's monetary policy purchase programmes (the asset purchase programme and the pandemic emergency purchase programme) or in its non-monetary policy portfolios related to the management of the ECB's foreign reserve portfolios and the ECB's own funds investments, as those bonds do not meet the respective eligibility criteria for purchases under those portfolios.<sup>4</sup>

With the adoption of the new monetary policy strategy, the ECB has now set out a detailed roadmap to implement a comprehensive action plan aimed at further incorporating climate change considerations into our policy framework. As part of this, we will introduce disclosure requirements for private sector assets as a new eligibility criterion or as a basis for the differentiated treatment of collateral and asset purchases. These disclosure requirements will take into account EU policies and initiatives in the field of environmental sustainability disclosure and reporting and will promote more consistent disclosure practices in the market, while maintaining proportionality through adjusted requirements for small and medium-sized enterprises. The detailed plans will be announced in 2022. Moreover, we will consider relevant climate change risks when reviewing the collateral framework, in particular the valuation and risk control frameworks for assets mobilised as collateral by counterparties for Eurosystem credit operations. In addition, the ECB will continue to monitor structural market developments in sustainability products and stands ready to support innovation in the area of sustainable finance within the scope of its mandate. As outlined in the roadmap, the review of our collateral

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<sup>3</sup> See Consolidated version of the Treaty on European Union, Protocol (No 4) on the Statute of the European System of Central Banks and of the European Central Bank, Article 18, available at: [https://eur-lex.europa.eu/eli/treaty/teu\\_2016/pro\\_4/oj](https://eur-lex.europa.eu/eli/treaty/teu_2016/pro_4/oj).

<sup>4</sup> See also "Public sector purchase programme (PSPP) - Questions & Answers" available at: <https://www.ecb.europa.eu/mopo/implement/app/html/pspp-qa.en.html>, "Pandemic emergency purchase programme (PEPP) Questions & Answers" available at: <https://www.ecb.europa.eu/mopo/implement/pepp/html/pepp-qa.en.html>, "Foreign reserves and own funds" available at: <https://www.ecb.europa.eu/ecb/tasks/reserves/html/index.en.html> and Section 2.1 in ECB (2019), "Trends in central banks' foreign currency reserves and the case of the ECB", *Economic Bulletin*, Issue 7, available at: [https://www.ecb.europa.eu/pub/economic-bulletin/articles/2019/html/ecb.ebart201907\\_01~c2ae75e217.en.html](https://www.ecb.europa.eu/pub/economic-bulletin/articles/2019/html/ecb.ebart201907_01~c2ae75e217.en.html).

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framework should be concluded by mid-2022. Following this, we will continue to closely monitor and evaluate the adequacy of our framework and stand ready to design and implement further adjustments as needed.

Yours sincerely,

[signed]

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