



# Environmental Audit Committee

House of Commons, London SW1A 0AA

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Andrew Bailey  
Governor  
Bank of England

22 January 2021

Dear Mr Bailey,

***Environmental Audit Committee recommendations for the Bank of England on post-COVID recovery***

I am writing to you concerning the Committee's current inquiry into the post-COVID recovery to make two recommendations to the Bank.

Firstly, I would like to congratulate the Bank on its laudable work highlighting the financial risks from climate change in recent years. The Bank of England has led the world in this regard, not least by becoming the first central bank in the world to publish its own climate-related financial disclosure. The Bank is to be commended for its leadership on this.

The cross-party Environmental Audit Committee is now calling on the Bank to show continued leadership in this area by ensuring that its future actions to promote economic recovery reduce the UK's exposure to climate risk. The Bank's rapid response to the pandemic has been admirable and has no doubt saved many firms from folding as a result of cash flow problems. However, the Bank is at risk of creating a moral hazard by purchasing high-carbon bonds and providing finance to companies in high-carbon sectors without placing any conditions on them to make a transition to net zero.

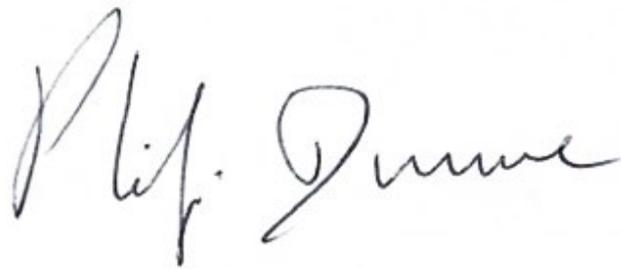
We believe the Bank's remit is already explicit in giving it recourse to consider the financial stability risks of climate change. The Bank must begin a process of aligning its corporate bond purchasing programme with Paris Agreement goals as a matter of urgency. It must do this before COP26 to avoid undermining UK diplomatic leadership on climate change and to demonstrate the seriousness of the UK's commitment to fulfil its Nationally Determined Contribution.

In future, the Bank should require large companies receiving millions of pounds of taxpayer support via the Covid Corporate Financing Facility (CCFF) to publish climate-related financial disclosures in line with the Government's Green Finance Strategy. The Bank should also write to all the companies that have already received CCFF loans to remind them that the Government's Green Finance Strategy expects to see all listed companies and large asset owners publish disclosures by 2022.

We thank the Bank for its engagement with our inquiry and the insightful evidence provided by Sarah Breeden. We look forward to receiving the Bank's response to these recommendations.

I am copying this letter to the Chancellor of the Exchequer, Rt Hon Rishi Sunak MP.

Yours sincerely,

A handwritten signature in black ink that reads "Philip Dunne". The signature is written in a cursive, flowing style.

**Philip Dunne MP**  
**Chairman of the Environmental Audit Committee**