

Central Bank Carbon Footprint Survey Findings

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The main result of the *Central Bank Carbon Footprint Survey* launched in June 2021 shows discouraging findings, confirming the latest data on G20 central banks greening policies and actions (see The Green Central Banking Scorecard Report, section 2.4 Leading by example¹).

Central banks are still well behind the curve in assessing their carbon footprint generated by their main operations and in lowering their impact on the environment, despite higher transparency and lead-by-example expectations.

The Central Bank Carbon Footprint Survey

In June 2021 three independent researchers² launched their own central bank carbon footprint survey, in order to (1) assess central banks' 3-year carbon emission evolution and efficiency of their strategies to lower their carbon footprint sustainably and (2) capture any changes in FinTech and SupTech used in central bank operations aiming to lower the central bank carbon footprint.

The survey has two parts. Part one is dedicated to statistical data that reflects the impact of measures already taken by central banks to lower carbon emission generated by 7 of their main activities: currency operations, monetary policy, financial stability, supervision and licensing, payments, reserve management and statistics (Annex). Part two of the survey consists of 17 alternative questions and explanations on central banks' carbon footprint strategy and measures, including climate organisational structure or team.

Following central banks were included in the survey: (1) Banco de España, (2) Bank of Canada, (3) Bank of England, (4) Bank of Israel, (5) Bank of Italy, (6) Bank of Japan, (7) Bank of Korea, (8) Banque de France, (9) Deutsche Bundesbank, (10) European Central Bank, (11)

¹<http://positivemoney.org/wp-content/uploads/2021/03/Positive-Money-Green-Central-Banking-Scorecard-Report-31-Mar-2021-Single-Pages.pdf>

² Mrs. Irina Mihai, Mr. Daniel Pele PhD and Mr. Mihai Voicu

Federal Reserve, (12) Norges Bank, (13) Reserve Bank of Australia, (14) Reserve Bank of New Zealand, (15) Sveriges Riksbank, (16) Swiss National Bank and (17) The People's Bank of China.

Results

Only two central banks replied the survey. Neither of them has provided all requested statistical data and all requested responses to questions and clarifications related to their climate strategy and implementing measures, if any.

This reflects that:

- None of the surveyed central banks have taken a full detailed methodological approach to assess the carbon emissions footprint generated by their main operations and, most probably, they have not taken efficient measures to lower their carbon emissions, sustainably;
- or*
- The surveyed central banks have taken a full detailed methodological approach to assess the carbon emissions footprint generated by their main operations and, most probably, they have taken efficient measures to lower their carbon emissions, but they decided not to disclose the data.

The websites of the surveyed central banks provide no relevant carbon data that could fully serve the purposes of the carbon footprint survey.

Furthermore, some of the received data may not be reliable at all, due to the fact that the data did not reflect the whole process of the activity, but parts of the process. For example, one central bank replied that all electricity acquired by central bank is generated by green sources, but failed to mention the type of electrical and thermal energy consumed by central bank staff when working remotely. However, the central bank provided a comment regarding publishing

an environmental statement related to estimation of emissions derived from staff working from home, considering these emissions “as other indirect emissions and are to be considered separately from the purchased electricity”.

Moreover, none of the surveyed central banks notifies that they will strive to provide data requested by survey, at a later stage.

Taking into consideration the “Comply or explain” principle, we conclude that lack of providing requested data means the surveyed central banks, except one, do not have a climate strategy or implementing measures for their own activity, despite the central bank independence, significant financial resources and the importance of central bank role in economy³, especially for those economies that generate billions or hundreds of millions of tonnes of carbon.

There is hope. One central bank replied that its own climate strategy was adopted in 2007 and it is publicly available. However, this climate strategy has just two objectives: climate education and (commitment to) continual improvement of its environmental performance and (to) minimising its ecological footprint, by: (1) complying with applicable environmental legal regulations, (2) taking measures to reduce carbon emissions of daily operations and using resources efficiently and responsibly, (3) stimulating sustainable behaviour change of all internal and external staff and subcontractors through training, information and awareness-raising actions, (4) increasingly integrating environmental considerations into procurement

³ The Green Central Banking Scorecard Report, 2.4 Leading by example. In this report, we use the term Leading by Example to encompass further initiatives that central bankers should undertake to demonstrate that they are greening their own institutions beyond their monetary and financial policy responsibilities. If central bankers take environmental risk and sustainable finance seriously, they must show leadership in disclosing their own environmental risks, greening their non-policy portfolios, supporting green initiatives and standard-making processes, providing education and training initiatives, and embedding sustainability principles within their own institutions.

Central banks and supervisors have a role to play in educating their own employees, private financial actors, and the wider public about environmental risk and green finance. This demonstrates their commitment to these issues and promotes understanding and action across their own community, the financial system, and the economy at large.

Lastly, central banks must ensure that their working environment and day-to-day activities are as environmentally friendly as possible. Internal environmental policies and initiatives not only help to lower the immediate carbon and material footprint of institutions and their employees, but can also help to create a culture where employees increasingly consider the environmental implications of their work.

procedures, further developing the sustainable procurement guideline and training purchasers and (5) promoting transparent communication and dialogue regarding its environmental performance with all internal and external interested parties. The climate strategy is not assessed by a climate auditor, but the central bank carbon footprint data are audited and environmental management system is audited in accordance with ISO 14001 and by other audit body. This central bank's environmental management team was set up already before 2010 and a dedicated climate team was set up in 2021, long time after adopting its own climate strategy. Now its operations are guided by an environmental policy.

Expectations

Central banks should be actively involved in delivering green policy that will guide financial institutions toward a green economy and sustainability, in order to protect climate that could affect financial stability and price stability, in the near future. Some central banks mandates include supporting government policy, which in the current context covers climate objective and policy.

Central banks should lead by example also in climate issues. As in the case of cryptocurrencies, central banks failed to react promptly and adequately to the situation where new technologies and innovation are in position to possibly disrupt current status, despite clear warnings. For example, in 1999 Governor Mervyn King warned about central banks losing their relevance in case a global private payment system evading central banks support to settle the payments⁴. The wake up-call for central banks came 20 years later when, in June 2019 Meta (formerly known as Facebook) broadcast stablecoin project Diem⁵ (formerly known as Libra) to be launched in 2020.

Despite the Bank for International Settlements efforts⁶ to push central banks to be innovators and/or use/incorporate more technology and innovation in their operations, it seems there is a

⁴ Benjamin J. Cohen, 2004, The Future of Money

⁵ <https://www.diem.com/en-us/white-paper/>

⁶ BIS Innovation Hub, <https://www.bis.org/about/bisih/about.htm> and https://www.bis.org/about/bisih/topics/suptech_regtech.htm

global tendency of central banks reluctance to innovate in their own backyard, at least in early stages.

Unfortunately, in some cases, current medical crisis diverts central bank's focus from inflation and climate⁷ issues, as Governor Andrew Bailey used the COVID-19 crisis as an explanation for provisionally deprioritizing the Bank of England's goal on climate change.

⁷ Governor Andrew Bailey, 2020, [Statement on Bank's commitment to combatting climate change | Bank of England](#)