The Corporate Climate Conscience Act (202X) – filling the regulatory lacuna undermining Britain's path to net zero.

Introduction

The recent report by the United Nations' Intergovernmental Panel on Climate Change makes for sobering reading.[1] It is now "unequivocal"[2] that human activity has warmed the global climate system, and that many changes due to greenhouse gas emissions are "irreversible for centuries to millennia".[3] Even with global CO_2 emissions reaching net zero in the coming decades there is just a 50% chance that temperatures do not exceed 1.5°C above pre-industrial levels[4], the agreed target of the signatories to the Paris Climate Agreement.[5] Ostensibly, the UK is leading the world in its legislative commitments to combat climate change. The reality, however, is that as well as statutory emissions targets not being met, any and all such legislation is undermined by inadequate regulation of the financial sector. This climate shaped lacuna in the regulatory laws of England and Wales has allowed banks incorporated in the UK to contribute to the $3.8 trillion spent globally financing fossil fuel projects *since* the Paris Agreement.[6] Separate research conducted by

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[1] IPCC, *Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change* (2021) <https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Full_Report.pdf> Accessed 8th September 2021 (hereafter 'the IPCC report')

[2] IPCC, 'Summary for Policy Makers', in *Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change'* (2021), A.1

[3] Ibid: B.5.

[4] Ibid: D.1.

[5] Article 2(1)(a) of the Paris Agreement to the United Nations Framework Convention on Climate Change < https://treaties.un.org/doc/Publication/UNTS/No%20Volume/54113/Part/I-54113-0800000280458f37.pdf> Accessed 8th September 2021.

[6] Rainforest Action Network et al, *Banking on Climate Chaos* (2021) < https://www.ran.org/wp-content/uploads/2021/03/Banking-on-Climate-Chaos-2021.pdf> accessed DATE (hereafter 'the RAN report'). The report lists five UK banks financing fossil fuels to the tune of approximately $312 billion since the Paris Agreement: Barclays, HSBC, Standard Chartered, Natwest and Lloyds.

Greenpeace states that in the year 2019 alone the UK financial sector (banks and asset managers) were responsible for 805 million tonnes of CO_2 emissions, a staggering 1.8 times the UK net emissions for that year at 455 million tonnes.[7] Simply put, this is evidence of market failure. As will be shown, current climate legislation completely ignores the financial sector, and statutes governing financial regulation are inadequate in that they facilitate that market failure.[8] This will highlight the need for robust policy intervention that incorporates a 'climate conscience' into the currently toothless regulatory regime of the Bank of England's Prudential Regulation Authority. This will utilise existing institutions and provide for economic incentives and penalties. As well as being necessary and morally worthwhile, this reform is simple, economically astute, and will make the law more effective, both in preventing domestic legislation and international agreements from being undermined and in adapting to the biggest problem of the 21st century.

I. Problem

The UK's net zero target stems from the Climate Change Act 2008 (2050 Target Amendment) Order 2019. This commits the government to reducing the net UK carbon account to 100% below the 1990 baseline, thereby aligning domestic legislation with the international pledge made via Article 2(1)(a) of the Paris Agreement.[9] While the target is clear and set in law, how to accomplish it is not. The

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[7] Greenpeace, *The Big Smoke: The Global Emissions of the UK Financial Sector* (2021), p. 11 < https://www.greenpeace.org.uk/wp-content/uploads/2021/05/The-Big-Smoke-the-global-emissions-of-the-UK-financial-sector.pdf> Accessed 8th September 2021.
[8] This is despite Article 2(1)(c) of the Paris agreement being 'to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development'.
[9] The Climate Change Act 2008 (2050 Target Amendment) Order 2019, s. 2.

ostensible tool for mapping our road to net zero is the Climate Change Act 2008. This Act established an independent statutory body, the Committee on Climate Change (CCC), to advise the incumbent government.[10] Amongst its functions is advising the Secretary of State in their duty to set ‘carbon budgets’ (essentially emissions quotas) for succeeding periods.[11] Accompanying the carbon budgets in each report is a list of policy advice, to assist the Secretary of State in their duty to prepare proposals to meet the budgets.[12] This legislative mechanism is ineffective for two reasons. The first is that as a result of the CCC’s independence, what to include in their report discretionary. Despite input from an advisory group[13] specifically tasked with addressing net zero finance, they failed to include any policies pertaining to the financial sector in the Sixth Carbon Budget.[14] Lacking explicit legislative direction it seems the CCC will not address the emissions for which the financial sector is responsible. The second reason is that the CCC’s proposals are not legally binding, so even if financial policy was suggested it would not force the necessary changes. Indeed, the practice of government has been to set the CCC’s targets into law and either ignore or poorly implement their recommendations. For example, the Sixth Carbon Budget’s target was enacted via the Carbon Budget Order 2021 in June.[15] However, out of the 92 recommendations

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[10] The Climate Change Act 2008, s. 32. Hereafter, ‘the 2008 Act’.
[11] Ibid, s. 34; for the Secretary of State’s duty, see s. 4.
[12] Ibid, s. 13.
[13] The Advisory Group on Finance, *The Road to Net Zero Finance* (2020) <https://www.theccc.org.uk/publication/the-road-to-net-zero-finance-sixth-carbon-budget-advisory-group/> Accessed 10th September 2021
[14] The Climate Change Committee, *The Sixth Carbon Budget: The UK’s Path to Net Zero* (2020) <https://www.theccc.org.uk/wp-content/uploads/2020/12/The-Sixth-Carbon-Budget-The-UKs-path-to-Net-Zero.pdf> Accessed 10th September 2021
[15] This committed the government to a 78% reduction in CO_2 emissions compared to 1990 levels by 2035.

made in that report, as of June 2021 only 11 had been achieved in full,[16] with the CCC finding only 'one-fifth… "potentially on track" for full delivery'.[17] This has led to a 'policy gap' on the pathway to net zero.[18] This gap is left to be filled by incohesive and frankly inadequate policy, particularly regarding transitioning to a net zero economy.[19]

Exacerbating this problem is the complete lack of climate orientated provisions in the statutes governing financial services regulators. The primary legislation for the financial services industry is the Financial Services and Markets Act 2000 (FSMA), as significantly amended by the Financial Services Act 2012. Chief amongst these amendments was replacing the previous regulator with two separate entities: the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).[20] As mentioned, scrutiny of the FSMA reveals no mention of climate objectives; not in the specific objectives relative to the regulators' separate functions, nor in the regulatory principles to be applied by both regulators.[21] So, neither regulator can use their regulatory powers to prevent financial institutions from funding fossil fuel projects and undermining domestic legislation and international agreements, simply because they have no power or mandate to do so. They must instead adhere to their enacted objectives which boil down to stability of the UK financial system and facilitating fair and effective markets and competition. When the ordinary process of

[16] The Climate Change Committee, *Progress in Reducing Emissions: 2021 Report to Parliament* (2021) <https://www.theccc.org.uk/wp-content/uploads/2021/06/Progress-in-reducing-emissions-2021-Report-to-Parliament.pdf> Accessed 10th September 2021.
[17] Ibid, p. 26.
[18] Ibid, p. 16.
[19] Examples can be found in varying amounts of detail in the Green Finance Strategy (2019), the Energy White Paper (2020) and the Prime Minister's Ten Point Plan for a Green Industrial Revolution (2020), amongst others.
[20] The Financial Services Act 2012, s. 6.
[21] See the Financial Services and Markets Act 2000, Chapter 1 for the FCA's objectives; Chapter 2 for the PRA's objectives; and s. 3B for the regulatory principles to be applied by both.

market operation is to jeopardise the welfare of the climate (and by implication society), and all the regulators can do is facilitate that, the result has to be seen as market and regulatory failure.[22]

The interpretation of the duties of directors in the Companies Act 2006 is evidence of this market failure. At first glance, that in promoting the success of the company directors must 'have regard' to the 'impact of the company's operations on the community and the environment' seems significant.[23] In practice this is not the case. The wording of the provision is vague ('have regard'; 'good faith'), with the legal ambiguity allowing environmental concerns to be subject to the 'success of the company'. The success of the company essentially means maximizing wealth for shareholders. This panders to well established shareholder primacy of UK company law pre-2006,[24] under the guise of 'enlightened' shareholder value principles post-2006.[25] Coupled with no direct enforcement mechanism the provision is useless in terms of climate action. The courts have effectively confirmed this in *R (on the application of People & Planet) v HM Treasury*.[26] In this case campaigners attempted a judicial review of Treasury investment in Royal Bank of Scotland which made it a majority shareholder. They argued climate commitments were undermined due to the nature of RBS investments. In refusing the application the court held that to

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[22] Economists have described climate change as evidence of market failure for some time. For example, see Sir Nicholas Stern 'The economics of climate change', *The American Economic Review* Vol 98(2), 2008, pp. 1-37.

[23] The Companies Act, s. 172(1)(d).

[24] For a comprehensive analysis of this subject see, Association of Chartered Certified Accountants, *Shareholder Primacy in UK Corporate Law: An Exploration of the Rationale and Evidence* (2011) <https://www.accaglobal.com/uk/en/technical-activities/technical-resources-search/2011/september/rationale-and-evidence.html> Accessed 29th September 2021.

[25] For enlightened shareholder value and section 172 of the Companies Act 2006 generally, see Richard Williams, 'Enlightened Shareholder Value in UK Company Law' (2012), *UNSW Law Journal* 35(1), PL 360.

[26] [2009] EWHC 3020 (Admin).

impose government policy regarding combating climate change would, in the words of Mr Justice Sales, ‘come into conflict with, and […] cut across, the duties of the RBS Board as set out in section 172(1)’.[27] Not even a government institution bound by legislative climate targets could infringe on the rights of directors to exercise their activities for the success of the company. In other words, the market triumphs environmental concerns.

What is left is a financial system in which regulators are facilitative in market failure, hindered as they are by their own objectives, and where individual environmental responsibility established in law at director level can be skirted in pursuit of success in that market. It should come as no surprise, then, that the response of the regulators to climate change has been weak. In letters dated March 2021 the Chancellor of the Exchequer instructed the Bank of England’s monetary[28] and financial[29] policy committees, the PRA[30] and the FCA[31] to ‘have regard to the government’s commitment to achieve a net zero economy by 2050’.[32] The imprecision of the language only compounds the inadequacy of this dictum: the extent to which regulators must ‘have regard’ is unclear, and there is no mention of penalties for non-compliance. The responses have been predictably insubstantial.

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[27] Ibid, paragraph 34.
[28] HM Treasury, *Remit for the Monetary Policy Committee* (2021) <https://www.bankofengland.co.uk/-/media/boe/files/letter/2021/march/2021-mpc-remit-letter.pdf?la=en&hash=C3A91905E1A58A3A98071B2DD41E65FAFD1CF03E> Accessed 21st September 2021.
[29] HM Treasury, *Remit and Recommendations for the Financial Policy Committee* (2021) <https://www.bankofengland.co.uk/-/media/boe/files/letter/2021/march/fpc-remit-and-recommendations-letter-2021.pdf?la=en&hash=3C5B23BE764387498155F61CAF255417E665CCE8> Accessed 21st September 2021.
[30] HM Treasury, *Recommendations for the Prudential Regulation Committee* (2021) <https://www.bankofengland.co.uk/-/media/boe/files/letter/2021/april/chancellor-letter-march-2021-prc.pdf > Accessed 21st September 2021.
[31] HM Treasury, *Recommendations for the Financial Conduct Authority* (2021) <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/972445/CX_Letter_-_FCA_Remit_230321.pdf> Accessed 21st September 2021.
[32] Ibid.

The FCA's website points to new disclosure rules for companies with a UK premium listing,[33] and a revised stewardship code as evidence of their response to their changed remit, despite both of these changes occurring in 2020.[34] Meanwhile, the PRA's literature celebrates 'setting expectations', which it was doing in 2018,[35] 2019[36] and in its most recent 2021 business plan.[37] Clearly no concrete expectations have been set and even if they had it is not clear whether there are penalties for non-compliance, rendering the system futile. Further, these 'expectations', along with the FCA responses mentioned above, relate only to climate reporting and risk management. While undoubtedly necessary across the industry to manage climate change, they avoid the real concern: that regulated bodies can operate free of climate conscience in their activities. The tools exist in current legislation to manage this problem, but only when regulators can use them with regard to explicit climate objectives can the problem be properly addressed.

[33] Financial Conduct Authority, *Policy Statement: proposals to enhance climate-related disclosures by listed issuers and clarification of existing disclosure obligations* (2020) <https://www.fca.org.uk/publication/policy/ps20-17.pdf> Accessed 21st September 2021.
[34] Financial Reporting Council, *The UK Stewardship Code 2020* (2020) <https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Dec-19-Final-Corrected.pdf> Accessed 21st September 2021.
[35] Prudential Regulation Authority, *Transition in thinking: the impact of climate change on the UK banking sector* (2018) <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/report/transition-in-thinking-the-impact-of-climate-change-on-the-uk-banking-sector.pdf?la=en&hash=A0C99529978C94AC8E1C6B4CE1EECD8C05CBF40D> Accessed 21st September 2021.
[36] Prudential Regulation Authority, *Supervisory Statement: Enhancing banks' and insurers' approaches to managing the financial risk of climate change* (2019) <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2019/ss319.pdf?la=en&hash=7BA9824BAC5FB313F42C00889D4E3A6104881C44> Accessed 21st September 2021.
[37] Prudential Regulation Authority, *Prudential Regulation Authority Business Plan 2021/22* (2021) <https://www.bankofengland.co.uk/prudential-regulation/publication/2021/may/pra-business-plan-2021-22> Accessed 21st September 2021.

II. Proposal

For this section I will be cross referencing the draft legislation (‘the proposal) in the Appendix.[38] The proposal centres on reform to the PRA for simplicities sake. It is submitted that concocting a simple enough metric around which the FCA could centre effective enforcement would be too difficult considering current climate legislation, which, as discussed, is at present simply targets set for many years in the future, instead of, say, the environment being considered a legal entity with unalienable rights.[39] Further, the PRA regulates around 1,500 banks, building societies and investment firms through control of regulated activities.[40] This provides an existing legislative mechanism to be utilised for climate purposes with just a minor tweak to the statute.

The primary purpose of the proposal is to amend the PRA’s objectives found in the FSMA to enshrine climate conscience into the daily regulation of PRA-authorised persons. [41] Importantly, this provision does not simply align the PRA’s general objective with government climate targets. Instead, it references specifically that which is already under PRA control (regulated activities) and obliges the body to reduce emissions resulting from said activities in a manner consistent with the remaining provisions of the proposal, which sets out the specifics of how. Note that

[38] The Corporate Climate Conscience Act 202X, starting at page 16.
[39] An example of this would be Te Urewera National Park in New Zealand, which in 2014 was granted legal personhood by the New Zealand government.
[40] Regulated activities are defined in section 22A of the Financial Services and Markets Act 2000. For the scope of PRA regulation see the Financial Services and Markets Act 2000 (PRA-regulated Activities) Order 2013, SI 2013/556, which specifies that certain regulated activities set out in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, SI 2001/544 are PRA-regulated activities.
[41] The Corporate Climate Conscience Act 202X, section 1.

the provision is inserted alongside those dictating how the PRA advances its general objective.[42] They seek to avoid the adverse effect of the business and failure of PRA-authorised persons on the stability of the UK financial system. The provision goes on to state 'adverse effects… may result from the disruption of the continuity of financial services'.[43] It is submitted that climate change poses a real threat to the disruption of the global economy not just that of the UK. Obvious examples are the destruction of physical assets or disruption of projects in increasingly frequent extreme weather events. Dramatic variation in share value as a result could provide just as much uncertainty. Preventing the worst effects of climate change by modifying practices which perpetuate it will lead to a sounder and more certain economy.

The first element of 'how' emissions from regulated activities will be reduced is to provide for specific climate supervision by the PRA.[44] This is based on an existing duty[45] meaning systems are already in place, but will ensure separate records are maintained to matters pertaining to the PRA's other objectives. Finally in Part 1 is the direct duty to cooperate with the CCC regarding this data.[46] This will ensure Part 2 of the proposal operates smoothly.

Part 2 delineates amendments to the Climate Change Act 2008, specifically relating to the CCC's duties. The provision[47] is modelled on how the CCC were to record emissions for shipping and aviation industries for the Sixth Budget.[48] It obliges the CCC to include financial services in their budgetary recommendations and policy. Importantly, subparagraph 4 states the CCC must devise specific emissions quotas

[42] The FSMA 2000, sections 2B(3)(a) and (b).
[43] The FSMA 2000, section 2B(4).
[44] The Corporate Climate Conscience Act 202X, section 2.
[45] The FSMA 2000, section 2K.
[46] The Corporate Climate Conscience Act 202X, section 3.
[47] The Corporate Climate Conscience Act 202X, section 4.
[48] The Climate Change Act 2008, section 35.

for regulated activities for each budgetary period. This is so the figures do not get lost among overarching targets and it will provide a metric against which to measure success or failure of PRA-authorised persons. While this would still suffer from lack of legal force akin to the CCC's other proposals, the remaining provisions compensate for this by providing a carrot and stick approach to enforcement.

Parts 3-5 include the provisions which will make this proposal effective. Firstly, Part 3 subjects all PRA-authorised persons to mandatory climate reporting obligations.[49] This will begin the process of data collection which will inform the enforcement provisions. The reports must be updated annually so progress can be regularly monitored against CCC quotas provided for in Part 2. Note the requirement to publish reports.[50] This will add external pressure on PRA-authorised persons as the general public increasingly becomes more environmentally conscious. Section 6 dictates the contents of the report. This section is modelled on strategic reporting per Chapter 4A of the Companies Act 2006. Crucially, in sub paragraph 4, Scope 3 emissions must be included.[51] Scope 3 emissions include 'indirect emissions from sources that are not owned and not directly controlled by the reporting company'.[52] This is in direct response to government plans to introduce mandatory reporting by 2025 that doesn't include Scope 3 emissions, which is too little and too late.[53]

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[49] The Corporate Climate Conscience Act 202X, section 5.
[50] Ibid, section 5(4).
[51] The Scope system was introduced by the World Research Institute in 2001 in *The Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard* <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf> accessed 19th September 2021.
[52] Deutsche Bank, *What are Scope 3 emissions and why are they important?* (2021) <https://www.dbresearch.com/PROD/RPS_EN-PROD/PROD0000000000518185/What_are_Scope_3_emissions_and_why_are_they_important.pdf?undefined&realload=xgfg~SrY65NCVQoGgBtVhwYzNfiO7QHYyyMsGuShufRHevS6kBUxQ8su0l~wlhuW> Accessed 19th September 2021.
[53] HM Treasury, Department for Business, Energy & Industrial Strategy and Department for Work & Pensions, *A Roadmap Towards Mandatory Climate-related Disclosures* (2020)

Part 4 imposes a duty on the Treasury to prepare incentives for compliance. This is purposefully vague to avoid future governments being bound by specific policy whilst still having to adhere to the overarching duty to provide incentives specific enough to offer certainty for business.[54] Regular updates will allow for inclusion of new government strategy and new technologies as they emerge.

Finally, Part 5 delineates the enforcement process. These provisions are adapted from those assigned to the Office for Environmental Protection in the Environment Bill currently at its third reading in the House of Lords.[55] The system is straightforward and fair, and deemed effective enough to be in the process of being enacted in the Environment Bill. One notable removal was a qualification of when and decision notices could be issued, when there were 'serious' faults.[56] It is submitted that any breach of these provisions in light of the climate crisis is serious, and harsh censure should be used as a precaution.[57] In contrast to the provisions on

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<https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933783/FINAL_TCFD_ROADMAP.pdf> Accessed 18th September 2021.

[54] Currently, government strategy falters for lack of specificity. This is clear in the announcement of a Green Bond with no official release date, no description of the price or return rate, and no plans for management of the proceeds. It is hoped the annual updates will put pressure on providing certainty for business. For a description of the current progress concerning the Green Bond, see:
HM Treasury and the UK Debt Management Office, *UK Government Green Financing Framework* (2021), p. 10
<https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002578/20210630_UK_Government_Green_Financing_Framework.pdf> accessed 12th September 2021.

[55] Environment Bill, most recent draft publication:
<https://bills.parliament.uk/publications/42717/documents/683> accessed 18th September 2021.
These provisions in the original Bill (ss. 32-42) were very well drafted but only applied to public institutions. I have removed the references to judicial review for obvious reasons and also a complaints procedure by members of the public as the PRA and CCC can manage that accordingly.

[56] EG: The Environment Bill, section 36(1)(b).

[57] In this I refer to the precautionary principle described by the Supreme Court of the Netherlands in the case of *Urgenda Foundation v The State of the Netherlands*. The principle in essence means that more far-reaching measures should be favoured over less intrusive measures, in light of uncertainty surrounding global temperature rises even if Annex I countries (industrialised nations) achieve envisaged reductions in the proposed timeframes.

incentives it is necessary to include specific penalties in the Act itself.[58] They are arguably not political unlike financial strategy, but are mostly powers that the PRA already has; the proposal just gives the PRA explicit authorisation to use them for failing to 'comply with the provisions of this Act'.[59]

III. Justification

There are six reasons I think this proposal is worthwhile. The first is necessity. The IPCC report points to nothing other than urgent wholesale reform of human behaviour. This is obvious in the global financial system from the RAN report of activities since the Paris Agreement. Current regulation of financial services in this country is inadequate and facilitates further market failure; this must change.

The second is cohesion. The proposal will provide a single tool through which governments can prepare, publish and implement green financial strategy. The current approach is scattered and piecemeal. It will also prevent existing domestic legislation and international commitments regarding emissions from being undermined, making the law more effective.

Thirdly, the proposal is simple. All changes utilise existing institutions and mirror existing processes, meaning the effects of the change will be minimal to ordinary operations of the CCC and the PRA. Much will be novel for PRA-authorised persons, but it is high time that they took some responsibility in resolving a crisis they

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For an English translation of the judgement, see <http://www.urgenda.nl/wp-content/uploads/ENG-Dutch-Supreme-Court-Urgenda-v-Netherlands-20-12-2019.pdf> Accessed 18th September 2021.

[58] The Corporate Climate Conscience Act 202X, section 15.

[59] The Corporate Climate Conscience Act 202X, section 9. This essentially means failing to abide by the PRA's new climate objective provided for by section 1 of this proposal.

helped perpetuate. Emblematic of this is the PRA's new objective reinforcing not replacing its existing objectives.

Fourthly, it is economically astute. The simplicity and lack of new institutions means implementing this change will be relatively cheap, though the PRA may need more staff to manage its increased responsibilities. Most importantly, there is consensus that the economy will benefit from a transition to net zero.[60] Indeed, compared to the cost of climate breakdown there really is no choice.[61] Divestment from fossil fuel companies will be beneficial to financial stability, as evidenced by sustainable investment funds performing less badly than the market in the initial downturn resulting from the COVID-19 pandemic.[62] The process will also be gradual in line with devised quotas, to avoid economic problems such as stranded assets or rapid transitioning causing collapses in asset markets, as theorized by Hyman Minsky.[63] Quick implementation of strategy will also help the UK compete on the world stage regarding green finance which, at present, it is not.[64]

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[60] For example see, Climate Change Committee, *Economic impact of the Sixth Carbon Budget* (2020) <Economic impact of the Sixth Carbon Budget (Cambridge Econometrics) - Climate Change Committee (theccc.org.uk)> Accessed 2nd October 2021, which estimates GDP growth of 2-3%; or HM Government, *Government Response to the CCC's progress report to Parliament 2020* (2020) <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/928005/government-response-to-ccc-progress-report-2020.pdf> Accessed 2nd October 2021, which states up to 2 million jobs could be created, a £27 billion contribution to the economy by the low carbon sector as well as £26 billion in exports by 2050, p. 7.

[61] Christian Aid reported that in 2020 alone, 10 climate influenced disasters were responsible for over $1.5 billion each: Christian Aid, *Counting the Cost of 2020: a year of climate breakdown* (2020) <https://www.christianaid.org.uk/resources/our-work/counting-cost-2020-year-climate-breakdown> Accessed 25th September 2021. This does not even consider a complete collapse of existing systems which would, of course, be disastrous.

[62] *The Road to Net Zero Finance* (2020), p.11.

[63] OMFIF, *Tackling Climate Change* (2020) <https://www.omfif.org/wp-content/uploads/2020/02/Tackling-Climate-Change.pdf> Accessed 22nd September 2021.

[64] For example, the UK has yet to release any Green Bonds, whereas China has had a green credit policy in place since 2007, and in 2018 alone issued at least US$5.9 billion of green bonds: Climate Bonds Initiative and China Central Depository & Clearing Company, *China Green Bond Market* (2018), p. 7. < https://www.climatebonds.net/files/reports/china-sotm_cbi_ccdc_final_en260219.pdf> accessed 25th September 2021.

The fifth reason is that it will be effective. Banks are focused on profit and competition. Being penalised in the ways described in the proposal will impact their business significantly. The minimum period for censure is a year,[65] and the possibility of sanction and losing out on access to incentives could severely affect profit margins. Additionally, it will prevent banks from hiding behind empty climate promises and voluntary schemes which lack substance. The CCC has said 'to meet future carbon budgets and the net zero target for 2050 will require governments to introduce more challenging measures', and this is just that.[66]

The sixth and final reason relates to the UK's global role. Former Environment Secretary Michael Gove said in 2020 that because of the industrial revolution the UK has a 'moral responsibility' to lead global action on climate change.[67] The UK has the means to act and a moral obligation to do so. These measures will be just the beginning; what is needed is global consensus regarding regulating financial services for it to be effective. By taking the first step the UK can begin the necessary process that will result in global alignment and joint action to prevent severe climate consequences.

IV: Conclusion

Global financial services are in desperate need of climate regulation. This proposal suggests simple yet effective reform to existing legislation that would

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[65] The Corporate Climate Conscience Act 202X, section 15(3).
[66] The Committee on Climate Change, *Advice on Reducing the UK's Emissions* <https://www.theccc.org.uk/about/our-expertise/advice-on-reducing-the-uks-emissions/> Accessed 10th September 2021.
[67] Carbon Brief, *Industrial revolution means UK has moral revolution to lead on climate change, Michael Gove says* (2020) < https://www.carbonbrief.org/daily-brief/industrial-revolution-means-uk-has-moral-responsibility-to-lead-on-climate-change-michael-gove-says> Accessed 28th September 2021.

enable the PRA to utilise existing functions in the pursuit of a climate conscious of the persons it regulates. The measures are severe yet necessary to bring about urgent change needed, making the law more effective and benefitting the UK economically. Ahead of the UK hosting of the UN Climate Conference next month this reform could be the catalyst that begins the uniform changes necessary to make a meaningful impact on global emissions within the next decade.

[3000 words]