



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

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

28 May 2020

Dear Sir William,

9355/18: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the establishment of a framework to facilitate sustainable investment

Thank you for your letter of 30 April 2020 in relation to the above file (also known as the taxonomy).

In your letter you rightly note that elements of the taxonomy file become applicable after the end of the EU Exit Implementation period, and ask whether the Government is considering establishing a similar legally-binding Sustainability Taxonomy domestically for investment products.

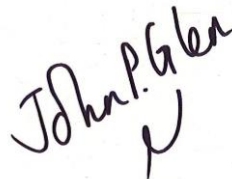
Under the terms of the European Union (Withdrawal) Act 2018, only legislation which comes into force before or during the implementation period will become retained EU law. This implementation period will end on 31 December this year. The disclosure requirements set out in articles 4-8 of the final text will only apply in respect of the two environmental objectives after 31 December 2021 and after 31 December 2022 for the remaining environmental objectives. Therefore, as you note, these requirements will not form part of retained EU law.

However, given that the Taxonomy is due to enter the Official Journal of the EU during the implementation period, most likely within the next couple of months following adoption by the Council and the Parliament, the remainder of the level one file (i.e. except articles 4-8) will become retained EU law. This effectively means that the UK will retain the framework for the taxonomy, including the high-level environmental objectives. Pursuant to the powers under the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020), the Government will be addressing any deficiencies in the retained law to ensure it is fully operable from the end of the implementation period.

The UK government committed in the Green Finance Strategy to at least match the ambition of the objectives of the EU Sustainable Finance Action Plan. We recognise that the EU taxonomy will play an important role in the development of Green Finance and in preventing greenwashing, an important UK objective. The UK is also committed to promoting globally consistent standards, and these commitments form a key part of our strategy to strengthen the UK's status as a global hub for sustainable finance.

However, given that the delegated acts setting out the technical standards criteria (TSC) have not yet been published by the Commission, and we therefore do not have clarity on the final outcome of the file, we cannot comment at this stage on the extent to which we will align with the EU after the implementation period. We will therefore continue to monitor this process as we consider the UK's approach to green finance standards.

I am copying this letter to the Earl of Kinnoull, Chair of the House of Lords European Union Committee; Philip Aylett, Clerk to the Commons Committee; Chris Johnson, Clerk to the Lords Committee; Mel Stride, Chair of the Treasury Committee and Gosia McBride, Clerk to that Committee; to Philip Dunne MP, Chair of the Environmental Audit Committee and Lloyd Owen, Clerk to that Committee; Les Saunders, Cabinet Office, and Joe Livesey, HM Treasury.

A handwritten signature in black ink that reads "John P. Glen" with a stylized flourish underneath.

JOHN GLEN