



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Christine LAGARDE

President

Mr Bas Eickhout  
Mr Gerben-Jan Gerbrandy  
Ms Sirpa Pietikäinen  
Mr Jussi Saramo  
Ms Lara Wolters  
Members of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 15 August 2025

L/CL/25/297

**Re: Your letter (QZ-012)**

Honourable Members of the European Parliament, dear Mr Eickhout, Mr Gerbrandy, Ms Pietikäinen, Mr Saramo and Ms Wolters,

Thank you for your letter, which was passed on to me by Ms Aurore Lalucq, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 13 June 2025.

Climate change has profound implications for price stability through its impact on the structure and cyclical dynamics of the economy and financial system. For that reason, the Governing Council is committed to ensuring that the Eurosystem fully takes into account, in line with the EU's goals and objectives, the implications of climate change and nature degradation for its primary mandate.<sup>1</sup>

To that end, in 2021 the Eurosystem decided to further incorporate climate change considerations into its monetary policy framework, in a rule-based manner that is consistent with its mandate. Since then, the Eurosystem has successfully implemented several measures to enhance its risk assessment tools and

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<sup>1</sup> See "[The ECB's monetary policy strategy statement](#)", ECB, 30 June 2025.

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capabilities, in order to better consider climate-related risks in its collateral framework. For example, since the end of 2024 climate change considerations have been incorporated in the in-house credit assessment systems used by national central banks to assess the creditworthiness of collateral. Moreover, since 2022 the Eurosystem has been considering climate risks when reviewing haircuts in its collateral framework.<sup>2</sup> It has also accepted sustainability-linked bonds as collateral since January 2021.<sup>3</sup>

As you mention in your letter, the Eurosystem announced climate change collateral pool concentration limits in July 2022. The aim of this measure was to limit the share of assets issued by companies identified as high carbon emitters that can be mobilised as collateral by Eurosystem counterparties. However, its application was contingent on the necessary technical preconditions being in place. After careful analysis, the Governing Council decided in 2024 not to implement the measure, mainly owing to the lack of granular climate data available for the collateral-eligible universe of corporate bonds – for instance on company-level emissions – and the related challenges in allocating companies to sectors.

As a result, the Governing Council requested that additional work be done to identify possible alternatives, leading to the design and recent announcement of a “climate factor” that will be introduced within the Eurosystem collateral framework in order to address financial risks stemming from climate change uncertainties.<sup>4</sup> This measure will apply to marketable assets issued by non-financial corporations. The climate factor could reduce the effective collateral value of these assets based on sector, issuer and asset-specific data, providing a buffer against the uncertain financial impacts of the green transition. It is due to be implemented in the second half of 2026 and will be regularly reviewed by the Governing Council, including as regards its scope and calibration, to reflect the increasing availability of data and models, as well as relevant regulatory developments and advances in risk assessment capabilities. The introduction of the climate factor is consistent with the broader ECB’s climate and nature plan<sup>5</sup>, which seeks to further enhance the management of climate change risks on the Eurosystem’s balance sheet and within its collateral framework.

More broadly, to adequately consider the implications of climate change and nature degradation, the Eurosystem requires sufficient high-quality climate data.

In this respect, the ongoing legislative process to amend certain corporate sustainability reporting and due diligence requirements (the “Omnibus proposal”<sup>6</sup>) has significant implications for the Eurosystem. As

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<sup>2</sup> See [“ECB reviews its risk control framework for credit operations”](#), *press release*, ECB, 20 December 2022.

<sup>3</sup> See [“ECB to accept sustainability-linked bonds as collateral”](#), *press release*, ECB, 22 September 2020.

<sup>4</sup> See [“ECB to adapt collateral framework to address climate-related transition risks”](#), *press release*, ECB, 29 July 2025.

<sup>5</sup> See [Climate and nature plan 2024-2025](#), ECB, 30 January 2024.

<sup>6</sup> Proposal for a directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements, COM(2025) 81 final.

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explained in the recent ECB opinion on the Omnibus proposal<sup>7</sup>, the ECB's planned climate-related measures may be affected by the proposed amendments to the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). In particular, the proposed reduction in the scope of undertakings subject to sustainability reporting requirements under the CSRD would limit the availability of firm-level data, thereby weakening the Eurosystem's ability to perform a granular assessment of climate-related financial risks on its balance sheet and within its collateral framework. Moreover, the amendments to the CSRD and CSDDD could hinder the Eurosystem's ability to implement measures, as could delays in the transposition of the CSRD into the national laws of euro area Member States. It is therefore important that these amendments strike the right balance between retaining the benefits of sustainability reporting for the European economy and the financial system while also ensuring that the requirements are proportionate.

Yours sincerely,

[signed]

Christine Lagarde

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<sup>7</sup> [Opinion of the European Central Bank of 8 May 2025 on proposals for amendments to corporate sustainability reporting and due diligence requirements \(CON/2025/10\)](#).

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