



Department for
Business, Energy
& Industrial Strategy

The Lord Bridges of Headley MBE
Chair of the Economic Affairs Committee
House of Lords
London
SW1A 0PW

The Rt Hon Greg Hands MP
Minister of State for Energy, Clean Growth
and Climate Change

**Department for Business, Energy &
Industrial Strategy**
1 Victoria Street
London
SW1H 0ET

T +44 (0) 20 7215 5000
E enquiries@beis.gov.uk
W www.gov.uk

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Dear George,

Thank you for inviting me to give oral evidence at the UK energy supply and investment inquiry on 24th May 2022. I trust you found my input of use, and I look forward to seeing the outcomes of your inquiry.

A line of questioning was raised on the role the Bank of England (BoE) plays in supporting a suitable environment for investment to align to the ambitions of our British Energy Security and Net Zero Strategies. Specifically, a question was raised as to how BEIS and BoE officials work together to ensure coherence across the two organisations. I promised to write to you on this to provide a clear answer.

It is important to firstly clarify that it is HM Treasury, and not my department, that holds a formal relationship with BoE. HM Treasury sets the BoE's remit and maintains an ongoing dialogue at official and Ministerial level to discuss financial and broader macroeconomic policy.

That said, there are several areas where officials in my department consistently engage with BoE officials. They fall into two broad categories – disclosures and information sharing.

On *disclosures*, as set out in *Greening Finance: A Roadmap to Sustainable Investing*, Government and regulators in the UK are taking several steps to implement economy-wide sustainability disclosures. Officials in my department are engaging consistently with officials in the BoE, in other regulators and other departments, to ensure coordinated action is taken across the economy. On *information sharing*, officials in my department are supporting BoE officials to better understand key public commitments, such as those made in the British Energy Security Strategy and Net Zero Strategy, and what some of the real-economy implications may be. This information can then be used to support BoE analysis of the likely resulting impacts on financial institutions they regulate.

A second point was raised was on the Nuclear Energy (Financing) Act, on the likely impact of the Regulated Asset Base (RAB) funding model on the cost of new nuclear projects, and on consumers' bills as they take a degree of risk in these projects alongside investors and project developers.

The Nuclear Energy (Financing) Act Impact Assessment estimated the illustrative costs of building and financing a generic large-scale nuclear power plant through the RAB model. Applying the Department's Prices and Bill modelling to the analysis in the Impact Assessment suggests a generic large scale nuclear power plant, funded through a RAB

model, would add around £1 per month to a typical dual fuel household bill during construction. I would also assure you that the interests of consumers is a high priority for the Government, and that any company seeking to benefit from the RAB model would be subject to extensive due diligence to mitigate against consumers bearing unacceptable costs. This due diligence would support decisions such as the designation of a project company under the provisions of the Act, as well as other Government approvals.

I hope you will find this explanation useful, and I would be happy to provide any further detail deemed necessary on request.

Yours ever,

A handwritten signature in blue ink, appearing to be 'GH', followed by a long horizontal stroke.

THE RT HON GREG HANDS MP

Minister of State for Energy, Clean Growth and Climate Change