

EUROPEAN BANKING UNDERVALUES THE RISKS OF THE CLIMATE EMERGENCY

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The Climate Stress Test of the European Central Bank [reveals](#) that eurozone banks do not give enough weight to weather risks in their stress models.

The European Central Bank (ECB) published on July 8 the [2022 Climate Stress Test](#), a document that seeks to assess the level of preparation of banking system agents and supervisors in the face of climate risks. Although the report points to some progress since 2020, the test detects multiple deficiencies in the internal stress models of European banks.

Up to 104 banks from the Eurozone participated in the test, which was made up of three modules: their own capacity to test climate stress, dependence on carbon-emitting sectors, and their behavior under different scenarios and during different time horizons.

The results of the first module show that only 20% of banks consider climatic factors when time to grant credits.

In the second module, it detects that almost two thirds of bank revenues from customers Non-financial corporates come from industries that are intensive in issuance of greenhouse gases.

Finally, the results of the third module, which were limited to 41 large banks, show that an orderly green transition would translate into lower losses, although it shows that the banks lack a solid strategy beyond a tendency to reduce exposure to the most polluting sectors and supporting companies that emit less.

There are no comments yet.