

DECISION (EU) 2022/1613 OF THE EUROPEAN CENTRAL BANK**of 9 September 2022****amending Decision (EU) 2016/948 on the implementation of the corporate sector purchase programme (ECB/2016/16) (ECB/2022/29)**

THE GOVERNING COUNCIL OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union, and in particular the first indent of Article 127(2) thereof,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular to the second subparagraph of Article 12.1 in conjunction with the first indent of Article 3.1, and Article 18.1 thereof,

Whereas:

- (1) On 22 June 2022, the Governing Council decided to amend the corporate sector purchase programme (CSPP) framework to 'tilt' the CSPP benchmark towards issuers with a better climate performance. In this context, the Governing Council specified that 'tilting' means that the share of assets on the Eurosystem's balance sheet issued by companies with a better climate performance will be increased compared to that by companies with a poorer climate performance. In addition, the Governing Council decided to impose maturity limits for the bonds of issuers with a poorer climate performance. The climate performance of issuers should be measured by reference to their greenhouse gas emissions, the level of ambition of their carbon reduction targets and their climate-related disclosures. The climate performance of issuers should be assessed and the tilting factors should be calculated using methodology approved by the Governing Council.
- (2) This follows the Governing Council's monetary policy strategy review, and accompanying climate-related action plan, published on 8 July 2021 ⁽¹⁾. In that context, the Governing Council acknowledged that addressing climate change is a global challenge and a policy priority for the European Union, and highlighted that climate change and the transition towards a more sustainable economy affect the outlook for price stability through their impact on various macroeconomic indicators and the transmission of monetary policy. Physical and transition risks related to climate change can affect the value and the risk profile of the assets held on the Eurosystem's balance sheet. This is the case, in particular, with corporate sector asset purchases, as climate-related financial risks to the Eurosystem's balance sheet are higher for outright purchases than for lending operations. The measures are therefore necessary in order for the Eurosystem to manage, as effectively as possible, the climate-related financial risks to which it is exposed when implementing monetary policy, in pursuit of its primary objective of maintaining price stability. The adoption by the Eurosystem of measures designed to circumscribe the risk of financial losses forms part of the definition and implementation of monetary policy, as also reflected in Article 18.1 of the Statute of the European System of Central Banks and the European Central Bank (hereinafter the 'Statute of the ESCB'), pursuant to which the Eurosystem may conduct credit operations with lending based on adequate collateral.
- (3) Pursuant to Articles 127(1) and 282(2) of the Treaty on the Functioning of the European Union (TFEU), as reflected in Article 2 of the Statute of the ESCB, without prejudice to the objective of price stability, the Eurosystem shall support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union, as laid down in Article 3 of the Treaty on European Union. These objectives include a high level of protection and improvement of the quality of the environment. Regulation (EU) 2021/1119 of the European Parliament and of the Council ⁽²⁾ (the 'European Climate Law') sets out a binding objective of climate neutrality in the Union by 2050 in pursuit of the long-term temperature goal set out in the Paris Agreement ⁽³⁾. As the European Climate Law affects every conceivable aspect of economic policy in the Union, it forms part of the general economic policies in the Union, which the ECB is required to support. In light of the above, when adjusting its monetary policy instruments, the Governing Council will choose the configuration that best supports the general economic policies in the Union, provided that two configurations of the instrument set are equally conducive and not prejudicial to price stability. The incorporation of climate change considerations into the benchmark allocation is intended to

⁽¹⁾ Available on the website of the European Central Bank (ECB) at www.ecb.europa.eu

⁽²⁾ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

⁽³⁾ Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 4).

have the effect of reducing the climate-related financial risk to the Eurosystem's balance sheet, by reducing the carbon intensity of the Eurosystem's corporate holdings. The measure is designed to have a neutral effect on the monetary policy stance on overall financing conditions. Given that this measure is equally conducive and not prejudicial to price stability, its introduction also serves to support the general economic policies in the Union.

- (4) The incorporation of climate change considerations into the benchmark allocation, together with the introduction of maturity limits for bonds of issuers with a poorer climate performance, also further support the proportionality of the CSPP as they mitigate the expected longer term climate-related risk for the Eurosystem arising from its corporate asset purchases, thereby ensuring the CSPP does not go beyond what is necessary to achieve its objective. In addition, the tilting methodology for the CSPP benchmark is designed to itself be proportionate. It takes into account three objective categories of metrics related directly to emissions and thus climate-related financial risk and climate neutrality: first, an issuer's past carbon emissions; second, forward-looking climate metrics, such as whether issuers have in place ambitious and credible decarbonisation targets, assessed using adequate methodologies; and third, the quality and completeness of issuers' climate disclosures and the verification of such disclosures by third parties. Moreover, the design of the climate scoring methodology takes into account, as guidance, the provisions on the requirements for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks under Regulation (EU) 2016/1011 of the European Parliament and of the Council ⁽⁴⁾. Finally, the climate scoring methodology will be reviewed and updated, as needed, to reflect the increasing availability of climate data and models, as well as relevant regulatory developments and the advancement in risk assessment capabilities, such as through the climate stress tests of the Eurosystem balance sheet.
- (5) In addition, in incorporating climate change considerations into the benchmark allocation, the Eurosystem takes into account climate-related financial risks, regulatory and legal developments, and the current availability and quality of data, while maintaining the broad scope of the purchase programmes in line with the obligation to act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources.
- (6) Finally, this measure ensures that the CSPP complies fully with the obligations of the Eurosystem under Article 11 TFEU, which requires that environmental protection requirements are integrated into the definition and implementation of the Union's policies and activities, which includes the Union's monetary policy. Similarly, it ensures that the CSPP complies with the obligations of the Eurosystem under Article 7 TFEU, which requires the Union to ensure consistency between its policies and activities.
- (7) The Eurosystem should apply the change to the benchmark allocation laid down in this Decision in respect of transactions settled on or after 1 October 2022.
- (8) Therefore, Decision (EU) 2016/948 of the European Central Bank (ECB/2016/16) ⁽⁵⁾ should be amended accordingly,

HAS ADOPTED THIS DECISION:

Article 1

Amendment

In Decision (EU) 2016/948 (ECB/2016/16), the following Article 4a is inserted:

'Article 4a

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- ⁽⁴⁾ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).
- ⁽⁵⁾ Decision (EU) 2016/948 of the European Central Bank of 1 June 2016 on the implementation of the corporate sector purchase programme (ECB/2016/16) (OJ L 157 15.6.2016, p. 28).

Incorporation of climate change considerations into the benchmark allocation

The benchmark allocation referred to in Article 4(3) shall incorporate climate change considerations, in particular in order to address the management of the Eurosystem's exposure to climate-related financial risks, in accordance with methodology approved by the Governing Council. This Article shall apply to transactions settled on or after 1 October 2022.'

*Article 2***Entry into force**

This Decision shall enter into force on 26 September 2022.

Done at Frankfurt am Main, 9 September 2022.

The President of the ECB
Christine LAGARDE
