

SPEECH

Beacons of hope to navigate the spring tide of urgency: from Terschelling to Frankfurt to Paris

Keynote speech by Frank Elderson, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, Springtij Forum

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“From here, if you drive east, or better yet if you cycle east past Hee, Kaart, Baaiduinen, Midsland, Landerum, Formerum, Lies and Hoorn, on after Hoorn you arrive on a road to the end of the world. The end of the world? Not quite. First past that last little village. And then Siberia begins, as Wouter van Dieren wrote in a poem. That last village’s name is – fittingly – Oosterend: East end.

I first made that journey forty-five years ago. With my parents and my two sisters. To Oosterend. The second farm on the right. That’s where we stopped. That’s where we stayed. Summer after summer. And a part of me has stayed there forever. Just a part? No, that’s where I became a native of this island: a Terschellinger.

[...]

Inside, next to the dining table hung a long poster, in a white glass frame. That poster must have been hanging there for a very long time. Because the colours were already faded and yellowed with age. It showed the protected flowers of Terschelling. Parnassia, the heath spotted-orchid, the marsh helleborine, the lesser butterfly orchid, the round-leaved wintergreen, the blue sea thistle, the beach morning glory, the sundew and the blue marsh gentian.”

I spoke these words – these exact words – five years ago almost to the day in the Tonnenloods, just a few hundred metres away from behind this same, solid, timeless, dependable, driftwood lectern.

Has then everything, like this lectern supporting both “vrydom”^[1] and me, stayed the same? Has nothing changed? Were these years windless, without ebb, without flow?

On the contrary. They were years of great flux. “*Full of sound and fury*”, as Shakespeare wrote. They were years of setbacks and progress. Disaster and perspective. Disappointment and vision. Despair and hope. Ebb and flow.

Today I’d like to tell you the story of these five years. For inspiration, motivation and as a call to action. As an overture to what admittedly will be no comedy, yet should certainly not become a requiem. I’ll also tell you the story of the next five years, and the next fifty. But first the story of the last five, the story of the yellow rattle and the eyebright.

I have made that same journey to Oosterend for decades now, with my wife and children, too. Just five weeks ago. I was cycling to the Boschplaat. With picture perfect memories of the faded poster in my head. And there they were. Proud, stately, chic, jaunty: the tussocks of marble-white, veined

parnassia. And where parnassia grows, rattles and eyebright won't be far away. And so it was. The rattle had finished blooming. Which is when it truly lives up to its name. If you shake it softly, close to your ear, you'll hear a rattle.

I got off my bike and knelt down. Like the little boy from the era of the yellowed poster. I listened. I tried to listen. But I couldn't anymore. I knew too much.

What I heard was not a soft rattle. And I heard not one, but one thousand rattles, not rattling softly, but with a deafening clatter and clamour, sounding the alarm. All the rattles from the Boschplaat to Koegelwieck to Noordsvaarder, all the rattles along the Dutch coast, along all coasts, big and small, erupting in a chilling Verdian Dies Irae like the terrible Scream by Munch.^[2]

A selection of headlines from recent weeks.

"Thousands of penguin chicks die in Antarctic ice breakup"^[3]

"Climate change causes Indonesian rice paddies to dry up"^[4]

"Global emissions of ... nitrous oxide ... are rising. This greenhouse gas, at least 250 times stronger than CO2, is already contributing nearly 10 percent of global warming"^[5]

"Greek firefighters battle the same fire for two weeks already"^[6]

"Fossil fuel subsidies to private sector cost the government EUR 37.5 billion each year"^[7]

"Fossil fuel industry receives more subsidies than anticipated: EUR 40 to 46 billion"^[8]

"Biodiversity body warns of \$423bn annual hit from 'invasive alien species'"^[9]

"One invasive aquatic plant can kill off entire ecosystem"^[10]

"European Central Bank flags stark economic risks from biodiversity loss"^[11]

"Water in the Rhine is still too dirty. [...] Excessive concentrations of over sixty substances"^[12]

"This summer is by far the hottest on record worldwide"^[13]

"World heat records 'smashed' in northern hemisphere summer, scientists say. 'Season of simmering' in planet's warmest June to August period since documentation began in 1940"^[14]

"Canada's emissions from wildfires more than double previous record"^[15]

"Extreme flooding caused by Storm Daniel devastates Greece"^[16]

"Libya floods: Death toll rises to 11,300 in Derna"^[17]

"At least five thousand dead in eastern Libya due to Storm Daniel: 'bodies are everywhere'"^[18]

"UN concerned about growing demand for sand from beaches: nature in the North Sea affected for years"^[19]

"World way off track to meet Paris climate goals, says UN report"^[20]

"European Central Bank and OECD view slow climate policy with dismay"^[21]

This is what five weeks ago, when I knelt down next to my bike on the Boschplaat, the rattle was drumming into my ear like a deranged timpanist, accompanied by brass in unison – tubas, trombones and trumpets – blaring in my ears like the final frenetic, dissonant closing chords – sucking all the air from the room, breath-taking and haunting – of a symphony of the last of days.

If you set aside the emotions of the headlines, and just follow the science, relying on the latest insights from the world's top research institutes, going on hard facts alone, – and here, careful listeners will suspect these are the words of a central banker – putting your ear not next to a rattle, but to scientific discipline, you hear the following.

According to last month's measurements, the long-term average global temperature is 1.23 degrees Celsius higher than before the industrial revolution, more than a tenth of a degree closer to the critical one-and-a-half-degree limit of the Paris Agreement than it was when I spoke here five years ago.^[22]

And the outlook is deteriorating. If in 2018 you extrapolated the trend in average rising global temperatures, you would have seen us passing the one-and-a-half-degree Celsius increase above pre-industrial levels by 2037. Extrapolating that trend now, we will already get there by 2034.^[23] In some parts of the world, the situation is even more serious. In Europe, average temperatures have already risen by more than two degrees Celsius. The long-term average increase in Arctic temperatures has even reached three degrees above pre-industrial levels.^[24]

The lockdowns during the pandemic may have significantly lowered additional CO2 emissions for a while, but they had no discernible impact on existing concentrations of CO2 in the atmosphere.^[25] This is higher than it ever has been in the last two million years, and it is continuing to rise.^[26]

Heatwaves and widespread droughts have led to worryingly low groundwater and river levels throughout Europe.^{[27] [28]}

The flooding in Germany and in Belgium in 2021 was the most costly natural disaster in Europe since records began in 1980.^[29]

In the EU, just one quarter of the potential damage from climate disasters is insured.^[30]

We see that extreme heatwaves like the one that affected Europe in 2022 have an impact on food inflation.^[31]

Biodiversity and ecosystems are under increasing stress. Of the eight million species of plants and animals, one million are threatened with extinction.^[32] And this while 72% of euro area firms depend on one or more ecosystem services.^[33]

Despite all this, last summer the ministers responsible for climate and nature from the twenty largest economies still failed to reach agreement on reducing fossil fuel use and developing sustainable energy.

What is more, in 2022 global subsidies for fossil fuels reached record levels as a result of policy measures in response to the energy crisis.^[34]

In 2023 current policy implies that the median rise in temperature will reach 2.7 degrees Celsius above pre-industrial levels at the end of this century, far in excess of the critical Paris Agreement targets.^[35]

These are the cold, hard facts of the last five years. Fully in line with the warnings from science unequivocal warnings, going back decades, but all too often thrown to the wind.

Deafened by the yellow rattle, numbed by the science: what's left for us other than depression and lethargy? Are we finally giving up? Are we walking away in despair? Are we finished here? And, once we give up, will we indulge in one very last unbridled, greenhouse gas-pumping, biodiversity-destroying, orgy of unsustainability – “*Après moi, le déluge!*”?

“*There would have been a time for such a word*”, as Shakespeare wrote, “*but no longer!*”, we now know.

“*One need not hope in order to undertake, nor succeed in order to persevere*”^[36], as William of Orange is believed to have said.

Need not hope to undertake. Need not succeed to persevere. What can't we achieve, when a solid start has already been made? What's holding us back, when what's been achieved so far offers undeniable hope?

Because a start has been made. More than a start. Much more. And there is reason to hope.

Let's forget the headlines for a moment. Allow me to take you with me to the world of legislation and regulation. And to the world of central bankers and supervisors. The world of complex acronyms and big bucks. At first glance an abstract one, but not a different world: mine, but also your world. Our world.

As I said standing behind this lectern five years ago: the Brandaris lighthouse on Terschelling now shines its light from the engine room to the bridge of the financial system. It no longer serves only “*As a warning to all seafarers*” (as inscribed on the stone plaque on the north side of the lighthouse), but also as a beacon for those who have to navigate the treacherous currents and shallows of the financial waters.

From the ECB towers in Frankfurt, what do we see revealed in the light from this beacon of hope and safe harbour that shines from Terschelling? What does the light from this beacon of hope and reassurance reveal?

In 2018 policy pledges by governments put us on a path to three degrees of warming by the end of the century.^[37] Since then policy pledges have brought that down to two degrees.^[38] In an optimistic scenario where all pledges are fulfilled, even one-and-a-half degrees is achievable – just about.^[39]

In Europe there has since been a Climate Act, a Green Deal and a fit-for-55 package.

In response to the pandemic, a European recovery programme was agreed, with mutual debt issuance to support the green transition.

The European Parliament recently passed the European Nature Restoration Law, a crucial element of the European Union's biodiversity strategy.

The alphabet soup of specific European legislation and regulation is becoming richer and richer. There is the CSRD – the Corporate Sustainability Reporting Directive, requiring firms to report on their

environmental impact. And then there is the CSDDD – the Corporate Sustainability Due Diligence Directive, which will hold firms responsible for their negative impact on people and the environment. Meanwhile, the importance of transition planning is explicitly acknowledged in the proposed revisions to the CRR and CRD – the Capital Requirements Regulation and Capital Requirements Directive that regulate banks.

And it is not just the legislators, but also central banks and supervisors who have made significant progress. In 2018 the members of the *Central Banks and Supervisors Network for Greening the Financial System* numbered less than 20. Today there are 127 members from all over the world. All these central banks and supervisors concur that the climate and ecological crises are a source of financial risk and so fall squarely within their mandates.

This conclusion has consequences. It means that those central banks and supervisors that continue to neglect these crises fail to fulfil their mandates. The European Central Bank has given substance to this insight, in both its monetary and its supervisory tasks. In 2021, under the leadership of President Lagarde and with the agreement of all the central bank governors and presidents of the euro area countries, we adopted a new strategy. This strategy explicitly recognises the importance of the climate crisis for our monetary policy. It is linked to an action plan with concrete steps to align our policy with the Paris goals.

In 2020 we published our supervisory expectations for how banks should manage their climate and environmental risks. By the end of 2024 all banks under our supervision must fulfil these expectations, and we have also set intermediate deadlines. We stand ready to enforce these deadlines with all the instruments at our disposal, including imposing periodic penalty payments.

As well as the legislators and central banks, investors are also playing their part: research shows they are willing to accept lower returns from certified green investments.^[40]

As I have just summed up, the last few years have not just been years of setbacks, disasters, disappointment and despair. They haven't just been years of the rattle. They have also been years of progress, perspective, vision and hope.

Five weeks ago on the Boschplaat, the eyebright was flowering in abundance. Living up to what its name promises. It offered hope. The hope that what must be done, can be done. But although there is this hope, it does not necessarily follow that we will actually do what must be done.

So far we are doing too little. And what we are doing, we're doing too slowly. As was also the conclusion of the United Nations' first global stocktake of the Paris Agreement.^[41] We have to pull out all the stops. This requires us all to make an effort. A supreme effort. A supreme and most urgent effort. All of us.

And when I say everyone, I mean everyone. Those who make the rules and those who have to follow them. Those who pollute. Those who finance the polluters. And those who supervise the financiers of the polluters.

And I'm not saying this because of a political preference. I'm saying this as a member of the Executive Board of the European Central Bank, which earlier this month published a study showing again that the costs of delaying are substantially higher than the costs of a timely transition.^[42]

There is no limit to what we can all contribute. All of you, by being here on Terschelling and in your various roles once you are back on the mainland. From the smallest start-up to the biggest multinational. Voters and leaders. The National Opera, by dedicating an opera to the climate crisis.^[43] The children's author who is tackling the climate and nature crises in her upcoming book. Those preparing the curriculums for our schools and universities. And the parents introducing their children to the protected plants of Terschelling.

Some people say: more haste, less speed, it's not 2030 yet, it's not 2050 yet, there's still time, it's not too late.

To them I reply: it was too late for those nameless refugees whose charred remains were found in the gutted forests of Greece. It was too late for the thousands of victims of Storm Daniel in eastern Libya.^[44] And it will be too late for the victims of the hurricanes, droughts, forest fires and floods that come next year and in the following years. There's no time to lose.

Those who call for delaying the transition to protect the most vulnerable among us will notice that the strongest shoulders, not the weakest, can hold out longest against the destructive consequences of the climate and ecological crises. The transition will either be just, or it won't happen at all. No transition, or a transition that comes too late, would be the greatest injustice of all. Delay is no solution. Delay is expensive. Delay is disastrous.

Once more I invite you to step back five years in time with me. I ended by calling on you to save these plants, for our children and our children's children: the parnassia, the heath spotted orchid, the marsh helleborine, the lesser butterfly orchid, round-leaved wintergreen, the blue sea thistle, the beach morning glory, sundews and the blue marsh gentian. Because the long poster on the wall behind the dining table of the second farm on the right in Oosterend may be faded and yellowed with age, but we don't have to give up. We can't allow ourselves to give up. We don't want to give up. And we won't give up.

Dear participants, it must be done.

Friends, it can be done.

1.

"Vrydom": see Vondel, *"Het Stockske van Joan Oldenbarnevelt"*, 1657.

2.

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3.

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NOS Nieuws (2023), *Indonesische sawa's drogen uit door klimaatverandering, rijst duurder*, 27 August.

5.

Volkskrant (2023), *Wereldwijde uitstoot van superbroeikasgas stijgt – vooral door kunstmest in stuwmeren*, 5 September.

6.

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7.

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18.

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19.

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21.

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22.

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EU Copernicus Climate Change Service (2023), "How close are we to reaching a global warming of 1.5°C?", *Climate Data Store*, August.

24.

EU Copernicus Climate Change Service, *Temperature*.

25.

EU Copernicus Climate Change Service, *Greenhouse gas concentrations*.

26.

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27.

EU Copernicus Climate Change Service (2022), "Soil moisture", *European State of the Climate*.

28.

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31.

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32.

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34.

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35.

Climate Action Tracker project, *CAT Thermometer*.

36.

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37.

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38.

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39.

Climate Action Tracker project, *CAT Thermometer*.

40.

See, for example, Pietsch, A. and Salakhova, D., (2022), "[Pricing of green bonds: drivers and dynamics of the greenium](#)", *Working Paper Series*, No 2728, ECB, Frankfurt am Main, September 1.

41.

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42.

Emambakhsh, T., Fuchs, M., Kördel, S., Kouratzoglou, C., Lelli, C., Pizzeghello R., Salleo, C. and Spaggiari, M. (2023), "The Road to Paris: stress testing the transition towards a net-zero economy",

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43.

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44.

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CONTACT
