HS2 Ltd response to HM Treasury – TCFD-aligned disclosure

This documents sets out HS2 Ltd's response to the public consultation on HM Treasury's Phase 3 Exposure Draft for Task Force on Climate-related Financial Disclosure (TCFD) -aligned disclosure in annual reports.

#	Question	Response
1	Is the Principal, new and emerging risk section sufficiently clear? Does the guidance on risk assessments, risk reporting and risk prioritisation adequately set out the expectation and disclosure requirements, and support preparers? If not, what further detail should be added?	The guidance provided is clear on the definitions of the types of risks and how each classification should be addressed within the disclosure. In Section 3.10 it is stated that "climate-related risks often develop and evolve over longer time". We would suggest this should rephrased as, although largely true for physical risks from average climatic changes, it isn't necessarily true for extreme weather risk and transition risk.
2a	Do you support our approach to not adapt Strategy recommended disclosure a) or the Supporting Guidance from TCFD? If not, why not?	Yes.
2b	Is the additional detail on time horizons, impacts with respect to broader public sector considerations, and climate-related opportunities sufficiently clear? Do you support this public sector interpretation? If not, why not?	Further consideration should be included in the additional detail section for public bodies and reporting entities that have a limited operating / funding lifetime (i.e. business planning time horizon) but longer-design life of assets or infrastructure. In these situations (such as for HS2 Ltd where the business planning horizon is over the construction period or ~10 years, but the lifetime of assets will be much longer term over the operation of ~120 years), it is not clear how to apply the guidance on timelines. It would be useful if the guidance could provide an indication of the government's definitions for short-, medium-, and long- term. While this could be interpreted for each individual department, guidance would help to ensure consistency across reporting. This could be tied into the reference points suggested for the scenario analysis for consistency (i.e. company choice for near term, 2050s and 2080-2100).
3a	Do you support our approach to not adapt Strategy recommended disclosure b) or the Supporting Guidance from	Yes

	TCFD? Do you support the interpretations for Strategy recommended disclosure b) and the Supporting Guidance from TCFD? If not, why not?	
3b	Is the additional clarification and guidance on impacts with respect to broader public sector considerations sufficiently clear? If not, why not? Do you believe further guidance is required in this sub-section? If so, what?	Yes, the additional clarification and guidance on impacts with respect to broader public sector considerations is sufficiently clear.
3c	Are the disclosure requirements and guidance for quantification sufficiently clear? Do they strike the appropriate balance, considering the utility of the information for decision-makers and annual report users, as well as the ability of reporting entities to adequately make a quantified assessment? If not, why not?	While the requirements are clear, it should be noted that quantified climate scenario analysis is challenging, time-intensity and requires technical resources. Complying with this recommendation for Phase 3 implementation in annual reports 2025/26 will be challenging for organisations. To support this, information could be provided on which risks should be prioritised for quantitative disclosure in initial reporting years.
4	Are you supportive of the adaptation to Strategy recommended disclosure c) to remove the revenue size thresholds consideration for robust scenario analysis; and instead apply this guidance in deciding the level of detail for climate scenario analysis? Do you believe further guidance is needed in this section? If so, what?	Yes, we are supportive of this amendment.
5	Are you supportive of the application guidance setting a common reference periods of mid-century (2050s)? If not, why not? Which alternative reference period (or anchor point) would you suggest, if any?	Yes, we are supportive of this common reference period given its alignment with wider climate policies and the availability of climate information and tools.
6a	Are you supportive of the application guidance setting a common reference period of the end of the century (2080-2100)?	Yes, we are supportive of setting a common reference period and welcome the wider range given to this band.
6b	Are you supportive of this reference period, only being required where reporting entities:	Yes, we are supportive of this analysis being required for reporting entities that own, manage or regulate significant long-life assets or infrastructure. Additional guidance is needed for project organisations that are acting as shadow operators prior to a full decision being made.

	1. own, manage or regulate significant long-life assets or infrastructure; or, 2. deliver essential public goods and services which are likely to be significantly impacted by climate change; or, 3. set longer term policy which is, or regulate industries/sectors that are, likely to be significantly impacted by climate change. Do you support the chosen test characteristics? If not, why not? What alternative text characteristics would you suggest? Is this guidance sufficiently clear for reporting entities? If not, why not?	The guidance text within paragraph 3.70 does not make the third requirement listed within this question clear to reporting entities and should be updated. Further information on the scoping requirements / reporting boundary for reporting entities that have a limited operating / funding lifetime (i.e. business planning time horizon) but longer-design life of assets or infrastructure is needed. This requirement, to satisfy clause 1, would suggest that risks should be considered for the asset / infrastructure rather than at a corporate entity level which differs from the scoping requirements set out at a corporate level.
7	Are you supportive of mandating a total of three reference periods (or points)? Are you supportive of near-term reference periods (or points) being selected by the organisation? Is this guidance sufficiently clear? If not, why not?	Yes, we are supportive of mandating three reference periods where the criteria set out in question 6b is met, and two reference points for other organisations. Organisations setting their own near-term reference point is appropriate, but the guidance given around the 2030 reference point in paragraph 3.67 is useful and should remain in the guidance.
8	Are you supportive of aligning climate scenario analysis with the global warming level/temperature pathways set out by the Climate Change Committee? If not, why not? Do you believe further guidance is needed in this section - including on alternative physical and socio-economic pathways? If so, what?	While we are supportive of having common scenarios used for climate analysis and stated within the guidance, additional information is needed to support reporting entities. This includes: • Amendments to the first paragraph of the supporting guidance from TCFD on recommendation Strategy c) to remove reference to a “scenarios consistent with increased physical climate-related risks” as this implies that a scenario beyond the recommended 4°C scenario may also be required. If this is the case, and the sentence should be retained, further information is needed on what scenarios should be used for stress testing. • Consideration needs to be given to the fact that the majority of UKCP18 products, and the primarily information source for UK Government public bodies climate analysis, are based on RCP projections rather than aligned to GWP 2°C and 4°C scenarios (only a limited number of products are available for GWP scenarios). Further guidance should be given in paragraph 3.86 on how these tools and alternative scenarios can be applied in the context of scenario analysis, including detailing the alignment of the preferred warming scenarios with RCP scenarios for clarity. • With the removal of the “or lower” phrasing in the scenario recommendations, further guidance is need for organisations that have already applied scenario analysis using a lower than

		2°C scenario (e.g. RCP2.6 or a 1.5°C pathway). Does this analysis remain compliant with the guidance or should it be disregarded?
9	Is the guidance on transition pathways and shadow carbon pricing sufficiently clear? Does this support preparers with this type of analysis and disclosure? If not, what further detail should be added? Are there any other potential or perceived risks which have not been addressed in this guidance?	The guidance on transition pathways and shadow carbon pricing is clear and supportive of a minimal disclosure in this area unless there are deemed to be material risks. The guidance doesn't provide any aligned scenarios for transition risk (in a similar manner to the above section on physical risk) which will reduce the ability for cross-comparison among reporting entities.
10	Do you support the approach that scenario analysis is conducted every 3 to 5 years, or more frequently where the assumptions used no longer apply? Is the associated guidance sufficiently clear? If not, why not? Do you believe further guidance is needed in this section? If so, what	This approach is proportionate given the work required to undertake a scenario analysis. Given this recommendation, it should be considered whether initial disclosure in 2025/26 annual reports allows reporting entities sufficient time to fully comply with scenario reporting requirements. This guidance will presumably be finalised and published less than 18 months ahead of tax-year-2025/26 year end, and therefore gives reporting entities only half of the recommended analysis time to produce initial disclosures.
11	Is the Climate Scenario Analysis section sufficiently clear? Does the guidance on transition driven pathways, and support preparers with this type of disclosure? If not, what further detail should be added? Do you believe further guidance is needed in this section?	Consideration needs to be given to ALBs and public organisations where the business model, funding or ownership of assets is anticipated to change with time. Further information on the scoping requirements / reporting boundary for reporting entities that have a limited operating / funding lifetime (i.e. business planning time horizon) but longer-design life of assets or infrastructure is needed throughout the document, e.g. ALB project / client organisations. In these situations (such as for HS2 Ltd where the business planning horizon is over the construction period or ~10 years, but the lifetime of assets will be much longer term over the operation of ~120 years) and there is not yet an operating mandate in place. In these situations, it is not clear how to apply much of the guidance proposed.