



HM Government

Mobilising Green Investment

2023 Green Finance Strategy

Annexes

March 2023

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Annex A – List of commitments

This Annex provides a list of new and recent green finance commitments included in this Strategy.

Section	Commitment
Chapter 1: Foundations	
1.4	We will continue to ensure that climate finance reaches the communities who need it most, including through the UK-Fiji-led Taskforce on Access to Climate Finance and its country pilots.
1.7	We will launch an external expert Transition Finance Market Review , which will consider what the UK financial and professional services ecosystem needs to do to become a leading provider of transition financial services and innovative instruments on the pathway to 2050.
Chapter 2: Align	
2.1	<p>We will regularly assess the effectiveness of our green finance policy within the Net Zero-aligned Financial Centre (NZ AFC) framework, through periodic monitoring of KPIs and appropriate policy adjustment, ensuring that government is transparent and accountable for driving the transition of the finance sector.</p> <p>We intend to engage widely with stakeholders on our approach to these KPIs with a view to finalising our framework in 2024.</p> <p>The government's green and sustainable finance policies work toward bringing about the net zero transition in three related areas: transparency, tools for transformation, and transmission channels. Our aim is for UK financial firms' activities to be consistent with the pathway towards our domestic and global net zero objectives. We will continue working to strengthen understanding of international transition pathways, including by drawing on work to enhance international tracking, remove reporting barriers and improve interoperability.</p>
2.1	<p>The UK government is clear that there is no pathway to net zero without protecting and restoring nature. In the landmark Kunming-Montreal Global Biodiversity Framework agreed at the Convention on Biological Diversity COP 15, we signed up to international goals and targets to put nature on a path to recovery by 2030.</p> <p>As part of this we committed to ensuring that large and transnational companies and financial institutions regularly monitor and disclose their risk, dependencies and impacts on nature.</p>
2.2	We have announced plans to implement the Task Force on Climate-related Financial Disclosure (TCFD) recommendations in central

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	government annual reports and accounts, with a three-year phased implementation extending to 2025-26.
2.2	We remain committed to implementing Sustainability Disclosure Requirements (SDR) . In line with the recommendation of the independent <i>Net Zero Review</i> , we will look to ensure close coordination on this between the government and the relevant regulators. We will set out further detail on the implementation of SDR in the summer to reflect the rapid development of international standards.
2.2	<p>Currently the Financial Conduct Authority (FCA) requires listed companies, as well as large asset owners and managers to disclose transition plans on a ‘comply or explain’ basis. The Government commits to consulting on the introduction of requirements for the UK’s largest companies to disclose their transition plans if they have them. To ensure parity between listed and private companies, as well as to ensure requirements are consistent and comparable across the economy, we expect to consult on the basis that these requirements could align closely with those of the FCA, including the ‘comply or explain’ basis. This is supported by the UK Government-convened Transition Plan Taskforce (TPT), currently developing best practice for companies and investors seeking to disclose transition plans, ensuring quality and consistency. The consultation will take place in autumn / winter 2023, once the TPT has finalised its framework.</p> <p>We will also work with the FCA to ensure transition plan requirements are delivered across the financial services sector alongside requirements across listed and private companies.</p> <p>We will also take proactive steps to encourage other jurisdictions to mandate transition plan requirements. This will include encouraging consistency with the TPT’s guidance.</p>
2.2	<p>We will continue to show international leadership in our support for the IFRS Sustainability Disclosure Standards. We intend to launch a formal assessment mechanism as soon as the first two standards are published (expected in June 2023). Our aim is for an endorsement decision to be made within 12 months of the final standards being published, but a decision will be made sooner if possible.</p> <p>We remain committed to introducing mandatory reporting against the UK endorsed standards, subject to the conclusion of the assessment process. Decisions on incorporating the endorsed standards into Company Law will be taken alongside future reforms to the UK’s non-financial reporting framework, as they are developed within the UK’s Non-Financial Reporting Review.</p> <p>We recognise that for the objectives of an international baseline to be met it is important that there is strong global take up of the standards, which we</p>

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	will support through our international engagement and development assistance.
2.2	We will explore how we can support Scope 3 emissions reporting and will launch a call for evidence to gather stakeholder views.
2.2	To highlight best practice guidance for gathering and reporting environmental data, we will test with stakeholders in 2023 updates to the Environmental Reporting Guidelines (ERG) , which provide voluntary environmental reporting guidance for UK organisations.
2.2	We are working with Bankers for Net Zero , the British Business Bank and a range of industry stakeholders, to automate SME sustainability reporting on a national scale by creating a common data sharing platform .
2.2	<p>We will explore how best the final Taskforce on Nature-related Financial Disclosures (TNFD) framework (expected September 2023) should be incorporated into UK policy and legislative architecture, in line with Target 15 of the Global Biodiversity Framework.</p> <p>We are working with the Bank of England, the Green Finance Institute and other partners to quantify more effectively the potential UK financial exposures from nature loss and degradation.</p>
2.2	Action 6 in the Glasgow Leaders' Declaration on Forests and Land Use commits countries to facilitate the alignment of financial flows with international goals to reverse forest loss and degradation. We will work with UK financial institutions, starting with a series of Government-convened roundtables in 2023, to further tackle deforestation-linked finance .
2.2	<p>We will work with industry partners to improve, and make more efficient for business, the approach to climate resilience assessment and disclosure through the development of adaptation metrics and guidance. This will facilitate a more structured, quantitative and consistent approach to the assessment and management of physical climate risks. We will ensure that HMG's future climate-related disclosure guidance includes sufficient information and detail on physical climate risk to support organisations in disclosure and mitigating this risk. We will champion the development of adaptation metrics within the developing approaches set out in the IFRS Sustainability Disclosure Standards.</p> <p>We will scope what support businesses and the finance sector needs, for example guidance, training, facilitating collaboration and standardising data sets, and anticipate developing partnerships with the private sector to support delivery. We will announce our approach alongside our adaptation finance deliverables and action plan by the end of 2024.</p>

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2.3	<p>We will deliver a UK Green Taxonomy – a tool to provide investors with definitions of which economic activities should be labelled as green. This will support the quality of standards, labels and disclosures used in the industry for green finance activity. We expect to consult on the Taxonomy in Autumn 2023. The Government proposes that nuclear – as a key technology within our pathways to reach net zero – will be included within the UK’s Green Taxonomy, subject to consultation. After the Taxonomy has been finalised, we will initially expect companies to report voluntarily against it for a period of at least two reporting years after which we will explore mandating disclosures. Government does not wish to place undue burdens onto companies whose size or scale makes the disclosure of taxonomy-related information unreasonable. Therefore, we will develop proposals with proportionality in mind.</p> <p>We will engage with market participants to drive forward and understand how best to design a taxonomy which achieves our objectives, ensuring that the information generated through a taxonomy is decision-useful to both investors and companies and can be produced in a simpler, proportionate way. We will continue to work through the Green Technical Advisory Group (GTAG).</p> <p>Whilst developing an effective framework that is tailored to the UK market, we will continue to work with international partners to maximise interoperability and harmonisation, which will be critical in minimising reporting burden, facilitating cross-border financing and maintaining high levels of transparency and environmental integrity. In line with GTAG guidance, we will also work with international partners to ensure that other efforts to develop national taxonomies are informed by the UK’s principles and approach.</p>
2.3	<p>We will consider whether it is appropriate to pursue a ‘Transition Taxonomy’, which was a recommendation of the <i>Net Zero Review</i>, or include certain transitional activities within one Taxonomy.</p>
2.3	<p>As part of the Edinburgh Reforms, the Chancellor announced that government would consult on the regulation of ESG ratings providers. Alongside this Strategy, HM Treasury has also published a consultation: <i>Future financial services regulatory regime for Environmental Social and Governance ‘ESG’ ratings providers</i>. This seeks views on whether ESG ratings providers should be brought into the FCA’s regulatory perimeter and on how this could be done.</p>
2.3	<p>Following a successful period of delivery since 2020, the Green Finance Education Charter (GFEC) will be re-launched alongside this Strategy as the Sustainable Finance Education Charter (SFEC), reflecting the need for professional bodies and professionals to address wider issues of biodiversity loss and nature-based finance, transition planning, and ensuring an economically and socially inclusive transition in support of the UK’s net zero objectives.</p>

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2.3	We will make a decision on the necessity of further reforms to the regulatory regime for benchmarks after the implementation of the other measures in this Strategy, such as the UK Green Taxonomy, investment fund labelling proposals, and other tools set out in section 2.2.2 of this Strategy.
2.4	In Q4 2023, the Financial Reporting Council – working with the Financial Conduct Authority, Department for Work and Pensions (DWP) and The Pensions Regulator – will review the regulatory framework for effective stewardship , including the operation of the Stewardship Code . The review will assess whether the Stewardship Code is creating a market for effective stewardship and the need for any further regulation in this area.
2.4	<p>In DWP’s Stewardship Guidance, introduced in 2022, the UK government stated that trustees may want to consider both financial and non-financial matters in their stewardship activities. We acknowledge decisions around investing and systemic risks are complicated and that trustees would like further information and clarity on their fiduciary duty in the context of the transition to net zero.</p> <p>To address this, we are taking the following steps:</p> <ol style="list-style-type: none"> a. DWP will examine the extent to which their Guidance is being followed in late 2023. b. This will be complemented by a working group of the Financial Markets and Law Committee (FMLC) where participants, including DWP, will consider the issues around fiduciary duty and what further action is needed. c. We will be holding a series of roundtables later this year to engage with interested stakeholders on how we can continue to clarify fiduciary duty.
2.4	<p>For the pensions sector, we have published Enabling Investment in Productive Finance (2021) and the consultation on Broadening the investment opportunities of defined contribution pension schemes (2022). These set out the UK government’s intention to enable trustees of defined contribution pension schemes to exclude performance-based fees (paid when a fund manager exceeds pre-determined performance targets) from their charge cap calculations, where this is in the best interests of their members.</p> <p>Following a positive response from the industry, amended regulations will be brought into force as early as April 2023, subject to Parliamentary approval.</p>
2.4	At the Spring Budget 2023 we announced a new Long-term Investment for Technology and Science (LIFTS) initiative , spurring the creation of new vehicles for investment into science and tech companies, tailored to the needs of UK defined contribution pension schemes which will provide

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	<p>a key stimulus for industry to create the structures needed to mobilise DC scheme investment into our most cutting-edge companies. We will also shortly come forward with a consultation on the accelerated transfer of the £364 billion Local Government Pension Scheme assets into pools to support increased investment in innovative companies and other productive assets, leading by example.</p>
2.4	<p>We have committed to transparency for investors in the Green Financing Programme (Green Gilt). The government published its first annual allocation report in September 2022, detailing the green spending programmes to which the proceeds raised have been allocated.</p> <p>We have also committed to publishing an impact report on a regular basis, detailing the environmental impacts and any social co-benefits resulting from the expenditures. Impact reports will be published at least biennially, with the first expected by September 2023.</p>
2.6	<p>The UK will seek greater recognition of Article 2.1c through the upcoming Global Stocktake and the Sharm-el Sheikh Dialogue agreed at COP27, and work towards a new global financial goal to replace the \$100 billion goal which better reflects the important role of efforts to align the global financial system in meeting the needs of developing countries.</p>
2.6	<p>We will aim to avoid the proliferation of different standards and reporting frameworks and instead promote high integrity, common baselines and principles. This includes assessing of IFRS Sustainability Disclosure Standards for use in the UK and support for equivalent standards overseas, supporting the TPT's work on developing a global gold standard and promoting for use by other jurisdictions, and encouraging the development of a science based global baseline on taxonomies, including by strengthening our engagement in the International Platform on Sustainable Finance.</p>
2.6	<p>The UK government is working with the Climate Policy Initiative to map the mobilisation of finance flows through the UK to emerging markets and developing economies, including to understand data gaps and how tracking could be improved. The UK government will also continue working to improving the supply, quality and comparability of climate and nature related financial data, globally. Thirdly, we will support international activity to raise the integrity of climate and nature alignment commitments.</p>
2.6	<p>In December 2022, the UK also co-launched a Joint Donor Statement on International Finance for Biodiversity and Nature. This statement by 14 countries included a commitment to collectively increase international biodiversity finance and align relevant international development flows commensurate with the ambition of the GBF.</p>

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2.6	We will work with industry and country partners to develop an information toolkit for optimising support for the greening of financial systems in emerging markets . This will be accompanied by efforts to bolster the sharing of UK green finance skills and expertise via UK international climate finance programming.
Chapter 3: Invest	
<i>Separate publications</i>	Powering Up Britain published alongside this Strategy, set out further deployment goals, ambitions and policies to support the UK’s net zero transition, and through our Environmental Improvement Plan (EIP) we set out how we will work with landowners, communities and businesses to improve the natural environment (see summary table at Annex B below).
3.1	Alongside this Strategy, we have published a net zero investment roadmap on offshore wind, and will shortly publish a roadmap for heat pumps, as well as updated roadmaps on CCUS, and hydrogen. We plan to publish roadmaps for further sectors later this year. We will also aim to publish a nature investment roadmap by 2024 to support the nature-positive transition pathway for sectors such as agriculture, forestry, water, resources and waste. We will refresh these roadmaps as necessary.
3.1	We have commissioned external research to scope existing investment tracking methodologies and evaluate available data sources to track green investment. This will inform development of a pilot UK Landscape of Climate Finance model , a critical first step taken by the UK government to build the evidence base on green investment flows in the UK.
3.2	On climate adaptation , we will build a launchpad for private and public collaboration over the next 5 years to overcome barriers to investment and assist in the creation and functioning of new markets. We will announce our approach alongside our adaptation finance deliverables and action plan by the end of 2024.
3.2	We will intensify work with public finance institutions (UK Infrastructure Bank, British Business Bank, and UK Research and Innovation) and the UK’s export credit agency (UK Export Finance) to support green technologies through to commercialisation and scale.
3.2	We will explore additional areas where blended finance structures could have impact. We will work with the Green Finance Institute and industry leaders in the finance sector to develop a forward-looking analysis of blended finance models and where they could be better deployed in the UK.
3.2	The UK government recognises the importance of ensuring the design of funding schemes is as impactful and effective as possible, and delivers

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	value for money. We will explore the design of funding schemes for net zero projects ahead of the next Spending Review.
3.2	Going forward we will continue to strengthen support to local authorities to help them attract private sector investment and share expertise. The UK government and its Local Net Zero Hubs will work with UKIB and GFI to provide expertise to local authorities in identifying, developing and framing commercially attractive investments.
3.2	As announced in the Budget, the Government will support the development of Investment Zones to drive local economic growth. Green business sectors are one of the five priority sectors for new Investment Zones and all Investment Zones are also required to demonstrate their contribution to national net zero and environmental targets.
3.2	We updated our capital allowances regime, including a policy of full expensing from 1 April 2023, which will provide continuity of tax relief for businesses. We have the joint most generous capital allowance regime in the OECD covering capital allowances as well as generous R&D and patent tax reliefs.
3.2	We announced that from April 2023 the rate of the Research & Development Expenditure Credit (RDEC) would be increased from 13% to 20%. This means that the UK's R&D tax relief for large companies has the joint highest uncapped headline rate in the G7.
3.2	We announced additional tax relief for R&D intensive SMEs . From April 2023, the government will introduce an increased rate of relief for loss-making R&D intensive SMEs. Eligible companies will receive £27 from HMRC for every £100 of R&D investment.
3.3	We have created a new Net Zero Business and Investment Group establishing a new partnership to work with business and finance leaders to support the delivery of our net zero target. The group will look to develop a shared view of market barriers across different sectors to deliver net zero and the respective roles across Government, industry and the finance sector in addressing these. The work of the group will be complimentary to that of other existing taskforces supported by Government and a wide range of stakeholders will over time be invited to get involved in the work of the group as its focus evolves. The full composition of the Leadership Group and Secretariat for the group will be announced in the near future.
3.4	The Voluntary Carbon Markets Initiative (VCMI) and the Integrity Council on Voluntary Carbon Markets (IC-VCM) , created through international multistakeholder processes during the UK's COP26 Presidency, are striving to tackle many of these challenges by providing greater clarity on the definition of high-integrity VCMs. Both initiatives will publish their guidance this year; the UK government will consider the potential for their outputs to serve as a basis for international best practice

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	on market integrity, and the extent to which they could be incorporated within relevant regulatory regimes.
3.4	We have published a new Nature Markets Framework , which sets out sets out principles and priorities for the development of high-integrity markets to enable farmers and land managers to attract investment in natural capital, and our plans to develop a comprehensive suite of nature investment standards.
3.5	The UK is supporting Just Energy Transition Partnership (JETP) countries to make critical policy reforms to enable private investment at scale in renewable energy and energy efficiency. The UK's immediate priority for JETPs is supporting implementation of partnerships in countries where they are already underway. This has potential to inform approaches taken elsewhere in efforts to accelerate the transition to low-carbon, inclusive economic growth.
3.5	The UK's £500 million Blue Planet Fund (BPF) , which supports developing countries to reduce poverty, protect and sustainably manage their marine resources and address human-generated threats. Programmes under the BPF include technical assistance to support blue bond development and funding for innovative financial tools that encourage private investment into marine nature-based solutions.
3.5	Our new £65.5 million Accelerate-to-Demonstrate (A2D) Facility, delivered in partnership with UNIDO, will drive forward the clean energy transition in emerging markets and developing economies through innovative technologies and the business models needed to deploy them.
3.5	As we take forward action to implement Article 6 and await the findings of key voluntary market initiatives such as VCMI and IC-VCM , we will aim to strengthen the international consensus needed to unlock a truly global carbon market, provide social protections and avoid greenwashing. This will include working with VCMI to take forward Country Contact Groups to enhance access for emerging markets and developing economies.
3.5	The UK government is working to promote Climate Resilient Debt Clauses (CRDCs) with the MDBs, development finance institutions (DFIs) and the private sector following the announcement of their adoption by UK Export Finance at COP27.

Annex B – Summary of government action across sectors

This Annex provides a succinct summary of government incentives and support to mobilise greater green and transition investment. For a comprehensive update on government levers driving investment, growth and decarbonisation across sectors of the economy, see *Powering Up Britain* published alongside this Strategy, and the *Environmental Improvement Plan* published in January 2023.

Renewables

Key targets & ambitions:

- Decarbonised electricity system by 2035, subject to security of supply
- Ambition for up to 50GW of offshore wind by 2030, including 5GW floating offshore wind
- Ambition for up to 70GW of solar by 2035

Role of government levers: Incentivising investment in infrastructure and manufacturing projects to de-risk rate of deployment and ensure security of supply; supporting revenue stability; removing barriers to deployment, including creating a more conducive planning environment and facilitating networks needed.

Key programmes & incentives:

- Accelerated the Contracts for Difference scheme to drive increased deployment by moving to annual auctions and secured 11GW of new renewable capacity through Allocation Round 4, the largest auction to date
- Provided support to major port infrastructure and manufacturing investments through the Offshore Wind Manufacturing Investment Scheme
- Up to £160 million Floating Offshore Wind Manufacturing Investment Scheme
- Implementing new Offshore Wind Environmental Improvement Package, including creation of industry-funded Marine Recovery Funds and strategic compensation measures
- Developing a Fast Track consenting process for offshore wind projects which meet certain quality criteria.
- Offshore Wind Acceleration Task Force bringing together industry and the UK government to drive forward acceleration of deployment
- We published the Nationally Significant Infrastructure Project (NSIP) action plan, which aims to streamline and accelerate the planning process for large-scale infrastructure projects.
- Publishing a revised energy National Policy Statement covering renewables. This includes a new requirement for offshore wind to be considered as ‘critical national infrastructure’.
- Publish a solar roadmap in 2024 setting out a clear step by step deployment trajectory to achieve the fivefold increase (up to 70GW) of solar by 2035. Also establish a government/industry taskforce, covering both ground mounted and rooftop solar to drive forward the actions needed by government and industry to make this ambition a reality.

Hydrogen

Key targets & ambitions:

- Up to 10GW of low carbon hydrogen production capacity by 2030, with at least half from electrolytic hydrogen

Role of government levers: Giving clarity around future investment across generation, networks, transport and storage; providing revenue support to unlock industry development and incentivising growth and scale.

Key programmes & incentives:

- Launched the £240 million Net Zero Hydrogen Fund (NZHF) in April 2022 and the first electrolytic hydrogen allocation round in July 2022. We have confirmed the first winning projects for Strands 1 and 2 of the NZHF, aimed at projects which require development or capital costs without revenue support, and announced our intention to launch a second competition round in spring
- Published Heads of Terms for the Hydrogen Production Business Model in December 2022
- Published the shortlist of projects for the UK's first electrolytic hydrogen allocation round (HAR1) to take forward to due diligence, and re-confirmed our aim to award contracts totalling up to 250MW capacity through this round. Successful projects in this round will be funded by government until the hydrogen levy is in place.
- We will launch the second electrolytic hydrogen allocation round (HAR 2) in Q4 2023, with the intention to deliver up to 750MW of new low carbon hydrogen capacity, subject to affordability and value for money
- £60 million Low Carbon Hydrogen Supply 2 competition
- Developed a Low Carbon Hydrogen Standard, published in April 2022
- Consulting on Low Carbon Hydrogen Certification Scheme, implemented by 2025
- Commitment to design new business models for hydrogen transport and storage infrastructure by 2025

Carbon capture, usage and storage

Key targets & ambitions:

- Capture and store 20-30 MtCO₂/year by 2030
- Aim to establish Carbon Capture, Usage and Storage (CCUS) in two industrial clusters by the mid-2020s and a further two by 2030, subject to value for money and affordability considerations
- Support the construction of at least one CCUS power plant by the mid-2020s

Role of government levers: Reducing infrastructure capital costs borne by investors in transport and storage networks and emitter projects; providing revenue support to unlock industry development and incentivising growth and scale.

Key programmes & incentives:

- Up to £20 billion funding for early deployment of Carbon Capture, Usage and Storage (CCUS), including the previously announced £1 billion in capital funding through the CCUS Infrastructure Fund (CIF)
- Announced the Track-1 project negotiations list of cluster capture projects across the hydrogen, power, industry, and waste sectors. We will now enter into negotiations with these projects and launch a process within 2023 to enable further expansion of Track-1 clusters

- Launched Track-2 of the CCUS cluster sequencing process to establish two further CCUS clusters
- Set out a vision for the UK CCUS sector to raise confidence and improve visibility for investors
- Transport and storage (T&S) Business Model
- Industrial Carbon Capture (ICC) Business Model and Waste ICC Business Model
- Power BECCS Business Model
- Dispatchable Power Agreement (DPA) as the basis for negotiations with power CCUS projects

Greenhouse gas removals

Key targets & ambitions:

- Deploy at least 5 MtCO₂/year of engineered greenhouse gas removals (GGRs) by 2030
- Expect engineered GGR volume to increase to 23MtCO₂/year by 2035 and 75-81MtCO₂/year by 2050

Role of government levers: Providing investors with long-term clarity and certainty on future revenue streams, and supporting innovation of key technologies.

Key programmes & incentives:

- Published consultations on both a technology-neutral business model for GGRs, and a power BECCS specific business model, with the government response for GGRs forthcoming this year and for power BECCS will be published imminently
- Called for evidence on inclusion of GGRs in the UK ETS, recognising the integrity offered by the UK ETS could unlock investment at scale in the UK's greenhouse gas removal sector
- Included a clause in the Energy Security Bill to enable engineered removals to contribute to UK carbon budgets
- Up to £100 million innovation funding for GGR projects, including providing over £54 million of government funding to the most promising GGR demonstration projects in our innovation programme

Nuclear

Key targets & ambitions:

- Up to 24GW of nuclear power by 2050, around 25% of our projected 2050 electricity demand
- To take one project to Final Investment Decision (FID) this parliament and 2 projects to FID in the next parliament

Role of government levers: Providing targeted funding and investment to reduce technology and infrastructure costs; giving investors long-term certainty and supporting innovation of earlier stage nuclear technologies.

Key programmes & incentives:

- Legislated for Regulated Asset Base model for nuclear
- Committed to provide up to £1.7 billion to develop a large-scale nuclear project to FID this parliament
- Invested approximately £700 million to take a 50% stake in Sizewell C in November 2022

- Up to £120 million Future Nuclear Enabling Fund (FNEF) launched in September 2022. Government will announce a shortlist of applications to begin pre-grant award due-diligence
- Up to £75 million Nuclear Fuel Fund (NFF) launched in January 2023, with grant awards planned for later 2023
- Up to £385 million Advanced Nuclear Fund (ANF) to invest in next generation nuclear technologies, including SMR and AMR designs
- Launched Great British Nuclear (GBN), which will be an arms-length body responsible for driving delivery of new nuclear projects. GBN will be backed with the funding it needs and we will work with GBN to publish a roadmap later this year.
- Developing a new nuclear National Policy Statement (NPS), which will cover the siting and policy framework for nuclear infrastructure beyond 2025
- Supporting wider nuclear industry and supply chains through Nuclear Decommissioning Authority (NDA) spend of c.£1.9 billion every year

Networks, Storage & Flexibility

Key targets & ambitions:

- Reduce end-to-end process for strategic onshore transmission network infrastructure by three years by mid-2020s, with ambition to halve delivery timelines
- Speed up connections to the transmission and local distribution networks
- Facilitate the development of a smart, flexible and digitalised electricity system to realise up to £10bn a year of energy system cost savings by 2050

Role of government levers: Putting in place a robust commercial, funding and regulatory framework, to incentivise and accelerate investment in electricity networks, facilitate flexibility from consumers, remove barriers to flexibility on the grid, reform markets to reward flexibility, and digitalise the system.

Key programmes & incentives:

- The Holistic Network Design – a first of a kind, strategic network design for connecting 23GW of offshore wind in Great Britain. Developed through the Offshore Transmission Network Review by the National Grid Electricity System Operator
- Ofgem’s Accelerating Strategic Transmission Investment decision, which sets out an accelerated regulatory approval process for around £20 billion of transmission projects identified in the Holistic Network Design and confirmed that these will not be subject to competition.
- The Nationally Significant Infrastructure Project (NSIP) action plan, which aims to streamline and accelerate the planning process for large-scale infrastructure projects.
- Publishing a revised energy National Policy Statement on Electricity Networks, and an overarching Energy Statement for consultation
- Publishing a consultation on community benefit options for network infrastructure to ensure communities benefit from hosting strategic transmission infrastructure.
- Electricity Networks Commissioner will deliver recommendations to Government in June 2023 on how to further accelerate deployment of transmission networks.
- Ofgem announced the next electricity distribution network price control (RIIO-ED2) with a £22.2 billion package of investment in local distribution networks to help deliver net zero at least cost to consumers.
- Ofgem’s Strategic Innovation Fund is investing £450 million in energy network innovation from 2021-2026, with the option to extend and increase as necessary.

- The Electricity System Operator GB Connections Reform project to streamline the process of connecting new projects to the grid, with an implementation strategy is expected in April 2023.
- Publishing an action plan to accelerate electricity network connections this summer.
- A £65 million Flexibility Innovation Programme (FIP) and £68 million Longer Duration Energy Storage (LODES) programme.
- Following our call for evidence on Large Scale Long Duration Electricity Storage (LLES) in August 2022, we are developing policy to enable greater investment in LLES by 2024
- The Offshore Coordination Support Scheme with up to £100 million funding to support coordination of transmission infrastructure.
- Government, Ofgem and industry are delivering the actions set out in the 2021 Smart Systems and Flexibility Plan and Energy Digitalisation Strategy to achieve the flexibility and innovation needed for a net zero system.
- Publishing with Ofgem the Electric Vehicle (EV) Smart Charging Action Plan to maximise the benefits of energy flexibility from EVs.

Energy efficiency & low carbon heating

Key targets & ambitions:

- Reduce overall UK energy demand by 15% by 2030
- By 2025, around 700,000 homes will be upgraded in terms of energy efficiency
- By 2035, as many homes to reach EPC Band C as possible, where practical, cost effective and affordable
- By 2037, aim to reduce direct greenhouse gas emissions from public sector buildings by 75% compared to 2017
- By 2050 all our buildings will be energy efficient with low carbon heating
- Achieve minimum market capacity of 600,000 heat pumps/year by 2028
- Heat network zoning and market framework legislation in place by 2025, so that by 2035 at least 29 TWh of heat per year is delivered through heat networks
- In 2026, decisions on the role of hydrogen in decarbonising heating
- Aim to phase out all new and replacement natural gas boilers by 2035 at the latest

Role of government levers: Providing direct funding support, putting in place targeted regulation, and supporting new market-based mechanisms, to provide investors with confidence to invest.

Key programmes & incentives:

- Investing over £6.6 billion in energy efficiency and low carbon heating this parliament, and an additional £6 billion from 2025 to 2028. This includes:
 - Nearly £2.5 billion to drive progress through to 2025, with the Public Sector Decarbonisation Scheme & the Public Sector Low Carbon Skills Fund.
 - Up to £1.5 billion through Social Housing Decarbonisation Fund and Home Upgrade Grant
 - £1 billion per annum until 2026 through Energy Company Obligation (ECO 4) to support low income households
 - The new £1 billion Great British Insulation scheme based on proposals announced last year as ECO+, which will extend support to a wider group of households to upgrade their homes.
 - £450 million for the Boiler Upgrade Scheme between 2022-2025, which will be extended until 2028.

- Energy Efficiency Taskforce to deliver ambition to reduce total UK energy demand by 15% from 2021 levels by 2030
- £15 million funding for 2023/24 Home Decarbonisation Skills Competition and the £5 million Heat Training Grant for heat pump and heat network skills
- Announced a £30 million Heat Pump Investment Accelerator programme
- Up to £60 million Heat Pump Ready innovation programme
- Investing £338 million in the Heat Network Transformation Programme, including £288 million for Green Heat Network Fund from 2022-2025. Capital support for low carbon heat networks has been confirmed into 2028, including £220 million over 2025/6 and 2026/7
- Delivering £20 million Green Home Finance Accelerator for home green finance products and services

Road transport

Key targets & ambitions:

- Phase out sale of new petrol and diesel cars & vans by 2030; all new cars & vans zero emission by 2035
- Phase out sale of new non-zero emission HGVs (up to 26 tonnes) by 2035, and all new HGVs by 2040
- Expect minimum 300,000 public chargepoints installed by 2030
- Deliver 4,000 new zero emission buses and supporting infrastructure
- World-class cycling and walking network in England by 2040; half of all journeys in England towns and cities to be walked or cycled by 2030

Role of government levers: Sending market signals and giving incentives for supply chain and charging infrastructure development, attracting investment into further sector growth and continuing to support the innovation of low carbon technologies to reduce costs and improve performance.

Key programmes & incentives:

- ZEV mandate planned from 2024
- We will set an end date for the sale of new, non-zero emission buses and expectation for when the entire fleet should be zero emission
- Published the Electric Vehicle (EV) Smart Charging Action Plan
- The Automotive Transformation Fund
- Providing more than £470m of public funding for local electric vehicle charging over three financial years, including the Local EV Infrastructure Fund and the On-Street Residential Chargepoint Scheme
- Zero Emission Road Freight Demonstrations for hydrogen and battery electric technologies, with vehicles and infrastructure in place by March 2025
- Consulting on the future regulatory framework to deliver our commitments to phase out the sale of new non-zero emission HGVs and support uptake in the interim period
- Publishing our sector-wide Low Carbon Fuels Strategy to set out a vision for the deployment of low carbon fuels from now to 2050
- Delivering the Renewable Transport Fuel Obligation (RTFO), a certificate trading scheme that supports a market for the supply of low carbon transport fuels in the UK
- Review of the National Networks National Policy Statement, aim to have completed during 2023

Aviation & maritime

Key targets & ambitions:

- At least five commercial sustainable aviation fuel (SAF) plants under construction in the UK by 2025 to support delivery of at least 10% SAF in the UK aviation fuel mix by 2030
- Net zero domestic aviation by 2040

Role of government levers: Setting strong signals to market to provide confidence on direction of travel to investors, supporting deployment of new technology.

Key programmes & incentives:

- Sustainable Aviation Fuel (SAF) mandate to be in place from 2025 – equivalent to at least 10% (around 1.5 billion litres) of jet fuel to be made from sustainable sources by 2030
- Launching a second consultation on the SAF mandate's design in March 2023
- £165 million Advanced Fuels Fund to support development of commercial scale SAF plants.
- Publishing and responding to Philip New's independent evaluation into the conditions needed to create a sustainable long term UK SAF industry.
- Up to £1 million to support the delivery of the first net zero transatlantic flight using 100% SAF.
- Creation of UK SAF Clearing House to remove barriers to market entry for SAF producers, supporting fuel testing and approval.
- Enhance the effectiveness of the UK ETS for aviation emissions through the UK ETS Authority.
- UK SHORE R&D investment programme, including battery electric and alternative fuelled vessel trials and shoreside infrastructure by March 2025.
- Potential expansion of UK ETS to include domestic maritime emissions.
- Considering a potential for phase out date for sale of new non-zero emission domestic vessels.

Natural environment

Key targets & ambitions:

- Restore 35,000 ha of peatlands in England by 2025 and approx.. 280,000 ha by 2050
- Restore or create 140,000 ha of wildlife-rich habitats outside protected sites by January 2028, compared to 2022 levels
- Increase tree canopy & woodland cover in England by 0.26% of land area (equivalent to 34,000 ha) by January 2028
- Restore 75% of our water bodies to good ecological status

Role of government levers: Encouraging uptake of low carbon and nature positive practices; reducing costs and creating new and innovative nature markets

Key programmes & incentives:

- Environmental Land Management - schemes such as the Sustainable Farming Incentive (SFI); Countryside Stewardship (CS); and Landscape Recovery (LR) – part of Government's commitment to spend average £2.4bn a year on supporting farmers across this Parliament.
- Providing total c.£675million funding for woodland creation and management by 2025, including a further £124 million for Nature for Climate Fund

- £30 million Big Nature Impact Fund (BNIF) to be launched in 2023
- £10 million Natural Environment Readiness Fund (NEIRF)
- £270 million UKRI Farming Innovation Programme (FIP) opened in early 2023
- UKRI Natural Environmental Research Council (NERC) awarded £1.5 million to 12 projects.
- Published the Nature Markets Framework
- Launched a partnership with the British Standards Institution to support the development of standards to support nature investment
- Launched the Local Investment in Natural Capital (LINC) programme
- Introduced Environment Act 2021
- Published the *Environmental Improvement Plan 2023*

Waste

Key targets & ambitions:

- By 31 December 2042, the total mass of residual waste (excluding major mineral wastes) in a calendar year does not exceed 287 kg per head of population in England (equivalent to a 50% reduction from 2019 levels, measured to be 574 kg per capita)
- 8 interim targets published in the EIP 2023 - achieving these will support our work to halve residual waste (excluding major mineral waste) per person by the end of 2042

Role of government levers: The legally binding target to reduce residual waste ensures that future government policy remains focused on delivering better environmental outcomes through tackling market failures that exist in our economic system—for example, missing markets for recycled materials—and gives a clear signal to industry of the direction of future policy. This would be expected to increase investor confidence and encourages industry to invest in infrastructure and research that will drive innovation and improve the circularity of the economy.

Key programmes & incentives:

- Introduced the Environmental Targets (Residual Waste) (England) Regulations 2023
- *Environmental Improvement Plan 2023*

Industrial decarbonisation

Key targets & ambitions:

- Ambition to deliver 6 MtCO₂ per year of industrial CCUS by 2030, and 9 MtCO₂ by 2035
- Develop Resource and Energy Efficiency (REEE) measures with ambition of achieving 10 MtCO₂e worth of annual savings by 2035 (excluding potential additional abatement in the Iron and Steel sector)
- Ambition to replace around 50 TWh of fossil fuels used in industrial processes per year by 2035

Role of government levers: Supporting investment in innovation and incentivising the scaling and deployment of transition activities throughout industrial processes.

Key programmes & incentives:

- Announcing an extension to the Industrial Energy Transformation Fund (IETF), increasing total grant funding available by £185m. Subject to business case approval, we intend to open Phase 3 of the IETF for new applications in early 2024, supporting

industry to cut their energy bills and carbon emissions through investing in energy efficiency and low carbon technologies.

- Extension to the Climate Change Agreement scheme for a further 2 years and the Government will consult on the details of the extension and proposals for any potential future Climate Change Agreement scheme
- £210 million UKRI Industrial Decarbonisation Challenge
- Published the latest draft contracts underpinning ICC Business Models
- Consultation on implementing a net zero consistent cap for the UK ETS and reviewing Free Allocation policy
- Consultation on carbon leakage policy proposals
- £26 million Industrial Hydrogen Accelerator
- £5 million of grants through the Local Industrial Decarbonisation Plans competition
- £24 million UKRI Transforming Foundation Industries challenge for demonstrator projects
- 80% investment allowance under the Energy Profits Levy, incentivising industry to invest in upstream oil and gas decarbonisation
- Up to £65 million through the Flexibility Innovation Programme
- Extended the Energy Intensive Industries (EII) Compensation Scheme for a further 3 years
- Outlining a clear approach to gas vs. electricity 'rebalancing' by the end of 2023/4, aiming to make significant progress affecting relative prices by the end of 2024

Annex C – Glossary of key terms

Blended finance – A catch-all term that covers financial products or structures that combine different public and private funding sources, with the aim to lower the risk profile of specific companies or projects and ultimately attract private capital.

Climate change – The change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.

Climate-related risks – Divided into two major categories: (1) financial risks related to the **transition** to a lower-carbon economy and (2) financial risks related to the **physical** impacts of climate change.

Ecosystem services: The benefits delivered by nature, for example carbon sequestration, biodiversity, water quality improvement, flood mitigation.

Environmental, social and governance (ESG) – A framework designed to be embedded into an organization's strategy or an investment approach that considers the needs and ways in which to generate value for all organizational stakeholders.

Fiduciary duty – the duty imposed upon a person or an organisation who exercises some discretionary power in the interests of another person in circumstances that give rise to a relationship of trust and confidence (UN PRI).

Glasgow Financial Alliance for Net Zero – Chaired by Mark Carney, UN Special Envoy on Climate Action and Finance, the Alliance brings together over 550 firms in 50+ jurisdictions from the leading net zero initiatives across the financial system to accelerate the transition to net zero emissions by 2050.

Greenwashing – Misleading or exaggerated sustainability claims made by firms.

International Financial Reporting Standards (IFRS) Foundation – A not-for-profit, public interest organisation established to develop a single set of high-quality, understandable, enforceable, and globally accepted accounting standards—IFRS Standards—and to promote and facilitate adoption of the standards.

International Platform on Sustainable Finance - a forum for dialogue between policymakers, with the overall aim of increasing the amount of private capital being invested in environmentally sustainable investments, including through green taxonomies.

International Sustainability Standards Board (ISSB) – Independent private sector body established by the IFRS Foundation to develop and approve global sustainability reporting standards.

Nature market: A mechanism for private investment in nature through the sale of units of ecosystem services, which are delivered by nature restoration projects or improvements to land or coastal management.

Nature positive – In our response to the Dasgupta Review, we committed to delivering a ‘nature positive’ future. In this strategy, ‘nature positive’ can be taken to refer to the Government’s commitment to leave the natural environment in a better state than we found it, and ensure economic and financial decision-making is geared towards delivering that.

Net zero emissions – Net zero means any emissions would be balanced by schemes to offset an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technology like carbon capture and storage.

Network for Greening the Financial System (NGFS) - A network of 121 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for central banks’ role for climate change. The NGFS was created in 2017 and its secretariat is hosted by the Banque de France.

Sustainable Finance Education Charter - Brings together many of the world’s leading professional bodies for the first time in a commitment to integrate green and sustainable finance principles into the education and training programmes of finance professionals worldwide.

Task Force for Climate-Related Financial Disclosures (TCFD) – A private sector led group convened by the Financial Stability Board in 2015 to “develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders and insurance underwriters in understanding material risks”.

Task Force for Nature Related Disclosures (TFND) - The Taskforce on Nature-Related Financial Disclosures is an international initiative that builds on a model developed by the Taskforce on Climate-Related Financial Disclosures (TCFD). Its mission is to provide a framework for how organizations can address environmental risks and opportunities with the ultimate goal of channelling capital flows into positive action.

Net Zero Aligned Financial Centre (NZAFC): **Transparency** – The first area of action in our NZAFC framework is transparency. By this we mean the provision of decision-useful information and data from real economy firms and financial institutions to **inform** investors and stakeholders across the private, public and third sectors on issues relating to sustainability.

Net Zero Aligned Financial Centre: **Tools for transformation** – The second area of action in our NZAFC framework refers to better utilising financial markets and products of the financial system to support investors to **act on** the information from the first area of our NZAFC framework, Transparency. These tools allow investors to incorporate this information into investment decisions and monitoring.

Net Zero Aligned Financial Centre: **Transmission channels** – The third area of action in our NZAFC framework refers to mechanisms that **shift** finance to align with net zero, nature positive, climate resilient projects, technologies and sectors. We will use the policy levers outlined in this Strategy to a) de-risk green investments and lower their cost of capital, b) broaden pools of capital and the investor base, and c) enable investors to use their influence through stewardship.

Scope 1, 2 and 3 emissions: Scope 1 emissions are released directly into the atmosphere from sources owned or controlled by an organisation. Scope 2 emissions are indirect emissions from the energy an organisation purchases from someone else. Scope 3 emissions are all other indirect emissions created by organisation's activities but from sources not owned or controlled by the organisation. These emissions include business travel undertaken by employees and the emissions generated in producing the goods and services purchased.

Transition Finance - Financial products and services that support higher emitting companies to shift towards a green economy. These instruments are generally used by companies seeking to reduce greenhouse gas emissions and should be part of a credible decarbonisation pathway that is consistent with global climate goals. Many of the products and services being developed for decarbonisation also have the potential to be used in companies' nature positive transition journeys.

Transition Plan Taskforce (TPT) – The Transition Plan Taskforce (TPT) was launched by HM Treasury in April 2022 to develop the gold standard for private sector climate transition plans. The TPT is informing and building on international disclosure standards.

Voluntary Carbon Markets Initiative (VCMI) - VCMI is a multi-stakeholder platform to drive credible, net-zero aligned participation in voluntary carbon markets.

Integrity Council on Voluntary Carbon Markets (IC-VCM) - The Integrity Council for the Voluntary Carbon Market (Integrity Council) is an independent governance body for the voluntary carbon market. Our purpose is to ensure the voluntary carbon market accelerates a just transition to 1.5°C.