

# Implications for monetary policy of climate change

Norges Bank  
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Deputy Governor

A satellite image of the Arctic region of Earth, showing a significant reduction in sea ice extent compared to historical records. The dark blue areas represent open water, while the white and light blue areas represent remaining ice. The surrounding landmasses, including parts of North America, Europe, and Asia, are visible in shades of brown and green.

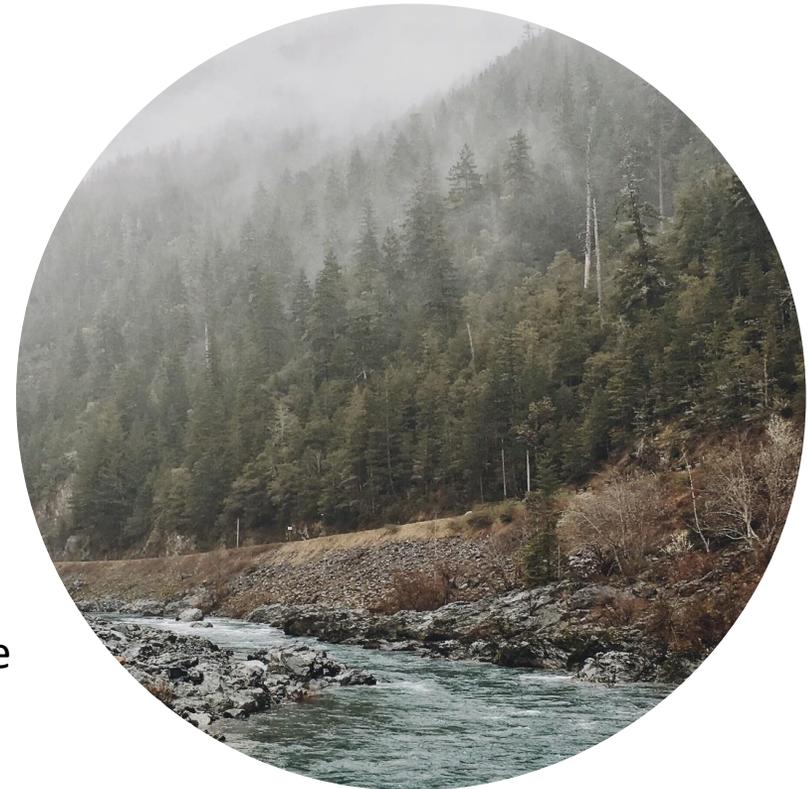
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***It is unequivocal that human influence has warmed the atmosphere, ocean and land. Widespread and rapid changes in the atmosphere, ocean, cryosphere and biosphere have occurred***

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# The economic perspective of climate change

- Problem stems from the failure to put a price on a negative externality, the emission of greenhouse gases.
- The best policy response is therefore to put a *global* price on carbon
- Climate policy need to cause a change in the *relative price* between goods and services that emit greenhouse gases and those that don't.



# Should central banks contribute to mitigating climate change?



Research

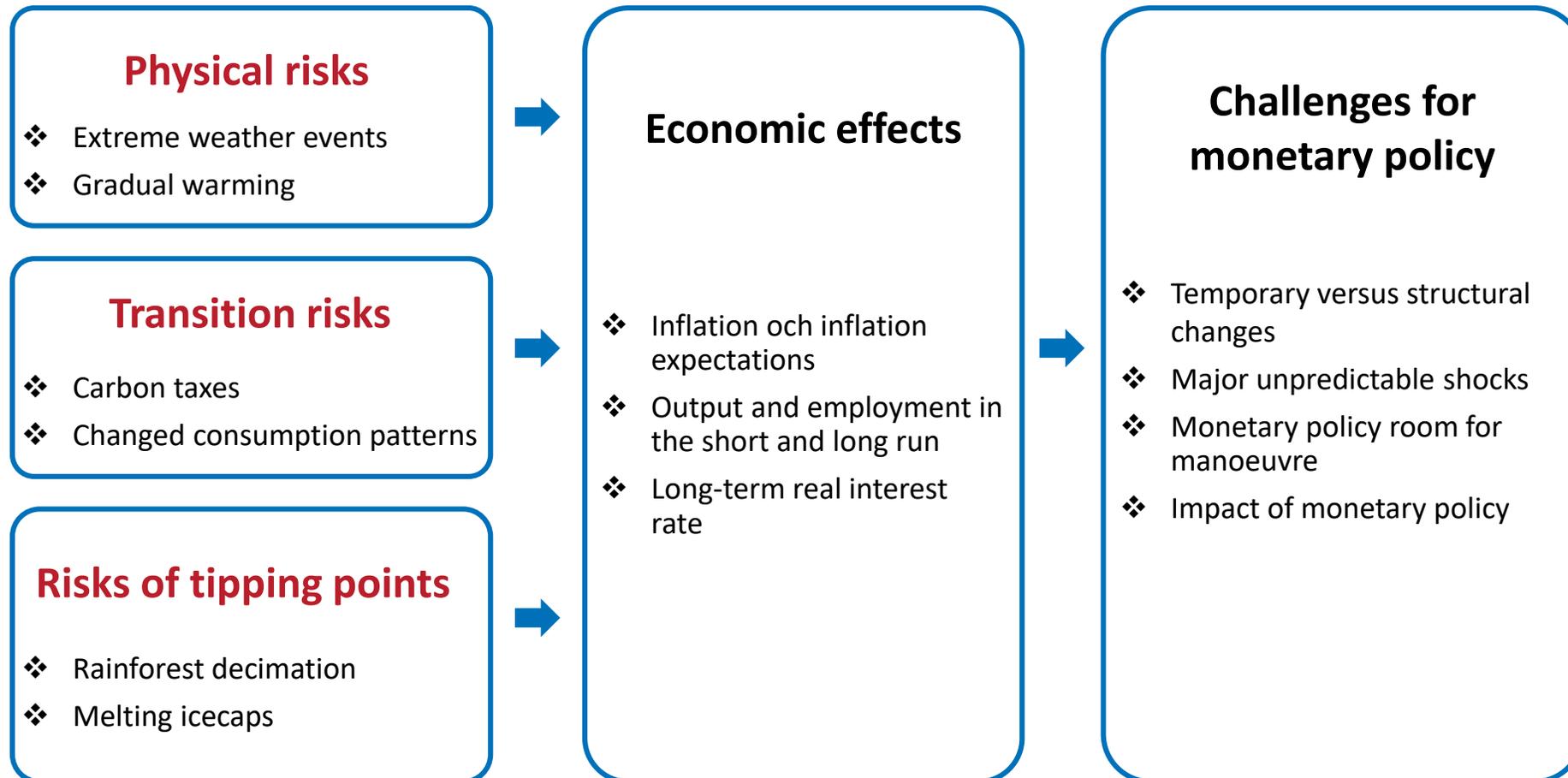


Regulation

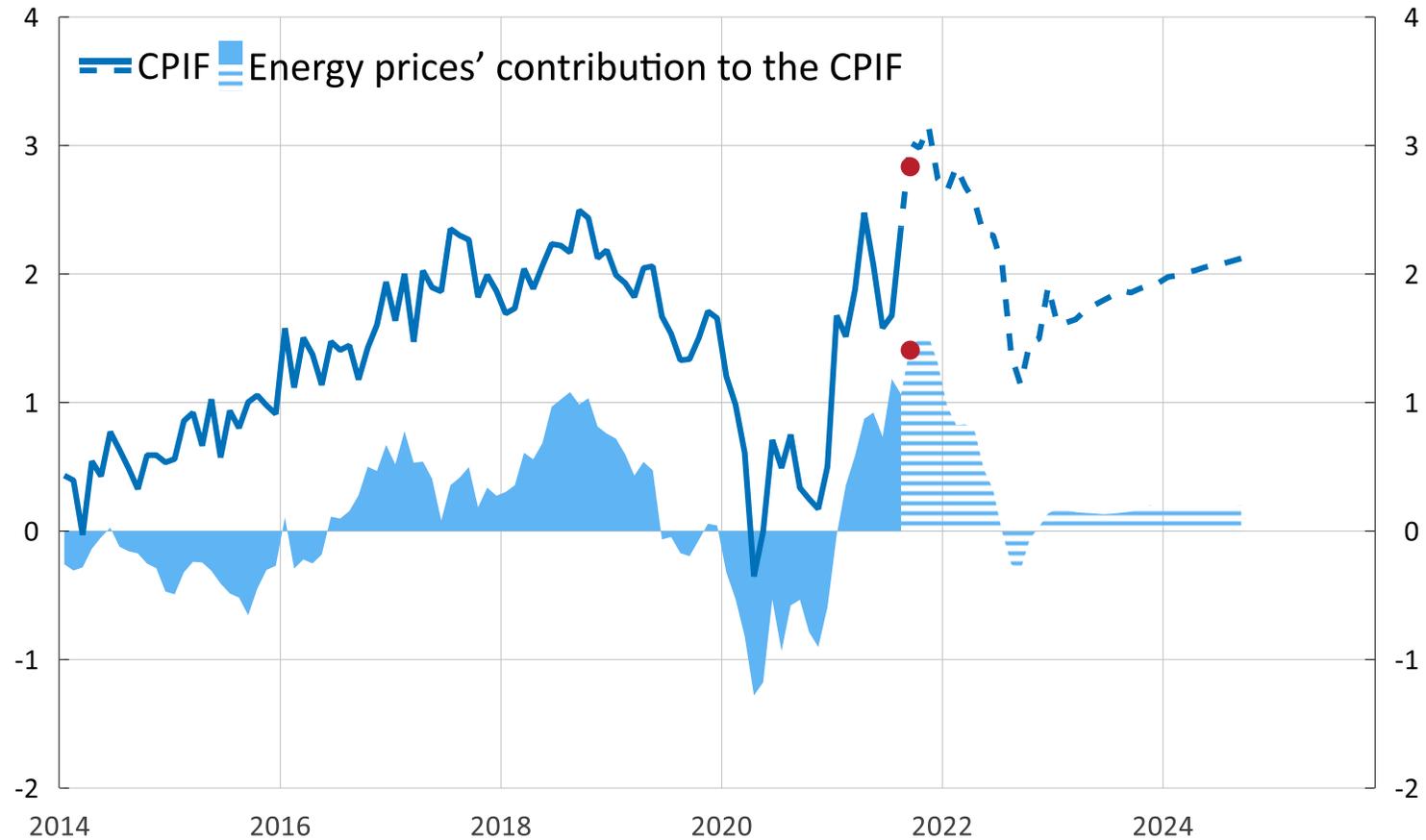


Re-adjustment of balance sheet tools

# Climate changes affects the economy – new challenges for monetary policy



# Example: Climate change and inflation?



Note. Annual percentage change and percentage points respectively.

Sources: Statistics Sweden and the Riksbank.

# Should central banks contribute to mitigating climate change? – the potential tools



Research



Regulation

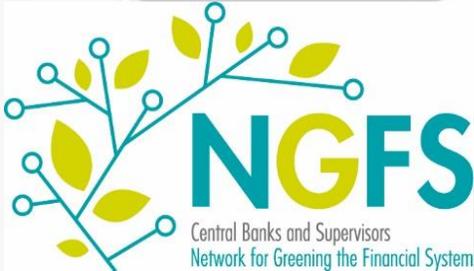


Readjustment of balance sheet tools

# Regulation - international cooperation is key



Basel Committee on Banking Supervision



European Union



**ESRB**  
European Systemic Risk Board  
European System of Financial Supervision



# Should central banks contribute to mitigating climate change?



Research



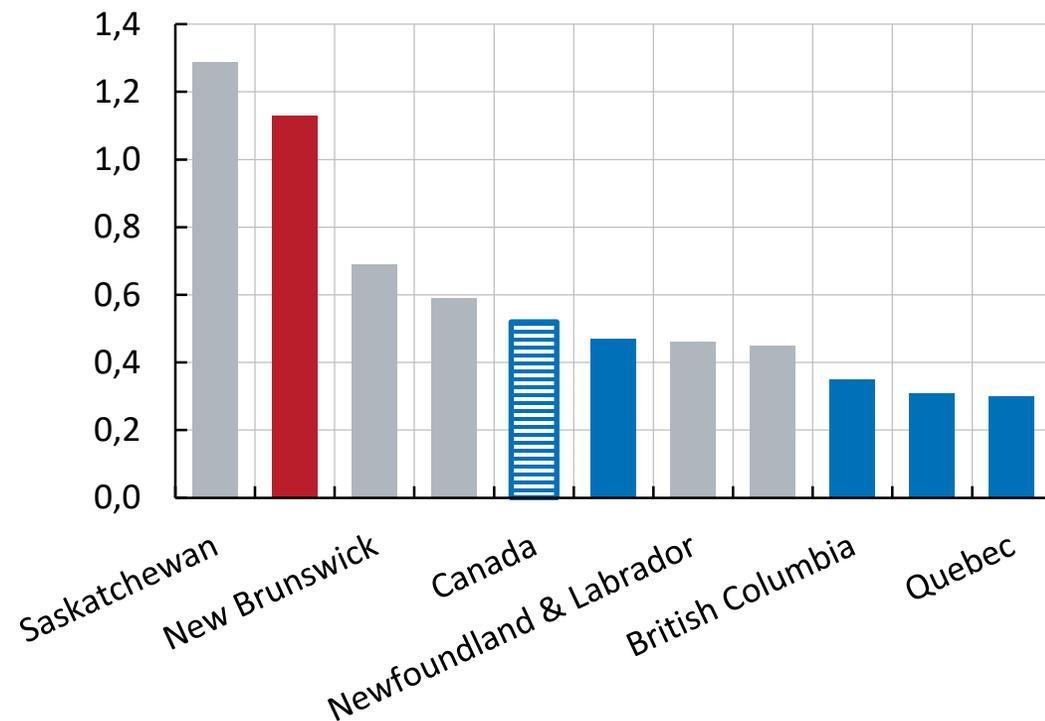
Regulation



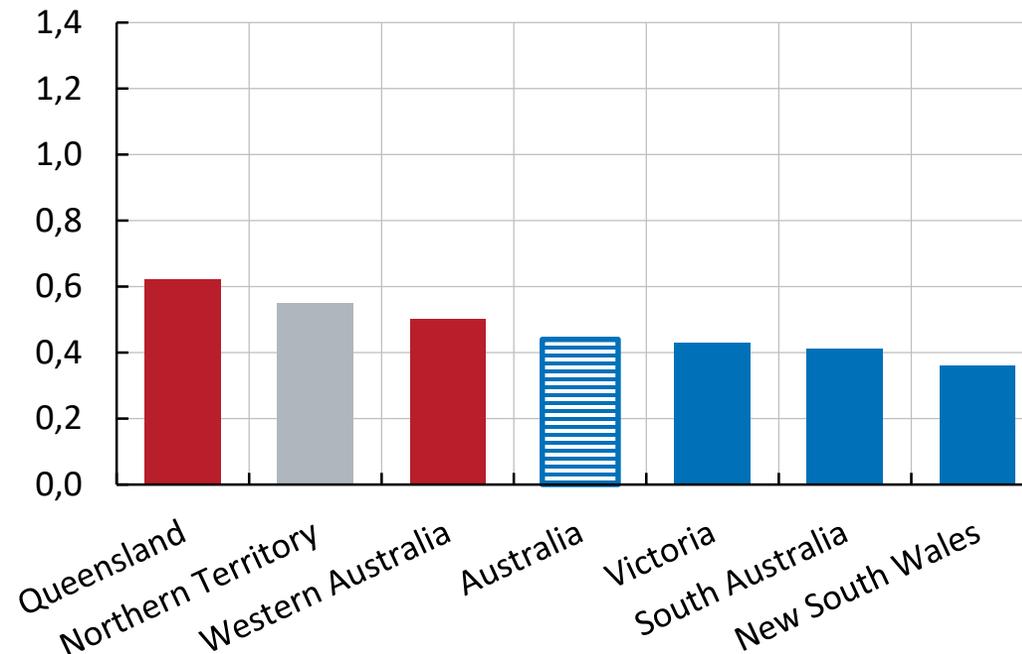
Re-adjustments of balance sheet tools

# FX Reserves: The Riksbank rejects issuers with a large climate footprint

## Canada and provinces



## Australia and states



Note. Greenhouse gas intensity = GHG (kt CO2e) / GDP (mm USD).  
Striped bar shows country average.

Source: The Riksbank.

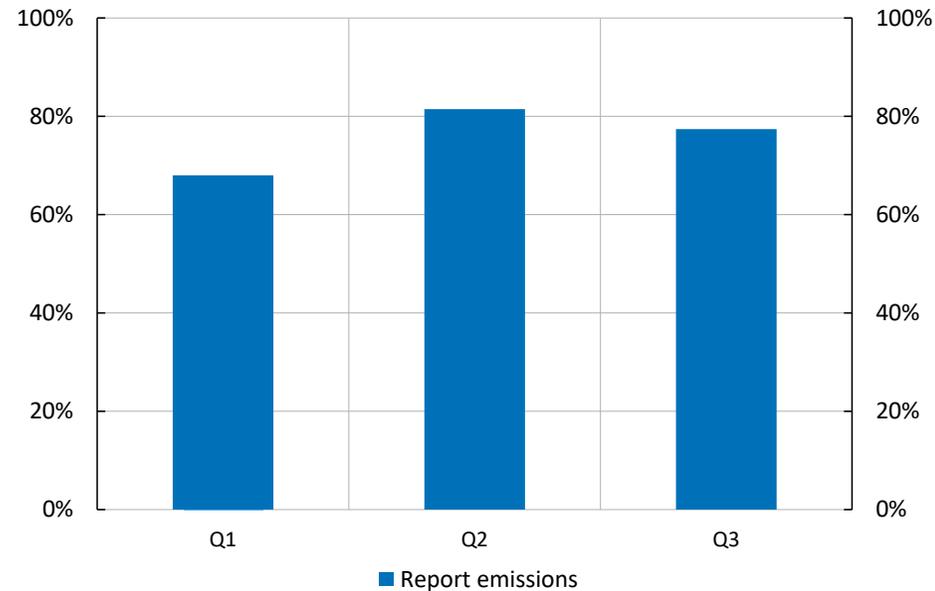
Holdings

Other

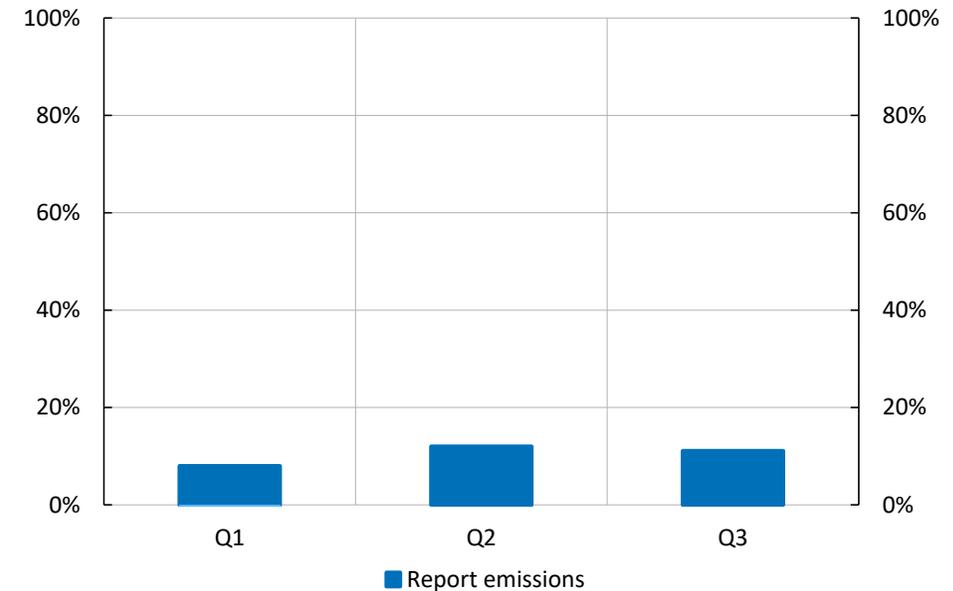
Sold in 2019

# Large scale asset purchases: Negative screening ESG for corporate bond purchases

Listed companies



Non-listed companies



Note. Available data for companies that comply with the Riksbank's purchase criteria.

Sources: Bloomberg, Sustainalytics and the Riksbank.

# Should central banks care about climate change?



- Climate change is a threat to price stability
- We need to better model, analyse and prepare for difficult trade-offs in setting monetary policy
- Central banks have an obligation to consider the risks posed by climate change to our economies and act in accordance with their individual mandates



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**Thank You**

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