



EUROPEAN CENTRAL BANK

EUROSYSTEM

Christine LAGARDE

President

Mr Ville Niinistö  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 6 July 2022

L/CL/22/165

**Re: Your letter (QZ-013)**

Honourable Member of the European Parliament, dear Mr Niinistö,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 20 April 2022.

Russia's war against Ukraine has highlighted the geopolitical risks inherent in Europe's dependency on fossil fuel imports from Russia and has increased the upward pressure on energy prices. These developments have further emphasised the urgent need to reduce reliance on fossil fuels, speed up the green transition and increase energy efficiency.<sup>1</sup> It is crucial that the European Union (EU) develops additional solutions to this pressing challenge. The European Central Bank (ECB) welcomes initiatives, such as the European Commission's REPowerEU plan, that aim to strengthen the resilience of the EU's energy sector and expedite the clean energy transition.

In your letter, you specifically enquire about research into the expected effect of energy efficiency measures proposed by the EU on future inflation projections. Climate change reflections featured prominently in our recent monetary policy strategy review. The Governing Council of the ECB has made a firm commitment to consider climate change more systematically in its monetary policy framework. The action plan we announced in July 2021 outlines a comprehensive and carefully designed roadmap for stepping up our involvement in

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<sup>1</sup> See the conclusions of the European Council meeting on 24 and 25 March 2022, European Council, 25 March 2022, available at: <https://data.consilium.europa.eu/doc/document/ST-1-2022-INIT/en/pdf>. See also "The European Commission and the IEA outline key energy saving actions", European Commission, 21 April 2022, available at: [https://ec.europa.eu/info/news/european-commission-and-iea-outline-key-energy-saving-actions-2022-apr-21\\_en](https://ec.europa.eu/info/news/european-commission-and-iea-outline-key-energy-saving-actions-2022-apr-21_en).

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climate-related matters.<sup>2</sup> In this context, the ECB is assessing the impact of transition policies on inflation and its outlook, including policies proposed as part of the “Fit for 55” package and the associated recast Energy Efficiency Directive. The effect of the proposed energy efficiency measures on overall HICP inflation is not straightforward, although it is reasonable to expect that, with the decline in fossil fuel energy consumption, the share of energy in the overall HICP will drop. As regards the impact of energy efficiency measures on medium-term inflation, many factors will be at play, including the type of transition policies put in place, the scale of green investment and of course the progress made towards achieving energy efficiency targets. In line with our climate change action plan, we are working on capturing the impact of transition policies, including energy efficiency measures, in our macroeconomic projections and in our medium-term outlook.<sup>3</sup>

Our climate change action plan sets out the priorities determined by the Governing Council in the context of the monetary policy strategy review. In line with the timeline announced in our action plan the Governing Council recently decided to take further steps to include climate change considerations in the Eurosystem’s monetary policy framework, and the ECB’s work is progressing as outlined in the climate roadmap.<sup>4</sup> Looking ahead, the Governing Council is committed to regularly reviewing the measures that have been decided, assessing their effects and adapting them, if necessary.

Yours sincerely,

[signed]

Christine Lagarde

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<sup>2</sup> See “ECB presents action plan to include climate change considerations in its monetary policy strategy”, *press release*, ECB, 8 July 2021, available at: [https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210708\\_1~f104919225.en.html](https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210708_1~f104919225.en.html).

<sup>3</sup> See, for example, “EU emissions allowance prices in the context of the ECB’s climate change action plan”, *Economic Bulletin*, Issue 6, ECB, 2021, available at: [https://www.ecb.europa.eu/pub/economic-bulletin/focus/2021/html/ecb.ebbox202106\\_05~ef8ce0bc70.en.html](https://www.ecb.europa.eu/pub/economic-bulletin/focus/2021/html/ecb.ebbox202106_05~ef8ce0bc70.en.html).

<sup>4</sup> For more detailed information, see “ECB further incorporates climate change into its monetary policy operations”, *press release*, ECB, 4 July 2022, available at: <https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr220704~4f48a72462.en.html>.

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