

ClientEarth withdraws Belgian central bank lawsuit after EU greens monetary policy

ClientEarth has withdrawn its case in the Belgian courts challenging EU monetary policy after the European Central Bank (ECB) accepted its legal obligations to consider the climate in quantitative easing reforms.

The case sought to stop the Belgian National Bank from directing cheap finance to polluting businesses under an ECB bond-buying scheme known as the Corporate Sector Purchase Programme (CSPP). The Belgian National Bank is one of six Eurozone central banks that purchase bonds under the programme and it currently holds the largest number of bonds.

ClientEarth lawyers argued that the ECB's decision to establish the programme breached European environmental and human rights laws as it didn't take the environment into account.

The environmental law charity has withdrawn the case since the ECB's reforms announced in September have remedied the illegality alleged.

Jamie Sawyer, ClientEarth lawyer, said: "When we brought this lawsuit, the ECB refused to consider the environment in its monetary policy and stubbornly pushed the myth of 'market neutrality' to justify supporting climate-wrecking companies.

"Our case forced the ECB to confront whether it could legally continue to direct finance to some of Europe's worst polluters in the face of a climate emergency.

"We are encouraged to see the central bank finally engage properly with its legal obligations. It now accepts that it must take the environment into account when setting and implementing policy, and must support the EU's climate neutrality objectives, as our case argued. We will be watching its next steps closely to ensure this is implemented robustly."

The CSPP currently holds €345 billion worth of corporate debt, more than half of which comes from carbon-intensive sectors.

Under the reforms, central banks' corporate bond purchases will be 'tilted' away from issuers with poor climate performance in favour of those with better ones. Companies will be scored based on their past emissions, their targets to reduce emissions, and the quality of their climate disclosures.

The ECB will review the climate scoring methodology after one year, and regularly review and adapt the measures as a whole to respond to future improvements in climate-related data, risk modelling and regulation.

Although this is a welcome shift in position, ClientEarth lawyers are still concerned that fossil fuel companies and other polluting firms could continue to receive support from central banks despite the reforms.

Sawyer added: "The reforms to the CSPP may have remedied the specific illegality we alleged, but the changes should go further to fully cut off central bank support for companies fuelling climate breakdown. The ECB now needs to take steps to address the companies in the Eurosystem corporate bond portfolios that are pursuing fossil fuel expansion or do not have a credible transition plan in place. We will not rule out further action in future."

ClientEarth's recommendations include:

Completely excluding the most climate-harmful companies that are involved in activities incompatible with the goal of the Paris Agreement to limit warming to 1.5°C – such as coal, unconventional oil and gas, and fossil fuel expansion activities.

Making it a requirement for companies to have a credible Paris-aligned strategy including targets and performance that are aligned with at least a 55% reduction in emissions by 2030 compared to 1990 levels, mirroring the objective set out in the EU's Climate Law.

Making climate-related disclosures a mandatory requirement for companies to remain eligible for the programme.

Increasing transparency around the programme, including by publishing companies' climate scores.

ENDS

Notes to editors:

ClientEarth filed legal action against the Belgian National Bank in April 2021. The case challenged the central bank for breaching its legal obligations to take environmental protection and human rights requirements into account when buying corporate bonds under the Corporate Sector Purchase Programme.

The CSPP, designed by the European Central Bank (ECB) and implemented by the central banks of Belgium, Germany, France, Spain, Italy and Finland, was created to improve financing conditions for euro-zone businesses as a form of quantitative easing.

ClientEarth's lawsuit argued that the CSPP was designed without taking into account climate considerations, as was admitted by the former President of the ECB, and this was in breach of EU law; inconsistent with EU climate policy; and undermined the EU's emissions reduction targets.

It asked the Belgian court to refer a question to the European Court of Justice, the EU's top court, to determine whether the ECB's decision establishing the CSPP was legally valid.

In December 2021, the French-speaking Court of First Instance in Brussels rejected ClientEarth's arguments on procedural grounds. ClientEarth was appealing this decision. Following the CSPP reforms in September 2022, the organisation has now withdrawn its appeal.

About ClientEarth

ClientEarth is a non-profit organisation that uses the law to create systemic change that protects the Earth for – and with – its inhabitants. We are tackling climate change, protecting nature and stopping pollution, with partners and citizens around the globe. We hold industry and governments to account, and defend everyone's right to a healthy world. From our offices in Europe, Asia and the USA we shape, implement and enforce the law, to build a future for our planet in which people and nature can thrive together.

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