

# Save the banks or save the planet? How strategic financial stability concerns decreased efforts to decarbonize EU banks in the implementation of Basel III

## Abstract

Conceptualizing the environmental and climate crisis as a source of risk was groundbreaking for their integration into the governance of banks and supervisory authorities. However, when EU authorities approached the issue of sustainability and the prudential framework at first, some thought it necessary to go beyond risk and provide the financial sector with more guidance through the promotional policy of a green supporting factor. When the legislation passed in the beginning of 2024, it contained neither a promotional element, nor a prudential element in stronger terms, but the instrument of transition plans, which puts major decisions onto the future and into the hands of the European Banking Authority and the European Central Bank. Based on Bob Jessop's analytical framework of semiosis and structuration and a mixed-method approach, this paper shows that *prudential* discourses and practices came to dominate *promotional* ones in the incorporation of sustainability into EU banking regulation in the period of 2017 to 2024. The governance mechanisms established between liberalized financial markets and delegated authorities came to dominate the definition of how to address the climate crisis. In the absence of a promotional motive in sustainable finance, there is a circular movement between the political reliance on market self-regulation, supervisory conservatism and private sector herding behavior, which puts the EU financial sector onto a path of misalignment in terms of risks as well as climate targets.

## 1. Introduction

On June 18<sup>th</sup>, 2024, the EU Commissioner for financial regulation, Mairead McGuinness, announced to postpone key provisions in the implementation of the Basel III prudential framework by one year, due to fears of losing competitiveness to the US, dubbed the 'Basel III endgame' by the press (Financial Times, 2024). Only a few years earlier, EU policymakers had embarked on a more ambitious path with the EU Green Deal (2019), which among other things involved the integration of sustainability concerns into the regulation of banks and capital markets. The key pieces of sustainable finance regulation, such as the Taxonomy regulation and disclosures requirements have received greater attention in the literature (Ahlström & Monciardini, 2021; van der Zwan & Mertens, forthcoming), but the incorporation of sustainability into the EU prudential framework has been much less studied (van't Klooster, 2021; Smolenska & van't Klooster, 2022). With the introduction of a 'green supporting factor' (GSF), the European Commission and Parliament in 2018 had envisaged to provide for a *promotional* element in a policy package that was otherwise focused on better disclosures to enhance market decisions. The promotional policy of lowering banks' capital requirements when they engaged in an activity that EU legislators wanted to incentivize had some precedents, such as a supporting factor for small- and medium-sized enterprises (SMEs). But on a more general level much speaks against such promotional policies in the EU: The web of governance mechanisms established between liberalized financial markets and supervisory authorities tends to reinforce a purely risk-based, *prudential*, treatment of policy challenges; And the EU monetary and supervisory institutions are also explicitly

exempted from following broader economic policy, or *promotional*, objectives (Baer et al., 2021; van't Klooster, 2021).

This paper argues that *prudential* discourses and practices came to dominate *promotional* ones in the incorporation of sustainability into EU banking regulation in the period of 2017 to 2024. While prior actor constellations had been successful in articulating the compatibility between promotional policies and the prudential framework, this project, up to this point, failed in the case of sustainability. In the first phase between 2017 and mid-2021, the European Commission (EC) played a leading role in driving *promotional* policies forward, but soon had to rely on the expertise and *prudential* discourses established at the European Banking Authority (EBA) and the European Central Bank (ECB). The private sector's strategic decision to favor a *prudentially* oriented discourse over a *promotional* green supporting factor, which would in fact have raised their returns in financing green investments, reinforced this tendency. In the second phase between mid-2021 and 2024, the instrument of '*transition plans*' moved center stage and replaced the discussion around a GSF as well as on a brown penalizing factor (BPF), which in turn would have increased capital requirements for financing high-emitting sectors. The discourse adopted by the private sector needing time to transition towards more sustainable business models coincided with a growing concern in EU institutions that the private financial sector had still little mechanisms in place to account for the exposures to sustainability risks. While the character of *transition plans* and its potential prudential and promotional elements is still contested until its final implementation in 2026, the analysis suggests that the strong engagement of the EBA and the ECB, as well as private sector led practices, will further strengthen the *prudential* elements. In the absence of political and deliberative decision-making, the feedback-loop between supervisory authorities and private sector self-regulation comes to reinforce a situation that provides private actors with greater discursive powers to naturalize their profits from highly emitting sectors, and a political calculus that pushes the risks accumulating from the environmental and climate crisis onto the future.

This paper applies Bob Jessop's cultural political economy framework to the progressive states of the EU's incorporation of sustainability into its banking regulation and supervision. The analytical framework's *five factors* in semiosis and structuration - variation, selection, retention, reinforcement and selective recruitment - serve to analyse the increasing dominance of prudential over promotional discourses and practices. Empirically it draws on an extensive document analysis, including the evaluation of three consultation processes and an ECB speeches dataset, as well as on 28 semi-structured interviews with representatives from the European Commission, the European Central Bank, the European Banking Authority, the private financial sector and civil society organizations (CSOs). It thereby aims to make a conceptual as well as an empirical contribution to the existing literature. On a conceptual level, recent literature has demonstrated the variety of promotional and sustainability-related objectives in financial market regulation both historically and geographically (Bezemer et al., 2018; D'Orazio & Popoyan, 2020; Dikau & Volz, 2021; Barmes & Livinstone, 2021) and has sketched out institutional pathways for meeting such objectives in the EU context (Baer et al., 2022). But these contributions have not analyzed the political struggles involved in the introduction and implementation of these policies, and thus have bracketed out questions of power. On an empirical level, the increased focus on the ECB (van't Klooster, 2021; Deyris, 2023) and the EBA (Smolenska & van't Klooster, 2022) has contributed to a dis-engagement with explaining the role of the European Commission, and partly also the private sector interests. By employing Bob Jessop's

critical political economy framework in the analysis of struggles, and by looking at the EU legislative bodies, the private sector and CSOs, this paper challenges current contributions that stress a larger paradigm shift within banking regulation and supervision.

The paper is structured as follows. The second section presents the literature review, the analytical framework and the methodology applied in this paper. The third section operationalizes the analytical framework to the area of sustainability-related banking regulation and supervision and presents the *promotional* and *prudential* discourses and practices relevant to the empirical part. The fourth empirical section is divided into two periods: The first period from 2017 to mid-2021 deals with the response of the European legislative bodies and the private sector to the sustainability challenge. The second period, from mid-2021 to 2024, is dedicated to analyzing the interplay between the EC, the EBA, and the ECB and recurring private sector influence. The fifth and last section of the paper discusses the results, strengths and weaknesses of the application of the analytical framework and concludes.

## 2. Literature review, analytical framework and methodology

Political economy and economic sociology have discussed how central banks and regulators adapted their financial market governance in course of the Great Financial Crisis (GFC), explaining the emergence of macroprudential supervision (Baker, 2013; Thiemann 2019, 2024), the greater role of centralized supervisory authorities and the European Central Bank (ECB) (Lombardi & Moschella, 2017; Wullweber, 2024) and discussing stress tests as one of its key pillars (Langley, 2013; Coombs, 2020). Baker (2013) underlines that the macroprudential framework moves beyond the pre-crisis consensus of efficient markets and tends to acknowledge inherent financial market instability and bank profit seeking. Assessing several years of framework implementation, Thiemann (2019, 2024) concludes that despite supervisory institutions' greater analytical capacities, the socio-political barriers towards enacting countercyclical measures remain high. Coombs (2020) argues that macroprudential stress tests have primarily become an instrument of demonstrating the stability of the financial system rather than open-endedly testing it.

Contributions investigating how regulators and central banks integrate sustainability, or climate and environmental (C & E) risks into financial regulation, either tend to find a continuity of ideas of market self-regulation, and the prevalence of light-touch regulation such as disclosures and stress testing (Christophers, 2017; Aguila & Wullweber, 2024); Or they point to relevant openings in the governance of monetary and supervisory institutions (Langley & Morris, 2020; Quorning, 2023; van't Klooster, 2021; Smolenska & van't Klooster, 2022). The latter strand argues that actors from within as well as outside of macro-financial institutions were successful in putting climate change on the agenda, due to its parallels with the Great Financial Crisis (GFC). Quorning (2023) portrays the concept of the 'Carbon bubble' which different civil society organizations (CSOs) leveraged as central in winning supervisors' support for a serious evaluation of the topic. Van't Klooster (2021) argues that the paradigmatic shift towards 'market-shaping' in the Basel III prudential framework also guides the approach the EU takes to make credit provision compatible with its environmental objectives. Smolenska and van't Klooster (2022) find that the European Banking Authority (EBA) has suggested

relevant methodologies for financial institutions to identify C & E risks, but it has done little in terms of making the assessments become financially material.

Despite valuable insights, the attention this literature devotes to central banks and other supervisory authorities has produced a caveat that earlier literature had escaped (e.g. McNamara, 2002; Lombardi & Moschella, 2017): Focusing on delegated authorities has contributed to a dis-engagement with the role of political authorities such as the European Commission, Parliament and Council. As Lombardi & Moschella (2017) show, policymakers during the GFC made a calculated choice to transfer the task of financial stability supervision to delegated authorities, since they wanted to signal to the public a serious concern for the issue. A procedural and power-oriented analysis is also lacking from the strand of literature that has made the strongest contributions in showing how financial markets can be designed around different purposes (Dikau & Volz, 2021; D’Orazio & Popoyan, 2020; Barmes & Livinstone, 2021). Dikau and Volz (2021) find that out of the 135 central banks analyzed 40 percent are tasked with supporting government policies, and 12 percent aim to explicitly promote sustainable growth or development. D’Orazio & Popoyan (2020) argue that the institutional distribution of roles between the monetary and prudential authority affects the adoption of green policies, where centralization can be regarded as beneficial for meeting this objective. Closest to our contribution are Baer et al. (2021) who map out different institutional scenarios of sustainable finance. They demonstrate the gridlock between institutional capacities to increase sustainability and the objectives – promotional or prudential – usually followed by the respective political or delegated authority. Yet, while these papers are relevant for understanding overall trends, they bracket out how and why novel elements enter institutions and structures, and how and why entrenched elements remain.

Bob Jessop (2010) has outlined how to approach a field of study from a critical political economy standpoint, by integrating an analytical perspective on power relations with a post-structural critique to economic essentialism. According to him, the recognition that the animate and inanimate world is complex, and that (human) activity is driven by abstractions from this complexity, makes all social relations semiotic, which means the subject and object of meaning making. By delineating between a *construal*, which is the act of complexity reduction constantly performed in communication, and a *construction*, which refers to meanings that are more widely understood or hegemonic (drawing on Sayer, 2000), Jessop (2010) aims to bring in a materialist perspective. While in this paper we discard his differentiation between a semiotic and an extra-semiotic element that Jessops uses to account for ‘real’ factors resurfacing from complexity to influence social relations, we keep his differentiation into a discursive and a material level in the process of semiotics and structuration. Maintaining this separation allows us to approach the analysis from different angles, while the conviction is that there can be a change in meanings, but no extra-semiotic element that motivates human activity and can thus be the object of study.

Jessop (2010), drawing on prior work together with Fairclough et al. (2004), delineates five factors shaping the co-evolution of semiosis and structuration. The first factor is the *variation* of discourses and practices, which can arise due to the complexity that underlies every social construct, in case it is purposely adapted, or when challenges or crises, semiotic or material, come to question existing discourses and practices. The second factor is the *selection* of specific discourses for interpreting events, legitimizing actions, and representing social phenomena. The selection works through influencing the resonance between discourses and persons, organizations, institutions or meta-

narratives, by defining or delimiting an area of activity, and by strengthening the connections between semiosis and semiotic practices. Material factors come in here through established or momentary power relations, path-dependencies, and structural selectivities. The third factor is the *retention* of some discourses within institutional rules, technologies, accumulation strategies, state projects or hegemonic visions. The more widely actors and institutions retain the discourses, the more likely is the success of their institutionalization. The underlying complexity will also have an influence on the success of such retentions. Fourth, *reinforcement* refers to a further integration or exclusion of discourses and practices in response to established procedural requirements. The reinforcement takes place on the level of 'discursive selectivity' where there is a fit with genre chains, styles, or identities, or on the level of 'material selectivity' where the structural features of an organizational or institutional order privilege certain sites of discourse over others. The fifth factor is *selective recruitment, inculcation, and retention* of social agents by societal organizations or institutions depending on whether they meet the requirements in form and content as consolidated through the prior factors.

The analytical framework suggested here is thus interested in scrutinizing the different factors of semiosis and structuration in the process of EU institutions' integration of sustainability into banking regulation and supervision. To this end, we compiled publicly available documents (N=129) from the European legislative bodies, European Central Bank, the European Banking Authority, European Systemic Risk Board, banks and banking associations and CSOs published between October 2017 and April 2024 to reconstruct the political process. Furthermore, we compiled three databases from three public consultations, the first focusing on the overall prudential framework, the second seeking feedback on Pillar 2 matters and the third on transition plans. Systematizing feedback from public consultations is an established method for reconstructing the positioning of different interest groups (e.g. Redert, 2020). The first consultation (2020) was launched by the European Commission and received responses on the implementation of Basel III from overall 119 stakeholders, and from 53 stakeholder to the question dedicated to environmental, social and governance (ESG) factors in the prudential framework, touching on the issues of a GSF and a BPF, and prudential concerns (EC consultation, 2020). To the second consultation (2021) launched by the EBA 43 stakeholders responded (EBA consultation, 2021). The third consultation also by the EBA was seized by 52 respondents (EBA consultation, 2024). To reconstruct discursive elements we build on discursive analysis as recently established in the area of green central banking (Deyris, 2023; Aguila & Wullweber, 2024). Last, we draw evidence from 28 interviews from the European Commission, from different central banks, mostly the ECB (for matters of anonymization referred to as European System of Central Banks), from private financial sector and civil society organizations on questions of sustainable finance between November 2022 and April 2024.

### 3. Institutions in banking regulation and supervision and operationalization of the analytical framework

[section will be further elaborated later]

This section operationalizes Bob Jessop's five factors in semiotics and structuration to the field of banking regulation and supervision.

With the dissolution of Bretton Woods and its fixed exchange rates regime, politically subordinated central banks and an explicit currency standard in 1971, banking regulation became re-organized at

the Basel Committee on Banking Supervision (BCBS), hosted by the Bank for International Settlements (BIS). The BCBS members, central banks and supervisory authorities, have until today concealed three agreements: Basel I (1988 – 2004) known for establishing a uniform baseline for banks' capital requirements, Basel II (2004 – 2010) prominent for granting to banks their own risk assessment and responsibility for capital provisions, and Basel III (2010 – current) which aimed to correct the race-to-the-bottom tendencies of Basel II and its role in contributing to the Great Financial Crisis (Ozgercin, 2012), and which is the current guiding set of rules that nation states translate into binding law.

The degree to which Basel III remarkably differs from Basel II is disputed (e.g. Helleiner, 2014). One of the most important novelties to the framework is the introduction of macroprudential regulation and supervision, next to the microprudential pillar. The problem analysis after the GFC was that regulation and supervision had focused too much on the stability of individual banks (microprudential perspective) rather than perceiving the financial system as a network in which systemic risks, risks of contagion, liquidity spirals, and the built-up of financial bubbles, could arise (macroprudential perspective).

The EU reacted to this international debate, by centralizing the supervision at the European Central Bank and by strengthening and centralizing the supervisory authorities to the European Supervisory Authorities (ESAs) dedicated to microprudential issues and newly introduced the European Systemic Risk Board (ESRB) dedicated to macroprudential issues. The ESAs in turn consist of the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA). In contrast to the learning from the GFC, Stellinga (2021) shows that national priorities contributed to the ESAs holding more powers than the ESRB. The ESA's greater powers lie in publishing guidelines and recommendations which national authorities have to comply with (or explain why they do not) (level 3 EU legislative process) and in drafting Regulatory and Implementing Technical Standards (RTS & ITS) which, once endorsed and adopted by the European Commission, are directly applicable in all member states (level 2), just before level 1 directives and regulations. [The ESRB]  
[...]

In this paper we follow Baer et al. (2021, p.3) who define a *prudential* motive in the context of sustainability as “ensur[ing] the stability of the financial system in the face of climate-related risks”. Prudential discourses and practices relate to the pre-GFC vision of banking regulation, which from a critical standpoint can be summarized as a “minimum standard” for banks to engage in the global competitive environment (see Ozgercin, 2012). The paradigmatic shift from a micro towards a macro prudential framework was underpinned by fundamentally redefining the key features of a financial system: The dominance of the ‘efficient market hypothesis’ which states that financial markets reflect underlying fundamentals and provide correct price signals, was challenged by Hyman Minsky's financial instability hypothesis: It holds that phases of stability in financial markets usually involve the accumulation of unsustainable risks, and that banks' intrinsic behavior tends to augment rather than to limit the built-up of crises (Minsky, 2008/1986). In the EU, the latter view was institutionalized with the foundation of the ESRB, and in policy terms reflected especially in countercyclical risk buffers and penalizing factors on mortgages (van't Klooster, 2021). In the context of sustainability, the notion of risks assumes yet another character. Staying in the language of risks, the EU sustainable finance regulation differentiates between ‘single materiality’ which encompasses ‘outside-in risks’, arising

from the environment and climate (C & E) to financial portfolios, and ‘double materiality’ which adds a view to ‘outside-in’ risks and considers the financial sector’s impact on the climate and environment. In conjunction with the insights from the GFC, a prudential perspective could entail the management of ‘systemic risks’ from the climate crisis, and an acknowledgement of the financial sector’s contribution to it. However, in a narrow sense, a prudential perspective only accounts for outside-in risks and refers to a ‘market neutral’ stance, falling back onto the ideas of efficient markets.

Baer et al. (2021, p. 3) define *promotional* motives in the context of sustainability as “mitigat[ing] climate change by steering credit allocation towards low-carbon activities”. Promotional discourses and practices in the EU context mostly relate to the historical engagement in “means employed by the government or the central bank to influence the allocation of credit” summarized as ‘credit guidance’ (Bezemer et al., 2018, p. 9), and to a current interest in shifting state governance towards a more active role which can be subsumed under the concept of ‘market shaping’ (van’t Klooster, 2021). The GFC and the climate crisis, as well as the developmental state literature, have challenged the dominant narrative that there is a continuous progression of the complexity of financial markets that also contributes towards a higher efficiency in the allocation of resources. Rather, empirical analyses such as Dikau and Volz (2021) show that some countries have faced certain challenges for longer, such as environmental issues, developmental gaps, or disruptive capital in- and outflows, that the financial system was actively shaped to address. The more concrete case of the EU promotional discourses and practices include the introduction of capital supporting factors (or ‘capital relief’): a SME supporting factors that was meant to increase bank lending in course of the euro crisis, a supporting factor when banks engaged in securitization and an infrastructure supporting factor, both from Capital Markets Union project. Also, some authors have depicted the ECB as engaging in market-shaping policies through their communications (van’t Klooster, 2021) and the integration of environmental objectives into the banking regulation through an orientation towards the EU green taxonomy (Smolenska & van’t Klooster, 2021).

[discussion incentive-based approach to steer financial flows]

<b>Promotional discourse</b>	<b>Prudential discourse</b>
<p><i>Definition</i></p> <p>Mitigating climate change by steering credit allocation towards low-carbon activities</p>	<p><i>Definition</i></p> <p>Ensuring the stability of the financial system in the face of climate-related risks</p>
<p><i>Discursive elements</i></p> <p>1) Core argument: Financial regulation should correct market failure such as market short termism and private sector externalization of social costs, e.g. Mersch, 2018</p> <p>2) Side argument: “individual banks are not equipped (and have no incentive) to consider the macroeconomic</p>	<p><i>Discursive element</i></p> <p>1) Core argument: Financial regulation should “develop[...] the frameworks that help the market itself to adjust efficiently” and involve policies that increase “the transparency of information.” Carney, 2015</p> <p>2) Side argument:</p> <ul style="list-style-type: none"> <li>• Carbon bubble: overvaluation of fossil assets</li> </ul>

<p>consequences of their own choices.” They finance real estate and the financial sector before productivity-enhancing investments. “Bank lending is highly pro-cyclical [...] and not enough credit being extended in the aftermath of a bust” Bezemer et al. 2018, p. 6-7</p>	<ul style="list-style-type: none"> <li>• Climate change as a ‘systemic risk’: Inside-out risks should be accounted for since they give rise to systemic risks and will once accrue to the economy and thus financial system</li> <li>• A “penalising factor” as private sector framing: “Given that financial institutions are not yet required to maintain capital to cover climate-related financial risks, it is clearly more appropriate to speak about the removal of an implicit “subsidy”, that we could also call a “fossil fuel supporting factor” (Finance Watch, 2021)</li> </ul>
<p><i>Practices:</i> credit ceilings, credit quotas, interest rate ceilings, minimum share of lending to the real economy, auctioning of credit to a particular sector, liquidity ratios and reserve ratios exempting specific sectors or offering favourable terms</p>	<p><i>Practices:</i> ‘penalizing factors’, systemic risk buffers</p>
<p><i>Recent examples</i> Capital relief for: SMEs, securitization &amp; infrastructure investments</p>	<p><i>Recent examples</i> Capital penalty for: mortgages, crypto currencies</p>

**Table 1:** Two main discourses and practices in the area of banking regulation and supervision

## 4. Empirical part

This section presents the empirical analysis of the incorporation of sustainability-related factors into EU banking regulation and supervision. In the early phase (2017 – mid-2021) the European Commission (EC) played a leading role in driving promotional policies forward, but soon came to rely on the expertise and discourses established at the European Central Bank (ECB) and the European Banking Authority (EBA), putting more emphasis on the prudential motive. In the later phase (mid-2021 – 2024) the ECB began to actively shape the discourses and practices of relating sustainability to the prudential framework while the EC aimed to carry forth a promotional motive in the banking regulation. The struggle around the implementation of transition plans shows how the dominance of prudential motives prevents a better management of the transition path.

### 4.1. Sustainability and the prudential framework between 2017 and mid-2021: How banks and supervisory authorities select a prudential over a promotional discourse

In 2017 EU policy makers gained interest in the proposal of a ‘green supporting factor’ (GSF) which would lower banks’ capital requirements for financing investments into sustainable projects. The responsible Commissioner at the time, Valdis Dombrovskis (DG FISMA), held several speeches announcing the Commissions’ exploration of a GSF which he deemed necessary to close the green investment gap (Dombrovskis, 2017a, 2017b, 2018a, 2018b): “To reach that [2030] target, we will need around 180 billion euro in additional yearly low-carbon investments. [...] European banks play a



major role in financing the economy. To incentivize lending, we are looking positively at the European Parliament's proposal to amend capital charges for banks to boost green investments and loans by introducing a so-called green supporting factor" (Dombrovskis, 2017b). The timing of the proposal was about right: When the Sustainable Finance Action Plan was launched in March 2018 it included the exploration of "the feasibility of the inclusion of risks associated with climate and other environmental factors in institutions' risk management policies and the potential calibration of capital requirements of banks" (EC, 2018a, p. 9). Being one of the few promotional instruments, the policy agenda otherwise strongly focused on increasing transparency through disclosures (interviews 17, 19). While the Commission and the Parliament were in favor, the High-Level Expert Group (HLEG), with mostly private financial actors and some civil society organizations drafting the major policy proposals, took a more critical stance towards a GSF (Thimann, 2019).

In 2018 the ECB began communicating about the connection between sustainability and the financial system (Aguila & Wullweber, 2024), after having been concerned with the issue internally for several years (interviews 8, 24; Quorning, 2023). ECB board members, whose communication usually has strong signaling effects for financial markets, drew up different narratives in relating the new challenge of sustainability towards the ECB's identities and practices. Sabine Lautenschläger, then ECB board member and Vice-Chair for Banking Supervision, tended to stress financial stability concerns (Lautenschläger, 2018, 2019), while board member Yves Mersch later following her in the latter position, considered arguments touching upon a promotional element in banking regulation. According to him "green investments may also be underfinanced"; But EU legislators and the EBA were responsible for introducing measures since the ECB was "not free to vary the capital requirements of supervised banks to take into account their climate risks, or to encourage climate finance" (Mersch, 2018, emphasis added). Lautenschläger (2019) cautioned that "any potential changes to regulatory or prudential frameworks must be justified from a prudential perspective" and that the ECB "should not be obliged [...] to promote green finance by granting banks preferential capital treatment".

The first phase of European institutions intending to relate sustainability to the prudential framework can be understood as a process of *variation*, in which promotional discourses and practices ran in parallel with prudential ones (see table 2). The sustainability-related prudential discourse had grown out civil society and supervisory authority leadership but was still in an early phase of establishing its practices (such climate stress testing) (Quorning, 2023). Fitting 'capital relief' within the prudential framework had more precedents in recent EU policies and both the EC as well as the ECB had favored it in prior cases. The introduction of a supporting factor for small-and-medium-sized enterprises (SMEs) in 2014 (EBA, 2016), for securitization in 2017 (Montalbano and Haverland, 2023), and for infrastructure investments in 2020 (EBA, 2021a) were examples of how a promotional element was fitted into the prudential requirements of the post-GFC banking regulative framework. In the European Commission's experience, the private financial sector would embrace the policy (interviews 27, 28, 31). Resistance towards capital relief could come from member states whose corporate sectors would be favored less by the policy (e.g. Germany's opposition to a securitization supporting factor) (Quaglia and Howarth, 2018); Or it could come from civil society organizations (CSOs) who criticized its detrimental effect on financial stability or the boost to bank profits before any real-world impact (Finance Watch, 2020; interviews 13, 20). But in the case of sustainability in banking regulation, it turned out to be a different actor constellation that came to drive the compatibility between a promotional and the prudential element further apart.

Processes of semiotics and structuration	Application to sustainability-related banking regulation
<p><b>Variation</b> of discourses and practices:</p> <p>Due to underlying complexity, intentional adaption or challenges or crises questioning existing discourses and practices</p>	<p>EC advances promotional discourse and proposes a ‘green supporting factor’ (GSF) in 2017, and in 2019 suggest it to be green Taxonomy-aligned and risk-based</p> <p>ECB between 2018 and 2019 runs a prudential and promotional discourse in parallel, with either stressing financial stability concerns or underfinanced green investments</p>
<p><b>Selection</b> of specific discourses for interpreting events, legitimizing actions, and representing social phenomena:</p>	<p>Policy field is strongly sedimented, focus Pillar 1</p> <p>Increasing resonance between the sustainability-related prudential discourse and the EBA, due to the delegated task for it to outline the incorporation of sustainability into the prudential framework, i.a. EBA roadmap Dec, 2019</p>
<p><i>Semiotic</i>: influencing the resonance between discourses and persons, organizations, institutions or meta-narratives</p>	<p>Increasing resonance between sustainability-related prudential discourse and the ECB, due to its growing communication and involvement in supervisory processes, i.a. supervisory expectations Nov 2020</p>
<p><i>Material</i>: conjunctural or entrenched power relations, path-dependency, and structural selectivities</p>	<p>Financial corporations favor the prudential over the promotional discourse, since it encompasses the possibility of the introduction of a BPF and the material gain from a GSF is not very large, i.a. EC consultation, 2019/20</p>
<p><b>Retention</b> of some discourses within actor’s identity, organizational routines, institutional rules, technologies, accumulation strategies, state projects or hegemonic visions</p>	<p>Policy field grows more politicized, especially Pillar 2</p> <p>The EC takes up the prudential discourse in the publication of its renewed sustainable finance Strategy, July 2021</p>

**Table 2:** Major factors in semiotics and structuration during the initial phase (2017 – mid-2021) of integrating sustainability into the EU prudential framework

Shortly after the launch of the Sustainable Finance Action Plan, the GSF encountered its first difficulties: the European Commission had to involve the European Banking Authority (EBA) to further explore the policy. Dombrovskis stated in a speech that the EC “welcome[d] the compromise deal reached by the European Parliament and the Council” and suggested that the potential design of a

GSF would “[o]f course” be in line with the EU Taxonomy and “be risk-based” (Dombrovskis, 2019). The EC thus had already tried to integrate some of the criticisms towards the policy, while still anticipating its implementation. Baer et al. (2021, p. 6) point out that the delegation to the EBA, while not uncommon, was peculiar in the way that “a delegated authority with a prudential nature” was assigned the task to “decide on the implementation of an instrument designed to serve promotional objectives”. Against the backdrop of the complexity of climate and environmental risks, the delegation to the EBA may seem inevitable; but as has been argued in the case of macroprudential supervision, referring to ‘complexity’ can come to cover up the political strategies behind such delegations (Lombardi & Moschella, 2017). However, in the case of sustainability the delegation to the EBA was not what some of the political authorities had been in favor of.

The EBA then published its Action Plan on Sustainable Finance in December 2019 and made some consequential decisions for the place that sustainability would assume in the prudential framework. The document highlights five areas of sustainable finance<sup>1</sup> to which it was mandated to provide expertise to and notes that considering “the complexity of the topic and the deadlines, the EBA is expected to deliver *a significant amount of work* between 2019 and 2025” (EBA, 2019, p. 10, emphasis added). Against the backdrop of this framing, the EBA presented its time plan for banking regulation and communicated to start working on disclosures and supervision first, between 2020 and 2021, and to then dedicate itself to the issue of capital requirements later, between 2022 and 2025 (EBA, 2019). Even though the 2025 deadline was later moved to 2023, the year in which the banking package was finalized, this prioritization had broader implications: When the EBA would only provide its expertise on sustainability-differentiated capital requirements by 2025 (or 2023), it would be difficult for European legislators to introduce a green supporting factor earlier.

The delegation of the issue to the EBA and the growing role of the ECB worked towards processes of *selection*, increasing the resonance between the prudential discourse on sustainability and their respective organizational identities, which involve a strong focus on the prudential side. The leadership of the ECB and EBA and their potential ‘market shaping role’ on the topic of sustainability has recently been discussed in the literature (Smolenska & van’t Klooster, 2021; van’t Klooster, 2022), and ECB board members have also commented on the ECB’s market signaling powers themselves (e.g. Mersch, 2018). But it is worth noticing that European legislation on the topic of sustainability, in the areas of disclosures as well as in prudential regulation, was (similar to the EBA) a precondition for the ECB to take its first and following steps, publishing its supervisory expectations on climate-related and environmental risk management in November 2020 (interviews 13, 18, 24), and taking on a more active role in Pillar 2 in course of a gridlock in Pillar 1.

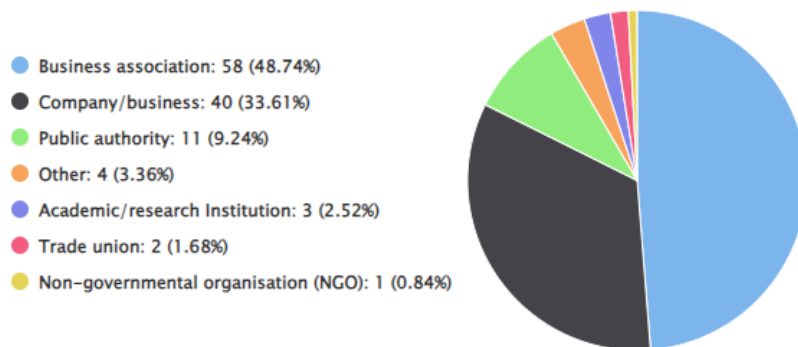
Since the discourses in the regulative arena were not settled in 2019 and ‘20, the question arises what further drove the relevance of the prudential discourse, becoming the dominant one in the second phase of the incorporation of sustainability into banking regulation. Jessop’s framework points to material factors driving the *selection* process, and the dominant power relations, path dependencies and structural selectivities entrenched in a socio-economic system. Drawing on a public consultation

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<sup>1</sup> To the Technical Expert Group on Sustainable Finance, the capital requirements regulation (CRR and IFR) and directive (CRD and IFD) both for banks and investment firms, the Sustainable Finance Disclosure Regulation (SFDR) and an EBA regulation.

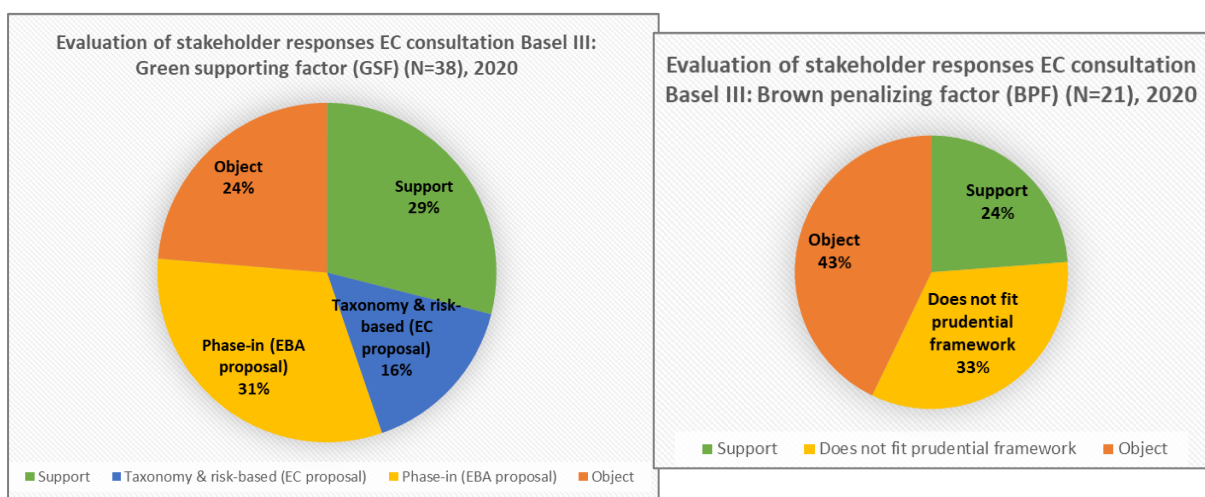
(October 2019 to January 2020) by the European Commission on the central piece of banking regulation, the implementation of Basel III, allows us to reconstruct the private sector positions. The consultation included a total of 212 questions and only one question was specifically dedicated to ESG risks. 119 stakeholders provided their feedback, mostly banking associations and individuals banks (hereafter referred to as ‘banks’), followed by investment firms, insurers and accounting firms. Only one NGO, Finance Watch, two trade unions and three academic institutions participated in the entire consultation (see figure 1). (EC consultation, 2020)

**By category of respondent**



**Figure 1:** EC consultation Oct 2019 – Jan 2020: ‘Alignment EU rules on capital requirements to international standards (prudential requirements and market discipline) (Basel III)’

The ESG-related question no. 191 was embedded in a section on the centralization of reporting and Pillar 3 disclosures and asked: “In your view, which further measures [to disclosures], if any, could be taken to incorporate ESG risks into prudential regulation without pre-empting ongoing work [..]?” Out of the total of 119 responses, 53 stakeholders provided feedback to this question, which hints to an intermediate level of interest in the topic. (EC consultation, 2020)



**Figure 2:** EC consultation Oct 2019 – Jan 2020: ‘Alignment EU rules on capital requirements to international standards (prudential requirements and market discipline) (Basel III)’. Question 191, coded for feedback on a GSF, N=38 and BPF N=21. Own representation

The majority of responses to the ESG-question dealt explicitly with the policy of a green supporting factor (N=38) as well as with, but to a lesser extent, a brown penalizing factor (N=21) (figure 2). In line with what the European Commission may have expected, the opposition to a GSF came from civil society, Finance Watch and the Austrian Federal Chamber of Labour, and from the German Banking Industry Committee and a few banks, mostly underlining the absence of a one-way relationship between the “brown” or “green” characteristic of an investments and its riskiness. But surprisingly, the outright embrace of a GSF (29%) was smaller than the camp that lent support to the EBA proposal (31%) of starting with Pillar 3 and 2, disclosures and supervision, before suggesting adaptations to Pillar 1. The latter camp “welcome[d] the staged approach taken by EU Authorities” (French Banking Federation) and found it necessary to await further EBA evaluations on the topic (French Banking Federation; European Savings and Retail Banking; Swedbank; ING Group; Triodos Bank; Autorité de Contrôle Prudentiel et de Résolution). The supporters of a GSF, like the European Banking Association, also pointed to a risk-sensitive component by stating that sustainable assets, “where a lower prospect of financial risk related to the ESG factors can be demonstrated, should benefit from a preferential prudential treatment” (also, Italian Banking Association). Other supporters more fully embraced a promotional element, with the need of an “incentive-based approach” (Banking\_a) which would “help align banks’ investment decisions with the EU’s ambitious sustainable finance agenda and help develop successful financial products and service[s]” (Banking and Payments Federation Ireland). A last fraction welcomed the alignment of the GSF to the EU Taxonomy and an ESG-extended supervisory framework (Banking\_b; European Association of Co-operative Banks; Austrian Federal Economic Chamber), thereby echoing the European Commission’s proposal. But the consultation overall revealed that the opposition to an early introduction of a GSF was larger (55%) than its proponents (45%) (EC consultation, 2020), a fact the European Commission also acknowledged in a later commentary on the issue (EC, 2021a).

The feedback provided on the brown penalizing factor (BPF) almost served to underline the private financial sector support for the prudential discourse. While civil society and the Triodos Bank among others favored a BPF (24%), a relevant percentage of stakeholders (33%) stressed that a BPF, similar to a GSF, was incompatible with the prudential framework (figure 2). The other opponents (43%) dismissed the proposal by “warn[ing] against” (German Banking Industry Committee) or “advis[ing] caution” with (Banking\_c) the introduction of a BPF, which could stifle a transition to a more sustainable economy or cause financial instability. While the risk characteristics of sustainable economic activities are disputed, it is important to note that the way banks employed a prudential discourse here can also work against a better prudential treatment of risks: As the Austrian Federal Chamber of Labor underlined, a ‘BPF’ is a misnomer since banks should out of the precautionary duty embedded in the prudential framework already account much more for this class of risks. According to a Finance Watch report (2021, p. 58), it would be “more appropriate to speak about the removal of an implicit “subsidy”” to fossil fuel assets, rather than portraying the BPF as an instrument with a political charge, as often done by the private sector.

A last finding from the consultation concerned the industry’s clear appraisal of non-binding market standards as set out by the Task Force on Climate-related Disclosures (TCFD) or the Network for Greening the Financial System (NGFS). In case of the NGFS moving against its own stated objective to *not* set a market standard, the sector found the “work [on scenarios] achieved by the NGFS [...] sufficient for now” so that “no regulatory framework should be established” (European Savings and

Retail Banking Group; also European Banking Association; European Association of Co-operative Banks). (EC consultation, 2020) The embrace of transnational fora and delegated authorities such as the Financial Stability Board-run TFCB and the EBA, typical for Western economies' liberalized financial markets, is a double-edged sword: While it provides the private financial sector with more liberties to self-regulate, it stands in the way of institutionalizing a promotional, or 'incentive-based' approach (D'Orazio & Popoyan, 2020; Baer et al, 2021).

For the European Commission those three instances, the EBA prioritization, the ECB engagement and the private sector response, made the continuation of a sustainability-related promotional discourse much more difficult. The last period of the first phase can thus be interpreted as a process of *retention* of the prudential discourse, in which the EC partly adopted it while still trying to retain a promotional element. In the renewed Sustainable Finance agenda from July 2021, titled "Strategy for Financing the Transition to a Sustainable Economy", the Commission moved the concept of 'transition' center stage: The new Sustainable Finance agenda mentioned the term a remarkable 65 times (EC, 2021b), when the 2018 agenda had only mentioned it five times (EC, 2018). But while 'transition' resounds of a more fundamental ecological modernization, in terms of ambitions the new agenda fell behind the 2018 one and rarely included *promotional* elements for banks. In Action 3 "To enhance economic and financial resilience to sustainability risks" the Commission articulates *prudential ideas* by inter alia aiming "to ensure the consistent integration of sustainability risks in risk management systems of banks, including climate change stress tests by banks". And ambitions on a GSF had shrunk to asking the EBA for a definition and support of green loans and mortgages (EC, 2021b). Behind the scenes the EC had begun to explore possibilities of putting more emphasis on Pillar 2, stress tests and the supervisory process (interview 15), instead of Pillar 1, compromising on *promotional* elements through a yet greater prospected involvement of the EBA and the ECB.

The difficulty EU legislators faced to introduce a 'green supporting factor' may appear puzzling at first sight given that the European Commission, partly the private sector and the ECB favored it at the beginning. But it can be understood against the background of the discursive and material re-organization that began to unravel at that point. One layer of this unraveling consists of resurfacing complexity, which Jessop's (2010) framework captures, which in this case means that sustainability was different from the challenges that regulators had faced before. The other layer refers to the agglomeration of governance mechanisms established between liberalized financial markets and delegated authorities, as opposed to political ones, and the discursive dominance of this actor constellation. Certainly, in practice both levels are inseparable, since in any social struggle the issues under debate always already have a certain, while constantly changing, meaning (Wullweber, 2019).

#### 4.2. Sustainability and the prudential framework between mid-2021 and 2024: How sustainability becomes a major prudential concern and the discourse narrows down

During the period of mid-2021 to 2024, the ECB began to actively shape the discourses and practices of relating sustainability to the prudential framework and it used its discursive powers to push banks into the direction of better C & E risk management. The EC responded to the greater resonance of the prudential discourse and suggested a prudential policy next to trying to still carry over a promotional element into the banking package. The prudential focus and a private-sector friendly framing of the

challenge then led towards a minimalist approach, that leaves banks room for profits from high-emitting sectors and deters supervisors from more ambitious steps forward.

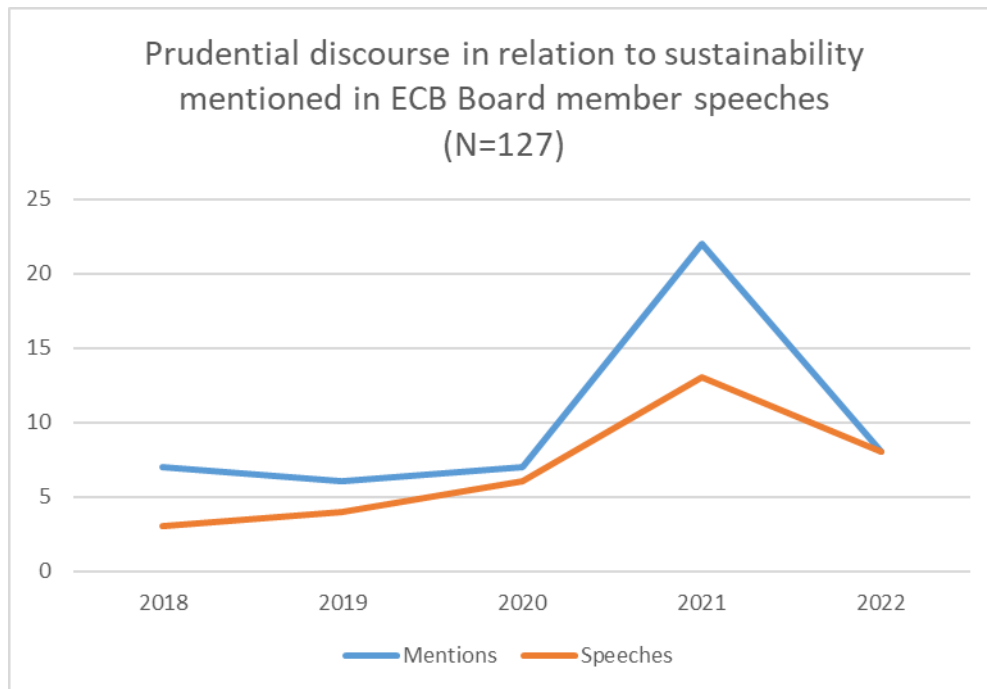
### The ECB publishes the results on sustainability within banks' risk management

While the last round of turning Basel III into binding law was underway between October 2021 and January 2024, the ECB became more strongly involved, both in terms of shaping discourses as well as practices. In July 2021 the EBA published its report for incorporating ESG risks into Pillar 2 and discussed various measures that could be integrated into the annual Supervisory Review and Evaluation Process (SREP) (Smolenska & van't Klooster, 2022; EBA, 2021b). In the SREP, supervisors including the ECB are concerned with both micro- as well as macroprudential issues and have considerable powers, such as: requiring banks to increase their capital ratios, divesting from certain activities and terminating products, removing members from the board of managers and imposing sanctions (Elderson, 2023b). In the words of an interviewee, during the evaluation process supervisors "see the bank completely naked" and can raise questions such as "what business strategy does the institution have, and what risk strategy? What risk management, control and measurement instruments are actually used? Is the risk controlling independent from the front office, is the internal audit department independent? Do they have enough people?" (interview 24)

By 2021, C & E risk considerations had not yet been integrated into the SREP, but the ECB planned various steps to reach that goal. The first step was to evaluate the 112 significant institutions by asking them to self-assess their practices against the ECB supervisory expectations from November 2020, as summarized in a correspondent ECB supervisory report. The results of the report were shocking: 90 percent of banks deemed their practices as only partially or not aligned with the ECB's supervisory expectations. In addition, some banks concluded that they were aligned since they found C & E risks not to be relevant, 'material', to their business (the so called 'materiality assessment' precedes every bank's own evaluation of different risk categories). (ECB, 2021; Elderson, 2021a) A main realization at that time was that banks had little measures in place to thoroughly assess their risk exposures and to evaluate their progress against concrete indicators and targets: Only 25 percent of banks used concrete indicators, and these only reflected a fraction of their portfolio. ECB Board member and Vice-Chair of the Supervisory Board, Frank Elderson, thus encouraged EU legislators to introduce mandatory *transition plans* with concrete milestones, since "[i]f banks fail to meet these milestones" supervisors could "take appropriate measures to ensure that this failure does not result in financial risk" (Elderson, 2021a).

The findings from the ECB supervisory report and an international debate on the risks from climate change led its board members, mostly Frank Elderson and ECB president Christine Lagarde, to problematize the issue in several speeches (figure 3): Against the perspective forwarded by the well-known economist William D. Nordhaus and others, that it could be more efficient to let the climate crisis run its course (critically, Finance Watch, 2023), and to "clean[..] up afterwards" (Elderson, 2021b), the board members defended a different position: An orderly transition entails greater costs in the near future, but the benefits from higher output and lower physical risks outweigh these costs in the longer term (Lagarde, 2021), a position that Mark Carney's speech on the 'Tragedy of the Horizon' already suggested. Elderson (2021b) underlined that "the cataclysmic and irreversible nature of green swan events imply that cleaning up afterwards is simply not an option". This shows that the

*prudential* discourse contains a variety of sub strands, including one that perceives the necessity to act as not proven, a fundamental challenge for supervision that Thiemann (2024) has pointed out. In this context, the ECB communicative efforts in the following years can be regarded as remarkable, ranging from catchy supervisory report titles such as “Walking the talk” (ECB, 2022), over stressing the integration of C & E risks as “Urgent and vitally important” (Elderson, 2023a), up to talking about the ECB’s “Powers, ability and willingness to act” (Elderson, 2023b).



**Figure 3:** Own representation, based on Aguila & Wullweber (2024)

The ECB leadership and its potential ‘market shaping’ role on the topic of sustainability has recently been discussed in the literature (van’t Klooster, 2022), and ECB board members have themselves commented on how ECB communications, inclusively the supervisory expectations, affect markets (Mersch, 2018). But at least two factors limit the ECB’s reach, especially in the case of sustainability. The first is the conservative character of the institution itself, which has already led to internal criticisms of Frank Elderson’s role in active communication (interview 58). The second and more far reaching, is the limits that prudential practices have within a liberal and strongly liberalized financial system: Despite the supervisors’ greater powers to intervene into banks’ businesses, the autonomy of the firm and its private decision-making is not fundamentally challenged. Also, financial and monetary policies are constructed as market neutral, opposed to deliberative government policies, which serves them to identify their responsibilities and associated practices. As an interviewee from banking supervision underlines, “banking supervision, especially microprudential banking supervision, does not push institutions to become greener. Nor does it push the institutions to become browner” (interview 24). S:he adds that they also do not care whether a bank chooses to also report on other things, such as its impact on the environment (inside-out risks), as long as it does so on the risks accruing to its balance sheet from the *outside-in* (interview 24).

The ECB until now also appears to apply this approach to the prospected introduction of transition plans. An interviewee from a civil society organization expressed some frustrations about the way the



ECB appears to delimit its own field of activity, probably knowing that once it made definite statements, its decisions would have more far-reaching consequences:

“They [supervisors] agree with our assessment that all these [still non-binding] transition plans are very different and very hard to compare [...]. But we said ‘well okay you’re the supervisor looking into transition risks, so you should actually go to those financial institutions and say like ‘hey, let’s put the right data on the table’”. *And so far, they have been pretty reluctant.* So they have been saying like, well, ‘who are we to decide what a good transition plan is?’ And I think that’s really not the [appropriate] reaction [to] that” (interview 22, emphasis added).

An emerging line of argument of how supervisors can permissibly respond to C & E risks and their degree of severity is the reference to *transition risks*, next to the other relevant category of physical risks. In 2021, Elderson (2021b) was optimistic about governments “turning strongly in favor of climate action” making “central banks and supervisors [...] benefit from the changing tide”. The rationale behind this is that since more ambitious green government policies increase transition risks, supervisors have a legitimate basis for increasing their relevance in the supervisory process. However, in the absence of such ambitions, the degree of supervisory action decreases – which, ironically, is unrelated to the reality of climate change (next to also increasing physical risks).

### The European Commission puts sustainability center stage in banking regulation

The *prudential*, risk-centered discourse and the ECB backing of *transition plans* strongly affected the final round of the Basel III implementation (amending the Capital Requirements Regulation (CRR) and Directive (CRD)). The European Parliament had originally time until summer 2022 to submit its feedback to the Commission proposal from October 2021, but the deadline was later moved to January 2023 (interview 20; EC, 2021c). The Commission proposal for the regulation (2021c) is remarkable in the way it put sustainability center stage: Directly following the main objective of increasing the stability of the framework without significantly raising capital requirements was “to enhance the focus on ESG risks in the prudential framework”, followed by only two other objectives (EC, 2021c). From figuring at the sidelines of banking regulation, as shown in the EC consultation in 2019/20, the Commission now acknowledged that “the transition to a more sustainable economy is likely to entail risks for institutions that they will need to properly manage to ensure that risks to financial stability are minimised” (EC, 2021c). The *retention* of the *prudential* discourse the European Commission unveiled in its renewed sustainable finance strategy from 2020 was *reinforced* and even culminated in the proposal of a brown penalizing factor (BPF): The Commission asked the EBA to explore the “possibility of a targeted calibration of a risk weights for items associated with particularly high exposure to climate risk, including assets or activities in the fossil fuel sector and in high climate impact sectors” (EC, 2021c). Interestingly the Commission maintained the task for the EBA to explore questions related to a GSF. It also demanded the EBA to deliver its results by 2023 instead of 2025 – apparently trying to increase the likelihood of a BPF and/or GSF introduction.

Higher capital requirements for high-emission sectors - a BPF - was what the private financial sector had wanted to prevent. Now with the policy figuring in the Commission’s banking regulation proposal, a coalition of civil society actors formed and pushed for its introduction. As one interviewee from a CSO recalls, proposals for a brown penalizing factor “had advanced considerably in Parliament” and the coalition “had drafted the corresponding proposed amendments, which were submitted and discussed a lot” (interview 20, also 25). Communicatively, the Commission engaged much less in the promotion of a BPF than it did regarding a GSF priorly and transition plans subsequently: In its

speeches a BPF is not mentioned once (EC press corner, 2024). The concept of a transition was then also central to turning the tide against the introduction of a BPF. The narrative that a small portion of the private sector had been building, that a capital penalty would stifle the necessary sustainability shift became dominant (interview 20), alongside the role it had been playing in the Commission’s own agenda. Technical reasons, such as that a brown taxonomy was lacking were leveraged against it and transition plans emerged as a political compromise (interviews 5, 33, 50).

As mentioned before, a brown penalizing factor, already involves a certain framing in relation to the prudential framework, facilitating its portrayal as politically motivated. As many CSOs have argued, assets in highly emitting sectors need to be phased-out in any given decarbonization scenario, and the danger of private sector free-riding on existing market structures and favorable profit rates is high when not countered by regulation and a different set of discourse. The way that supervisory authorities thus chime into this narrative can serve to *reinforce* and narrow down *prudential* discourses and practices. For example, the German supervisory authority BaFin states in its sustainable finance strategy from July 2023: “Supervisory law should pursue the objectives of solvency supervision, conduct of business supervision and market supervision only. [...] In this context, BaFin cautions against the implementation of *green supporting and brown penalising factors*, since this would result in capital requirements that are not consistent with risk” (BaFin, 2023, emphasis added). In a similar vein the EBA writes in a guiding report on the issue that the “analysis presented in this report is not aimed at using prudential regulation to increase demand for environmentally and socially sustainable assets or penalise environmentally and socially harmful assets” (EBA, 2023), but the organization provides room for the idea that such factors can be the *result* of a risk-based evaluation. However, the consequence of such reasoning becomes clear in this quote from an interviewee from the banking supervision:

“And if it turns out in retrospect - we don't have the data yet - that in 10 or 20 years *brown claims will show much less unexpected loss* than green claims. And if we have driven the overall economy towards green [i.e. with a GSF], but in doing so we have also contributed to higher unexpected losses [...] then we [have contributed] to a situation that we are supposed to prevent, according to our job description, namely: a financial crisis” (interview 24, emphasis added).

The perspective which dominates supervisory practices is one that stays purposely agnostic towards the compatibility of the prudential framework with the environmental viability of the economy.

Processes of semiotics and structuration	Application to sustainability-related banking regulation
<p><i>Reinforcement</i>: procedural devices favor certain discourses and associated practices and mute others</p> <p>‘Discursive selectivity’: certain sites of discourse are reinforced by through discursive fit with genre chains, styles, or identities</p> <p>‘Material selectivity’: certain sites of discourse are reinforced by the structural</p>	<p>The ECB starts applying the prudential discourse in its supervisory processes, and communicates to banks which management of C &amp; E risks it expects in the near future, i.a. Banking Supervision reports 2021-24, and several Board member speeches</p> <p>In the banking package negotiation between 2021-24 the GSF and BPF fail, and the EC is able to integrate prudential transition plans as a compromise</p>

features of an organizational or institutional order	With transition plans, the EC, ECB and EBA take up a private-sector initiative and mend it into a legal and procedural requirement, thus reinforcing a private-sector driven prudential discourse
<i>Selective recruitment, inculcation, and retention</i> of social agents by societal organizations or institutions depending on whether they meet the requirements in form and content consolidated by the prior factors	Specialized civil society participates in the consultation on transition plans, 2024

**Table 3:** Major factors in semiotics and structuration during the initial phase (mid-2021 - 2024) of integrating sustainability into the EU prudential framework

[EBA pillar I report]

[EBA consultation of transition plans]

[ECB report on misalignments]

## 5. Discussion and conclusion

[To be elaborated]

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## 7. Appendix

<b>Interview No.</b>	<b>Date</b>	<b>Field/Expertise</b>	<b>Where</b>	<b>No. interviews</b>
<b>1</b>	16.11.2022	Bank	in person	<b>1</b>
<b>2</b>	14.12.2022	Public bank	in person	<b>2</b>
<b>4</b>	13.07.2023	Academia	in person	<b>3</b>
<b>6</b>	16.02.2023	Think Tank	in person	<b>4</b>
<b>8</b>	18.09.2023	ESCB	online	<b>5</b>
<b>11</b>	04.10.2023	Environmental NGO	in person	<b>6</b>
<b>12</b>	11.10.2023	European Commission	in person	<b>7</b>
<b>13</b>	11.10.2023	Finance NGO	in person	<b>8</b>
<b>14</b>	11.10.2023	European Commission	in person	<b>9</b>
<b>15</b>	11.10.2023	European Commission	in person	<b>10</b>
<b>17</b>	26.10.2023	European Commission	online	<b>11</b>
<b>19</b>	27.10.2023	European Commission	online	<b>12</b>
<b>20</b>	27.10.2023	Finance NGO	online	<b>13</b>
<b>22</b>	01.11.2023	Think Tank	online	<b>14</b>
<b>24</b>	14.11.2023	ESCB	in person	<b>15</b>
<b>25</b>	17.11.2023	Social movement	online	<b>16</b>
<b>27</b>	22.11.2023	Asset management	in person	<b>17</b>
<b>28</b>	22.11.2023	Bank	in person	<b>18</b>
<b>31</b>	04.12.2023	Bank	in person	<b>19</b>
<b>33</b>	04.12.2023	Think Tank	in person	<b>20</b>
<b>50</b>	19.01.2024	Think Tank	in person	<b>21</b>
<b>51</b>	22.01.2024	European Commission	in person	<b>22</b>
<b>57</b>	22.02.2024	European Commission	in person	<b>23</b>
<b>58</b>	29.02.2024	ESCB	online	<b>24</b>
<b>59</b>	06.03.2024	Think Tank	online	<b>25</b>
<b>63</b>	27.03.2024	Finance NGO	online	<b>26</b>
<b>65</b>	22.04.2024	Environmental NGO	online	<b>27</b>
<b>66</b>	26.04.2024	Finance NGO	online	<b>28</b>