



President Mario Draghi
European Central Bank
Sonnemannstrasse 20
60314 Frankfurt, Germany

Brussels, 9 December 2014

Dear President Draghi,

We are writing this letter with regards to the growing concern of a potential risk for an EU financial carbon bubble.

As the European Systemic Risk Board (ESRB) develops its 2015 annual report, we urge it to investigate how the exposure to high carbon investments might pose a systemic risk to our financial system and what the options might be for managing this potential threat. This follows the European Parliament resolution 2013/2175(INI) adopted on 29 January 2014, which requested such an assessment.

If we are serious about limiting global warming to 2 degrees Celsius, the majority of fossil fuel reserves must be kept firmly in the ground, which would turn them into stranded financial assets. McKinsey and the Carbon Trust have calculated that this could endanger more than 30-40% of company value. This could therefore have significant consequences for our financial system.

This so-called carbon bubble has been recognized by a variety of financial stakeholders. In October of this year, for example, your colleague Mark Carney, Governor of the Bank of England, stated that the vast majority of oil reserves must be considered unburnable if the world is to avoid catastrophic climate change.

In this context and with the background of the upcoming major climate conference in Paris in 2015, we ask you to look into this issue and dedicate a special chapter in the next ESRB annual report focusing on the potential systemic risks of a carbon bubble to the European financial system and identifying pathways for mitigating this risk. Given its significance over the long term, we hope that the ESRB can incorporate this research into its future work, with the appropriate expertise and personnel and kindly ask you to also request in your quality of ESRB President, and in conformity with article 12.3 of Regulation (EU) No 1092/2010, specific advice from the ESRB Advisory Scientific Committee on that matter.

We look forward to hearing from you in due course.

Yours sincerely,

Reinhard Bütikofer

Sven Giegold



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