



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Sir William Cash
Chair, European Scrutiny Committee
House of Commons
London
SW1A 0AA

4 October 2018

Dear Bill,

9980/18: PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ESTABLISHING THE INVESTEU PROGRAMME AND ANNEXES

Thank you for sharing the Committee's report on 12 September in which more information was requested with respect to my Explanatory Memorandum of 13 July 2018 to clarify what "continuing arrangement" the government envisages between the UK and the EIB after the UK leaves the EU, and whether any of the Bank's functions are to be taken over by a domestic replacement.

The government considers that investment is crucial for the economic future of this country, and is committed to ensuring that businesses and infrastructure projects have access to the finance they need.

As raised in your report, the UK believes it may be mutually beneficial to maintain some form of ongoing relationship with the EIB Group after leaving the EU. The UK is exploring options with the EU for maintaining a future EIB Group relationship as part of this second phase of negotiations. That's why the government said in the White Paper that the Withdrawal Agreement should include an explicit commitment by both parties to finalise the legal agreements to give effect to the future relationship as soon as possible. This is in order to achieve a smooth transition out of the implementation period and into the future relationship.



Although the EU is only able legally to conclude the final agreements on the future relationship once the UK has left the EU in March 2019, the political declaration will nevertheless carry significant force. The government remains open to exploring options for a future relationship between the UK and the EIB.

Regarding the InvestEU proposals, the exact nature of the EIB Group's relationship to the programme – as well as all other aspects of the draft regulation – are yet to be finalised. Negotiations are ongoing at working group level in Brussels, and as a Member State the UK is taking part in these. The government is encouraging the Commission and Member States to design future EU programmes in a way that keeps options open for future UK and EU cooperation opportunities.

However, as the Chancellor said in his Mansion House speech on 20 June 2017, if we do not maintain our relationship with the EIB Group, we will be prepared. The government has already taken steps to increase support for infrastructure finance and high-growth businesses, and will keep that support under review as negotiations progress.

For example, the British Business Bank has already raised the limits on the amount it can invest in venture capital funds from 33% up to 50%, and brought forward of some of the £400m additional investment that was announced at the Autumn Statement 2016, providing the BBB with the flexibility to significantly increase its investment. If necessary, we will use the British Business Bank to provide further support within the SME finance space.

In addition, the Infrastructure and Projects Authority has also broadened the range of the UK Guarantees Scheme by offering construction guarantees for the first time.

I am copying this letter to Lord Boswell of Aynho, Chair of the House of Lords European Union Committee; Philip Aylett, Clerk of the House of Commons



European Scrutiny Committee; Arnold Ridout, Legal Advisor of the House of Commons European Scrutiny Committee; Christopher Johnson, Clerk to the Lord Committee; Les Saunders, Department for Exiting the EU and to Barbara Armstrong and Daniel Jones, HM Treasury.

A handwritten signature in blue ink, reading 'Elizabeth Truss'.

RT HON ELIZABETH TRUSS MP