



HM Treasury

Recommendations for the Prudential Regulation Committee: **April 2022**

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Presented to Parliament pursuant to section 30B(3) of the Bank of England Act 1998

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

7 April 2022

Andrew Bailey
Governor
Bank of England
Threadneedle Street
London
EC2R 8AH

Dear Andrew,

RECOMMENDATIONS FOR THE PRUDENTIAL REGULATION COMMITTEE

In accordance with section 30B of the Bank of England Act 1998 (the Act), this letter makes recommendations to the Prudential Regulation Committee (PRC) about aspects of the economic policy of the government to which the PRC should have regard when considering how to advance the objectives of the Prudential Regulation Authority (PRA) and when considering the application of the regulatory principles set out in the Financial Services and Markets Act 2000. It should be read in conjunction with my letter of 23 March 2021 as the recommendations in this letter are intended to supplement rather than replace the recommendations made in the 2021 letter. This letter will also be presented to Parliament pursuant to section 30B(3) of the Act.

My letter of 23 March 2021 set out my recommendation that the PRC should have regard to the government's commitment to achieve a net-zero economy by 2050 under the Climate Change Act 2008 (2050 Target Amendment) Order 2019 when considering how to advance its objectives and discharge its functions. I welcome the work that the PRC has done to date on this issue, including the launch of the climate change focused Biennial Exploratory Scenario (CBES) exercise.

The Prime Minister recently set out the government's energy security strategy. Oil and gas currently provide three quarters of our energy, and around half of our demand for gas is met through domestic supplies. To reduce our reliance on imported fossil fuels, UK sources of oil and gas have a critical role, both to keep our economy supplied and in supporting the transition to net zero. The Government is taking a balanced approach: committed to accelerated investment in low- and zero carbon technologies, while supporting our strong and evolving UK hydrocarbon industry. Where practical and relevant, the PRC should have regard to the Government's energy

security strategy and the important role that the financial system will play in supporting the UK's energy security - including through investment in transitional hydrocarbons like gas - as part of the UK's pathway to net zero.

I thank the PRC for its continued efforts and dedication.

Best wishes,

A handwritten signature in blue ink, appearing to read "Rishi Sunak".

RISHI SUNAK