HOUSE OF COMMONS

Environmental Audit Committee

Oral evidence: Greening the Post-Covid Recovery, HC 347

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Watch the meeting

Members present: Philip Dunne (Chair); Duncan Baker; Barry Gardiner; Marco Longhi; Caroline Lucas; John McNally; Dr Matthew Offord; Alex Sobel; Claudia Webbe.

Questions 62 - 143

Witnesses

I: Fran Boait, Executive Director, Positive Money; and Maria-Krystyna Duval, Head of Climate, ClientEarth.

II: Sarah Breeden, Executive Director for UK Deposit Takers Supervision, Bank of England.

III: Chris Hagg, Head of External Affairs, Celsa Steel UK; David Morgan, Director of Flight Operations, easyJet; and Richard Ward, Vice President Marketing, Strategy & Solutions, Baker Hughes.

Examination of Witnesses

Witnesses: Fran Boait and Maria-Krystyna Duval.

Q62 **Chair:** Welcome to the Environmental Audit Committee for our final oral hearing on greening the recovery. We have three panels this morning, and we are going to start with a panel of commentators from Positive Money and ClientEarth. I will ask Maria-Krystyna Duval from ClientEarth and then Fran Boait to introduce themselves briefly to explain their interest in this subject.

Maria-Krystyna Duval: Good morning and thank you to the Committee for inviting ClientEarth to give oral evidence this morning. My name is Maria-Krystyna Duval. I am the head of climate at ClientEarth, which means that I head up a team that works on both climate accountability and climate finance. Our interest this morning is in greening the recovery after the pandemic in the United Kingdom. I am also, I have to say, here on behalf of my colleagues in our clean air team at ClientEarth. Good morning, everyone, and I look forward to our discussion.

Fran Boait: Thanks very much to the Committee for inviting Positive Money to give oral evidence. I am Fran Boait. I am the executive director of Positive Money. Our mission is to reform money and banking to enable a fair, democratic and sustainable economy. Our interest is very much in supporting a green and fair recovery.

Q63 **Chair:** When we scheduled this meeting we were not aware of the prescience with which we were doing so, in that the Chancellor would be making a statement as soon as we had finished this morning on what the next stage of economic measures will be, nor that he was going to announce that the Budget we had expected in November is now not going to happen until the spring. Clearly anything that you say today will be conditioned with not knowing what he is going to say.

Could we start, please, with Fran? You are observers of what has happened in this country and other responses internationally. Could you set out your vision of what a green economic recovery should look like?

Fran Boait: Our vision is one that would protect health and wellbeing as well as maintaining living standards, while supporting the green transition. While we have a Government that have pledged a fair, green recovery and building back better, so far they have failed to take the opportunity to realign the economy with the Government's own net zero targets. Andrew Bailey at the Bank of England has also written in a letter in *The Guardian* on 5 June that, "This crisis offers us a once-in-a-lifetime opportunity to rebuild our economy in order to withstand the next shock coming our way: climate breakdown". In a way, we are all in agreement.

However, we have not seen this rhetoric match the reality. In terms of our research work, we have focused on how we need to change bailout schemes like the Covid Corporate Financing Facility and apply conditions, both social and environmental, as well as transparency. With the Bank of

England QE corporate bond purchases, there is also a real opportunity to green those schemes.

It is important to say that if we are committed to a green, fair recovery, we need to think about restructuring rather than reproducing the failed systems that we have in our economy. It is important to say it is not easy to do. However, at the same time, there is huge public appetite for serious change and a fair, green recovery, which everyone is talking about, but this is not delivered by policymakers.

I also want to draw on some of what we put in our written evidence to the Committee, which is that when we talk about restructuring rather than reproducing, a key part of that green recovery is putting health and wellbeing and social and environmental indicators above the pursuit of economic growth, GDP growth. This is also popular. We did polling earlier in the year, which shows that eight out of 10 want us to prioritise that right now, and over six out of 10 would like to see social and environmental indicators prioritised over GDP growth in a green, fair recovery.

This is obviously a big debate. We could spend a whole session talking about indicators, but I just wanted to draw on the main problem being that GDP growth as a proxy for progress does not work. Very quickly, for example, in the Social Progress Index, which came out recently, the USA has the highest GDP in the world, but ranks very poorly at 91 on quality basic education and 97 on quality healthcare, worse than many low-income countries with much lower GDP. We do not see the outcomes that we have been told from prioritising GDP growth.

A few specifics on what should have happened with respect to some of the policies, which can still be amended to ensure that they have better outcomes in terms of assuring a green and fair recovery. The Covid Corporate Financing Facility scheme, as I mentioned, is one that we have focused on. It has failed on its own terms in protecting jobs. Many firms receiving bailouts have been laying off particularly low-paid staff and, at the same time, have been allowed to pay out dividends. It has also failed on some environmental fronts, where there could have been quite low bar conditions applied. I am happy to expand on those. There was not transparency on the scheme from the beginning. Part of that came later, but we still need more transparency on all of the economic policies being undertaken as a response to Covid.

Finally, on the fiscal response, it has deepened economic inequality, partly by prioritising the protection of banks' and landlords' income flows rather than decreasing the expenditure of low-income debtors and renters. The result of some research at the Bank of England shows that a greater number of lower-income households have reported decreases in savings due to Covid, while mid and high-income households have reported increases in savings. We are not doing what policymakers set out in terms of a fair, green recovery. Clearly there are going to be some big announcements after this meeting, and we have some suggestions for how those could be made better.

Q64 **Chair:** Can I have the same vision from Maria-Krystyna? If you are able, could you compare and contrast the response in the UK to other countries?

Maria-Krystyna Duval: What I will do is build on what Fran has said, but I will try not to be too repetitive or duplicative. Essentially, it is fair to say that both this morning with the Chancellor's announcement but also in the next year the UK has a unique opportunity to reflect on its own economic path and on the leadership position that it wants to take in the world, as it will be holding the G7 presidency in 2021 as well as for COP26. As part of its negotiations with the European Union, it also has a unique opportunity to shape Britain's future in a way that could be either promising or catastrophic from a climate and environmental perspective.

We know that the Government have a certain number of core objectives. These include their climate policy stance, which includes a legally binding 2050 net zero target. They have also stated that they want to ensure inclusive growth and a just transition for all to net zero, and it is a difficult and tremendous task that we have ahead of us to do that. We also know that the Government wish to ensure the adaptation and resilience of all sectors, businesses and industries in the economy in the face of climate and environmental damages to come.

Finally, we know that we have very little time to do this. We spend a lot of time talking about 2050, but in fact the pressing, urgent need is now. We need to start this transition as soon as possible, because we know that we have to lower global emissions between now and 2030 by roughly 50%.

For the Government to start putting some of these core objectives into practice, they need to start assessing all of their policy measures against the three core objectives that I have just outlined. To do this, they could do things very practically from a development of policy standpoint. For instance, reforming the Treasury's Green Book would be a way to start looking at how measures could be designed. ClientEarth is not the only one proposing this. The Committee on Climate Change also came out with this recommendation in its annual report to Parliament back in June of this year.

They should also be, as Fran has said, imposing conditions on companies that are receiving public support and taxpayer money, with increased accountability and transparency for how that money is being spent. Finally, should the Government become a shareholder or a stakeholder of different sorts in any of these companies, they must start behaving as a responsible shareholder and investor. I can go into more detail later on how the Government could achieve that.

At ClientEarth we have developed five essential recovery conditions that we see as the baseline to achieve a green recovery in the United Kingdom, and we wrote to the Prime Minister and the Chancellor earlier in June setting this out. First of all, any company receiving aid, public support, from the Government should undertake a commitment that is legally enforceable to do five things. I should first say which companies this should include, because we do not expect this to go as far as small and medium-sized companies. We are talking about companies that are either listed in the UK or have an annual turnover of £45 million or above.

They would make a commitment to do five things. First, to report in line with the recommendations of a taskforce on financial-related disclosures of the Financial Stability Board. Secondly, they would commit to achieve net zero emissions by 2050. Here again I should emphasise how important it is for those net zero emissions by 2050 also to have interim targets so that companies start the movement towards the transition as soon as possible rather than later. They should build on the disclosures by publishing a Paris-aligned business plan that is reasonable, transparent and accountable. They should be linking executive pay to achieving the targets in the Paris-aligned business plan. Finally, during the duration of the support that they receive from the Government, they should also be restricting executive pay and capital contributions.

Having looked at the way things are evolving around the world—you have asked me to compare a little bit with what we are observing around the world—the United Kingdom is not the only country grappling with these incredibly difficult questions. We have seen different movements in terms of rhetoric and action in different countries around the world. In the EU we have seen some very positive signs taken by some member states. At the same time we have also seen a bailout, for instance, in the Netherlands for the airline, KLM, that has now been challenged in the courts by Greenpeace.

The UK is not alone in Europe in finding it difficult to match its words with its actions. China has also made some very important commitments in terms of the green recovery, but also the in transition to climate change. However, we have yet to see certain parts of that policy defined and delineated in practice. This is why I would like to emphasise once again how much of a leadership position the UK could be taking if it so chose in the next year by making companies comply with these conditions if they receive any public moneys in the next few months under the green recovery.

Q65 **Chair:** Fran, one follow-up question from me. You touched on the Covid Corporate Financing Facility at the Bank of England. I think the Bank would tell us—and we are about to hear from the Bank of England in the next panel—that its priority in coming to support corporate Britain is to protect jobs and livelihoods as the No. 1 issue. Do you take issue with that?

Fran Boait: Absolutely. The Bank stated that it wanted to protect jobs, but it has failed on those terms. To date, I think around 60% of CCFF recipients are planning to or have carried out redundancies. It is estimated that more than 50,000 jobs have been lost. There have been no conditions attached to them not being able to lay off workers. Although there was a retrospective addition of a condition in May on senior pay and capital dividends, we have seen around £11.5 billion being paid out in dividends from companies receiving these bailouts through the CCFF scheme.

A couple of specifics on job cuts. Up to June there were, I think, 21,000 layoffs in the airline industry, which drew down £1.8 billion. We have seen 1,000 jobs in G4S; 1,700 in Airbus; 5,000 in catering in SSP. It is fair to say that it has failed on the terms of protecting jobs. That is why it is not too late to apply conditions both in terms of protecting jobs while companies are in receipt of the CCFF funds, but also extending some very simple environmental conditions that would not necessarily increase the burden.

As this is the EAC, one more example of job cuts is BASF SE, which received £1 billion from the CCFF fund, paid out €3 billion in dividends weeks later and has since announced 2,000 job cuts. It is also worth noting that they, alongside Bayer, who also received £600 million through CCFF, dominate the pesticides industry and bear considerable responsibility for the collapse in insect populations that are crucial for functioning natural ecosystems. Just to bring in Maria's point, if not now, then when are we going to start thinking about the green transition as well as protecting jobs? There is no reason we cannot be doing those things at the same time.

Chair: Thank you very much. I am going to ask Alex Sobel to pick that up, looking in particular at some of the conditionality of these loans.

Q66 **Alex Sobel:** To follow up Philip's questions, we have obviously had extensive use of the Covid Corporate Financing Facility. It has given out tens of billions of pounds to companies. Those deals have been signed off and they have a contract, but obviously, as you said, there is no sustainability conditionality attached to them. Maria-Krystyna, what scope is there now, with existing finance, to attach environmental and sustainable conditions? Is there any scope to do that retrospectively?

Maria-Krystyna Duval: As you say, I think 65 of the 212 companies have already drawn funds, so that would have to be retrospective. It would arguably be very difficult to attach conditions retrospectively to those 65 companies. However, there may be room to attach conditions to any of the remaining companies out of the 212 that have not yet drawn on those facilities and to impose the conditions that the Bank of England would like to see if it decided to start bringing in climate conditions.

It would be up to the Bank of England to amend its contractual terms. As we understand it, the conditions that Fran mentioned, which were added back in May 2020, were only stipulated in a letter of commitment by the company and had incredibly weak accountability. Should the company not comply, the only form of non-compliance sanction by the Treasury would be to publish the letter, along with a notice of non-compliance about the company. From our standpoint as environmental lawyers, that is an incredibly weak accountability mechanism.

If any conditions were to be attached going forward to the remaining companies that have not yet drawn down funds, it would have to be integrated into the essential and principal contractual terms that the Bank of England would enter into with those recipient companies.

Q67 **Alex Sobel:** Following on from that, obviously we have loans that have not yet been placed and potentially today, after the announcement, even more financing available due to Covid. If conditions were put, what form would you like to see them take? Is it just a matter of will, or are there technical or legal barriers to putting environmental conditions on this type of finance?

Maria-Krystyna Duval: In terms of the types of conditions that we would like to see, I would go back to the five recovery conditions that I outlined at the beginning. We would want to see the bare minimum disclosure of climate-related financial risks by the recipient companies. We would want to see net zero targets, as well as what we call Paris-aligned business plans that show how a company will get to 2050 and achieve net zero. We would like to see restrictions on executive pay and capital distributions during the support received from the Government. Finally, we would like to see executive pay also related to performance of that Paris-aligned business plan.

We do not see any particular obstacles to those conditions being applied by the Bank of England. It is up to the Bank of England to put in place the contractual terms with the recipients of the facility.

Alex Sobel: Then it is a matter of political will.

Fran Boait: I agree with all of the environmental conditions that Maria-Krystyna laid out. Additionally, there are other ones, such as transparency on all of those from the start. We have still only seen the loans from June when the Bank of England U-turned and decided to publish them. Previously it was not going to.

We would like to see, as Maria stated, clearer consequences for failure to comply with conditions than simply the Treasury writing a letter, which again is up to them; they may decide not to. This could be a financial penalty or less favourable terms and conditions in further bailouts. We would like to see those conditions placed on jobs, so no layoffs while there is support. In terms of the Coronavirus Job Retention Scheme, although that is coming to an end, there is likely to be another form of support coming that is going to be announced by the Chancellor after this meeting.

There are other conditions that could be applied relative to worker rights, including worker representation on company boards, union consultation when support for job retention schemes comes to an end, as well as the important pathways, the net zero targets that Maria laid out, which I would like to mention. Andrew Bailey, the Governor of the Bank of England, has endorsed that companies should be publishing clear road maps on how they will align themselves with net zero 2050 and also give the climate finance-related disclosures.

It is worth saying that there is no reason why these conditions cannot be applied now. Potentially there could be a mechanism for retrospective application of some of the conditions for companies that have received the CCFF funding until now.

Q68 **Alex Sobel:** Moving on to bonds, obviously the Bank of England has increased corporate bond purchasing in response to Covid. Could that be a Paris-aligned green bond recovery scheme, or are there any reasons why that should not be the case?

Maria-Krystyna Duval: To a certain extent we would want to see that be as green as possible. We have seen that there is a very strong fossil fuel bias in the Corporate Bond Purchase Scheme, with very little correlation to gross value added or to employment figures, which worries us. The Bank of England, by its own admission in its climate-related disclosure report from June, has agreed and stated that the portfolio that it currently holds is a portfolio that is on a 3.5-degree pathway rather than 1.5 degrees. I think the Bank of England would agree with us that there is a discrepancy between its stated objectives and what it is purchasing in the market.

As the Bank of England is the guarantor of the financial stability of the United Kingdom and to a certain extent, because of the importance of the financial markets in the UK, of companies that have an importance elsewhere, we have been trying to say for a long time at ClientEarth that this is a material financial risk. We are not only talking about an environmental risk. The companies that the Bank of England has a stake in may very well end up, sooner rather than later, coming into their own financial difficulties, holding a whole lot of stranded assets in their portfolios, and in this case it would mean that the Bank of England would also be holding them.

I would encourage the Bank of England, given the leadership that it has shown since 2015 in identifying climate as a material financial risk, to continue to show that leadership as it goes forward. There is nothing restraining the Bank from now reconfiguring its portfolio so that the Corporate Bond Purchase Scheme becomes a greener one. That could be done according to two different scenarios. It could be done according to a lower-carbon scenario that might be more progressive and start attaching conditions over time to enable companies to transition away from fossil fuels—we know that in some cases that will take time—or a low-carbon scenario where the Bank decides to divest a certain number of holdings immediately in those carbon-intensive fossil fuel sectors. There are a number of ways in which the Bank could be greening this recovery through the Corporate Bond Purchase Scheme.

Fran Boait: I agree with what has been said. Andrew Bailey told the Treasury Select Committee in March that he wanted to take forward efforts to align the Bank's corporate bond purchases with the Government's net zero target, saying it is a priority and that proposals were perfectly sensible, as they had such public support. Obviously since then there has been this additional £10 billion in corporate bond purchases. Fossil fuel companies such as Shell and BP are still eligible.

We work on this a lot and we are aware this is a live topic among central bankers. While it is very clear that central banks have taken on climate change as part of their financial stability remit, there is still sometimes hesitation to take it on in terms of their price stability remit. However, there is an emerging consensus that markets are not pricing climate risk properly, and therefore there is a market distortion and market neutrality may not be the right benchmark. European Central Bank board member Isabel Schnabel is one of the people who has been talking about this. I do not think there is any reason why, in the current mandate, the Bank of England has not taken those simple steps to exclude certain companies from their corporate bond purchase when, as Maria said, currently the Corporate Bond Purchase Scheme is skewed disproportionately towards high-carbon industries.

It is also worth mentioning that we are aware that there is obviously the need to co-operate between the Bank of England and the Treasury. We have long called for greater co-operation between the Treasury and the Bank of England, and that needs to be accompanied by greater transparency. We launched a petition a week ago, alongside SumOfUs and 350.org, asking the Bank of England to stop funding the climate crisis and regulate the banks that do. That has already collected over 40,000 signatures, so there is strong public support for these actions to be taken. Obviously if there is any reason that the Bank of England does not feel like it is in its mandate or that there is an issue with the Treasury, then those things need to be made transparent for the public pressure that wants to see both the Corporate Bond Purchase Scheme decarbonised but also wider operations, wider bailout schemes and obviously regulating banks as well.

This is a very live topic, and it would be great to see the Bank of England taking greater leadership on this. As I mentioned at the beginning, Andrew Bailey has written, with other central bankers, about how now is the time to be looking ahead to climate change as the next destabilising threat to the economy.

Alex Sobel: It does sound like the Bank of England and Treasury are de-risking fossil fuel activity in the same way as, when we did the green finance inquiry, export credit guarantees were de-risking fossil fuel activity. It does sound very unfortunate.

Chair: Thank you very much. We are going to have the last set of questions to this panel from Matthew Offord. Could we keep answers quite concise, please?

Q69 **Dr Matthew Offord:** I will rattle through the questions. We know that the autumn Budget is not going to happen today, so what would the two of you like to see in the spending review and a spring Budget to stimulate the green recovery you have been talking about?

Maria-Krystyna Duval: There are a certain number of things that we would like to see in terms of greening the road and transport infrastructure network in the UK. The Government have set aside, and this was agreed as part of the spring Budget, £27 billion for the second road investment scheme. Unfortunately, that strategy is misaligned with some of the other incentives, both fiscal and financial, that the Government are offering in order to ensure that there is a clean transport system at the end of this. We know that when more roads are built it increases traffic congestion and air pollution levels. We would encourage the Government—and I am going to try to make this short—to increase the tax incentives for people up front to be able to purchase zero-exhaust emission vehicles and to reform the vehicle excise duty in order to increase it until there is cost parity between ZEEVs and traditional petrol and diesel cars. I will stop there.

Fran Boait: As I mentioned, whenever a Budget is coming out—it is disappointing that there will not be an autumn one, but the next one—we need to think about restructuring rather than reproducing failed systems within the economy. That means rethinking our targets of economic policy. I also agree with Maria's point about the Green Book and the Treasury, but we need to think beyond simply maximising GDP growth.

We think that a critical policy proposal that would shift us towards thinking about an economy that prioritises social and environmental indicators could be a green jobs guarantee that would offer public employment, including training where necessary. The programme could focus on providing necessary jobs in building the infrastructure for a net zero economy, such as retrofitting the UK's housing stock, tree planting, nature restoration and renewable energy projects. It is also important that we start seeing public services such as healthcare, education and social care as green jobs, as they are effectively about meeting human needs, often with relatively little negative environmental impact.

It is critical that if the Government are serious about the rhetoric they keep talking about, about a green, fair recovery, that when there are Budgets being put together we are thinking about restructuring, not just replicating systems. An employment crisis means that we need big solutions, so things like a green jobs guarantee would be critical to move us forward.

Q70 **Dr Matthew Offord:** I am going to cut you off because of time. To expand on that point about the recovery package, as you talk about the creation of green jobs. Where would you like to see those focused, what areas specifically?

Fran Boait: As I mentioned, housing stock is one—retrofitting and repurposing—and recognising that we need more funding in our healthcare, education and social care, and that those can be considered as green jobs. Thinking about our transport services, I would agree that the road building programme is severely problematic, £27 billion, and there is obviously going to be legal action on that. We need a transport—

Dr Matthew Offord: Can I pull you away from that? We are certainly aware of your feelings. There are technological solutions to that, so I want to pull you away from it.

Fran Boait: My point would be green jobs should be going into public transport. That could be part of the green jobs guarantee, as well as decarbonising transport through public transport, decarbonising our energy systems through renewable energy and also recognising that ecosystems and nature are a big part of having a green transition, or we will not meet our net zero targets.

Q71 **Dr Matthew Offord:** I want to pull this out because of time. I apologise for being rude, it is just that time is very short. You mentioned green jobs. What would you like to see in regard to the furlough scheme? What would you like to see the current scheme replaced with? There has been some discussion about whether the Chancellor has been subsidising jobs that are not going to be economically sustainable in the next six months. What would you like to see there?

Fran Boait: That is a big question, and there are a few different areas. If we are serious about that, then thinking about some of the companies that they are bailing out, like airlines and other high-carbon sectors. Realistically, we need to see a step further than what we have talked about so far, which is potentially the Government taking an equity stake in these companies to enable a worker-led transition out of these industries and into other ones. The current economy has too many jobs in sectors that simply are not compatible with a green and just transition towards net zero.

Q72 **Dr Matthew Offord:** Which areas will you look at?

Fran Boait: Airlines is a key one.

Q73 **Dr Matthew Offord:** No, sorry, I understand the parts of the economy that you are not keen on. Where would you look for the green investments? Where are the green opportunities?

Fran Boait: The green opportunities are in public transport. They are in decarbonising our energy systems. They are in homes that are retrofitted with home insulation and are made to have the standard needed to meet our targets, as well as any new builds having very high environmental standards. Between housing, transport, energy systems and thinking about improvements needed in health and social care as well as education, basically all parts of the economy require a lot more jobs in them if we are to transition them into a fair, green and just transition. Also nature, we need to plant a lot of trees.

Dr Matthew Offord: I understand nature, but I thought you would have expanded into things like tourism, for example, or leisure activities, but you tended to focus upon public services particularly. You mentioned health, and health is one of the worst environmental polluters that we have in this country. That is something that we can perhaps consider further at a later date.

Chair: Sorry, Matthew, is that your questions, or did you have anything else you wanted to add?

Dr Matthew Offord: Yes. I apologise for asking quickly, but I was trying to get as much out as I could.

Chair: Thank you very much. We are going to move on to our next panel. Thank you very much, Maria-Krystyna and Fran, for your contributions this morning.

Examination of Witness

Witness: Sarah Breeden.

Q74 **Chair:** I would now like to introduce Sarah Breeden from the Bank of England. Could you introduce yourself and explain your responsibilities at the Bank?

Sarah Breeden: My name is Sarah Breeden. I am the executive director responsible for the supervision of UK banks at the Bank of England. In addition, and this is why I am here today, I am the executive sponsor for all of the Bank's work on climate change.

Chair: Clearly, as I said at the beginning, when we had this session we were not anticipating the announcement last night that the Budget was going to be postponed and that the Chancellor was going to make a statement today, so we accept that your responses will be conditioned by that situation.

Q75 **Marco Longhi:** Thank you for joining us, Sarah. I have three questions that I would like to ask in two parts. My first question is a more helicopter vision one. Could you perhaps outline for us the response of the Bank of England to the Covid crisis so far, please?

Sarah Breeden: Thank you for giving us an opportunity to put on the record what we have done in the context of our climate goals. We are very appreciative of that. The important thing to say here is that all of our actions were taken in the context of an unprecedented crisis, where whole swathes of our economy were put on pause. Our aim therefore was to ensure our actions were big, broad and fast and hit all of our responsibilities. I wanted to highlight actions in three areas in particular: monetary policy, macroprudential and microprudential. Our Monetary

Policy Committee reduced interest rates from 75 basis points down to 10 basis points and introduced £200 billion-worth of quantitative easing, all of which was designed to support the financing conditions faced by households and corporates across the UK. We did all of that by the end of March and have introduced further quantitative easing since.

The FPC, our macroprudential authority, reduced capital requirements for UK banks, the countercyclical capital buffer, which was reduced down to zero and a future increase was put on hold, all of which enabled the banks that we supervise to have additional capital to lend to the real economy. That reduction in the CCyB should have enabled firms to lend an extra £190 billion to the economy, so another important source of support.

Then the PRC, the Prudential Regulation Committee, our microprudential authority, sought to ensure that the capital that the banks already had was retained in order that it could be used to support the lending to the real economy, and that was done by requesting banks not to pay the dividends that they had declared in relation to 2019.

In addition, we did two other things that I think are important. First of all, we provided lending to UK banks through the term funding scheme for small and medium-sized enterprises. That was designed to give long-term funding to banks at Bank rates, so 10 basis points, so that they could lend that on to their customers at those lower rates. That was designed in a way that incentivised lending to SMEs.

Finally, and importantly in the context of this conversation, we worked with the Treasury to set up the CCFF, the Covid Corporate Financing Facility, which was designed to lend short-maturity funds to our largest companies to help them pay their wages and their suppliers. All of that was put in place by the end of March, so within a few days of the lockdown, and was designed, as I said, to deliver big, broad and fast support for the economy as a whole.

Q76 **Marco Longhi:** That is very helpful. My second set of questions will be as follows. The first part is around how we might look at stimulating the economy now that interest rates are as close to zero as I feel we could probably get them. What other levers can we pull? What other tools are still available to the Bank of England to try to stimulate the economy?

Sarah Breeden: I should say up front that I am not a member of the Monetary Policy Committee. It is the Monetary Policy Committee, as you know, that has responsibility for macroeconomic stimulus, as you described. What the MPC has described in its latest publications is that it still has considerable levers that it can pull. Further quantitative easing is still possible. Andrew Bailey has also been clear that negative interest rates are a part of the toolkit that the MPC has. There is no great desire to get them out of the toolkit at the moment, but they are there and we are working with the UK banks as we look ahead to ensure that they would be operationally feasible. There is an opportunity for us to do more on quantitative easing and to consider negative interest rates, too.

Q77 **Marco Longhi:** It is interesting that you mention quantitative easing. If the Bank of England was to do more of it, would it consider introducing that with respect to green finance bonds? We know there is investor demand for green finance instruments.

Sarah Breeden: Our main focus in quantitative easing is putting money into the economy at scale. As I said, we have done £300 billion-worth of that so far and we have sought to do that principally by buying gilts because they are the most liquid, largest asset that is available.

The corporate bond scheme is a part of our toolkit. We have purchased corporate bonds as part of the quantitative easing that we have done so far and could do more in future. I should emphasise that all of this is done as part of the remit that we have agreed with the Treasury on what the MPC is there to do. We have the inflation target and we have regard to the Government's broader economic policy objectives. As Andrew Bailey has said, the next step that we would like to take is to discuss with the Treasury if and how we should amend that remit to try to bring climate considerations of the sort that Fran and Maria were just talking about into account.

It is possible that we could look to do more through that. It would require discussions with Treasury, who set our remit, not least because they indemnify the losses and the profits on the asset purchase scheme, which is how we implement quantitative easing. I am sure, as taxpayers, we all would want that to be done carefully and thoughtfully.

Q78 **Marco Longhi:** Yes. The broader point is that there is potentially an opportunity here and it would be a pity not to maximise those opportunities to best effect with regard to greening the economy, if that is possible.

Sarah Breeden: I will add that Andrew Bailey, our Governor, in his Treasury Select Committee appointment hearing back in March—which seems aeons ago, even before the Covid pandemic had really hit—said that we would look to raise these issues with the Treasury and look to do that anyway. You make an important point that building back better is an opportunity that we can take that underlies that requirement, but I think it is something we should do anyway.

Might I add one other point that I think is important? Obviously the amounts we are talking about here in terms of quantitative easing are that we have done roughly £20 billion of purchases of corporate bonds in total, £10 billion of which since the Covid crisis hit. We have done an extra £300 billion of asset purchases in total, but what the financial system as a whole can do to support a green recovery is even more significant. That goes to the broader work that we are doing on greening the UK's financial system and working with the banks and insurers that we regulate, which perhaps we could come on to later in the hearing. Clearly it is important what we do with our own balance sheet, and we must do that deliberately, thoughtfully and carefully and take the opportunities that are there. At the same time, the work that we can do with the financial system as a whole is perhaps less visible, but far more impactful in terms of supporting the shared objectives we have here.

Chair: Sarah, I am now going to ask Caroline Lucas to pick up some questions posed by our previous panel about the lack of conditionality on your loans.

Q79 **Caroline Lucas:** The Canadian Federal Government have made the publication of climate-related financial disclosure a condition of their Covid corporate loans. Why didn't the Bank of England do the same?

Sarah Breeden: I do not want to rush to remit as an answer in all circumstances but, again, I think it is important for us all to remember here that the Bank operates the CCFF as an agent for the Treasury. The decisions about conditionality are for the Treasury and not for the Bank of England. We operate as their agent here. Nevertheless, on the substance of the question, as I said before, our aim in designing the CCFF with the Treasury was to make sure it was big, broad and fast because that was what the economy needed. We announced—

Q80 **Caroline Lucas:** We have just heard quite a lot of evidence that in terms of trying to ensure that companies kept on their employees, for example, it did not work. We have heard evidence that companies who are in receipt of loans were handing over dividends hand over fist. Would you concede that that has not worked?

Sarah Breeden: I would say that the scheme has been successful in protecting jobs. As the Chancellor has been clear, we cannot protect every job and the point about—

Q81 **Caroline Lucas:** Sorry, but you heard from Fran the number of jobs that have been let go. I have figures down here. They are in the thousands and thousands. Why would there not have been at least some conditionality around ensuring that, first, jobs were not lost in such numbers, and secondly that the dividends and other capital dispensations were not made? Otherwise you are just allowing public money not to do the job that it is designed to do.

Sarah Breeden: Let me be clear on why I am here and what I can speak to and what I cannot speak to, Caroline. I am here as the executive sponsor of the Bank's work on climate change. I can talk to you about conditionality as it relates to the climate aspects of this. I am sorry, it is not something I am qualified to talk about or to talk more broadly on, I am afraid.

Q82 **Caroline Lucas:** That is fair enough. We will get to climate. Just before we do though, you explained a moment ago that the Bank of England is essentially an agent for the Treasury when it comes to this agenda. Did the Bank of England raise with the Treasury the possibility, and indeed the desirability, of ensuring there was some minimum conditionality? The Bank has been such a champion of the whole TCFD agenda. It would be very odd if the Bank had not raised that with Treasury. Can you reassure us that you did?

Sarah Breeden: It is important to say again that the shared aim across the Treasury and the Bank for these initial interventions was for them to be big, broad and fast, and getting the money to the companies that needed it as quickly as possible. In that context, putting conditionality about TCFD disclosure would have frustrated that underlying objective of getting money out quickly.

Caroline Lucas: That is fairly mind-boggling.

Sarah Breeden: If I may—

Q83 **Caroline Lucas:** Let me just finish my question. First of all, we are establishing that the Bank, which as been such a champion of disclosure, did not raise with the Treasury the possibility of ensuring that those in receipt of these loans—and let's remember these are big companies that have plenty of capacity—write disclosure plans. We are saying, first of all, that the Bank did not require it and, secondly, that the Bank did not think it was a necessity because the urgency was around getting the money out.

I would put it to you that we do not just face a Covid crisis; we face a climate crisis. The climate has not gone on furlough. The climate crisis is accelerating and, if we are not very careful, we are going to be jumping out of the Covid frying pan into the climate fire. This was a wonderful opportunity to make sure these companies did what, frankly, is an incredibly small requirement to have that level of disclosure. Can you explain why that did not happen?

Sarah Breeden: The Covid Corporate Financing Facility is a short-maturity facility. It is providing short-term finance, less than 12 months, in order for companies to be able to bridge the Covid financing gap. It is not, in my view, the vehicle that is going to drive the multi-year transition that I absolutely agree our economy needs. We have a shared objective, Caroline, let me underline that, to have the financial system, and the Bank of England within that, drive the economy on an orderly transition to net zero. Attaching conditionality to the CCFF does not seem to me to be the best way to do that. However, I absolutely agree that we need to address the TCFD issue and that we should look, through the work that we are doing with the banks and insurers that we regulate, and the work that we are doing jointly with the Treasury and other regulators, at bringing TCFD in and making it mandatory.

Caroline Lucas: We are short of time—

Sarah Breeden: If I might just add one point, as far as I am aware there have been no drawings under the Canadian facility. That might be for other reasons, but I think that at least provides some evidence as to why we were concerned and Treasury was concerned about the potential for it frustrating the objective at the time, the urgent objective. That is not to undermine the point that you make and I agree with, which is that we do need to make sure that we address the transition.

Q84 **Caroline Lucas:** I think it was a massively wasted opportunity. Frankly, to hear Andrew Bailey saying that the Bank had deliberately not incorporated any kind of test based on climate considerations because, in such a grave emergency, we wanted to focus on the immediate priority of jobs, yet we have just heard—although you cannot comment on it—that that was not even particularly successful in its own terms.

Going forward, what scope is there now to apply some kind of conditionality to the loans under the CCFF? We have heard from our two witnesses already about four or five key ways in which those loans could be brought in line with TCFD and with the Paris climate commitments.

Sarah Breeden: The Bank of England announced earlier this week that the CCFF is going to close. We have given six months' notice that the facility itself will close in March next year. In that context, I am not sure it is a sensible use of resources to think about adding conditionality to a short-term facility that is going to close, instead we should focus on the work that is being done to make TCFD mandatory across the economy.

Q85 **Caroline Lucas:** Well, you have just lost a massively good opportunity to try to make that mandatory across the economy. Presumably the CCFF will be replaced by some other mechanism. Will you take away the possibility when it comes to that mechanism of, at the very least, attaching some conditionality around TCFD? You have assured us how important this is to the Bank, yet it seems quite an extraordinary thing that it is not being used when the opportunity arose.

Sarah Breeden: That is exactly the sort of thing that we are considering in relation to our corporate bond purchases. In the context of the long-term investments that we are making, that is the sort of condition that we are discussing internally, and we will discuss with HMT how we could incorporate that in our remit.

Caroline Lucas: I hope it will be on how and not if. Thank you very much.

Q86 **Chair:** Sarah, you appeared before our Committee two years ago when we were doing our inquiry into green finance, for which we were very grateful. We made some recommendations, which the Government picked up, that corporate asset managers need to start disclosing their climate risk through the Task Force on Climate-related Financial Disclosures, which you have just touched on. This June the Bank announced its own disclosures about your own portfolio. Could you explain what process the Bank went through in order to make that assessment and what it set out, in big handfuls?

Sarah Breeden: Thank you very much for the opportunity to talk through this. The process that we went through to come up with that disclosure was an incredibly important one. It meant the entire organisation was discussing climate risk, how it arose in its business and what it was doing about it.

We were considering where climate change affected our business in the production of bank notes, in our business travel, in heating our buildings, but also across our balance sheet, the corporate bond portfolio. As was mentioned earlier, we have published that the assets in our corporate bond portfolio are currently on a path consistent with 3.5 degrees. We used the TCFD process to get a great focus on where the risks were, and the next stage is, "What are we going to do about it?" To change it, we have set ourselves a Paris-aligned target for ourselves as a corporate in terms of our own carbon emissions. As we have been discussing, we will talk with Treasury about what changes to our remit might be appropriate to help us have a set of financial assets that are more consistent with an orderly transition to net zero.

To emphasise, we purchase corporate bonds as a mirror of the market. What you are hearing is that the UK market is on a path to 3.5 degrees, and that brings us back to the responsibility that we take incredibly seriously as the financial stability authority and supervisor of banks and insurers to try to get the entire market, the entire financial system, to drive the change to net zero.

Q87 **Chair:** You say the portfolio that you have in corporate bonds meets the Paris agreement, but it is at the top end of it, as I understand it. You have mentioned 3.5 degrees. What are you doing to try to bring that down within the corporate portfolio? Am I right that the corporate bond portfolio only accounts for some 2% of the asset holdings of the Bank of England? What are you doing about the 98% of Government bonds, as was touched on in one of the questions earlier, to introduce green bonds? We know that the demand for green bonds is extraordinary. The German Government did an issuance of green finance in the last few days, and it was over five times oversubscribed.

Sarah Breeden: Let me take that in three parts. We have a Paris-aligned plan for us as a corporate for the carbon emissions we have on our own. That is where we are Paris-aligned.

In our corporate bond portfolio we mirror the market on the metric that suggests we are on a path to 3.5 degrees, which is clearly not Paris-aligned. Our proposed action there is twofold: first, to work with the financial system as a whole to get the financial system driving the change in the market to get us on a path to net zero; and, secondly, to work with Treasury to see if a change in our remit is appropriate so that we could buy different assets. Thirdly, exactly as you say, Chair, the vast majority of the assets we hold are gilts. Again, we mirror the market in our purchases. The question there is one for the Treasury about encouraging them to issue a green gilt, which we would then purchase.

May I mention one point on asset purchases? It might seem quite obvious to some that we should just not purchase fossil fuel companies. My personal view, and this is why it requires care and thought, is that it is not at all obvious that that is the answer. The need to transition to net zero is economy-wide. It is not just fossil fuels. It is transport; it is industry; it is real estate. One has to look at this issue across every single asset in the corporate bond portfolio. It is not an exclusion point.

Secondly, what matters is not current emissions but future emissions. One might have one fossil fuel company that has a credible plan to get to net zero and another one that is hoping that nobody will force it to do so. It is important that we treat those companies differently. We need to be thoughtful and careful as we think about how we would look to incorporate that into our mandate.

Q88 **Chair:** Thank you. A final question from me. With the presidency of the G7 next year and hosting COP26 next November, does the Bank have a remit? Have you been asked to lead other central banks in moving towards climate risk financial disclosure and greening your own holdings?

Sarah Breeden: We are a founder member of the Central Banks and Supervisors Network for Greening the Financial System, which was set up two and a half years ago. We were one of eight founder members. Now that has 72 members. I chair one of three workstreams there. We are working together very much as a coalition of the willing, sharing expertise and competing to do more to ensure that the financial system not just in the UK but all around the world is able to support the transition we need.

We recognise that this is a global problem that requires global solutions. We are working with our international peers and indeed, just as you say, Chair, feeding that into the G7 and the COP26 agenda, too.

Q89 **John McNally:** I am pleased to meet you, Sarah. My questions are on pursuing the high-carbon bonds and the moral hazard. In your opinion, is the Bank creating moral hazard by purchasing high-carbon bonds and loaning to high-carbon companies without placing any conditions on them to make a transition to net zero?

Sarah Breeden: We are aiming here to ensure that the financial system—and we playing our part in it—recognises the future risks and steers the real economy towards managing those risks. By that, I mean that the way these risks are going to be managed is not about whether I hold a bond or not. It is about companies in the real economy changing their plans so that they are taking the future risks from climate into account, whether that is the transition risk that leads to stranded assets or the physical risk as the planet gets hotter.

In our work as a central bank and supervisor, we are trying to get people to be aware of those risks, and the real economy then changing those risks and the financial system stewarding the real economy on an orderly path to net zero, so that those stranded assets you mentioned are appropriately valued and thought about. We have a stress test that we are due to do next year that will, I hope, give us good visibility of these risks. Once you have spotted the risks, you can do something about reducing them.

Q90 **John McNally:** I can understand that, but there is an awful lot of talk about ethical investment, moral money and capitalism with a conscience. It seems to be commonplace in most people's everyday language. The panellist we had earlier from ClientEarth was very much aware of the Bank of England saying one thing and acknowledging that path, but the desire does not seem to equal the reason why they are pursuing that. Anecdotal evidence suggests that awareness of climate-related disclosures is still very low among large companies that should be reporting.

Would the Bank consider writing to all the companies that it has loaned money to, reminding them that the Government and the country is now expecting listed companies and large asset owners to publish disclosures on a "comply or explain" basis?

Sarah Breeden: For the banks and insurers that we directly regulate, we already have an expectation that they should disclose in line with the TCFD. The FCA is currently consulting on a proposal that the premium listed companies on the London Stock Exchange should also, on a "comply or explain" basis, disclose in line with the TCFD. Working with our other regulatory colleagues and with Treasury, we are also following up on this Committee's recommendation, which was in the Green Finance Strategy, about whether we should make TCFD disclosure mandatory.

There is an enormous amount of support for the TCFD now. Many thousands of companies, both corporate and financial institutions, have written of their support for it and are disclosing, but we need to improve the quality and the quantity of the disclosure, I hope much like our own disclosure in June where we disclosed forward-looking metrics that are consistent and comparable across different companies.

That probably does require it to become mandatory, otherwise people are going to assume the problem away in what they disclose. I very much support the work that is being done jointly with Treasury and others on how we might create a path to mandatory TCFD disclosure.

Q91 **John McNally:** Thanks for that. The nudge that you are giving these companies is the wrong nudge if they think they can get away with this without disclosing. I would suggest to you that the quicker this is mandatory, the better for everybody concerned.

Sarah Breeden: I understand. Thank you.

Chair: Thank you very much, Sarah, for appearing before us again. You are one of our more regular witnesses on this Committee.

Examination of Witnesses

Witnesses: Chris Hagg, David Morgan and Richard Ward.

Q92 **Chair:** Our third panel this morning is with corporate recipients of Government support. I am pleased to welcome the witnesses from three companies: Chris Hagg from Celsa Steel; David Morgan from easyJet; and Richard Ward from Baker Hughes.

I would like you each to introduce yourselves in answering my first question. The Covid pandemic has led to significant impacts on each of your businesses. As you introduce yourselves, could you outline what the key features of those negative impacts have been and the key elements of Government support that your individual companies have benefited from? Two of you, easyJet and Baker Hughes, have been in the top tier in receipt of the corporate financing facility we have just been discussing. It would be particularly interesting to hear what the impact has been on your businesses in terms of both jobs and dividends.

David Morgan: Hello, everybody. Thank you for inviting me today. My name is David Morgan. I am the director of flight operations at easyJet, and I am responsible for the safe and efficient conduct of all easyJet flights. I also have the privilege of leading the team that looks at the introduction of new technology to decarbonise the airline going forward.

In terms of the impact that Covid-19 has had on the business, it is fair to say that this is by far the worst crisis in easyJet's 25-year history. The entire airline was grounded for some 11 weeks right across Europe. When we began operating again in the middle of June, it was at an extremely modest level. Even in what was left of a very small summer, we flew less than 40% of our normal capacity. We are now running into a winter period. Even in a good year, most airlines make a loss in the winter period. IATA has said that the recovery is unlikely to reach 2019 levels until 2023 or even 2024. This is a very serious situation for us.

As soon as the scale of the pandemic became apparent, we launched a major cost-cutting programme across the business. We deferred the delivery of 24 new aircraft out for the next couple of years. We launched an extensive sale and leaseback programme where we sold off some of our aircraft assets and leased them back. We launched an equity placement programme. Of course we looked for commercial loans that were available, including taking advantage of the CCFF, which was available to all companies meeting certain criteria.

During this period it has been extremely difficult. You mentioned jobs. We have worked tirelessly with union colleagues across the business to mitigate job losses. We have some 6,000 pilots and cabin crew in the UK. We have just finished the cabin crew negotiations and consultations. I am pleased that we have managed with no compulsory redundancies at all. For the pilots, we are just finishing those now and it looks as though we will reach the same result there. We have managed that through an enhanced voluntary redundancy programme, flexible working and part-time working.

Chair: Thank you. Could I ask Richard Ward to describe the impact on Baker Hughes, which is an oil and gas services company?

Richard Ward: Thank you very much for the opportunity to appear in front of the Committee today and give our position. At the start of this year, no one foresaw this global pandemic, which has had an incredible and unprecedented impact across multiple industries, as you just heard from the airlines, including the energy industry. We saw a rapid 67% decline in commodity prices in a very short space of time. We saw the dual impact of excess supply and a drastic reduction in the demand signature for hydrocarbons of greater than 20% over 2019 levels.

Through this period, our focus has been on ensuring employee safety and wellbeing, and also the continuation of our operations and activities for our customers. In the supply chain we have a significant manufacturing presence here in the UK, with 20 sites and eight major centres.

As we look into the future, overall we see subdued recovery at best. That is entirely dependent on the future extent of the Covid-19 pandemic and how that develops. On the back of that, we have taken a very hard look at our global business for the company. We are in a position of driving structural changes that will benefit long-term productivity and efficiency for our company and also for our customers and, more broadly, for society. As we looked at that productivity and efficiency, it was with the energy transition as a backdrop and, ultimately, the emissive nature of the business and how we can reduce emissions. We have looked at our manufacturing footprint and how we can consolidate that into our supply chain.

We have also looked at our facilities and the way we work. We have taken a forward look at how we will work into the future with much greater flexibility in our office-based environment and also in how we service our customers across industrial segments throughout the entire energy value chain and drive remote operations both in research and development, as well as in a live operational environment, both land-based and offshore.

We have been looking hard at structural costs inside the company and making significant changes. We have also had a review of forward-looking activity against our current workforce and have made some reductions across our workforce in light of future activities from our customer base.

At the beginning of this year, it was uncertain to see what the future looked like. We applied to the Government for the Covid Corporate Financing Facility to ensure that we had short-term liquidity as a company to drive the continuity of our operations for our customer base, which was greatly appreciated at that point, with the tremendous uncertainty.

Q93 **Chair:** Could you indicate the scale of the activities based in the UK as a proportion of the global business in terms of turnover and staff? You are a multinational.

Richard Ward: Across the UK we have 35 sites. Twenty are manufacturing sites and 15 are offices, eight of which are major centres. We have collocated our global headquarters between the United States and London in the UK. We are structured under four product companies as a company. Across the energy value chain, that is both hydrocarbons and renewals, as well as other industrial segments. Two of those product companies are headquartered here in the UK. We have about 5,000 employees now. We support a supply base of about 3,000 suppliers. Annually, pre-Covid, we exported out of the UK in excess of $500 million from those manufacturing facilities. The UK as a whole is between 8% and 10% of our global business.

Q94 **Chair:** How many employees did you have at the start of the year in the UK?

Richard Ward: We had approximately 5,500 employees at the start of the year.

Q95 **Chair:** You have lost about 10% of the UK workforce?

Richard Ward: We have lost about 10% of our UK workforce to date, driven by very significant activity reductions across the industry. We have endeavoured, wherever feasible and possible, to use furlough schemes or flexible work schemes to protect that employee base, which is highly technical here in the UK.

Q96 **Chair:** Chris Hagg from Celsa Steel, could you give us a similar thumbnail sketch?

Chris Hagg: Good morning, everybody. My name is Chris Hagg. I am the head of external affairs for Celsa Steel based in Cardiff. We are a steel recycler. We convert just over 1 million tonnes of scrap steel every year into new products. Steel is an endlessly recyclable product. How did the Covid-19 crisis hit us? Most of our products are destined for the construction industry and, during March and into April, the construction industry effectively shut down. We saw in some of our product areas a decline in demand of up to 80%.

As a result, we had to make use of the furlough scheme, which has been extremely helpful during the crisis period because of that reduction in demand. We applied to the Government for assistance. In July, we managed through Project Birch to achieve a loan from the Government, which is helping us with the cash flow crisis that has hit us. We were a sound company with a sound business proposition prior to the crisis hitting. When it came along, it knocked us sideways. It was purely through the lockdown that we had to respond to that. During the course of the last months, we have seen an improvement in construction activity. During May and June an improvement has come about, which has allowed us to unfurlough some of our workforce. Unfortunately we still have a number who are on furlough at the present time.

The recovery slowed during July, August and September. Now our concern would be where the future lies. We have seen that many of our downstream customers are completing projects. Not too much new activity is coming, so in the construction world the early part of next year onwards could get increasingly difficult. The uncertainties are making private investment quite difficult, and therefore the recovery is going to depend very much on the Government and projects that are going to stimulate demand for us. We are a demand-driven company. We have looked around for other opportunities to sell our products. With conditions in other countries being similarly quite difficult, that is not the easiest job in the world, but our anticipation is that we will seek to get back to our full activities.

That is where we stand at the minute. We were described in the announcement as a company of strategic importance with a viable long-term future. It is purely the Covid-19 situation that has thrown us off course.

Q97 **Chair:** Could you indicate how many people you employed at the beginning of the year and how many you employ today?

Chris Hagg: At the beginning of the year we were employing 1,600 people, and we still have 1,600 people on our books.

Q98 **Chair:** How many of those are on furlough now?

Chris Hagg: Approximately 100 people are still on furlough.

Q99 **Chair:** Compared with the other two panellists, your business is a medium-sized company with a very important product range. Are you privately owned? Have you paid dividends during this year?

Chris Hagg: We are a family-owned company with Spanish ownership. During the existence of Celsa UK, there have been no dividends and no moneys taken out of the company by our owners.

Q100 **Chair:** You have helpfully described some of the impact of Covid on your business and the public support you have had through the furlough scheme. David and Richard, could you do the same and explain what support packages provided by the Government you have been able to take advantage of?

David Morgan: We took advantage of the CCFF in addition to all the measures we took ourselves, and we have taken advantage of the furlough scheme. We have not taken advantage of any other scheme available such as Project Birch.

Q101 **Chair:** Do you still have staff on furlough?

David Morgan: I believe we still have a small number of staff on furlough, yes. The majority of our UK workforce came back as we began the recovery in June.

Q102 **Chair:** Without that support, particularly the CCFF scheme, would your banks have stepped in to provide you with the liquidity to keep trading, or did you find that that 12-month funding scheme provided the liquidity you needed?

David Morgan: Absolutely. It has been an important part of maintaining the business as we went through the most difficult period this year. As I said, we looked for funding from all sorts of means to protect jobs and to secure the airline for recovery when it comes. We have a lot of vital skills in the airline. We cannot afford to lose those skills. It is going to be extremely important that we retain as many people as possible for the recovery.

Q103 **Chair:** Has easyJet paid dividends this year, or have you cancelled dividends?

David Morgan: During the annual general meeting on 6 February, a decision was made to pay dividends to shareholders. At that stage, it was completely inconceivable that a month later we would be in a lockdown that lasted for 11 weeks right across Europe. We were, as are other listed businesses, obliged to follow the AGM resolution, and that dividend was paid in the middle of March. Once the scale of the pandemic was realised, we looked for ways to defer or postpone that dividend, but it was not possible.

Q104 **Chair:** Have you got to the interim dividend stage yet?

David Morgan: It is not my area of speciality, I am afraid. I cannot comment on that.

Q105 **Chair:** Richard, could you outline the Government support you have had in the UK and how important that has been in maintaining your business and the employment you have described?

Richard Ward: Baker Hughes took up the CCFF at the start of the Covid pandemic when we had very little visibility into the future state of the industry. We applied for £600 million and were granted the same. At that time it was without restrictions on the loan. It ensured that we had liquidity in our UK business for ongoing operations for our customer base and our suppliers.

As we have navigated this challenging time, we have managed to retain a high degree of liquidity on our balance sheet, managing our cost structure against the scale and size of the business. It has certainly helped to secure the company against a backdrop of very difficult times with the financial markets in significant distress.

Q106 **Chair:** Have you had to pay dividends to your parent in the US during this year?

Richard Ward: Yes, during this time Baker Hughes, in line with its corporate strategy, did pay dividends. Our board evaluates the financial position and the liquidity of the company in determining whether a dividend is approved. A dividend was approved. The funds secured under the CCFF were not used to support any dividend payment.

Q107 **Chair:** Could you confirm which month you are talking about for that dividend payment? Was that pre-Covid or post-Covid?

Richard Ward: Our last quarterly cash dividend was 18 cents per class A common stock and was paid on 21 August 2020 to holders on record on 10 August of the same year.

Q108 **Chair:** The UK business contributed to that effort, presumably?

Richard Ward: That is beyond my area.

Q109 **Barry Gardiner:** First of all, gentlemen, commiserations from all of us on the Committee. Your sectors have had a huge upheaval and we are conscious of the pain that you and your workforce are going through. Secondly, thank you not only for coming and for your evidence, but also because you are here, in one way or another, because you are purported to be doing the right thing. I want to probe that, but I hope you will think it is not in a negative way but to encourage you to go still further.

First, to Richard Ward, perhaps a light question to start with. Oil futures turned negative in April for the first time in history. Come on, did we reach peak oil in 2019?

Richard Ward: I wish I had a crystal ball to be able to answer that question for you. As we look to the future state of the industry and the economy, hydrocarbons are fundamental in the energy mix overall. As a company, we sit as an engineering, design, manufacturing and installation company across the value chain, but as we look at that, we recognise the absolute importance of reducing emissions across the energy sector as a whole.

Q110 **Barry Gardiner:** Excuse me for interrupting you, but I know the Chair will want us to move on. Your company has committed to achieving net zero carbon emissions by 2050. That is great. You have an ambitious target to reduce CO_2 emissions by 50% by 2030, but your focus seems to have been on reducing oil and gas leakage and you have not yet published a net zero plan.

I have three questions. First, do you currently conduct sustainability reporting in line with the proposals of the Task Force on Climate-related Financial Disclosures? Secondly, will you publish a Paris-aligned business plan? Thirdly, will you align your executive pay with the progress achieved in executing that Paris-aligned business plan?

Richard Ward: Thank you for the recognition of our commitment to net zero by 2050. It was a pivotal moment for our company in defining our future state as we released that in front of 1,500 industry stakeholders at the beginning of last year. It underpins the tenet of who we are and who we aspire to be as an energy technology company into the future, which is embodied in our purpose of providing energy to people on the planet more cleanly, more efficiently and more safely than ever before.

To date, we do not report through the TCFD. We are evaluating our preparedness to do that as a company. However, our commitments are public. Our progress against those commitments and our strategy and our goals are published in our annual report and also in our corporate responsibility report, which has been released this year and details in significant quantity our plans and our progress. We submit our emissions on climate change to the CDP and have a B rating and we align to the United Nations Sustainable Development Framework and the Global Compact. Additionally, another notable thing for us as a company is how we report and benchmark our ESG performance through the Global Reporting Initiative and MSCI, where we have an AAA rating.

We are aware of the importance of being public not only in our statement, but also in underpinning that in our progress against that commitment. We have a broad programme to achieve that commitment of emissions reductions, 50% by 2030 and 100% by 2050. That is founded around a few key building blocks. Internally on our own emissions and our own CO_2 footprint, it is heavily around facilities and buildings. With our manufacturing footprint, we are employing technology to enable smart control systems and smart energy systems, and also looking at the provision of electricity into those facilities.

Q111 **Barry Gardiner:** Sorry to cut you off again, Richard. If I can focus you back on the specifics of the question, will you publish a Paris-aligned business plan and will you align your executive pay with it?

Richard Ward: At this point we do not have a published plan in line with Paris. That work is ongoing inside the company at this moment in time. With regard to executive pay, 88% is performance-based compensation and 30% of that is aligned to our ESG targets at this point.

Q112 **Barry Gardiner:** Finally, is Baker Hughes a member of the American Petroleum Institute? Do you fund it in any way, and are you supportive of its lobbying goals? If so, how do you see those as being compatible with your stated net zero objective?

Richard Ward: We are members of many industry bodies across the entire value chain. The API is one of those bodies that we are a member of, as well as the Hydrogen Council, the Carbon Disclosure Project—

Q113 **Barry Gardiner:** My focus is on the API and its lobbying goals. If you are a member, I presume you pay your membership fee and therefore fund it. Are you supportive of its lobbying goals and, if so, how do you see those as compatible with your net zero objective?

Richard Ward: I am not in a position to comment on our lobbying goals per se. I would prefer to bring the question to our internal company commitment, which is very public and vocal, around our—

Q114 **Barry Gardiner:** I must move on, but perhaps I could ask you to write to the Committee setting out how you feel your own stated, published commitment to net zero is compatible with the lobbying goals of the API.

If I can turn to David Morgan from easyJet, thank you for the work you did to reduce the impact of the 4,500 redundancies you initially scheduled for this year and the way you have done that. Was that a condition of the £600 million of Bank of England funding under the CCFF?

David Morgan: I do not believe there were conditions attached to the CCFF. We felt it was the right thing to do. We know that rebuilding the airline as quickly as possible is going to be a vital part of our recovery and, indeed, the recovery of the economy. It made sense to us to seek all ways to reduce job losses.

Q115 **Barry Gardiner:** From our previous witness I knew that, but I wanted to give you the opportunity to boast that there were some companies that did the right thing and perhaps, through that, encourage others to do so.

David Morgan: Thank you for giving me the opportunity to say so.

Q116 **Barry Gardiner:** When oil futures went negative, what quantity did your company buy ahead and was that consistent with your prediction of a decline in air travel of around 30% and no return within the three years that you specified?

David Morgan: I am afraid that I am not qualified to talk about the purchase of oil futures, but we can get back to the Committee in writing with the answers on that.

Q117 **Barry Gardiner:** Thank you, that would be great. You rightly acknowledge that carbon offsetting schemes are not a perfect solution, and I congratulate you on the way you have ensured that your programmes meet the Verified Carbon Standard. What confidence can you have that there is no double counting on those programmes while an agreement has not yet been reached on Article 6 of the Paris Agreement?

David Morgan: We have gone to great lengths to make sure that the carbon offsetting we have used has been of the highest quality. We use only the Gold Standard or the Verified Carbon Standard. We use Climate Focus as our medium to verify that those offsets are of the highest quality. That organisation advises Governments around the world. Of our offsetting, 80% is nature-based. To date we have surrendered 2.2 million offsets. We absolutely acknowledge that this is an interim measure only. We do not see our job done by any means. We have an extensive programme of activities to reduce our impact on the environment.

Q118 **Barry Gardiner:** Indeed. Your evidence suggests that. Offsetting flights does not address your company's total emissions, so I have the same questions for you that I put to Richard. Do you currently conduct sustainability reporting in line with the proposals of the TCFD? Will you publish a Paris-aligned business plan? Will you align your executive pay with progress in achieving it?

David Morgan: At the moment we publish an annual report, which contains a sustainability section that includes climate-related issues and climate-related risks. We participate in the CDP climate change programme, a global environmental disclosure system. We acknowledge the benefit of disclosure. We welcome that. We know it changes behaviour and enables us to benchmark ourselves against other organisations. This year we commissioned the Carbon Trust to conduct mapping of our entire organisation's carbon footprint. The results of that will be published in our annual report in a few months from now.

We do not currently use the TCFD as a reporting mechanism. Nevertheless, many elements of that are things that we already include. We have engaged with a risk management specialist recently to look at reporting and the best mechanism for us to report through. It may be that the TCFD is perhaps appropriate in that regard. We are certainly not shying away from reporting, and we are open to looking at what the best method would be.

Q119 **Barry Gardiner:** Given that it has been adopted as almost an industry standard here, I would recommend that you look seriously at that.

Will you publish a Paris-aligned business plan and align your executive pay with it?

David Morgan: We do not currently have a Paris-aligned business plan. We are looking closely at that. We want to produce a road map to net zero and to align that with the Paris agreement. We look forward to doing that.

Regarding executive pay, I am afraid we will have to get back to the Committee in writing. I am not qualified to talk about that.

Q120 **Barry Gardiner:** We look forward to getting your response on that in writing, and similarly Richard's.

If I can turn now to Celsa Steel and Chris Hagg. You guessed it, Chris, I have the same three questions for you. Do you currently conduct sustainability reporting in line with the TCFD? Will you publish a Paris-aligned business plan and align your executive pay with it?

Chris Hagg: First, we do publish environmental statements every year. We have done for the last nine years. They map our progress in terms of our objectives, our targets that we set and our performance against those targets. We will continue to do that. We also have a number of recognised environmental and sustainability accreditations for our business. That includes BES 6001, Eco-Reinforcement for steel and ISO

14001. A number of things recognise our improvements. Within those, we always have to work out what the future improvements are going to be. We expect to reach net zero well in advance of 2050. In fact, we would like to think that within the next 10 years we should be in a position to reach net zero.

Q121 **Barry Gardiner:** You used the words "we would like to", but surely part of achieving that objective is to have a plan setting out clearly the staging posts by which you are going to achieve it.

Chris Hagg: Yes. Thus far we have worked particularly on energy efficiency, and that is the key, as far as we are concerned. As a high electricity user, for us it will be about the decarbonisation of generation.

Q122 **Barry Gardiner:** I will come to that in a second, but could you focus on the three key questions?

Chris Hagg: We are now working on publishing plans for that net zero target, and we will be working on that over the near future with the idea of publishing those within the environmental statements. On top of that, we are looking closely now at the TCFD and how to publish our movements in that direction and give full disclosure of that.

Q123 **Barry Gardiner:** When you say you are looking closely at it, what does that mean? At board level, what is happening?

Chris Hagg: Over the next year we aim to be working towards that disclosure.

Q124 **Barry Gardiner:** Very good. What about alignment of executive pay with your Paris-aligned business plan when it eventually comes?

Chris Hagg: That is beyond my remit. I would have to get back to you.

Q125 **Barry Gardiner:** You will write to us on that one as well. That seems to be the one that all three of you want to write to us about, which I entirely understand.

Finally, you have improved your energy mix to ensure that 56% of your electricity supply is now renewable. It used to be just 15%. It appears that there has been little change in the energy efficiency of the production process. You also recorded a reduction in gas consumption, but it appears that all the improvements in your CO_2 emissions are accounted for by the changes in electricity generation with your production stable at 400 kg of CO_2 per tonne. Why are you not achieving the reductions you would expect? What other sources of energy—perhaps hydrogen—are you looking at to improve things?

Chris Hagg: Looking at the alternatives, hydrogen has been mentioned as a possibility for the future. There are some big challenges around that in terms of cost of generation at present. There are a number of research and development works going on at present in combination with other producers as to the adaptability of the industry and the possibility of using things like hydrogen for the future. That is still in its relatively early phases.

Q126 **Barry Gardiner:** Why have CO_2 emissions not gone down in proportion with the reduction in your gas consumption? How do you account for that?

Chris Hagg: On that one, sorry, I will have to get back to you.

Barry Gardiner: We have a lot of further written evidence to read.

Q127 **Duncan Baker:** I want to scrutinise how your companies are dealing with these climate-related disclosures. We all understand that, in recognition of the risks and the opportunities that climate change presents for businesses and financial institutions, it is important that companies make those relevant financial disclosures.

To each witness in turn, I am going to ask a couple of questions. First, how does your organisation currently assess climate risks in its annual financial reports and filings? Will you make some public declarations on the fact that your businesses are committed to publishing full climate-related disclosures on the risks and opportunities for your businesses? Can I start with Mr Ward at Baker Hughes? You are not listed as a supporter of TCFD, but can you talk about those two questions and come back to that central question, please?

Richard Ward: As I stated earlier, we are very committed to our public commitment to reduce emissions and to the public reporting of that. We are currently not a member of the TCFD, but we are assessing preparedness with the intent to start reporting through the TCFD in a future state in the coming year.

We have a comprehensive enterprise risk assessment process, which runs through our operating units and our corporate structures. It assesses risks for the business from all angles, including climate and energy transition-related risks. Those risks are assessed in partnership with an external party and then in turn go to our executive committee and up to our board of directors for review. The results of those are publicly discussed in our annual report and are also highlighted in our corporate responsibility report.

On the public state right now, as I said earlier on the record, we do climate-related disclosures to the CDP and have done since 2009. We are aligned under the United Nations Global Compact and now align our reporting to the Sustainable Development Framework. Through the GRI and the MSCI, we benchmark our ESG performance.

Q128 **Duncan Baker:** Mr Hagg, your business identifies how it manages risks in commodity prices and currency fluctuation, but it makes no mention of climate risk at this moment in time. Can you address those two questions and that last one as well, please?

Chris Hagg: Probably the biggest climate risk that we face is greenhouse gas emissions and the transition from the EU ETS and what will follow that. That area would be where we perceive our biggest climate-related financial risk. We have already touched on the substitution of existing technologies and maybe a transition from gas to alternatives. Those areas are where we perceive our biggest climate-related risks.

Q129 **Duncan Baker:** Would you bolster some of your reporting to make more specific mention of climate risk?

Chris Hagg: Yes, we would.

Q130 **Duncan Baker:** Mr Morgan, can I direct those two questions to you as well? Your reporting is also slightly different. You have not publicly committed to publish climate-related disclosures, although the annual report does contain a number of climate change risks facing the business.

David Morgan: We are looking closely at the best mechanism in terms of disclosures, and we participate in the CDP climate change programme in addition to the Carbon Trust mapping. TCFD may be an appropriate format for us.

I want to say on the record that we are absolutely committed, from the board down to the individual crew members who operate easyJet aircraft, to the net zero target of 2050. In fact, in easyJet we believe that it should be a more ambitious target for aviation, perhaps in the 2030s. Our real ambition is to fly not even net zero, but actual zero-emission aircraft. We participate in the Jet Zero Council. We have partnerships with aircraft manufacturers and the Aerospace Technology Institute. We are actively involved with the Airspace Change Organising Group. We are fully committed to this. Disclosure is going to be an important part of that journey, and we welcome the opportunity to do so.

Q131 **Duncan Baker:** That is good to hear. We will come on to that commitment in a moment with the next set of questions. I am getting the feeling that you are going to move towards the TCFD, but it might come later in the year. Are you going to make the public commitment that you will?

David Morgan: I will certainly make a commitment that we are going to look at it, because it has come to the forefront more recently. We are engaged with an enterprise risk management specialist at the moment and it may well be that the TCFD is deemed the most appropriate format to do so.

Q132 **Claudia Webbe:** My first question is to Richard from Baker Hughes. To meet the Paris agreement, a large proportion of fossil fuel reserves may have to remain unburned or the carbon will have to be captured and stored. Is the oil and gas industry acting upon that knowledge? What is your view?

Richard Ward: Rather than talk about the broader industry at this point, I would like to talk about the Baker Hughes strategy in this realm. We are acutely aware of the emissions profile that comes from hydrocarbons. We have detailed research and development programmes in flight that are looking at non-emission to low-emission technologies for a future state to help decarbonise. We have programmes around carbon capture and storage, and specifically around compression systems. We are also looking at storage integrity, the longevity and management of that integrity in a subsurface environment and transmission.

Hydrogen is also an area of focus for our company, both from a compression standpoint and from a turbine standpoint. Baker Hughes is designing the first hydrogen turbines and we will continue to progress that capability by looking at hybrid hydrogen engines for a future state. We are looking at alternative energy sources such as geothermal and how we can apply current capability and technology from our workforce into a future state of cleaner technology to be deployed in that area.

Another area that is potentially overlooked is the huge change that efficiency and productivity can drive from an emissions profile across multiple industries. We are investing in digital capabilities, in artificial intelligence and in machine learning to see how we can change industrial processes to drive efficiency and productivity through that to lower the emissions profile across the board.

It is acutely understood by us, and more broadly by the industry. We are certainly investing today to drive a lower-emissions future. Today we also have capabilities and technologies that look at the emissive nature—fugitives, leaks, flaring—and how we can prevent that impact on the environment, as well as deploying technology on existing infrastructure used around the world to lower the emissions profile. We have a comprehensive programme as we look to lower future emissions from this energy source.

Q133 **Claudia Webbe:** Your message would be that we should be hopeful for the future?

Richard Ward: I can certainly speak on behalf of my own company. We are investing money today to ensure that we have a lower-emissions future. It is the foundation of everything we are doing as a company and, as I said earlier, it is a core tenet of our forward-looking strategy.

Q134 **Claudia Webbe:** Chris, the Government are, as we understand it, looking at mechanisms to incentivise industrial carbon capture and storage. They have announced a £250 million Clean Steel Fund. What else would you like to see the Government doing to support the transition within your industry?

Chris Hagg: In terms of real transition within the industry, there are a number of things that the Government can do that would be of great assistance to us. First, as an energy-intensive user, we suffer with higher electricity costs than probably anywhere else in Europe. We need that parity in terms of a real cost structure to enable people to want to invest in this country and to increase local usage of our raw materials. There is a piece around needing parity in electricity costs. Support for energy efficiency projects has been there and should continue to be there.

Consideration needs to be given to the carbon border tax, which is being considered within the EU. Within our industry, how do we look at the offshoring of capacity and capability and reimport the CO_2 associated with it? Somewhere along the line we have to understand that it is easy to offshore manufacturing, but the consequences are not right for the planet. Overall, we know that our carbon footprint, for example, is about a third of alternative steelmaking opportunities. It can be easy to move a carbon problem away from this country but increase the overall carbon footprint.

To allow the transition, those are some of the features that are important from our point of view, as well as the idea of local sourcing of materials. The pandemic is showing us that we need to have a strong manufacturing base and capability inside this country, and therefore local sourcing of materials is of paramount importance.

Q135 **Claudia Webbe:** I will move on because I know time is short. David, as you will appreciate, the Committee on Climate Change has called for aviation emissions to be formally included in the UK's future carbon budgets. Do you support this?

David Morgan: Yes, 100%. We welcome the recommendation to include international aviation within the UK climate targets and the work with ICAO to set up long-term goals such as CORSIA. We are absolutely committed to the net zero target of 2050. As I mentioned, we are much more ambitious than that. We would like to see an earlier target for aviation, frankly.

Q136 **Claudia Webbe:** Do you want to say a bit more about what that would mean for you and for the aviation industry?

David Morgan: In terms of the progress that we need to make, since 2000 easyJet has reduced its carbon emissions per passenger kilometre by over a third. We have done that through investment in modern aircraft and so on. In the last two or three years, all our aircraft have had a fuel burn of 15% less than the earlier generation of aircraft, yet there is very little incentive at the moment for investment in that kind of technology. We would like to see a system that rewards good behaviour in that regard. We have optimised the way we operate, but we are looking to technology to provide the long-term answer. Rather than suppressing aviation, if we are going to achieve our long-term sustainability goals, it is important that the industry is able to thrive. Without it, we will just put everything on hold.

For example, a reform of the APD would incentivise carbon-efficient flying. At the moment it does not at all. A 50-year-old aircraft can have the same APD as a brand-new aircraft. It is not linked to the distance of a flight in a fair way at all. We would like to see Government support—we have seen some already, which is great—in investment in R&D to help us transition over the next years to a fully carbon-free airline.

Q137 **Claudia Webbe:** I want to ask a final question of all of you. How can the Government best support businesses in your organisation to create green jobs and drive investment in green technologies and infrastructure?

Richard Ward: There are a few areas that I would like to highlight that can aid and accelerate our progression towards a lower-emission future. Ensuring a regulatory framework that allows for rapid qualification and permitting for new climate-related technologies is important so that we have the ability to accelerate technology into commercial production and into the marketplace as we develop it. We should also explore and consider incentivising and encouraging a focus on the emissions that are causing climate change rather than the fuel source.

We need to establish clear market signals to encourage investment in the technology needed to reach net zero, specific pathways through CCS, which we have heard about today, hydrogen efficiency, geothermal and more broadly across energy efficiency as a whole and, finally, co-operative funding that goes across academia, small and medium enterprises and also large corporations to work together to solve some of these challenges and problems.

As a quick backdrop to that, in 2018 the Scottish Government, through Scottish Enterprise, co-funded a centre of excellence in Montrose, Scotland with Baker Hughes. We invested £31 million. In light of lowering emissions from the industry going forward, a critical piece of equipment was completely redesigned at that facility with apprentices that were hired through the STEM programme. That has materially reduced the weight, the size and the operational time in the ocean by 50% across the board, which has a material impact on the emissions profile overall. I believe that kind of incentive and funding makes a big difference to the acceleration and speed of technologies to drive down the commercial cost of these greening technologies that are required to achieve net zero.

David Morgan: In the short term, we have to ensure our survival. We would seek support from the Government to make sure we can rebound from this pandemic and get on with the job of decarbonising aviation and reinventing aviation in many ways. If we are not able to recover quickly, that will be extremely difficult. Even the removal of APD for 12 months would help us get back on our feet.

The more important thing is, in the longer term, to look at changing APD to incentivise carbon-efficient flying and making sure that customers have a choice about who they travel with based on climate-related issues, which is not the case today.

In terms of investment in R&D, one of the biggest problems that we are going to face as an industry is finding not just the zero-emission aircraft but the infrastructure to support that. We welcome the work on hydrogen. That is an exciting fuel of the future. Airbus announced on Monday this week that it will create hydrogen-powered aircraft for production by 2035. It is one of the most exciting announcements we have heard in easyJet's history. We are working with Airbus on hopefully making that happen. Investment in infrastructure for clean technology is going to be vital.

Finally, skills retention is going to be vital again, particularly during this next 12-month period, to make sure we have the right people in place to get the business going again at the end of it.

Chris Hagg: I have already mentioned a good number of things. We need to create the right business environment for the investments to come in. In our industry, the new technologies are all going to involve a more intensive electricity need for the UK, not higher consumption, as we move across from one technology to another. Therefore those electricity costs have to be at the right competitive level.

The other key thing that I have already mentioned is the idea that procurement has to be correct. We have to be looking more at local sourcing to get to a greener future for us all.

Claudia Webbe: Unless anybody wants to come in to talk further about the skills sector, that will end my questioning for now.

Q138 **Chair:** I would like to recognise that the Chancellor is about to stand and introduce further measures as a result of the additional restrictions that are coming into force this week.

I would like to echo Barry Gardiner's welcome to the three companies that have come to explain the support you have already received from the Government. We are grateful to you for coming to explain that to us. Is there a single measure you would like to see either extended or introduced by the Chancellor this afternoon to tide your business over in the next six months or so while restrictions may continue? In that context, could David Morgan start? I take it from what you have said thus far that you would welcome the suggestion by the Climate Assembly UK for APD to be taxed on the basis of distance flown to become more environmentally orientated as a tax system.

David Morgan: Yes. The APD in its current form does not incentivise that at all. We would welcome reform that recognised the distance of the flight and, indeed, the actual footprint of the flight as well, incentivising investment in technology that reduces the carbon footprint of that aircraft.

Q139 **Chair:** You would focus more on emissions per mile flown rather than purely on the number of miles flown?

David Morgan: Absolutely, yes.

Q140 **Chair:** Is that the top issue you would like the Chancellor to introduce this afternoon?

David Morgan: In the short term, retaining skills is going to be vital for us as well. We want to keep all of the specialists and the technical people we have in the airline through this difficult period so that we can come out strong again on the other side.

Q141 **Chair:** Chris, what would Celsa like to see happen this afternoon?

Chris Hagg: Overall, we need demand to be at the right level. As a company and as an industry, we have proved to be very successful through this period. The whole of the steel industry in the UK has managed to keep going. We have done a lot of social distancing and things like that. All we need is for the demand to be there from our customers. In our example, the construction industry has adapted well and has maintained the right measures. As long as we keep the right measures in place, we can get through this, but we need that demand to be there.

Q142 **Chair:** That is more support for the construction industry, housebuilding and public infrastructure?

Chris Hagg: Public infrastructure is going to be the big driver.

Q143 **Chair:** Richard of Baker Hughes, what would you like to see introduced or continued today?

Richard Ward: We would like to see the continuation of both co-operative and independent funding for green technologies as we look into the future, specifically around CCS, hydrogen, geothermal and other such technologies, as outlined.

The other one is skills. With the unknown future, quite frankly, with the pandemic, at this point it is essential to keep highly qualified, skilled personnel in the UK workforce as we think towards a future state.

Chair: Thank you. That ends on a suitably green and positive note for our inquiry into greening the recovery. We are going to see what happens this afternoon and decide whether we will extend the inquiry into another session given the fast-changing events and the Budget having been delayed.

I would like to conclude this session by thanking all of our witnesses on this panel and the two previous panels for their insightful contributions today. I thank Nick Davies, the Committee Clerk, for preparing our brief, and all of the members of the Committee who were able to join us today. Thank you very much indeed.