



## Treasury Committee

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Dr Mark Carney  
Bank of England,  
Threadneedle St,  
London,  
EC2R 8AH

3 February 2020

Dear Governor,

Congratulations on your appointment as Finance Adviser for the UN climate change conference, COP26, to begin after your time as Governor.

On the 30 December, you appeared on Radio 4's Today Programme, and warned that climate change could make financial assets 'worthless'. During your interview, you commented on the need for consumers to be able to access information about whether their investments are aligned to the government's climate commitments, stating "it is important that you and I can understand how our money is being invested. Is it being invested consistent with the transition path?". In relation to this comment, I would be grateful if you could share your thinking on the following;

- Do you believe UK retail consumers currently benefit from clarity about whether their savings, pensions and investments are aligned to achieving net-zero carbon emissions by 2050?
- If not, what simple, comparable and consumer-friendly disclosures could be put in place to help consumers understand the 'carbon footprint' of their pensions, savings or investments?
- Would it be reasonable, effective and viable for financial services firms to disclose the 'carbon footprint' of their products using a visual rating system, much like an EPC rating on a property?

During your interview, you also spoke about the potential loss of value associated with hydrocarbon assets, stating "up to 80% of coal assets will be stranded, [and] up to half of developed oil reserves".

- Do you believe that the existence of a such a potential 'carbon bubble' could undermine the safety and soundness of firms and financial stability?
- What additional action should and could the Bank undertake to compel UK financial institutions to accurately price in climate risk?

In the past, you have said that the Bank is "open to a brown penalising factor<sup>1</sup>". Please outline how you think this might be applied in the UK in practice, including which financial institutions it might apply to, and the regulatory mechanism through which it could be achieved, in principle.

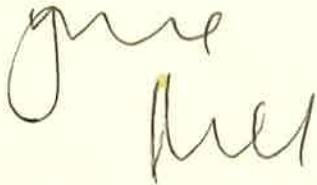
- What impact would a brown penalising factor have on the exposure of UK financial services firms to stranded asset risk and/or climate risk?

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<sup>1</sup> <https://www.ft.com/content/e697d3bc-ff98-11e8-ac00-57a2a826423e>

- Would the Bank require any legislative or government support to progress this concept?
- Should we expect to receive more developed proposals on such a policy instrument, and if so, when?

I may place this letter, and any response, in the public domain. I would be grateful if you would respond by 24 February 2020.

A handwritten signature in cursive script, appearing to read 'Mel Stride', written in black ink.

Rt. Hon Mel Stride MP  
Chair Elect of the Treasury Select Committee