



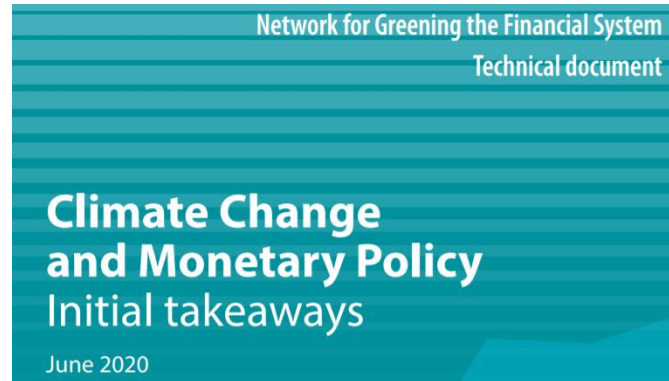
Should monetary policy take account of climate consideration – and if so how?

Pierre Monnin

Virtual BCC Conference – October 1, 2020

Climate change impacts the mandate of central banks

- Inflation



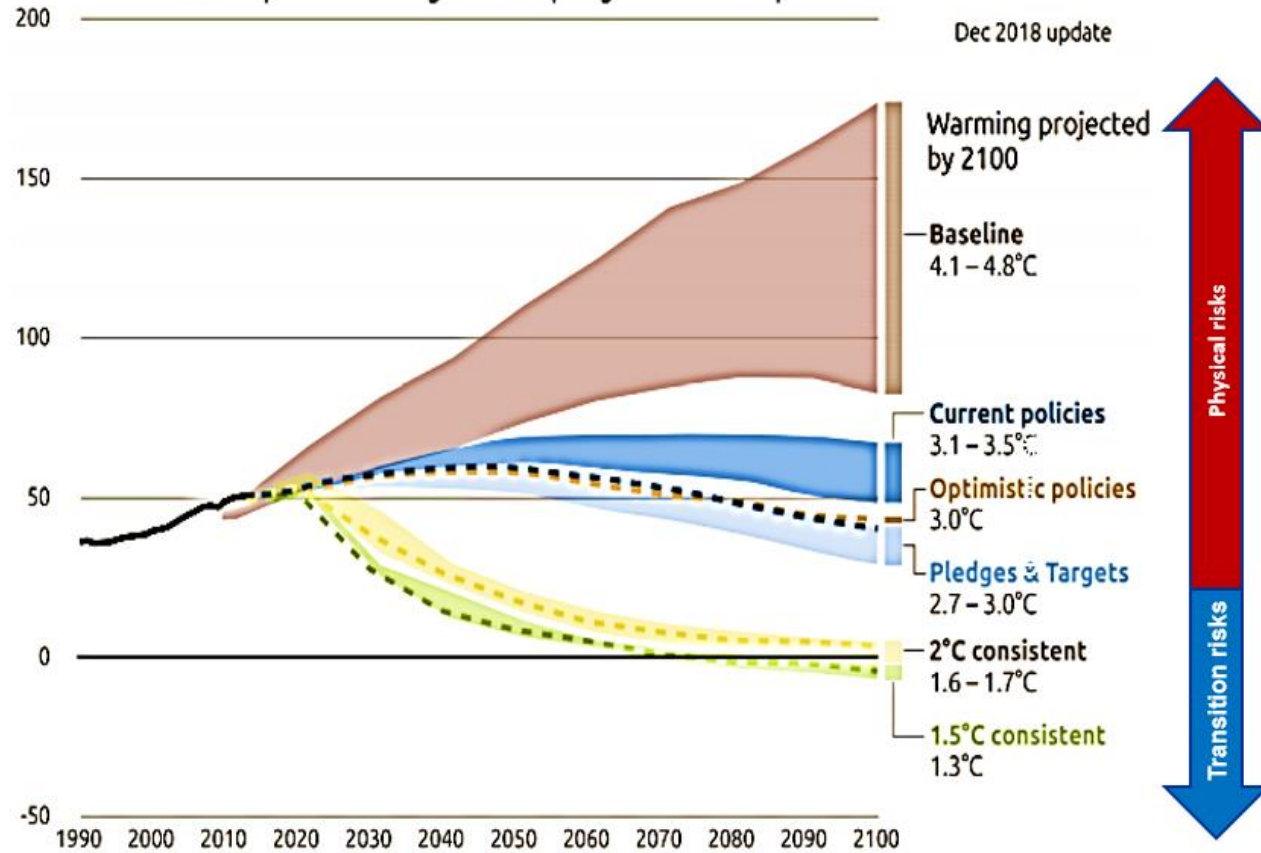
1. **Climate change and its mitigation will increasingly affect key macroeconomic variables for the conduct of monetary policy across many different time horizons**

- Financial stability



Where do we go?

Projections for carbon emissions & warming (Emissions in gigatonnes of CO2 per year)



Reports of the Advisory Scientific Committee

No 6 / February 2016

Too late, too sudden: Transition to a low-carbon economy and systemic risk

By: A group of the ESRB
Advisory Scientific Committee

Source: Climate Action Tracker, Warming Projections Global Update, Dec 2018.

Central banks have a role to play in the transition

*"Collective action, by governments, firms, investors, households **and central banks**, including the European Central Bank (ECB), is required to accelerate the transition towards a carbon-neutral economy."*

Isabel Schnabel

ECB Executive Board Member

September 28, 2020

How should central banks take climate change into account?

- Dependent on national legal and monetary policy frameworks
- Central banks **MUST** reflect climate risks in monetary policy operations
- Central banks can support adaptation and mitigation economic activities