Treasury Committee

House of Commons, Committee Office, London SW1A 0AA

Tel 020 7219 5769 Email treascom@parliament.uk Website www.parliament.uk/treascom

Andrew Bailey
Chief Executive
Financial Conduct Authority
12 Endeavour Square
Stratford

3 February 2020

Dear Andrew,

On 30 December, the Governor of the Bank of England appeared on the Today Programme warning that climate change could make financial assets 'worthless'. During this interview, he commented on the need for consumers 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 agree with the Governor's assessment?
- Do you think UK 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 do you think could be put in place to help consumers understand the 'carbon footprint' of their pensions, savings or investments?
- Do you think it would 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?
- Does the FCA have the powers and remit required to compel financial services firms to implement a simple, comparable and consumer-friendly disclosure about the 'carbon footprint' of their products using a visual rating system, much like an EPC rating on a property? If not, what powers and remit would you need to be given?

During his interview, the Governor also spoke about a potential future 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 such a potential 'carbon bubble' could undermine consumer protection or market integrity?
- What supervisory action has the FCA undertaken so far with firms that it regulates, to raise the importance of effective climate risk management? Please outline any supervisory steps taken so far, and any future plans regarding supervisory engagement on this matter.

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

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