BCCR’s experience in environmental accounting and advancements of the Climate Change Strategic Analysis Group

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1 This presentation was prepared for the conference. The views expressed are those of the author and do not necessarily reflect the views of the BIS, the IFC or the central banks and other institutions represented at the event.
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International Conference on Statistics for Sustainable Finance

Tuesday, September 14th, 2021.
Climate Change Strategic Analysis Group (GAECC)
Axis 1. Low and stable inflation with external stability

- Climate change variables
- Macroeconomic modelling
- Analytical capacity

Axis 2. Stability of the financial system

- Stress tests
- Joint research (national and international entities)
- Coordination with supervisors
- Risk assessment update

Click here to access BCCR’s Strategic Plan 2020-2023.
Integrated Environmental Equilibrium Model for Costa Rica (IEEM-CR)

Dynamic recursive GEM that incorporates the environmental accounts.

Forward-looking analysis of public policies and understanding of the impact of decisions prior to their implementation.

Risk scenarios that consider environmental factors for macroeconomic projections.

Use of the platform to link national and environmental accounts to analyze feasibility of achieving environmental commitments.
### Some examples of the uses of IEEM-CR

|---|---|---|

[Link]
Financial stability survey (February 2019)

Aim

To identify the vision of financial entities about the soundness of the financial system, in the face of main macro-financial events and vulnerabilities they perceive.

Assessment of the climate risk perception and management:

i. Degree of relevance in which risks from climate change and extreme climate are perceived,

ii. Exposure according to business lines and climatic zones,

iii. Progress in risk management, and

iv. Identification of opportunities for proper management.
Perception of climate change as a relevant risk

Who is perceiving this risk?

- Insurance companies: 59%
- Other entities: 14%
- Financial market: 14%
- Pension funds: 9%
- Deposit companies: 4%

52% perceive climate change as a relevant risk.
The governor of BCCR requested to work on a proposal to green the reserves.

While preparing the proposal, BCCR has contacted different entities for assistance and advice: NGFS, BIS, WB, several central banks and portfolio managers.
Preliminary proposal presented to the board of directors: Impact strategy to green reserve management

Aim

To generate a green and sustainable investment portfolio, without causing any prejudice to the current objectives of the Bank.

Investments in green bonds through the Green Bond Fund of BIS

Environmental “best-in-class” in BCCR’s portfolio
Agreement with the IMF: Three-year extended fund facility

<table>
<thead>
<tr>
<th>MEFP Action</th>
<th>Agreed date</th>
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<td><strong>BCCR:</strong> Development of a roadmap to integrate climate change considerations into the design of monetary and fiscal policy.</td>
<td>December 2021</td>
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Climate change roadmap of BCCR – work areas

- Data and information availability
- Strengthening analytical capacity
- Climate change risk management in the financial system
- Greening of international reserves
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