

INSTITUTO SANTALUCÍA FORUM

THE BANCO DE ESPAÑA AND THE CLIMATE CHALLENGE*

* ENGLISH TRANSLATION FROM THE ORIGINAL IN SPANISH

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DEPUTY GOVERNOR

18 FEBRUARY 2026

BANCODE **ESPAÑA**
Eurosistema



MAIN FUNCTIONS OF THE BANCO DE ESPAÑA AS A CENTRAL BANK



PRICE STABILITY:

Managing monetary policy through the Eurosystem

- **Climate change and the climate transition have an inflationary impact**
- **Central banks must lead by example**



FINANCIAL

STABILITY: Systemic risks and vulnerabilities, whether cyclical or structural

- **Climate risks (physical and transition risks) are a risk for financial stability**
- **We must establish frameworks to monitor them**

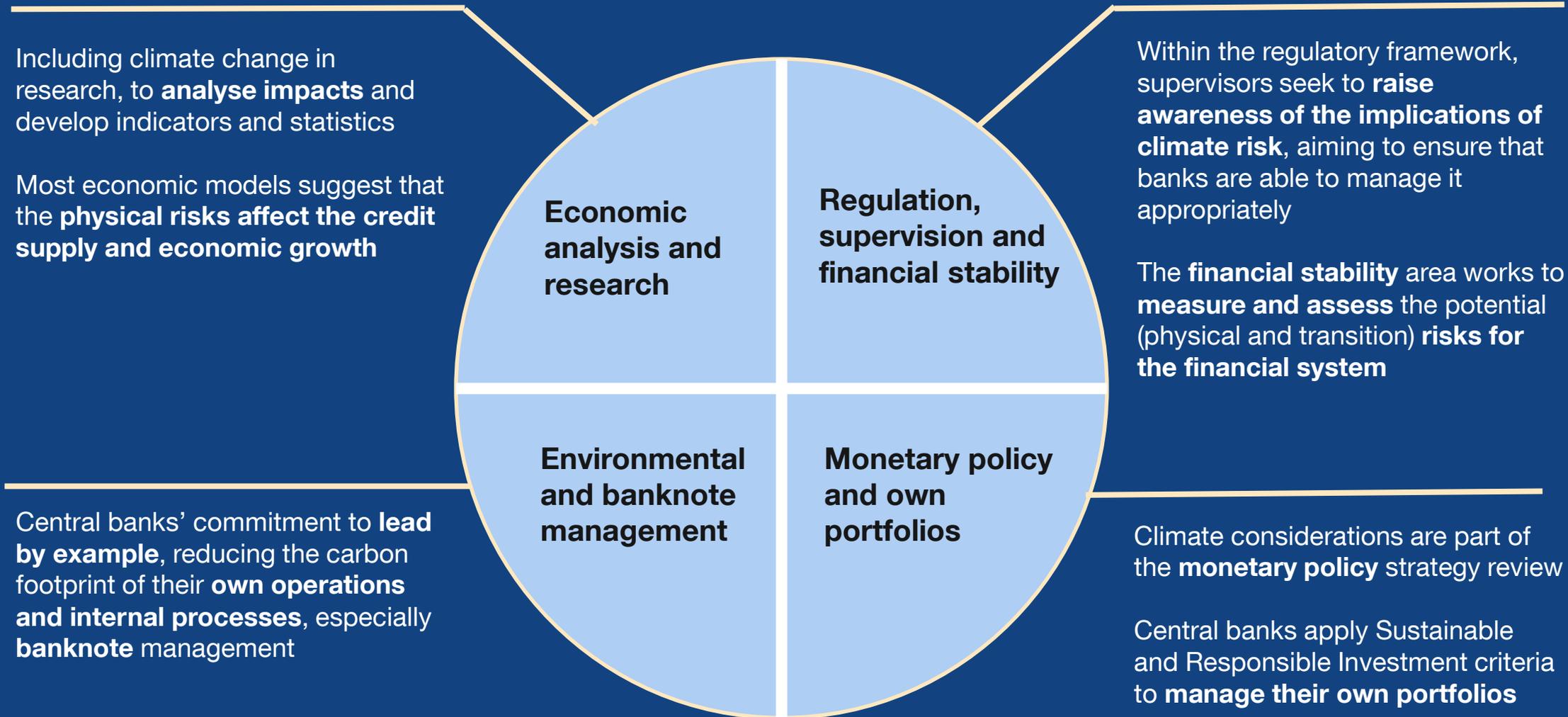


SUPERVISION:

Compliance with solvency and liquidity regulations and all others that encompass sustainability

- **Supervising the specific regulatory framework**
- **Ensuring that banks identify, measure, manage and disclose these risks**

OVERVIEW OF THE BANCO DE ESPAÑA'S WORK ON CLIMATE CHANGE



GOAL: to ensure the soundness of the banking system, contributing to the energy transition

COORDINATION

Climate and nature-related financial risks are analysed in a coordinated manner to ensure that similar principles, tools and scenarios are used

- Network of Central Banks and Supervisors for Greening the Financial System (NGFS)
- Financial Stability Board (FSB)
- Basel Committee on Banking Supervision (BCBS)
- European Banking Authority (EBA)
- European Central Bank (ECB/SSM)
- European Systemic Risk Board (ESRB)

SPECIFIC ACTIONS

- Incorporating climate considerations into stress tests (FLESB)
- Flood maps, impact of the flash floods in Spain in autumn 2024
- AMCESFI biennial climate risk report
- Analysing the macroprudential framework for climate risks
- Adapting to ESG risks

HOLISTIC REGULATION

- Not only climate but also environmental risk
- Regulation seeks to enhance the awareness and management of these risks and the disclosure of granular and quality data

Climate risk (and ESG risks) materialise in traditional financial risks: credit, market and operational risk

SUPERVISION: SUPERVISORY ACTIONS. ECB GUIDELINES AND BANCO DE ESPAÑA EXPECTATIONS

A GRADUAL SHIFT IN FOCUS FROM THE CLIMATE TO THE ENVIRONMENT IN GENERAL

EUROPEAN CENTRAL BANK (significant institutions)

BANCO DE ESPAÑA (less significant institutions)

2019-20

- In 2019 the ECB included climate and environmental (C&E) risks in its **risk map**
- Preparation of **SSM Risk Map** for C&E risks
- Publication of **ECB Supervisory Expectations Guide** (November 2020)
- First C&E risk disclosure analysis

- ESG risk survey
- Inclusion in international groups (ECB, NGFS, EBA)
- Thematic meetings with the industry
- Publication of **Banco de España Supervisory Expectations** (October 2020)

2021

- Assessment of banking practices and implementation plans (**self-assessment**)
- Second C&E risk disclosure analysis

- Request for response to a **first self-assessment questionnaire** on C&E risks
- Thematic meetings with the industry

2022

- **Thematic review (TR) on C&E risks**
- **Climate Stress Test (CST)**
- Third C&E risk disclosure analysis
- First **on-site inspections** (seven banks)
- Thematic reviews of real estate portfolios (CRE-RRE)

- **Horizontal analysis** of the first questionnaire, including general comments on the 2022 Capital Decision
- Participation in the ECB's TR with four less significant institutions (LSIs)
- Participation in the ECB's third disclosure analysis with four LSIs
- Request for response to a **second questionnaire** (with supporting documentation)

2023-25

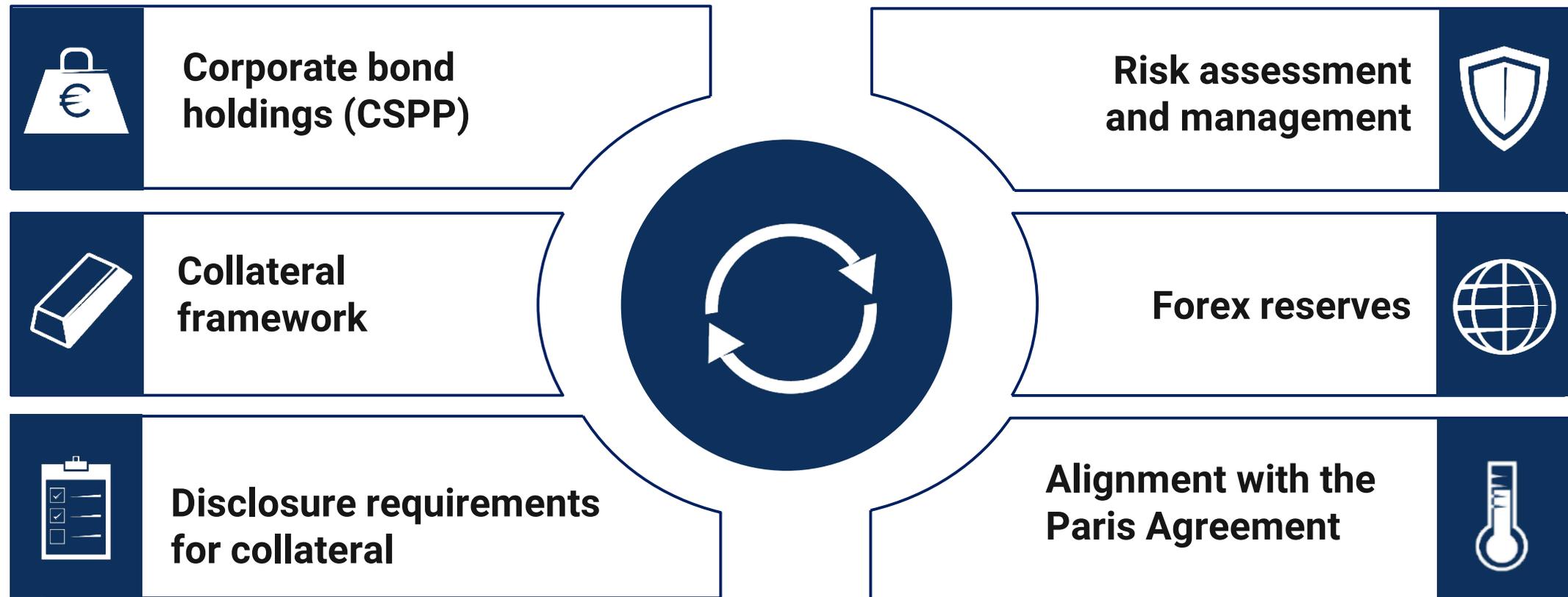
- **Compliance review of TR and CST communications**
- **Gradual inclusion of C&E risks in SREP**
- On-site inspections (annual plan)
- **Pillar 3 review on ESG risks** (recurring activity)
- **Fit-for-55** (scenario analysis exercise)
- First analysis of credit portfolio alignment

- **Individual analysis** of the second questionnaire, with supervisory dialogue and recommendations in the 2023 Capital Decision
- **Horizontal analysis** (off and on-site): ten LSIs according to their credit exposure to more polluting sectors. Assessment of the overall framework and implementation over the full credit risk cycle

MONETARY POLICY:

INCLUSION OF CLIMATE CONSIDERATIONS IN MONETARY POLICY

The ECB carried out a review of monetary policy strategy in 2021 and decided to incorporate climate considerations through an action plan 2022-24



The main aim of this framework is to ensure that the medium-term inflation target is met

MANAGING THE BANCO DE ESPAÑA'S NON-MONETARY POLICY PORTFOLIOS ...

... IN ACCORDANCE WITH RESPONSIBLE INVESTMENT PRINCIPLES

CLIMATE-RELATED ASPECTS
OF THE BANCO DE ESPAÑA'S
NON-MONETARY POLICY PORTFOLIOS

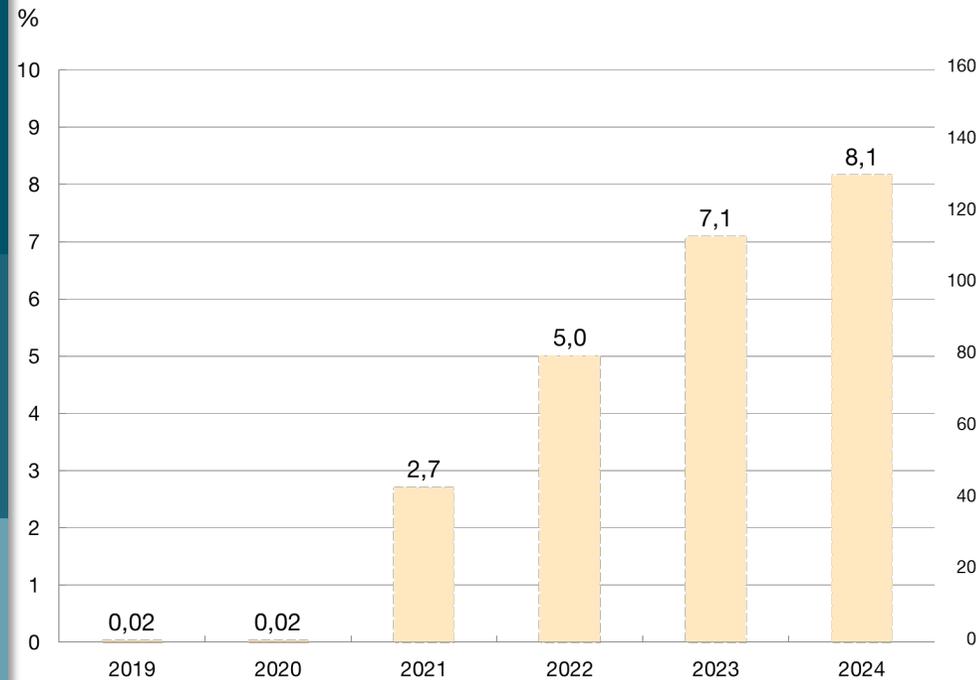
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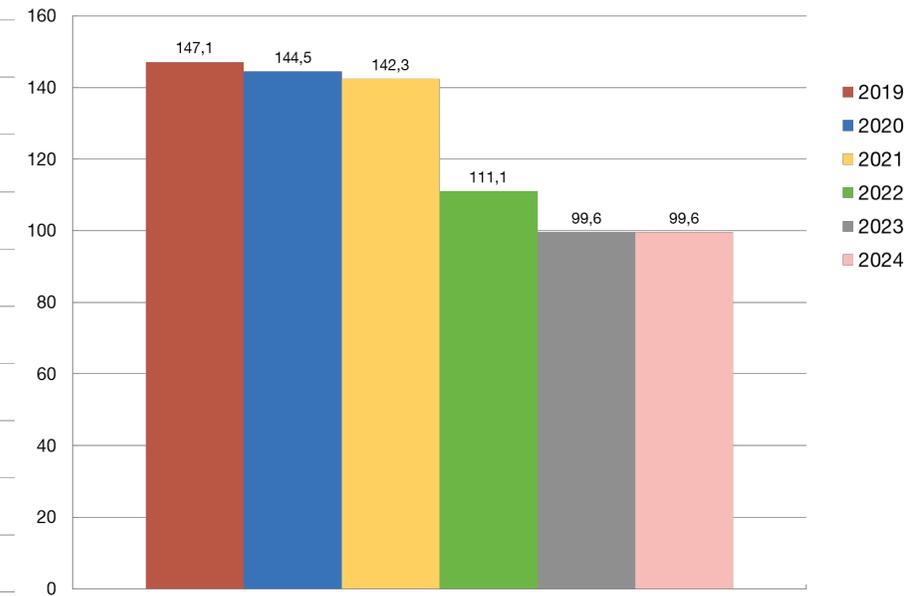


Green investment as a percentage of the holdings in euro-denominated investment portfolios



FUENTE: Cálculos del Banco de España.

Carbon footprint of sovereign bonds in euro-denominated portfolios, 2019-24



ECONOMIC ANALYSIS, RESEARCH AND STATISTICS

THE BASES TO ENSURE PRICE STABILITY AND A ROBUST FINANCIAL SYSTEM

FRAMEWORK Implications for monetary policy and central banking activity

- Conceptual development of **microprudential and macroprudential framework**: the need to use geolocation data
- Incorporation of **sustainability factors** into public debt markets, portfolio management and monetary policy conduct

RESEARCH Assessment of effects of climate change and climate change policies

- Modelling the **impact of the green transition** on long-term growth, on the different sectors of the Spanish economy and on their interactions both with the euro area and the rest of the world
- Impact of green transition policies on **inflation**: effects on business competitiveness and household well-being
- Impact of the **materialisation of physical risks in Spain – aridity, wildfires, biodiversity loss, drought, etc.** – on house prices, credit, financial stability, ...
- **Modelling the impact of the risks on natural capital and nature services for the Spanish economy**, regeneration policies and policies to boost the circular economy.

TOOLS New indicators and statistics

- Sustainability indicator **databases** of firms (Central Balance Sheet Data Office) and banks (Project Gaia– BIS Innovation Hub)
- **Satellite data** for the development of green finance

BIENNIAL REPORT ON CLIMATE
CHANGE RISKS TO THE
FINANCIAL SYSTEM

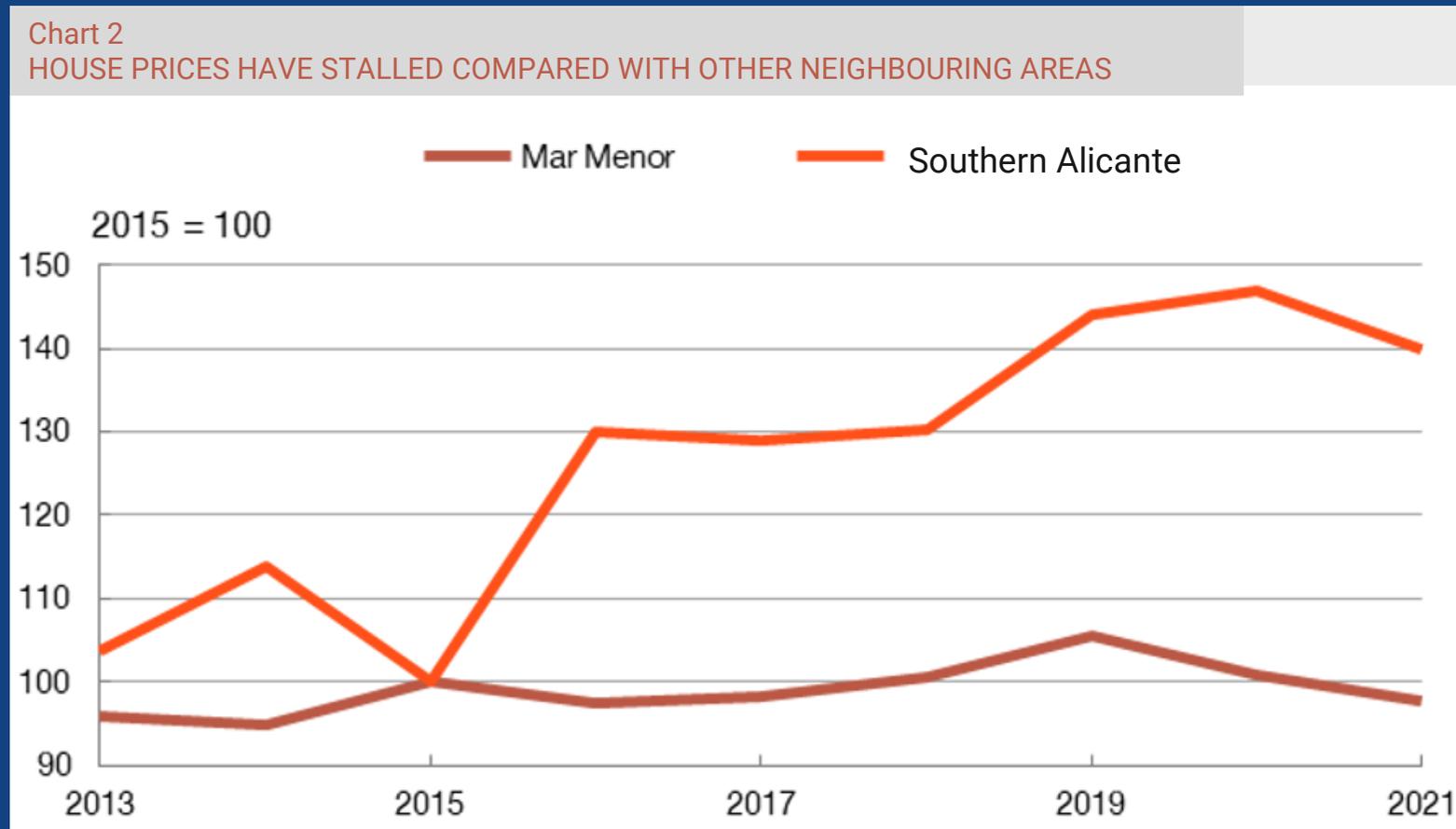
2025
Issue 2

AMCESFI | Autoridad Macroprudencial
Consejo de Estabilidad Financiera



RESEARCH EXAMPLES

- [Blog post](#) on the impact on house prices of environmental degradation in the Mar Menor area:

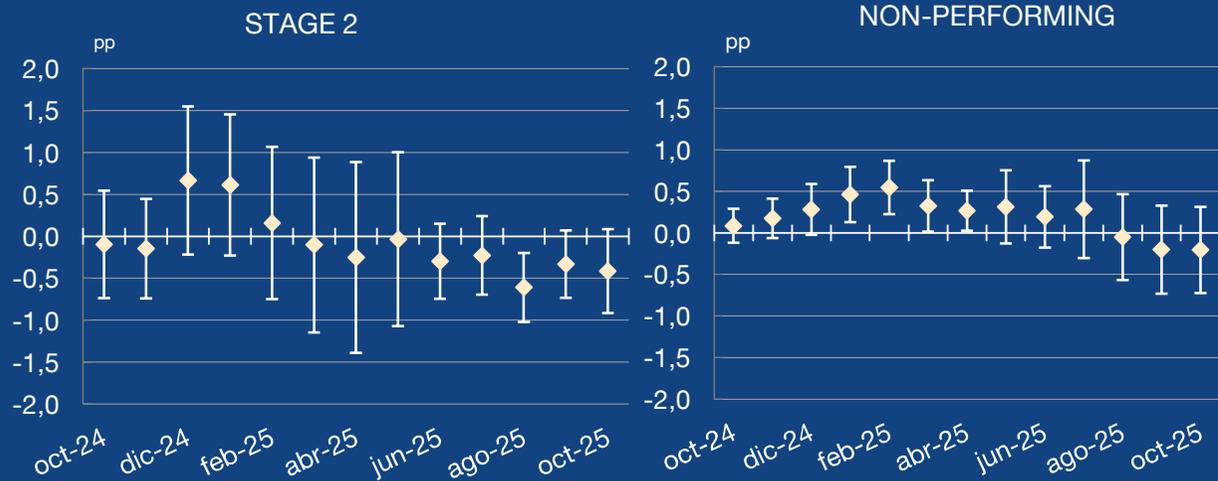


RESEARCH EXAMPLES

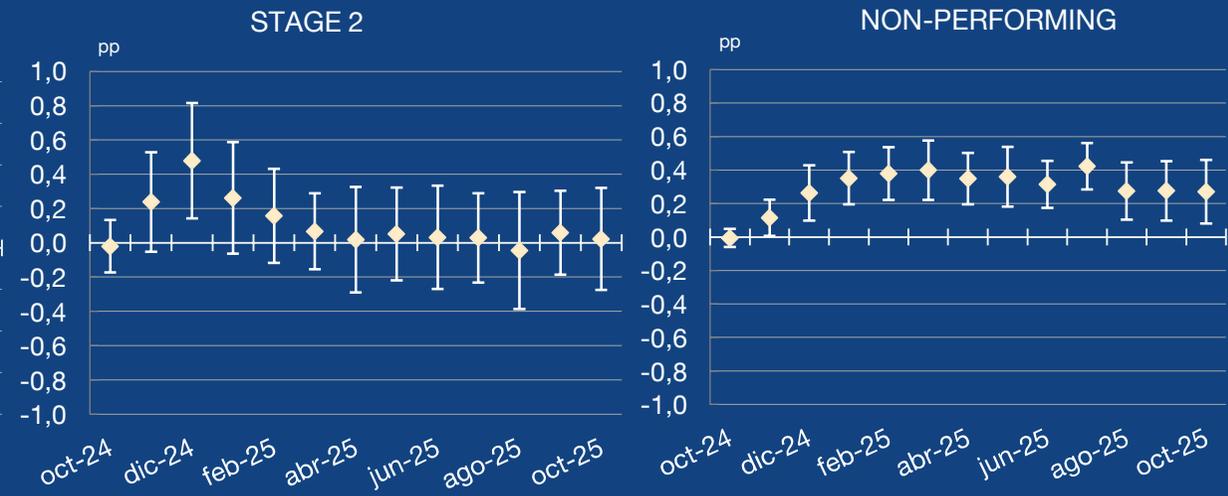
- [Article](#) on the impact of the autumn 2024 flash floods on financial stability

THE FLASH FLOODS HAD A NEGATIVE IMPACT ON CREDIT QUALITY, ALBEIT ONLY TEMPORARILY IN THE CASE OF FIRMS

FIRMS



HOUSEHOLDS



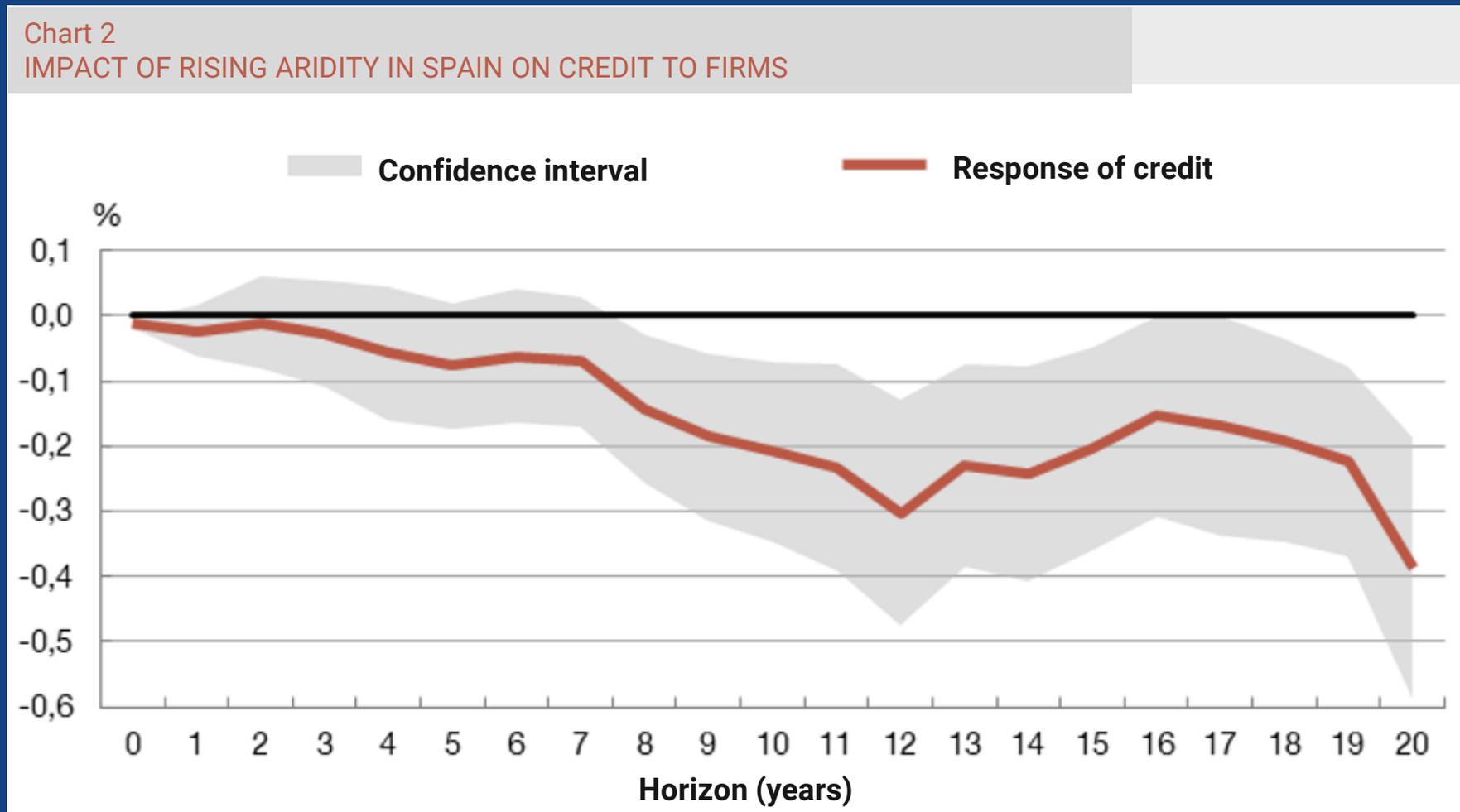
SOURCE: Banco de España. Last observation: October 2025.

a. The charts show changes over time in the estimated coefficient (and its 95% confidence bands) of a difference-in-difference (DiD) regression that controls for firm-fixed effects and sector and main bank time-fixed effects. Standard errors are clustered at borrower, sector, main bank and postcode level.

b. "Households" includes natural person households, sole proprietors, homeowner associations and other households. "Firms" includes non-financial corporations.

RESEARCH EXAMPLES

- [Blog post](#) on the impact of climate change on bank lending. Desertification and wildfires in Spain: rising aridity leads to a decrease (albeit a gradual one) in lending in the areas affected. The presence of local banks mitigates the impact



GOAL: to calculate the environmental impact of banknotes and of the Banca de España as a “firm”

FRAMEWORK

- The Banco de España as a banknote manufacturer
- The Banco de España as an institution

CHARACTERISTICS

- Production, packaging, transportation and destruction of banknotes
- Carbon footprint analysis of the Bank’s activities (facilities, business travel, ...)
- Implementation of an ISO 14001 environmental management system

OUTCOME

- Decline in carbon footprint since 2019
- Impact of business trips below the ECB average
- Residual impact of banknote use (equivalent to driving a car 8 km)

CREATION OF THE ESG OFFICE : STRENGTHENING THE BANCO DE ESPAÑA'S ENGAGEMENT

COORDINATION

- 1 **Coordinating** functions and activities related to environmental, social and governance (ESG) matters
- 2 Establishing a common **stance** on environmental and social issues
- 3 Fostering **engagement** with ESG considerations across the organisation

CONTENT

- 4 **Developing ESG strategies** aligned with the standards required of similar organisations

COMMUNICATION

- 5 Maintaining effective **communication** with other organisations to implement best practices
- 6 Promoting **transparency and awareness** of ESG initiatives
- 7 **Representing** the Banco de España in specialised international fora

SUPPORT

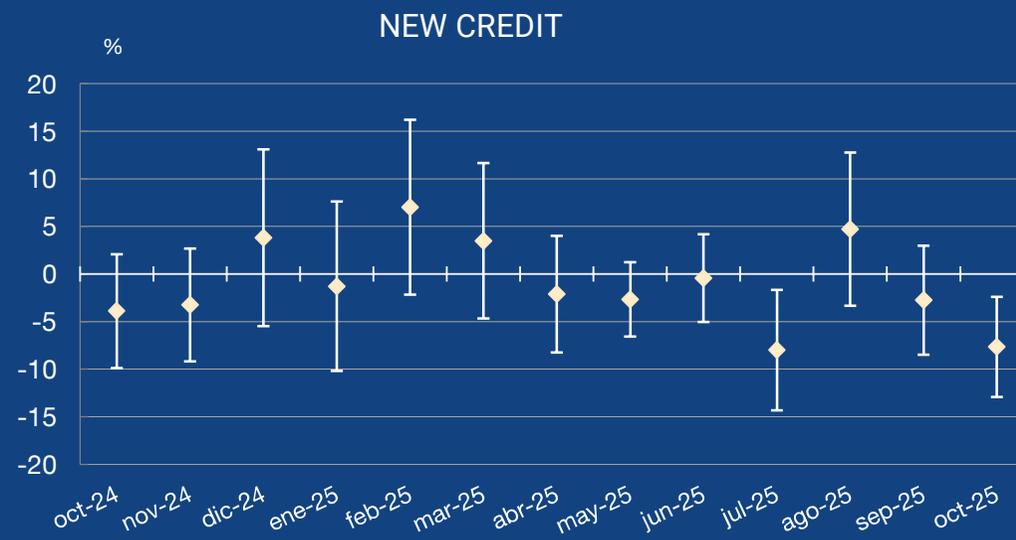
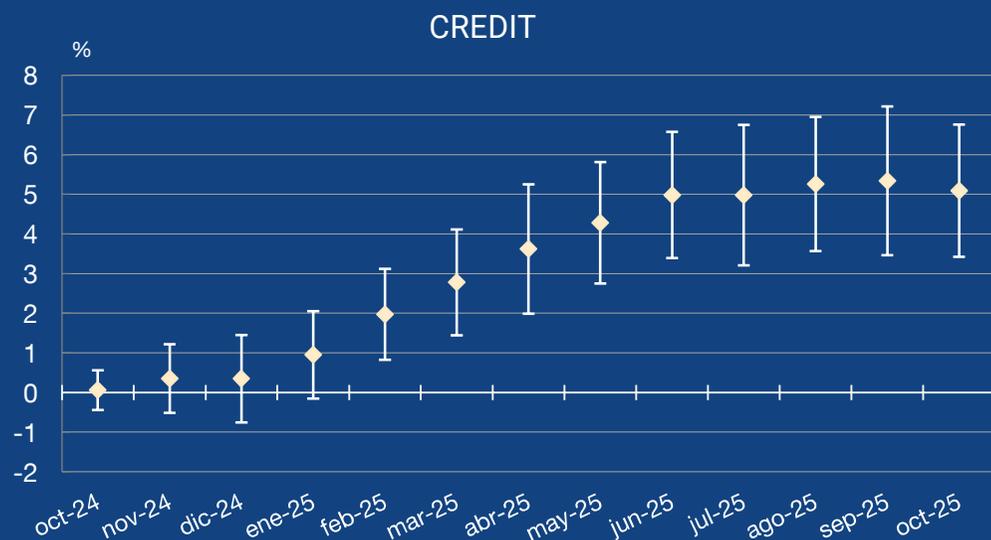
- 8 **Supporting senior management** in the area of operation of the ESG Office

AUTUMN 2024 FLASH FLOODS CASE STUDY. WHAT IS THE CENTRAL BANK'S ROLE?

- **Monitoring the situation** to understand the scale of the disaster and track the mitigation measures implemented, and also the impact on financial stability
- Ensuring the smooth operation of payment systems and access to cash
- Prioritising the strengthening of **climate adaptation measures** to increase resilience to extreme weather events
- Underlining the importance of **mitigation tools**, such as the Insurance Compensation Consortium which plays a key role in reducing the economic impact
- Conducting **climate stress tests** using precise variables, even though this presents major methodological and data challenges

FIRMS' CREDIT STOCK HAS INCREASED WHILE NEW CREDIT HAS NOT; THIS SUGGESTS THAT FIRMS HAVE MADE USE OF MORATORIA

IMPACT OF THE FLASH FLOODS ON CREDIT TO FIRMS:
AFFECTED VS NON-AFFECTED AREAS (a)

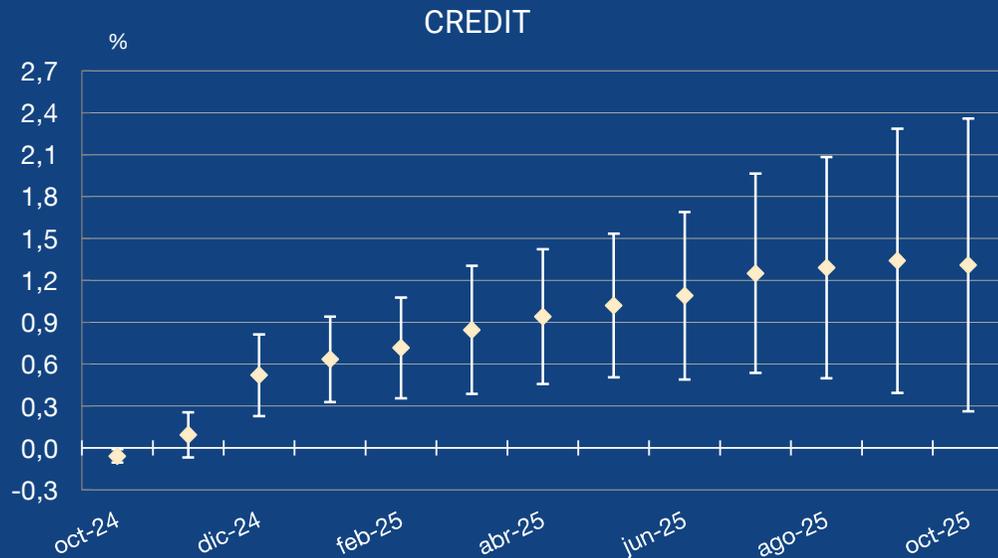


SOURCE: Banco de España. Last observation: October 2025.

a. The charts show changes over time in the estimated coefficient (and its 95% confidence bands) of a DiD regression that controls for firm-fixed effects and sector and main bank time-fixed effects. Standard errors are clustered at borrower, sector, main bank and postcode level. Includes only non-financial corporations.

CREDIT TO HOUSEHOLDS SHOWS SIMILAR EFFECTS

IMPACT OF THE FLASH FLOODS ON CREDIT TO HOUSEHOLDS: AFFECTED VS NON-AFFECTED AREAS (a)



SOURCE: Banco de España. Last observation: October 2025.

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Thank you