

European Scrutiny Committee

House of Commons London SW1A 0AA

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From: Sir William Cash MP

25 June 2020

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UK implementation of the EU's Sustainable Investment Taxonomy

Thank you for your letter of 28 May 2020 on the EU's new Sustainable Investment Taxonomy to assess the environmental impact of investment in particular economic activities, and its potential implications for UK investors and financial institutions.¹ We note the Regulation establishing the Taxonomy has now been formally approved by both the European Parliament and the Member States in the Council, and is expected to be published in the Official Journal of the EU in the near future.

The Committee was intrigued by the reference in your letter to the fact that the Government is apparently considering "the extent to which we will align with the EU" as regards the Taxonomy beyond the end of the transition period, based on the detailed screening criteria for the high-level environmental objectives which the European Commission is due to begin publishing at the end of this year. It would be helpful if you could clarify why such alignment is under consideration, and in particular whether the issue of the UK operating something akin to the Taxonomy has been raised, or is likely to be raised, in the context of discussions with the EU on 'equivalence' for financial services (especially with respect to asset management and investment services).

We would also be grateful if you could inform us, and any other Select Committees with an interest, in due course when any draft legislation (under

¹ Document 9355/18 + ADDs 1–2, COM(18) 353; 39806.

section 8 of the European Union (Withdrawal) Act 2018 or otherwise) is published to amend the Regulation establishing the Taxonomy as it applies in domestic law after the end of the transition period. If the Government intends to retain a version of the Taxonomy in the longer term, we believe Parliament should take a particular interest in any Government proposals relating to the process for establishing the UK's own detailed screening criteria for the environmental objectives set out in the Taxonomy.

We look forward to receiving your response as regards alignment with the EU Taxonomy in the customary 10 working days.

I am copying this letter to Rt Hon. Mel Stride MP, Chair of the Treasury Committee and Gosia McBride, Clerk of that Committee; Rt Hon. Philip Dunne MP, Chair of the Environmental Audit Committee and Lloyd Owen, Clerk of that Committee; to Lord Kinnoull and Christopher Johnson in the Lords; and to Les Saunders at the Cabinet Office.

CHAIR