



## *In Conversation with*

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### **1. When and why did your institution join the NGFS?**

We are a proud founding member of the NGFS! We were there in December 2017, when – at the laudable initiative of the Banque de France – a very small group of central banks and supervisors from around the world came together. We shared our first ideas of what this network could do to strengthen the global response required to meet the goals of the Paris agreement, to mobilize the necessary capital, and to improve the management of environmental and climate-related risks. At the time, I do not think any of us imagined what the NGFS would go on to accomplish within its first five years.

I think it is also safe to say that, at the time, no one at the Bundesbank imagined where this journey would take us as an institution. As a fiscal agent, we had some experience with sustainable and responsible investments. Sustainable finance had also come up within some international forums, such as the G 20 and the FSB, but those had been cautious first steps. In short, we had very little experience in dealing with climate-related risks. Yet it was clear to us that the financial sector would have an important role to play in fighting climate change and its consequences and that, as the bedrock of the financial system, central banks would have to be part of it.

So initially we did not bring much relevant experience or expertise to the network, but we brought curiosity, an openness to jointly explore uncharted territory, and a willingness to learn from others – and I think these are still the most important characteristics that any member should bring to the NGFS. Commitment to our common mission and the willingness to learn and to take the necessary steps is much more important than extensive experience.

In retrospect, the decision to follow the invitation of the Banque de France back in December 2017 to help establish this network was a wise one. We have dedicated considerable resources to the NGFS ever since, but whatever we have invested does not compare at all with everything we have gained from being part of this joint effort.

## ***2. Can you share with us the key elements of the Bundesbank's climate strategy and how it fits into the broader national strategy in your jurisdiction?***

The Bundesbank actually does not have a dedicated climate strategy. To be more precise, I should say we do not have one yet, because we will start working on one later this year. In any case, sustainability and therefore climate has long been an integral part of our overall strategy. That means that on the one hand we aim to reduce our environmental footprint as an institution and on the other hand we want to improve our understanding of the economic impacts of climate change, of climate-related financial risks and how they affect the financial system at large as well as our core mandate in particular. That takes a joint effort across the entire institution. At the end of 2019, our Executive Board committed to significantly increasing the number of staff working on climate-related technical analyses and policy work and now dozens of colleagues contribute to improving our knowledge of the topic.

As we further our understanding and share this expertise in various national and international forums, we are supporting both Germany's Sustainable Development Strategy as well as and in particular Germany's Sustainable Finance Strategy. The latter aims to improve the financial industry's management of sustainability risks and ensure financial market stability, to promote sustainable finance at the domestic, European and international level and to scale up transition finance.

## ***3. To which extent did the Bundesbank leverage the work of the NGFS in its own domestic journey? Any concrete examples?***

It is hard to overstate the importance of the NGFS for our work on climate-related issues at the Bundesbank. It was only through our involvement in NGFS workstreams that we started to analyse some of these issues. I believe that from the very beginning, we have had representatives in every workstream, task force and expert network the NGFS ever had so far – with the exception of the Blended Finance Initiative. But even the latter initiated internal analysis of the topic. And for all the other working groups I can say that they have been instrumental in building our knowledge and in-house capacity.

No matter whether it was webinars to share experience on climate-related disclosures or on sustainable investment, on aspects of greening monetary policy, on stress testing or latest research papers and in-depth reports, they all provided an opportunity for our experts to learn from others or to receive feedback on their own work, ideas, and case studies. And this is what the network is all about: joining forces, learning from each other, identifying what works and what does not and pushing forward together.

To finish with just two concrete examples: First, as we were working towards our first climate-related disclosure report, we benefitted a great deal from also being involved in the work on the first NGFS guide on the topic, which really gives very practical advice. Second, the NGFS flagship product, the scenarios, have of course been and will remain a key part of our own analyses of the impacts of climate change on the financial sector, both from a micro- as well as a macroprudential point of view.

#### 4. *One last word?*

In my case, this really is one last word. After almost four decades at the Bundesbank, I will retire in just a few weeks. I can only say that I cannot even imagine an alternative universe in which the NGFS would have not been an essential part of my work. It has been a wonderful experience. With always so many familiar faces around, NGFS Steering Committee meetings almost felt like family reunions to me: always a bit exhausting, but also always fun. And the dedication of the group is the bond that ties us.

During my rewarding career at the Bundesbank, I really have experienced a lot, from a number of smaller and bigger financial crises to introducing the D-Mark in the eastern German states a few months before reunification and, of course, the introduction of the Euro, the symbol of European integration. These are just a few examples, but they show how important our work as central banks is and that we are not just those technocratic institutions that we are sometimes made out to be. Our work has a vital impact on our societies and people's everyday life. With this great power comes great responsibility – and that requires us to also act on the defining challenge of our time: climate change. Hence, being given the opportunity to contribute to building up the NGFS and joining forces with so many other central banks and supervisors to define our role in this has given true meaning to the latter years of my career.

It has been an honour to be part of this and I am sure that if the NGFS continues on its path, it will only gain in importance and reinforce the positive impact it has already had on the financial system. I will no longer be a player, but I will be an ardent supporter on the sidelines.