

Luxembourg, 3 November 2021

Banque centrale du Luxembourg (BCL) declaration for the United Nations Climate Change Conference of the Parties (COP26)

Climate change is a fundamental global challenge, affecting the environment, the economy and society. While the primary responsibility for addressing climate change rests with governments, central banks have a role to play, within their mandates.

Understanding the potential impact of climate change on key macroeconomic variables and determining the risks posed by climate change to the financial sector is essential for central banks to perform their tasks and deliver on their mandates.

The Central Banks and Supervisors Network for Greening the Financial System (NGFS) contributes to the global efforts to reach the objectives of the Paris Agreement, promoting risk management and capital mobilisation in the financial system to foster green investments.

The Banque centrale du Luxembourg (BCL), as a member of the NGFS, supports the NGFS declaration for the United Nations Climate Change Conference of the Parties (COP26). The BCL is involved in several NGFS Workstreams (WS), notably the WSs on Macrofinancial, Scaling up green finance and Research.

In addition to adhering to the NGFS declaration, and within its field of competence, the BCL issues this individual declaration, which aims to highlight the central bank's increasing efforts, within its mandate, to incorporate sustainability in its operations.

This declaration is based on the recommendations of the NGFS report "A Call for Action" but refers only to those that are relevant to the BCL's mandate and activities. It is without prejudice to the BCL's tasks within the European System of Central Banks / Eurosystem and within the limits defined in the applicable legal framework.

Integrating climate-related risks into financial stability monitoring

The BCL undertook an assessment of the carbon intensity of the Luxembourg banking and investment fund sectors portfolios to carbon exposures. The results of the analysis were published in the BCL's 2021 Financial Stability Review.

The BCL plans to continue monitoring the risks related to the transition of the financial sector investment in green activities and asset classes.



Integrating sustainability factors into own-portfolio management

Non-monetary policy portfolios

The BCL is continuously increasing the share of own funds invested according to environmental, social and governance (ESG) principles.

Foreign exchange reserves are almost exclusively invested in green bonds or other sustainable and responsible investments.

The investments of the Bank's pension fund have also been shifting towards sustainable assets, with more than 80 percent of the pension fund's equity investments being ESG compliant. The pension fund's green bond investments represented 28 percent of all bond investments at the end of 2020, a percentage which the BCL intends to increase further.

BCL investments are regularly monitored on the basis of data provided by an external consultant specialised in ESG analysis. The focus on sustainable and responsible investments will be incorporated into its investment policy guidelines and the asset management framework.

In line with the “common stance for climate change-related sustainable and responsible investment principles for euro-denominated non-monetary policy portfolios” decided by the Governing Council of the European Central Bank (ECB) on 4 February 2021, the BCL endeavours to start publishing climate-related disclosures of its non-monetary policy portfolios by 2023. These would follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), starting with the metrics and targets category.

The BCL is currently contributing to the NGFS work on central bank disclosures.


Monetary policy

In line with the ECB Governing Council's decision of 8 July 2021 on the Eurosystem's monetary policy review, the BCL contributes to the Eurosystem action plan and roadmap on climate-related actions.

The BCL is participating in the NGFS work on monetary policy and climate change.

Building awareness and intellectual capacity and encouraging technical assistance and knowledge sharing

The BCL is committed to building in-house capacity in sustainable finance and to drawing on the NGFS material to develop staff skills.



The Bank decided to establish an internal “greening” comitology, which aims to involve relevant departments and contribute to the exchange of information and the building of expertise within the institution.

The BCL also raises awareness and shares knowledge by engaging with relevant national, European and international stakeholders.

Other initiatives

The BCL is working on its new corporate strategy, with due attention given to sustainability considerations.

The BCL has been exploring different environmental reporting practices and carbon footprint methodologies to chart a possible course for the BCL’s environmental reporting going beyond its investment portfolios.

The BCL is currently participating in the work of the Bank for International Settlements (BIS)’s Innovation Hub on green finance.