



Template for comments

Guide on the management and disclosure of climate-related and environmental risks

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General comments

.Our main point is an extension to the main topic. Throughout the whole guide, reference is made to climate change and environmental risks We propose to explicitly address nature-related risk as a separate category. Climate change risks are caused by greenhouse gas emisisions, and environmental risks are mainly associated with pollution. Loss of biodiversity and ecosystem services are mainly caused by .land-use change and habitat destruction, and has a very different character and materiality for the financial sector

Template for comments

Guide on the management and disclosure of climate-related and environmental risks

Please enter all your feedback in this list.

When entering feedback, please make sure that:

- each comment deals with a single issue only;
- you indicate the relevant article/chapter/paragraph, where appropriate;
- you indicate whether your comment is a proposed amendment, clarification or deletion.

Deadline: 25 September 2020

ID	Chapter	Paragraph	Expectation or box number	Page	Type of comment	Detailed comment	Concise statement as to why your comment should be taken on board	Name of commenter	Personal data
1	Chapter 1			3	Amendment	"This guide outlines the ECB's understanding of the safe and prudent management of climate-related, nature-related and environmental risks under the current prudential framework."	Throughout the whole guide, reference is made to climate change and environmental risks. We propose to explicitly address nature-related risk as a separate category. Climate change risks are caused by greenhouse gas emissions, while environmental risks are mainly associated with pollution. Loss of biodiversity and ecosystem services are mainly caused by land-use change and habitat destruction, and this type of risks has a very different character and materiality for the financial sector.	van Oorschot, Mark	Publish
2	Chapter 3	3.2	-	10	Amendment	After the second sentence in the first paragraph include a footnote Box 1 in "NGFS Guide for Supervisors: Integrating climate-related, nature-related and environmental risks into prudential supervision" contains examples of evidence of economic damage stemming from environmental degradation, such as water stress, biodiversity loss and resource scarcity beyond climate	We advise to explicitly mention that, although difficult to compare, the costs associated with broader environmental degradation and loss of biodiversity have the same order of magnitude as the costs associated with greenhouse gas emissions.	van Oorschot, Mark	Publish

3	Chapter 3	3.1		10	Amendment	Change the sentence " and "chronic" when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss and resource scarcity" to " and "chronic" when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, loss of ecosystem services and resource scarcity"	Please explicitly add to chronic - the loss of ecosystem services (i.e. nature's capacity to provide benefits to society) as that is more directly linked to physical processes that disrupt economic production processes.	van Oorschot, Mark	Publish
4	Chapter 3	3.1		10	Amendment	Change the sentence "abrupt adoption of climate and environmental policies" to "abrupt adoption of climate, nature and environmental policies"	Please make explicit that nature policies are a different domain - not just part of the energy/climate or environmental domains.	van Oorschot, Mark	Publish
5	Chapter 3	3.1		10	Amendment	Instead of two main risk drivers, a third category should be mentioend here : reputational risks.	Reputation risks present a different type of risk channel, through which climate, nature and environmental issues materialise for the financial sector. Examples of this 3-tiered distinction can be found in the recent DNB-PBL publicatyon "Indebted to nature"	van Oorschot, Mark	Publish
6	Chapter 3	3.2		11	Amendment	To table 1, add Reputational and Nature-related risks as separate headings.	see earlier explanations	van Oorschot, Mark	Publish
7	Chapter 3	3.2		11	Amendment	Change the sentence "Existing estimates of adverse long-term macroeconomic effects resulting from climate change point to significant and lasting losses in wealth. " to: "Existing estimates of adverse long-term macroeconomic effects resulting from climate change and loss of ecosystem services point to significant and lasting losses in wealth. "	the IPBES global assessment has made it clear that loss of biodiversity and associated ecosystem services have long term consequences, as it affects the benefits that nature supplies to the economy. Full reference: IPBES (2019): Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. E. S. Brondizio, J. Settele, S. Díaz, and H. T. Ngo (editors). IPBES secretariat, Bonn, Germany. XXX pages.	van Oorschot, Mark	Publish
8	Chapter 3	3.2		12	Amendment	Change the sentence "Climate-related risk for euro area institutions is expected to primarily materialise in the medium to long term." to "Climate- and nature-elated risk for euro area institutions is expected to primarily materialise in the medium to long term."	Just like for climate change, the change in ecosystem services are expected to materialise in the medium to long erterm, related to the long time for ecosystems to recover after severe disturbance and the sometimes irreversable character.	van Oorschot, Mark	Publish
9	Chapter 3	3.3		14	Amendment	At the end, please add: "At this moment, discussion is ongoing about the need and establishment of an equivalent taskforce for Nature Related Financial Disclosures (TNFD).	Not yet established, but to be expected in the coming year.	van Oorschot, Mark	Publish
10	Chapter 4	4.1	Expectation 1	15	Amendment	Add nature-related risks to stated expectations. For example: "Institutions are expected to understand the impact of climate-related, nature-related and environmental risks on the business environment in which they operate, in the short, medium and long term, in order to be able to make informed strategic and	This amendment is valid for most of the stated Expectations. When this comment is appreciated, examples of nature-related risks should be included in the main text (for instance, based on the DNB-PBL publication "Indebted to nature").	van Oorschot, Mark	Publish

11	Chapter 4	4.1	1.1	16	Amendment	<p>To the sentence: "Policy changes to promote an environmentally-resilient economy may reduce the demand for real estate in certain, for example high flood risk, areas."</p> <p>add</p> <p>"or the ability to perform economic activities contributing to pollution." If needed reference can be made to the Dutch nitrogen crisis, see for such as nitrogen-emitting activities as for example: Indebted to nature (DNB) or https://www.wur.nl/en/Dossiers/file/Nitrogen.htm</p>	<p>We advise to explicitly provide examples for environmental issues other than climate. This is an example.</p>	van Oorschot, Mark	Publish
12	Chapter 4	4.2	2.1	17	Clarification	<p>Add the Global Biodiversity Outlook in footnote 33 after IPCC: "Institutions are also expected to consider the IEA and IPCC climate scenarios for physical risk"</p>	<p>The Global Biodiversity outlook https://www.cbd.int/gbo4/ also provides scenarios for the development of biodiversity up to 2050. See "How sectors can contribute to sustainable use and conservation of biodiversity. Secretariat of the Convention on Biological Diversity." for the technical underpinning of the scenarios</p>	van Oorschot, Mark	Publish

13	Chapter 5	5.2	4	22	Clarification	<p>Expand the paragraph with the notion that financial institutions need to develop metrics for measuring the environmental transition risks. The European Environment Agency study shows that European environmental footprints exceed the European limits for three planetary boundaries, namely for the nitrogen cycle and the phosphorus cycle, fresh water use and land system change. These findings support the growing scientific evidence that profound transformations of the current systems of consumption and production in Europe are needed to address the underlying drivers of unsustainability. The study shows how the concepts of planetary boundaries can be operationalised in Europe. See https://www.eea.europa.eu/publications/is-europe-living-within-the-planets-limits</p> <p>A second study further translates these boundaries in investment opportunities which operate within the planetary boundaries. See https://link.springer.com/article/10.1007/s11625-018-0574-1</p> <p>Furthermore, as a proxy to determine the vulnerability of a financial institution to transition risks, institutions can compute the biodiversity footprint for their portfolio. A relatively large footprint then indicates large exposure to this risks. See chapter 4.1 of "Indebted to nature - DNB", and also ASN-Banks publication "Towards ASN Bank's Biodiversity footprint"</p>	van Oorschot, Mark	Publish
14	Chapter 6	6.1	7.3	29	Amendment	<p>To the sentence: "Policy changes to promote an environmentally-resilient economy may reduce the demand for real estate in certain, for example high flood risk, areas."</p> <p>add</p> <p>"or the ability to perform economic activities contributing to pollution."</p>	van Oorschot, Mark	Publish
15	Chapter 6	6.1	7.4	30	Amendment	<p>Add to the main text after "... client is located.": For assessing the impact of a client's operations on biodiversity the Integrated Biodiversity Assessment Tool can be used, in which the impact of operations / projects on local biodiversity can be assessed." - https://www.ibat-alliance.org/ Furthermore, make reference to the supplementary guide for the Finance Sector of the Natural Capital Protocol ("Connecting Finance and Natural Capital")</p>	van Oorschot, Mark	Publish

16	Chapter 6	6.1	7.4	30	Amendment	Refer in the sentence on OECD Guidelines for Multinational Enterprises also the IFC Performance Standards. These standards are an international benchmark for identifying and managing environmental and social risks for private investments in emerging		van Oorschot, Mark	Publish
17	Chapter 6	6.2	8.4	33	Amendment	Add to the main text after "...of potential legislation" "and operations in biodiversity hotspots which may be prohibited when conservation policies are enforced." see "Indebted to nature" - DNB	Gives an example for a biodiversity related transition risk on top of the climate related transition risk	van Oorschot, Mark	Publish
18	Chapter 6	6.3	9.2	35	Amendment	After the second sentence in the last paragraph ending with "...including reputational risk" add the following sentence : "Financial institutions run a reputational risk if they invest in or finance companies involved in environmental controversies or that provide inadequate information about biodiversity risks and impacts." see "Indebted to nature" - DNB / PBL	Gives an example of reputational risks	van Oorschot, Mark	Publish
19	Chapter 6	6.4	10	36	Amendment	at the end of first paragraph after "in climate conditions" add "or a decline in nature's ability to deliver ecosystem services."	Extend environmental risks with separate category of nature-related risks	van Oorschot, Mark	Publish
20	Chapter 6	6.5	11	37	Clarification	Add the Global Biodiversity Outlook to the sentence: "Institutions are also expected to consider the IEA and IPCC climate scenarios for physical risk"	The Global Biodiversity outlook https://www.cbd.int/gbo4/ also provides scenarios for the development of biodiversity up to 2050. See "How sectors can contribute to sustainable use and conservation of biodiversity. Secretariat of the Convention on Biological Diversity." for the technical underpinning of the	van Oorschot, Mark	Publish
21	Chapter 7	7		40	Amendment	First paragraph after "Disclosures on climate-related" add " nature-related and environmental"		van Oorschot, Mark	Publish
22	Chapter 7	7	13.1	41	Amendment	First paragraph after "materiality of climate-related" add " nature-related and environmental"		van Oorschot, Mark	Publish
23	Chapter 7	7	13.2	41	Amendment	in first sentence after "deems climate-related" add " nature-related and environmental"		van Oorschot, Mark	Publish
24	Chapter 7	7	13.6	44	Amendment	in last sentence top paragraph after "different climate-related" add " nature-related and environmental"		van Oorschot, Mark	Publish
25	Chapter 7	7	13.7	44	Amendment	At the end of the paragraph add: "of their dependence and impact on biodiversity, use of water and pollution". And then adding a footnote at the end of that sentence stating: "Frameworks to consider in this respect are the Global Reporting Initiative GRI 304: biodiversity, CDP on water and forests, and the recommendations of the Task Force for Nature-related Financial Disclosure." See https://www.cdp.net/en https://tnfd.info/ https://www.globalreporting.org/standards/gri-standards-download-center/gri-304-biodiversity-2016/	Provide concrete examples which initiatives to consider to disclose on environmental topics other than climate	van Oorschot, Mark	Publish

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