

# THE ROLE OF CENTRAL BANKS IN SUSTAINABLE FINANCE

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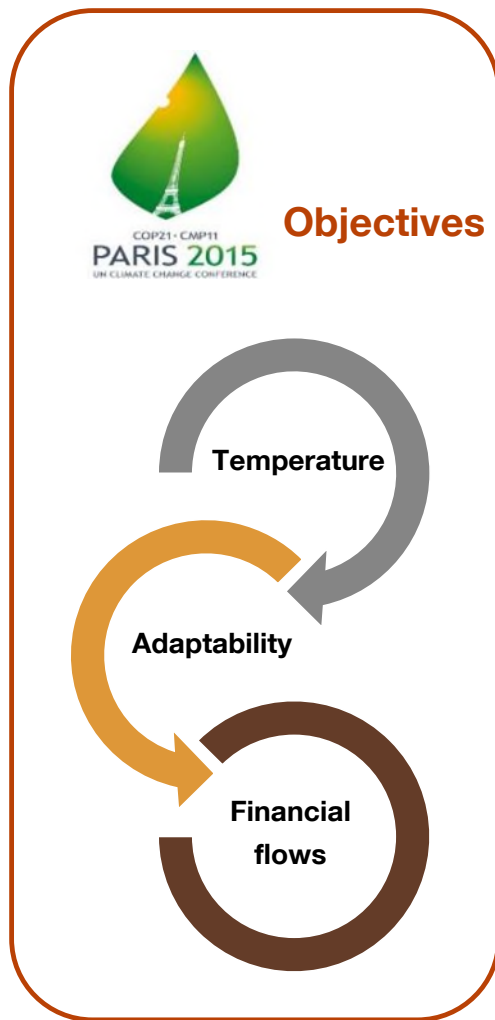
Deputy Governer

FUNDACIÓN PARA LA SOSTENIBILIDAD ENERGÉTICA Y AMBIENTAL

Barcelona

6 February 2023





Global Risks Report 2023

## Top 10 Risks

“Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period”



### 2 years

1	Cost of living crisis
2	Natural disasters and extreme weather events
3	Geoeconomic confrontation
4	Failure to mitigate climate change
5	Erosion of social cohesion and societal polarization
6	Large-scale environmental damage incidents
7	Failure of climate-change adaptation
8	Widespread cybercrime and cyber insecurity
9	Natural resource crises
10	Large-scale involuntary migration

### 10 years

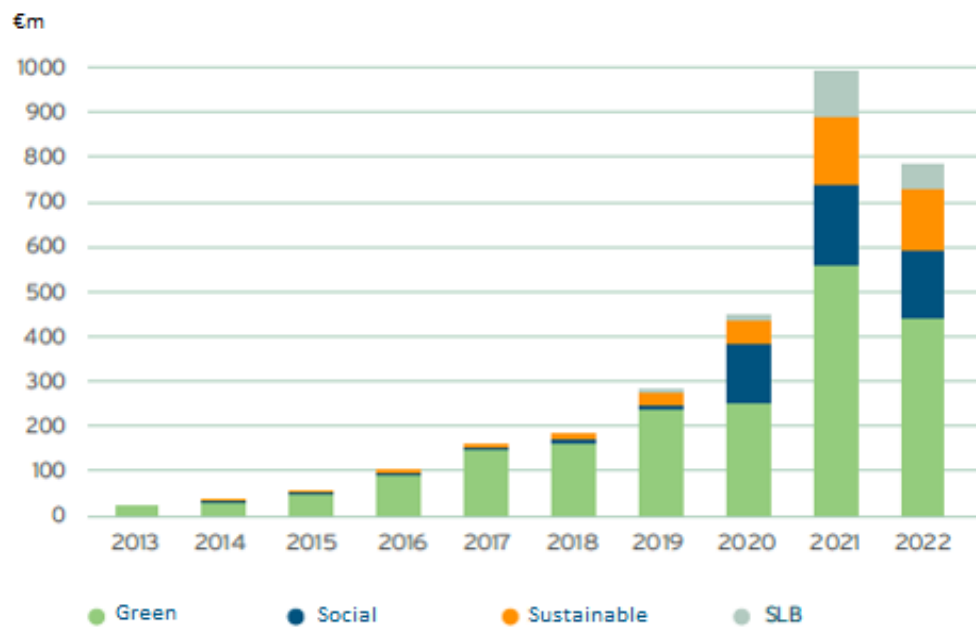
1	Failure to mitigate climate change
2	Failure of climate-change adaptation
3	Natural disasters and extreme weather events
4	Biodiversity loss and ecosystem collapse
5	Large-scale involuntary migration
6	Natural resource crises
7	Erosion of social cohesion and societal polarization
8	Widespread cybercrime and cyber insecurity
9	Geoeconomic confrontation
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#### Risk categories

■ Economic  
 ■ Environmental  
 ■ Geopolitical  
 ■ Societal  
 ■ Technological

Source: World Economic Forum, Global Risks Perception Survey 2022-2023

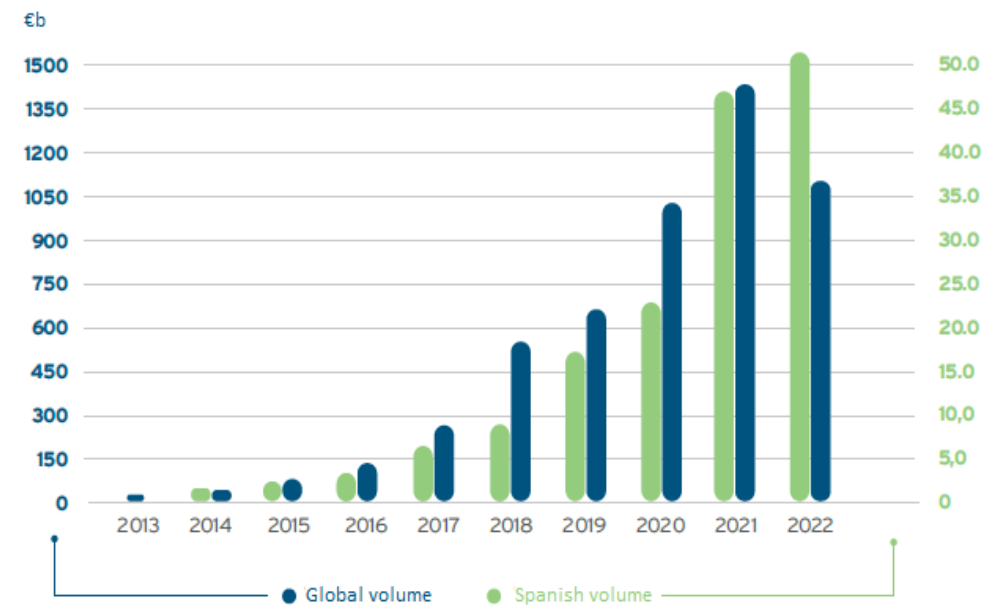
CHART 2  
Global change by category (€m)  
BONDS



Source: Environmental Finance.

Source: “Informe Anual OFISO. La Financiación sostenible en España en 2022”. Observatorio Español de la Financiación Sostenible.

CHART 3  
Change in sustainable financing  
GLOBAL vs SPAIN BONDS + LOANS



Sources: Own calculations, Environmental Finance and ING.

Source: “Informe Anual OFISO. La Financiación sostenible en España en 2022”. Observatorio Español de la Financiación Sostenible.



## Objective:

To contribute to the development of climate risk management in the financial sector, define and encourage good practices, perform analyses and mobilise sustainable financing

Supervision

Scenario design and analysis

Outreach

Risks to biodiversity

Monetary policy

Sustainable and responsible investment

Environmental management

Learning

EUROPEAN CENTRAL BANK | EUROSISTEM

PRESS RELEASE

## ECB takes further steps to incorporate climate change into its monetary policy operations

4 July 2022

Corporate  
bond holdings

Collateral  
framework

Climate-  
related  
disclosure  
requirements



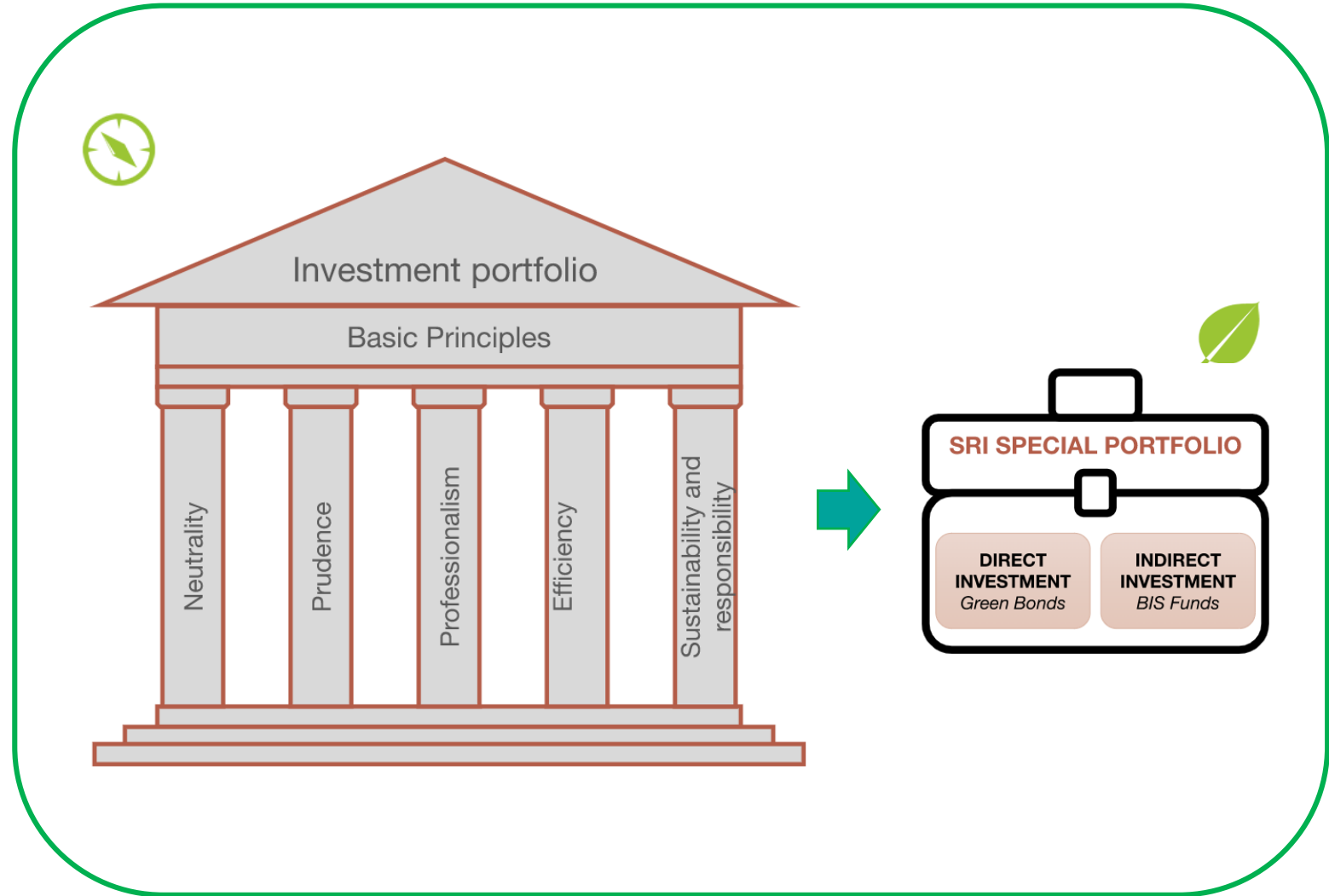


Since 2019, the Banco de España has included the principle of sustainability and responsibility as one of the core principles of the investment policy for its non-monetary policy portfolios

Compliance with NGFS Recommendation No 2

The Banco de España has:

- adopted the common stance within the Eurosystem and
- committed to transparency in 2023





## GOVERNMENTS

- Set regulations on economic activity with environmental standards
- Bolster public investment and expand green taxation
- Provide certainty and a stable framework for economic agents
- Mitigate adverse effects on vulnerable groups



## FINANCIAL SECTOR

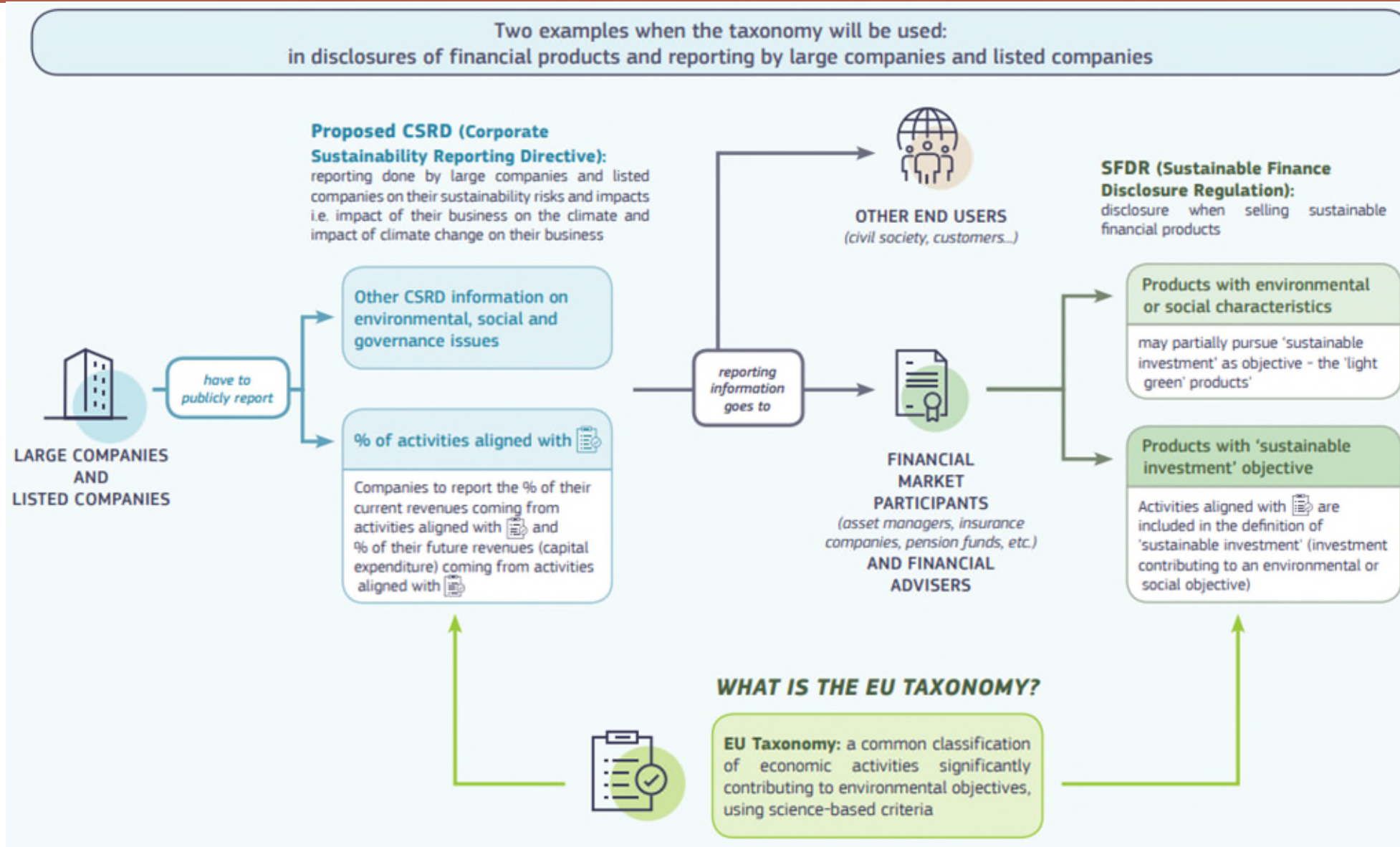
- Efficiently funnel the resources needed for the transition
- Assess exposure to climate-related risks
- Develop and harmonise new financial instruments



## CENTRAL BANKS

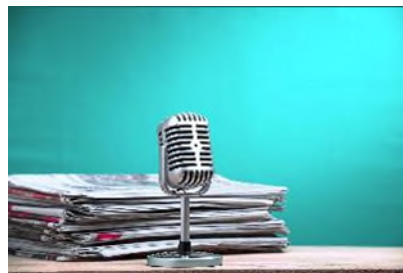
- Incorporate climate change considerations into their monetary policy frameworks
- Monitor the risks posed to financial stability by climate-related risk and the green transition
- Enhance regulation and prudential supervision of these risks

# WHAT IMPACT WILL THE EU TAXONOMY HAVE ON THE SUSTAINABLE FINANCE FRAMEWORK?



Source: European Commission [https://finance.ec.europa.eu/document/download/413e545a-c839-4b70-a1bc-136e266f82b8\\_en?filename=sustainable-finance-taxonomy-factsheet\\_en.pdf](https://finance.ec.europa.eu/document/download/413e545a-c839-4b70-a1bc-136e266f82b8_en?filename=sustainable-finance-taxonomy-factsheet_en.pdf).





## ENVIRONMENTAL ASPECTS

- The business model's resilience to sustainability issues
- Transition plans
- 2030/2050 objectives
- Description of the main sustainability – related risks

## SOCIAL ASPECTS

- Gender equality. Compensation, training and skills development
- Working conditions, social dialogue, conflict resolution
- Protocols in accordance with the Charter of Human Rights

## GOVERNANCE ASPECTS

- Role of governing bodies vis-à-vis sustainability
- Internal systems for disclosure risk monitoring and management
- Management and quality of relationships with clients, suppliers and society

Both regulators (EBA) and supervisors (ECB/Banco de España) are working on sustainability regulations

BANCODE ESPAÑA  
Eurosistema PUBLIC

23.10.2020

Banco de España supervisory expectations relating to the risks posed by climate change and environmental degradation

This translation is furnished for information purposes only. The Spanish version is the official text to be considered by institutions.



**Guide on climate-related and environmental risks**  
Supervisory expectations relating to risk management and disclosure



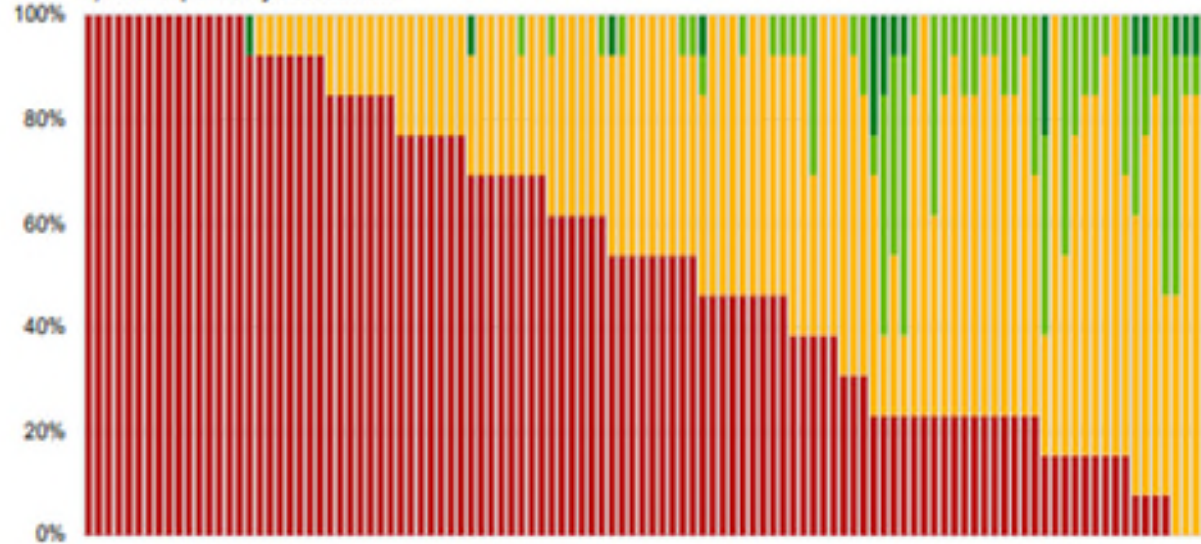
## Bank-by-bank results of the 2021 and 2022 supervisory assessments

The level of maturity of practices across areas of supervisory expectations (bank-by-bank)

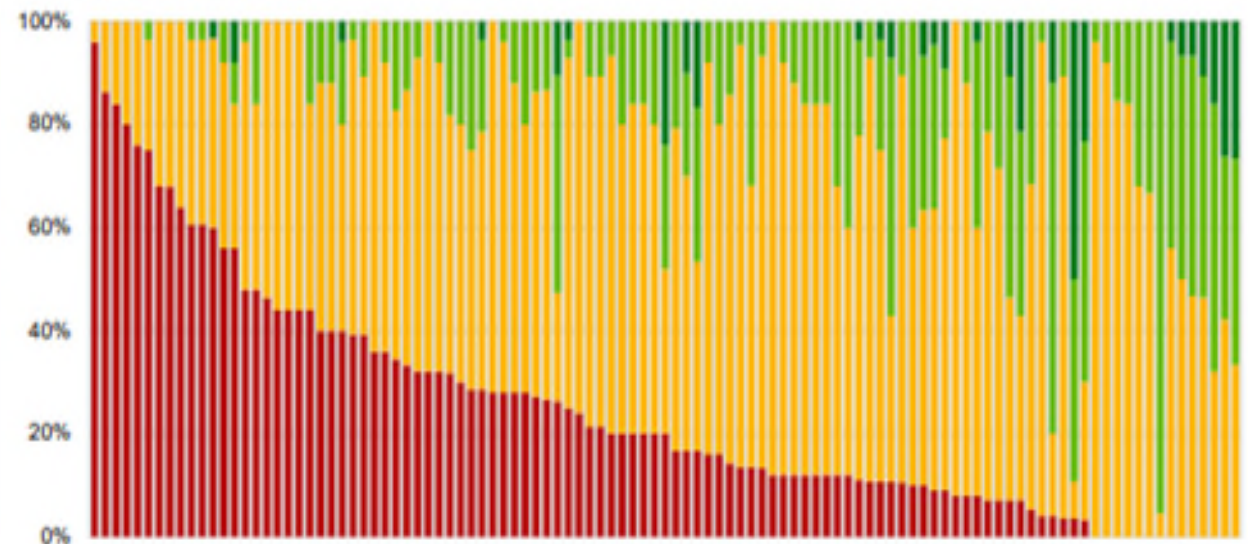
(percentages of areas of supervisory expectations)

- Nothing in place
- Basic practices
- Emerging practices
- Leading practices

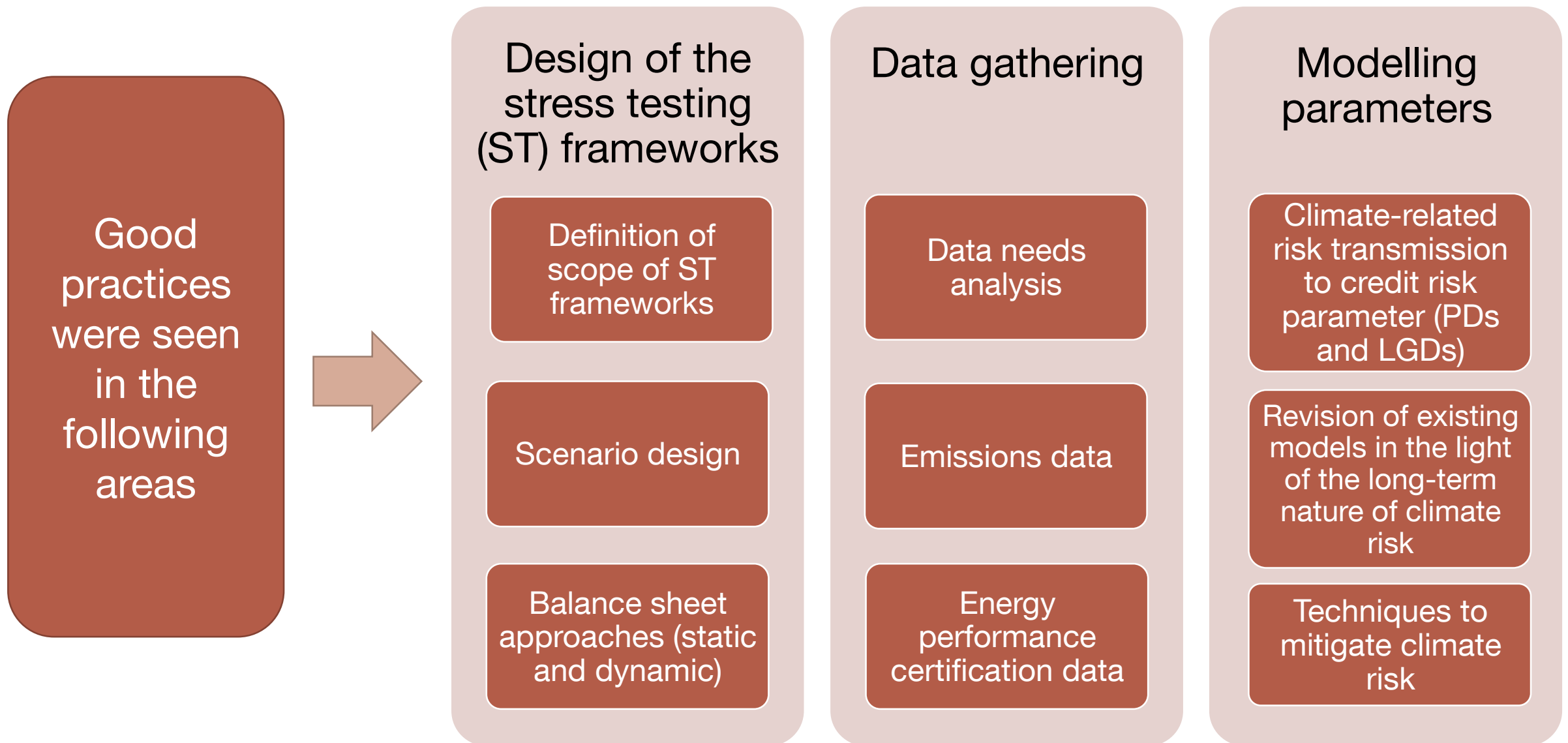
a) 2021 supervisory assessment



b) 2022 thematic review



Source: <https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.thematicreviewcerreport112022~2eb322a79c.en.pdf>.









THANK YOU

