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Reporting the financial sector's climate alignment and net zero commitments*

Seminar organised by the World Wildlife Fund (WWF) and the Banco de España

Margarita Delgado

Deputy Governor

* English translation from the original in Spanish.

Good morning everyone. I would like to begin by thanking the organisers of this event, both the WWF and the Banco de España's Regulation Department, and, needless to say, the participants, including regulators, such as the European Commission and the Spanish National Securities Market Commission (CNMV), and industry representatives.

I would also like to take a moment to welcome the audience, and to celebrate the enormous interest this event has attracted.

Tasked with channelling resources, the financial sector has a key role to play in the process of transitioning the economy towards more sustainable models. The role of the financial supervisors and regulators involves ensuring that banks identify, manage and report on the risks posed by climate change. The incorporation of these risks into their management decisions will help to change the relative prices of financial instruments in favour of those that fund more sustainable activities.

Regulators, supervisors and banks have all encountered significant challenges throughout this process of adaptation to comply with the 2015 Paris Agreement. Key among these is the one addressed in today's seminar: the need for granular data to draw on. Data with sufficient quality and historical depth, constructed on the basis of robust, internationally agreed standard definitions. Aware of the challenge posed by this new risk, I would like to highlight the creation of the Network for Greening the Financial System (NGFS), of which the Banco de España forms part, with a view to furthering the development of suitable climate and environmental risk management. This group analyses an array of sustainability-related aspects and their potential impact on financial stability. One of the NGFS' most recent pieces of research, published in March, concerns the loss of biodiversity and the economic and financial repercussions this may have. Meanwhile, this Tuesday saw the publication of another report on how to improve transparency in the financing of the green transition.

Today's first session will look at some of the most important current reporting initiatives at European level. The session will address, for example, the proposal for a corporate sustainability reporting directive (CSRD), currently at the final stage of negotiation, as well as the European Banking Authority's Implementing Technical Standards on disclosure by banks of Environmental, Social and Governance (ESG) risks, published at the start of this year.

These regulations represent a very significant step towards improving the information available to market participants and supervisors, though they will admittedly call for a considerable effort on the part of the institutions affected. But the lack of data is a global issue and, as such, is also being addressed at an international level. The creation of the International Sustainability Standards Board (ISSB) in November 2021, under the auspices of the IFRS Foundation, was a key milestone in this regard. It is crucial to ensure that the European standards are compatible with the work being performed by the ISSB at a global level.

Today's final two sessions concern the so-called climate alignment and net-zero target setting metrics. Initiatives such as the report published by the Task Force on Climate-related Financial Disclosures (TCFD) in October 2021 or the creation of the Glasgow Financial Alliance for Net Zero (GFANZ) bear witness to the momentum behind and growing importance of these metrics for businesses in general and the financial sector in particular.

The panel discussion in the second session and the round table planned for the third will offer a chance to reflect on these issues.

While the financial sector is clearly a key player when it comes to financing this transition, the process cannot be efficiently managed without sufficient information from businesses and households.

Lastly, as supervisors, we also face the challenge of ensuring that our processes account for this new risk. To this end, we have already set in place a range of initiatives, from the issue of specific supervisory expectations to the conduct of stress test exercises from various perspectives. The one currently underway will prove crucial for learning about and understanding climate risk and will help identify best practices as the basis for establishing criteria to manage such risk.

I encourage you to pay close attention to today's round tables, at which all of these issues will be debated from the standpoint of the industry, the regulators and the organisations involved in this area.

Thank you.