

**ECB, STOP HEATING
UP THE CLIMATE
CRISIS, NOW!**



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DEAR MS LAGARDE,

THANK YOU FOR YOUR DETAILED RESPONSE TO THE OPEN LETTER WE SENT YOU TOGETHER WITH 20 SUPPORTING ORGANISATIONS ON FEBRUARY 15, 2021. WE ARE PLEASED THAT THE ECB HAS RECOGNISED THE FIGHT AGAINST THE CLIMATE CRISIS AS A PRIORITY ISSUE.

FOR THIS VERY REASON WE ARE SHOCKED AND AMAZED THAT YOU SEEM TO CONTINUE TO BELIEVE THAT LIP SERVICE AND PITIFUL SHOWCASE PROJECTS WITH NO REAL CONSEQUENCES FOR CURRENT MONETARY POLICY WILL PREVENT THE SCARCITY OF RESOURCES, HEAT-RELATED FATALITIES, AND THE EXTINCTION OF SPECIES.

In your reply you wrote that “[...] the ECB has been keeping favourable financing conditions [...] which create an environment that is generally supportive to investment, including in green and energy-efficient technologies“. However, “an environment that is generally supportive to investment” also means that investments in climate-damaging industries are promoted to the same extent, or even more so.

The regular purchases of “green” bonds (which criteria do these actually meet?) and the investment of parts of your non-monetary portfolio in the “euro-denominated green bond investment fund” point in the right direction, but are merely a drop in the bucket. These token measures cannot make up for the fact that you are simultaneously pouring billions into bonds that threaten our future!

Effective climate protection would mean aligning both your entire non-monetary portfolio and, above all, your much larger monetary portfolio with strong sustainability criteria.

It is absurd that the ECB’s asset purchase programme actually favours fossil fuel industries, due to the current interpretation of “market neutrality”¹. But even if the market were reflected as accurately as possible, this would not suffice for a monetary policy in line with the Paris Climate Agreement. Cementing the status quo means paving the way for the catastrophe. This was already known by the British statesman Edmund Burke, to whom the following quote is attributed: “The only thing necessary for the triumph of evil is for good men to do nothing.” To tackle the climate crisis and preserve the basis of our existence on this planet, all institutions, including the ECB, must actively work to meet the 1.5 °C limit. You, Ms Lagarde, already called for a departure from the supposed “neutrality” in 2020.² However, there has been no decisive change.

¹New Economics Foundation et al. 2020, Decarbonising is Easy. Beyond Market Neutrality in the ECB’s Corporate QE

²EZB-Chefin Lagarde stellt zentrales Prinzip in Frage (FAZ, 15.10.2020)

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We welcome the fact that the ECB now accepts “bonds with coupon structures linked to certain sustainability performance targets” as collateral for lending operations – provided that the sustainability criteria are set sufficiently high. But **where is the exclusion of future-threatening bonds as collateral?** In fact, the share of bonds issued by carbon-intensive companies that the ECB accepts as collateral is disproportionately high.³ Although these companies are often no longer even profitable, they continue to be bought up by banks who then deposit them as collateral with the ECB. By keeping yesterday’s industries on life support you are jeopardising our tomorrow!

Regarding banking supervision, we acknowledge that the ECB is advising banks to assess climate risks. Nevertheless, we are worried that these efforts are not ambitious enough to tackle the climate crisis. We condemn the fact that the implementation of guidelines is voluntary, that financing of polluting sectors such as fossil fuel industries is not excluded, and that the guidelines do not include regulation on a transparent reporting by the financial institutions.

Dear Ms Lagarde, let us be honest: You know full well that the measures taken by the ECB so far are by no means sufficient to even slow down the progression of the climate crisis.

Perhaps you are concerned about the economic impact that the drastic measures required could cause. **What you should actually be concerned about are the economic, social, and humanitarian impacts that rising sea levels and falling groundwater levels, the spread of tropical diseases, and the decrease of arable land will bring.**

**WE CALL ON YOU TO TAKE RESPONSIBILITY!
STAND UP FOR THE LONG-TERM MAINTENANCE OF PRICE STABILITY,
STAND UP FOR THE FULFILMENT OF THE TARGETS OF THE PARIS AGREEMENT,
STAND UP FOR THE PRESERVATION OF THE BASIS OF OUR EXISTENCE!**

SINCERELY,

THE KOALAKOLLEKTIV

³New Economics Foundation et al. 2021, Greening the Eurosystem Collateral Framework

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THIS LETTER IS SUPPORTED BY:

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