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Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
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19th October 2022

To:
Rt Hon Jeremy Hunt MP, Chancellor of the Exchequer

CC:
Rt Hon Jacob Rees-Mogg MP, Secretary of State for the Department of Business Energy and Industrial Strategy
Graham Stuart MP, Minister for Climate
Andrew Griffith MP, Financial Secretary to the Treasury and City Minister
Rt Hon Chris Skidmore MP, Chair, Net Zero Review

Dear Chancellor,

Amid the ongoing global energy crisis, we believe that now is the time to accelerate investment into green technologies and climate solutions that will bring down energy bills, foster energy independence and catalyse economic growth. The sharp rise in the cost of living and resulting economic uncertainty has highlighted the urgent need to strengthen the UK's economy and energy security by delivering the net zero transition.

We are writing to you as private sector firms, businesses and investor organisations to encourage you to set out a clear 'Net Zero Investment Plan'. This would underpin the targets in the UK's Net Zero Strategy published last year and it should be delivered as part of the UK's upcoming 'Green Finance Strategy'. We consider this to be a crucial element of the governance architecture required to ensure that the UK reaches its emissions reduction targets in a way that can leverage private sector investment into the UK's net zero transition, boosting growth in the process.

We believe the opportunities of the UK's net zero economy are substantial. Supplying the goods and services to enable the net zero transition could be worth £1 trillion by 2030 to UK businesses¹, and low-carbon financial services could generate an export opportunity of up to £7.5bn per year in 2030, rising to

¹ [McKinsey Sustainability \(2021\), Opportunities for UK business in the net-zero transition](#)

£17 bn per year by 2050². Low-carbon technologies could reduce the average domestic energy bill by £1,800 a year³.

To achieve these outcomes, significant strategic public and private investment will be required. According to the Climate Change Committee's advice on the sixth carbon budget, low carbon investment in the UK must triple by the end of this decade if it is to meet its climate goals⁴. This investment can play a vital role in supporting the Government's plans to regenerate the economy, level up and tackle inflation.

Most of the finance for this transition will need to come from the private sector, and global demand for low carbon investment opportunities is evident from the proliferation of corporate net zero targets and the continued growth of the Glasgow Alliance for Net Zero (GFANZ). However, this private investment will only be delivered at the speed and scale required if the Government has in place a clear and robust 'Net Zero Investment Plan', delivered under a mandate to scale up private investment and capture the growing market around net zero investment opportunities.

The private sector needs strong and consistent science-based market signals, the right level of targeted public investment, and transparent policies for supporting new and growing sustainable markets. Clarity from the government on detailed transition pathways for sectors across the economy, and consistency from government across public spending, policy, and regulation, will be needed for investors and businesses to redirect their own finance flows with the help of new regulatory frameworks and standards, such as climate transition plans and taxonomy disclosures. It will reduce policy risk and would give the UK business and investment community the market confidence we need to invest.

We propose that the government publish a 'Net Zero Investment Plan' which includes the following elements:

- > **A Net Zero Delivery Tracker to assess the financial flows in support of our climate and nature goals** contained in each Budget and Spending Review, as well as the overall package's impact on progress towards net zero. This should be underpinned by a clear science-based definition of what is green, and what is not – i.e. the UK's 'green taxonomy'.
- > **An assessment of the investment needs for decarbonisation in different economic sectors**, backed up with clear sectoral transition pathways in the Net Zero Strategy.
- > **An assessment of the low carbon investment gap for sectors and how these will be bridged.** This should include the public investment required, as well as the suite of policies and regulations needed to inform the decisions of private finance actors.

We also propose that an independent unit, such as the Office for Budget Responsibility, be given the role to conduct this tracking analysis on an ongoing basis. The unit should have a mandate to make regular advice to the government on the scale and balance of sustainable investments to date, and on

² [Social Market Foundation \(2022\), Financial services and net zero: Seizing the opportunity](#)

³ [Scottish Power, WWF \(2022\), Better homes, cooler planet](#)

⁴ [Climate Change Committee \(2022\), The sixth carbon budget: the UK's path to net zero](#)

how to ensure that investment is mobilised to meet climate goals. This tracking and advice function would enable a rapid and dynamic feedback loop between policymakers and markets. This will be critical in monitoring and delivering the Net Zero Strategy in practice and encouraging the flow of private finance towards sustainable investments and promoting the UK's energy security.

Early investment in net zero this decade could halve the net fiscal costs of getting to net zero by 2050⁵, boost growth, strengthen energy security and help to bring down energy bills. Delivering an ambitious 'Green Finance Strategy' will help ensure that the UK financial sector remains a world leader in the delivery of financial services and products.

Yours sincerely,

Mike Holliday-Williams, CEO, Aegon UK

Mike Clark, Founder Director, Ario Advisory

Paddy Arber, Group Head of Government Engagement – Sustainability, Aviva Plc

Sue Riddlestone OBE, Co-Founder and Chief Executive, Bioregional

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Michael Izza, CEO, Institute of Chartered Accountants in England and Wales

Stephanie Pfeifer, CEO, IIGCC

Sarah Gordon, Chief Executive, Impact Investing Institute

Matthew Beesley, CEO, Jupiter Asset Management

Nick Lakin, Corporate Affairs Director, Kingfisher

⁵ [Office of Budget Responsibility \(2021\), Climate-related measures in the Budget and Spending Review](#)

Simon Gadd, Group Climate Change Director, Legal and General Group

Claire Hawkins, Director of Corporate Affairs and Investor Relations, Phoenix

Gavin Templeton, Managing Director, Pollination Group

John Chilman, CEO, Railpen

Ewan Smith, CEO Office Director, Royal London Group and Royal London Asset Management

Craig Thornton, General Insurance, Protection & Investments Director, Scottish Widows

Jeffrey Twentyman, Partner - Head of Sustainability, Slaughter and May

Ian Sutherland, Chief Financial Officer, Tide

Bevis Watts, CEO, Triodos Bank UK

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James Alexander, Chief Executive, UK Sustainable Investment and Finance Association (UKSIF)

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