



EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL
MARKETS UNION

The Director-General

Brussels

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Mr José Manuel Campa
Chair of the European Banking Authority
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Subject: Assessment of the financial system's resilience to stress in the transition to the EU's 2030 goals for the reduction of greenhouse gas emissions

Dear Chairs,

In the *Strategy for Financing the Transition to a Sustainable Economy* of July 2021, the Commission laid out its plans for ensuring the resilience of the financial sector to climate risks and an orderly transition towards the EU's climate targets of reaching carbon neutrality by 2050 and reducing greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels.

To ensure financial stability and to enable the financial sector to play its role in financing the transition, we need to be aware of any potential vulnerabilities in the financial sector and of how stress in the financial system could affect the transition to the 2030 goals.

As detailed in the annex to the strategy, I would like to invite you to conduct a one-off climate risk scenario analysis to assess, in cooperation with the ECB and the ESRB, the resilience of our financial system on the way to the EU's targets for 2030. This one-off exercise should go beyond the usual climate stress tests, as a cross-sectoral exercise looking also at contagion and second-round effects, thereby giving us a better understanding of the vulnerabilities in the financial system. As part of this work, we would also appreciate any insights into the financial system's capacity to support green investments under stress.

More details on the exercise are available in the attached document which has benefited from extensive exploratory discussions with your staff at a technical level. Nevertheless, many

aspects will have to be further clarified, and this should be done in a joint team. My staff will be happy to provide any clarifications that may be needed.

While I fully understand that it will take some time to carry out such a complex task, it will be important to have any policy-relevant conclusions not later than Q1 2025, in order to provide input into the work of the new Commission.

This will be a collaborative effort. I would therefore like to thank you in advance for your organisations' engagement in this work.

Yours sincerely,

Electronically signed

John BERRIGAN

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Enclosure: Request for a one-off stress-testing exercise

c.c.: Mr Luis de Guindos, Vice-President of the ECB
Mr Andrea Enria, Chair of the Supervisory Board, ECB
Mr Francesco Mazzaferro, Head of Secretariat, ESRB