



BNP Paribas response to EBA consultation on Guidelines on the appropriate subsets of exposures in the application of the systemic risk buffer

Executive summary:

BNP Paribas welcomes the opportunity to comment on the amendments made by the EBA to the guidelines on the Systemic Risk buffer (SyRB). Climate-related risks referred to in CRD VI in relation to the use of the SyRB, and consequently their introduction in the draft EBA guidelines, raise strong concerns about potential adverse effects on EU banks and call into question the objective pursued. We also question the prioritisation and timing of these updated guidelines, especially in light of the EU's competitiveness and simplification agenda and specifically the recent agreements between the European Parliament and the Council related to the Omnibus ESG.

First, climate-related risks for banks should not be addressed through a SyRB since they are already well addressed through micro-prudential policy tools. We already observe a multiplication of potential overlaps between environmental aspects in the prudential framework:

- In the Pillar 1: credit risk, operational risk, market risk frameworks capture risks partially or totally attributable to ESG risk factors;
- In the Pillar 2 requirements ("P2R"): the amended EBA SREP guidelines, which are expected to apply from January 2027, will explicitly include climate risk, which means that supervisors will be able to reflect in the P2R eventual idiosyncrasies not covered by Pillar 1;
- In the Pillar 2 Guidance ("P2G") which is specifically designed to ensure banks can absorb potential losses in adverse scenarios while remaining above their capital requirements. To this end the EBA stress test will progressively integrate climate risk.

Consequently, the Pillar 2 framework, which is based on a forward-looking approach, already provides a capital-related, bank-specific mechanism for completing the integration of climate risk, and it does so in a way that avoids the pitfalls of a one-size-fits-all macro-prudential buffer. Introducing a climate-driven SyRB would layer additional requirements onto an already convoluted capital structure.

Second, although this possibility was explicitly introduced by CRD6 as a possible component of the pre-existing SyRB, there is currently insufficient evidence to suggest that climate risks are systemic for the banking system. In this regard, we would like to remind that the "Fit for 55"



climate scenario analysis concluded in 2024¹ that climate transition risk alone is not a concern for financial stability of the banking sector. More broadly, we regret the absence of thorough impact assessment or cost-benefit analysis specifically evaluating the effectiveness and consequences of a climate-adjusted SyRB with respect to EU policy objectives. The introduction of climate risks in Article 133 CRD VI was not accompanied by a dedicated impact-assessment study. Additionally, the “Fit for 55” scenario analysis also shows that high energy intensity sectors are those that will have the largest financing needs to finance energy transition. Any systemic risk buffer that would target high energy intensity or high emitting economic sectors would thus result in additional financing cost to finance green investment and contradict the EU’s objective of reducing its carbon emissions. We strongly believe that this type of unintended effect should also be part of a cost/benefit analysis.

Third, using climate-related SyRBs, determined on a national basis, without clear evidence of the systemic nature of the risks, will damage the overall competitiveness of the European financial sector and increase fragmentation across Member States. It will also in the medium-term impact the ability of financial institutions to finance the transition of the Union economy towards a sustainable economic model.

At a time when the EU needs an additional €1,000 billion² per year to finance strategic sectors such as defence, the energy transition and technology, and must rebuild its strategic autonomy, a strong and responsive EU banking sector is absolutely essential.

Fourth, the SyRB, is a European addition to the international Basel standards and has no equivalent in other major jurisdictions. At EU level, the absence of a unified methodology makes it discretionary in terms of scope, calibration, and cross-country consistency, all at the hands of NDAs acting with limited transparency and accountability obligations.

For these reasons, BNP Paribas believes that climate risks should be excluded from the SyRB and, more broadly, that the SyRB - as a poorly designed non-Basel macro-prudential instrument - should be removed altogether.

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Question 1. Do you agree that the proposed use of more granular economic activity classifications (including NACE level 2 or more granular levels where necessary) is

¹ [Report on fit for 55 climate scenario analysis.pdf](#)

² Sources Draghi report, European Commission, ECB data and BNPP calculation (incl. ReArm Europe Plan)



appropriate and sufficient to enable authorities to effectively target exposures subject to climate transition risk while limiting unintended consequences for transition financing? If not, please explain and suggest alternative approaches or safeguards.

This question raises two comments on our part:

First, the amendment presupposes a systemic dimension of climate risk that has not been demonstrated to date. We insist on the fact that there is **insufficient evidence to suggest that climate risks are systemic for the banking system**. In 2024, the EBA, jointly with the EIOPA, ESMA and ECB, conducted a climate scenario analysis (results released November 2024) that projected losses for the banking and insurance sectors under a range of climate- and macro-economic scenarios. The report concluded, that *“first-round losses stemming from a potential run on brown scenario have a limited impact on the financial system, indicating that perceived changes in climate risks would not be a concern for financial stability per se during the green transition”*³. The ECB also concluded that *“under the scenarios examined, transition risks alone are unlikely to threaten financial stability.”*⁴

Even though climate risks could cause significant disruptions in the economy, this does not automatically imply a systemic risk from the banking sector perspective (i.e. of the kind which would require additional capital buffers as an appropriate remedy). For a systemic risk to arise, there would also need to be a destabilisation of the real economy as whole, with contagion effects that could spill over into the financial system with global implications for the banks, which to date has not been demonstrated.

In this context, the amendments to the guidelines are untimely and unwarranted in consideration of the work performed by the EBA and other European supervisors on climate risk. In the absence of a documented systemic dimension of climate risk for the banking system⁵, there is no established use case for the proposed amendment, which should thus be set aside.

Second, we question the rationale of relying on the proposed granular data for the determination of presumed macroprudential systemic risks. While NACE codes are the standard way to group economic activity, they are static and often fail to capture a counterparty’s underlying activity, business strategy, environmental performance, or ongoing transition efforts. In practice, administrative NACE codes assigned to a legal entity are not necessarily good proxies: a company’s turnover may stem largely from activities that differ from its historically registered NACE code,

³ [Report on fit for 55 climate scenario analysis.pdf](#)

⁴ [Transition risk losses alone unlikely to threaten EU financial stability, “Fit-For-55” climate stress test shows](#)

⁵ In addition to transition risk, there is currently no empirical evidence demonstrating that physical risk is systemic for the banking sector



and firms sharing the same NACE category can exhibit very different climate-risk exposures depending on their business model, energy sources, transition roadmap, and geographic location.

Relying solely on NACE codes could therefore penalize companies that are actively transitioning towards a sustainable economy.

To conclude, climate-risk exposure in a bank's credit portfolio is inherently bank-specific, reflecting each institution's client-engagement and selection practices; the Pillar 2 supervisory framework, which offers a forward-looking perspective, is therefore the appropriate mechanism to capture these bespoke portfolio characteristics that are revealed specifically at individual bank level.

Question 2. Do you consider that introducing an additional subdimension related to Energy Performance Certificates (EPCs) or energy consumption buckets within the risk profile would be appropriate to better capture climate-related risks? If so, please comment on its relevance and potential implementation challenges, as well as data availability and possible proxies that relevant authorities could consider.

As mentioned in question 1, we do not understand the reliance on granular data for the assessment of presumed macroprudential systemic risks.

In addition, we note that EPC labels are not harmonised at the EU level; the underlying methodologies and quality standards differ markedly across jurisdictions, making them unsuitable for comparative or prudential analysis.

Moreover, existing risk-mitigation mechanisms, already incorporate EPC information into collateral valuations for RRE and CRE. Adding EPCs again as a sub-dimension of a systemic risk buffer (SyRB) would therefore amount to double-counting and would provide limited policy insight.

Given that transition risk is judged unlikely to threaten financial stability in the EU, EPCs have little relevance for calibrating systemic risk buffers. Introducing a systemic buffer for less efficient-EPC assets would increase financing costs for energy-efficiency renovations and would discourage banks from supporting the real-estate transition, directly contradicting climate-transition objectives.

Question 3. Do you consider the proposed extension of geographical granularity (including the use of LAU level) appropriate for identifying exposures subject to climate physical risks? Please comment on the relevance of the proposal and potential implementation challenges, as well as data availability and possible proxies that relevant authorities could consider.

As mentioned previously, we do not understand the reliance on granular data for the assessment of presumed macroprudential systemic risks.



LAU codes are extremely granular and are not standardised across EU Member States. In addition, many climate datasets and hazard maps lack sufficient resolution at the municipal level, making it difficult to pinpoint local exposure.

The sheer volume of information and the complexity of its processing demand extensive, time-consuming internal technological development.

Although geography is a key dimension in assessing physical risk, this type of analysis is primarily relevant at the microprudential level. For the right levers to address a systemic physical risk through a macroprudential capital tool to be properly defined, more work should be conducted to appropriately identify the systemic drivers of such risks for the banking sector; we believe this analysis has not so far been conducted in a sufficiently conclusive manner.

Question 4. Do you agree with the proposed flexibility to combine different dimensions (e.g. type of counterparty, economic activity, geographic area, type of collateral) when defining subsets of sectoral exposures for SyRB purposes? In your view, does this flexibility sufficiently support risk sensitivity while preserving transparency and comparability across jurisdictions?

N/A

Question 5. Do you consider the strengthened provisions on information sharing and the use of harmonised data sources adequate to facilitate the assessment and reciprocation of SyRB measures across Member States? Please indicate any remaining obstacles to effective reciprocity and how they could be addressed.

N/A

Question 6. Do you have any additional comments on these draft Guidelines amending EBA/GL/2020/13 on the appropriate subsets of sectoral exposures to which competent or designated authorities may apply a systemic risk buffer

First and foremost, there is currently insufficient evidence to suggest that climate risks are systemic for the banking system. In this regard, the “Fit for 55” climate scenario analysis concluded in 2024, that climate transition risk alone is not a concern for financial stability of the banking sector.

Second, the SyRB is a European addition to the international Basel standards and has no equivalent in other major jurisdictions. At EU level, the absence of a unified methodology makes it discretionary in terms of scope, calibration, and cross-country consistency, all at the hands of NDAs acting with limited transparency and accountability obligations. SyRB’s precise policy objectives, and the fact that setting certain levels of general or specific SyRBs is the appropriate answer to such objectives, are not subject to clear evaluation processes or back-testing.



We also regret the lack of comprehensive quantitative cost/benefit analysis conducted at EU level, particularly in light of the significant issues at stake and the potential adverse effects on EU banks and on the financing by EU banks of the EU economy's transition to a more sustainable economic model.

Third, we believe the SyRB creates a potential for overlaps and double-counting of risks, as climate-related risks are already addressed through Pillar 1 (notably in the credit risk, operational risk, market risk) and Pillar 2 processes, as well as with the Pillar 2 capital Guidance (progressive inclusion of climate in the EBA stress test framework). Notably, with the planned inclusion of environmental risks in the EBA SREP guidelines (*i.e. EBA Consultation Paper EBA/CP/2025/21*), climate risk will be fully embarked in the SREP process starting 1st January 2027 and thus fully reflected in the P2R of banks across all risk dimensions (business model, credit market and operational risks).

Finally, setting a SyRB on climate risks without clear evidence of the systemic nature of these risks for the banking sector will damage the competitiveness of the European financial sector and increase fragmentation across Member States. The climate-related SyRB is essentially perceived as another mean to impose additional layers of capital on banks, on the ground that more capital is always necessary for more resilience of the EU banking sector; as such, and similarly to the even more generic SyRB, we consider that it should be discarded from the EU prudential toolkit.