

Exploring the impact of UK climate commitments on business strategy

We examine the government's sustainability and growth agenda and what it means for UK businesses.

We have seen a remarkable acceleration in government commitment to sustainability in 2024. In mid-July, the King's Speech included a number of proposals. In mid-October, the government held an investment summit and published a green paper on its new industrial strategy. In the same week, the Transition Finance Market Review published recommendations to the government for scaling and mobilising transition finance. Finally, in November, the Chancellor made several announcements on sustainable finance.

One thing is clear: the government's sustainability policy agenda is ambitious. The Prime Minister has set a national decarbonisation target of reducing greenhouse gas emissions by more than 81% in the next 10 years. If the goal is reached, the UK would be a leader in the journey to net zero. Some believe it to be impossible, while others say it can be done with significant effort. What is certain is that the new agenda cannot work without ministerial engagement – and the drive and planning within this government is different from what we have seen in recent years.

UK sustainability policy agenda aims

- **Energy:** Facilitating rapid policy rollout to faster clean technologies and achieve ambitious 2030 energy grid decarbonisation impact.
- **Sustainable finance:** Ambition to be a global leader in sustainable finance; additional investment required to support UK net zero transition.
- **Taxes, grants and incentives:** Resetting UK ambition and global credibility through bold action.
- **Nature and circularity:** Initial focus on water pollution, but more extensive action on nature set to come.

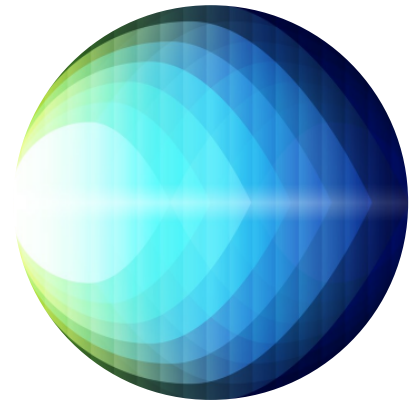


81% by 2035

New UK target for reduction in greenhouse gas emissions



Take a deeper dive into the conversation.



In collaboration with Chapter Zero



Based on a webinar discussion on 2 December 2024

Host: **Lorraine Mackin**, UK Infrastructure, Transport & Regional Government Lead, Deloitte UK

Speaker: **Simon Brennan**, Head of EMEA Sustainability Regulation Hub, Deloitte

Speaker: **Heather Buchanan**, Co-Founder and Chief Executive, Bankers for Net Zero

Speaker: **Sarim Sheikh**, Non-Executive Director, Octopus Renewables Infrastructure Trust, Net Zero Technology Centre and Port of Dover

"Already in the first few months of the new UK government we have had an international investment summit, the autumn budget and key outcomes from COP29. So this is a really good time to start exploring some of these issues."

Lorraine Mackin



Read the thoughts of the Deloitte Academy panel

From agenda to action – what can we expect?

This kind of industrial development requires substantial investment. The Climate Change Committee estimates that the UK will need to mobilise £50 billion annually by 2030 to support the net zero transition. While some financing will come from the public sector, most will need to be sourced from the private sector.

So, what does this mean for businesses? We highlight four key themes from the government's strategy – energy, sustainable finance, nature and taxes, grants and incentives. Energy and sustainable finance are really the critical drivers.

The industrial strategy prioritises clean technology as a key growth sector and is embedding decarbonisation across all industries. Sustainable finance is equally vital. As public funds are limited, the government has introduced new ways to attract investors. This includes rebranding the

UK Infrastructure Bank to the National Wealth Fund and establishing Great British Energy, which will provide equity capital to support industrial strategy. Along with the Transition Finance Council, these institutions will aim to remove investment barriers and provide necessary resources and support to businesses in their journey to sustainability.

However, organisations will need to navigate the upcoming changes in taxation and incentives. The introduction of a Carbon Border Adjustment Mechanism (CBAM), which is set to take effect in 2027, underscores the government's commitment to aligning economic policy with sustainability goals. Offering incentives to balance risk and ensure bankable investments will be crucial to driving private sector participation.

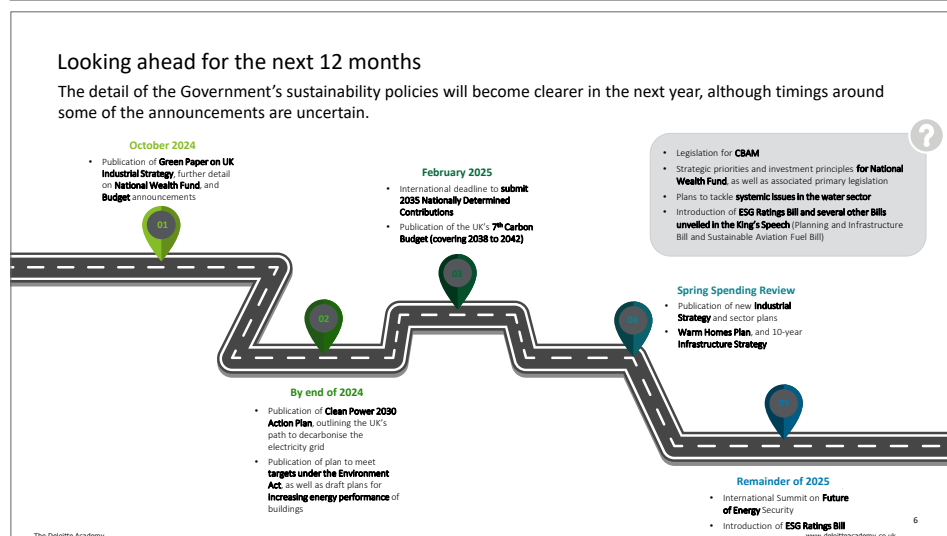
The next 12 months will be critical for turning the agenda into an actionable plan.

"I do not think it is an exaggeration to say that the drive and the planning is different to what we have seen in recent years."

Simon Brennan

The government has created a clear framework for businesses that will guide them as they engage with the transition and work towards their sustainability goals. But finding ways to navigate the landscape while seizing growth opportunities will be a challenge. More importantly, how can companies overcome barriers to success, including financing, consumer demand and risk-sharing?

"This is not just about synthesising another slew of regulation. It is about us as a business thinking, 'okay if this plan is put forward, if this plan is enacted, it is going to be a game changer'" **Simon Brennan**



£50 billion
Annual investment needed by 2030 to support the UK's net zero transition

DEEP DIVE: 5 minute read

In conversation with the Deloitte Academy panel

Our speakers discuss aligning with UK sustainability goals, tackling clean energy challenges and driving the energy transition through collaboration and innovation.

■ **Q. Reflecting on the first 100 days, what stands out most about the government's actions?**

Heather: The clear policy signals are important, as they have been lacking over the years. Bankers for Net Zero has sent a message that we need to work more effectively together. It requires flexibility from businesses, industry and government. Some of it needs to come from the government, but businesses need to be clearer in their asks.

■ **Q. As someone who is in the middle of this energy transition, what has been most notable for you?**

Sarim: There is a strong investment interest in the UK for three reasons. Number one is a decarbonisation goal with real commitment behind it. Secondly, there are positive

“This commitment to decarbonisation, regulatory support and financial support will make things easier for investors moving forward.” **Sarim Sheikh**

regulatory changes and a commitment to planning reforms, a CBAM and clarifying reporting standards.

Finally, there is increased government investment, including £21.7 billion for carbon capture and storage, £8.3 billion to Great British Energy and £27.8 billion to the National Wealth Fund.

This commitment to decarbonisation and regulatory and financial support will make decisions easier for investors.

■ **Q. Clean energy is one of eight growth-driving sectors. What barriers have been addressed, and what would you like to see?**

Sarim: The government has taken action to generate demand, but translating that into investment may be challenging. The UK's industrial policy and long-term support for CleanTech has been less consistent compared to in Europe. This has meant a less developed ecosystem and therefore a less attractive manufacturing destination. But, if we want to have a large part of the value chain based here, then thinking about mandates and long-term industrial strategy will be critical.

■ **Q. Keir Starmer has announced a new target for reducing greenhouse gas emissions. How do we do it?**

Heather: Within the UK, certainly, stimulating that market at the consumer level is going to be critical,

especially for electric vehicles, retrofits and green mortgages. Government policies and businesses help, but millions of individual actions are key. We have commitments and ambitions, and markets are still moving despite the disappointment after the US election. That we can still move forward, particularly with Article 6 and the carbon markets announcement, is positive. The conversation has changed and become more direct. But we must keep up with the tougher conversations and decisions.

“Government policies and businesses help, but millions of individual actions are key.”

Heather Buchanan

■ **Q. How will banks achieve net zero and what are the implications for businesses and NEDs?**

Heather: Financial institutions have committed to decarbonising their finance emissions and are on the hook for every mortgage, overdraft and loan. It feels like an impossible task. But businesses need to engage with this now. Engagement is critical, even if the plan is not perfect yet.

■ **Q. How can we secure the investment needed for the transition?**

Heather: By talking about opportunity rather than challenges or what can or cannot be done. The opportunities, particularly in employment, are extraordinary and we need to start bringing them to the fore.

■ **Q. What challenges hinder clean energy investment? Are subsidies, taxes and government financing enough to attract corporate investors?**

Sarim: The UK's energy consumption per capita has dropped by almost 30% in the past 15 years, and by about 2% per annum in the last couple of years. That falling demand creates a potential negative for investors. While government financing will help, the challenges for financing renewables in the current high-interest environment do remain.

■ **Q. What should businesses and the government do differently to make those projects more bankable?**

Heather: Some of our problems and challenges stem from having to fundamentally redefine what risk and value look like. You need to have that conversation with finance providers early. A willingness to engage and learn will make things more attractive.

“One area that we do not talk about enough is the actual opportunity. We talk about the challenges and what cannot be done, and what will be difficult to get done, but the opportunities, particularly in employment, are extraordinary.”

Heather Buchanan

■ **Q. What are the key data elements that need to be published and reviewed?**

Heather: You need to know your baseline. But do not wait for perfect data. It is more important to take action than to get caught up in data or data quality.

■ **Q. What do boards need to consider?**

Sarim: Boards need to understand the government's ambitions and consider their own opportunities, costs and risks if they do not align with the strategy.

Heather: This shift is becoming a reality, so consider the risk and cost of action versus inaction.

■ **Q. How do we take the public with us on this journey?**

Heather: The incentives are not there, and we need to explore what they could look like and how they could be structured. Constant reinforcement that change is needed could help as well.

■ **Q. What piece of advice would you give to NEDs?**

Sarim: Use the next five years to accelerate your energy transition or risk falling behind.

Heather: Stop worrying about what is green or not green if you are in a high-emitting sector. Do not be afraid to step on the scales, even if it is scary.

Government investment



£27.8 billion:

National Wealth Fund



£21.7 billion:

Carbon capture and storage



£8.3 billion:

Great British Energy

“Becoming a clean energy superpower is a mission in and of itself.” **Lorraine Mackin**

“Boards should be asking whether they understand the government's ambitions clearly. Does their leadership understand them? They should also be looking at the opportunities and the costs, as well as the risks if they do not align with the strategy.” **Sarim Sheikh**