EUROPEAN CENTRAL BANK

EUROSYSTEM

Press release

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ECB to adapt collateral framework to address climate-related transition risks

- Climate factor to protect Eurosystem against potential decline in value of collateral in event of adverse climate-related transition shocks
- Measure to address forward-looking climate-related uncertainties, enhancing resilience of Eurosystem's monetary policy implementation
- Measure to apply to marketable assets issued by non-financial corporations, taking effect in second half of 2026

The Governing Council of the European Central Bank (ECB) has decided to introduce a new measure within the collateral framework to better manage financial risks related to the climate crisis.

The value of collateral from counterparties in the Eurosystem's refinancing operations is sensitive to climate change-related uncertainties. Since the Eurosystem's refinancing operations are a key instrument in maintaining price stability, the Governing Council has decided to introduce a "climate factor" which could reduce the value assigned to eligible assets pledged as collateral, depending on the extent to which an asset can be impacted by these uncertainties. This acts as a buffer against the possible financial impact of uncertainties related to climate change. It will complement the Eurosystem's existing risk management toolbox by considering forward-looking climate scenario analyses and therefore improve the resilience of the Eurosystem's monetary policy implementation. The calibration of the measure will preserve adequate collateral availability.

The Governing Council has decided to introduce the climate factor focusing on marketable assets issued by non-financial corporations as well as their affiliated entities, and adverse events specifically associated with the green transition. The climate factor will apply to individual assets and its calibration will take into account sector-level data of non-financial corporation bonds in the 2024 climate stress

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test of the Eurosystem's balance sheet[1], the issuer's CSPP climate score and the asset's residual maturity.

This measure is due to be implemented in the second half of 2026. It will be regularly reviewed by the Governing Council to reflect the increasing availability of data and models, as well as relevant regulatory developments and advances in risk assessment capabilities.

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[1] See Section 4.1.2 in the 2024 Climate-related financial disclosures of Eurosystem assets held for monetary policy purposes and of the ECB's foreign reserves.

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