

Press release

The SNB's misguided view of climate risks misleads the entire Swiss financial centre

Artisans of transition and Climate Alliance Switzerland

Fribourg and Berne, Tuesday, April 21, 2020. As the Swiss National Bank (SNB) holds its annual general meeting on 24 April, the association Artisans de la transition and the Swiss Climate Alliance draw attention to the institution's totally inadequate climate risk management policy. The SNB is lagging far behind the other European central banks in the consideration of climate parameters and is leading the Swiss financial centre to take ill-considered risks.

This third study on the SNB by Artisans de la transition in cooperation with the Swiss Climate Alliance is also an opportunity to take stock of its investments and to formulate a series of recommendations to enable the bank to help the entire Swiss financial centre take better account of the impacts of climate change on the Swiss economy.

Three days before the SNB's Annual General Meeting, the association Artisans de la transition in cooperation with the Swiss Climate Alliance published an analysis of the SNB's climate risk management policy. The findings are clear: the SNB has not adequately assessed the colossal and potentially irreversible systemic risk that climate change poses to the Swiss financial system and the economy as a whole.

According to the SNB, the risks posed by climate change to the Swiss economy and financial system are moderate, as Switzerland does not lie at sea level, its physical assets are well insured, it has multiple bank data centres by law and there is very little heavy industry in the country.

At a time when the European Central Bank (ECB) is carrying out a strategic review to integrate climate risks into its monetary policy and asset management and when several European central banks are or will be carrying out climate stress tests to assess the consequences of a climate shock or have ambitious climate policies, the SNB's extremely weak position on this issue is leading the entire Swiss financial centre to take ill-considered risks.

Credit Suisse's lending to the global fossil fuel industry over the past three years is equivalent to 1.7 times the bank's own funds. UBS had increased its annual investment in coal nine-fold by 2019. Three-quarters of Switzerland's sixty largest pension funds have no climate policy at all.

This lack of vision and foresight is reflected in the management of the SNB's equity portfolio. The association Artisans de la transition has analysed the SNB's investments in the fossil fuel industry three times. This time the composition of the portfolio as at 31 December 2019 was CHF 101 billion. According to calculations by the service provider ISS-Ethix, the SNB is responsible for 43.3 million tonnes of CO_{2eq} emissions per year. This is almost as much as entire country's emissions (47 million tonnes of CO_{2eq} in 2017).

This portfolio supports a warming trajectory of 4 to 6°C by 2100, which will make the Earth largely uninhabitable by this century.

This report therefore makes five recommendations to the SNB:

- Develop a vision and strategy for climate risk management in line with the state of knowledge on global warming and on the role of central banks.
- Communicate clearly on climate risk management.
- Properly manage the climate risks of its investment portfolio.
- Ensure that all financial actors understand climate risks.
- Study the possibility of participating in the coordination, within the Confederation, of economic and financial players on climate change in order to respect the Paris agreement.

Why a report on the SNB at a time when Switzerland is facing the Covid-19 pandemic?

Artisans of transition and the Swiss Climate Alliance decided to publish this long-planned report in the midst of the Covid-19 pandemic because the SNB will hold its Annual General Meeting as scheduled on 24 April. And because the current acute health crisis should not blind the eyes Swiss public to the continuation of the serious chronic crisis that is affecting the climate and will wreak havoc on human living conditions for centuries to come.

This report shows the weight of the SNB within the Swiss and global financial centres, its marked delay in understanding climate risks compared to other European central banks, in particular the ECB, the risk this represents for the Swiss economy and the positive and perhaps decisive influence the SNB could have on Swiss economic dynamics if it changed its view of climate risks.

If you have any questions:

Jacques Mirenowicz, codirector, Artisans de la transition: 026 321 37 10,
Jacques.mirenowicz@larevuedurable.com

Yvan Maillard Ardeni, climate policy expert, Swiss Climate Alliance, Bread for all: 079 267
01 09, maillard@bfa-ppp.ch