Treasury Committee

Oral evidence: Appointment of Sarah Breeden to the Financial Policy Committee, HC 571

Monday 19 July 2021

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Watch the meeting

Members present: Mel Stride (Chair); Rushanara Ali; Anthony Browne; Felicity Buchan; Emma Hardy; Siobhain McDonagh.

Questions 1 - 26

Witness

I: Sarah Breeden, appointed Bank of England Executive Director for Financial Stability Strategy and Risk, and member of the Financial Policy Committee.

Written evidence from witnesses:

- ASB0001 – Sarah Breeden's appointment questionnaire
- ASB0002 – Sarah Breeden's CV

Examination of Witness

Witness: Sarah Breeden.

Q1 **Chair:** Good afternoon and welcome to the Treasury Select Committee evidence session regarding the appointments of Sarah Breeden to the Financial Policy Committee and Catherine Mann as an external member of the Monetary Policy Committee. We are going to have a split session this afternoon, starting with Sarah for no more than about an hour, and then we will have a similar amount of time afterwards with Catherine.

Could I start, Sarah, by asking you to very briefly introduce yourself to the Committee, please?

Sarah Breeden: Thank you, Chair. It is a pleasure to be here. I am Sarah Breeden. I am about be to the executive director for financial stability strategy and risk. I have worked at the Bank of England all my career. I would be happy to explain, if that would be helpful, how that is helpful for joining the FPC.

Q2 **Chair:** Yes, that is something that we may well come on to, Sarah. Thank you very much for that introduction and for appearing before us.

What is your assessment of the risks to financial stability arising from coronavirus? How well have the FPC and global policy makers dealt with the situation to date, and what future challenges lie ahead for us?

Sarah Breeden: Let me start with the risks that the virus has highlighted so far. The virus and the public health measures that came with it meant that there was a very serious impact on economic activity across the economy as a whole, which required support from the Government and from the financial system for corporates and businesses to weather that shock. So far, my judgment is that the combination of support from the Government and the financial system has provided the support that the real economy needs, but there are aspects that have gone better and those that have gone less well.

If I might start with the areas that have gone well, the banking system has been able to be a source of support for the real economy through this pandemic. It has supported the provision of many mortgage payment holidays to enable mortgagees to bridge the shock. In addition, it has, with the support of Government, provided support to the corporate sector through that. The fact that the banking system has been able to do that reflects a lot of hard work done by the Financial Policy Committee since the financial crisis, with a significant build-up in the capital reserves of the banks, which has meant that an economic shock has not turned into a banking shock. I was around at the time of the great financial crisis and would note the big difference from that.

Q3 **Chair:** On that point of preparedness and being ready, do you sense that the Treasury was ready with broad plans for this kind of event? With the schemes that you mentioned and that the banking system supported, was it very much reacting, scrabbling and getting stuff together, or did it have a basic skeleton framework of what it would work with?

Sarah Breeden: The Treasury acted incredibly quickly in bringing in support for the economy. In early March, even before the public health measures had been announced, what we found was that the Government, together with the Bank of England, introduced the coronavirus credit facility, designed to enable the largest corporates to get financing from the Bank of England on behalf of the Treasury.

The Government then updated that as the pandemic evolved. We had the furlough scheme and then the extension of lending schemes to include CBILs and the bounce back loan scheme.

Q4 **Chair:** That is a good account of what happened. I suppose my question was more whether, with that stuff, they started with a completely blank sheet of paper when disaster struck, or whether they reached into the locker and brought out some kind of broad plans, dusted them down and worked to them.

Sarah Breeden: I am not sure that, given what I saw of the crisis, I am best placed to comment on that. What I can say is that, from the seat I was sat in, which was executive director responsible for UK banks, as news came through of how the pandemic and the public health measures were affecting the real economy and the financial system, they were very quick to react.

Q5 **Chair:** You were going to go on to the things that have worked less well.

Sarah Breeden: The other thing that the crisis highlighted was how much we needed to improve the resilience of so-called market-based finance—the non-bank financial intermediation that is so important to the functioning of the financial system. What we saw in March 2020 was a really abrupt and extreme dash for cash, which reflected a number of vulnerabilities that amplified the demand for liquidity in the stress, many of which had been identified by the FPC in advance, but we had not got to the point where we had introduced policy measures to stop those vulnerabilities materialising.

It was only when the unprecedented central bank asset purchases happened that that dash for cash was brought under control. What we saw through that was a real risk of financial market dysfunction having a real impact on the wider economy. What we saw prior to March 2020 were jumps to illiquidity and short-lived pockets of market dysfunction, but what we saw through the period then was a real risk of financial market vulnerabilities harming the wider economy. That is an important part of the FPC’s change agenda from here.

Q6 **Chair:** That is interesting. What future challenges might there be out there now, relating particularly to the Covid pandemic and the effect on the economy? We are now recovering. What do you see on the horizon here?

Sarah Breeden: The key thing here—and it was a big focus of the Financial Stability Report that we published earlier this month—is to make sure that, as the economy recovers and Government support is withdrawn, the banking system in particular is able to support households and corporates through that period.

What we have done in the FPC is stress test the banks, and we published the interim solvency stress test result last week. We think that they have the capacity to support the economy, even if we end up in states of the world that are very much worse than the one we currently expect to happen. As the FPC, we need to make sure that the financial system steps up and provides that support as the economy recovers and as Government support is withdrawn.

Q7 **Chair:** What are your levers for doing that? How are you going to make that happen, if it does not happen naturally?

Sarah Breeden: We will be using the same levers as we have done through the crisis so far. We will be emphasising to banks that they have capacity to lend. We will be emphasising that it is in their collective best interests to do it. We will be keeping the CCyB—the countercyclical capital buffer—at 0% until the end of the year. We will be emphasising that it is okay for banks to use the capital and liquidity buffers that they have in order to support the economy. That is the exact same approach that we have taken through the crisis so far.

One of the things that I might add that we are keen to do, and will do over the autumn, is to make sure that we have the best possible handle on what the corporate sector's financing needs are, and then we will be able to see whether they are being met. We will also be liaising with the microprudential supervisors—me in my old job—to make sure that banks are lending in that way.

Q8 **Chair:** You mentioned the FSR there. One of the elements of risk that is identified in that is cloud computing. Can you just talk a little bit about what you see as the nature and extent of that potential risk?

Sarah Breeden: Absolutely; it is a really important issue and one that I have been quite close to in my current role. It has become increasingly apparent that banks and, indeed, other core bits of the financial payment system have become increasingly dependent on the use of the cloud in order to deliver their services. There are many benefits from that: it is lower cost and more flexible; they are very good at managing cyber risks, so might deliver better resilience.

However, we are concerned that, with the collection of issues around increasing concentration in the market, the criticality of the services provided over the cloud and the difficulty in substituting if something goes wrong, we need a more direct, more transparent assurance mechanism about the resilience of these third-party providers. Our approach at the moment is to get that assurance via banks, payment systems providers and their contracts with the cloud providers. What we are saying is that, as these services are increasingly relevant to the core financial system—this is not HR systems but payment systems—direct assurance about their resilience is required.

Q9 **Chair:** Is international co-operation and working with others internationally an important element in this?

Sarah Breeden: You are completely correct on that. There are two really important things to mention. First, the cloud provides services not just to financial institutions but across the economy broadly, whether in health or education, or the Bank of England, so a cross-sectoral approach is important. Secondly, exactly as you say, this affects all banks, and the providers of the services are global in nature. On the basis of that, we are discussing this with Government and the FCA; in addition, we are discussing it internationally. A Financial Stability Board discussion paper on this topic was released earlier.

Chair: That was very interesting. Thank you very much, Sarah.

Q10 **Anthony Browne:** Hello, Sarah. My questions are going to be about managing risk in the banking sector, not on cloud computing, which you have given a very full description of and which is indeed a very serious issue.

My first question is about the countercyclical capital buffer, which you just referenced. That is capital that the banking system stores up in good times and releases in times of stress, the aim being to help promote lending. How do you know that this has worked and done what it is intended to do? There have been many other measures of support to the economy, and the Government have underwritten about £80 billion of lending from the banking sector.

Sarah Breeden: That is a good challenge. The single best indicator I can give you that the release of the CCyB worked is that the banks honoured the revolving credit facilities that were requested to be drawn in scale through the early days of the crisis. In March and April, many tens of billions of pounds were provided by the banks to their customers under revolving credit facilities.

We also talked to banks in those very early days of the Covid crisis and became concerned that firms were nervous about using their other buffers. The CCyB had been released and firms were happy to use it, and then, as it became apparent that, through forward-looking provisions with IFRS 9 that would be a call on their capital, they might need to use their other buffers, it became apparent to us that there was a risk that they might not do so. That is because they did not want to be the first to use a buffer—that is a collective action problem—but also because, importantly, there were consequences for them as individual institutions as a result of going into their other buffers that they were keen to avoid, whether it is investor reaction, ratings agency action or consequences for distributions, with skipping coupons on their AT1 debt being seen as something that should be avoided at all costs.

I tell that tale to draw the contrast with the CCyB, where there was evidence that it was used, and the use of the other buffers, where there was some nervousness that they might not do so. The BCBS has put out some interesting studies recently, with some evidence across different countries that supports what I said.

Q11 **Anthony Browne:** You mentioned all the reasons why banks may not want to use it themselves, in terms of it affecting their own cost of capital and investor relations. As the FPC, would you be happy with the banks using those other buffers in times of stress, or do you think they should resist it? When this capital regime was set up, one of the big questions for banks was when they are allowed to dip into those buffers.

Sarah Breeden: It is in their interests and the FPC's interests for those buffers to be used. Through our stress testing, which is what we routinely use, as you know, to determine whether banks need to raise capital, banks use those buffers to absorb losses and avoid costly deleveraging. What we are in danger of having is a system where on paper these buffers are used, but in practice they are not. The FPC absolutely wants banks to use these buffers. The FPC and the PRA have repeatedly delivered that message through the crisis. Next time banks get close to buffers—as I am sure you have seen, they are some way away from them at the moment—we need to be confident that they will use them. That is a discussion that we are having at the Basel Committee.

Q12 **Anthony Browne:** I see the Financial Policy Committee as a slight work in progress. It was set up in the wake of the financial crisis to make sure that financial stability is maintained in the future, but clearly, there are lots of unknowns and you do not know what future crisis there might be. The FPC has occasionally said that it needs extra powers—you first proposed the countercyclical capital buffer—and the Government then consider them. Does the FPC have all the powers it could possibly need, or are there any powers that it should have but does not have at the moment?

Sarah Breeden: I would make a distinction between its direct powers and its powers of recommendation. In terms of where the FPC sits now, the direct powers that it has set it up well to deal with risks to the banking system and to the household sector. It then has a broader set of recommendation powers that it can use to address other risks.

If I am honest, my mind is open at this moment as to whether more powers are needed. Given such a broad-ranging power of recommendation, we ought to be able to get a lot done, for example to fix some of the issues in the non-bank financial system that I mentioned earlier. I think we are okay, but we will have to keep that under review as the shape of the financial system changes.

Q13 **Anthony Browne:** I have been contacted in recent weeks by a few challenger banks rather concerned about the Bank of England review on MREL—the minimum required eligible liability, the extra capital that they might have to hold—and that the threshold is very low compared to where it is in Europe and in the United States, for example. They are worried about the impact on their cost of capital, and that they might have to raise capital to a very high level. One of them said it might be 9% or so, which would make it almost impossible for them to do business. Do you have a view on this?

This is a question about whether challenger banks are a threat to financial stability in some way, whether you need a very strong capital regime for them or whether they should be allowed to take their own risks more and fail, given that they are not really systemically important in the same way that the main high street banks are.

Sarah Breeden: The resolution authority is the relevant authority to determine the thresholds for where MREL kicks in. As you know, there is a review under way at the moment. What the FPC has done in calibrating the going concern capital framework is to take into account the benefits of resolution. If you are confident that you can resolve a firm without causing financial stability issues, you are able to have a lower level of going concern capital. If I remember correctly, the benefit that has been given for that is five percentage points.

As for what that means for the balance for MREL and for challenger firms, I know that that is being actively considered at the moment by the resolution authority, as it thinks about those issues.

Q14 **Anthony Browne:** My last question is about future financial crises, which might be in the realm of unknown unknowns or possibly known unknowns. The Office for Budget Responsibility put the risk of another financial crisis at some point in the next 50 years as very high, and I wondered what you thought the risk of future financial crises is. Is it inevitable that we are going to have another one? If so, apart from a cloud computing crisis, where might a future financial crisis come from?

Sarah Breeden: That is a wide-ranging question. Experience of history and humility remind us that financial crises come around with alarming regularity. Indeed, I reflect on the fact that in my own professional career we have had the great financial crisis, which was sourced in the financial system, and then we have had an economic crisis as a result of the pandemic.

The important thing to do is to be creative as we think about where the sources of financial crises might come from. We have a really great stress testing framework that enables us to do exactly that. We have an annual stress test that enables us to gauge financial pressures and risks associated with the financial cycle. We have the biennial exploratory scenario that enables us to think about other things that might be in the dark corners. Climate change is a good example of that, and technology similarly; we are also thinking about operational events like cyber.

I guess my big takeaway would be that I am humble enough to expect them to happen, and hope and expect the FPC to ensure that our system is well prepared for them, whatever their source.

Q15 **Felicity Buchan:** Good afternoon, Sarah. You have already alluded to the risks of the non-bank financial sector, so I am going to spend the next 10 minutes just drilling down a bit more deeply. Can you start off by describing to our audience at home how these institutions can create a risk to the financial stability of the entire system?

Sarah Breeden: That is a great question. The sources of these risks come from a number of vulnerabilities. I will go through each one in turn: mismatches in assets and liabilities, leverage in non-bank financial institutions, and liquidity challenges with derivative margin calls.

The first relates to open-ended funds—funds that invest in a range of assets and then offer their investors an ability to redeem their investments in a fund where there is a mismatch between the liquidity of the asset and the liquidity that is offered in the redemption term. That means that there is an incentive for any individual investor in those funds, if stress is occurring, to get out first. There is this mismatch: the liquidity of the assets does not support the liquidity of the fund, and there is an incentive to get out first. That is the kind of issue that arises with money market funds and is also the issue that might arise, for example, in a commercial real estate fund that offers a daily redemption. That is the first type of vulnerability: it creates an incentive to get out, which then creates run-like dynamics for the fund.

The second aspect is to do with the unwinding of leveraged positions, where a fund has used derivatives or repos in order to leverage up its position and increase its exposure to an asset price. What happens in stress is that that individual fund can choose to reduce its risk and, therefore, is a seller. That forced unwinding of leveraged investments can also create forced selling and negative price dynamics.

The final vulnerability I would highlight is that, as you will remember, in the financial crisis we sought to get rid of counterparty credit risk between counterparties in the derivatives market by transforming a counterparty credit risk into a secured exposure through the call of margin. What can happen in a stress is that that margin can be unexpected, and the individual non-bank financial institution has not stress tested for it, so when the margin call arrives, it does not have liquid assets to deliver and, therefore, looks to sell its assets in order to make good on its margin calls.

All those three things add to the demand for liquidity in a stress and are in danger of creating self-reinforcing market dynamics, which means that the initial stress is made much worse.

Q16 **Felicity Buchan:** Thank you. That is all very clear. Can any of these be addressed? It seems to me as though it is very difficult to address the inevitable unwinding of positions and the margin call. However, when one looks at the mismatches of liquidity in open-ended funds, that could be addressed. What are your views on that?

Sarah Breeden: I very much agree that, in balancing the liquidity of assets and the redemption terms, or, alternatively, the price at which investors are able to redeem, there is work that we can do there to improve the resilience and to address that vulnerability directly. We have been working domestically with the FCA on that topic and put out a report just last week, and we are also working internationally with the FSB. Indeed, the FSB has a consultation out there—it is live at the moment—on money market funds in particular. I agree that that is a more tractable problem.

On procyclicality and margin calls, the key thing there is to ensure that the players in the market are aware of potential liquidity calls that there might be on them, and that they do their own stress testing, so that they have liquid assets and are ready to be able to respond to those.

The other thing that one can do is ensure that the initial margin that is called on these funds—there is variation margin, which reflects today's price changes, and initial margin, which is the potential future exposure—is not derived in a procyclical way, but rather is set in a way that is stable through a stress.

As for the question whether there is any way you can stop a leveraged investor wanting to batten down the hatches and reduce its risk in times of stress, I can see that. In that context, you might move from thinking about demands for liquidity to thinking about the supply of liquidity, and perhaps whether a central bank facility might be appropriate, with appropriate pricing. You might also think about whether there might be limits to the degree to which there is leverage put on ex ante, so that, even though leverage is inevitably going to fall, it starts from a less extreme level.

All those issues are being discussed internationally, which is really important, because these are global capital markets where the best solutions are ones that are delivered internationally.

Q17 **Felicity Buchan:** We have been seen the collapse of two quite high-profile non-bank financial companies: Archegos Capital and Greensill Capital. Do you feel that regulators in the UK have sufficient powers to regulate these companies, whether it be the Bank, the FCA or the PRA?

Sarah Breeden: Let me take those in turn, because they are quite different in kind. Taking Greensill first, its failure has not had a significant impact on the provision of credit broadly. While some of the investors in the funds that Greensill managed may lose some money, there has not been a consequence beyond those investors. I take from that that there is not a financial stability case for looking to extend the perimeter so that an entity like Greensill would be regulated in a different way, but what we, as the FPC, must do is keep an eye on whether that type of supply chain finance, or indeed, any other non-bank form of credit, is growing and, if so, if there are appropriate regulatory powers over them. We need to continue to monitor that, but at least now it does not seem to me that that should have been regulated differently.

Archegos is slightly different. It was not a financial stability issue, but it does, as you said, Felicity, highlight the role that leverage plays in creating vulnerabilities in non-bank financial institutions. The leverage that Archegos had led to the very significant losses that a number of banks made—$10 billion in total. The banks had sufficient capital to absorb those losses, but the microprudential supervisors are, I am sure, going to make sure that the banks do a better job of managing those risks in the future.

The key takeaway from a macroprudential perspective was, to my mind, the gaps in data that it highlighted. We need, as macroprudential authorities, better visibility of the leverage, and therefore the possible liquidity impact of these types of investors. Only if we have that better data can we be sure that there is no larger event hiding in the shadows from larger positions. Again, that feeds into the international debate that is happening with the FSB.

Q18 **Felicity Buchan:** If two or three Archegoses happened at the same time, that could put pressure on the financial system.

Sarah Breeden: If I may, that highlights one of the challenges about market-based finance, in that it is not about an individual entity in general; it is about broad activities. In consequence, because it is about activities and markets rather than particular entities, it is much harder to get your arms round it and to get the data that you need to be able to judge the risks well. It could be a thousand Archegoses all doing the same thing at the same time, so there is definitely more work to do there.

Q19 **Felicity Buchan:** I am being told I am out of time but I just have one final quick question. We have seen an awful lot of private equity M&A activity in the UK in the first six months of the year. Does that concern you in any way?

Sarah Breeden: Our interest in private equity is in the degree to which it might impact corporate leverage. Our current take on corporate leverage is that it has risen a little bit through the pandemic at an aggregate level, but in general it seems to us to be at manageable levels. That said, we need to keep an eye on pockets of risk. We went into Covid with a tail of highly indebted companies, and we will continue to be very focused on those and make sure that we are thinking about how that might play through the financial system more broadly.

Q20 **Emma Hardy:** Sarah, I am really interested in the comments you made on your questionnaire regarding climate change and the impact that that will have, especially when we look at the tragic and awful events happening right now in Germany. Could you briefly outline how you assess the risks to the financial system from climate change? What should be done about it with the Bank of England and Financial Policy Committee?

Sarah Breeden: As I am sure you know, I am the sponsor of all the Bank of England's work on climate change. It is something that I have been involved in now for just over five years, and I think that it is a vital issue. In terms of how climate change can affect the financial system, we have good understanding of the transmission channels through which the physical risks from climate change, like those floods that we have seen in Germany, but also the transition risks as we move from our current path for emissions to one consistent with net zero, operate. What we have really poor visibility of is how large the risks are. Only once we know how large the risks are can we properly decide what appropriate mitigating actions might be needed.

What is going to happen to the climate is, in and of itself, subject to considerable uncertainty. We do not know what climate policy is going to be like. Indeed, the data and the models that are able to translate those effects on the climate into the risks on the financial system's balance sheet are incomplete and inadequate.

Jointly, FPC and PRC are undertaking a climate scenario analysis; it is called the climate BES. With that, we are looking a long way into the future—three decades—across three scenarios: one where we carry on along our current emissions pathway to where we get to net zero, one where we start now and get there in an orderly way, and one where the climate policy action is delayed, so it is a sharper transition.

At the end of that, which we are undertaking as a scenario analysis for banks and insurers and requiring them to engage with their clients to understand their exposure to the risks, I hope that I will be able to tell you what the risks are to financial stability from climate change. At the moment, I can describe them qualitatively but I cannot do a good job of describing them quantitatively. The aim of the climate BES is to enable us to shine a better light on those risks.

Q21 **Emma Hardy:** Do you think there will be an event that would trigger a crisis in the way that we had the financial crisis, or do you expect the data to show that there will be a general drag on growth and economic activity?

Sarah Breeden: We have set the scenarios up in different ways. I should emphasise that the three scenarios are exactly that—scenarios, not forecasts. We have deliberately calibrated the late action scenario that we have set out so that there is a climate "Minsky moment—a shock of the sort that you describe, where there is a sudden realisation of the risks that climate change brings in terms of the physical impact on our planet—and therefore a sharp policy response to it. In one of our three scenarios, we are trying to investigate what that set of risks might look like.

Q22 **Emma Hardy:** To what extent should mitigation of the risk be in the hands of the Bank of England and the financial system? How much should be down to Government policy?

Sarah Breeden: The risk is mitigated by reducing emissions in the real economy. That is the only way to reduce the risks from climate change. The primary levers for that are in the hands of Government and the actions that they take for the real economy. I am clear that the main levers to reduce this risk and to drive the transition to net zero are in the hands of Government.

However, it is also clear that the financial system has a role to play in supporting the transition to net zero. The Bank of England is trying to catalyse, amplify and complement those Government climate policy actions to make sure that the financial system can play its part in supporting an economy-wide orderly transition to net zero. To be clear, it is climate policy that the financial system is pulling forward, and that is for Governments, not for central banks and supervisors.

Q23 **Emma Hardy:** Are the Government doing enough?

Sarah Breeden: We have had some examples of that. We have legislated for net zero in 2050—we are one of only half a dozen countries around the world to have done so, so our commitment to that goal is clear. We are also seeing some examples of particular policies in specific sectors. The move out of internal combustion engines by 2030 is a really good example of that. The financial system can help automotive manufacturers and the supply chain, including the provision of charging facilities, to support that transition happening. What we need and what the Government have planned is further detail on the strategy to get to net zero, and I am hopeful that, ahead of COP, we will get more detail on what the plans are in other sectors too.

Q24 **Emma Hardy:** To push on that a little more, what more would you like to see the Government doing about this?

Sarah Breeden: We need a sector-by-sector transition plan that enables the financial system to know what needs financing and when. That sort of things include buildings regulations: at what point can you not rent out a house with an EPC rating of less than X? At what point are gas boilers not going to be permitted as a source of heating and instead replaced with ground source heat pumps? What is the plan for airline fuels? That might help drive investment in hydrogen. It is those future signals of climate policy that enable the financial system broadly to know what it needs to do to get from where we are to where we need to be. It is not enough to say, "Emissions are down to net zero by 2050 and down by 67% by

2030," or whatever the numbers are. You need to have the sectoral paths that underpin that if the financial system is to do its job best.

Q25 **Emma Hardy:** That is really interesting. Thank you. On the related point of biodiversity, there is an awful lot of talk about climate change, and perhaps less about the risk involved in biodiversity. I wonder what your view is on the risk involved in biodiversity, and whether the FPC has any plans to stress test other environmental risks.

Sarah Breeden: My honest answer on that is that we do not yet know. There has been much less work done on the financial risks associated with biodiversity. I started, when talking about climate change, by saying how we had a good understanding of the transmission channels, from risks to the climate to risks on financial institutions' balance sheets. We do not yet have as good an understanding of what those transmission channels are for biodiversity risk.

There are some who are looking at that. The Network for Greening the Financial System, the international network that the Bank of England is part of, is doing some work; we will be looking at the work that it is doing and undertaking our own research as well. There is more work to do before we have a better handle on those risks, but I would say that it is absolutely clear that we cannot solve the climate crisis by creating lots of other biodiversity challenges. Even as we manage the risks that we know we face, we must do that in a way that does not significantly harm biodiversity more broadly.

Q26 **Emma Hardy:** My time is just about up, but, on that point of biodiversity, is this something that you want to prioritise and look at in more detail to get that data in the same way that you have for climate?

Sarah Breeden: We will do some work on it. The urgency of addressing the climate challenge is one that I would point to first. We are trying to do some work on biodiversity, including by following the international debate, but making sure that we are completely focused on the urgent challenge, which is climate change, given that it is a decisive decade ahead of us and that, if we do not take action in the next few years, the risks will be significant.

Chair: Thank you, Sarah. That brings us to the end of our section with you. It may be a relief—I don't know—but it has certainly been good talking to you. Thank you very much indeed for appearing before us and we wish you every success in the future. Thank you very much indeed.

Sarah Breeden: Thank you very much, Chair.