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Climate-related risks to central bank independence: the depoliticisation and repoliticisation of the Bank of England in the transition to net zero

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ABSTRACT

Faced with ever-growing climate-related financial risks, the role of central banks in climate governance has intensified debates surrounding central bank independence (CBI). Informed by elite interviews with UK monetary policy experts and a discourse analysis of Bank of England reports, this article reveals the internal views on repoliticisation of the Bank and CBI catalysed by the mandate to 'facilitate the transition to net zero'. We find different interpretations of CBI that are shaped by perceptions of the Bank's existing political status, with some claiming that the Bank is intrinsically apolitical and immune to repoliticisation and others viewing CBI as fragile or a strategically-deployed discourse. Across three distinct views of politics, and by extensions CBI, we identify dual dynamics of depoliticisation and re-politicisation that serve to legitimate and depoliticise prior mission creep whilst simultaneously licencing politicising debates on the bank's institutional evolution. We demonstrate that the Bank of England is an indispensable case study in the green central banking literature for understanding the political economy of CBI within the context of climate change.

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Introduction

Central Banks are usually assumed to operate outside the formal political arena following the wave of central bank independence (CBI) in many Western states during the 1990s (Binder and Spinel 2017, Best 2022). In claiming neutrality regarding political and economic outcomes, occupying instead a technocratic position in the pursuit of ensuring macroeconomic stability (Sokol 2022, Thiemann *et al*. 2022) and embracing an 'apolitical scientific discourse' (Thiemann *et al*. 2022), central banks typify *depoliticisation* more than any other state institution (Langley and Morris 2020). However, CBI appears increasingly precarious in the post-2008 context, as central banks acted to save capitalism from possible collapse (Sokol 2022, Bailey and Jackson 2023) before the return of inflation has, amongst other issues, revealed central banks to be somewhat limited in maintaining financial stability. Yet, with greater climate-related financial risks (CRFRs) to come, it begs the question – does assuming a greater role in climate governance risk repoliticising central banks and undermining CBI?

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The Bank of England (henceforth BoE or the Bank) represents a pertinent case study of the challenge that climate change and climate governance presents to CBI, for not only is it one of the global economy's most important central banks, overseeing the financial district based in the City of London, but it has undertaken various institutional changes in response to climate risk (DiLeo 2023, Jackson and Bailey 2023, Jackson 2024a). Incidentally, Mark Carney's '*Breaking the Tragedy of the Horizons*' speech, now routinely thought to have been a defining moment in the development of climate policy within central banks, was made whilst governor of the Bank. Carney's intervention is considered to have 'disrupted the established discursive order which has successfully neutered the political dimension of central banking' (Thiemann *et al*. 2022, p. 4). Nowhere was this disruption more evident than Carney's predecessor Mervyn King arguing that CBI in the UK was put 'at risk' by the Bank being brought into the sphere of climate politics.

The BoE was granted 'operational independence' in 1998 amidst a broader wave of states establishing CBI that ran from 1982 through to the Global Financial Crisis in 2008 (Tucker 2018, Best 2022). The Labour Government's manifesto in the previous year pledged to 'reform the Bank to ensure that decision-making on monetary policy is more effective, open, accountable and free from short-term political manipulation' (Labour 1997, cited in Conaghan 2012). Establishing CBI in the UK meant that the Bank of England independently operates within the institutional parameters set by the government, which reserves the power to overrule the Bank on any of its decisions should it see fit under Section 19 of the Bank of England Act 1998. Institutional evolution since then has nonetheless been significant, from the expansion of the Bank's risk analytics, the introduction and the normalisation of Quantitative Easing (QE) as a tool of crisis management, and the development of its financial and macroprudential remit. As a result, the overall remit and authority of the Bank continued to expand significantly since 2008.

Climate change and the transition to net zero present another frontier of potential politicisation of central banks. Not least the BoE, which exhibits profound 'carbon biases' by presiding over the macroprudential and financial regulatory regime that has seen the City of London finance many of the global economies' largest polluters, purchasing high carbon assets through successive rounds of QE, and refusing to incorporate the 'polluter pays principle' into its collateral framework (Matikainen *et al*. 2017, Bailey 2023). Yet the BoE is also widely seen as an early adopter of action on climate change, following its first adaptation report on the topic (Bank of England 2021a, 2021c) and former governor Mark Carney bringing climate change onto the agenda of central banks globally (Bank of England 2015). In 2021, the Treasury gave the Bank the mandate to facilitate the UK's transition to net zero (BoE 2023), the latest in a series of environmental mandates bequeathed on central banks (Dikau and Volz 2021). No sooner was this mandated responsibility welcomed, it drew criticism as overly 'political' mandate that exceeded the Bank's technocratic apolitical role and distracted Bank officials from its main objective (Jackson and Bailey 2023).

Drawing on an original qualitative dataset, this article approaches the dynamics of BoE depoliticisation/politicisation over climate change and the net zero transition to make two distinct contributions. First, it reconceptualises depoliticisation by situating it within an account of the multiple meanings of politics, drawing principally on Paterson (2021). Second, it seeks to explore these dynamics by focusing on how they are experienced by and articulated by institutional insiders. We conducted elite interviews with HM Treasury officials and monetary policy experts alongside a documentary analysis of Bank of England documents. Our analysis revealed three divergent accounts of repoliticisation – which we have inductively conceptualised as (i) orthodox, (ii) technical and (iii) unorthodox. These empirical accounts cohere to the three differing understandings of politics conceptualised by Paterson (2021), as repoliticisation appeared, in large part, to be contingent upon where the boundaries of the 'political' are drawn. The differing accounts of repoliticisation are seemingly entwined with the developing *process* of climate politics in the UK, though it maintains it fundamentally resides within the *arena* of the government. Our findings thereby contribute both empirically and conceptually to scholarship that focuses on the complexities and contradictions of sustaining CBI in the era of ecological crisis, the institutionally uneven development of climate governance by the British State and the depoliticisation literature.

The article is structured as follows. The next section conceptualises depoliticisation and repoliticisation, and the notion of 'the political' which underpins them. The following section details our methodological approach. Thereafter, we document the empirical understanding of de/repolitication and the Bank's political status amongst interviewees, providing new insights into where different actors draw the boundaries of politics. Finally, we demonstrate how the case of the Bank of England provides insights into how climate change is reshaping state-central bank relations and in particular the question of CBI.

The political frontiers of central bank independence: theorising de- and repoliticisation

The operations of central banks have been exempted from the direct oversight of governments and the outcomes of partisan electoral processes for several decades, at least in many 'neoliberal' states in North America and Western Europe. In the wake of the 1970s stagflation and stimulated by the rise in influence of public choice theories about the 'political overload' generated by combined demands of vote-seeking politicians, budget-seeking bureaucrats, the perceived wage-spiraling demands of unions, and consumerist voters, the rationale of CBI was that the institutions ought to adopt a narrowly technocratic focus on ensuring price and financial stability free from direct intervention by politicians (Hay 2007). Much of the rationale for this independence was the public choice argument that politicians are electorally incentivised to skew business cycles to maximise their electoral benefits, rather than focus on longer-term financial and economic stability (Alesina and Summers 1993). The BoE was no exception, granted operational independence explicitly for this reason (Bank of England 2021b). CBI, however, remains a form of independence whereby governments retain the capacity to set the overarching targets, notably for inflation, for the Bank and appoint its Governors, whilst leaving its daily operations to Bank officials.

Depoliticisation

This form of independence is often understood through the concept of depoliticisation. Indeed, CBI is often taken as an emblematic case of depoliticisation in contemporary political life (Burnham 2001, Flinders and Buller 2006, Hay 2007). As we will see later on, despite the powerful role the Bank plays in UK economic governance and the distributional and ecological consequences of its policies, many central bankers internalise this conception and equate CBI with their activities being 'apolitical' or technocratic.

Depoliticisation is defined as 'the process of placing at one remove the political character of decision-making' by Burnham (2001, p. 128) and more expansively by Flinders and Buller (2006, pp. 295–6) as 'the range of tools, mechanisms and institutions through which politicians can attempt to move to an indirect governing relationship and/or seek to persuade the demos that they can no longer be reasonably held responsible for a certain issue, policy field or specific decision' (2006, pp. 295–6). A vast literature has developed since which incorporates varied institutional strategies (Burnham 2001, Flinders and Buller 2006) and the complex socio-economic and political contexts in which those institutions strategise (Hay 2007, Flinders and Wood 2014, Wood 2014).

Rapidly, however, much of the existing literature gets caught in a quandary: clearly depoliticisation doesn't in fact eliminate politics. In their introductory essay to their special issue on depoliticisation, Flinders and Wood, after offering their own definition of depoliticisation, immediately suggest that 'the paradox, however, is that few scholars associate depoliticisation with the removal of politics; and many associate it with the denial of politics or the imposition of a specific (and highly politicised) model of statecraft' (2014, p. 136). Later, they approvingly quote Jacques Rancière (1995, p. 19) stating that 'depoliticisation is the oldest task in politics' (Flinders and Wood 2014, p. 138).

The theoretical argument underpinning this article is that it is useful to account for depoliticisation more explicitly in relation to the multiple meanings of politics itself. Long understood as an 'essentially contested concept' (Gallie 1955), this means that there is no way of coming up with a concept of politics which is not simultaneously an intervention in the political field itself (Hay 2007). Specifically, we draw on Paterson's (2021) account which stresses three uses of politics as arena, power and conflict. Paterson draws on and extends previous accounts (notably Leftwich 2004 and Hay 2007) of the multiple meanings of politics. First, politics is a particular type of site or *arena* for collective decision-making, usually involving some sort of deliberative institutions like parliaments (though not necessarily democratic in character). Second, politics concerns relations and dynamics of power and authority: how it is distributed, exercised and legitimised, and what the effects of these power relations are (Weber 1919/1946). And third, politics is a conflictual process, arising out of differences of interest, power, or values among members of society.

Seen this way, the concept of depoliticisation is first and foremost about 'politics as arena': it entails taking authoritative decision-making out of collective, deliberative processes and into ones justified on other grounds. Indeed, 'arena-shifting' is a common term used almost interchangeably with depoliticisation (e.g. Flinders and Buller 2006). While other justifications for depoliticisation are possible, in this case, as in many areas of modern states' activities, these are technocratic ones, justified by reference to expertise as a source of authority, and to notions of 'sound economic governance'. But this process of taking the management of an issue out of political *arenas* needs to be understood as driven by particular *power relations (politics as process)*, and about avoiding or displacing the sorts of basic *political conflicts* that the issue generates (Paterson 2021). Seen this way, the paradox identified by Flinders and Wood mentioned above, or Rancière's apparently paradoxical statement, ceases to be paradoxes: each time the word politics (or its derivative depoliticisation) appears in those statements it denotes politics *in a different way* – arena, then power/conflict. Understanding these different usages helps us understand that the conflicts surrounding the policy area and power relations remain even if shifted to technocratic institutions, and as such the issue remains 'political' from the perspective of the second and third understandings of the term. Actors within a given institution or process may think they are operating 'outside politics', but that rests upon an understanding of politics reduced to a democratic arena.

This account of depoliticisation allows us to understand further how central banks are the exemplar of *strategic* depoliticisation (Fernández-Albertos 2015), benefitting both central bank actors with the discretion to implement unpopular policies (Donmez and Zemandl 2018) and government actors seeking to shift blame for economic outcomes (Mabbett and Schelkle 2019). van 't Klooster and Fontan (2019) have previously detailed that depoliticising central banks began as a government strategy but has since become embraced by central bank actors as they seek to cast themselves as technocrats and neutral experts distanced from the formal arena of politics.

Repoliticisation

If depoliticisation is a strategy of removing an issue from deliberative decision-making arenas, to shore up the power of particular groups and to avoid political conflict, then at a general level, (re)politicisation is the reverse process. It entails attempts to bring decision-making back into deliberative arenas. This usually entails contesting existing power relations, especially the ability of powerful actors to have privileged access to decision-making and thus entails forms of political conflict, both to contest power relations and to open up the decision-making arenas themselves. For the most part, such repoliticisation occurs through social movement activity or by particular crises that make existing arenas and power relations difficult to legitimise. But it may also occur from 'inside' a decision-making arena itself, with emerging contestation among political elites. The story of central bank repoliticisation around climate change is largely a case of the latter dynamic as we show.

As the remit and role of central banks have expanded during the 2010s, this has had consequences for the ability of central banks to sustain the claim of being outside politics. While the narrative of being a technocratic institution is not subject to the whims of politicians and outside the political *arena* may still largely hold, their *power and authority* have nevertheless grown along with these new roles, in particular, to allocate capital through asset purchases (Sokol 2022). They have assumed a leading role in promoting economic growth (Langley and Morris 2020), however reluctantly given the principle of independence (Bodea and Higashijima 2017), through bolstering government capacity and asset prices. The politics of exceptionalism invoked by these crises have placed great pressure on the notion of central bank actors as neutral technocrats and CBI more broadly, with Meltzer (2014, p. 5) arguing that '[i]n a major crisis, independence vanishes'. As a consequence, central banks have become subject to greater political attention and contestation since the 2008 financial crash and throughout subsequent crises due to the growing power of central banks in determining the trajectory of capitalist development.

This leads us to consider carefully the relationship between 'independence' as it is framed in relation to central banks, and the concept of depoliticisation. These are often conflated as if the formal institution of CBI insulates banks from politics (van 't Klooster and Fontan 2019, Coombs and Thiemann 2022). One aspect of this is the conceptual argument above – that depoliticisation of central banking takes it out of formal political arenas, but it is still political in the other two senses discussed above – embedded in deep power relations, and the subject of periodic conflict, not least from the governments who give them their mandates. But it is also the case that central banks perform a range of rather specific tasks in economic governance – inflation targets, money supply, setting interest rates, supervising/regulating banks, notably – and CBI mandates only capture a selection of these elements. Climate action within central banks accordingly affects these activities differentially, with some aspects of their repoliticisation associated with the question of CBI, while others aren't.

The dual dynamics of depoliticisation and repoliticisation

Amidst the confluence of demands beyond what is typically considered monetary policy, CBI is thus subject to these dual dynamics of depoliticisation and repoliticisation (Sørensen and Torving 2017). On the one hand, it remains depoliticised through its operational independence and expertise-based authority (van 't Klooster and Fontan 2019). On the other hand, it is repoliticised as a result of contestations around its growing power over capitalist development, the monetary financing of government expenditure and now climate governance (Langley and Morris 2020). To those committed to CBI, recent repoliticising forces have only made depoliticisation strategies more important, which has included basing QE on the principle of 'market neutrality' to ensure that the Bank's asset purchases would not distort the monetary allocations of private sector actors in ways which could be interpreted as 'political' (Best 2016, Tucker 2018, Bailey 2023) and the attempt of central bank actors to maintain the apolitical/neutral discourse to which it has become accustomed.

Neither depoliticisation nor re-politicisation are pre-determined or self-evident but are instead subject to conflicting narratives and ideas about economic governance. Differing interpretations of the remit and objectives of state agencies and contestation between situated actors in institutional contexts seeking to meet prevailing challenges. Depoliticisation can 'roll back' the frontiers of politics whilst contestation and conflict can repoliticise previously depoliticised organisations or trends (Jessop 2014, p. 10). The depoliticised status that CBI is bound up with is not pre-given, but rather depoliticisation has to be repeatedly *accomplished* (Bulkeley 2016), in the sense of entailing a great deal of rhetorical work in complex domestic settings to reaffirm the Bank as 'apolitical' (Buller and Flinders 2005, Wood and Flinders 2014, Baker *et al*. 2024). We need thus to understand that depoliticisation is both a phenomenon we may observe 'from the outside' but is also something that is constantly being reaffirmed in rhetoric and practice by actors within a specific institution.

Empirically, this is the principal focus of our analysis – how central bankers themselves engage in work to delimit the character of their work and organisational context as outside politics.

How CBI is maintained or diminished within the context of climate change is the subject of the following analysis. It is arguably the repoliticising force *par excellence* and governance institutions will be faced with intensifying contradictions in which both action and inaction will be overtly political in all three senses of the term developed above (Paterson 2021). For central banks, the governance of a financial system that is complicit in accelerating climate change and facing manifold risks of disruption presents a series of new challenges (Bolton *et al*. 2020, DiLeo 2023). Central Bank frameworks classify two primary forms of climate-related financial risks (CRFRs); physical and transitional. The physical risks include the impacts of extreme weather events as well as longer-term gradual changes in the climate which will increasingly disrupt business operations, cause direct damage to property and infrastructure, and raise commodity prices (e.g. oil, gas, wheat). The transition risks are threats to financial stability brought about by technological innovations, changing consumer preferences or political action intended to aid decarbonisation. Both are potential sources of repoliticisation for central banks. Insufficient policy action on the escalating physical risks, on the one hand, means overseeing increasing forms of financial instability of the type of central banks are trusted to ward off and accusations of institutional failure. On the other hand, the proactive introduction 'green monetary policies' that align the financial sector with climate imperatives (see: Bailey 2020, Langley and Morris 2020, Macaire and Naef 2023) represents economic interventionism of the type that will raise further questions for the CBI of a central bank. As such, central banks are 'balancing on a net zero tightrope', as Sarah Breedon (2022) put it.

Methodology

Our approach was designed to explore how the relationship between climate governance, repoliticisation and CBI was articulated by official documentation and policy actors. Our two-fold investigation, informed by comparable empirical investigations into the shift of central banks towards climate policy (Deyris 2022, Quorning 2023), sought to better understand elite perceptions of the risks of emerging forms of climate governance for CBI, the possibility of repoliticisation, and the dominant understandings of 'the political' which underpin the expressed viewpoints of repoliticisation. While the repoliticisation of central banks may have sources beyond the institutions – e.g. political leaders, social movements, crises (Burnham 2001) – the shifting discourses articulated among policymaking elites are useful in capturing the ideas and strategies of these contingent trends and counter-trends (Buller 2019).

This article explores the views expressed in official central bank documentation and by policy elites on the question of whether assuming a greater role in climate governance will lead to the repoliticisation of central banks in ways which undermine CBI. To achieve these insights, we carried out semi-structured elite interviews with employees at HM Treasury and monetary policy experts ($I = 7$) and a discourse analysis of speeches related to the subject of climate change and net zero ($n = 84$). The investigation produced data which was then categorised using an inductive approach that sought to display the range of viewpoints on the potential consequences of climate governance for CBI, producing the typology we outline in the following section.

The document analysis dated back to 2015 when the BoE first mentioned climate change (net zero was first mentioned in 2019) and covered the climate-related financial disclosures published by the Bank of England between 2016 and 2023 and the Climate Transition Plan (2023). All documents were thematically coded according to a grounded theory model outlined by Hay (2002). As the initial method of this analysis, the discourse analysis began with an open coding approach to the key terms climate change and net zero to all documents produced by the Bank's three main bodies: the Monetary Policy Committee (MPC), Financial Policy Committee (FPC) and Prudential Regulation Committee (PRA). After establishing the central points or 'axes' by which the Bank frames its role within climate policy, we then employed a Axial coding scheme to organise the data around (de/re)politicisation from the section above. The Axial coding theme thereby allowed us to identify the patterns by which the Bank seeks to rhetorically construct CBI in the context of climate risk. This data then formed the basis for interview questions. This enriched our understanding of the Bank's 'view' of its mandated responsibilities on climate governance and captures the interactions between Figure 1 shows the distribution of these speeches across time between 2015 and 2024.

The second stage of the research consisted of semi-structured elite interviews with representatives of the Treasury and monetary policy experts. Purposive sampling yielded specific and unique insights into the Bank's emerging approach to climate risk and governance and the purpose and consequences of the mandate. Our analysis is thereby informed by those who lobbied for the mandate and deliberate the incorporation of climate policy into the Bank's operations. The following analysis is therefore systematically informed by the 'expert knowledge' of persons close to the subject in question, who are often difficult to reach**,** from *within* the British State (Goldstein 2002, Burnham *et al*. 2008). All interviews were thematically structured but flexible enough to allow for an open discussion in which interviewees were encouraged to expand on their views as much as possible and signal possible additional avenues for our own research.

Many cited Mark Carney's governorship (2013–20), as the beginning of climate policy at the Bank (Interview: Treasury, A, C, D, Monetary policy expert B), noting that it made the Bank the leader of 'green' central banking during this time (Interview: Monetary policy expert B). In doing so, Carney acted as a 'green dove' at the Bank (Deyris 2022), in which he catalysed debate on the approach to addressing climate change within its mandate. Whilst Carney's governorship led to the Bank being considered an early leader in green central banking debates, our data analysis reveals the bank's action on climate related issues is subject to a range of diverse accounts of the risks to CBI, from which we inductively developed a typology of viewpoints that was linked to existing theories of the political. Detailed below, this typology identifies the complementarities and disparities of the views within the British state. The views expressed are critically examined in relation to the differing perspectives of other interviewees and dominant understandings in the literature.

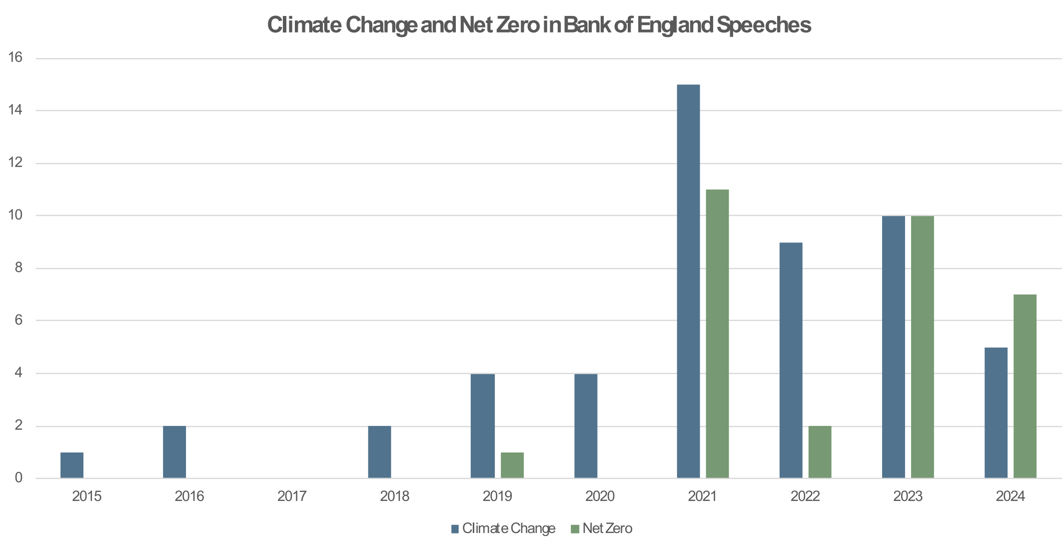

Figure 1. Climate change and net zero in Bank of England speeches. Authors graphic: number of documents collected over time. Note: net zero only became the formal UK policy goal in 2019. It shows that a spike in discussions of both climate change and net zero in the Bank's publications in the year the mandate was given, and then steady interest in the following years. This was indicative of the work already underway on climate risk in the FPC and PRA (the MPC afforded little attention to the subject at the time). We examine the implications of this institutional siloing of climate risk within the Bank below.

CBI and climate governance: the case of the Bank of England

How then do elite actors in the British State perceive the impacts of the Bank's emergent climate governance on CBI? Our data suggests that the answer to the question lies, in large part, where actors draw the boundaries of the 'political' we outlined in section two. Our data revealed three accounts can be discerned, that we term (i) orthodox, (iii) technical and (iii) unorthodox. To what extent the Bank is thought to have been repoliticised is therefore refracted through different understandings of the Bank's existing political status with the government. The inductive investigation therefore revealed that understandings of de- and re-politicisation are shaped by implicit ontological understandings of the 'the political', which in this case resulted in three differing accounts of the politicising effects of climate governance on the Bank and its implications for CBI.

First, the *orthodox* account is rooted in a narrow view of politics defined by 'politics as arena' (Leftwich 2004, Paterson 2021), which confined the area of politics to which takes place within the state, particularly the presiding government. This, by extension, understands the Bank to be outside the arena of politics since operational independence was granted and therefore not the subject of political conflict. As such, in this account, the Bank is effectively rendered 'apolitical' simply fulfilling its designated responsibilities given its relationship with the state (Interview: Treasury, C; D). As stated by an interviewee who was a proponent of of this view, they stated, 'the relationship between the Bank and government is clearly set out in the mandate given to the Bank every year' and it was not intended 'to implement policies through this [BoE] independent organisation' (Interview: Treasury, B). They continued to state that 'the head of the Bank of England is *not* a political figure and they do *not* have a political mandate so, in that sense, the leadership of the Bank *is* apolitical' (Interview: Treasury, B). The mere suggestion that the Bank might then have been repoliticised by the mandate was deemed by some interviewees to be a malicious falsehood made by external parties, including the interviewer (Interview: Treasury B; monetary policy expert B). It was also the prevalent view in BoE documents, where they routinely emphasised that climate policy was the responsibility of the government (BoE 2023). By existing outside of the official area of politics, the Bank is, by this view, depoliticised, but merely carrying out the political decisions made by elected politicians that can only be *conflated* as political.

Those with the official view of politics considered the Bank to have no political agenda itself, with climate governance depicted as the responsibility of the government, but subject to government political priorities (Interview: C; BoE 2023). That is not to say the state, as interviewees emphasised 'micro-managed', but gave it clear boundaries to operate within through the mandate (Interview: Treasury, B; C). Rather than any (re)politicisation having occurred, new institutional objectives delegated to the Bank, including attending to CRFRs, are seen simply as an extension of the Bank's macroprudential responsibilities, expressed in terms such as 'it's just our job now' or 'it's become law', and 'the decision to give [them] the mandate was political, but the institution is not' (Interview: Monetary policy expert, A). The orthodox view thereby portrays the Bank as a compliant agent, with its policies structured by other actors in the British State who reside within the official arena of politics.

In many ways, the official view is a symbolic expression of depoliticisation raised in the literature previously, in which state actors and official documentation continue to rhetorically present the Bank as 'outside' the political arena and therefore enabling unpopular or controversial policy actions through muting democratic and public contestation (Burnham 2014). It nonetheless empirically supports the view in the literature that policymakers see a formal separation of the Bank from the political arena, an argument routinely presented in the Bank's documentation (BoE 2021a, 2021b). If taken at face value, this viewpoint casts the Bank as a post-political technocratic institution with a narrow mandate simply trying to meet the objectives set for it by more powerful institutions of economic governance. As such, from this perspective, the Bank plays no role in the climate governance of the UK political economy because of CBI, with the Bank's implication in the transition to net zero only when it infringes upon its macroprudential responsibilities (BoE 2021b, 2023).

Second, the *unorthodox* view echoed the critical view of depoliticisation found in the political economy scholarship (Burnham 2014). The potential implications of climate governance on the depoliticised status of the Bank and the future of CBI were seen in a different light by others, who implicitly recognised that the arena of politics was not solely limited to the government. Instead, politics is about powerful institutions of authority and socio-economic conflicts. The unorthodox account, cutting across all three of Paterson's conceptions of politics, depicted the Bank and its actions as inherently and acutely political (Interview: Monetary policy expert B). From this perspective, the Bank remains a powerful actor in shaping capitalist development and socio-economic outcomes, and there is an acknowledgement that neoliberal understandings of resource allocation shape its actions. The depoliticisation of the Bank, upon which CBI rests, is partial and perhaps temporary. Repoliticisation can thereafter arise from an array of sources, including climate governance but also, as recently seen, interest rate rises made controversial by their seeming ineffectiveness at arresting inflation.

Finally, between these positions, we found a third account we term the *technical* view. This account concurs with the orthodox view, insofar as the Bank exists outside the formal arena of politics, that it has no political agenda or motives of its own and is populated by technocrats. Yet, there was an acceptance that the Bank's actions have powerful political implications, most notably socio-economic and environmental consequences which are potentially re-politicising (Interview: Treasury D; Monetary policy expert, A). As one interviewee framed it, the technical view understands the Bank to be an institution 'delegated' a political role (to oversee monetary and financial regulation), though they are subject to the Treasury and the chancellor, with the government the sole shareholder (Interview: Treasury, E). Rather than the orthodox and unorthodox views of the Bank, the technical view provides new insight into the literature in that it continues to see the Bank as outside of the formal arena of politics but does not consider this to constitute an apolitical institution. Instead, it views the Bank's political status at any time to be the product of a given institutional arrangement.

Such a view is implicitly rooted in an understanding of politics that combines 'politics as arena' and 'politics as process' in that it recognises the broader power relations of governance and exogenous factors were causally significant in re-designating the Bank as an institution beyond the formal realm of democratic contestation and that the relationship between the central bank and government may shift in future. In other words, just as the rationale for the current state-bank relations had been legitimised since the 1990s by the perceived Great Moderation that corresponded with CBI, so too is delegitimised when the state seeks to alter this arrangement. Therefore, whether it be financial instability necessitating central banks to buttress the economy through QE or implement climate-orientated policies to reflect government objectives, CBI appears fragile and subject to changing circumstances and political and economic shifts. Whilst differing from the unorthodox viewpoint that the Bank is already and unavoidably political, this account recognises that the Bank can be repoliticised by the government at a time of its choosing (Interview: Treasury A; E). Reflecting the technical view, some interviewees expressed resentment of the Bank being forced into 'political situations' and others expressed wariness of further 'mission creep' for fear of politicisation.

Accordingly, where the technical account differs from the orthodox is that it recognises that the Bank's actions, from QE to the transmission of interest rates, *can* have political implications, either in terms of re-shaping the political arena (e.g. via affecting the government's fiscal capacity) or affecting the trajectory of economic development. Moreover, there was an awareness of the many criticisms levelled at central banks since 2008 (Best 2022, Sokol 2022) but the resolution of any 'political implications' of monetary policies are seen to be the responsibility of fiscal policy-makers in democratically-elected institutions. The perceived forces of potential repoliticisation and the threats to CBI are multiple, but the 'greening' of the Bank is a principal concern. One interviewee stated that 'if they [the Bank] want to act on the science of climate change they have little choice but to play a political role' (Interview: Treasury B). Another claimed that any action on climate policy was unavoidably political, making the Bank more directly the monetary arm of the government (Interview: Treasury D). There are fears that the new mandate to 'facilitate the transition to net zero' and

Table 1. Conceptualising politicisation and CBI from inside the British state.

Perceptions of CBI	View of politics	View of Central Bank depoliticisation and repoliticisation	View of emergent climate governance its consequences for CBI
Orthodox	Politics as arena	Central bank is ontologically post-political or apolitical by virtue of its operational independence. It is a technocratic institution simply fulfilling the tasks set by its mandate. As such, the Bank cannot be repoliticised.	CBI is unthreatened by the development of climate governance. The expansion of its remit to incorporate secondary 'green' targets has been determined (at least officially) by the Treasury, whilst it professes a similar lack of power and agency in acting upon the new risks to macroeconomic stability highlighted by its technical modelling exercises.
Technical	Politics as arena & politics as process	The Bank is no longer part of the formal political arena and is now a technocratic actor filled with technical experts, but recognition that central banks are increasingly powerful. They are subject to broader power relations of governance and are forced into 'political situations' and policymaking with political implications.	Wary of climate governance for fear of repoliticisation. Acute awareness that central banks can be 'politicised; by the government, however briefly, during the moments it is required to exceed the technocratic accomplishment of its narrow mandate. Also, awareness that policy actions to ensure macroeconomic stability can have overtly political 'implications' for environmental and social outcomes. This renders climate governance a threat to CBI. New mandates an attempt to depoliticise past mission creep.
Unorthodox	Politics as arena & politics as process & politics as conflict	Central banks are inherently politics as they wield significantly power with socio-economic and environmental consequences. Notions of depoliticisation is disingenuous. Operational independence as and is a strategic form of depoliticisation.	The depoliticised status upon which CBI rests is being eroded by climate governance and other concurrent issues. Climate governance has caused mission creep, which the new mandate has depoliticised to some extent, but his only creates new form of repoliticisation in the context of intensifying CRFRs.

consequential policy developments will lead to further incremental transgressions of its narrow remit and prompt further questions about its role. Table 1 provides an overview of these views.

The new mandate to facilitate the transition to net zero, officially bequeathed by the Treasury but unofficially the result of Bank lobbying (Jackson and Bailey 2023), is a landmark moment in the development of the Bank's climate governance. There are once again dual dynamics of depoliticisation and repoliticisation to detect here. On the way hand, the mandate serves to legitimise previous forms of mission creep. This includes the development of climate risk analytics through initiatives such as the Climate Biennial Exploratory Scenario (CBES), which projects scenarios of the financial instability resulting from climate change and stress testing the capacity of the Bank to adapt to CRFR. It also includes the incremental 'tilting' of the Bank's Corporate Bonds Purchasing Scheme. The new mandate serves to legitimise and counteract contestation over these climate-related actions.

Simultaneously, the net zero mandate could be licencing new forms of mission creep. As was acknowledged by several interviewees, the net zero mandate legitimises discussions of more radical policy options, including the deployment of a framework that fully incorporates climate risks into its QE asset purchases, the proactive acquisition of 'green bonds', and the expansion of the government's fiscal space to invest in a net zero transition (Interviewee: Treasury C, D and E). These policy developments are the subject of internal discussion orchestrated by the 'Climate Hub' which has served the Bank as the 'one-stop-shop' for climate policy (Interview: Treasury A, C, D).

That the mandate was both perceived to be a repoliticisation of the Bank and/or simply adjusting the mandate of an inherently depoliticised institution by our interviewees is indicative of the ambiguity that dual dynamics seek to interrogate. Similarly, the institutional mechanism of setting a mandate within the CBI arrangement is strategically advantageous for the Bank in obfuscating its meaning and consequences. It serves as cover not only for the institutional evolutions that have taken place but also enables unspecified future institutional changes. The opacity licences collaborative internal discussions of how to 'green' the operations of the Bank, rather than determining a specific set of actions or policies. Some interviewees believed that the mandate could lead to significant alterations to policy, as Bank actors are often more radical than their fiscal counterparts (Interview: Monetary expert A), and it was claimed that several influential figures are looking to be 'pre-emptively reactive' in the case of climate change and seeking creative solutions to green monetary policy (Interview: Treasury D, E).

Any short-term institutional evolutions resulting from the new mandate are likely to be asymmetric, with the most significant changes occurring at the points of least resistance in ways which don't overtly threaten existing operational practice. Specifically, the mandate appears to have simply justified the identification and measurement of CRFRs (BoE 2021b), encouraging the development of climate risk measurements amongst banks and insurers, eliciting the voluntary disclosures of climate risk amongst financial institutions, or 'stress testing' of financial institutions to ensure capital requirements provide apposite capital buffers for potential shocks (BoE 2023). As a result, we found the mandate to be siloed into the FPC where risk analytics were adapting to incorporate CRFRs. Little consideration has thus far been given to the possibility that the MPC could act on the mandate by introducing repoliticising measures such as 'Green' QE, punitive lending conditions for fossil fuel industries, differential interest rates or the monetary financing of government expenditure (Bailey 2020, Carney 2021).

Central bank independence in the context of climate change

The principle of eschewing overtly political action and protecting CBI prevents many central banks from taking greater action on CRFRs, even as environmental mandates are adopted (Dikau and Volz 2021). The institutional struggles and conflicts around climate governance have resulted, so far at least, in a conservative interpretation of what a transition to net zero entails for central banks: the orthodox view has largely prevailed (DiLeo 2023, Jackson and Bailey 2023). The new mandate remains an ancillary objective with few short-term implications beyond stress testing possible impacts of climate change, recalibrating risk management modelling, encouraging voluntaristic action by financial institutions in the form of risk disclosures and, where necessary, counteracting the financial disruptions of a transition led by governments and markets.

As debates of 'green', or more accurately green(er), central banking continues to become of growing interest for political economy scholars, this might initially suggest that central bank have undertaken a significant shift in their monetary policy operations. On the contrary, the Bank of England, often considered the foremost proponent of green central banking indicates that it is not the case, at least at the scale required to meet the UK's Net Zero objectives (DiLeo 2023, Jackson and Bailey 2023). The typology we outlined above contributes to our understanding as to why this is the case, for orthodox views of CBI continue to constrain the Bank (Baer *et al*. 2022). The Bank, like other central banks, *could* develop stronger forms of climate governance should it only recognise the technical or unorthodox understanding of CBI that are contrary to that which it is most familiar. As we have shown, this is not a normative position we propose for the Bank independently of the empirical findings, but views present within many experts *within* the British state itself. Acting on these alternative views of the Banks potential role, and indeed responsibility, would, however, inevitably threaten CBI, as the monetary policies that mitigate climate risk will almost certainly have controversial distributional implications and would serve to destabilise significant features of the British political economy, thereby repoliticising the Bank.

Faced with growing CRFR, the institutional processes and strategies of depoliticisation will thus be increasingly tested and shaped by the shifting and complex structural conditions in which they are embedded within orthodox views of CBI. In the UK context, transition risks are currently seen to be far more destabilising in the short-term than the physical risks of climate change – a situation underlined by many of the Banks senior figures following Russia's invasion of Ukraine, and the subsequent fossil fuel energy supply shock, which they deemed to served as 'a reminder of the costs of disorderly transition' as opposed to cause for structural change (BoE 2023). On the contrary, recent financial disorder was, in large part, a result of fossil fuel dependencies, and the more recently the impact of climate change on core goods, such as food yields, in what has recently been described as 'fossilflation' and 'Climateflation' (Jackson 2024b). That the Bank raised interest rates on 13 consecutive occasions during this time, an aggregate rate of +5.24 between 2021 (0.1 per cent) and 2023 (5.25 per cent) in bid to 'cool' the economy, thereby only made further shocks more likely by making comparatively smaller 'green' firms, required to mitigate against climate risks, uncompetitive with fossil-fuel large incumbents (Jackson 2024b). As such, the inaction of the Bank now begets greater physical risks in the future. Therefore, whilst orthodox views of CBI and monetary policy remain dominant for now, assessments of relative climate risks will in future decades be fundamentally challenged both by ecological breakdown and by the broader political-economic transformations entailed by decarbonisation (Paterson 2020, Bailey 2023, Jackson 2024a) whether the Bank accepts it or not.

As the physical risks of climate change escalate, and Bank projections reflect the destabilising impacts on the UK and global economy, the view that restrained climate governance is the optimal strategy of safeguarding CBI may be subject to contestation and re-interpretation. At some stage, a tipping point will be reached whereby projected physical climate risks become more destabilising than projected transition risks, rationalising transition as the least destabilising economic pathway. At this point, strategies of climate governance and depoliticisation within central banks will be increasingly difficult to sustain effectively. What is unclear is whether repoliticisation occurs via elite conflict within the Bank, as actors reflecting what we call the technical and (especially) unorthodox views gain more authority within the Bank but which compromise CBI, or the Bank is forced to shift course by external event in ways that undermine CBI.

Conclusion

Our empirical investigation of the Bank of England inductively revealed three accounts developed by BoE insiders of how CBI is being challenged or undermined by the development of climate governance, which we have termed (i) orthodox, (ii) technical and (iii) unorthodox. All three accounts present differing views on the de- and re-politicisation of the Bank, resulting from differing understandings of the Bank's existing political character, and consequently lead to divergent views on the implications of climate governance for CBI. The orthodox account posits that the Bank is ontologically post-political regardless of green institutional evolution, the technical account recognises potential forms of politicisation that could undermine CBI, and the unorthodox account posits that the Bank is already inherently political. Each account thereby provides different interpretations of how climate governance within the Bank is conditioned, shaped and even contradictory to CBI.

By alighting upon the climate-related risks to CBI within the BoE, we make several contributions to the political economy literature concerned with 'green' central banking. Our findings demonstrate the diversity of views from within the Bank on the complexities and strategic dilemmas of protecting CBI in the era of ecological crisis and emergent forms of climate governance (Dikau and Volz 2021, Langley and Morris 2020, Jackson 2024b). The inductive investigation into depoliticisation within governance institutions demonstrates how perceptions of depoliticisation are refracted through differing conceptions of politics. These views will co-evolve with public perceptions of the Bank, however, which are beyond the bounds of this study but may prove even more powerful in repoliticising central banks and shaping the future of CBI. Public satisfaction with the BoE is already at the lowest point on record due to concurrent political issues such as high interest rates and attacks by Conservative MPs (DiLeo 2023, Jackson and Bailey 2023), but the escalation of CRFRs and new forms of climate governance will test its depoliticised status further.

The Bank's public commitment to the orthodox view demonstrates how forms of mission creep, for processes already underway at least, can be depoliticised whilst simultaneously serving to licence strategic political debates regarding whether such institutional evolutions still constitute CBI. Our findings suggest that as the climate crisis, and by extension CRFRs, escalate they will further erode the prevailing view technocratic, apolitical central banks (Best 2022, Deyris 2022, Sokol 2022, Quorning 2023). Caught in these intensifying contradictions and strategic dilemmas posed by climate governance, the technocratic independence of the Bank will only be tested further. As such, existing depoliticisation strategies of eschewing overtly politicising actions and maintaining 'market-neutral' governance will become increasingly difficult to sustain. As the conflicts and contradictions mount, climate change will represent the repoliticising force *par excellence* (Paterson 2021, Paterson *et al*. 2022), affecting all political actors and central banks will be no exception. Over the course of the preceeding analysis, we have thereby attended to the question of whether greater climate governance might undermine CBI, revealing that it most certainly has and will continue to do so. The implication of our analysis consequently begs the fundamental question of – how long can central banks persist with orthodox views of 'market neutral' governance that shores up a carbon-intensive economic trajectory without inducing the worst CRFRs that lead to the repoliticisation of its very independence? The answer to this question will not only determine future financial stability but also influence whether climate change can be averted.

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