Question for written answer Z-000005/2022/2022

to the Chair of the ECB Supervisory Board

Rule 141

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Subject: The supervision of climate-related and environmental risks

Given the responsibility of banks to adequately manage climate-related and environmental risks, it was concerning to read the recent ECB supervisory assessment showing shortcomings in such risk management of EU banks\(^1\).

1. Can the ECB set out how its supervisory expectations of climate and environmental risks will increase over the next two years? When will the ECB expect a minimum level of performance from banks, and what performance exactly?

2. To what extent would the ECB consider reliable and granular data on the nature and scale of climate-related and environmental risks – i.e. epistemological limitations – a legitimate cause for banks’ failure to meet the ECB’s supervisory expectations? How do existing good practices accommodate for a lack of reliable and granular data?

3. In the ECB’s view, how should central banks navigate their mandate to supervise climate and environmental risks when the ultimate consequences of such supervision are highly distributional, such as when households and companies in areas prone to physical risk are confronted with, *ceteris paribus*, substantially more unfavourable financing conditions? Are there any limits to the ECB prioritising financial stability over preventing severe distributional consequences when pricing physical risks?

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