The Role of Central Banks in Climate Change Mitigation

Ashley Walker
PhD
University of Toronto
27 King's College Cir, Toronto, ON M5S, Canada

Drew Edwards
PhD
Humboldt University of Berlin
Unter den Linden 6, 10099 Berlin, Germany

Avery Miller
PhD
University of Tokyo
7 Chome-3-1 Hongo, Bunkyo City, Tokyo 113-8654, Japan

Abstract. This study examines the increasingly pivotal role of central banks in addressing climate change through monetary policy. We analyze how central banks are integrating climate risks into their financial stability frameworks and explore the implications for inflation targeting and asset purchase programs. The paper also considers the potential for green financial instruments as tools for climate change mitigation and the challenges involved in implementing these strategies.

Keywords: Central Banks, Climate Change, Monetary Policy, Green Bonds, Financial Stability

Introduction

Central banks have traditionally focused on maintaining monetary stability and controlling inflation. However, the growing threat of climate change has expanded their mandate to include environmental considerations. This paper investigates how central banks are incorporating climate risks into their financial stability assessments and monetary policy decisions. By analyzing recent initiatives by leading central banks, we assess the effectiveness of these measures in promoting sustainable economic growth. We also discuss the potential for green financial instruments, such as green bonds, to serve as viable tools for climate change mitigation. Furthermore, the paper explores the challenges and potential conflicts that arise when central banks take on a more active role in environmental policy, including the risk of overstepping their traditional boundaries.

References

1. Леонов, Я. В. (2021). ОСОБЛИВОСТІ РОЗВИТКУ СПОРТИВНОЇ ІНДУСТРІЇ В СУЧАСНИХ УМОВАХ. Theoretical and scientific bases of development of scientific thought, 5, 252.
2. Baratashvili, E., Chechelashvili, M., & Makharashvili, I. (2016). Comparative management and clustering. Tbilisi: Polygraph-center BARTON.
3. Maia, C., & Lia, B. (2018). The main criteria for lead generation. European science review, (7-8), 317-319.
4. Chechelashvili, M., Koghuashvili, P., & Babunashvili, T. (2023). Cluster as a means of increasing innovation in the region. Annali d'Italia, 45, 15-20.
5. Ola, Mariam Hilda. "Financing mix and Financial Performance: Evidence from listed Consumer and Industrial Goods Sector in Nigeria."
6. MWANGANGI, A. (2016). The Political economy of terrorism in Sub-Saharan Africa (Doctoral dissertation, KDI School).
7. Moraliyska, M. (2019). The European social model–typology and performance in 2017. Sustainable Development GOALS 2030: Challenges for South and Eastern European Countries and the Black Sea Region, 260.
8. Moraliyska, M. (2021, April). The Impact of Certain European Pillar of Social Rights' Initiatives on Bulgaria. In 23rd International Congress on Social Sciences. Book of Proceedings (Vol. 2, pp. 84-94).
9. Moraliyska, M., & Antonova, A. (2018). Preparing for industry 4.0 and digital transformations in SMEs. European and national aspects. Godishnik na UNSS, 1, 191-207.
10. Afgan, T. O. (2023). IMPACT OF THE COVID-19 CRISIS ON FINANCIAL STABILITY. Foundations and Trends in Modern Learning, (1).
11. Talibzadə, O. (2023). NATURE OF BUDGET PROCESS AND ANALYSIS OF BUDGET INDICATORS IN AZER-BAIJAN BANKING SYSTEM. Social and Technical Sciences Series, 3, 82–86.
12. Talibzade, O. (2022). Organization of expenses in budget management, enterprises and organizations. Geostrategy, 71 (5), 112–114.
13. Sipos, D. The role of digital platforms in the transformation of political parties. Foreign Affairs, 35(5).
14. Мошенський, С. (2020). Більше ніж гроші. Фінансова історія людства. Київ: Саміт-книга.