EUROPEAN CENTRAL BANK

EUROSYSTEM

Press release

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ECB adds indicator of nature loss in climate-related financial disclosures as portfolio emissions continue to decline

- Carbon emissions continued to decline across most asset classes
- New indicator used to assess nature-related dependencies and impacts
- Tilting framework responsible for around one-quarter of emission reductions in Eurosystem's monetary policy corporate bond holdings since 2021
- Quantitative interim emission reduction targets set for corporate bond holdings in APP and PEPP

The European Central Bank (ECB) today published its third set of climate-related financial disclosures. These provide an overview of the carbon footprint and climate risk exposures of the Eurosystem's monetary policy portfolios, the ECB's foreign reserves and the ECB's non-monetary policy portfolios, which consist of its staff pension fund and its own funds portfolio.

To further improve transparency and reflect the strong links between nature loss and climate change, this year's disclosures include a new indicator that measures the exposure of the ECB's and the Eurosystem's corporate portfolios to sectors with material dependencies or impacts on nature. The results show that approximately 30% of the Eurosystem's monetary policy corporate bond holdings are concentrated in the three most exposed sectors, which are utilities, food and real estate. In the ECB's own funds portfolio and staff pension fund, the share of corporate investments exposed to sectors that depend on or impact nature varies, with the largest share being 40% for equity exchange-traded funds (ETFs). While still only an initial estimate, this new indicator is another step towards improving our understanding of the risks and impacts of nature loss and highlights the importance of assessing the potential economic and financial consequences.

Emissions associated with the Eurosystem's monetary policy portfolios and the ECB's foreign reserves continued to decline in absolute terms and, for most asset classes, relative to their portfolio size. An updated climate stress test of the Eurosystem balance sheet found that corporate bonds are still the asset class most exposed to climate risk, underlining the relevance of the ECB's earlier decision to tilt reinvestments towards issuers with a better climate performance. Although reinvestments slowed from mid-2023, tilting still accounted for around one-quarter of total emission reductions between 2021 and the end of 2024, when reinvestments were discontinued.

Following its decision last year to set interim emission reduction targets for the aggregate corporate portfolio holdings in the asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP), the Governing Council has set an emission intensity reduction target of 7%, on average, per year. The aim of this target is to keep these holdings on a path that supports the goals of the Paris Agreement and EU climate neutrality objectives. If, on aggregate, these portfolio holdings deviate from this path, the Governing Council will assess, within the limits of its mandate, whether remedial action is warranted.

In the ECB's own funds portfolio, the share of green bonds rose to 28%, up from 20% in the previous year, channelling over €6.4 billion in funding for the green transition. The ECB aims to further increase this share to 32% in 2025. In addition, the ECB began investing a small portion of its own funds portfolio in ETFs that track EU Paris-aligned benchmarks, underlining its commitment to supporting the goals of the Paris Agreement. With regard to the ECB's staff pension fund, corporate investments saw a 20% decline in their carbon footprint in 2024, keeping this portfolio on track towards its interim targets.

There are still some challenges to overcome, particularly in terms of data coverage and comparability. Inconsistent reporting for certain emissions, such as those related to an issuer's entire value chain, makes it difficult to compare these emissions across issuers or over time. Data availability for some asset classes, such as covered bonds, also remains limited. These challenges point to the need for reliable, harmonised reporting standards across sectors and jurisdictions to support informed investment decisions and effective risk management. The ECB and the Eurosystem remain committed to improving the quality and scope of their climate-related financial disclosures in line with advancements in climate-related data availability.

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Notes

- The climate-related financial disclosures of the ECB's non-monetary policy portfolios form part of a concerted effort by all Eurosystem central banks to publish the climate-related financial disclosures of their non-monetary policy portfolios using the Eurosystem common disclosure principles, which are based on the recommendations of the Task Force on Climate-related Financial Disclosures.

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