

Driving economic growth: How the UK's climate targets unlock business action and investment

November 2025



Foreword

The UK is at a critical moment in delivering against its climate targets. Having already demonstrated how climate action can drive economic growth, it needs to build on this, and fast. The UK's new NDC 2035 set the benchmark for ambition internationally when it was announced in 2024, building on the country's longstanding leadership of being the first in the world to create a legally binding national framework for cutting greenhouse gas emissions. The priority now is implementation, requiring clear direction and smart policies that will unlock business investments and deliver secure, affordable clean energy for all. The recently published Carbon Budget and Growth Delivery Plan recognises this need and clearly acknowledges the critical role of business in enabling the UK to meet its climate targets.

UK businesses have also shown leadership, with thousands setting targets for reaching climate neutrality. They recognise the economic imperative for the UK to act if they are to act so they can take advantage of the opportunities this presents in a transition that is already well underway; the green economy is growing faster than any other part of the UK economy, and is an important source of green jobs. Through government setting out consistent and clear policy frameworks and removing barriers to action, businesses know that investment can be unlocked, and implementation can be fast tracked, supporting even greater economic growth.

However, while the UK has made good progress, some policy gaps remain. Areas such as innovation, electrification, creating better homes, and protecting nature are still key priorities. In delivering against these, government must bring business and the public with it - instilling pride in the progress the UK has already made and demonstrating the positive benefits to lives, livelihoods, communities and nature.

This report, a collaboration between We Mean Business Coalition and the UK Corporate Leaders Group, calls for the UK government and businesses to work together to deliver emissions reductions that set the UK on track to meet its climate targets. The UK has already demonstrated it can deliver economic growth while reducing emissions. Now is the time for strong domestic action that secures growth and prosperity, setting further examples for other countries to follow to raise ambition globally.



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Climate action driving economic growth: the stats

The UK reduced emissions

50.4%,

since 1990 while growing the economy by nearly 80%

Aiming for

81% reduction

by 2035; net zero by 2050 target: over 120 leading UK businesses, investors and business networks called on the UK government to put climate neutrality by 2050 into legislation

54%

of large UK organisations have set a net zero target

In 2023, over

400

businesses, business groups, NGOs and academia supported a letter calling for the UK government not to weaken net zero policies

70%

UK organisations indicated uncertainty in regulation is a minor, moderate or significant barrier

In 2024, net zero contributed

£83.1 billion

to the UK economy

UK businesses make up 50% of the

12,874

businesses in the global Race to Zero:

- 59% of the FTSE 100 are members of Race to Zero
- 62% of the 9,634 SMEs in Race to Zero are UK businesses

25%

of UK organisations have achieved measurable reductions in their carbon footprint

Executive summary

The UK's updated 2035 Nationally Determined Contribution (NDC) – targeting an 81 per cent reduction in greenhouse gas emissions from 1990 levels – represents a pivotal moment for climate leadership and economic opportunity. As one of the first countries to submit its 2035 NDC, the UK has reaffirmed its commitment to net zero by 2050 and positioned itself to unlock significant business action and investment.

This briefing, which builds on We Mean Business Coalition's *Call to Action for Ambitious and Investible NDCs*,¹ sets out how the UK's climate targets can drive growth, competitiveness and innovation, while managing climate risk and delivering a socially inclusive transition. It highlights the critical role of business in delivering the UK's climate ambitions and the importance of credible, consistent government leadership to enable this.

Key Takeaways

Climate action is driving growth with the help of strong business commitment. Since 1990, the UK has reduced emissions by 50.4 per cent while growing its economy by nearly 80 per cent. In 2024 alone, the net zero economy contributed £83.1 billion to UK GDP, growing three times faster than the wider economy. UK businesses have played an integral role in enabling the decoupling of economic growth from greenhouse gas (GHG) emissions. Over half of large UK organisations have set net zero targets, and 25 per cent have achieved measurable emissions reductions. UK businesses make up 53 per cent of global Race to Zero signatories, with small and medium enterprises (SMEs) playing a vital role.

Coherent and stable policy framework is essential to facilitate further progress.

To deliver on its climate targets and unlock economic growth, the UK government must provide long-term clarity for businesses and engage companies, especially SMEs, in delivering the Carbon Budget and Growth Delivery Plan (CBGDP)² and future carbon budgets. As of mid-2025, credible plans existed for only 38 per cent of the emissions reductions needed to meet the 2030 NDC, let alone 2035. To address this gap, the government has to take action to enable electrification and provide targeted support for SMEs. In particular, the government needs to reform energy pricing, accelerate grid upgrades, create lead markets for green technologies, and ensure the benefits of low-cost renewables are felt by all.

¹ We Mean Business Coalition, 2024. Business Call to Action for Ambitious and Investible NDCs. <https://www.wemeanbusinesscoalition.org/time-to-deliver-business-call-to-action-for-ambitious-and-investible-ndcs>.
² Department for Energy Security and Net Zero, "Carbon budget and growth delivery plan," GOV.UK, October 29, 2025. <https://www.gov.uk/government/publications/carbon-budget-and-growth-delivery-plan-2025>.

Executive summary

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People are central to ensuring a just, effective and publicly acceptable transition.

Despite political polarisation, public support for climate action remains high. A forthcoming Public Participation Strategy must build on this support and communicate the benefits of climate action, including measures to contain costs for consumers, clearly and inclusively. Upskilling and reskilling people will be crucial to enable business and the public to capitalise on the opportunities offered by the transition. At present, the UK faces a green skills gap of up to 400,000 workers. The Clean Energy Jobs Plan³ sets a strong foundation, but delivery must be scaled and broadened to include overlooked sectors. A robust public participation strategy and a business engagement strategy could help bring the whole country on the journey to net zero.

Efforts to avert the climate crisis must also protect the environment. The UK's environmental targets are legally binding, but delivery is lagging. A credible Environmental Improvement Plan and a National Land Use Framework are needed to align climate, nature and growth goals.

Recommendations

To deliver on its climate targets and unlock economic growth, the UK government must:

- **Set credible, consistent direction:** Provide long-term clarity for businesses and engage companies, especially SMEs, in delivering the CBGDP and future carbon budgets.
- **Implement effective, market-friendly policies:** Reform energy pricing, accelerate grid upgrades, and create lead markets for green technologies, including to ensure the benefits of low-cost renewables are felt by all
- **Engage business and the public:** Launch a robust public participation strategy and a business engagement strategy to bring the whole country on the journey to net zero.

The UK's climate leadership has historically inspired global action. By delivering on its 2030 and 2035 targets, the UK can continue to lead by example, shaping international ambition through securing long-term prosperity for its people, businesses and economy.

Introduction and context

The UK has historically been a strong climate leader: it was the first G20 nation to halve its emissions since 1990, while simultaneously growing its economy by nearly 80 per cent.⁴ The UK has led the way in calling for targets globally,⁵ and, through how the UK has led domestically, provided examples for other countries to follow, helping to level the playing field and protect competitiveness. Nearly 70 countries have enacted similar legal frameworks, many of which have been directly inspired by the UK model.⁶ With each new, updated target, successive UK prime ministers⁷ have acknowledged the urgency to address climate change, highlighted that climate action drives growth, emphasised the need for collaboration to address the issue, and called on other governments, as well as businesses, to take action. The UK's economic growth and future competitiveness is firmly tied to climate action, presenting an opportunity to deliver nationally, while leading globally.

The UK has always been among the first movers in climate policy. Through the 2008 Climate Change Act (CCA), the UK was the first country globally to set a legally binding climate mitigation target: to reduce emissions by 80 per cent based on 1990 levels.⁸ In 2019, the UK became the first major economy to set a legally binding target to ensure all greenhouse gas emissions reach net zero by 2050 at the latest,⁹ a move supported by business.¹⁰ In 2020, the UK published an ambitious updated Nationally Determined Contribution (NDC¹¹),¹² which included a target to reduce all greenhouse gas emissions by at least 68 per cent by 2030 from 1990 levels.¹³ And most recently, the UK announced in November 2024 a new NDC that sets a target to reduce all greenhouse gas emissions by at least 81 per cent by 2035, compared to 1990 levels (excluding international aviation 2030 from 1990 levels.¹⁴ And most recently, the UK announced in November 2024 a new NDC that sets a target to reduce all greenhouse gas emissions by at least 81 per cent by 2035, compared to 1990 levels (excluding international aviation and shipping emissions) – making it one of the first countries to come forward with a new NDC for 2035, three months ahead of the February 2025 deadline.¹⁵

4 Department for Energy Security and Net Zero and The Rt Hon Claire Coutinho MP, "UK first major economy to halve emissions," press release, February 6, 2024, <https://www.gov.uk/government/news/uk-first-major-economy-to-halve-emissions>.

5 "Davos Annual Meeting 2005 – Tony Blair," posted August 30, 2007 by the World Economic Forum, YouTube, <https://www.youtube.com/watch?v=PRMlayjByMw>.

6 Simon Evans et al., "Factcheck: What the Climate Change Act does – and does not – mean for the UK," Carbon Brief, October 7, 2025, <https://www.carbonbrief.org/factcheck-what-the-climate-change-act-does-and-does-not-mean-for-the-uk>; Climate Change Committee, CCC Insights Briefing 1: The UK Climate Change Act (CCC, 2020), <https://www.theccc.org.uk/wp-content/uploads/2020/10/CCC-Insights-Briefing-1-The-UK-Climate-Change-Act.pdf>.

7 Department for Business, Energy and Industrial Strategy, Prime Minister's Office, 10 Downing Street, The Rt Hon Lord Alok Sharma KCMG, and The Rt Hon Boris Johnson, "UK sets ambitious new climate target ahead of UN Summit," press release, December 3, 2020, <https://www.gov.uk/government/news/uk-sets-ambitious-new-climate-target-ahead-of-un-summit>; Theresa May (@theresa_may), "Many businesses, faith leaders and climate change campaigners have written to me in support of a #NetZero emissions target. Here's my response confirming that the UK will be the first major economy in the world to legislate for it." Twitter (now X), June 12, 2019, https://x.com/theresa_may/status/11387307272211138; Prime Minister's Office, 10 Downing Street and The Rt Hon Sir Keir Starmer KCB KC MP, "PM remarks at COP29: 12 November 2024," speech, GOV.UK, <https://www.gov.uk/government/speeches/pm-remarks-at-cop29-12-november-2024>.

8 "What is the 2008 Climate Change Act?" Grantham Research Institute on Climate Change and the Environment, April 30, 2020, <https://www.lse.ac.uk/granthaminstitute/explainers/what-is-the-2008-climate-change-act/>.

9 Department for Business, Energy and Industrial Strategy and The Rt Hon Chris Skidmore MP, "UK becomes first major economy to pass net zero emissions law," GOV.UK, June 27, 2019, <https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law>.

10 "More than 120 leading businesses urge UK Government to legislate for 2050 net zero economy," Corporate Leaders Group, May 31, 2019, <https://www.corporateleadersgroup.com/reports-evidence-and-insights/news-items/businesses-urge-2050-legislation>.

11 Under the Paris Agreement, the 196 countries ('Parties') committed to update their Nationally Determined Contributions (NDCs) every five years. The next round of NDCs for 2035 are due ahead of the 30th Conference of the Parties (COP30) in November 2025. This will be an important process internationally, which will determine the level of ambition that nations will be working to advance on climate action in the next critical decade.

12 The Paris Agreement (Article 4, paragraph 2) requires each Party to prepare, communicate and maintain successive Nationally Determined Contributions (NDCs) that it intends to achieve. Parties shall pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions.

13 Department for Energy Security and Net Zero and Department for Business, Energy and Industrial Strategy, UK's Nationally Determined Contribution (updated September 2022), GOV.UK, last updated September 23, 2022, <https://www.gov.uk/government/publications/the-uks-nationally-determined-contribution-communication-to-the-unfccc>.

14 Department for Energy Security and Net Zero and Department for Business, Energy and Industrial Strategy, UK's Nationally Determined Contribution (updated September 2022), GOV.UK, last updated September 23, 2022, <https://www.gov.uk/government/publications/the-uks-nationally-determined-contribution-communication-to-the-unfccc>.

15 Secretary of State for Energy Security and Net Zero, "Policy paper: United Kingdom of Great Britain and Northern Ireland's 2035 Nationally Determined Contribution," GOV.UK, January 30, 2025, <https://www.gov.uk/government/publications/uks-2035-nationally-determined-contribution-ndc-emissions-reduction-target-under-the-paris-agreement/united-kingdom-of-great-britain-and-northern-irelands-2035-nationally-determined-contribution>.

Introduction and context
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By 2024, the UK had reduced its emissions by 50.4 per cent relative to 1990 levels.¹⁶ To date, the UK's emissions reductions have primarily come from reducing energy consumption in industry and a shift away from fossil fuels to more renewables in the power sector (see Figure 1). Ongoing action will be needed in those sectors to meet the UK's 2030 and 2035 NDC targets, but it will also need far greater reductions in emissions from other sectors, including transport, agriculture and land use, and buildings, as well as a proportion from engineered removals through carbon capture, utilisation and storage (CCUS). CCUS capacity and capability in the UK are still in their infancy and require significant development and scaling, which the government is supporting through a dedicated programme.¹⁷

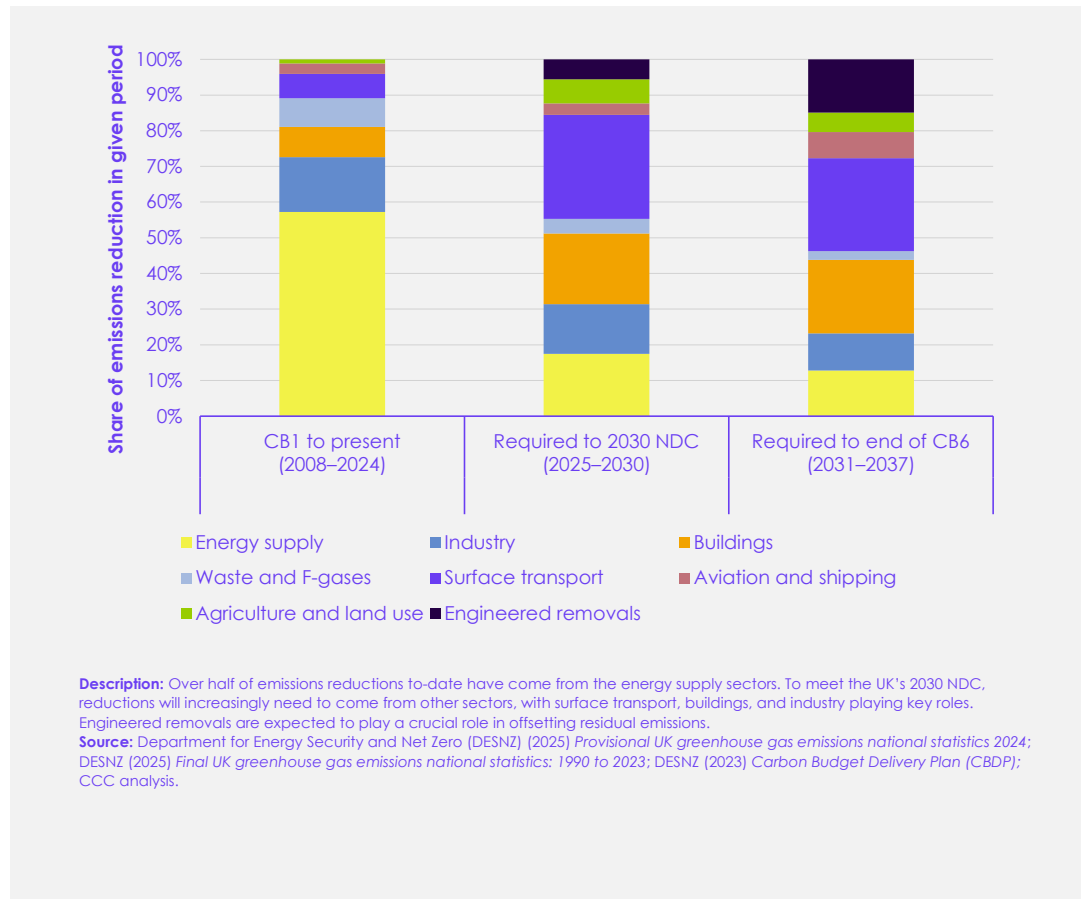


Figure 1: Distribution of past emissions reductions and future emissions savings by sector

¹⁶ Climate Change Committee, *Progress in reducing emissions – 2025 report to Parliament* (CCC, 2025), <https://www.theccc.org.uk/publication/progress-in-reducing-emissions-2025-report-to-parliament/>.
¹⁷ Department for Energy Security and Net Zero, "UK carbon capture, usage and storage (CCUS)," GOV.UK, April 8, 2025, <https://www.gov.uk/government/collections/uk-carbon-capture-usage-and-storage-ccus>.

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While the UK has made significant progress in reducing its emissions, it is currently still off track to achieve its 2030 NDC, meaning it is also off track to meet its new 2035 NDC.¹⁸ To deliver this, the UK needs to ensure credible plans are in place; as of June 2025, credible plans only existed for 38 per cent of the required emissions reduction for the 2030 NDC, creating a perceived ‘policy implementation gap’. In its latest advice to government, the Climate Change Committee (CCC)¹⁹ set out the pathways for how the UK could fill this gap and meet its emissions (see Figure 1.1). In October 2025, the UK government published its updated Carbon Budget and Growth Delivery Plan to address this gap.²⁰

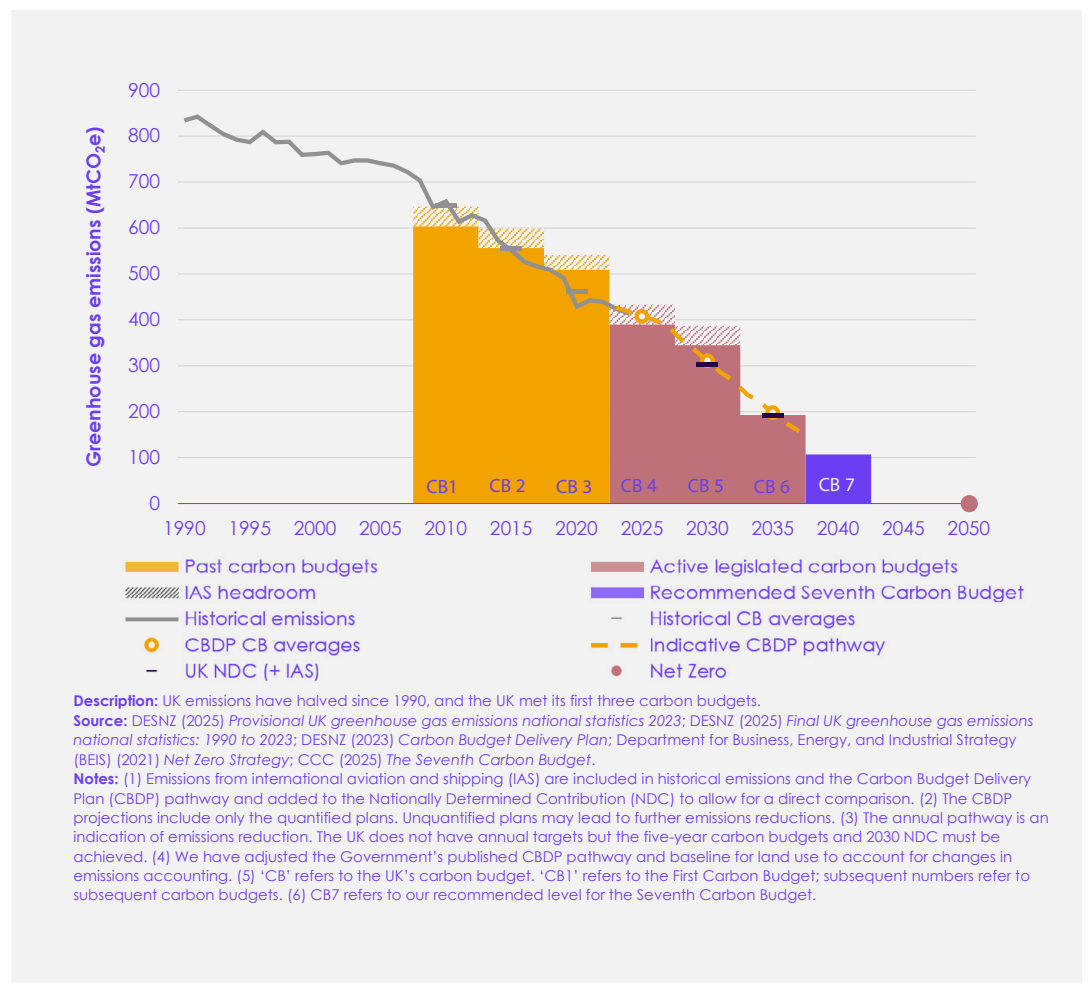


Figure 1.1: UK historical emissions, the Government's existing pathway, and the UK's targets

18 Climate Change Committee, *Progress in reducing emissions – 2024 report to Parliament* (CCC, 2024), <https://www.theccc.org.uk/publication/progress-in-reducing-emissions-2024-report-to-parliament/>.

19 The Climate Change Committee (CCC) is an independent statutory UK body established under the UK's Climate Change Act 2008. The CCC provides evidence-based, long-term advice on 'carbon budgets' (five-year emissions targets) and assesses the UK's progress in tackling climate change. The 6th Carbon Budget covers the period 2033 to 2037; the 7th Carbon Budget covers the period 2038 to 2042.

20 Department for Energy Security and Net Zero, "Carbon budget and growth delivery plan," [GOV.UK](https://www.gov.uk/government/publications/carbon-budget-and-growth-delivery-plan-2025), October 29, 2025, <https://www.gov.uk/government/publications/carbon-budget-and-growth-delivery-plan-2025>.

Introduction and context (continued)

The new 2035 NDC is an opportunity to drive new economic growth, increase competitiveness, spur innovation and manage climate risk. The UK government can support companies by establishing targets and policies that will put the UK firmly on a path to net zero by 2050, with a particular focus on the key priority areas. These include electrification and phasing out fossil fuels, creating lead markets for green technologies and innovation, delivering on the skills gap by creating a future-fit workforce, creating better homes that are comfortable, healthy and resilient, and ensuring nature and biodiversity are protected.²¹

This will not be without its challenges. Over the last couple of years, the political consensus on net zero in the UK has unravelled. This poses a serious potential obstacle to implementation, with two of the main opposition parties stating they would repeal the UK's net zero target and/or the CCA if they get into government following the next general election in 2029.²² Even though public support for the government to take climate action remains high,²³ the term 'net zero' has become divisive, with negative perceptions of the perceived cost becoming a barrier to public participation. However, there is still an opportunity to build public support, as when the positive outcomes of climate action are explained more fully, the public are supportive of the solutions required.

If the UK government is to succeed in meeting both its 2030 and 2035 UK NDC targets, it must bring the whole of the country with it. Through instilling pride in past successes that led to the UK being seen as a global climate leader in the first place, it can build on these to gain support and deliver a socially inclusive transition to a climate-neutral, nature-positive UK economy.

²¹ University of Cambridge Institute for Sustainability Leadership (CISL), *Making it happen: UK climate leadership through five actions in five years* (CLG UK, 2024), <https://www.corporateleadersgroup.com/reports-evidence-and-insights/clg-uk-making-it-happen-uk-climate-leadership-five-actions-five-years>.

²² Reform UK, *Our Contract with You* (Reform UK, 2024), https://assets.nationbuilder.com/reformuk/pages/253/attachments/original/1718625371/Reform_UK_Our_Contract_with_You.pdf?1718625371; Sam Francis and Joshua Nevett, "Net zero by 2050 'impossible' for UK, says Badenoch," BBC News, March 17, 2025, <https://www.bbc.co.uk/news/articles/clj3pnjvzp4o>.

²³ "Britain Talks Climate & Nature 2025," Climate Outreach, accessed October 2025, <https://climateoutreach.org/btc/2025>.

PILLAR 1

Credible, consistent direction

The UK will need around **£108 billion** in private investment between now and 2050 to deliver on its commitments

Businesses need consistent government leadership to unlock barriers

It is the role of government to set targets and policies that can lead to net zero emissions. However, it will not achieve these without the support of the private sector. The UK will need around **£108 billion** in private investment between now and 2050 to deliver on its commitments.²⁴ Individual business action can demonstrate what is possible, build momentum for change and contribute to effective regulation. However, economic structures and competitive markets which drive sustainable outcomes for all are the only systemic solution to the global sustainability challenge.²⁵ It will be key for the UK government to bring businesses with it through creating enabling markets, removing regulatory barriers, creating level playing fields and pricing in environmental impacts.²⁶

Businesses are already taking a lead with setting their own targets and delivery plans. In the latest UK Net Zero Census, **54 per cent of large UK organisations confirmed they had set a net zero target, with 25 per cent of all UK organisations stating they have achieved measurable reductions in their carbon footprint.**²⁷ Additionally, **UK businesses make up 6,817 (53 per cent) of the 12,874 businesses signed up globally to the Race to Zero**, a global campaign rallying non-state actors to take rigorous and immediate action to halve global emissions by 2030 and deliver a healthier, fairer, net zero world.²⁸ However, **70 per cent of UK businesses indicate uncertainty in regulation is a minor, moderate or significant barrier.** Among the top asks for government support, greater certainty in policy ranked third (26 per cent), closely followed by standardised or simpler carbon data management (24 per cent) and clear disclosure and reduction requirements (18 per cent). Recommendations from the UK Net Zero Census for government, industry bodies and organisations include: to support further climate action through providing greater regulatory consistency, raising awareness, and reducing cost barriers through supporting access to finance.

²⁴ Climate Change Committee, *The Seventh Carbon Budget* (CCC, 2025), <https://www.thecc.org.uk/publication/the-seventh-carbon-budget/>.

²⁵ "Transforming Markets," University of Cambridge Institute for Sustainability Leadership (CISL), accessed October 17, 2024, <https://www.cisl.cam.ac.uk/business-leadership-changing-story>.

²⁶ CISL, "Transforming Markets."

²⁷ UK Business Climate Hub and PlanetMark, 2025 UK Net Zero Business Census (UK Business Climate Hub and PlanetMark, 2025) <https://netzerocensus.co.uk/>.

²⁸ "Who's in? Race to Zero," Climate High-Level Champions, accessed October 17, 2024, <https://www.climatechampions.net/campaigns/race-to-zero/whos-in/>.

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UK businesses support ambitious climate action

In working to deliver their own strategies, in 2024, businesses asked for a clear signal from the UK government that the UK's level of ambition aligns with their own aims through the UK announcing a strong 2035 NDC that is:²⁹

- aligned with business targets that aim to deliver the goals of the Paris Agreement
- embedded in UK policy and implementation plans
- supporting global ambition and levelling the playing field
- connecting climate and nature plans.

This call for action is just one of a number that UK businesses, investors, financial institutions and/or business groups have sent to the UK government over the last few years in support of higher ambition and greater clarity, consistency and certainty in policy.³⁰ As well as supporting We Mean Business Coalition's call for an ambitious and investible 2035 NDC³¹ (alongside which some leading businesses are publishing their own asks for what NDCs should cover³²), in recent years, businesses have put their support behind the UK setting the net zero target in law,³³ having an ambitious 2030 NDC target,³⁴ and demonstrating support for the UK government as it sought to deliver ambitious outcomes at the 29th Conference of the Parties (COP29).³⁵ In addition, in 2023, over 400 businesses, business groups, non-governmental organisations (NGOs) and academia supported a letter calling for the then UK prime minister Rishi Sunak not to weaken net zero policies.³⁶ This letter stated:

"We are deeply concerned by media reports that you are considering weakening net zero policies related to insulating homes, rolling out clean heat and driving take up of electric vehicles. The business community has already made substantial investments in the net zero transition and made it clear that sticking to long-term net zero policies is crucial to build business confidence and mobilise investment. Watering down these policies would damage the UK's credibility as a good place for green investment, undermining British competitiveness. We are already losing investment to the US and EU, and rowing back would make it worse."

²⁹ "COP29: Business leaders urge UK government to set a world-leading example by setting 'ambitious' and 'investible' climate targets," UK Business Group Alliance for Net Zero, October 26, 2024, <https://www.corporateleadersgroup.com/news/cop29-business-leaders-urge-uk-government-set-world-leading-example-setting-ambitious-investible-ndc>.

³⁰ "UK Corporate Leaders Group reaction to UK Government announcement on 2035 NDC," University of Cambridge Corporate Leaders Groups, November 12, 2024, <https://www.corporateleadersgroup.com/news/uk-corporate-leaders-group-reaction-uk-government-announcement-2035-ndc>.

³¹ NDC. We Mean Business Coalition, 2024. Business Call to Action for Ambitious and Investible NDCs. <https://www.wemeanbusinesscoalition.org/time-to-deliver-business-call-to-action-for-ambitious-and-investible-ndcs>

³² Hein Schumacher and Patricia Espinosa, "Addressing the climate crisis: a unified approach from business and government," Unilever, September 16, 2024, <https://www.unilever.com/news/news-search/2024/addressing-the-climate-crisis-a-unified-approach-from-business-and-government/>.

³³ "More than 120 leading businesses urge UK Government to legislate for 2050 net zero economy," University of Cambridge Corporate Leaders Groups, May 31, 2019, <https://www.corporateleadersgroup.com/reports-evidence-and-insights/news-items/businesses-urge-2050-legislation>.

³⁴ "Companies, business groups and investors call on UK Prime Minister to deliver strong Paris Agreement pledge and urge businesses to join the campaign," University of Cambridge Corporate Leaders Groups, December 1, 2020, <https://www.corporateleadersgroup.com/reports-evidence-and-insights/news-items/business-groups-call-on-uk-prime-minister>.

³⁵ "Business networks from across UK support UK government in keeping 1.5C alive," University of Cambridge Corporate Leaders Groups, December 10, 2023, <https://www.corporateleadersgroup.com/news/business-networks-across-uk-support-uk-government-keeping-15c-alive>.

³⁶ "CLG UK statement on UK's climate policies," University of Cambridge Corporate Leaders Groups, September 20, 2023, <https://www.corporateleadersgroup.com/news/clg-uk-statement-uk-climate-policies>.

The UK's climate targets – putting it on track for net zero by 2050

In November 2024, the UK published a new NDC containing a target to reduce all greenhouse gas emissions by at least 81 per cent by 2035, compared to 1990 levels (excluding international aviation and shipping emissions).³⁷ This target was in line with advice from the CCC,³⁸ which was given to the government ahead of the CCC publishing its 7th Carbon Budget advice in February 2025. While the NDC target itself is not legally binding, it aligns with the UK's 6th Carbon Budget, which is legally binding under UK law. In making its recommendation on the 2035 NDC target, the CCC stated that the target "makes a credible contribution towards limiting warming to 1.5°C above pre-industrial levels in line with the Global Stocktake and Paris Agreement and represents a clear progression beyond the UK's 2030 NDC commitment." The UK is one of only a few countries to have a Paris-aligned target.

In advising on the UK's 2035 NDC target, the CCC also acknowledged the UK government's need to set out credible plans to achieve it. The UK already has a Carbon Budget Delivery Plan (CBDP)³⁹ published in 2023 under the previous government.⁴⁰ The purpose of this plan was to set out how Carbon Budgets 4 to 6 (covering the periods 2023 to 2027, 2028 to 2032, and 2033 to 2037) were to be met, in accordance with the legal obligations set out in the Climate Change Act. However, following a legal challenge, this plan was ruled unlawful, as it was deemed it did not adequately meet the legal requirements placed on the government as set out in the Climate Change Act. As a result, the UK government was required to publish a new, lawful climate action plan by 29 October 2025.⁴¹ Now published as the Carbon Budget and Growth Delivery Plan (CBGDP), this comes shortly before the government needs to publish a new in 2026 for how it will deliver the 7th Carbon Budget.⁴²

The UK needs to set out credible implementation plans

In June 2025, the CCC evaluated the UK's existing CBDP and how far it enables delivery of the UK's 2030 target. It estimated that credible plans only existed for 38 per cent of the required emissions reductions for the 2030 NDC.⁴³ Further to this, 23 per cent of the plans had some risks attached, 20 per cent had significant risks attached, there were insufficient plans for 14 per cent, and the remaining 4 per cent of required emissions reductions were not covered by quantified plans. This 'policy implementation gap', the gap between credible plans and the plans required to deliver the emissions reduction targets, needed to be closed urgently for the UK to be on track to meet its targets. Derisking these plans can in turn create more certainty to unlock private sector investment into the transition. In publishing both the updated CBDP for Carbon Budgets 4 to 6 in October 2025, and, in 2026, the CBDP for the 7th Carbon Budget, it is hoped these plans will close the 'policy implementation gap' and put the UK back on track to deliver its climate targets. Setting out the latest CBGDP as a 'growth plan' clearly indicates the government's desire to unlock the benefits of the transition to people, businesses and the wider economy. The following chapter goes into depth on how far the recently published CBGDP goes in closing the gap.

37 Department for Energy Security and Net Zero, "Policy paper: UK's 2035 Nationally Determined Contribution (NDC) emissions reduction target under the Paris Agreement," GOV.UK, January 30, 2025, <https://www.gov.uk/government/publications/uks-2035-nationally-determined-contribution-ndc-emissions-reduction-target-under-the-paris-agreement>.

38 Climate Change Committee, "Letter: Advice on the UK's 2035 Nationally Determined Contribution (NDC)," October 26, 2024, <https://www.theccc.org.uk/publication/letter-advice-on-the-uks-2035-nationally-determined-contribution-ndc/>.

39 HM Government, Carbon Budget Delivery Plan (HM Government, 2023), <https://assets.publishing.service.gov.uk/media/6424b2d760a35e00c0cb135/carbon-budget-delivery-plan.pdf>.

40 Department for Energy Security and Net Zero, "Policy paper: Carbon Budget Delivery Plan," GOV.UK, March 30, 2023, <https://www.gov.uk/government/publications/carbon-budget-delivery-plan>.

41 Friends of the Earth -v- Secretary of State for Energy Security and Net Zero, [2024] EWHC 995 (Admin),

<https://www.judiciary.uk/wp-content/uploads/2024/05/Friends-of-the-Earth-v-Secretary-of-State-for-Energy-Security-and-Net-Zero-003.pdf>.

42 Climate Change Committee, The Seventh Carbon Budget.

43 Climate Change Committee, Progress in reducing emissions – 2025 report.

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Recognising the role of business

When announced, the UK's new NDC target for 2035 was supported by business, which sent a strong signal that the UK remained committed to achieving the goals of the Paris Agreement.⁴⁴ When submitting to the UN the detailed information⁴⁵ about the UK's 2035 target,⁴⁶ the UK government acknowledged for the first time the role of business in delivering it, as set out in Box 1. UK business groups and businesses are now working with the UK government to support them in engaging other governments to also recognise the role of business in delivering their NDCs, so this becomes best practice.

Box 1: The role of businesses in delivering the UK's NDC – excerpt from the UK's NDC implementation plan (pp. 31–32):⁴⁷

“Businesses play a pivotal role in the net zero transition, not only by driving innovation and investment but also by decarbonising their operations and investing in the low-carbon solutions needed to transform their sectors and supply chains to deliver systemic change. They are also at the forefront of developing and deploying transformative low-carbon technologies, from renewable energy solutions to nature-based approaches. With more than 90% of global GDP now covered by net zero targets and a growing demand for low-carbon products and services, businesses are uniquely positioned to lead this UK's 2035 Nationally Determined Contribution transformation. The global ‘Race to Zero’ campaign exemplifies this leadership, with over half of its business and financial signatories, as of mid-2024, being UK-based.

The benefits of this transition are clear: businesses that take early action to reduce emissions can benefit from lower energy costs, improve energy security, and strengthen their public reputation.

However, realising these opportunities requires strong partnerships between businesses, government, and civil society. We have relaunched the Net Zero Council, deepening our partnership with the private sector and civil society. The Council will provide strategic leadership to help address cross-economy challenges and maximise the opportunities of the transition.

Supporting small and medium-sized enterprises (SMEs), which make up the backbone of the economy, is vital in this endeavour. We support the UK Business Climate Hub which provides advice to support SMEs to reduce their emissions. Larger businesses can play a critical role by supporting SMEs to decarbonise their operations and engaging across global supply chains to align sustainability standards.

Businesses also play an important role in advocating for ambitious policy frameworks, driving sustainable finance, and committing to transparent emissions reporting and science-based targets. By aligning ambition with action, businesses and policymakers can jointly ensure the effective delivery of the UK's 2035 NDC.”

⁴⁴ CLG UK, “UK Corporate Leaders Group reaction.”

⁴⁵ The submission to the UNFCCC as part of the NDC submission is referred to as the “Information to facilitate clarity, transparency and understanding (ICTU)”. The ICTU contains detailed data and context to ensure a country's NDC is clear, understandable and verifiable.

⁴⁶ Secretary of State for Energy Security and Net Zero, *United Kingdom of Great Britain and Northern Ireland's 2035 Nationally Determined Contribution* (UK Government, 2025), <https://assets.publishing.service.gov.uk/media/679b5ee8413e1177de146c1e/uk-2035-nationally-determined-contribution.pdf>

⁴⁷ Secretary of State for Energy Security and Net Zero, *2035 Nationally Determined Contribution*.

PILLAR 1
Credible, consistent direction
 (continued)

Of nearly
7,000
 UK businesses in the
 global Race to Zero,
 approximately 6,000
 of these are SMEs

Small and medium sized businesses are vital to delivering UK climate targets

Small and medium-sized enterprises (SMEs) are essential to the UK delivering its NDC, accounting for around one-third of the country's greenhouse gas emissions⁴⁸ and making up 99.9 per cent of the total businesses.⁴⁹ Of the nearly 7,000 UK businesses in the global Race to Zero, approximately 6,000 of these are SMEs.⁵⁰ Despite their importance and impact, SMEs face significant risks if left behind in the net zero transition, often lacking the resources and support needed to take climate action and adapt to the direct and indirect impacts of climate change. The UK should continue to ensure SMEs are incorporated into how it will deliver its climate targets, including the role of SMEs in delivering its NDCs. As part of this, the government should involve SMEs in the consultation processes and in the development of objectives and incentives.

To help achieve its targets, the UK government should aim to support SMEs by:

- contributing to and promoting the business case for SME climate action, following the UK government's successful COP26 SME campaign and backing of the Willow Review⁵¹
- promoting a streamlined pathway and centralised guidance for SME climate action and adaptation, continuing to support the UK Business Climate Hub to provide guidance and advice to SMEs⁵²
- facilitating SMEs' access to appropriate climate-related funding.

The UK as a global climate leader

The UK has long been seen as a global climate leader. However, where the UK has previously led, including in the move to renewables, other countries are now pushing ahead and the UK risks being left behind and losing investment from overseas.⁵³ To secure its leadership position, the UK has set an ambitious 2035 NDC; the government now has an opportunity to act decisively to maintain its global climate leadership position and influence climate ambition globally by leading the way in implementation. If the UK can deliver a clear, credible plan and policies to set it on track to meet its 2030 target, this would also set it firmly on a pathway to meet the ambitious 2035 target. However, it cannot do this alone. To succeed, the UK government must bring business with it, creating a virtuous circle of reinforcing ambition.

48 British Business Bank, *SMEs and Net Zero* (British Business Bank, 2025), <https://www.british-business-bank.co.uk/about/research-and-publications/smes-and-net-zero-report-2025>

49 "UK Small Business Statistics," FSB, accessed October 2025, <https://www.fsb.org.uk/media-centre/uk-small-business-statistics>.

50 Climate High-Level Champions "Who's in? Race to Zero."

51 "The Willow Review," Small Business Britain, accessed October 2025, <https://willowreview.com/>.

52 "Reduce energy costs and cut carbon: it's good for business," UK Business Climate Hub, accessed October 2025, <https://businessclimatehub.uk/>.

53 Gareth Redmond-King, "Not 'just 1% of global emissions'," Energy & Climate Intelligence Unit, October 20, 2023, <https://eciu.net/insights/2023/not-just-1-of-global-emissions>.

PILLAR 2
Effective, targeted, market-friendly policies for NDC delivery

Accelerating action towards achieving both the UK’s 2030 and 2035 climate targets through decisive leadership presents an opportunity for growth, innovation, investment and resilience. Mutually reinforcing actions from government and business that create stability, build trust and remove barriers can create a virtuous circle of fast-flowing investment, accelerating action and ratcheting ambition. Investing now is essential to put the UK on track to meet future targets.

Five priorities for the UK government to deliver by 2030

In 2024, the UK Corporate Leaders Group set out the key policy priority areas the UK government needed to focus on to be on track to meet its climate targets and support business climate action and investment (see Figure 2). Including electrification, creation of lead markets, a future-fit workforce, better homes, and the alignment of climate and nature goals, these remain the key deliverables for the UK to achieve by 2030 to put it on track to meet its 2035 NDC.⁵⁴ While there has been some progress in these policy areas, gaps remain. With competing priorities, limited time and resources, the UK needs to focus on ensuring that all policies are delivering, rolling back those that are not fit for purpose and could present barriers to business action. The following sections highlight important developments, remaining hurdles, and what actions the government can take to address them and accelerate progress.

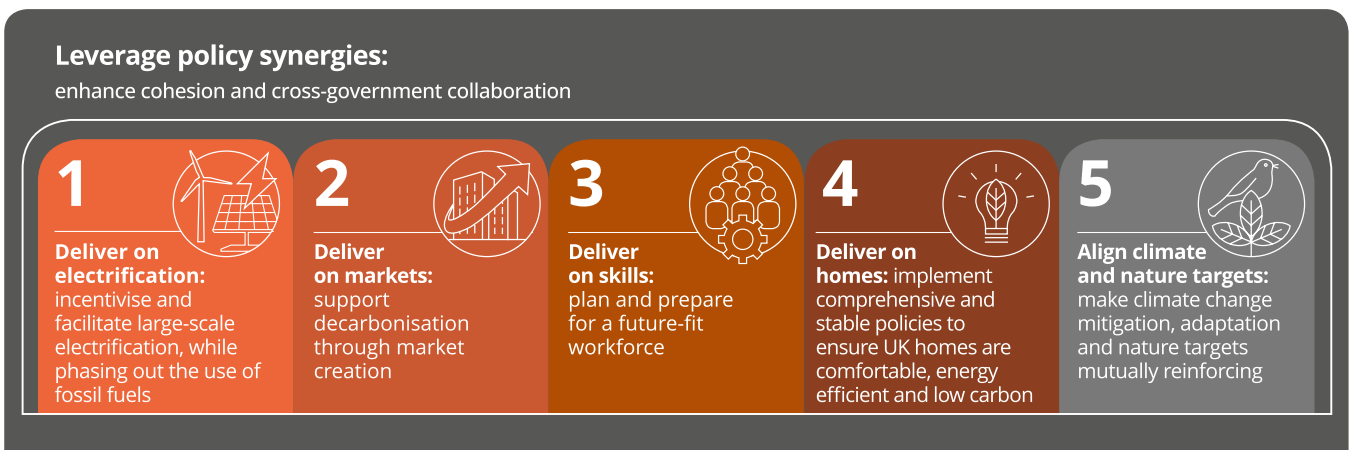


Figure 2: Meeting UK climate targets requires five actions to be delivered by 2030

PILLAR 2

Effective, targeted, market-friendly policies for NDC delivery

(continued)

A holistic approach to electrification

To electrify the UK economy effectively, several things need to happen in tandem. First, the UK must decarbonise and build the capacity of its power grid. Second, it needs to crowd out fossil fuels by supporting and accelerating the adoption of green technologies such as heat pumps, electric vehicles (EVs) and electric arc furnaces, among others. Third, it needs to rebalance electricity prices relative to gas so that green technologies are cost effective for individuals and business.

Decarbonising the grid: The UK has committed to decarbonising its power system by 2030, a goal that included the complete phase-out of coal-fired power generation by October 2024. Additionally, the government has set a target to achieve 95 per cent of its electricity from clean sources by 2030, with a significant role envisioned for offshore wind, aiming for up to 50GW of capacity by 2030.⁵⁵ Nuclear power is also a key component of this strategy, with the government aiming for up to 24GW of nuclear capacity by 2050, representing about 25 per cent of projected electricity demand.⁵⁶ The government has also set out the Clean Power 2030 Action Plan, which maps a pathway to a clean power system and what the government will do to support and accelerate delivery of the new infrastructure we will need.⁵⁷

Over the past 15 years, the total installed renewable capacity has seen exponential growth, largely driven by a massive expansion in wind power, particularly offshore wind farms. Between 2010 and the end of 2023, the UK's renewable electricity capacity increased from 9.3GW to over 56GW. This has had a profound impact on the country's electricity mix. In 2024, renewables generated over half of the nation's electricity for the first time, reaching a record 50.8 per cent, with wind power as the primary contributor, a significant increase from just 7 per cent in 2010.⁵⁸ This positive trend has continued into 2025, with low carbon sources consistently providing a high share of the electricity mix.⁵⁹ This dramatic shift has been instrumental in reducing the UK's reliance on fossil fuels and cutting carbon emissions from the power sector. It is the first economy in the G7 to phase out coal power by closing its last coal-fired power plant, Ratcliffe-on-Soar in Nottinghamshire.⁶⁰



⁵⁵ Department for Energy Security and Net Zero, "Policy paper: Offshore wind net zero investment roadmap," GOV.UK, March 31, 2023, <https://www.gov.uk/government/publications/offshore-wind-net-zero-investment-roadmap/offshore-wind-net-zero-investment-roadmap>.

⁵⁶ Department for Energy Security and Net Zero, "Policy paper: Civil nuclear: roadmap to 2050," GOV.UK, updated January 26, 2024, <https://www.gov.uk/government/publications/civil-nuclear-roadmap-to-2050/civil-nuclear-roadmap-to-2050-accessible-webpage#>:

⁵⁷ UK Government, Clean Power 2030 Action Plan: A new era of clean electricity (UK Government, 2024), <https://assets.publishing.service.gov.uk/media/677bc80399c93b7286a396d6/clean-power-2030-action-plan-main-report.pdf>.

⁵⁸ RenewableUK, "Official stats show renewables generated over half UK's electricity for the first time in 2024," press release, March 27, 2025, <https://www.renewableuk.com/news-and-resources/press-releases/official-stats-show-renewables-generated-over-half-uk-s-electricity-for-the-first-time-in-2024/>.

⁵⁹ "Britain's Electricity Generation – May 2025," edenseven, June 17, 2025, <https://www.edenseven.co.uk/britain-s-electricity-generation-may-2025#>

⁶⁰ Molly Lempriere and Simon Evans, "Q&A: How the UK became the first G7 country to phase out coal power," Carbon Brief, September 27, 2024, <https://interactive.carbonbrief.org/coal-phaseout-UK/index.html>.

PILLAR 2

Effective, targeted, market-friendly policies for NDC delivery (continued)

While the UK has made great progress in decarbonising its power mix, more progress is required to deliver an upgraded, modernised electricity network to support increased renewable energy transition. This is especially important as demand for electricity will continue to increase at an accelerated pace. It will be particularly acute if energy-intensive industries such as artificial intelligence (AI) grow at a rapid pace.⁶¹ The demand from offsite computation and data centre deployment could reach as high as 62TWh by 2050, almost as much as the demand from the whole commercial sector in the calendar year 2023.⁶² While digitalisation and frontier industries form an important part of the government's growth plan and can support decarbonisation, their power needs to be considered so they are part of the solution rather than the problem.

The UK's ageing grid infrastructure was designed for a centralised fossil fuel-based system and is already struggling to cope with the decentralised and variable nature of renewable energy sources.⁶³ The current queue to connect to the grid is more than double the generation capacity needed to meet the government's 2035 decarbonisation target.⁶⁴ This has led to substantial grid connection delays, with some renewable projects facing waits of over a decade, hindering the pace of the transition. Together with the regulator Ofgem, the government is implementing reforms to the grid connection process, moving from a 'first come, first served' to a 'first ready, first connected' system to fast-track viable renewable projects and clear the extensive backlog.⁶⁵ Furthermore, there is a growing focus on smart grid technologies and energy storage to enhance flexibility and manage the intermittency of renewables.⁶⁶

The UK's clear policy goals on decarbonising the electricity network have provided a strong framework for investment and development in the renewable energy sector. It needs to maintain focus on this area if it is to meet its 2030 targets.

Rollout of electric technologies: The most noteworthy successes in terms of electrification have been achieved in private car use and steel production.⁶⁷ In transport, the EV market showed signs of recovery and growth in 2024–25.⁶⁸ A recent survey ranked the UK fifth in Europe for EV readiness, a significant improvement attributed to the reintroduction of government grants for EVs and charging points, a wider availability of more affordable models, and a substantial expansion of the public charging network, which saw a 26 per cent increase in charge points compared to the previous year.⁶⁹



61 NESO, *Clean Power 2030 – Annex 1: Electricity demand and supply analysis* (NESO, 2024), <https://www.neso.energy/document/346791/download>.

62 NESO, *Clean Power 2030*.

63 Shuyab Ismail, *Assessing Energy System Resilience in the UK to 2050* (National Preparedness Commission, 2025), <https://nationalpreparednesscommission.uk/publications/assessing-energy-system-resilience-in-the-uk-to-2050/>.

64 House of Commons Environmental Audit Committee, *Enabling sustainable electrification of the economy* (House of Commons, 2024), <https://committees.parliament.uk/publications/45077/documents/223429/default/>.

65 Energy Networks Association, *Rising to Britain's Net Zero Challenge* (ENA, 2023), <https://www.energynetworks.org/assets/images/Publications/2023/231211-ena-rising-to-connections.pdf#1704876755>.

66 NESO, *Clean Power 2030*.

67 PwC, "Electric Vehicle Adoption across the UK bouncing back, shows PwC's eReadiness survey 2025," press release, September 10, 2025, <https://www.pwc.co.uk/press-room/press-releases/electric-vehicle-adoption-across-the-uk-bouncing-back-shows-pwc.html>

68 PwC, "Electric Vehicle Adoption."

69 PwC, "Electric Vehicle Adoption."

PILLAR 2

Effective, targeted, market-friendly policies for NDC delivery

(continued)

The government has launched Great British Energy backed by an

£8.3 billion

investment

In industry, there has been significant progress towards electrifying steel production.⁷⁰ The most significant development is the £500 million grant provided to Tata Steel UK as part of a £1.25 billion transformation deal for its Port Talbot site.⁷¹ This funding facilitated the closure of the site's final blast furnace in September 2024 and secured the construction of a new million tonne-per-annum capacity electric arc furnace, which is a major step towards decarbonisation with an expected 90 per cent reduction in direct emissions upon commissioning in 2027. The government has also intensified efforts to support the transition at the British Steel Scunthorpe site and address key economic barriers to electrification. In April 2025, the UK Parliament passed the Steel Industry (Special Measures) Act, enabling the government to temporarily take control of the company's operations and secure the blast furnaces amid negotiations over the owner's commitment to new electric arc furnaces.⁷² The government has also identified green steel as a priority sector among others for the £5.8 billion allocation under the National Wealth Fund.⁷³

The electrification of the UK economy has not progressed at even pace across different sectors or product categories: formidable challenges persist in the decarbonisation of buildings and many industrial operations. To bolster the transition at the whole economy level, the government has launched Great British Energy, a new publicly owned company backed by an £8.3 billion investment.⁷⁴ Its mandate is to co-invest in both emerging clean energy technologies and mature renewables to accelerate the UK's journey to a clean power system.

Electrification of heating and many industrial operations remain a concern. While heat pump installation is accelerating, with projections of over 120,000 units in 2025, the UK continues to lag behind its European counterparts in terms of installation rates. The target of 600,000 installations per year by 2028 looks increasingly hard to achieve under present conditions.⁷⁵ The Heat Pump Investment Accelerator Competition in the CBGDP is a welcome step in this regard. It will drive investment and innovation into building the local manufacturing and supply chain. The upcoming Warm Homes Plan will then be instrumental in building out the demand side for this low carbon technology and must provide the right incentives to make it the natural choice for consumers.

Similarly, the electrification of industrial processes beyond steel production has been slow.⁷⁶ The government's decision not to create a successor to the Industrial Energy Transformation Fund has raised concerns about a potential gap in financial support for businesses with high energy consumption looking to decarbonise.⁷⁷ Embedding robust provisions within the Industrial Strategy could go a long way in addressing that. The British Industrial Competitiveness Scheme, which reduces the cost of electricity for key energy-intensive industries, is a good example of ways that government action can support business ambition.⁷⁷

⁷⁰ Department for Business and Trade, "The steel strategy: the plan for steel," GOV.UK, February 16, 2025, <https://www.gov.uk/government/consultations/input-into-the-steel-strategy/the-steel-strategy-the-plan-for-steel>.

⁷¹ Department for Business and Trade and Sarah Jones MP, "Pathway to the launch of the Steel Strategy," GOV.UK, July 3, 2025, <https://www.gov.uk/government/news/pathway-to-the-launch-of-the-steel-strategy>.

⁷² Steel Industry (Special Measures) Act 2025, <https://www.legislation.gov.uk/ukpga/2025/13/contents>.

⁷³ "Chancellor sets out strategic priorities for National Wealth Fund," National Wealth Fund, March 19, 2025, <https://www.nationalwealthfund.org.uk/news/chancellor-sets-out-strategic-priorities-national-wealth-fund>.

⁷⁴ Jamie Gibbs and Emma McKelvie, "Great British Energy: 12 months on," Energy Saving Trust blog, August 28, 2025, <https://energysavingtrust.org.uk/great-british-energy/70> "Record year for UK heat pump sales and training," Heat Pump Association, accessed October 2025, <https://www.heatpumps.org.uk/record-year-for-uk-heat-pump-sales-and-training/>.

⁷⁵ "UK climate policy deep dive: CCC's report on emissions reduction progress – July 2025," Chapter Zero, July 22, 2025, <https://chapterzero.org.uk/energy-decarbonisation/emissions-reduction-scopes-1-2-3-and-beyond/uk-climate-policy-deep-dive-ccc-report-on-emissions-reduction-progress-july-2025/#>.

⁷⁶ Alex Brinded, "Closure of the UK's Industrial Energy Transformation Fund," Institute of Materials, Minerals & Mining, July 8, 2025, <https://www.iom3.org/resource/uk-government-closes-ief.html>.

⁷⁷ "UK Industrial Strategy Explained: How it Could Transform Energy Costs for Industry," Optimised, accessed October 2025, <https://www.optimised.net/uk-modern-industrial-strategy-explained>.

PILLAR 2

Effective, targeted, market-friendly policies for NDC delivery

(continued)

Gas prices in the UK were

34%

below the EU average in 2024

But government support will only catalyse progress when the several barriers to electrification – which continue to hinder adoption of electric technologies – are addressed.⁷⁸ The primary concerns relate to the pace of infrastructure upgrades and the affordability of electricity. In the UK, a significant and persistent disparity between the price of electricity and gas is hindering the country's transition to a greener economy, adoption of electrification technologies as well as impacting its industrial competitiveness. Over the past few years, electricity prices have been consistently much higher than gas prices, a trend exacerbated by the recent global energy crisis.⁷⁹ Gas prices in the UK were 34 per cent below the EU average and electricity prices 19 per cent above the EU average in the second half of 2024.⁸⁰ The ratio of electricity to gas unit prices in the UK was higher than in any EU country at the time. This price gap creates a major obstacle for households and individuals looking to adopt low carbon technologies.

One of the biggest drivers of increases in the wholesale price of electricity is the price of gas, which is set in the UK almost exclusively by wholesale gas prices.⁸¹ The UK market operates on a marginal pricing system.⁸² This means the price for all electricity generated in a given period is set by the most expensive power station needed to meet demand, which is very often a gas-fired plant. Consequently, even when cheap renewable sources like wind and solar are generating a large proportion of the UK's power, the final wholesale price is still tethered to the high and volatile cost of natural gas, keeping electricity prices inflated for everyone.

This not only exposes the UK to price increases in the global market but also the price volatility given its dependence on gas imports. Another reason for the disparity between electricity and gas prices is policy-driven: environmental and social levies (used to fund renewable energy projects and social programmes) are loaded onto electricity bills, making up around 17 per cent of the total cost, compared to just 7 per cent on gas bills.⁸³ This effectively places the expense of electrification onto electricity consumers, hindering adoption of technologies like heat pumps.

78 Department for Energy Security and Net Zero, *Enabling Industrial Electrification: Call for evidence on fuel-switching to electricity – Summary of responses* (DESNZ, 2024), <https://assets.publishing.service.gov.uk/media/66e013650f4ba0621b086702/electrification-call-for-evidence-formal-summary-of-responses.pdf>; Ishant Sharma et al., "Breaking down barriers: Emerging issues on the pathway to full-scale electrification of the light-duty vehicle sector," *Energy* 326 (2025):136230, <https://doi.org/10.1016/j.energy.2025.136230>.

79 "Factcheck: Why expensive gas – not net-zero – is keeping UK electricity prices so high," *Carbon Brief*, May 20, 2025, <https://www.carbonbrief.org/factcheck-why-expensive-gas-not-net-zero-is-keeping-uk-electricity-prices-so-high/>.

80 Paul Bolton, "Gas and electricity prices during the 'energy crisis' and beyond," House of Commons Library, September 8, 2025, <https://commonslibrary.parliament.uk/research-briefings/cbp-9714/>; Lauren Orso et al., "For the first time, UK household electricity prices rose to levels higher than those in any EU country," *Nesta blog*, June 20, 2024, <https://www.nesta.org.uk/blog/uk-household-electricity-prices-rose-to-levels-higher-than-those-in-any-eu-country/>.

81 Behnam Zakeri and Iain Staffell, "The Role of Natural Gas in Electricity Prices in Europe," Working Paper 1 (UCL Institute for Sustainable Resources, updated January 13, 2023), [the_role_of_natural_gas_in_electricity_prices_in_europe_updated_may_2023.pdf](https://www.ucl.ac.uk/energy/energy-101/electricity-explained/how-electricity-priced/).

82 "How is electricity priced?" NESO, accessed October 2025, <https://www.neso.energy/energy-101/electricity-explained/how-electricity-priced/>.

83 "What's in an energy bill?" *Nesta*, November 22, 2024, <https://www.nesta.org.uk/report/whats-in-an-energy-bill/policy-costs/>.

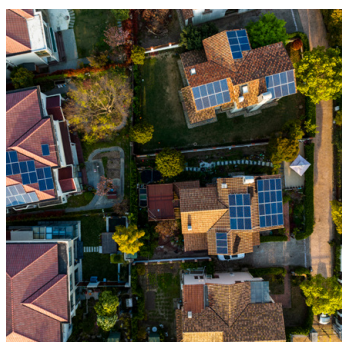
PILLAR 2

Effective, targeted, market-friendly policies for NDC delivery

(continued)

Industrial and non-domestic electricity prices are a specific concern, as prices are the highest in the G7 and can be as much as 46 per cent above the International Energy Agency (IEA) member country median.⁸⁴ Energy-intensive industries like steel, ceramics, and chemical manufacturing are put at a significant competitive disadvantage.⁸⁵ Investing millions in an electric arc furnace or industrial-scale heat pumps is a non-starter when the primary fuel source is so expensive compared to international competitors or continuing to use gas.⁸⁶ This high cost not only deters new green investment but also encourages 'carbon leakage', where companies may choose to relocate production to countries with lower energy costs, taking jobs and economic growth with them. Therefore, balancing the gas and electricity price ratio will be key to decarbonising the UK economy, and requires legacy policy costs and Climate Change Levy (CCL) payments to be removed from electricity bills as the grid decarbonises.⁸⁷

Decarbonising an economy's energy use is like tackling a system of systems. Electrification can be a powerful tool to unlock benefits for individuals, households, businesses and the economy. Technologies like solar panels, heat pumps and smart EV chargers empower families by giving them direct control to produce their own clean power and automatically use it when it is cheapest. This also extends directly to businesses, where electrification could drive cost control, efficiency and operational resilience. By electrifying fleets and industrial processes and investing in on-site generation, companies can similarly insulate themselves from energy market shocks, manage demand to reduce overheads, and secure a more predictable and competitive financial future. Similarly, the economy also benefits from increased productivity and growth.



⁸⁴ Department for Energy Security and Net Zero, "International industrial energy prices," GOV.UK, May 30, 2013, <https://www.gov.uk/government/statistical-data-sets/international-industrial-energy-prices>.

⁸⁵ Georgina Hutton et al., Energy intensive industries (House of Commons Library, 2021), <https://researchbriefings.files.parliament.uk/documents/CDP-2021-0195/CDP-2021-0195.pdf>; "Energy Intensive Industries Remain at a Competitive Disadvantage," Energy Intensive Users Group, accessed October 2025, <https://www.eiug.co.uk/energy-intensive-industries-remain-at-a-competitive-disadvantage/>.

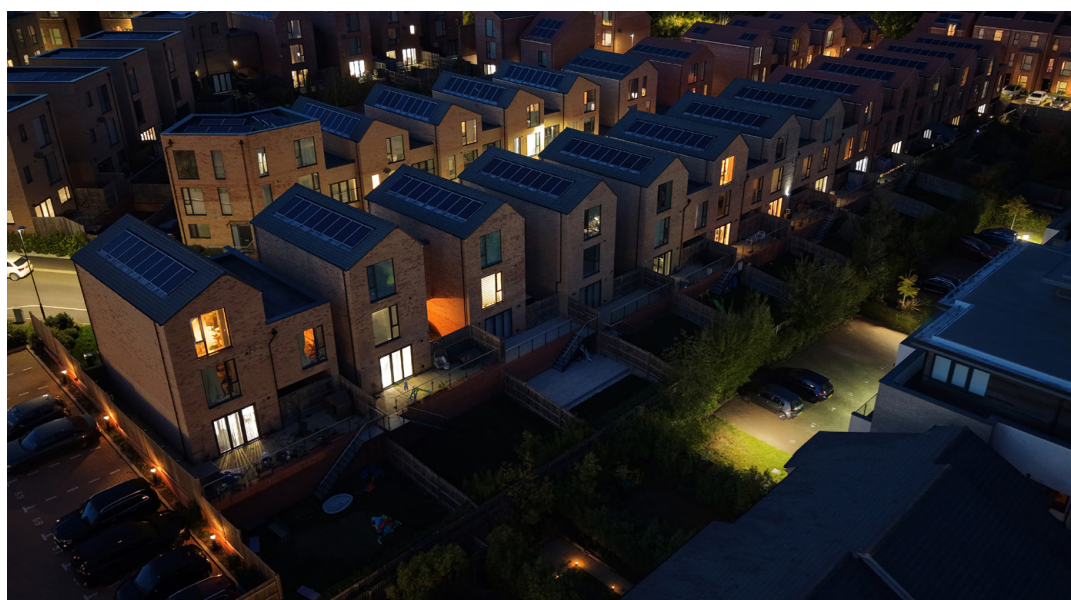
⁸⁶ University of Cambridge Institute for Sustainability Leadership (CISL), *Market driven decarbonisation: The role of demand-led innovation in supporting emission reductions in foundation industries* (CISL, 2023), https://www.cisl.cam.ac.uk/files/innovate_uk_policy_briefing_market_driven_decarbonisation_2023_june.pdf.

⁸⁷ Lucie Gadonne and Bobbie Upton, "The tax system is making net zero more costly than it has to be," Institute for Fiscal Studies, June 25, 2025, <https://ifs.org.uk/articles/tax-system-making-net-zero-more-costly-it-has-be/>; "Reducing non-domestic electricity prices to drive economic growth," Energy UK, April 8, 2025, <https://www.energy-uk.org.uk/publications/reducing-non-domestic-electricity-policy-costs-to-drive-economic-growth/>.

PILLAR 2**Effective, targeted,
market-friendly
policies for
NDC delivery***(continued)*

While the UK has demonstrated a clear commitment to electrification, the coming years will be crucial in addressing the remaining gaps. As outlined above, the UK government needs to take a holistic and systemic approach to decarbonising its power mix, upgrading its grid, addressing systemic barriers to electrification and rationalising the price of electricity to make green tech the cost-effective choice. Key actions to support this would include:

- **Reform energy pricing to accelerate heat pump adoption:** This requires rebalancing environmental and social levies away from electricity bills and onto gas bills or general taxation. This single move would directly address the primary financial barrier preventing households from switching, helping to meet the annual installation target.
- **Establish successor funding for industrial electrification:** To prevent a policy gap following the closure of the Industrial Energy Transformation Fund, the government must embed robust, long-term financial support within its Industrial Strategy. This support is crucial for energy-intensive industries (beyond steel, such as ceramics and chemicals) to finance the high capital cost of adopting electric technologies. While the British Industrial Competitiveness Scheme is the right first step, the government can move beyond providing cost savings to reshaping procurement strategies and aligning commercial and sustainability priorities to capture long-term value.
- **Mandate and fund accelerated grid connection reforms:** Move beyond planning and fully implement the 'first ready, first connected' system to clear the extensive backlog of renewable projects. This must be paired with a clear investment framework for smart grid technologies and large-scale energy storage to enhance network flexibility and manage intermittent generation.
- **Decouple electricity prices from the cost of gas:** Address the fundamental driver of high electricity costs by reforming the wholesale market's marginal pricing system. Furthermore, boost industrial competitiveness by removing the CCL from decarbonised electricity, ensuring UK businesses are not penalised for investing in green technologies.



PILLAR 2

Effective, targeted, market-friendly policies for NDC delivery

(continued)

The Boiler Upgrade Scheme (BUS), provides grants of up to

£7,500

for heat pump installations

Creating lead markets to promote growth and sustainability

The UK's climate strategy is increasingly acknowledging the importance of combining demand-side and supply-side measures to drive decarbonisation across value chains and sectors. While supply-side policies such as production subsidies and carbon pricing directly incentivise producers to improve energy efficiency and to shift away from fossil fuels, demand-side or 'pull' measures seek to establish guaranteed and growing markets for low carbon materials, products and services. This idea is that certainty of demand would reduce the risk of investing in low carbon technologies and manufacturing capabilities, accelerating private sector investment in the production of low carbon materials and products. Demand-side measures are increasingly regarded as a necessary component of industrial strategy to align long-term sustainability and short-term financial viability.⁸⁸

There have been some notable successes where the government has deployed a range of regulatory and financial instruments to create so-called lead markets for low carbon technologies, materials and products. The EV sector is a prime example of lead markets working in practice. A multi-pronged approach combining the Zero Emission Vehicle (ZEV) Mandate on the supply side with demand-side consumer incentives such as the Electric Car Grant (ECG) successfully spurred rapid market growth from 2015. The ZEV mandate acts as a powerful regulatory tool ensuring a growing supply, while the ECG, backed by a £650 million budget, offers consumers a direct point-of-sale discount of up to £3,750 on eligible models, thus incentivising demand. This co-ordinated policy package has been highly effective, driving the battery electric vehicle (BEV) market share to 22.1 per cent between January and September 2025, culminating in a record 72,779 BEV registrations in September 2025 alone.⁸⁹

However, not all attempts to form lead markets have been equally successful. In the housing sector, the government's primary tool, the Boiler Upgrade Scheme (BUS), provides grants of up to £7,500 for heat pump installations, directly stimulating demand for heat pumps.⁹⁰ From 2026 or 2027 onwards, this will be complemented by the **Future Homes Standard**, which will require new homes to be built with low carbon heating and high levels of energy efficiency, effectively creating a mandatory market for these technologies in the new-build sector. Yet progress in decarbonising residential heat has faltered because key barriers have not been addressed comprehensively. Since the BUS subsidy, heat pump installations have increased, with just over 39,000 certified installations in 2023. However, this needs to accelerate sharply for the UK to meet its 2028 target of 600,000 annual installations.

⁸⁸ Lindsay Hooper and Paul Gilding, *Survival of the Fittest: From ESG to Competitive Sustainability* (University of Cambridge Institute for Sustainability Leadership, 2024), https://www.cisl.cam.ac.uk/files/from_esg_to_competitive_sustainability.pdf.

⁸⁹ "September new car market delivers record number of EVs," Society of Motor Manufacturers and Traders (SMMT), October 6, 2025, <https://www.smmt.co.uk/september-new-car-market-delivers-record-number-of-evs/>.

⁹⁰ "Boiler Upgrade Scheme (BUS)," Ofgem, accessed October 2025, <https://www.ofgem.gov.uk/environmental-and-social-schemes/boiler-upgrade-scheme-bus>.

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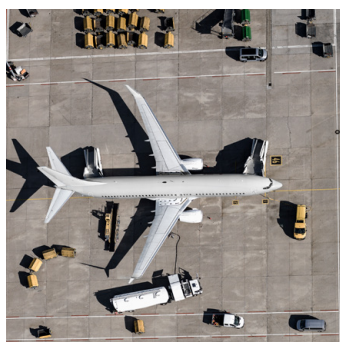
Effective, targeted, market-friendly policies for NDC delivery

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The core challenge lies in a major cost-related barrier that the grant does not address: the operational cost of heat pumps being dependent on factors such as electricity prices, energy efficiency of the building and the quality of the installation. Due to electricity price being tied into the cost of gas and the legacy policy costs being levied on electricity but not gas, the unit price of electricity remains significantly higher, making even a highly efficient heat pump more expensive to run than a gas boiler in an average British home.⁹¹ This fundamental economic disincentive has stalled the creation of a mass market, leaving the UK with a heat pump installation rate 14 times lower than that of Norway.⁹² (See below for a more detailed discussion.)

In the aviation sector, the nascent market for sustainable aviation fuel (SAF) highlights a similar blend of ambitious policy and significant delivery challenges, as discussed above in relation to EVs and heat pumps. As a key pillar of its 'Jet Zero Strategy', the UK has established a SAF Mandate requiring 2 per cent of jet fuel to be sustainable in 2025, rising to 10 per cent by 2030.⁹³ To stimulate a domestic industry, the government is providing support through the Advanced Fuels Fund and developing a revenue certainty mechanism to reduce investment risk for producers. However, major gaps are already apparent: early data from 2025 shows the country falling short of its 2 per cent target, with a blending rate of just 1.29 per cent by mid-year. Significant hurdles remain, including the high cost of SAF, intense international competition for limited feedstocks, and the enormous investment in renewable electricity required to produce more advanced fuels at the scale needed to meet future targets.

The primary policy instrument used to create demand in standalone cases is public procurement. In the healthcare sectors, the National Health Service has embedded net zero and social value criteria into its procurement processes since 2022, using its vast purchasing power to increase demand for greener medical supplies and services.⁹⁴ In large-scale infrastructure projects such as the High Speed 2 (HS2) mass transit railway line, procurement contracts have included requirements for low carbon concrete and electric machinery, helping to grow the market for these low carbon materials.⁹⁵ With the National Procurement Act 2023 entering into effect in early 2025, these practices are expected to further accelerate demand for a broader scale of low carbon materials and products by allowing government departments to embed environmental and social value deeper into public procurement decisions.⁹⁶



91 Nuala Burnett and Iona Stewart, "The UK's plans and progress to reach net zero by 2050," House of Commons Library, August 12, 2025, <https://commonslibrary.parliament.uk/research-briefings/cbp-9888/>.

92 "Market data," European Heat Pump Association, accessed October 2025, <https://ehpa.org/market-data/>.

93 Department for Transport, "Sustainable Aviation Fuel (SAF) Mandate," GOV.UK, updated October 16, 2025, <https://www.gov.uk/government/collections/sustainable-aviation-fuel-saf-mandate>.

94 "Sustainable procurement," NHS England, accessed October 2025, <https://www.england.nhs.uk/nhs-commercial/sustainability/>.

95 High Speed Two (HS2), Environmental Sustainability Progress Report 2024 – 2025 (HS2, 2025), https://assets.publishing.service.gov.uk/media/6881f7703f7027624120585/BC0071_HS2_A4_1scape_48pg_ESPR_2025_Accessible.pdf.

96 Institute of Sustainability Studies, "What does the UK Procurement Act mean for sustainability?" May 16, 2025, <https://instituteofsustainabilitystudies.com/insights/lexicon/what-does-the-uk-procurement-act-mean-for-sustainability>.

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The UK government's recently released Industrial Strategy could contribute to accelerating demand for low carbon materials and products by setting clear, long-term missions and targets that function as powerful market signals. For instance, the ambition to have up to 10GW of low carbon hydrogen production capacity by 2030, supported by the Hydrogen Production Business Model,⁹⁷ creates a clear demand signal for investment in electrolysers and associated infrastructure. This gives the private sector the confidence to invest in the supply chain, knowing a government-backed market will exist. However, as this strategy may still change and evolve, it does not necessarily provide the level of certainty that businesses and sectors may need to justify large-scale investments.

To build upon existing progress in creating lead markets, the following government actions are recommended:

- **Reform regulatory standards to promote innovation:** Transition from prescriptive technology-based standards to flexible, performance-based standards that define the required outcome (eg, thermal efficiency), empowering industries to innovate with the most effective low carbon solutions.
- **Implement financial mechanisms to derisk the consumption of novel materials and products:** Establish government-backed insurance schemes to mitigate the perceived risks of using novel green materials in sectors like construction. Expand the use of regulatory sandboxes to provide a controlled environment for testing new technologies.
- **Leverage public procurement strategically:** Systematically embed stringent requirements for low embodied carbon and circular economy principles across all public sector procurement contracts, especially within major infrastructure projects, to create stable, long-term demand for sustainable UK industries.
- **Prioritise aligned international climate policy:** Actively pursue a formal linkage between the UK and EU Emissions Trading Systems as a more effective and less disruptive alternative to a unilateral Carbon Border Adjustment Mechanism (CBAM), preventing trade friction while maintaining climate ambition.



⁹⁷ Department for Energy Security and Net Zero, "Hydrogen production business model," GOV.UK, updated February 12, 2025, <https://www.gov.uk/government/publications/hydrogen-production-business-model>.

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Improving the sustainability of the British housing stock

Powering and heating buildings accounts for almost 25 per cent of the UK's energy use, so reducing energy consumption in buildings will be essential for meeting the UK's climate targets.⁹⁸ In the past year, the UK has made tangible progress on its critical mission to decarbonise the nation's homes, though the scale of the challenge remains immense: the UK housing stock is among the oldest and leakiest in Europe and heated predominantly with fossil gas.⁹⁹ Significant emissions reductions necessitate substantial energy efficiency improvements as well as large-scale electrification of space and water heating. The government's approach needs to be twofold: first, by implementing strict standards for new homes to stop the problem from growing, and second, by retrofitting millions of older, inefficient properties with better insulation and electric, modern, space and water heating technologies.

The strategy for new-builds should form a crucial, preventative part of the overall decarbonisation effort, especially as the government plans to accelerate building new homes.¹⁰⁰ The current centrepiece of UK policy addressing this is the 2025 **Future Homes Standard**, slated for release this year.¹⁰¹ By ensuring new properties are built to the highest standards, the government could avoid adding to the vast stock of homes that will require expensive retrofitting in the future.

As discussed in the previous section, progress on electrifying residential heat and retrofitting the UK's existing housing stock has been more varied. To meet the 2050 target, more than one home would need to be upgraded every minutes.¹⁰² Current levels of progress remain significantly lower, despite the fact that the Warm Homes Plan was not weakened in the Treasury's recent Spending Review, and initiatives such as the 'Feel all Warm and Fuzzy Inside' heat pump marketing campaign, home upgrade grants, boiler upgrade grants and the Great British Insulation Scheme (GBIS) continue to be implemented at a national scale.

There are multiple challenges to decarbonise British homes at a faster pace.¹⁰³ First, progress on upgrading insulation in homes with solid walls (common in pre-1919 properties) is slow, as the process is more complex and expensive than cavity wall insulation. Second, addressing blocks of flats and heritage properties remains a significant and largely unsolved challenge due to complex planning permission requirements, which vary between local authorities. Third, the majority of government support is targeted at social housing and low-income households. While crucial, this leaves millions of owner-occupiers and landlords in the 'able-to-pay' sector who face significant upfront cost barriers to retrofit measures such as installing insulation or a heat pump. Many of these people would be willing and able to shoulder some of the costs, but not all.¹⁰⁴

98 Georgia Rowe and Felicia Rankl, "Housing and net zero," House of Commons Library, July 8, 2024, <https://commonslibrary.parliament.uk/research-briefings/cbp-8830/>.

99 UK Green Building Council, "New build standards," accessed October 2025, <https://ukgbc.org/policy-advocacy/new-build-standards/#>

100 Ministry of Housing, Communities and Local Government and The Rt Hon Angela Rayner MP, "Turning the tide: government clears path for almost 100,000 homes," press release, August 26, 2025, <https://www.gov.uk/government/news/turning-the-tide-government-clears-path-for-almost-100000-homes>

101 Ed Franks, "What is the 2025 Future Homes Standard and how will it impact residential real estate?" CBRE, February 1, 2023, <https://www.cbre.co.uk/insights/articles/what-is-the-2025-future-homes-standard-and-how-will-it-impact-residential-real-estate>.

102 Eurocell, "One Every Minute: The Rate Homes in England Need Energy-Related Upgrades to Meet 2050 Net Zero Target," April 30, 2025, <https://www.eurocell.co.uk/blog/one-every-minute-the-rate-homes-in-england-need-energy-related-upgrades-to-meet-2050-net-zero-target>.

accessed October 2025, <https://ukgbc.org/policy-advocacy/domestic-retrofit/>.

103 Olivia Chapman et al., *Decarbonising homes: Consumer attitudes towards energy efficiency and green heating in the UK* (Nesta, 2021), [decarbonisinghomes.pdf](https://media.nesta.org.uk/documents/decarbonisinghomes.pdf) <https://media.nesta.org.uk/documents/decarbonisinghomes.pdf>

104 University of Cambridge Institute for Sustainability Leadership (CISL), *Delivering Retrofit at Scale Together: Better homes for healthier, resilient and stronger communities* (CISL, 2025), https://www.cisl.cam.ac.uk/files/cisl_-_better_homes_report_2025.pdf

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Without any subsidies or other incentives, adoption of energy efficiency measures and electric heating and water heating technologies will remain slow. Further, as already outlined, the price of electricity remains too high for users to realise the cost savings from the adoption of electric heating technologies in the way they would be able to if energy prices were more balanced.

Fourth, the GBIS was modest in scale, and there is no overarching incentive for homeowners to adopt a 'fabric first' approach (insulating walls, lofts and floors), which is essential for a heat pump to work efficiently. The National Audit Office identified many deficiencies in the design and delivery of the GBIS and ECO4 schemes, and there is scope for the relevant authorities to draw relevant lessons going forward.¹⁰⁵ Compounding the issue of the availability of capital and funding is also a persistent shortage of retrofit specialists and builders who are willing or able to undertake retrofit work.¹⁰⁶ The Warm Homes Skills Programme has made some provisions,¹⁰⁷ but it is not commensurate with the scale of the shortage.

To accelerate progress, especially in the challenging retrofit sector, the government could implement a more comprehensive strategy:

- **Introduce new financial incentives:** To unlock the 'able-to-pay' market, the government could introduce fiscal levers such as **green stamp duty rebates** for homebuyers purchasing more energy-efficient properties or **VAT exemptions** on all green home improvements. A government-backed, low-interest loan scheme could also help homeowners manage the upfront cost.
- **Provide regulatory certainty:** A clear, long-term regulatory roadmap is essential. This could include setting **minimum energy efficiency standards** for all homes, requiring them to reach a certain Energy Performance Certificate rating (eg, at least a 'C') by a set date, perhaps triggered at the point of sale or renovation.
- **Launch a national retrofit strategy and work effectively with local authorities:**¹⁰⁸ The UK needs a dedicated home retrofit strategy that is embedded in the national policy planning framework but delivered in collaboration with local stakeholders. A comprehensive, street-by-street approach to retrofit, co-ordinated by local authorities, would be more efficient than the current piecemeal system. This should be accompanied by a **major public information** campaign to provide impartial, trusted advice to homeowners. The 'Feel all Warm and Fuzzy Inside' heat pump marketing campaign is a step in the right direction, but the government can go further by promoting integrated retrofit and how it can contribute to better efficiency, greater comfort, improved health and resilience to climate change.

¹⁰⁵ "Energy efficiency installations under the Energy Company Obligation," National Audit Office, October 14, 2025, <https://www.nao.org.uk/reports/energy-efficiency-installations-under-the-energy-company-obligation/#scope-of-the-report>.

¹⁰⁶ CISL, Delivering Retrofit.

¹⁰⁷ Department for Energy Security and Net Zero, "Warm Homes Skills Programme: successful projects," GOV.UK, September 1, 2025 <https://www.gov.uk/government/publications/warm-homes-skills-programme-successful-projects>.

¹⁰⁸ CISL, Delivering Retrofit.

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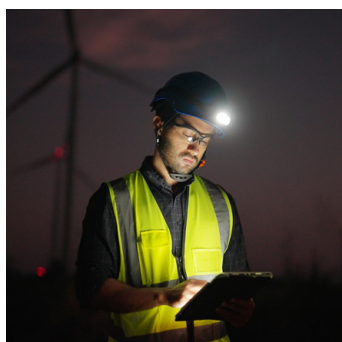
Mind the skills gap

The UK has seen a significant surge in demand for green skills over the past year, with the number of green jobs growing despite a contraction in the overall job market.¹⁰⁹ Recent data from the Office for National Statistics reveals a notable increase in green jobs, with the net zero economy supporting a growing number of roles. A report by PwC further highlights the resilience of the green job market, which has seen a rise in vacancies even as other sectors have slowed.¹¹⁰ This growth is largely driven by the UK's commitment to renewable energy, sustainable construction, and the broader decarbonisation agenda.¹¹¹

Over the past couple of years, the UK government's efforts have focused on implementing existing frameworks rather than launching major new strategies. The primary progress has been in channelling funding towards specific vocational training and continuing the work of established advisory groups. For instance, the Department for Education has continued to allocate funding for its Skills Bootcamps, with specific waves aimed at green skills. Progress has also been made in embedding green training within the Local Skills Improvement Plans (LSIPs), which aim to align college courses more closely with the needs of local employers in green tech hubs.¹¹²

Despite this positive momentum, a critical shortage of skilled workers remains a primary obstacle to decarbonising key sectors and achieving economy-wide climate goals.¹¹³ The most significant gaps are identified in the construction and energy sectors, particularly for roles such as heat pump installers, retrofitters, and technicians in renewable energy.¹¹⁴ The demand for green skills is outpacing supply, with a notable shortage of individuals possessing the necessary technical expertise in other areas like sustainable design, carbon accounting, and environmental management as well.

To bridge this divide and create a future-fit workforce, a multi-pronged approach is needed. The Clean Energy Jobs Plan, published by the UK in October 2025, sets a good level of ambition and has been welcomed by many key stakeholders. The strategy aims to create over 400,000 new clean energy jobs by 2030, effectively doubling the sector's workforce to 860,000. This national plan, developed in partnership with industry and trade unions, focuses on plugging the skills gap by establishing five new Technical Excellence Colleges (TECs) and identifying 31 priority occupations, such as plumbers, electricians and welders, as well as higher qualification jobs such as engineers and machine operatives. A key component of the plan is ensuring a just transition for existing workers, with up to £20 million allocated to help North Sea oil and gas employees retrain and move into clean energy roles. The government has stressed that this initiative is not just about the number of jobs, but about their quality, with a 'fair work charter' intended to secure fair pay, good working conditions and union recognition across the new green economy. It also includes launching regional pilot schemes, as well as expansion of the Energy Skills Passport for transferable qualifications across energy sectors.



109 PwC, "UK sees surge in the demand for green skills despite overall job market decline – PwC Green Jobs Barometer," press release, November 25, 2024, <https://www.pwc.co.uk/press-room/press-releases/research-commentary/2024/uk-sees-surge-in-the-demand-for-green-skills-despite-overall-job.html>

110 "Green Jobs Barometer," PwC, accessed October 2025, <https://www.pwc.co.uk/services/sustainability-climate-change/insights/green-jobs-barometer.html>

111 "Green Skills for Young People in the UK: Empowering the Next Generation towards a Sustainable Future," Quantum Group, July 7, 2025, <https://thequantumgroup.uk.com/green-skills-for-young-people-in-the-uk-empowering-the-next-generation-towards-a-sustainable-future/>

112 Construction Industry Training Board, *Driving construction skills, growth, and jobs through Local Skills Improvement Plans (LSIPs)* (CITB, 2023), <https://www.citb.co.uk/media/v3ybdh/citb-lsips-guidance-january-2023v2.pdf>

113 "UK facing green skills gap of 200,000 workers," ISEF, accessed October 2025, <https://www.isefglobal.org/articles/uk-facing-green-skills-gap-of-200-000-workers#>; "UK energy sector must fill 400,000 jobs to hit net zero target," ISEF, accessed October 2025, <https://www.isefglobal.org/articles/uk-energy-sector-must-fill-400-000-jobs-to-hit-net-zero-target>

114 Kaylen Camacho McCluskey et al., *Net-Zero Skills* (Imperial Energy Futures Lab, 2024).

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The proposed strategy is a step in the right direction and covers a lot of key aspects, which include covering training new employees as well as upskilling and reskilling people, focusing on a range of skills, being cognisant of regional distribution and just transition concerns as well as an emphasis on the quality of the jobs. Regardless, there are ways delivery can be strengthened and some of its aspects enhanced.

- **Match training and education to the scale of the challenge:** Skills bodies have welcomed the plan's focus but emphasised that the scale of the challenge is unprecedented.¹¹⁵ The proposed five new TECs and associated funding may not be sufficient to train the hundreds of thousands of workers required by 2030 across all 31 priority occupations. To build capacity, the government should introduce incentives to attract experienced industry experts and technicians into teaching roles, supplementing this with shared digital learning platforms.¹¹⁶ For the workforce, it must fast-track upskilling by expanding clean energy courses and enabling SMEs to form training partnerships. There also seems to be a focus on trades, whereas alongside this comes demand for the knowledge economy jobs such as design, systems engineering, digital integration and project management expertise. Therefore, to ensure this strategy is effective, all actions must be underpinned by a **unified data approach** to map current skills, forecast future needs and enable evidence-based workforce planning.
- **Ensure the training and jobs gap is closed:** There is a significant gap between training a skilled workforce and ensuring that domestic jobs are available. This requires further public investment and a clear strategy to build a UK-based manufacturing supply chain for green industries (eg, wind turbines, heat pumps etc), which is currently lacking. Supplementing creation of skills with availability of jobs that are distributed regionally is essential.
- **Include overlooked sectors such as waste management:** The waste management sector (such as solar photovoltaics (PV) reuse, repair and recycling) is critical for delivering a circular economy and achieving resource efficiency but appears to have been overlooked.¹¹⁷ The national strategy should be updated to recognise the skilled roles within waste and recycling as green jobs, and to ensure that new policies and skills funding are allocated to support workforce development in this area, just as they are for energy and transport.
- **Stimulate business investment into skills:** While the clean energy jobs plan refers to large industrial investments that are expected to generate new jobs, it contains limited details of new skills investments by businesses.¹¹⁸ British employers spent £6 billion less on training in 2024 compared to 2022.¹¹⁹ Training spend per employee has declined by 29.5 per cent since 2011 when adjusted for inflation.¹²⁰ Therefore, the government must provide the right support (such as fiscal incentives for targeted interventions) to enable businesses to build their own skills pipeline.

¹¹⁵ Clean Energy Jobs Plan: Opportunity, Ambition and Action – Energy & Utility Skills

¹¹⁶ Cautious welcome for Clean Energy Jobs Plan – but questions remain on delivery and skills capacity – Industry Wales

¹¹⁷ Waste sector 'overlooked' in Government's green jobs plans – letsrecycle.com

¹¹⁸ Josh Mellor, "Government reveals skills strategy for clean energy sector in first 'jobs plan,'" FE Week, October 24, 2025, <https://feweek.co.uk/government-reveals-skills-strategy-for-clean-energy-sector-in-first-jobs-plan/>

¹¹⁹ Department for Education and Skills England, "Employer Skills Survey," GOV.UK, updated July 31, 2025, <https://explore-education-statistics.service.gov.uk/find-statistics/employer-skills-survey/2024>

¹²⁰ "Employers Cut Training Investment by £6bn as Skills Shortages Ease, But Long-Term Concerns Remain," FE News, July 24, 2025, <https://www.fenews.co.uk/skills/employers-cut-training-investment-by-6bn-as-skills-shortages-ease-but-long-term-concerns-remain/>

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- Continuing to strengthen collaboration between key stakeholders:** Greater collaboration between government, industry, and educational institutions is deemed essential to align training provision with the specific needs of the green economy. The Department for Energy Security and Net Zero (DESNZ) has established a minister-led steering group to support joined-up implementation across the UK, but this will need to be consistent, with regular discussions, effective stakeholder engagement on key themes as well as liaising with trade unions.¹²² Empowering business and industry to contribute to Local Skills Improvement Plans is also key in ensuring that skills development is targeted towards regional development and local needs.

No route to net zero without nature

In the past year, the UK government has publicly emphasised the critical link between its climate and nature targets. However, significant gaps between ambition and implementation persist, with independent assessments indicating that the nation is largely off-track in meeting its legal environmental commitments.¹²³ While some progress has been made under the Environment Act and nationwide nature recovery projects,¹²⁴ critics argue that contradictory policies and a lack of investment are undermining efforts to protect and restore the natural world.¹²⁵

Under the current government, the initial focus has been on setting a new direction for environmental policy, though concrete legislative and on-the-ground changes are in their early stages. The government has emphasised its commitment to tackling the climate and nature crises in a more integrated way, positioning this approach as central to its economic and social agenda.¹²⁶

Soon after assuming office, the government also announced a “rapid review” of the Environmental Improvement Plan 2023 (EIP23), the statutory plan for halting and reversing nature’s decline. This decision was a direct response to persistent warnings from the Office for Environmental Protection (OEP) that the country was “largely off track” to meet its legally binding nature targets.¹²⁷ While the review signals a shift to a more delivery-oriented approach, there are concerns that it may water down or scrap key environmental protections.¹²⁸ Its success will be judged on whether the resulting 2025 EIP provides a credible and adequately funded pathway to meet the UK’s critical, and legally binding, nature targets.

¹²² Clean Energy Jobs Plan – a vital first step in fulfilling jobs potential offered by the clean energy transition – Prospect

¹²³ “This Government has the chance to get on track to meet legal environmental commitments – but the window of opportunity is closing fast warns OEP,” Office for Environmental Protection, January 14, 2025, <https://www.theoep.org.uk/report/government-has-chance-get-track-meet-legal-environmental-commitments-window-opportunity#>

¹²⁴ “Action to restore or create at least 38,877 hectares of wildlife-rich habitat has been undertaken since January 2023,” Natural England, May 19, 2025, <https://naturallengland.blog.gov.uk/2025/05/19/action-to-restore-or-create-at-least-38877-hectares-of-wildlife-rich-habitat-has-been-undertaken-since-january-2023/>

¹²⁵ “Nature and climate: welcome ambition, but policy contradictions threaten delivery,” Nature-based Solutions Initiative, July 15, 2025, <https://www.naturebasedsolutionsinitiative.org/news/nature-and-climate-welcome-ambition-but-policy-contradictions-threaten-delivery/>; Department for Environment, Food and Rural Affairs, “Environmental Improvement Plan annual progress report: April 2024 to March 2025,” GOV.UK, July 14, 2025, <https://www.gov.uk/government/publications/environmental-improvement-plan-annual-progress-report-2024-to-2025/environmental-improvement-plan-annual-progress-report-april-2024-to-march-2025>

¹²⁶ House of Commons, “State of Climate and Nature Statement,” BBC iPlayer, July 14, 2025, <https://www.bbc.co.uk/iplayer/episode/m002g2fs/house-of-commons-state-of-climate-and-nature-statement>

¹²⁷ Beekie Smith, “Defra launches rapid review of Environmental Improvement Plan,” Civil Service World, August 1, 2024, <https://www.civilserviceworld.com/professions/article/defra-environmental-improvement-plan-rapid-review>

¹²⁸ “EIP Rapid Review: All but one of Environment Act targets at risk, document reveals,” ENDS Report, May 15, 2025, <https://www.endsreport.com/article/1918125/eip-rapid-review-one-environment-act-targets-risk-document-reveals>

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£39 billion

commitment to housing presents a world-first opportunity for nature-positive development

The government has also launched multiple consultations on Biodiversity Net Gain (BNG) and how to simplify and strengthen its delivery for nationally significant infrastructure projects (NSIPs) as well as small and medium brownfield developments.¹²⁹ Similarly to the EIP, there have been concerns raised that this review might end up weakening the core regulation instead of strengthening its implementation.

In 2025, the government conducted an emergency one-year Spending Review to set departmental budgets until the next financial year. The review presented a mixed picture for nature and climate goals, reflecting the tight fiscal constraints the government is operating under. A significant positive outcome from the Spending Review was the multi-year settlement for the agricultural budget, which was ring-fenced and protected from cuts.¹³⁰ This provided much-needed certainty for farmers and landowners. Within this, it also significantly increased financial support for nature-friendly farming through Environmental Land Management schemes (ELMs). Actions such as large-scale habitat creation, wetland restoration and rewilding projects will receive more attractive funding, aiming to accelerate the shift in land use towards nature recovery.

Similarly, a £39 billion commitment to housing presents a world-first opportunity for nature-positive development – which could be seized with proven strategies like BNG, climate-sensitive design (eg, green roofs and street trees), and early community engagement. Yet, it is unclear if these principles will actually guide the new housing projects.

The Spending Review also raised serious concerns about the operational capacity of key environmental bodies. The core day-to-day budgets for Defra and Natural England were effectively frozen in real terms. This has led to warnings from environmental groups that while the government is funding new projects, the bodies responsible for regulation, monitoring and enforcement are being left without the resources to tackle ongoing issues like ensuring compliance with BNG.

This squeeze on operational spending is seen as a major risk. Critics argue that without properly funded regulators, the UK will struggle to enforce its own laws. For example, local authorities, which are crucial for monitoring BNG compliance, received no new ring-fenced funding for these duties, creating a potential gap between policy ambition and on-the-ground delivery. The concern is that while the headline funding for new schemes is positive, the underlying capacity to protect and manage the environment on a day-to-day basis is being eroded, potentially undermining the government's long-term goals. Therefore, a lot needs to be done to balance the government's people, climate and nature targets,¹³¹ as well as balance its plans for growth with these.¹³²

¹²⁹ Department for Environment, Food and Rural Affairs, "Improving the implementation of biodiversity net gain for minor, medium and brownfield development," GOV.UK, October 21, 2025, <https://www.gov.uk/government/consultations/improving-the-implementation-of-biodiversity-net-gain-for-minor-medium-and-brownfield-development>; Department for Environment, Food and Rural Affairs, "Biodiversity net gain for nationally significant infrastructure projects," GOV.UK, May 28, 2025, <https://www.gov.uk/government/consultations/biodiversity-net-gain-for-nationally-significant-infrastructure-projects>.

¹³⁰ Department for Environment, Food and Rural Affairs, "Spending Review 2025: a commitment to farming," Defra blog, June 16, 2025, <https://defra.farming.blog.gov.uk/2025/06/16/spending-review-2025-a-commitment-to-farming/>.

¹³¹ Department for Energy Security and Net Zero and Department for Environment, Food and Rural Affairs, "Unlocking benefits for people, nature and climate: Actions to jointly address climate change and biodiversity loss in England," GOV.UK, July 14, 2025, <https://www.gov.uk/government/publications/actions-to-jointly-address-climate-change-and-biodiversity-loss-in-england/unlocking-benefits-for-people-nature-and-climate-actions-to-jointly-address-climate-change-and-biodiversity-loss-in-england-accessible-webpage>.

¹³² Sidhi Mittal, "Labour can't decimate nature in Plan for Growth, OEP warns," edie, updated January 16, 2025, <https://www.edie.net/labour-cant-decimate-nature-in-plan-for-growth-oep-warns/>.

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To that end, the government should:

- **Focus on delivery:** The new EIP should provide a clear, time-bound delivery plan by setting out specific, measurable actions allocated to responsible departments, essentially creating a clear roadmap to achieving the targets.
- **Clearer interim outcomes-based targets:** As part of the statutory process of the review of the EIP23, the government will update interim targets to cover the five-year period from the completion of the review. This is crucial for ensuring that long-term goals, such as the 2030 species abundance target, are underpinned by a credible short-term trajectory, allowing for more effective monitoring of progress.
- **Aligning policy and resources:** The OEP has repeatedly stated that a key reason for failure has been that policies and resources are not adequate to meet the level of ambition. These resources especially lack at the local level. Empowering local councils and mayors requires devolving more power and responsibility. The new **Local Nature Recovery Strategies (LNRS)**¹³³ are a perfect tool for this, but they will only work if local authorities get proper funding and support. Crucially, these strategies must be co-designed and implemented in partnership with key stakeholders like businesses, landowners and the wider community.
- **Publish and implement a National Land Use Framework:** To manage the competing demands on UK land – for food production, renewable energy, housing and nature recovery – the government could develop a strategic **National Land Use Framework**. This framework would spatially map England to identify the most suitable areas for different priorities. For instance, it would designate 'go-to' areas for renewable energy projects on low-grade agricultural land, identify priority zones for habitat restoration to create a national nature recovery network, and safeguard the most productive farmland for food security. It would also crucially balance demand for land use at national and local scale, especially as energy, housing, manufacturing and farming grow.

¹³³ Department for Environment, Food and Rural Affairs, "Local Nature Recovery Strategies: have your say," Defra blog, February 5, 2025, <https://defra.farming.blog.gov.uk/2025/02/05/local-nature-recovery-strategies-have-your-say/>.



PILLAR 3

Transparent and inclusive engagement

By 2050, it is expected households will have **£1,247** added to their food bills

The UK was able to set ambitious targets and policies in previous years due to a cross-party and economy-wide consensus on the need to reach net zero. However, in the last couple of years we have seen a breaking down of that consensus and increased political polarisation regarding climate action.

While some of this is playing out globally, domestically the UK's net zero target and supporting policies – particularly on energy – are being directly attacked. However, the attacks on the perceived costs of climate policies do not take into account how much of this investment will come from the private sector, the economic co-benefits of switching to cleaner and healthier energy sources, nor the anticipated lower energy prices in the longer term associated with using renewable energy sources with zero fuel costs. These attacks on net zero also do not account for the rising costs of the impacts of climate change. For example, food prices have risen 40 per cent in the last few years, with climate change being a contributory factor in this.¹³⁵ By 2050, it is expected households will have £1,247 added to their food bills – something being referred to as 'climateflation'.¹³⁶ However, in the longer term, taking positive proactive climate action to reduce warming has the potential to reduce by over half the predicted impact of climate change on UK gross domestic product (GDP).¹³⁷

The investment required to meet the UK's net zero by 2050 target is estimated by the CCC to be around 0.2 per cent of UK GDP per year on average.¹³⁸ However, the contribution of the 'net zero economy' is also significant and predicted to surpass this. In 2024, its total contribution to the UK economy was £83.1 billion,¹⁴⁰ with growth in the net zero economy three times that of the UK economy as a whole. And investment in the UK net zero economy is growing year on year; in 2024, it reached £23 billion, which includes net zero related foreign direct investment. But climate action is not just an economic opportunity; it creates savings, new jobs and increased resilience to fossil fuel price shocks across all regions of the UK.

¹³⁴ Small Business Britain, "The Willow Review."

¹³⁵ Priti Mistry and Emer Moreau, "Why are food prices still rising by so much?" BBC News, August 20, 2025, <https://www.bbc.co.uk/news/articles/cvyn9z3y78lo>.

¹³⁶ Joshua Neil, "Climate shocks set to hike UK food prices further, politicians warned," edie, July 29, 2025, <https://www.edie.net/climate-shocks-set-to-hike-uk-food-prices-further-politicians-warned/>.

¹³⁷ James Rising et al., Policy brief: What will climate change cost the UK? (Grantham Research Institute on Climate Change and the Environment, 2022), <https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/05/Climate-costs-UK-policy-brief.pdf>.

¹³⁸ Climate Change Committee, The Seventh Carbon Budget (CCC, 2025), <https://www.thecc.org.uk/publication/the-seventh-carbon-budget/>.

¹³⁹ "The future is green: The economic opportunities brought by the UK's net zero economy," Energy & Climate Intelligence Unit, February 24, 2025, <https://eciu.net/analysis/reports/2025/net-zero-economy-across-the-uk>.

¹⁴⁰ Climate Outreach, "Britain Talks"; James Murray, "Quiet sense of pride: Large majority of Brits back ambitious climate action," BusinessGreen, September 10, 2025, <https://www.businessgreen.com/news/4518762/quiet-sense-pride-majority-brits-ambitious-climate-action>.

PILLAR 3
Transparent and inclusive engagement
 (continued)

Alongside this, and in spite of the breakdown of the political consensus, a new study of over 7,000 British people demonstrates that a large majority still support climate action and are proud of the UK's efforts to tackle it.¹⁴¹ The UK needs to build on this pride. However, the report also highlighted how the public's level of support for climate policy is dependent on the language used. When asked if they supported a hypothetical council's net zero targets, support increased from 50 per cent to 64 per cent if the benefits such as cleaner energy supply and new jobs were clearly explained; this figure further increased to 78 per cent when net zero was not mentioned at all and only the benefits of local climate policy were outlined, showing that the term 'net zero' itself is the issue rather than the solutions required or the outcomes of climate action (see Figure 3).¹⁴² This is something both business and government need to be mindful of when communicating climate action.

It is anticipated the UK government will soon publish a public participation strategy. The purpose of this strategy will be to engage the public and businesses with how the UK will transition to net zero, including the actions they can take to drive the adoption of low carbon technologies such as heat pumps and electric vehicles.¹⁴³ The desired outcomes will be to lower household energy bills and improve quality of life for all through warm homes, more efficient transport and healthier lives. This strategy will be essential if the government is to bring the whole of the UK with it on the transition.

Responses to different messaging and language used to talk about net zero and climate policies (Source: More in Common and Climate Outreach, July 2025)

| Messaging and language | Response |
|--|---|
| Presenting technical terms: "their council setting a target to reach net zero emissions by 2045" | 50% support this |
| Adding a basic explanation: "their council setting a target to reach net zero emissions by 2045 by providing a cleaner and more reliable energy supply, improving public transport, and creating new jobs" | 64% support this |
| Giving a vision of better: "local climate policy that benefits people's health and happiness, makes their area safer to live in, and protects local nature, while also working towards a sustainable future for our children and next generations" | 78% feel positively towards this |

Please note the top two messages were presented as part of the same question, and the bottom message was presented in a separate question.

Figure 3: Responses to different messaging and language used to talk about net zero and climate policies

141 Climate Outreach, "Britain Talks," James Murray, "Quiet sense of pride: Large majority of Brits back ambitious climate action," BusinessGreen, September 10, 2025, <https://www.businessgreen.com/news/4518762/quiet-sense-pride-majority-brits-ambitious-climate-action>
 142 "2: Key findings and recommendations," Climate Outreach, accessed October 2025, <https://climateoutreach.org/btc/2025/chapter-2/>
 143 Michael Holder, "Government confirms plans for net zero 'Public Participation Strategy,'" BusinessGreen, December 18, 2024, <https://www.businessgreen.com/news/4390104/government-confirms-plans-net-zero-public-participation-strategy>

PILLAR
3
**Transparent
and inclusive
engagement**
(continued)

Net Zero Council

To support implementation of the UK's net zero target, in February 2025 the government relaunched the UK's Net Zero Council.¹⁴⁴ Jointly chaired by the DESNZ Secretary of State, the Rt Hon Ed Miliband, and a business CEO, it has been reshaped as a partnership bringing in civil society alongside business and finance leaders. The key purpose of the Council is to provide strategic leadership to support delivery of the government's Clean Energy Superpower Mission.¹⁴⁵ Under this mission, some key areas of focus for the Council so far have included:

- providing expert input to inform government strategies relating to net zero, supporting the development and delivery of sector roadmaps
- helping businesses to develop transition plans and investors to identify opportunities
- supporting SMEs to decarbonise while maximising the benefits of the transition
- informing the government's approach to public engagement and developing products to support public participation with net zero.

A key challenge for the government is to ensure the Council is an effective implementation body that results in increased action. The need to get agreement at a very high level could reduce its effectiveness. However, a series of subgroups are seeking to take the work forward and feed proposals and outcomes into the Council, providing opportunities to bring in a wider range of business and finance representatives from across the economy, and making it a more inclusive process. To be truly effective, as well as being a vehicle for implementation, the subgroups will also need to provide feedback with the aim of improving future policy development.

Supporting local implementation and SMEs

While it will be important for the UK government to continue to set out strong national-level plans, it will also need to consider how implementation is supported at the local level within the UK. Given that 99.9 per cent of businesses in the UK economy are SMEs, a key part of this will be how to support those businesses. As set out in Pillar 1, how the government takes forward the Willow Review – an independent, government-backed review exploring how small businesses across the UK are already benefitting financially from sustainability, and what is needed to scale that success – will be key to this. Following the release of the CBGDP, government needs to engage SMEs in the steps they can take to unlock action and support delivery of this plan.

¹⁴⁴ Department for Energy Security and Net Zero, Kerry McCarthy MP, and The Rt Hon Ed Miliband MP, "Net Zero Council relaunched to supercharge Clean Energy Superpower Mission," press release, February 5, 2025, <https://www.gov.uk/government/news/net-zero-council-relaunched-to-supercharge-clean-energy-superpower-mission>

¹⁴⁵ "Make Britain a Clean Energy Superpower," Prime Minister's Office, updated December 5, 2024, <https://www.gov.uk/missions/clean-energy>.

Next steps: accelerating implementation to drive further growth

The UK needs to maintain its strong climate leadership and support for net zero implementation at both a national and local level, ensuring it has credible policy frameworks to accelerate a transition that is already well underway. The UK's transition to a climate-neutral future has already driven growth; the UK must push ahead if it is to unlock further growth and deliver the transition in an affordable manner. The positive outcomes from opportunities that are yet to be fully exploited such as affordability, increased energy security and other social benefits, as well as the costs of reversal, need to be communicated clearly, in a way that brings the whole of the country with it.

Key actions for the UK government to deliver under each pillar are:

PILLAR **1** **Credible, consistent direction**

Engage businesses to unlock action: Setting out a clear, consistent direction is vital to unlock business action and investment. Further to this, the UK government needs to continue to engage businesses, especially SMEs, in the actions they can take to support delivery of the CBGDP at both a local, as well as national, level to support implementation, and set the UK on track to meet both its climate targets.

PILLAR **2** **Effective, targeted, market-friendly policies for NDC delivery**

Develop credible implementation plans: To meet its 2035 NDC target, the UK needs to set out credible plans that lower the risk level and unlock investment. While it has now republished the CBGDP for the 6th Carbon Budget, it is vital that government builds swiftly on this foundation and develops a credible, ambitious delivery plan for Carbon Budget 7. Long-term clarity and consistency are key to maintaining business confidence, attracting private capital, and ensuring the UK remains a leader in the global clean economy.

**Next steps:
accelerating
implementation
to drive further
growth**

(continued)

PILLAR **3** **Transparent and inclusive
engagement**

Bring the whole of the UK with it: Through setting out a public participation strategy, and emphasising efforts to keep consumer costs down, the government can seek to overcome some of the challenges of engaging the public in gaining their support for climate action, and enabling them to take a role.

Develop a business engagement strategy: The transition cannot be delivered by government alone; it must bring the whole of the economy with it, engaging and supporting businesses of all sizes in the positive actions they can take. Business can also play a role, demonstrating public support for government climate and nature action through sharing stories of where they are leading the transition and delivering positive outcomes for communities and the UK economy.

Provide targeted support for SMEs: Government must promote the business case for SME climate action, continue to support the UK Business Climate Hub to provide guidance and advice to SMEs, and facilitate SMEs' access to appropriate climate-related funding.

While strong domestic policy and action will be key, the UK as a global climate leader can also set the direction for others to follow. This includes showcasing of the role of UK business in supporting implementation of climate targets. By continuing to show up and call for ambitious action at key global policy moments and negotiations, the UK has a role to influence global climate action, delivering better outcomes for people, business and economies both domestically and globally, levelling the playing field and securing future trading relationships.

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About the UK Corporate Leaders Group:

The UK Corporate Leaders Group (CLG UK) convened by the Cambridge Institute for Sustainability Leadership, provides a strong voice to support UK leadership, nationally and internationally, for the transition to a climate neutral, nature positive and socially inclusive economy. CLG UK has frequently defined the UK's business response to climate change – one of the greatest challenges of our time.

Find out more at corporateleadersgroup.com

About We Mean Business Coalition:

We Mean Business Coalition works with the world's most influential businesses to take action on climate change. The Coalition is a group of seven nonprofit organisations: BSR, CDP, Ceres, Climate Group, CLG Europe, CLG UK, The B Team and WBCSD. Together, we catalyse business and policy action to halve emissions by 2030 and accelerate an inclusive transition to a net-zero economy.

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