

Central bank: Climate change agenda has high stake for Romania's economy, financial system

The climate change agenda has a high stake for the Romanian economy and financial system, both in terms of opportunities and costs, should the green transition be delayed, the governor of the National Bank of Romania (BNR), Mugur Isarescu, said on Tuesday at the press conference for the presentation of the Report of the National Committee for Macroprudential Supervision (CNSM).

"The main conclusion of the analysis carried out by the members of the CNSM Working Group shows that the climate change agenda has a high stake for the Romanian economy and financial system, both in terms of opportunities and costs, if the green transition is delayed. The working group identified 16 proposals for recommendations covering three areas: the sustainable increase of access to financing for projects related to the climate change agenda; supporting the structural change of the economy towards a greater added value one and improving the transparency, reporting and availability of information on climate change, as well as raising awareness of the impact of climate change on society and the financial system," the central bank's head said.

He mentioned that, in the 3 June meeting, the General Council of CNSM analyzed the proposals in the Report and decided to adopt a recommendation to the Government, the NBR and the ASF (Financial Supervisory Authority) to implement the policy proposals formulated in this document.

The BNR governor asserted that new issues are beginning to come to the attention of central banks: recalibration of monetary policy strategies, the impact of climate change and digitalization on the economy, currencies and digital assets, promotion of diversity and sustainability. (...) Their monitoring, in this phase, requires relatively new expertise, consisting of on the go, diverse experience and multidisciplinary teams that include, together with specialists in economics and finance, people with knowledge and experience in other fields.

According to him, the report is the result of the work of about 90 people gathered in a Working Group with representatives from various institutions. The mentioned group was made up of representatives of the relevant ministries, the Presidential Administration, the BNR, the ASF, credit institutions, international financiers (EBRD, European Investment Bank, World Bank), private sector and similar associations.

The governor made it clear that while Fed President Jerome Powell claimed that the central bank must remain within the mandate to maintain price stability and that it cannot establish the policy to combat climate change, this role being reserved to governments, elected representatives, Christine Lagarde, president of the European Central Bank, insisted that the central banks cannot fully fulfill their mandate to control the inflation if they do not get involved strongly on the issues raised by climate change.

He said that, beyond these differences of opinion, a consensus core is emerging, especially at EU level, namely that although central banks do not have the leading role in the climate change agenda and cannot substitute themselves for fiscal or industrial policies, they can contribute significantly from many perspectives: increasing awareness in society about the implications of climate change, better transparency, support for green finance, risk assessment and several other areas that seem to have been clarified as consensual.

In addition, in September 2020, BNR joined the Central Banks and Financial Supervisory Authorities Network for the greening of the financial system, Network for Greening the Financial System, NGFS. At the same time, BNR facilitated the debate on climate change, which was a main topic at the annual Seminar on Financial Stability, organized together with the International Monetary Fund in 2019, in Bucharest.