Open Letter to Andrew Bailey, Governor of the Bank of England

Dear Governor Andrew Bailey,

We welcome the commitments you have made towards greening the financial system during a year of profound upheaval for the UK economy.

With only months to go before the UK hosts the COP26 climate conference, the Bank of England has an unprecedented opportunity to shape the global green finance agenda and help ensure the UK leads the way in this crucial area. While governments must drive the decarbonisation effort, central banks have an essential role to play in supporting this and aligning private finance with government plans.

Climate change and biodiversity loss already pose huge risks to the Bank’s ability to meet its core objectives of maintaining monetary and financial stability. We therefore welcome the Chancellor’s announcement of updated remits for the Bank’s policymaking committees, to explicitly include supporting the government’s net zero emissions target and wider environmental policies. This places the green transition unequivocally within the Bank’s mandate.¹ ²

Through the legally binding Paris Agreement, the UK has committed to keeping global warming well below 2°C and pursuing efforts towards 1.5°C.³ In May, the International Energy Agency warned that investment in new oil, gas and coal supply must stop this year if the world is to reach net zero by 2050, and said that annual global investment in clean energy needs to increase by more than triple, to $4tn by 2030.⁴ These goals will require an urgent reorientation of finance away from fossil fuels and towards green alternatives, using all policy levers available.

In this decisive year for climate action, the financial sector the Bank of England oversees continues to underprice climate-related risk, and insufficient capital is being allocated to the green investments required to align the economy with the commitments made by the UK under the Paris Agreement.

Emissions from projects financed by the UK banking sector are greater than those of other European countries. Barclays and HSBC alone have poured more than £185 billion (US$255

billion) into fossil fuels since the signing of the Paris Agreement in November 2015, more than three times the amount it would cost to power all UK homes with offshore wind by 2030. In 2019, UK banks invested more than £258 billion in sectors which the government and scientists agree are primary drivers of biodiversity destruction. The Bank of England’s own asset purchases are currently aligned with 3°C of warming - double the target the UK is committed to targeting via the Paris Agreement.

We support the Bank operationalising its new climate and environmental remits in a manner commensurate with the scale and urgency of the challenges we are facing. With the right policy decisions, the Bank can play an instrumental role in mobilising and steering private finance to help deliver the government’s goals, incentivising job creation and encouraging essential investments in green infrastructure.

We, the undersigned, encourage the Bank of England to:

1. **Unleash green investment**

   The Bank of England needs to actively support a green Build Back Better recovery by using the policy tools at its disposal. This could involve supporting green investment in the real economy by adjusting its lending schemes to provide cheaper credit to commercial banks, conditional on banks expanding their lending for sustainable projects, particularly to SMEs. In collaboration with the Treasury, the Bank should also explore partnering with the new UK Infrastructure Bank, to provide additional capital to support increased investment in a fair and green transition.

2. **Regulate private finance**

   UK financial regulators need to ensure that private finance supports, rather than obstructs, the government’s climate and levelling up goals. The Bank of England should work with the Treasury to mandate that all UK financial institutions outline credible transition plans aligned with the Paris Agreement. They should also introduce measures that ensure that the high risk of fossil fuel lending is reflected in regulation, and push for Paris-aligned regulation of the financial system at the international level.

Crucially, in taking the above steps the Bank of England must work closely with bodies such as the Treasury, BEIS, and the Climate Change Committee, and develop real economy

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targets such as on green job creation and emissions reductions, for which Parliament can hold policymakers to account.

Signed,

MPs

1. Caroline Lucas MP
2. Wera Hobhouse MP
3. Barry Gardiner MP
4. Peter Bottomley MP
5. Alan Brown MP
6. Clive Lewis MP
7. Tony Lloyd MP
8. Dr Stephen Farry MP
9. Claire Hanna MP
10. Ben Lake MP
11. Daisy Cooper MP
12. Geraint Davies MP
13. Dr Philippa Whitford MP
14. Ed Davey MP
15. Dan Carden MP
16. Diana Johnson MP
17. Mick Whitley MP
18. John McDonnell MP
19. Kenny MacAskill MP
20. Tim Farron MP
21. Kate Osamor MP
22. Stuart McDonald MP
23. John McNally MP
24. Deidre Brock MP
25. Tommy Sheppard MP
26. Chris Law MP
27. Sarah Olney MP
28. Mohammad Yasin MP
29. Martyn Day MP
30. Navendu Mishra MP
31. Kirsty Blackman MP
32. Peter Dowd MP
33. Hannah Bardell MP
34. Rebecca Long-Bailey MP
35. Paula Barker MP
36. Paul Blomfield MP
37. Kim Johnson MP
38. Andrew Gwynne MP
39. Christine Jardine MP
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41. Drew Hendry MP
42. Hilary Benn MP
43. Liz Saville Roberts MP
44. Wendy Chamberlain MP
45. Valerie Vaz MP
46. Sir George Howarth MP
47. Stephen Timms MP
48. Colum Eastwood MP
49. Patrick Grady MP
50. Andy Slaughter MP
51. Julie Elliott MP

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3. Baroness Massey of Darwen
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17. Lord Purvis of Tweed
18. Lord Cameron of Dillington
19. Baroness Boycott

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3. E3G
4. UCL Institute for Innovation and Public Purpose
5. ClientEarth
6. Greenpeace
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