Open Letter to the ECB Governing Council – November 19th 2020

The ECB can and must start taking climate into account on December 10th

Dear members of the Governing Council,

On December 10th, you will meet again to decide how the European Central Bank's (ECB) response to the Covid-crisis will develop. Needless to say, since your last meeting on October 29th, the situation has continued to evolve rapidly.

Reacting to a new wave of Covid-19 and protecting their citizens, European countries are strengthening lockdown measures, thus dramatically slowing down economic activity.
Anticipating these changes, the ECB has already pledged to "recalibrate all its instruments[1]", based on new macroeconomic projections, in December.

However, the progression of the pandemic and its economic, financial and social impacts are not the only things that have changed since your last meeting.

At the end of October, the public consultation phase of the ECB strategic review highlighted that the ECB urgently needs to integrate climate into its operations[2]. Several Governing Council Members[3] have now publicly recognized the importance of this, and the President stated that they will explore "every avenue possible[4]" to do so.

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[1] ECB Press conference, October 29th 2020

[2] Citizens are mobilizing to push the ECB to act, see 350.org, SumOfUs and Reclaim Finance's press release with the Koala Kollektiv.

[3] Such as Isabel Schnabel in a speech to the European Sustainable Finance Summit in September 2020.

[4] Interview of Christine Lagarde in the Financial Times, July 2020

In this context, failing to factor the climate crisis into any new set of measures that you choose to adopt in December would delegitimize the commitments that have already been made and the ongoing review process, and would push Europe further away from a sustainable recovery by providing continuous support to the most polluting companies.

The ECB should immediately take two preliminary steps that would demonstrate its climate commitment without affecting the efficiency of its monetary response:

1. Fossil fuel companies should be excluded from corporate asset purchases[5] and - while waiting for the strategy review to deliver a decarbonized and climate-friendly collateral framework - from the ECB's list of collateral.
2. The ECB should set up a "green targeted long-term refinancing operations (TLTRO)" program. It could start with a limited pilot program that would not affect its other monetary operations and provide support to taxonomy-compatible activities[6].

These steps should be viewed as immediate action in the face of the pandemic, to ensure that the ECB's response to one crisis does not make another crisis worse. They should however not in any way be seen as the only measures to be taken or preclude additional action being taken in the context of the strategic review[7].

Your faithfully,

Reclaim Finance
350.org
SumOfUs
Greenpeace
New Economics Foundation
Talousdemokratia
Positive Money Europe
Institut Veblen
Oil Change International

[5] See: Reclaim Finance, Quantitative easing: the ECB's dirty secret, May 2020 / Reclaim Finance, Quantitative easing 2: fueling the fossil gas frenzy, August 2020 / NEF, Greenpeace and al, Decarbonising is easy, October 2020
[6] See: Positive Money Europe and the Sustainable Finance Lab, Targeting a sustainable recovery with Green TLTROs, September 2020
[7] As outlined in a previous open letter.