

The Riksbank's Climate Report

Sveriges Riksbank
(14 December 2021)

Anna Breman
Deputy Governor of the Riksbank

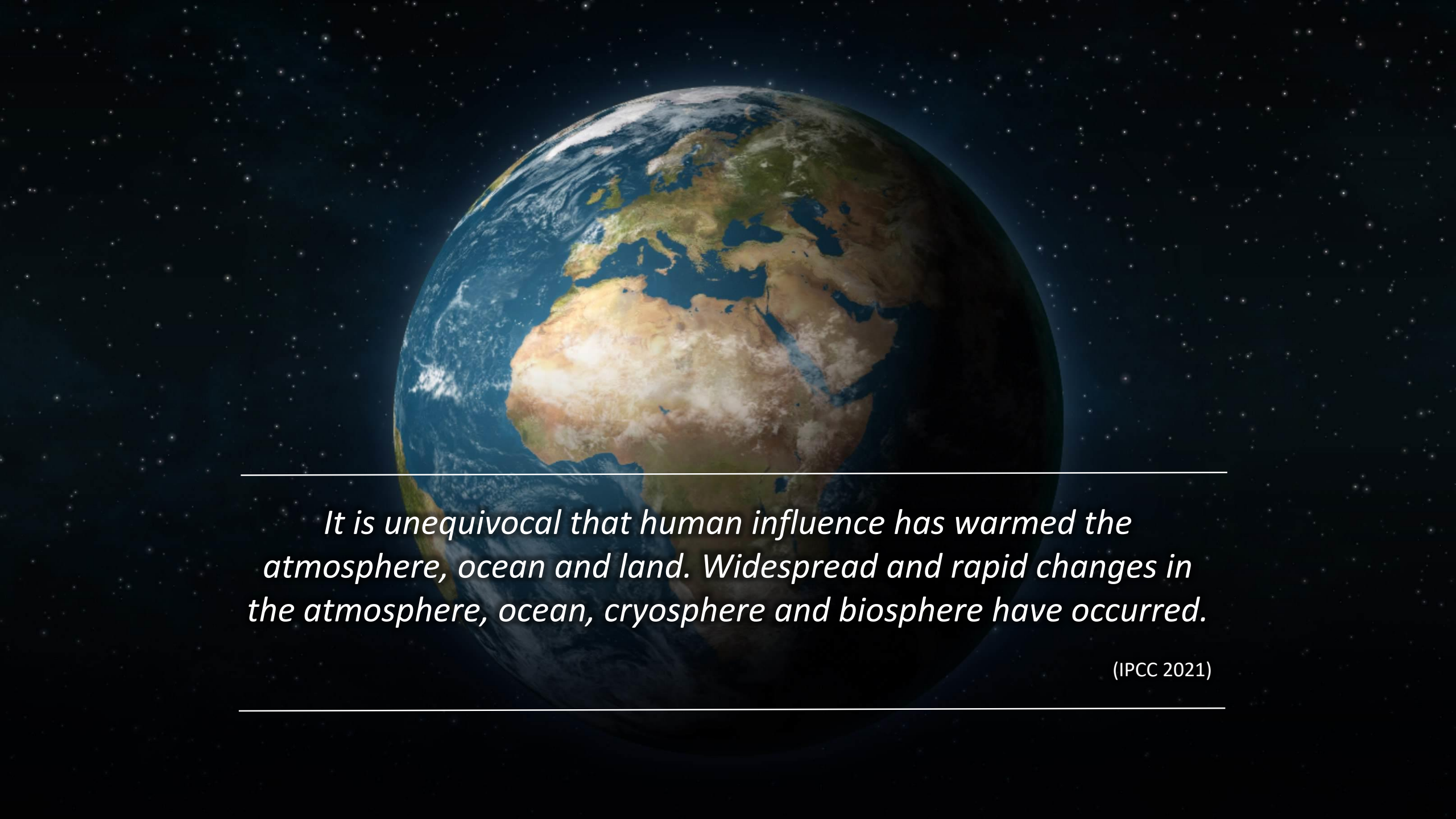


Climate Report



Climate risks in the policy work

THE RIKSBANK'S CLIMATE REPORT DEC 2021

A high-resolution image of Earth from space, centered on the African continent. The landmasses of Africa and Europe are clearly visible, surrounded by blue oceans and white cloud patterns. The background is a deep black space filled with numerous small, bright stars.

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.

(IPCC 2021)

Action needs to be taken in many different policy areas

- E.g., various **taxes**, mainly on carbon dioxide.
Another means is quantitative limits, such as **the purchase of emission rights**. Action at global level is the most effective
- Relative price changes: Goods and services that contribute to **greenhouse gas emissions need to be more expensive** than those that do not.

The primary responsibility for taking policy measures against greenhouse gas emissions lies with politicians, as they control taxes and regulations.



Climate change in the context of the Riksbank's remit

- Climate change can affect the conditions for the Riksbank's ability to fulfil its mandate.
- According to the Sveriges Riksbank Act, the Riksbank shall work toward sustainable development provided that this does not override other objectives and assignments.



The direction of the Riksbank's climate-related work



Within the framework of its mandate, the Riksbank shall take account of climate change and promote an orderly transition to a sustainable economy.

WE ARE WORKING ON

ensuring that **ours own operations** comply with international agreements

increasing knowledge through research and analysis

a sustainability perspective on our **asset purchases** and in the management of our **foreign reserve assets**

WE PROMOTE

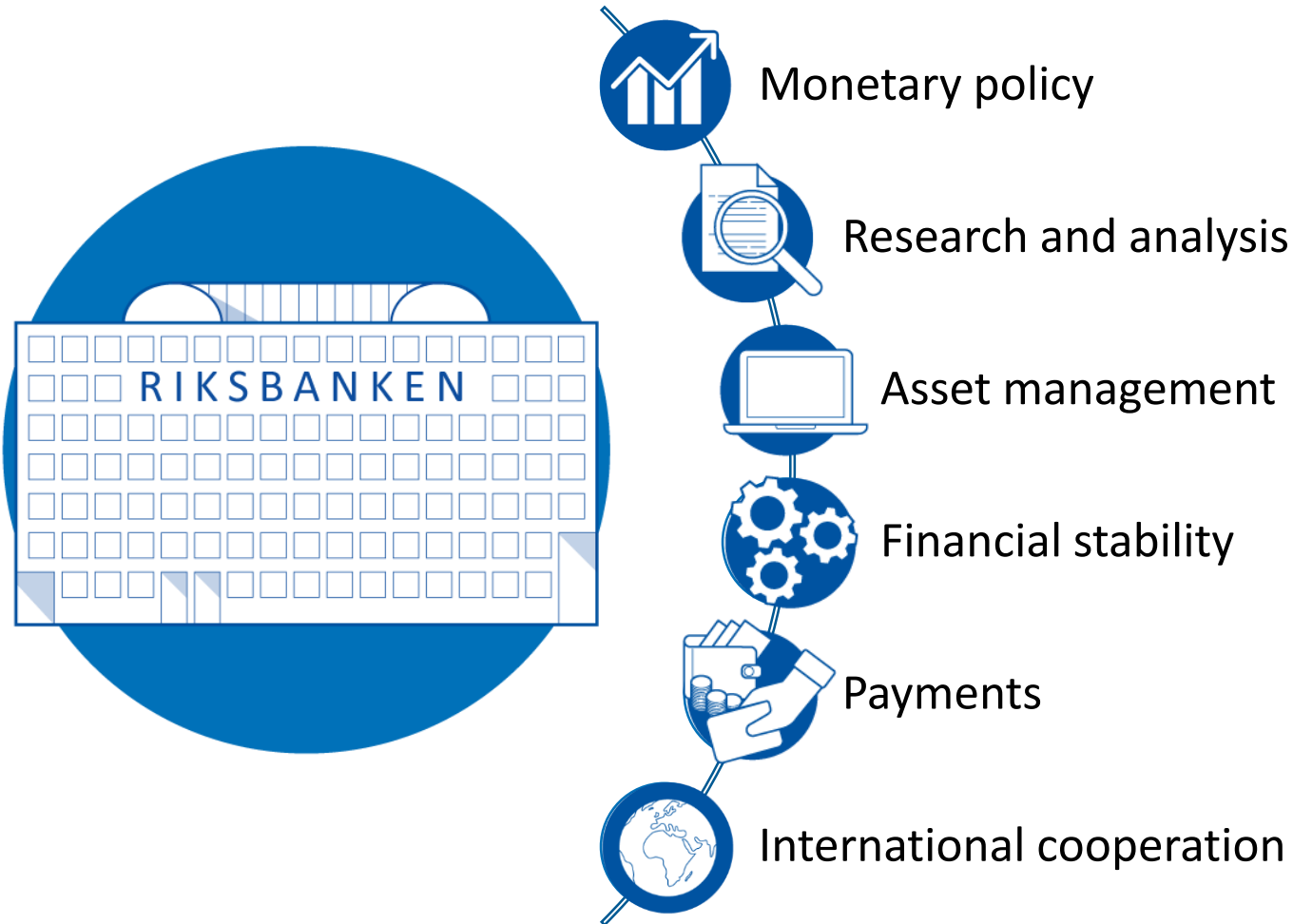
increased transparency and accountability

financial market regulations that reduce risks in the financial system

WE PARTICIPATE IN

various **international networks** and partnerships to help reduce the risks of climate change at a global level

The Riksbank works with climate-related risks in several areas



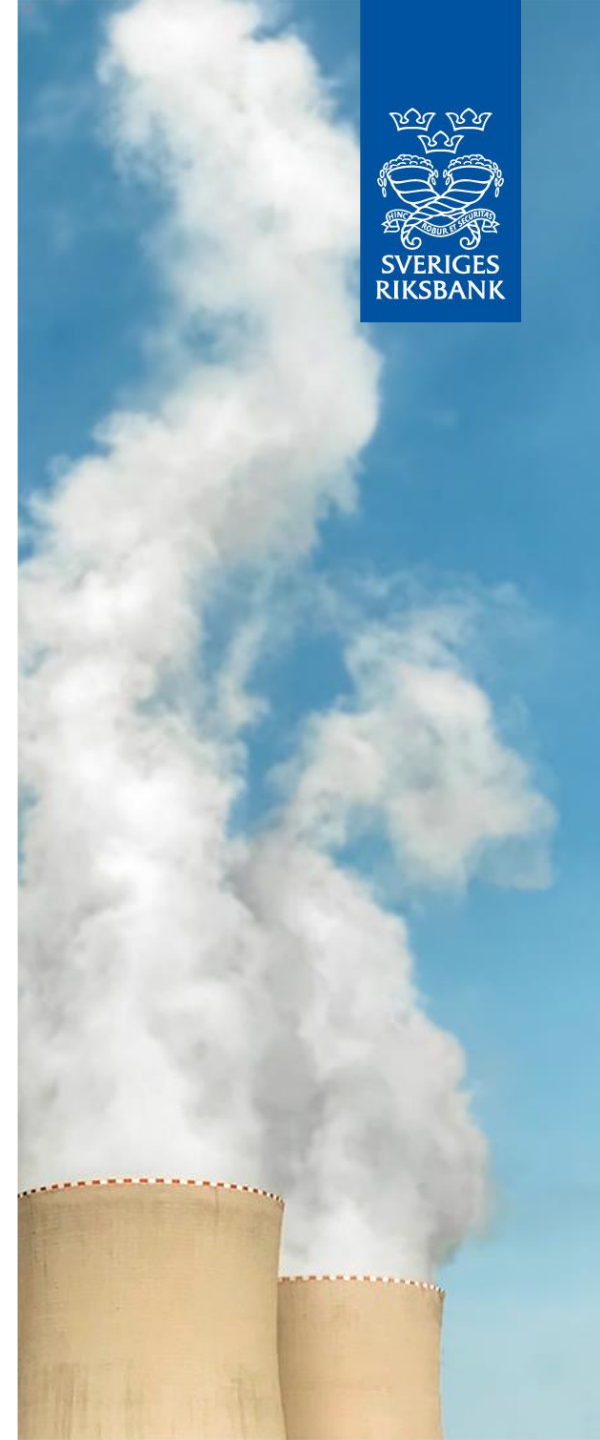
How can climate change affect monetary policy?

- The climate transition can have effects on both inflation and production.
- Extreme weather and gradual warming can affect economic developments and factors that impact monetary policy.
- The Riksbank has analysed how economic developments can be affected by climate change.



Research and analysis

- The Riksbank's researchers have contributed to the development of models for forecasts and analyses of various policy measures related to climate change.
- A large part of the climate-related research has focused on understanding how to incorporate the energy sector into macroeconomic models.
- Analyses direct links between climate change and inflation.

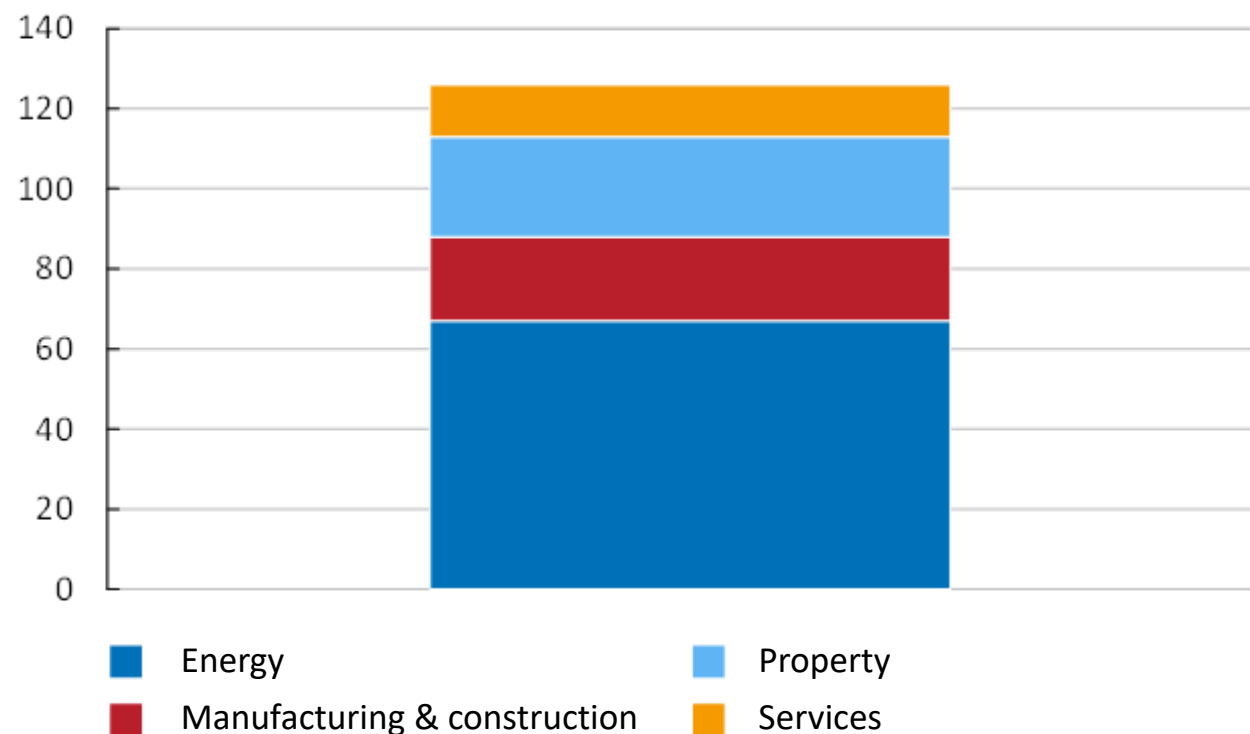


Work on climate-related risks in asset management

- Takes sustainability into account when purchasing corporate bonds.
- Reports the carbon footprint for its holdings of corporate bonds.
- As far as possible, the total carbon footprint of foreign currency reserves is limited.

Weighted average carbon intensity for the Riksbank's corporate bond holdings

Tonnes of CO₂ per USD million of revenue



As of 30 September 2021. The portfolio-weighted carbon intensity is reported for all companies in the Riksbank's portfolio of corporate bonds and calculated on the basis of companies' reported emissions of greenhouse gases and estimates made by Sustainalytics. 48 per cent of the companies in which the Riksbank has holdings report their greenhouse gas emissions.

Sources: The Riksbank and Sustainalytics

Companies that meet the Riksbank's purchase criteria and report information on CO₂ emissions

| | Number | Report greenhouse gas emissions |
|-----------------------------|--------|---------------------------------|
| Listed companies | 30 | 23 (77 per cent) |
| Non-listed companies | 26 | 3 (12 per cent) |

Companies with bonds meeting the Riksbank's purchasing criteria as of 31 October 2021. These include credit ratings, direct financing and maturity, market neutrality and sustainability.

Source: The Riksbank and Sustainalytics

Work on climate-related risks in financial stability

- Further develops the analysis of how climate change can affect financial stability.
- Has analysed the Swedish banking system's exposure to industries with high carbon dioxide emissions and how higher sea levels can affect financial stability.



What account does the Riksbank take of the climate in the payment area?

- The sustainability perspective imbued the production of the new banknotes and coins:
 - Organically grown cotton in the banknote paper certified by GOTS.
 - Lighter coins - lower transport costs.
 - ISO certification is required of the manufacturers.
- Cancelled banknotes are burned and used for district heating. Worn and invalid coins are sold for recycling.
- The energy consumption of the various payment methods is described in the Payment Report.



International cooperation



EBA | EUROPEAN
BANKING
AUTHORITY



IMF
International
Monetary Fund

EFC
Economic and
Financial Committee



ESRB
European Systemic Risk Board
European System of Financial Supervision



The Swedish financial market from an international climate perspective

- Additional sustainability-related EU regulations are being introduced in Sweden.
- The Riksbank supports a common international standard for climate-related reporting .
- The market for green bonds is growing and new players are contributing to the green transition.



Overview sustainability standards

| | NFRD | Annually | CSRD | IFRS Sustainability Report | TCFD |
|--|--|--|--|--------------------------------------|----------|
| Which companies are included | Listed companies with more than 500 employees. | More than one of: Employees >250 Assets >SEK 175 million Turnover >SEK 350 million Applies to all major companies, including public interest entities. | All major companies and all listed companies (except listed micro enterprises) | All (listed) companies that use IFRS | Optional |
| Number of companies¹ | EU27: about 11,600 (47% of the turnover of all limited companies) | About 1,600 | EU27: 49,000 (75% of the turnover of all limited companies) | About 29,000 | 1,505 |
| Standardised reporting | No | No | Yes | Yes | No |
| Quality assurance (audit) | No | No | Yes | ? | No |
| Implementation² | 2014 | 2017 | Planned for 2023 | Planned for 2022 | 2017 |
| Jurisdiction | EU | Sweden | EU | Global, not US | Global |

¹ The number of companies for the NFRD and CSRD is from the Commission's CSRD proposal (April 2021), ÅRL estimate from KPMG (2019), IFRS from [IFRS.org](https://www.ifrs.org) and TCFD estimate for 2020 from [spglobal.com](https://www.spglobal.com). ² [IFRS Foundation](https://www.ifrsfoundation.org).

What happens next?

- Actively participate in international cooperation.
- Work on reporting carbon footprint of foreign exchanges reserves, too.
- Further develop sustainability reporting in accordance with TCFD.

The Riksbank's ambition is to work systematically with the sustainability dimension in all of its various activities.



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