



David Stubbs
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

18 October 2024

CP24/12: Public Offers and Admissions to Trading Regulations Regime

Dear Mr Stubbs

Border to Coast is wholly owned by 11 local government pension scheme (LGPS) funds, responsible for managing or overseeing £52.3bn of our Partner Fund's assets. We were established to provide cost-effective, innovative, and responsible investment opportunities that deliver returns over the long-term. This is on behalf of the more than one million LGPS members, over 3,000 employers, and the millions of taxpayers associated with our Partner Funds.

As one of the UK's largest asset owner pools of capital we support efforts to maintain the UK's attractiveness as a location where companies grow and innovate. We support the objective of this consultation to reduce the costs of listing on UK markets, make capital raising easier on UK-listed markets, encourage companies from around the world to list and raise capital here, and to help UK-listed companies be more competitive globally.

As a long term, strategic investor, Responsible Investment is central to our corporate and investment philosophy. We are thoughtfully managing the investment impact of climate change, leveraging the benefits of pooling to make a difference for the LGPS. In that context, our response is in relation to paragraphs 6.44 to 6.50 and Question 40 of the consultation document, and highlights a focus on disclosure that is decision useful. Border to Coast believes the FCA should provide additional guidance relating to climate disclosures for mineral companies, including those in mining, oil, and gas. This would be a proportionate measure, supporting reliable disclosure to help investors deploy capital wisely. In addition, improved disclosure will support the UK's delivery of its Net Zero ambitions.

Our response is below and we would be happy to discuss it further.

Yours faithfully

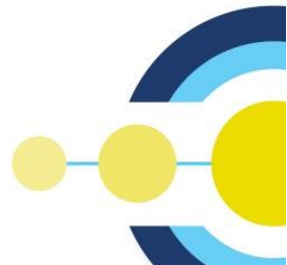
Teodora Harrop

Teodora Harrop
Head of Compliance

Border to Coast Pensions Partnership Limited

A Company limited by shares and registered in England and Wales with Registration Number **10795539** and whose registered office is at **5th Floor Toronto Square, Toronto Street, Leeds, LS1 2HJ**

INTERNAL



Appendix - Border to Coast Response to paragraphs 6.44 to 6.50 and Question 40 of the consultation document

Whether additional disclosures relating to climate-related matters for mining and/ or oil and gas companies are needed, or whether the proposed wider climate-related reporting requirements provide sufficient transparency?

Unaccounted carbon budgets: Currently, fossil fuel companies on the London Stock Exchange Group (LSEG) do not need to consider the remaining carbon budget at the point of listing, a critical climate risk factor, when evaluating the viability of their reserves. This oversight creates a significant information gap for investors, who cannot fully assess the long-term climate-related risks associated with these assets. For example, the International Energy Agency, IEA 1.5 NZE scenario suggests that no new conventional oil and gas projects are needed. The remaining carbon budget for other scenarios increases depending on what warming outcome is anticipated by investors. A stress test would allow investors to better assess the climate-related risks associated with future fossil fuel reserves development and the probability/uncertainties around extraction.

Whether we should seek to introduce climate-related factors as recommended content to be considered as part of the Competent Person's Report in TN 619.1 Appendices II and III?

Stranded asset risk: In line with the 1.5 NZE scenario, if the goals set out by the Paris Climate Agreement are to be achieved, then a significant portion of fossil fuel reserves held by listed companies cannot be extracted. This creates a risk that resources owned by fossil fuel companies could become stranded assets leading to potential financial losses for investors. We therefore encourage the FCA to revise the Competent Person's Report ("CPR") in TN 619.1 Appendices II and III, adjusting risk assessment disclosures to provide greater transparency and enable investors to better assess the investment case over the short, medium and long-term.

Whether current requirements lead to sufficient transparency about the assumptions underlying specialist issuers' and competent persons' assessments of the viability of reserves, including the impact of future climate scenarios?

Existing disclosure requirements are insufficient: Although current regulations require some environmental disclosures, they do not mandate a comprehensive assessment of how climate-related matters, including carbon budgets, impact the viability of reserves. This leads to an incomplete picture for investors.

Need for an atmospheric viability test: Introducing an "atmospheric viability test" as part of the Competent Person's Report (CPR) would directly address these issues. This test would evaluate the viability of fossil fuel reserves - against different demand and price scenarios aligned with the Paris Agreement temperature goals - providing investors with critical information on whether these assets can realistically be developed without exceeding global carbon budgets. This new test would feature alongside existing CPR tests responsible for assessing the reserves' geological extractability and commercial viability. We believe that the introduction of an atmospheric viability test will enhance transparency around the assumptions underlying specialist issuers' and competent persons' assessments on the viability of reserves; something that the existing listings regime is currently insufficient at addressing.

Whether the assumptions and analysis presented in the Competent Persons Report is usually consistent with information provided in wider prospectus disclosures, as required by TN 619.1 III.2 paragraph 133 iii, and with wider climate reporting such as TCFD disclosures or climate scenario analysis presented by the company?

Importance of consistent information: While the independent Competent Persons Report (CPR) safeguards the rigour and reliability of reserves assessment, it is currently not fit for purpose in terms of incorporating climate-related matters. In this regard, we do not consider the CPR to be consistent with other information presented elsewhere, including in the wider prospectus and TCFD reporting or scenarios, where climate-related information is presented. We believe that to provide the necessary transparency, the CPR should explicitly refer to the need to consider climate-related matters in the underlying assumptions and analysis. It should also disclose which assumptions have been aligned with scenarios; to show alignment with the way management has presented climate-related information in its other reporting. Without such explicit referencing, it can be difficult to determine whether the assumptions and analysis presented in the CPR is usually consistent with information provided in wider prospectus disclosures, thus raising issues of compliance with TN 619.1 III.2 paragraph 133 iii.

For example, a company may identify climate-related risks (which can impact demand and price trajectories) as 'material risk' in other reporting documents. The company information presented may also mention various IEA scenarios in the business prospects section of a prospectus. Notwithstanding that these climate-related matters do not necessarily translate into management's assumptions about price and demand (which may continue to assume BAU and continued growth), there is no evidence that climate-related matters and IEA scenarios feature in the considerations made in the CPR at all. Certainly, it is not required by competent persons who are subject to the requirements of the Society of Petroleum Engineers (SPE), Petroleum Resources Management System (PRMS) or Committee for Mineral Reserves International Reporting Standards (CRIRSCO). This intrinsically creates an inconsistency between assumptions and analysis in the CPR versus other information presented by the company.

The potential costs associated with introducing new requirements for enhanced disclosures in this area, and in particular what costs would be associated with the use of a qualified climate expert as part of the CPR process, as proposed in the responses to our engagement papers?

The production of a CPR (or mineral expert's report) is relevant to mining companies, as well as oil and gas companies, which are either seeking admission, or have been admitted, to the LSEG or AIM markets. The global standard setter, CRISCO, sets out the requirements of a competent person here. Geological experts and petroleum engineers have a range of expertise and well-established environmental consultancies have a wide range of relevant expertise to undertake a climate risk stress test against different scenarios. An 'atmospheric viability test' against recognised scenarios ought to be within the remit of existing CPR focused advisory firms. The costs would most likely fall within the scope of a desk study that is complementary to the existing CPR process and so costs ought not to be onerous.

Proposed Implementation

Integration into the Competent Person's Report (CPR): The content requirements of the CPR could be amended to include an atmospheric viability test. This test would assess the compatibility of fossil fuel reserves with global carbon budgets, considering different authoritative climate scenarios and price assumptions. Specifically, the CPR should detail what percentage of an issuer's reserves would be viable under a Paris aligned Net Zero Scenario or other relevant climate and energy sector scenarios, provided by recognised and credible sources such as the International Energy Agency (IEA) or Intergovernmental Panel on Climate Change (IPCC).

Clear guidance for practitioners: The FCA should provide explicit guidance to the geological and economic experts who prepare CPRs - as well as the standard setters who produce frameworks for reserves assessors to follow - ensuring they develop the expertise and knowledge to incorporate climate-related matters into their assessments. This might include training on how to apply climate scenarios to economic and geological assessments of reserves.

Proportionate costs: The costs associated with this additional sector-specific disclosure requirement are expected to be manageable. The economic aspects of the climate test could be integrated into the existing roles of competent persons, with appropriate training and resources. The benefit of providing investors with a more accurate assessment of risks far outweighs the modest increase in reporting costs.

Consistency with broader climate reporting: This additional disclosure requirement should align with and complement broader climate-related reporting initiatives, such as the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The goal is to create a cohesive reporting ecosystem where climate-related risks are accurately reflected in all relevant financial disclosures.