Luis de Guindos: Speaking notes on climate-related risks

Speaking notes by Mr Luis de Guindos, Vice-President of the European Central Bank, at roundtable event on climate-related risks at Bloomberg, Washington DC, 17 October 2019.

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General remarks

- The ECB agrees that we need a deeper understanding of climate-related risks and a common language for discussing economic activities that can be considered environmentally sustainable. In particular, we welcome the development of a taxonomy of sustainable activities and support harmonised, firm-level reporting of carbon emissions related to corporate activities.

- At the international level, we are engaged in discussions with other supervisors and central banking authorities as a member of the Network for Greening the Financial System. And in Europe, we are actively involved in the work on an EU taxonomy as a member of the Commission Technical Expert Group on Sustainable Finance.

- We also agree on the need for credit rating agencies to develop standards or guidelines on integrating environmental, social and governance (ESG) information into their ratings or other scores. This would enable financial and non-financial firms' exposures to climate-related risks to be better priced and monitored.

- In this regard, we welcome a recent initiative from the European Securities and Markets Authority to draw up guidelines for credit rating agencies to disclose whether and how ESG factors are reflected in their ratings.

- We need a clear and common understanding of how climate-related risks are defined and measured, and we should redouble our efforts to empirically measure these risks and close knowledge gaps.

- Improved disclosure is an essential first step. Disclosures by firms, and financial institutions in particular, tend to be incomplete and inconsistent. Market data providers have developed scores that seek to consolidate companies' quantitative and qualitative environmental information. But they have a significant amount of discretion as to how they construct these metrics.