



Environmental Audit Committee

Mark Carney Esq
Co-Chair, Glasgow Financial Alliance for Net Zero

Sent by e-mail only

25th January 2023

Dear Mr Carney —

The financial sector and the UK's net zero transition

Thank you for coming to the Committee's meeting on 24th October 2022 to give evidence to the Committee's inquiry into the financial sector and the UK's net zero transition.

The Committee recognises that the Glasgow Financial Alliance for Net Zero (GFANZ) is an important voluntary global coalition of leading financial institutions with the goal to mobilise financial institutions into achieving net zero by 2050. Members were encouraged to hear about the tools and support that GFANZ is providing to its members to assist them in delivering transition commitments, including the recently-published net zero transition planning framework you referred to during the session. The Committee looks forward to seeing further progress on transition commitments by GFANZ members, particularly by UK signatories, several of which have written to the Committee about their net zero investment policies.

Thank you for arranging to provide to the Committee details of the materials that you referred to during the session, including the BNEF report on energy investment ratio, the G30 paper on Mainstreaming the Transition to a Net Zero Economy, and the Statement on Deforestation Financing from the Co-Chairs and Vice Chair of GFANZ. It would assist our inquiry to receive these materials as soon as is convenient.



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The Committee discussed with you the availability of comprehensive, consistent and comparable data on the net zero commitments of the financial sector. You kindly offered to provide further information on this point and to indicate areas where the UK Government might be in a position to assist in this process: it would be helpful to have that indication as a response to this letter.

Shortly after your appearance before the Committee it was reported that GFANZ had dropped its requirement for members to join the United Nations Race to Zero campaign, instead encouraging its member alliances to partner with Race to Zero. Committee members are aware that joining GFANZ is a voluntary commitment, but are concerned that in the absence of a formal requirement for member alliances to partner with Race to Zero, there will be less impetus towards aligning the financial sector to net zero goals, and fewer mechanisms to hold to account those signatories which are not in alignment.

The Committee would therefore be grateful if you could clarify the rationale for this decision and give your assessment of its likely impact on the investment policies of current and prospective members of GFANZ member alliances.

Since the date of the evidence session, further information has been brought to the Committee's attention concerning matters discussed during the course of the hearing. The Committee would like to give you the opportunity to clarify your remarks in the light of the information set out below.

- At Q35 you indicated that Brookfield Asset Management has a "minority investment in what is effectively a shuttle tanker business". The Floating Production Storage and Offloading (FPSO) vessel to which reference was made is owned by Altera, Brookfield's subsidiary. Companies House records Brookfield Asset Management as the sole entity with significant control of Altera.



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- At Q36 you described the Rosebank oilfield as “an existing field that gets extended”. In August this year, Equinor submitted an application for UK government approval to develop the field. In that application the development was defined as a “new project”.
- At Q57, you indicated that GFANZ advocated a position where institutions with exposure to fossil fuel or other pre-transition assets in an emerging economy should undertake “a managed phase-out [of those assets], which is one component of a just transition” rather than “to sell and to walk away”, which you presented as an easier option. On 16 December 2022 it was reported that in 2021 Brookfield had sold farmland in the Cerrado region of Brazil which had previously been forested before clearance and conversion to intensive agricultural use by Brookfield subsidiaries: it appeared from the reports that Brookfield had disposed of the assets without attempting to manage any phase-out or remediation of the land. This action, by a company whose asset management arm you chair, appears to be at variance with the position which GFANZ advocates.

We look forward to your response to this letter. I expect the Committee will wish to publish the correspondence on receipt of your response.

Yours sincerely,

Rt Hon Philip Dunne MP
Chair of the Environmental Audit Committee