

Newsletter



7 November 2025

EBA Issues Guidelines on Environmental Scenario Analysis

The European Banking Authority (EBA) has published its Final Report on Guidelines on Environmental Scenario Analysis (EBA/GL/2025/04), marking another key step in the implementation of the EU's ESG risk management framework under the Capital Requirements Directive (CRD VI).



These Guidelines complement the EBA Guidelines on the Management of ESG Risks issued earlier this year and provide institutions with a structured approach to identifying, assessing, and managing the long-term impacts of environmental factors, particularly climate-related risks, on their business models and financial resilience.

Purpose and Scope

Environmental scenario analysis is designed to test how financial institutions would respond under a range of plausible environmental futures. The Guidelines distinguish between two main applications:

- Stress testing: assessing the institution's financial resilience to short-term shocks (e.g., severe climate events or abrupt policy shifts).
- Resilience analysis: examining the adaptability of the business model to medium and long-term structural changes linked to climate transition and environmental degradation.

While initially focused on climate-related risks, future updates are expected to extend coverage to social and governance dimensions once methodologies evolve.



Governance and Proportionality

Institutions are required to integrate environmental scenario analysis into their overall governance and risk management framework. This includes:

- Establishing clear internal scenarios endorsed by senior management.
- Ensuring cross-functional collaboration across departments.
- Applying proportionality, tailoring the depth and complexity of analysis to the materiality of risks and the institution's size and activities.

Smaller institutions may rely on simplified or qualitative approaches, while larger organisations are expected to develop progressively sophisticated quantitative models.

Implementation Timeline

The Guidelines will apply from 1 January 2027, following the entry into force of the EBA Guidelines on ESG risk management on 11 January 2026.

Institutions are encouraged to begin capacity-building, improve environmental data collection, and strengthen internal modelling well in advance of these deadlines.

Strategic Implications

Environmental scenario analysis is not only a supervisory expectation but also a strategic tool for anticipating systemic change. By embedding forward-looking assessments into planning and governance, organisations can better align strategies with the EU Green Deal, transition-risk management, and evolving sustainability disclosure requirements.



Miltos Apostolidis
Head of Business Efficiency
mapostolidis@saranti-partners.com
T: +302120216569

*This publication is provided for general informational purposes only
and does not constitute legal or other professional advice.*