Department for Energy Security & Net Zero

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Dear Philip,

Thank you for your letter on 23 February, regarding our response to your report *The financial sector and the UK's net zero transition*. We welcome the Committee's consistent engagement on this important policy area.

Your letter outlined a number of areas where the Committee is seeking further detail, centred around sector-specific net zero investment roadmaps, transition plans and the UK green taxonomy. We provide further updates below and will continue to update the Committee as commitments are delivered.

Since the conclusion of your report, a number of positive steps have been taken towards the delivery of our 2023 Green Finance Strategy.

- We launched the Transition Finance Market Review, and the independent secretariat of the review subsequently issued their Call for Evidence which has now closed;
- The FCA has set out a new regime for sustainable investment labels;
- We announced at Spring Budget that the Government will proceed with developing a regulatory regime for ESG ratings providers;
- We published investment roadmaps, including on Carbon-Capture, Usage and Storage, Hydrogen and Nuclear;
- Today (16 May) we published the *Sustainability Disclosure Requirements (SDR): Implementation Update 2024* which sets out the next steps on SDR and how industry can engage with the development of the different components; and
- Alongside the SDR Implementation Update, we also announced the Chair and membership of the advisory committee that will be undertaking a technical assessment of the suitability of International Sustainability Standards Board's standards for use in the UK. The terms of reference for that committee were also published today and the committee is expected to provide its advice to Government at the end of 2024.

Sector-specific net zero investment roadmaps

We welcome your support for the Government's net zero investment roadmaps. Over the last twelve months, we have unveiled several publications. Firstly, we released the Carbon Capture, Usage, and Storage Net Zero Investment Roadmap, which outlines joint government and industry commitments to the deployment of CCUS in the UK.

In December, we released our Hydrogen Production Delivery Roadmap, which sets out how we expect the hydrogen production landscape to evolve towards 2035, and the key opportunities and challenges that we face. Finally, in January, we published our Civil Nuclear Roadmap, which sets out the government's vision for a dynamic civil nuclear sector, aligning with our ambition to achieve net zero by 2050.

And the Government remains committed to producing a roadmap to guide nature positive investment in key sectors. We will consider the feasibility of publishing this roadmap in Autumn 2024, ahead of schedule. Furthermore, the Government intends to publish a heat networks sector investment roadmap this spring. We have engaged with investors over the winter to ensure the heat networks roadmap reflects their needs.

You also asked about the role of our Advanced Manufacturing Plan in giving investors sufficient confidence to invest in net zero solutions in key sectors. The Plan was delivered having listened to and worked closely with industry. The Plan provides businesses with greater long-term certainty to invest, and also supports manufacturers in seizing the opportunities provided by the net zero and digital transitions.

Transition plans and UK green taxonomy

We welcome your support for the work of the Transition Plan Taskforce and the Green Technical Advisory Group and echo your congratulations to those groups for their work.

Regarding publication timelines for the consultation on the UK Green Taxonomy, the Government remains committed to delivering a taxonomy, a tool to provide investors with definitional certainty about the green economic activities they are invested in. This will help address risks of greenwashing and support greater investment into key sectors. Developing a usable and useful Taxonomy is a complex and technical exercise; it is right that we take the time to fully consider the impacts on the real economy and learn the lessons from other jurisdictions to get it right. The government continues to work at pace and expects to publish in due course.

Given the important role of transition planning across the economy, the Government will consult shortly on how the UK's largest companies can most effectively disclose their transition plans, with transition plans a key priority of last year's Green Finance Strategy.

The FCA has now committed to consult on guidance that will set out their expectations for listed companies' transition plan disclosures at the same time as consulting on their policy approach in relation to the ISSB standards. They plan, through their consultation on implementing UK-endorsed ISSB standards, to consult on strengthening expectations for transition plan disclosures with reference to the Transition Plan Taskforce Disclosure Framework.

We look forward to engaging with you further in due course.

Yours,
Charlotte

Lord Callanan **Baroness Vere**