



Public Accounts Committee

Rt. Hon. Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ
By email: Action.Chancellors@hmtreasury.gov.uk

15 November 2022

HM Treasury – Energy Markets Financing Scheme – Contingent Liability

Dear Chancellor of the Exchequer,

Thank you for your letter dated 17 October to the Public Accounts Committee informing me that the Energy Markets Financing Scheme was open for applications.

Your letter did not refer to the fact that the normal practice of notifying Parliament before incurring contingent liabilities, as set out in Managing Public Money, had not been followed in this case. However, I note that the related [written statement](#) explained 14 days' notice had not been given "due to the extraordinary volatility of the energy market and need to deliver this scheme".

I have also been made aware of a letter dated 23 September that was not shared with the Committee until 31 October. We understand that this was due to an administrative error and that the letter has been reissued to reflect the new date. It is important that Parliament is provided with the required advance notification, and therefore I request that you review processes to ensure that similar errors do not recur in future.

It is normal practice to set out the estimated fiscal impact of a new contingent liability. I note your letter did not include an estimated value of the liability. Please can you provide me with HM Treasury's estimated value of the liability and the underlying assumptions supporting this estimate, including the expected level of uptake of the scheme.

I am keen to understand further the roles of HM Treasury and Bank of England in this scheme and who will manage the risks the guarantees create. In particular, what work has been done to ensure that the increasing value of taxpayer-funded guarantees across Government remain sustainable. Furthermore, what consideration, if any, did HM Treasury give to guaranteeing less than 100% of the exposure of commercial banks. I would be grateful if you could provide this information to the Committee.



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Thank you for the offer of a meeting with senior officials. At this stage I am content to receive replies by correspondence, but we may accept your offer of a briefing in the future depending upon activity levels.

I request that you respond to this letter by Monday 28 November.

Yours sincerely

Dame Meg Hillier MP
Chair of the Committee of Public Accounts