HOUSE OF COMMONS

Environmental Audit Committee

Oral evidence: Preparations for UNFCCC COP27, HC 247

Wednesday 25 May 2022

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Watch the meeting

Members present: Philip Dunne (Chair); Sir Robert Goodwill; James Gray; Clive Lewis; Cherilyn Mackrory; Jerome Mayhew.

Also in attendance: Darren Jones, Chair, Business, Energy and Industrial Strategy Committee; Gareth Davies, Treasury Committee; and Ruth Cadbury, Transport Committee.

Questions 1 - 37

Witnesses

I: Rt Hon Alok Sharma, President, UNFCCC COP26; Alison Campbell, Deputy Lead Negotiator, 26th Conference of the Parties to the UN Framework Convention on Climate Change (COP26), Cabinet Office; and Peter Hill, Chief Executive Officer, 26th Conference of the Parties to the UN Framework Convention on Climate Change (COP26), Cabinet Office.

Examination of Witnesses

Witnesses: Rt Hon Alok Sharma, Alison Campbell and Peter Hill.

Q1 **Chair:** Welcome to the Environmental Audit Committee, which today is hosting representatives from other Select Committees for our session on COP, following on from sessions held last year in the run-up to COP26. We are very pleased today to be joined by Alok Sharma, who remains President of COP26, and he is joined by his officials who were with us last year: Peter Hill, welcome to you, and Alison Campbell. I would also like to welcome Darren Jones, who is Chair of the BEIS Select Committee, Gareth Davies from the Treasury Select Committee and Ruth Cadbury from the Transport Select Committee, who are joining us for our session today.

I will ask an opening context-setting question, Alok, for you to give us a minute or two on your impressions, hopes and disappointments from the experience of COP26 and what you are trying to achieve in the remaining tenure until COP27 in Egypt.

Alok Sharma: In terms of COP26, what we got over the line was pretty historic in terms of the Glasgow climate pact. That is certainly the view I hear from Ministers around the world as we continue to engage, but I said at the time—and I have continued to repeat—that these are words on a page and, frankly, until and unless these commitments are turned into action, we are not going to see the progress that we want. I think we were able to say with credibility that we kept limiting global temperatures to 1.5° within reach because of the commitments that were agreed upon, but they need to be delivered.

We are at the six-month point between COP26 and COP27. I went back to Glasgow to give a speech on this issue and we have just held a ministerial meeting in Copenhagen as well, bringing together almost 50 Governments, which was about what progress we have made. I think the scorecard is that there has been some progress but, frankly, not enough. There needs to be a lot more over the next six months. Ultimately, it is leaders who made these pledges—120 of them turned up to COP26—and they need to deliver.

I can go through the areas where we think there has been progress, if that would be helpful.

Q2 **Chair:** It would be very helpful, in particular, if you could give us an update on the nationally determined contributions and how many countries have made what kind of commitments since Glasgow, to build on Glasgow.

Alok Sharma: The overall commitment made by countries was that they would look again, as necessary, at their 2030 emission reduction targets by the end of 2022 to see whether they could be improved to align with the Paris temperature goals. We have had another 11 NDCs come forward since COP26. At the Copenhagen meeting, a number of countries said they were looking very actively at updating their NDCs, including some larger economies as well. As with the previous NDC round, quite a lot of this starts to come in as you get closer to the COP. I hope we will see more of these come through, but the key issue for me is the biggest emitters, which are the G20. They represent around 80% of global emissions and they are the ones that matter. We have been talking to our colleagues in Indonesia, who are hosting the G20, to see how we can try to make progress through that forum. The reason I have to leave after this Committee to go to Berlin is because the G7 ministerial on climate, energy and environment is taking place, and I hope we will see a good communiqué there. There has been progress but, as I said, we need to see a bigger acceleration.

Two other areas where we have seen some progress is on adaptation plans. Another eight have come forward. We now have around 85 in total, covering around 2 billion people across the world. On the issue of finance, we agreed in Copenhagen that there would be an update on the $100 billion delivery plan that came out last October. That will come before COP27, again co-ordinated by the German and Canadian Governments. It will be very important in this to show some progress on the finance piece.

Q3 **Chair:** We will come on to that with some specific questions, so that is good to hear. Frankly, do you think the objective set for your presidency, to keep 1.5° within reach, remains valid, or do you think we are beyond that stage?

Alok Sharma: It absolutely remains valid. I guess the proof of the pudding at the end of this will be when the UN reports again as part of the synthesis report and other reports on what has happened in terms of emissions and the pledges. What we want to see is a downward trajectory compared to the last report that came out.

Q4 **James Gray:** Very briefly, just to feed in an idea that I have always had, I was lucky enough to attend the first COP, which was in Buenos Aires, I think—South America, anyhow—in 1992. Is there not an argument in favour of producing a document that shows the progress of all COPs since then so we can see the direction of travel up until now? That might be a helpful thing to have.

Alok Sharma: There are obviously scientific reports that come out. The IPCC is bringing out its reports showing what has been happening in terms of emissions. The last IPCC report that came out some weeks ago said that emissions growth is slowing, which is positive. It talked about the technologies that are available to allow us to make progress towards net zero. I think, overall, the scientific view is that before Paris we were heading towards 4° of global warming by the end of the century. After Paris, it was over 3° and now it is below 2°, but that is based on the commitments that have been made.

Q5 **James Gray:** That is not quite what I meant. What I meant was a very simple document, a one-pager, which shows each of the 26 COPs, what the targets were and how many of them have been achieved. A very simple tick-box exercise to demonstrate that there has been a significant move in the 30 years and therefore the thing is progressing.

Alok Sharma: I think that is a very interesting idea, but the key issue for very many people is what has happened in terms of emissions and what has happened in terms of global warming. The reality is that, unfortunately, global warming has continued to increase. The latest scientific evidence suggests that we are 1.1° of global warming above pre-industrial levels. What we have to look at, in terms of progress, is what the UN synthesis report and UNEP reports say in future, as well as future IPCC reports.

Q6 **Chair:** When you appeared before us in December, you indicated that you thought the $100 billion finance target would potentially be met during this year, but certainly by 2023. Can you update on us whether there has been any more progress on those commitments?

Alok Sharma: At COP itself—and I may have said this last time, Chair—a number of additional commitments on finance were made by developed nations. The most significant was Japan putting forward another $10 billion over a four to five-year period. With this, it will depend a little bit on the trajectory of that spend and whether it is frontloaded or backloaded. I feel pretty confident, based on the figures, that we will get there in 2023. Let's see what the updated finance report shows, but I think the other very important issue for many developing countries is of course the quantum, but it is also the issue of how much of this money is going to adaptation.

The next COP is being held in Africa, which is responsible for less than 3% of global emissions, but it is having to bear the brunt of climate change, and therefore the amount of money that goes to adaptation is very important. One of the commitments we got out of COP26 was a doubling in the amount of adaptation finance provided by 2025, so $40 billion by 2025. One of things we are asking for is for developed nations to set out during this year what the spending trajectory is, particularly on adaptation finance.

The second issue that is very important for them is access to finance. It is fine talking about billions of dollars, but how much money is actually reaching the ground? We set up the access to finance taskforce, which the UK co-chairs with Fiji. We have five pilot projects running in developing nations, which I hope will provide some answers about how we can more easily mobilise funds on the ground.

Q7 **Cherilyn Mackrory:** Can I ask you about the NDCs, when they are being submitted and the nations that are submitting them? Taking Brazil, for example, it was recently reported that it adjusted its baseline and the prediction is that it will potentially increase its emissions as a result. Could you comment on that, with Brazil as a specific example to start with, and then talk a little about how we—I guess "police" is the wrong word—help to enforce that so it doesn't happen?

Alok Sharma: It is not unusual that there are effectively inventory updates. I think what has happened in the case of Brazil—I will ask Alison if she wants to comment in more detail—is exceptional in terms of the movement. In basic terms it had a target, it then revised it so it wasn't as good and now it has basically gone back to where it was. The interesting thing with Brazil, though, is that nearly two thirds of its emissions are from land use and issues around forestry. What Brazil has done is set annual targets by which it will reverse deforestation. I think the target for 2022 is a 15% reduction. It will be held accountable for this, but there is an economic pressure as well, because it wants to join the OECD.

I was in Brazil in the last few months and we had this discussion. There was an open letter from Mathias Cormann, who runs the OECD, to President Bolsonaro saying, "One of the criteria is that you have to meet the commitments you made at COP26. You have to meet your commitments on forestry and biodiversity." There is effectively an economic pressure that is also being applied, and I have spoken to many businesses in Brazil who understand that, if they want to attract inward investment, as a country they will have to be seen to be doing the right things in terms of the environment.

There are pressures that can be put on countries as part of this process, but there are also economic pressures that effectively get applied as well. Alison, do you want to comment a little on Brazil moving backwards and forwards?

Alison Campbell: First of all, it is common for countries to change their inventories if they get better data. Brazil had a base year of 2005 and it updated its data for its emissions in that year. The unusual thing about Brazil is that it was a pretty large adjustment, almost half a gigatonne, which is quite large. It meant that when Brazil confirmed the target it had put forward in Paris, in real emissions terms it was less good than it had been previously. It has now updated it, so it is almost the same as it was in Paris.

The important thing is that the information countries have to provide in the NDCs makes it quite transparent when things like that are happening. That is why NDCs are so important, and it is why countries put so much stock in them and why it takes so long to get agreement around them domestically. With the new reporting provisions that we agreed at COP26, which will come into play from 2024, it will be even more stringent, with all countries reporting exactly the same types of dates at exactly the same types of time.

Q8 **Cherilyn Mackrory:** I am trying to find out what mechanisms are in place to keep things consistent. Is the reporting enough, or does there need to be more?

Alok Sharma: Let me see whether I can answer this. You are legally required to produce an NDC, and you are required to report against it. What goes inside your NDC is up to you as a Government. What we want to see, of course, is whole economy NDCs being produced. The transparency framework—which is one of the things that Alison, Peter and others worked very hard to get over the line—means there is now unified reporting, so every country will be required to enter the same metrics in these tables. We are happy to share and write to you, Chair, with all these tables that are required to be filled in, but that will very clearly provide a check against the commitments that were made. In addition to that, you also have external parties like E3G and Carbon Tracker, who are also looking at what is going on in terms of the commitments and the actions. There is quite a lot of—how can I put it?—scrutiny available on this.

Q9 **Cherilyn Mackrory:** If you could wave your magic wand, would you improve it? If you could improve it, how would you like to improve it? How would you like to see improvements made?

Alok Sharma: If you are talking about the reporting side of it, I guess the magic wand is that we would somehow have all of this working with the software and the training so that countries could report earlier than 2024, but the timetable is, of course, ultimately controlled by the UNFCCC, because it is responsible for this. Short of that, we just want to make sure that countries come forward with improved NDCs. That is the bit we are now working on for the remaining six months.

Q10 **Ruth Cadbury:** Alok, there are many countries in this world, particularly low-lying and island nations, that have been extremely badly affected by the adverse impacts of climate change. The Glasgow Dialogue and Santiago Network are supposed to be addressing the costs of the loss and damage under this. What progress has been made under the Santiago Network and the Glasgow Dialogue mechanisms to mobilise funding to address loss and damage?

Alok Sharma: You are right, Ruth. This is a very important issue for very many countries, and the fact that the next COP is happening in Africa is also particularly pertinent. In terms of the Santiago Network, which is ultimately about providing technical support for countries to deal with issues of loss and damage, there was a meeting of technical experts in Copenhagen earlier this month to try to progress this. The aim is to get the whole thing operationalised and up and running by the time we get to COP27.

The next stage is the meeting of subsidiary bodies in June, where this discussion will be taken further forward. The key issues that came out of Copenhagen, with the meeting of Ministers we had a few weeks ago, was basically a universal view that we must try to get this done by the time we get to COP27; it should be one of the successes that comes out of it. What I said at that meeting is that the draft terms of reference, which I think are going to be discussed in Bonn at the subsidiary body meetings—

if we can get to the end of those subsidiary body meetings and have agreed the terms of reference—will move this whole issue forward pretty far and will allow us to be on a trajectory to try to get this operationalised by COP27. I think there is a willingness and goodwill. We will just see whether or not that can happen.

On the issue of loss and damage, as you said, we had the Glasgow Dialogue. It is a four-year work programme. That will kick off next month as part of the subsidiary bodies. Is there anything you wanted to say on this, Peter?

Peter Hill: I would just say a couple of things. First, a number of countries said at Glasgow that they want to provide funding for the Santiago Network. Obviously they need a secretariat and they need that to be operationalised, so the sooner we can get that done, the sooner they can move their funding to support it.

Secondly, there is a bit of an information gap that donors need to do better to fill, which is: what are people currently doing? There is an awful lot of funding and activity going on in support of loss and damage, but it is not captured and it is not visible. I think a bit of work needs to happen. It is not within the negotiating framework; it is separate from it. What are people actually doing? There is quite a bit going on, but not enough people know about it and it is not visible enough.

Q11 **Ruth Cadbury:** When it is captured, the question is, "Is it enough?" rather than, "Oh, we have achieved our target because we have now collected all the data on what is happening".

Alok Sharma: There are two issues here. One is, of course, the Santiago Network and the funding to get that mobilised. The other is the much wider issue of loss and damage overall. As I said, it is a four-year work programme, and it is one that should emerge with a view. We should be very frank about this: on loss and damage there are differing views. Some countries would like to have this end in a finance facility; there are others that feel finance has already been provided through other means. As with all these UNFCCC conversations, it is about reaching a consensus.

Q12 **Ruth Cadbury:** I will now move on to my transport question. The Clydebank Declaration aims to decarbonise at least six shipping routes by 2025. What progress has been made so far, and which countries are taking the lead on this?

Alok Sharma: This is obviously a DfT lead. I am happy to write with more information, but this is obviously the declaration that was made at COP. I think about 24 countries are involved, including the UK. I am not aware that we have yet got a corridor up and running, but I think the aim was to get this mobilised by the middle of this decade.

Separate to that, I think DfT is also making some funding available for further research on decarbonising maritime. I think there was an announcement. I don't know if either of my colleagues have any more, but we are very happy to write to you, Chair, on this issue via DfT.

Chair: Thank you very much. We have been undertaking an inquiry into net zero and maritime emissions, which is due to report shortly, so if you were in a position to send any information, we would appreciate it in the next week or two.

Q13 **Clive Lewis:** Alok, what impact do you think Ukraine and the associated impacts have had on the Glasgow Pact in terms of aid, food security and so on?

Alok Sharma: In terms of Ukraine and Putin's illegal and, frankly, incredibly brutal invasion, there is no doubt that the bandwidth of leaders—completely understandably—is taken up by this issue. Of course it is right and proper that we stand together with Ukraine as an international community. I think you also said, Clive, that other issues have come from this, issues around energy security, food security, rising inflation across the world, and these are global issues that have emanated from this. Climate is obviously not on the front pages as it was in the lead-up to COP26. Nevertheless, a lot of work is continuing across Governments, and the fact we were able to convene almost 50 Governments in Copenhagen shows that people are continuing to take this very seriously.

This has also shown the vulnerability, quite frankly, of relying on fossil fuels, particularly when they are in the control of hostile actors. Doubtless you will have interrogated the British energy security strategy, which has come forward. The EU has published its own REPowerEU plan, and others have as well. What you see is a big commitment to put on renewables and clean energy. I would sum it up like this: countries have come to understand that, if you want domestic energy security, you have to move very quickly on homegrown clean energy. I think countries have come to understand that climate security is also synonymous with energy security.

Yes, this is creating an issue in terms of where the focus is, which is fine, but we are very keen to emphasis that commitments were made at COP26 and leaders will have to return at COP27 and explain if commitments have not been met.

Q14 **Clive Lewis:** I suppose the question that comes off the back of that, and the second part of your answer leads into this, is that you would think most countries and most Governments would understand that it leaves you vulnerable if you are focusing on fossil fuels and not making the transition to sustainable energy. Do you think our own Government are learning that lesson? The reason I ask is because there are moves on Cambo, the Penguins, the Pierce field and the Jackdaw gas field. Oil companies had begun to move away from them on environmental grounds, and the Government had said no to new oil, gas and fossil fuels, but that now seems to be up in the air. I wonder whether our own

Government have taken on that advice about the switch to sustainables.

Alok Sharma: Let me answer this in two parts. First, from a more international dimension, every country and every Government needs to make sure they keep the lights on and the factories running. That is completely understandable. Of course that may well mean that, in the immediate term, countries have to turn to fossil fuels. From my perspective, if that happens, it should be creating a space to allow you to accelerate renewables and clean energy. We do not want to see countries effectively, as a result of what they might do in this area, baking in emissions in the long term.

In relation to the UK Government, again, this is obviously a domestic policy we are talking about so the responsibility lies with the Department for Business, Energy and Industrial Strategy, but I think the energy security strategy does show that the future is green, the future is clean energy for the UK. The Government have always been consistent that this is about a transition. It is not about flicking a switch on or off overnight.

You are effectively talking about potential future licences. What we have said is that there will be a climate compatibility checkpoint. I would expect that to emerge before the next licensing round takes place and, of course, any decisions that are made will have to be consistent with our legally binding commitments on climate, so net zero by 2050 and our carbon budgets, which are in law. That is the basis on which, as has been explained as part of the consultation, the climate compatibility checkpoint will work.

Q15 **Clive Lewis:** I broadly agree with what you are saying, and I think the Government do have a duty to keep the lights on and to ensure that factories can run, but money talks as well. We are talking about billions of pounds, and not just to those companies, as influential as they are. We are also talking about money to the Exchequer, which goes on public services, and that is something, given the economic situation, the Chancellor will be looking at.

Fatih Birol, the executive director of the International Energy Agency, said, "If governments are serious about the climate crisis, there can be no new investments in oil, gas and coal, from now—from this year." Do you agree with that statement?

Alok Sharma: I did some interviews with Fatih at the World Economic Forum recently. I talked about the fact that, in the immediate term, there may be a need for countries to do more. I think that is something on which he has a similar view, but I want to touch on the important point you raise about the fact these companies are making commercial decisions about the future. Every company, if they are looking at future infrastructure, is going to have to ask whether there is a risk that it will potentially end up with stranded assets if it invests in fossil fuels now. Ultimately that is also an economic decision that companies will have to look at when they make decisions on future projects.

Q16 **Clive Lewis:** That is right. Obviously the main driving factor for the current business model of those oil companies is profit and profitability, which is their bottom line. The other considerations are, by and large, externalities, but none the less, the bottom line for them is profit and the climate crisis is a secondary factor. That is their overarching objective. I suppose the reason I am putting these questions to you is that, among world leaders and energy experts in the UK, there is a kind of consensus that granting new oil and gas licences, despite these warnings, will mean that we cannot, as a country, make and hit our targets for decarbonisation and keeping the temperature rise under 1.5°. There is overwhelming academic evidence that opening up new gas and oilfields would put that in jeopardy. I am just trying to get a sense of whether you agree with that.

Alok Sharma: As I have said previously, whatever decisions we make, we have legally binding commitments enshrined in law. Under a Conservative Government, we were one of the first major economies to make a 2050 commitment. The NDC we put out at the end of 2020 is pretty much world-leading, and our carbon budgets, again, are legally binding—a 78% reduction by 2035. As I said, the way the climate compatibility checkpoint should be working is to ensure that any decisions that are made are consistent with the commitments we have made.

We will continue to rely on oil and gas for some time. This idea that we just flick the switch and move, that is obviously not going to happen and it is not pragmatic to think that it would happen.

Q17 **Clive Lewis:** No, but I want to press you on this, because Cambo and Jackdaw, Cambo in particular, were rejected by the Government on environmental grounds. That is now back on the table. It feels to me that something has changed in terms of whether they feel it is compatible with our commitment to remaining under 1.5°. I now think we may open some of those oilfields, which is going to send a very bad signal to other countries, especially Egypt, which is taking over the COP presidency.

Alok Sharma: There are two parts to this. One is licences that have already been granted, which may move forward. The other, and this is what I am talking about, is any future licensing rounds. The consultation took place, and BEIS has to respond on this. As I said, there will need to be a checkpoint in place before a future licensing round. The Government have talked about a future licensing round this autumn. I am happy to return to the Committee once this climate compatibility checkpoint is out, but as I said, the Government have been consistent in terms of the basis on which such decisions will be made in the future, which is that they have to be consistent with our climate commitments.

Chair: Clive is pre-empting our next inquiry into this very subject, so it would be very interesting if your Department—in addition to BEIS, who we will obviously be talking to—is interested in giving us some evidence, but it is about the way in which we transition from fossil fuels into decarbonising our energy sources.

Q18 **Darren Jones:** Alok, the UK hands over the presidency to Egypt in November. Will you be made redundant?

Alok Sharma: I am hoping to continue as an MP. In terms of the role I have, obviously I sit in Cabinet and am a Minister in the Government because of our COP presidency. As you say, that falls away in November and therefore the role comes to an end. Who serves in Government in what role is a matter for the Prime Minister. What I think is important—for me, at least—over the next five and a half months is to get as many of these commitments from countries over the line in terms of actions. That is genuinely what I am focused on right now.

Q19 **Darren Jones:** John Kerry in the United States is a permanent climate envoy on behalf of the Government. Do you think there are any benefits to having a permanent climate envoy?

Alok Sharma: Different Governments do this differently. If you look across Europe, how countries look at climate is configured differently within their Governments. Some have departments for ecological transition, for instance—I think Spain and Italy have that. Other Governments have economy and climate put together or environment and climate put together. For me, the structure of how this is done is, of course, important, but the key issue is what is being delivered and whether things are set up in a way that is pushing delivery forward quickly.

Q20 **Darren Jones:** The Prime Minister has said that our action and leadership on climate change is a core part of the Global Britain strategy. If he were to offer you a job as a permanent climate envoy, staying in Cabinet—which I would do if I were Prime Minister, by the way—would you accept?

Alok Sharma: I don't want to make this about personalities or me, you will appreciate. If I may, I will duck that question. What is important, rather than making this about me or any individual, is that this is about how you make sure that, as a Government as a whole, we continue to deliver on our commitments. I go back to this point: it is a big thing that we enshrined in law that we will be net zero by 2050. You are right, in terms of COP, in terms of what we have done in this whole area, we are seen as leading in the world. What I would want, whatever the configuration, is for us to continue to lead in the world in this area, but also to ensure that we are domestically pushing forward on the commitments that we have.

The international development strategy has come out in the last few days, and that reaffirms the commitment made in the integrated review, that tackling climate change and biodiversity loss remains one of our top international priorities.

Q21 **Darren Jones:** Focusing on that domestic delivery, what do you think should happen to your officials, your colleagues in the COP unit, who have a huge depth of expertise now in working effectively? Will that unit survive even if the presidency role doesn't?

Alok Sharma: First, all the civil servants I have worked with during my time in Government have been quite superb. Peter, who is CEO of COP, has done a brilliant job, and Alison, who is our deputy lead negotiator, has done a brilliant job in getting this Glasgow Climate Pact over the line. They are continuing to work very hard to make sure those commitments come through.

Last time I came to the Committee, I think I told you that in steady state we had about 220 people. Obviously we are no longer organising a big conference, so I think we are down to about 120. As we get past COP or get to COP27, obviously the numbers will fall away, but we have always had a team of negotiators because there will be future COPs. I think probably 30 to 35 people will continue in that negotiation role. Do you want to comment, because you have been doing this?

Alison Campbell: It is exactly as you said. I was in the negotiating team back when it was DECC, when we were working on the Paris Agreement, and that team kind of stayed together when it transitioned to BEIS. Yes, it is a core of 20 to 35 people who are all working towards the same topics that we have been working on for COP26, so that would need to remain as a function. When we go back to being a party and we are negotiating at COP itself, that will need to be maintained. There is always a nucleus in BEIS, but it drew in colleagues from the Department for Transport, from then DfID and from DEFRA. Again, I imagine that that will continue to be important.

Q22 **Darren Jones:** The team used to reside in the BEIS Department when, of course, you were Secretary of State, but you currently chair the Climate Action Implementation Cabinet Committee. Do you think that will continue?

Alok Sharma: Yes, I very much hope it will continue. That is part of the architecture of Cabinet Committees. Yes, I have no reason to doubt that it will continue. It is a pretty good function for bringing all parts of Government together. As you say, I currently chair it. We have very regular meetings to push forward the domestic and, particularly, the international agenda.

Q23 **Darren Jones:** We have asked to see information from that Committee, somewhat unsuccessfully, as Select Committees, but we did get a commitment from you that there would be an annual statement to Parliament on net zero, I think by correspondence to this Committee. When will the first statement be?

Alok Sharma: I am happy to look back at precisely what I promised, and I will certainly make sure we come back to you before my time in office is over. The key issue with all of this is that, by the time we get to Sharm el-Sheikh, there will be various reports provided by the UN and others, which will give us a good idea of whether or not we have made progress on the commitments that were made at COP.

Darren Jones: We can send you the letter you sent to us, but the commitment was for an annual statement, I think—I don't know—but I am sure colleagues share my view that it would be good to have an annual oral statement on the Floor of the House to show the Government looks at our carbon budgets and our net zero delivery as seriously as our fiscal policy. Whether or not you are made a permanent climate envoy, which I would like to see, with your team in place, I hope that commitment will be delivered by whoever is responsible in Government.

Q24 **Jerome Mayhew:** I am here to clear up some slightly grittier, but nevertheless important, issues around reporting metrics. This relates to the UNFCCC. When you gave evidence to the House of Lords Environment and Climate Change Committee back in January this year, you indicated that the software needs to be created by the UNFCCC to enable the reporting by each country. We need to have—as I understand it anyway, and please correct me if I have the wrong end of the stick—a unified system of reporting metrics so like can be seen for like and everyone's progress or lack thereof can be transparent and measured. How is that software coming along? As important as the software is the training and getting it to the starting blocks. Can you do your best to give us some update on that?

Alok Sharma: I will ask Alison if she wants to provide a bit of an update, but this is the responsibility of the UNFCCC rather than the UK presidency. I preface it with that, but would you like to comment on the software?

Alison Campbell: At COP26 we essentially gave the UNFCCC instructions on what it needs to do. There are going to be: 60 tables reporting on greenhouse gas inventories; 13 tables allowing us to track progress on NDCs; and 13 tables related to the support provided to countries for implementing those NDCs. The UNFCCC has essentially taken all of that away and is working through the software that it needs to develop. It is due to provide a progress report at COP27, and then it aims to have a test version ready by June 2023, which countries will then go away and use to see if it is compatible before providing feedback.

The UNFCCC aims to have a final version by June 2024 so that parties can report by the end of that year. That is the current timeline that has been sketched out and that it is working to. At the moment, it is looking for support from parties to put all of that in place through various trust fund contributions. There will be discussions this year on how best to build the capacity of developing countries in doing that, so obviously these things will all have to work alongside. It will not be able to train up developing country parties to use the software until there is a prototype, if you like, on the table, so these things will all work alongside each other as we move forward.

Q25 **Jerome Mayhew:** Cherilyn Mackrory made reference to Brazil and the recalibration of its base data. Just out of interest, would this kind of development pick that up and make it harder for countries such as Brazil to change the rules as they go along?

Alison Campbell: Yes, absolutely. Every country will need to report its greenhouse gas inventories every year. It will make it a lot easier to pick up where things like that happen. The transparency that the reporting system gives is vital to tracking and accountability. That is why it took so many years to agree and why countries were so invested in it, essentially.

Q26 **Jerome Mayhew:** Moving back to the UK, we have to provide enhanced transparency framework information. What new information is required of us? Is it affecting how we mark our homework?

Alok Sharma: I think the UK already provides quite a lot of information. There may well be some supplementary information, but a lot of this stuff we are already providing. You raised this point about software, and I think training was raised last time as well. The reason the whole training issue is so important is because, of course, not every country has the level of experience that the UK has in pulling this information together or, indeed, the resources to do so. We will report the same as everybody else, but countries like the UK start slightly ahead because we have been doing something very similar in terms of reporting up until now.

Q27 **Jerome Mayhew:** There is a timeframe for reporting additional information under the Glasgow Pact, isn't there? Is it the current intention that we merely comply with that timeframe, or is it the intention of the United Kingdom to show a bit of extra leadership in this regard and publish earlier?

Alok Sharma: Again, I think the information is collated and put out by BEIS, which has the ultimate responsibility for this. In terms of timeline, I am not sure whether we would necessarily be in a position to put out anything earlier.

Alison Campbell: We have our national communication, where we have been reporting on our 2020 targets for a long time. As you said, COP President, a lot of this we already do.

In terms of the new enhanced transparency framework, we will only be able to report once that software and all the infrastructure is there to enable us to do it, which will likely be in 2024, and then it will be a matter for BEIS exactly when after that we provide the information. I think the key will be making sure that we are making best use of the software that is produced, providing a good practice example and making sure the information is accurate.

Q28 **Jerome Mayhew:** Our response in this area is multifaceted, inevitably. Part of it is the technical response and the compliance, and no doubt some very advanced bits of measurement and technical approach, but another facet must be bringing the general public along on the journey. It is making these rather dry topics accessible and understandable by the general public. Do you agree with that? If so, is there scope to "translate" this workstream into something that is more approachable for the general public? Is that your plan?

Alok Sharma: I am not sure it would be necessary for the UK Government to do this, given this is a UNFCCC construct now, but in terms of the translation, I think the focus on climate has gone up significantly in the media over the last few years. At one point it was basically the preserve of people who were just focused on climate, and now it impacts everything. We are talking about agriculture, food security issues, and even in fashion there is a climate impact. I think journalists and the media will probably boil this down so that it is something everyone can have an understanding of. I suspect that will happen, but in terms of the UK Government particularly doing this, I am not sure there is any particular plan to do that at this stage.

Alison Campbell: One thing I would say is that, like the Climate Action Tracker, there are quite a lot of organisations out there now who can use these kinds of templates. I am pretty sure that not many members of the general public will want to go into the depths of the tables that countries provide, but I think the information from that will be pulled out in quite an accessible way by a lot of these organisations who are analysing them.

Alok Sharma: Chair, I am going to make an offer on behalf of Alison and the team. Genuinely, if you want to go through the tables and have a very informal discussion around them, I am sure we could organise that for you, if there was interest. Not necessarily the whole Committee, but if individual colleagues want to.

Chair: Certainly from the time I spent in Glasgow, it was very clear that some form of common measurement and metrics is essential in order to hold Government to account. Having made that generous offer, I for one would be delighted to take you up on it, and I am sure you will extend it to others. I see the Chair of the BEIS Select Committee, so perhaps we can extend the invitation to other Committees represented here, with one representative from each Committee perhaps.

Q29 **Sir Robert Goodwill:** When we think about climate change, we often think about steel, transportation and agriculture, but the financial sector has a part to play. We hear about these massive cloud computing systems and air-conditioned buildings, et cetera. It was encouraging in April 2021 when Mark Carney, who was the PM's finance adviser on COP26 and is now chair of the Glasgow Financial Alliance for Net Zero, for which I am told the acronym is GFANZ. It has committed $130 trillion in global assets. The short question is how much of that $130 trillion has been delivered?

Alok Sharma: The straightforward answer is that I don't think there is a collation of that, because there will be commitments made directly by some of these financial institutions without any sort of Government involvement. I will give you an example. I was in Vietnam recently and attended the signing of a letter of intent—I think it was around $3 billion—that HSBC was providing to one of the biggest windfarm developers in the country. In terms of GFANZ, what Mark and the team have pulled together is great, and Treasury colleagues have been involved as well.

In terms of further work, a workstream is taking place as part of the GFANZ work that is looking at how you can get some of this money going to developing economies, to emerging economies as well, and that is being led by the chief executive officer of Macquarie Bank. Separate to that, you will recall that at COP26 we announced a political declaration of something called a Just Energy Transition Partnership for South Africa of $8.5 billion. There is more detailed work on that particular partnership, but what we are also doing separately is looking at a number of other countries for such partnerships and seeing how you can use public finance to leverage in some of this private money alongside.

Q30 **Sir Robert Goodwill:** Back in December you told us that 90 of the 450 institutions had signed up and set robust, independently verified, science-based targets. Do we have an update on that number?

Alok Sharma: I don't have an update for you. The reason is that those who signed up had between 12 and 18 months to come forward with these commitments. I am very happy at the appropriate point to write to tell you what the update is. In a way, it is a good thing that there is a deadline because, frankly, if there are organisations that have not met that target, they will fall out of GFANZ. I think that gives added credibility to this as a grouping. There is a lot of discussion around how much of this stuff may potentially be greenwashing, not GFANZ specifically, but in terms of the whole financial services sector. The fact there is this requirement for robust targets, not just 2050 but 2025 and 2030, is very important.

Q31 **Sir Robert Goodwill:** Picking up on Jerome's point about marking your own homework, are we confident that when they make these announcements it is robust and science-based? Is it the UK Government's job to look at that? Is it for the new presidency from Egypt or the UN itself to make sure we are not being greenwashed and having the wool pulled over our eyes?

Alok Sharma: At the world leader summit, António Guterres announced that he would be setting up an UN expert group precisely to look at the commitments from non-state actors. That group has now been formed. There was an announcement around this, I think in March. Catherine McKenna, who is a former Minister in the Canadian Government, is chairing this. The aim is exactly to look at the commitments that have been made in the non-state sector area, looking at how you verify an account for the commitments that are being made. The ultimate aim appears to be to have some recommendations setting out a road map to translate the standards and criteria into international and national-level regulations. That is what the expert committee has set out in terms of what it is looking to do when it gives recommendations. Again, I very much welcome that this group is up and running. Peter, is there anything else you wanted to add?

Peter Hill: A couple of weeks ago Mark Carney set out what he was hoping they would produce by COP27, which is a global framework saying what we expect all the financial institutions to include in their plans so that everybody knows what good looks like. If you are a financial institution, you are quite dependent on what companies produce, so it is what our expectations are of what companies produce and then these sector pathways again, so that you can work out as a company what it looks like. As I understand it, Mark said it is a package of things that they want in place, which will then allow the members of GFANZ to pull together their own detailed plans based on the guidance that they get from Mark and GFANZ.

Q32 **Sir Robert Goodwill:** Are we aware of potential problems with either double-counting or missing things? For example, if as a banker I fly my executives to the US, do I declare that or is the airline going to take responsibility for that? Similarly, if people were to divest their computing sector to Apple or someone like that, would that count on theirs? At what point do you stop counting within an organisation?

Peter Hill: There is scope 1, scope 2 and scope 3. There are issues with all of them. The particular issue is in scope 3, particularly if you are in the financial sector, so I am sure that when they produce their guidance they will want to give as much assurance and clarity as they can on how you account for scope 3 and where.

Q33 **Sir Robert Goodwill:** Also consistency between these various organisations, which are all vying to be the greenest on the planet.

Peter Hill: Yes, so I think for the financial sector that is what GFANZ is focused on. The expectation of the companies is a separate thing, which will inform what the financial sector can do.

Alok Sharma: I will add one other point on this more broadly, which is that one of the things the Chancellor announced at COP26 was the requirement in due course for financial institutions, larger listed companies, to produce net zero transition plans. I think he has launched a taskforce on this in the last few weeks. Talking to businesses and banks in recent months, this is something companies are working on in terms of their detailed transition plans, so I think that will provide further scrutiny, if I can call it that, for the general public and for their shareholders, who will have an interest in seeing how that company is going to meet its commitment to net zero.

Chair: Thank you very much. Again, you are touching on an area that is of great interest to this Committee, the idea of how the financial community transitions so that it does not create stranded or orphan assets and so that we do not end up with infrastructure that is unable to supply the energy needs of today, going back to Clive's point. It is something that we are, as a Committee, very interested in. I am sure we may find an opportunity to invite Mark Carney to come and talk to us to explain how the GFANZ programme is going.

Q34 **Gareth Davies:** I want to follow on by asking about finance and, in particular, sovereign green debt. The top five issuers of sovereign green debt account for 60% of all issuance in the world, one of which is the United Kingdom. I think we now have £18 billion of issuance. I applaud the Government for doing that. What efforts have been made at COP to see the number of countries issuing green debt increase?

Alok Sharma: Exactly as you say, this is ultimately an issue for the Treasury here in the UK. This is not very much part of any detailed discussions we have had in terms of mandates going into and coming out of COP26. What I can tell you is that, certainly in the role I have, there is an opportunity when I travel to talk to Finance Ministers. A lot of that discussion is not so much about gilts, but more around issues of how you work with the MDBs to ensure that more finance is coming to climate action and how you get more leverage from the private sector on the back of public money that is going in. That is the kind of discussion I have been involved in rather than necessarily the issuance of gilts, although that issue does come up when you have discussions.

Peter Hill: I think that is absolutely right. If we are talking to south-east Asia at the moment about the energy transition and how they are going to mobilise private finance, in the end how they organise themselves is up to them. Where they are interested in those things, the Treasury, BEIS and others are open and are having discussions about how we organise ourselves, how we have done it and what might be learned, but I think it is fair to say that we didn't have a particular work strand at COP26 that was specifically about green debt.

Q35 **Gareth Davies:** Part of the reason why the UK did it was to create a curve or a benchmark that would encourage further corporate debt issuance that is ringfenced towards endeavours that have an impact on the climate effort. I wonder whether you have had conversations with corporates about what their plans are for more corporate debt issuance. Many of these companies have very glossy brochures outlining ambitions towards climate change. One of the ways they could demonstrate that is through corporate green issuance.

Alok Sharma: Again, that has certainly not been a focus of the discussions we have been involved in, but I think it is an important point, the issuance ultimately of green bonds. As I say, this isn't something that we have been focused on as part of this process, frankly.

Q36 **Gareth Davies:** We have had two tranches so far of debt issuance that is ringfenced towards climate change. That is about £18 billion. Neither of those tranches included nuclear as part of the plan for the use of proceeds. Given the UK energy strategy now, would you advise the DMO and the Treasury going forward that the next tranche, which is paid for next year at £10 billion, should include nuclear as part of that use of proceeds programme?

Alok Sharma: You raise an interesting point, Gareth. What I don't want to do is effectively cut across domestic policy. This is the purview of the Treasury, and of course BEIS has equities in all of this. I am sure the BEIS Secretary and the Chancellor will note the proceedings of this Committee.

Q37 **Gareth Davies:** Last question: is nuclear green?

Alok Sharma: Yes, I think it is clean energy. It is interesting, Prime Minister Kishida was here some days ago and—I think you will all have followed this—he gave a speech in the City. He talked about a big push on renewables in Japan, and he talked about nuclear. Certainly from a UK Government perspective, we are very clear that, as part of our energy security strategy, we want to ensure that we do a lot more on nuclear.

Chair: That concludes our hearing. I would like to thank Alok Sharma, Alison Campbell and Peter Hill for joining us as our witnesses today. I thank Martyn Atkins and Gary O'Key for preparing our brief. I also thank members of the BEIS, Transport and Treasury Select Committees for joining us today.