



Treasury Committee

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John Glen, Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road
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5 June 2019

Dear John

You will be aware that today the Treasury Committee launched a new Inquiry on *Decarbonisation of the economy and green finance*.

I am sure that you will agree that climate change is one of the most pressing issues facing our nation. HM Treasury (“HMT”) has a vital role to play in both leveraging the huge opportunities for the UK to lead the way in green finance and environmental innovation, and in ensuring that our nation’s climate policies are effectively funded.

This inquiry will consider a range of topics, including the role that HMT has played to date in supporting the government’s climate change commitments, HMT’s forward looking decarbonisation strategy, and opportunities presented through the upcoming Spending Review. In our inquiry’s terms of reference, we have asked stakeholders to specifically comment on the following topics that will be of interest to you:

- What is HMT’s current strategy, and approach to, UK decarbonisation, and is it fit for purpose?
- How does HMT work with the Clean Growth Strategy and government departments to support decarbonisation? Is this working well?
- How should HMT’s approach evolve to ensure the Government meets the legally binding carbon budgets (and the net-zero targets, if applicable)?
- What role should the 2019 Comprehensive Spending Review play in UK decarbonisation? What projects or measures should receive additional funds through this process?

We expect to take oral evidence from Treasury Ministers after the summer recess. In advance of any written evidence that HM Treasury may submit to this inquiry, we would appreciate your response to these three questions:

1. The Committee on Climate Change’s (“CCC”) recent net-zero report contained a recommendation that ‘*HMT Treasury should undertake a review of how the transition will be funded and where the costs will fall. It should develop a strategy to ensure this is, and is perceived to be, fair*’. Does HM Treasury intend to adopt this recommendation, and if so, when can we expect publication of the review?
2. What is HMT’s initial response to the Committee on Climate Change’s net-zero report, and how will you use insights gained through its research to inform your future approach?

3. In our oral evidence session with HMT on 20 March, Philip Duffy, Director, Enterprise and Growth, HM Treasury, stated “*In carbon budgets 4 and 5 we currently have a significant gap*”, and in our oral evidence session on 24 October 2018, Tom Scholar stated: “*One of the things I am quite sure Ministers will want to address in the Spending Review will be precisely this question of a coherent position across the Government and their overall support of decarbonisation and other environmental targets*”. Considering these statements made by HMT officials, Parliament’s recent declaration of a climate emergency, and the CCC report, how will HMT use the upcoming Spending Review/Round as a vehicle to ensure that the UK closes the current ‘significant gaps’ to delivery against its legally binding carbon budgets, and/or net-zero, if applicable?

I intend to place this letter, and any response, in the public domain and would be grateful for your response by 1st July.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Nicky Morgan', with a stylized flourish at the end.

Rt Hon Nicky Morgan MP
Chair of the Treasury Committee