

Taking forward the UK Green Finance Strategy and climate transition plans

AT A GLANCE

May 2022

What's new?

- The Department for Business, Energy & Industrial Strategy (BEIS) published on 12 May 2022 a [Call for Evidence](#) (CfE) for an update to its Green Finance Strategy (published in 2019). The revised strategy will reflect the progress made since 2019 and support the UK Government's commitment that the UK remains a leader within the global green finance market.
- The Transition Plan Taskforce (TPT) published on 11 May 2022 a [CfE](#) on a framework for UK companies across all sectors to provide climate transition plans. This follows the Chancellor's announcement at COP26 and HM Treasury's roadmap for sustainable investment published in October 2021. The intention is to create a framework for standardised and actionable transition plans.

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What does this mean?

- BEIS's updated Green Finance strategy will consider progress made against [the original strategy's](#) three objectives (greening finance, financing green, capturing the opportunity from transitioning to net zero). It also looks at how to make sure the financial services industry is supporting the UK's energy security, climate and environmental objectives.
- This CfE contains 39 questions on four key objectives:
 - **Capturing the opportunity of green finance** e.g. how to expand the UK green finance market;
 - **Mobilising finance** for the UK's energy security, climate and environmental objectives;
 - **Greening the financial system** e.g. how to make the UK a net zero-aligned financial system;
 - **Leading internationally** e.g. how the UK can take a leading role in helping to finance an inclusive transition in emerging and developing economies.
- Linked to these objectives, BEIS is considering the following:
 - **Financing transition activities** by mobilising private investment;
 - **Developing natural capital markets** and bridging financing gaps to achieving nature-based outcomes;
 - **Ensuring broad access to green finance** for local authorities, SMEs and retail customers;
 - **Supporting the development of high integrity voluntary markets** for carbon and other ecosystem services
 - **Providing the market with the right decision-grade data** on climate-related and nature-related risks and opportunities.
- The TPT CfE will inform new detailed requirements for a Sector-Neutral Framework for publishing robust transition plans. This will include information on strategies and action plans for meeting declared decarbonisation commitments and accelerating the transition to a net zero. These requirements will form part of the UK's Sustainable Disclosure Requirements (SDRs).



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- The TPT Sector-Neutral Framework includes: definition of transitional plan, principles to follow when preparing a transition plan, key elements to include, and guidance on (i) the role of governance and assurance, third-party verification and (ii) the implications of organisational transition plans for reporting.
- In future the TPT will build on the Sector-Neutral Framework and will develop more granular, supplementary sector-specific transition plan templates and accompanying guidance on targets and metrics.
- Companies should consider the proposals carefully and consider how this may impact any preparations already underway for the UK's SDR.
- Firms need to start thinking about the implications of the UK's ambitions to have a nature-positive economy, the Green Finance Strategy CfE's stated support for the [Taskforce on Nature-related Financial Disclosures](#) and what obligations firms might face in the future around nature-related risks and opportunities. E.g. what might firms leverage from their work on risk management and disclosures for the Task Force on Climate-related Disclosures?

What do firms need to do?

- The BEIS CfE builds on previously set milestones and ambitions set out by the UK Government, including the role of financial services firms regarding climate change and the transition to net zero. Firms should conduct an early assessment of the ideas being considered, how these might relate to their current ESG programmes, and, where possible, begin their preparations.
- Firms should engage with both calls for evidence and consider the opportunities for influencing the future direction of travel. E.g. on the role of the UK Government and UK regulators in supporting the greening of the financial system.
- Firms should consider the TPT CfE and how they might need to prepare to publish credible, actionable climate change transition plans. The [UK Government is proposing](#) that asset managers, regulated asset owners and listed companies will need to publish transition plans (or explain why not) with firms beginning to publish their transition plans in 2023.
- The TPT CfE and growing focus on climate change transition plans means firms should consider what milestones they will need to set and how to achieve these milestones in practice.

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Next steps

Responses to the updated Green Finance Strategy are due by 22 June 2022; the updated Strategy is expected to be published in late 2022.

Responses to the TPT consultation are due by 13 July 2022. The TPT will use feedback to inform the development of guidance for companies to help create transition plans. The TPT has a two-year mandate; its work will inform the implementation of the UK's SDRs.

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