



HM Government

# Update to Green Finance Strategy

Call for Evidence

Closing date: 22 June 2022

11 May 2022



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# Introduction

The United Kingdom (UK) government is issuing this Call for Evidence to support its update of the *Green Finance Strategy*, planned for publication in late 2022.

In July 2019, the UK government published its first *Green Finance Strategy*. This had three objectives:

- **Greening finance** by supporting the financial services sector to align with the UK's net zero commitment, the need to adapt to climate change and the UK's commitment to nature's recovery.
- **Financing green** by mobilising private investment at scale to support clean and resilient growth.
- Supporting financial services to **capture the opportunity** presented by the transition to a net zero and nature-positive economy, cementing UK leadership in green finance and ensuring that businesses can benefit.

Since the *Green Finance Strategy* was published, the UK government has taken major steps to deliver these objectives:

- Placing finance front and centre at COP26 in Glasgow –the Chancellor hosted Finance Day which aimed to mobilise finance at scale for net zero and climate resilient development. This demonstrated significant progress on the \$100bn a year climate finance mobilisation goal for developing economies, and announced that organisations with \$130 trillion of assets, around 40% of the world's total, are now committed to net zero.
- Setting out plans to become the world's first Net Zero-aligned Financial Centre, including moving towards making the publication of transition plans mandatory and establishing a Transition Plan Taskforce to develop a gold standard for firm-level net zero transition planning.
- Launching the UK Infrastructure Bank, with £22 billion of financial capacity to crowd-in private investment to support the UK's net zero target and local and regional economic growth in the UK.
- Becoming the first country in the G20 to mandate Taskforce on Climate-Related Financial Disclosures (TCFD) across the economy, and setting out a roadmap for broader economy-wide Sustainable Disclosure Requirements.
- Successfully kicking off the UK's green financing programme by issuing two sovereign green gilts with a total transaction size of £16bn, with the inaugural offering being the largest by any sovereign to date. Also launching the world's first sovereign retail Green Savings Bonds.
- Supporting the Taskforce on Nature-Related Financial Disclosures (TNFD), to design a risk management and disclosure framework for organisations to report on nature-related risks.

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- Doubling the UK's International Climate Finance to £11.6bn over the period April 2021-March 2026, including £3bn to protect and restore nature.
  - Co-leading the negotiation of the Leaders' Pledge for Nature (LPN), which includes commitments to incentivise the financial system, nationally and internationally, to align financial flows to environmental commitments and to take into account the value of nature and biodiversity.
  - Co-leading the Glasgow Leaders' Declaration on Forests and Land Use – which requires signatories to align financial and economic flows with international goals to halt and reverse forest loss by 2030.

The updated *Green Finance Strategy* will take stock of progress so far and set out how the UK can better ensure the financial services industry is supporting the UK's energy security, climate and environmental objectives. These objectives have been established through several flagship publications and UK government actions:

- the UK government published the *Net Zero Strategy* setting out how it will decarbonise the economy by 2050, supporting jobs and levelling up the UK (October 2021)
- the UK government set out a new *Energy Security Strategy*, designed to boost Britain's energy security and independence following Russia's criminal invasion of Ukraine and rising global energy prices (April 2022)
- the UK government adopted the world-leading landmark *Environment Act 2021*, putting environmental goals, such as reversing the decline in biodiversity, on a statutory footing (November 2021)
- and the *National Adaptation Programme*, which sets out what the UK government, businesses and society are doing to better prepare for the impacts of climate change

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# General information

## Why we are consulting

The UK government is issuing this Call for Evidence to obtain evidence and views from stakeholders to support the development of an update to the UK's *Green Finance Strategy*. This update is planned for publication in late 2022.

This Call for Evidence contains 39 questions on four key objectives:

- capturing the opportunity of green finance
- mobilising finance for the UK's energy security, climate and environmental objectives
- greening the financial system
- leading internationally

## Consultation details

**Issued:** 11 May 2022

**Respond by:** 22 June 2022

**Enquiries to:** [evidence.gfs@beis.gov.uk](mailto:evidence.gfs@beis.gov.uk)

**Consultation reference:** Update to Green Finance Strategy – Call for Evidence

**Territorial extent:** United Kingdom

## How to respond

Please submit responses electronically using the contact details below:

**Email to:** [evidence.gfs@beis.gov.uk](mailto:evidence.gfs@beis.gov.uk)

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Please take note of the following guidance for submissions:

- Your response will be most useful if it is framed in direct response to the questions posed, and with evidence in support wherever possible
- We recommend that your submission not exceed 400 words per question, or 20 pages in total
- It is **not** necessary to answer every question
- Please state whether you are responding as an individual or representing an organisation

## Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

## Quality assurance

This consultation has been carried out in accordance with the UK government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk).

# Capturing the opportunity

The UK government is committed to ensuring the UK continues to be at the forefront of the rapidly growing market for global green finance. Achieving net zero, adapting to climate change and restoring nature will see fast growth in green financial products and services to support these objectives, presenting a significant opportunity for UK business. For example, the Climate Change Committee (CCC) estimated that the potential global market size for low carbon financial services could reach £280 billion per year in 2030 and £460 billion in 2050.<sup>1</sup>

With strengths across the full financial and professional services spectrum, deep pools of capital, world-leading risk modelling and analytics capability, and a proven track-record on environmental policies, the UK is uniquely placed to capitalise on this opportunity and strengthen its position at the forefront of this market.

## Headline Questions

1. What are the key characteristics of a leading global centre for green finance?
2. Do you consider the UK's green finance regulatory framework to be world-class?
3. To what extent does the UK's private and public sectors have appropriate skills/capacity to attract international green finance flows?
4. What are the UK's comparative strengths and weaknesses in its green finance offering compared to other international financial centres? What are these for:
  - a) Asset management
  - b) Capital markets
  - c) Banking
  - d) Insurance
  - e) Professional services
  - f) Fintech
5. How can the UK government measure progress towards becoming a leading global centre for green finance?
6. What areas for potential growth – for example emerging financial products and instruments – are there in green finance for the UK financial services sector?

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<sup>1</sup> Ricardo Energy & Environment for the Committee on Climate Change, UK business opportunities of moving to a low carbon economy: <https://www.theccc.org.uk/wp-content/uploads/2017/03/ED10039-CCC-UK-Bus-Opportunities-Draft-Final-Report-V7.pdf>

# Financing the UK's energy security, climate and environmental objectives

The UK government's recent *Energy Security Strategy* – on accelerating the deployment of clean energy to boost the UK's energy independence, *Net Zero Strategy* – to end the UK's contribution to climate change, *25 Year Environment Plan* – to improve the environment within a generation and *National Adaptation Programme*, will all require substantial private investment. The UK's financial services sector – one of the most dynamic and innovative in the world – will have a critical enabling role to play in delivering these objectives. Within this context the UK government is seeking evidence on what the right conditions are for effective mobilisation of private capital to meet our climate and environmental objectives.

The *Net Zero Strategy* estimates that additional capital investment in key sectors and technologies must grow from present levels of £10-15bn per year to at least £50-60bn per year through the late 2020s and 2030 to support the UK's net zero target.

The private sector investment is far below where it needs to be to protect and restore nature in the UK and deliver on domestic targets under the *Environment Act 2021*. The UK government has set a target to directly mobilise at least £500m a year of private finance for nature restoration by 2027 and over £1bn a year by 2030. Mobilising finance from all sources will also be critical to supporting the objectives of the *Convention on Biological Diversity COP 15*. In addition, the increased risks highlighted under the *third Climate Change Risk Assessment* published in January 2022, also demonstrate the need for strong integration of adaptation across investment decisions.

The first *Green Finance Strategy* identified that the strategic use of public funds, long-term policy frameworks and signalling, can create a financial system that leverages private finance to support the UK's climate and environmental objectives. However, each technology and sector presents its own challenges and opportunities.

## Headline Questions

7. How can the UK support a financial system that leverages private investment to meet the UK's climate and environmental objectives?
8. How can the UK support a financial system that leverages private investment to meet the objectives of the British Energy Security Strategy, including in areas such as nuclear, hydrogen, carbon capture and storage and domestic oil and gas production, to reduce our reliance on imported fossil fuels as part of a smooth energy transition?
9. What barriers are there to unlocking private investment to support the UK's energy security, climate and environmental objectives?
10. How can the UK government assess and measure progress toward financing the UK's energy security, climate and environmental objectives?
11. How can the UK best facilitate greater private investment into climate change adaptation and resilience activities?

## Financing transition activities

The *Net Zero Strategy* sets out the UK's long-term plan for a transition that will take place over the next three decades to achieve net zero by 2050. This transition will take place in every sector of the UK economy, and a similar challenge is faced by other countries internationally. This will require significant amounts of private investment into economic transition activities – 'transition finance' – including in high emitting sectors to help them decarbonise.

The transition finance market is currently relatively small, as issuers are unclear about the meaning and investors are sceptical about greenwashing. To date, the transition bond market has totalled \$10.4 billion in issuance since its inception, compared to the green bond market, which totalled \$621 billion in 2021 alone <sup>2</sup>. Green or sustainability-labelled finance is also sometimes used to raise investment for transition activities <sup>3</sup>, but there is uncertainty over whether this should be conflated with pure 'green' economic activity. This points to a lack of clarity in the market around what transition finance is, and what the best methods to finance transition activities are.

### Questions

12. Are there barriers to the mobilisation of private investment into transition activities? If so, what are they and how might they be overcome?
13. How can the UK become a leading hub in structuring and innovating on transition finance?
14. Is there a role for the UK government to support the development of transition finance markets in the UK and internationally?

## Developing natural capital markets

Private sector investment into natural capital will need to scale-up significantly to bridge the financing gap for nature-based outcomes in line with government policy. The UK government is committed to the further development of private markets that drive investment into natural capital – which can provide ecosystem services such as nature-based carbon capture, biodiversity, water quality and flood risk management. The UK government has set a 2021 Spending Review target to mobilise at least £500m of private investment into nature's recovery every year by 2027 and more than £1 billion a year by 2030.

In relation to this, the UK government has already launched the Natural Environment Investment Readiness Fund (NEIRF), with £10 million available to support nature projects in England to develop to a point where they attract private investment. Similarly, the Big Nature Impact Fund will be launched, a public-private blended finance vehicle with up to £30 million public investment to leverage private finance into new natural capital markets and ecosystem services.

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<sup>2</sup> Bloomberg Finance L.P. (BloombergNEF, 2022): 1H 2022 Sustainable Finance Market Outlook (<https://www.bnef.com/insights/28139/view>)

<sup>3</sup> Climate Transition Finance Handbook 2020 (ICMA, 2020): <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook/>

### Questions

15. How can the UK best support the mobilisation of private investment to natural capital assets?

16. How can the UK government best assess the progress and development of a natural capital investment market?

## Ensuring broad access to green finance for local authorities, SMEs and retail customers

**Local authorities:** The Levelling up White Paper identifies that there are sharp differences in access to financial capital across different parts of the UK, with financial activity concentrated in relatively few areas.<sup>4</sup> The Green Finance Strategy identified the important role of local authorities in guiding potential investors towards investment opportunities that support the UK's climate and environmental objectives, whilst meeting local priorities. Local authorities across England are also now required under the Environment Act 2021 to draw up Local Nature Recovery Strategies, which could be used to identify opportunities for investment in natural capital. However, there is often a lack of the resources and skills needed to develop commercially viable investment propositions for investors, creating a barrier for local actors to access private investment.

The UK Infrastructure Bank was launched in June 2021 to invest in infrastructure that tackles climate change, and boosts regional and local economic growth across the UK, in partnership with the private and public sector. To complement its investment and local authority lending activity, the Bank will be developing an expert advisory service to help local bodies develop and finance projects.

**SMEs:** Small to medium-sized enterprises (SMEs) account for 99.9% of the business population (5.5 million businesses), and account for three fifths of the employment, around half of turnover in the UK private sector and around 10% of UK territorial emissions.<sup>5</sup> The Together for Our Planet Business Climate Leaders' campaign, which was spearheaded by then Net Zero Business Champion Andrew Griffith MP, took a crucial first step in terms of raising awareness of net zero among SMEs. The campaign to date has achieved almost 3,000 UK SME sign ups to the Race to Zero, exceeding any other country<sup>6</sup>. Enabling SMEs to access adequate finance to adapt their businesses to a low carbon and sustainable future will require the UK financial sector to design and implement green finance solutions.

**Retail:** Green finance presents an opportunity for retail customers, providing them with access to capital that supports them in aligning with the UK's climate and environmental objectives. Innovative green finance retail products, such as green mortgages, can play an important role in this.

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<sup>4</sup> UK Government, Levelling up the United Kingdom, 2022, page 66:

<https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

<sup>5</sup> National Federation of Self Employed and Small Businesses (fsb), UK Small Business Statistics:

<https://www.fsb.org.uk/uk-small-business-statistics.html>

<sup>6</sup> SME Climate Hub: <https://smeclimatehub.org/smes/>

### Questions

17. How can the UK financial sector support the delivery of the UK's climate and environmental objectives at the local level, whilst also benefitting local growth and communities?
18. How can local authorities support the mobilisation of private and public investment to key sectors and technologies for the UK's climate and environmental objectives, whilst also meeting local priorities? What barriers to this are there?
19. What is the current state of capability within local authorities to attract investment, and how can it best be supported?
20. How can the UK financial sector support SMEs and retail customers to align with the UK's climate and environmental objectives?
21. Is there a role for the UK government to facilitate broad access to green finance for local authorities, SMEs or retail customers? If so, what should these roles be?

## High integrity voluntary markets for carbon and other ecosystem services

Meeting climate and environmental objectives will require a significant scale up of finance domestically and internationally – and particularly to developing economies, where over \$1 trillion of additional annual investment is needed by 2050. Voluntary carbon markets and markets for other ecosystem services (such as biodiversity and nutrient mitigation) can help to unlock this much-needed finance, provided that they operate with high integrity.

Global markets for carbon are growing rapidly (from a global market value of c.\$300m in 2018 to approximately \$1bn in 2021), in part driven by companies voluntarily setting climate targets. Finalisation of the Paris Agreement's headline carbon trading rules ('Article 6'), at COP26, will likely attract additional finance into carbon markets. Other markets for ecosystem services are in earlier stages of development and have the potential to play a critical role in the transition to a sustainable, nature-positive land use sector.

Many stakeholders are seeking clarity on high integrity use of these markets, as well as how they can contribute to meeting climate targets and development objectives. The UK government has welcomed the work of the Voluntary Carbon Markets Integrity initiative (VCMI) and Integrity Council for Voluntary Carbon Markets (IC-VCM) to ensure that voluntary markets for carbon have integrity at their heart and are accessible for all at a global level.

**Questions**

22. How can the UK best support the development of high integrity voluntary markets for carbon and other ecosystem service markets?
23. How can we ensure that these markets encourage robust action on the UK's climate and environmental goals, and appropriately scale up finance flows to support these?
24. How should the UK harness the economic opportunities associated with high integrity growth in voluntary carbon markets and ecosystem services markets?
25. How can UK environmental and economic regulators increase demand for high quality, accredited ecosystems services?

# Greening the financial system

The UK's financial services sector is one of the most innovative, open and dynamic in the world. Contributing 9% to the UK's GDP and over a million jobs, it also plays a critical role in financing the UK's economic future. Like all other sectors in the economy, it will need to evolve as the UK transitions to net zero and tackles broader environmental challenges like nature loss. In his Mansion House speech, the Chancellor set out the UK government's vision to position the UK financial services at the forefront of the major global trends that will reshape financial services over the coming decade, to cement our status as an international financial services hub. Green finance is a key pillar of that vision and at COP26, the Chancellor set out world-leading plans for the UK to be the world's first Net Zero-Aligned Financial Centre.

In *Greening Finance: A Roadmap to Sustainable Investing*, published in October 2021, the Government set out three phases to greening the financial system:

Phase 1: **Informing** investors and consumers – addressing the information gap for market participants, ensuring a flow of decision-useful information on environmental sustainability from corporates to financial market participants.

Phase 2: **Acting** on the information – creating expectations and requirements that this sustainability information is mainstreamed into business and financial decisions, for example in risk management and investor stewardship.

Phase 3: **Shifting** financial flows – ensuring that financial flows across the economy shift to align with the UK's net zero commitment, the need to adapt to climate change and achieve wider environmental goals.

Climate change and nature loss both pose clear risks and opportunities for the financial sector. The UK government's aim is to minimise the risks - protecting financial stability, correcting market failure and protecting consumers - and maximise the opportunities, supporting the UK financial sector to maintain and build on its reputation as a world-leading hub for green finance.

## Headline Questions

26. What are the key characteristics of a Net Zero-aligned Financial Centre? How would these characteristics apply to a typical UK-based:

- |                          |   |
|--------------------------|---|
| a) Bank                  | f) Large private company                      |
| b) Insurer               | g) Small and medium size enterprise (SME)     |
| c) Asset manager         | h) Retail investor                            |
| d) Regulated asset owner | i) Professional services firm                 |
| e) Listed company        | j) or any other relevant industry participant |

27. What market barriers are there to the integration of environmental-related factors into financial decision-making?

28. What should the role of the UK government or regulators be to support the greening of the financial system? How could they go further?

29. How can the UK government measure progress towards greening the financial system?

## Providing the market with the right data

Robust climate-related and nature-related data is a critical enabler for the UK's green finance priorities. High-quality disclosure of climate-related and nature-related risks and opportunities will need to be underpinned by accurate and timely data. Access to data is often cited as a key barrier to identifying green investment opportunities and accounting for climate and nature-related risks. This decision-grade environmental data is needed to enable investors to inform and align capital allocations in climate and nature-positive directions.

The Taskforce for Climate Related Disclosures (TCFD) developed a framework for consistent climate related financial risk disclosures for companies. The UK government became the first G20 country to enshrine mandatory TCFD aligned disclosures for the largest UK registered companies and financial institutions.

The UK government is also supporting the work of the Taskforce for Nature Related Financial Disclosures (TNFD), which is delivering a risk management and disclosure framework for organisations to report and act on nature risks. The first beta version of its nature-related risk-management and disclosure framework was published in March 2022<sup>7</sup>. These disclosures must be grounded in quality data to be reliable and provide a clear view of the materiality of nature-related risks to business operations.

### Questions

30. What steps can the UK government take to support a robust investment data ecosystem to attract green finance flows?

31. Are Scope 3 (supply chain) emissions data important for investors to assess and manage climate-related risks and opportunities?

32. Is there a role for the UK government to support businesses (of different types and sizes) to make good quality Scope 3 emissions disclosures (including SMEs in the value chain of disclosing entities)? If so, what should this be?

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<sup>7</sup> The TNFD Nature-Related Risk & Opportunity Management and Disclosure Framework Beta v0.1: <https://tnfd.global/tnfd-framework/>

## Leading internationally

Tackling the interlinked challenges of climate change and biodiversity loss is the UK's top international priority, as identified in the UK's Integrated Review<sup>8</sup>. The forthcoming *UK 2030 Strategic Framework on International Climate and Nature Action* ("2030 Strategic Framework") will define the UK Government's vision for a long-term role on these issues internationally.

The update to the *Green Finance Strategy* is an opportunity to consider in greater depth how the UK government can support and accelerate global **financial** solutions to climate change and biodiversity loss, including by building on domestic leadership and working with the UK's world-leading financial sector.

In answering the following questions for this Call for Evidence, please note that a separate consultation was published on 21 March 2022 to inform the *2030 Strategic Framework*, which closed on 24 April 2022. Therefore, this Call for Evidence is not inviting views on non-finance related international actions on climate and nature.

### Headline Questions

33. Up to 2030, how can the UK government best support the global transition to a net zero, nature-positive financial system that is both inclusive and resilient?

34. How can the UK government increase the mobilisation of public and private investment to achieve 2030 climate and nature targets in emerging and developing economies?

35. How should the UK government assess and measure progress towards the transition of the global financial system and mobilisation of finance for global climate and nature goals?

## Building on the Glasgow Leaders' Declaration on Forests and Land Use

The Agriculture, Forestry and other Land Use (AFOLU) sector accounts for 23% of global greenhouse gas (GHG) emissions.<sup>9</sup> To align with the Paris Agreement Goals and ensure the delivery of net zero commitments, limiting land use change sources of GHG emissions – and increasing activities which drive sequestration – is therefore critical.

Having introduced world-leading due diligence legislation through the *Environment Act 2021* to tackle illegal deforestation in UK supply chains, the UK government has already taken bold steps internationally.

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<sup>8</sup> [Global Britain in a Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy](https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy): <https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy>

<sup>9</sup> IPCC Special Report on Climate Change and Land (2019): <https://www.ipcc.ch/srccl/chapter/summary-for-policymakers/>

COP26 marked a significant moment for global efforts to protect and restore forests, which are crucial to the functioning of the carbon and water cycle, as well as climate mitigation and adaptation. 141 governments signed the *Glasgow Leaders' Declaration on Forests and Land Use* (GLD).

Action 6 of the GLD commits governments, including the UK, to “...facilitate the alignment of financial flows with international goals to reverse forest loss and degradation, while ensuring robust policies and systems are in place to accelerate the transition to an economy that is resilient and advances forest, sustainable land use, biodiversity and climate goals”.

This Call for Evidence is therefore seeking the views of a diverse range of stakeholders with an interest and role in deforestation-linked finance.

### Questions

36. How can governments work with the financial sector to help align the global financial system with the Glasgow Leaders' Declaration goal of reversing forest loss and degradation by 2030?

37. What support is needed to help firms to factor AFOLU related emissions and potential risks into their strategic planning?

## Supporting an inclusive transition in emerging and developing economies

Globally there is a growing list of green finance standards and frameworks, such as taxonomies and climate related financial disclosures. These are essential to enabling the global transition of the financial system and wider economy, but if not effectively designed may create unintended negative impacts on some markets and stakeholders.

For example, companies in emerging and developing economies – especially small and medium sized enterprises, may be unable to afford the extensive analysis of their operations to fulfil reporting requirements – potentially reducing their access to finance. Equally, many governments are still building their domestic regulatory capacity and their capability to ensure financial stability.

Identifying and mitigating unintended consequences is essential to ensuring the global transition is inclusive. The UK government is seeking views on how to support emerging and developing economies on the specific challenges they face.

### Questions

38. What are the unique challenges for emerging and developing economies in meeting the requirements of the transition to a net zero and nature-positive global financial system, and how can the UK best provide support to overcome these?

## Mobilising finance in emerging and developing economies using green bonds

Green bonds are a valuable but largely untapped instrument for emerging and developing economies. The global bond market has annual issuances totalling over USD 6.7 trillion, double the size of the global equity market.<sup>10</sup> The green bond share of the market is growing, accounting for USD 280 billion of issuances in 2020, however these remain dominated by issuers in developed economies.<sup>11</sup> Despite surveys showing that there is sovereign and corporate interest, annual green bond issuance for 2020 in emerging economies totalled USD 40 billion- only 14% of the global total.<sup>12</sup>

Scaling up the use of green bonds in emerging and developing economies could provide substantial support in financing their climate and nature goals, while also providing institutional investors with major new markets for investment in green assets. The UK government is seeking views on how to most effectively support this.

### Questions

39. Considering the key market incentives and barriers, how can the UK best support an increase in high quality, green bond issuances for emerging and developing economies?

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<sup>10</sup> PIMCO (n.d.), Understanding Green, Social and Sustainability Bonds: <https://europe.pimco.com/en-eu/resources/education/understanding-green-social-and-sustainability-bonds>

<sup>11</sup> Amundi and IFC (2021): Emerging Market Green Bonds – Report 2020: <https://research-center.amundi.com/article/emerging-market-green-bonds-report-2020>.

<sup>12</sup> OECD (2021). Scaling up Green, Social, Sustainability and Sustainability-linked Bond Issuances in Developing Countries: [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD\(2021\)20&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD(2021)20&docLanguage=En)

# Consultation questions

## **Capturing the opportunity**

1. What are the key characteristics of a leading global centre for green finance?
2. Do you consider the UK's green finance regulatory framework to be world-class?
3. To what extent does the UK's private and public sectors have appropriate skills/capacity to attract international green finance flows?
4. What are the UK's comparative strengths and weaknesses in its green finance offering compared to other international financial centres? What are these for:
  - a) Asset management
  - b) Capital markets
  - c) Banking
  - d) Insurance
  - e) Professional services
  - f) Fintech
5. How can the UK government measure progress towards becoming a leading global centre for green finance?
6. What areas for potential growth – for example emerging financial products and instruments – are there in green finance for the UK financial services sector?

## **Financing the UK's energy security, climate and environmental objectives**

7. How can the UK support a financial system that leverages private investment to meet the UK's climate and environmental objectives?
8. How can the UK support a financial system that leverages private investment to meet the objectives of the British Energy Security Strategy, including in areas such as nuclear, hydrogen, carbon capture and storage and domestic oil and gas production, to reduce our reliance on imported fossil fuels as part of a smooth energy transition?
9. What barriers are there to unlocking private investment to support the UK's energy security, climate and environmental objectives?
10. How can the UK government assess and measure progress toward financing the UK's energy security, climate and environmental objectives?
11. How can the UK best facilitate greater private investment into climate change adaptation and resilience activities?

## *Financing transition activities*

12. Are there barriers to the mobilisation of private investment into transition activities? If so, what are they and how might they be overcome?

13. How can the UK become a leading hub in structuring and innovating on transition finance?

14. Is there a role for the UK government to support the development of transition finance markets in the UK and internationally?

#### *Developing natural capital markets*

15. How can the UK best support the mobilisation of private investment to natural capital assets?

16. How can the UK government best assess the progress and development of a natural capital investment market?

#### *Ensuring broad access to green finance for local authorities, SMEs and retail customers*

17. How can the UK financial sector support the delivery of the UK's climate and environmental objectives at the local level, whilst also benefitting local growth and communities?

18. How can local authorities support the mobilisation of private and public investment to key sectors and technologies for the UK's climate and environmental objectives, whilst also meeting local priorities? What barriers to this are there?

19. What is the current state of capability within local authorities to attract investment, and how can it best be supported?

20. How can the UK financial sector support SMEs and retail customers to align with the UK's climate and environmental objectives?

21. Is there a role for the UK government to facilitate broad access to green finance for local authorities, SMEs or retail customers? If so, what should these roles be?

#### *High integrity voluntary markets for carbon and other ecosystem services*

22. How can the UK best support the development of high integrity voluntary markets for carbon and other ecosystem service markets?

23. How can we ensure that these markets encourage robust action on the UK's climate and environmental goals, and appropriately scale up finance flows to support these?

24. How should the UK harness the economic opportunities associated with high integrity growth in voluntary carbon markets and ecosystem services markets?

25. How can UK environmental and economic regulators increase demand for high quality, accredited ecosystem services?

#### **Greening the financial system**

26. What are the key characteristics of a Net Zero-aligned Financial Centre? How would these characteristics apply to a typical UK-based:

- a. Bank
- b. Insurer
- c. Asset manager
- d. Regulated asset owner
- e. Listed company
- f. Large private company
- g. Small and medium size enterprise (SME)
- h. Retail investor
- i. Professional services firm
- j. or any other relevant industry participant

27. What market barriers are there to the integration of environmental-related factors into financial decision-making?

28. What should the role of the UK government or regulators be to support the greening of the financial system? How could they go further?

29. How can the UK government measure progress towards greening the financial system?

*Providing the market with the right data*

30. What steps can the UK government take to support a robust investment data ecosystem to attract green finance flows?

31. Are Scope 3 (supply chain) emissions data important for investors to assess and manage climate-related risks and opportunities?

32. Is there a role for the UK government to support businesses (of different types and sizes) to make good quality Scope 3 emissions disclosures (including SMEs in the value chain of disclosing entities)? If so, what should this be?

**Leading internationally**

33. Up to 2030, how can the UK government best support the global transition to a net zero, nature-positive financial system that is both inclusive and resilient?

34. How can the UK government increase the mobilisation of public and private investment to achieve 2030 climate and nature targets in emerging and developing economies?

35. How should the UK government assess and measure progress towards the transition of the global financial system and mobilisation of finance for global climate and nature goals?

*Building on the Glasgow Leaders' Declaration on Forests and Land Use*

36. How can governments work with the financial sector to help align the global financial system with the Glasgow Leaders' Declaration goal of reversing forest loss and degradation by 2030?

37. What support is needed to help firms to factor AFOLU related emissions and potential risks into their strategic planning?

*Supporting an inclusive transition in emerging and developing economies*

38. What are the unique challenges for emerging and developing economies in meeting the requirements of the transition to a net zero and nature-positive global financial system, and how can the UK best provide support to overcome these?

*Mobilising finance in emerging and developing economies using green bonds*

39. Considering the key market incentives and barriers, how can the UK best support an increase in high quality, green bond issuances for emerging and developing economies?

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This consultation is available from: [www.gov.uk/government/consultations/update-to-green-finance-strategy-call-for-evidence](https://www.gov.uk/government/consultations/update-to-green-finance-strategy-call-for-evidence)

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