



Template for comments

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

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General comments

2DII applauds the recommendations from the ECB. The guidelines are well written and clear and cover all crucial areas in which banks ought to incorporate climate and environmental risks. The ECB acknowledges that it will take time for banks to figure out how to practically incorporate some of these recommendations, and that different metrics and methodologies are still under development. The ECB and national supervisors have a crucial role to play to ensure that these developments lead to meaningful metrics and methodologies, and . . . should follow these developments closely in their next steps

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	Introduction		Box 1, point 1	4	Clarification	It could be worth to clarify in the box the timeline of short, medium and long term.		Vleeschhouwer, Maarten	Publish
2	Introduction		Box 1, point 10	4	Clarification	The ECB could consider differentiating more clearly between scenario analysis (i.e. measuring alignment) and stress testing (measuring losses/capital ratio's). Climate alignment of portfolios can be measured to various scenrios without necessarily conducting stress testing. Stress-testing is an important and needed action, but its distinct from climate scenario analysis. Both are		Vleeschhouwer, Maarten	Publish
3	Chapter 3	3.1		10	Clarification	Did the ECB consider also legal/liability risk as a source of climate and/or environmental-related risk. Climate litigation is increasing in recent years. The Economist recetyly noted (19 september 2020, "Courtrooms are the new battleground for climate activism") that since the 1990s and 2000s when only a handful to a dozen of cases where handled, since 2010 there have been 110 cases. In a forthcoming report, the 2° Investing Initiative looked at 17 energy companies and, based on the settlements that were made by tobacco firms, estimated that they could be hit with liabilities of \$58bn to \$107bn annually. On average that amounts to between 5% and 20% of the companies' pre-tax earnings.		Vleeschhouwer, Maarten	Publish
4	Chapter 3	3.2		12	Clarification	Second paragraph from the top: what is meant by the 'dependency on short-term action'?		Vleeschhouwer, Maarten	Publish

5	Chapter 3	3.3		13	Clarification	You write (middle of last paragraph) that 'if at all' climate-related risks are integrated in existing risk categories. This seems to suggest it's not a good thing to integrate it in existing categories. While it happens rarely as you write, when it does, is it not a good thing that it's integrated into existing categories? The document seems to suggest earlier that you'd expect it to be integrated in existing risk categories.		Vleeschhouwer, Maarten	Publish
6	Chapter 4	4.2	Expectation 2.1	17	Clarification	The paragraph could differentiate more clearly on the difference between stress testing and scenario analysis. See comment above and general comment.		Vleeschhouwer, Maarten	Publish
7	Chapter 5	5.2		22	Clarification	You write "particularly for physical and transition risk". Which other types would the ECB have in mind? It seems to contradict the earlier 'definitions' section.		Vleeschhouwer, Maarten	Publish
8	Chapter 6	6.3		34 and further	clarification	This section could consider in more detail legal/liability risk. See comment 3 above.		Vleeschhouwer, Maarten	Publish
9	Chapter 6	6.5		37 and further	Clarification	This section could go into more detail into the different ways as to how scenario analysis and stress testing can be incorporated. There are macro-economic approaches as well as those that project or shock specific sectors or companies. Note also that climate models are not easily translatable into either macro-economic models or into sector specific scenario's.		Vleeschhouwer, Maarten	Publish
10	Chapter 7		Expectation 13.3	42	Amendment	Top of the page, you note that banks are not always sufficiently clear on how they meet their sustainability commitments. This is a crucial point, as this could mean that banks are perhaps 'misleading' customers/stakeholders at times, which could open banks up to financial conduct risk. Perhaps worth to note this risk in the paragraph as well.		Vleeschhouwer, Maarten	Publish
11	Chapter 7		Expectation 13.5	43	Amendment	It would be good if the text could provide the definition of weighted average carbon intensity and in what way the ECB considers it relevant for risk management purposes. Note that it's important that the definition includes Scope 3, as otherwise lending exposures to for example a car manufacturer would not be significantly included in this indicator. Moreover, since this metric is CO2 emissions/revenue there is an issue that when revenue increases (due to for example a price increase) the indicator goes down even with similar real-world emissions levels. As such, the indicator - while serving a purpose - is less useful for risk management purposes, which is the goal of this document. Both the TCFD report and the Commission Guidelines note these limitations as well as the fact that this metric and other are continuously being developed further and thus should be reconsider frequently.		Vleeschhouwer, Maarten	Publish

12	Chapter 7		Expectation 13.5	43	Clarification	The bullet on volume of exposures: while this is a relevant indicator, it's important to bear in mind that it's not only the volume of exposures to different sectors that is important, but also the extent to which the companies you finance in those sectors are more or less aligned with various climate scenario's.		Vleeschhouwer, Maarten	Publish
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