



THE PRINCE OF WALES'S  
CORPORATE LEADERS GROUP

Business Briefing

## **Briefing series: The UK's Nationally Determined Contribution (NDC)**

Part 3: The economic case for an  
ambitious UK NDC and  
implications for business climate  
leadership

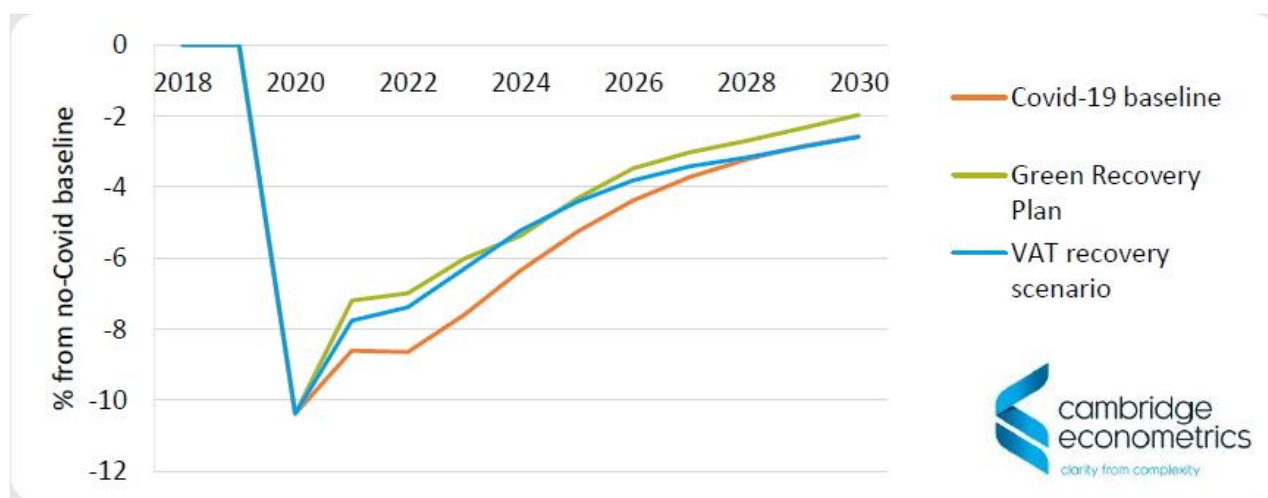
## The economic case for an ambitious UK NDC and implications for business climate leadership

This short briefing outlines the economic case for an ambitious NDC and the implications for UK business leadership and climate action

The UK Government has historically demonstrated strong climate leadership while growing the economy. The UK has the highest average decarbonisation rate of any G20 country, with an annual average reduction in carbon intensity of 3.7 per cent since 2000.<sup>1</sup> By 2018, the UK had reduced emissions by 43.5 per cent based on 1990 levels.<sup>2</sup> In this same period, the UK economy has grown by 75 per cent,<sup>3</sup> demonstrating that it is feasible to significantly reduce emissions while growing the economy.

If the UK sets a new NDC of at least 70 per cent, it will need to reduce emissions by at least 6 per cent per year over the next decade, which will require even stronger climate action.<sup>4</sup> This can be accelerated through a comprehensive, updated long-term strategy (LTS) that also supports the economic recovery from Covid-19. The UK economy has been severely affected by Covid-19 and is likely to recover slowly. However, the UK's green recovery plans are predicted to generate greater growth in gross domestic product (GDP) at a faster rate than other recovery plans (see Figure 1) while delivering 20 per cent reductions in emissions.<sup>5</sup>

Figure 1: GDP impacts in the UK (% difference from no-Covid baseline)



An LTS that supports a clean, green recovery can deliver multiple benefits to the economy:<sup>6</sup>

### Jobs for the future

- A more resilient and sustainable jobs market.
- Better social inclusion.

### Decent quality of life

- Improved air quality.
- Healthier diets and lifestyles.
- More security in the face of climate impacts.

## A resilient economy

- Increased resilience to shocks.
- Short-term returns and long-term cost savings.
- Improved productivity and competitiveness.

Setting a strong NDC and supporting LTS is seen as increasingly necessary to protect the UK's competitiveness. While the UK became the first major economy to set a legally binding net zero emissions target,<sup>7</sup> an increasing number of countries are adopting net zero targets, with recent announcements by Japan,<sup>8</sup> South Korea<sup>9</sup> and China.<sup>10</sup> Over 110 countries now have climate neutrality by 2050 targets, and it is estimated that over half of the global economy and around half of all carbon emissions are now under net zero commitments.<sup>11</sup> If the US adopts this ambition it will bring the total to two-thirds.<sup>12,13</sup>

In addition to net zero targets, these countries are developing plans and commitments in specific economic areas like electric vehicles, renewable energy and the circular economy. While there is concern the UK's net zero target may increase operational costs and change consumer demand,<sup>14</sup> analysis shows that climate targets could increase competitiveness long term through presenting opportunities for greater innovation and efficiency.<sup>15,16</sup> For all sectors, especially those that may find the transition more challenging, ensuring the UK's LTS supports a just transition will be critical to supporting businesses to remain competitive.<sup>17</sup>

### A green recovery in numbers

- **2.2 million:** by 2030, up to 2.2 million jobs will be associated with the low carbon economy in the UK, rising to up to 5 million by 2050.<sup>18</sup>
- **155,000:** by 2030, a UK green recovery plan would create 155,000 jobs in the economy. Of these, 72,500 (46 per cent) are predicted to be from a car scrappage to electric vehicle (EV) scheme and 11,000 (7 per cent) from necessary electricity grid upgrades for renewables and EVs.<sup>5,19</sup>
- **£5.3 billion:** by 2035, the cost to the UK economy in health and social care due to air pollution could rise to £5.3 billion without clear policies to reduce pollutants.<sup>20</sup>
- **£600 billion:** by 2030, the low carbon economy in the UK is predicted to be worth up to £600 billion, rising to up to £1,400 billion by 2050.<sup>5,19</sup>
- **£15 billion:** by 2030, the UK's 12 low carbon sectors that have the strongest potential for innovation could contribute nearly £15 billion through domestic economic activity and nearly £11 billion through exports; by 2050 this rises to £27 billion through domestic economic activity and £26 billion through exports.<sup>21</sup>

## The implications for business leadership and climate action

Businesses are already showing leadership by setting their own ambitious net zero targets. Just over 100 UK businesses<sup>22</sup> are part of the Race to Zero campaign (<https://racetozero.unfccc.int>), which requires non-state actors to set interim targets that reflect a fair share of halving emissions by 2030.<sup>23</sup> Alongside this, UK investors are also aligning their portfolios to the goals of the Paris Agreement.<sup>24,25</sup> UK businesses and investors would value a clear signal from the UK Government that ambition for the economy aligns with their own aims.<sup>26</sup>

To support UK business leadership and climate action, delivery against an ambitious NDC needs to be embedded in UK policy through a comprehensive, just and inclusive delivery plan supported by all parts of government. The decision to publish a comprehensive Net Zero Strategy in the lead-up to COP26<sup>3</sup> was welcomed by business groups, especially the opportunity this presents to include policies that will deliver near-term emission reduction in multiple sectors.<sup>27</sup>

While many businesses are taking the lead in setting their own net zero commitments, to achieve an ambitious 2030 target requires action across the whole of the UK economy. This is a position supported by the UK Business Secretary and COP26 President Alok Sharma, who has called on businesses and investors to act in the lead-up to COP26 by:<sup>28</sup>

- committing to 100 per cent renewable sources by 2050 at the latest, through the RE100 initiative (<https://www.there100.org>) and the Powering Past Coal Alliance<sup>29</sup>
- joining the EV100 (<https://www.theclimategroup.org/ev100>) campaign and committing to all the vehicles a company owns or operates being zero emission by 2030
- signing up to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)<sup>30</sup> to build a greener and more resilient financial system
- joining the Coalition for Climate Resilient Investment (<https://resilientinvestment.org>) to help transform infrastructure investment, by integrating climate risks into decision-making
- joining the Race to Zero coalition,<sup>31</sup> for example, through signing up to Business Ambition for 1.5°C.<sup>32</sup>

Additionally, businesses can take leadership to support the UK Government in delivering against an ambitious NDC and strong LTS by:

- **Investing in low carbon solutions that create new jobs:** Companies should prioritise investment in available solutions like the retrofitting of buildings, deployment of renewable energy or in achieving mass production and economies of scale in technologies that can decarbonise industry. This will support the creation of new jobs now while reducing the risk of climate change.
- **Using science-based approaches to align company strategy with climate goals:** Companies can help advance the UK's wider goals by setting science-based targets consistent with limiting global average temperature increase to 1.5°C and reaching net zero emissions by no later than 2050. Understanding and integrating science into decision-making is the best way to protect against future shocks.
- **Integrating risk into company disclosure to increase future business resilience:** Consistently screening for risk in company investments and strategy will ensure future investment decisions mitigate climate change, avoid stranded assets and prevent future risks. This should be undertaken in line with the recommendations of the TCFD.

### Business support for an ambitious UK NDC

UK businesses would value a clear signal from the UK Government that ambition for the economy aligns with their own aims, as follows:

- **Colin Matthews, Non-Executive Chairman, EDF in the UK:** *"The energy sector can support decarbonisation while delivering the jobs the country needs, but we need a national plan.*

*Hinkley Point C will provide low carbon electricity to millions of homes for decades and has already created thousands of jobs. An ambitious UK NDC, part of a long-term strategy for reducing emissions, would deliver new investment into renewable and nuclear energy projects, including Sizewell C, enabling the UK to achieve Net Zero by 2050.”*

- **Richard Speak, Co-Founder, Environmental Finance:** *“We are running out of time to restore our planet and protect our climate for future generations and this is becoming increasingly important for the citizens of the world. Domestically we must be ambitious and see this as an opportunity for the UK to lead a global movement to invest in the technologies and nature based solutions that will prevent the collapse of our natural systems. An ambitious net zero target will be a catalyst for seismic shift of investment from destructive activities into regenerative ones, and enable the green economy, accelerate green finance, and deliver the sustainable economic growth the people of the UK are now demanding.”*
- **Stephen Rouatt, CEO, Signify UK&I:** *“I want to express my support for the public letter being sent by business groups to the Prime Minister on 3rd November, on setting an ambitious UK 2030 NDC in line with the net zero target. I believe that setting an ambitious goal is key to delivering a positive impact.”*
- **Jason Tarry, CEO, UK & Republic of Ireland, Tesco:** *“Our supply chain and long-term business sustainability depend on the health of the natural environment. Our customers and colleagues expect Tesco to play its part in caring for the planet, including meeting our net zero climate ambitions. We support efforts to set an ambitious NDC, because having a clear pathway of action is key to Britain leading the fight against climate change.”*
- **Charles Malissard, Head of Media & Public Affairs, WSP:** *“An ambitious UK NDC will act as a catalyst to the international community and the private sector up and down the country that the road to net zero is well and truly underway and that the UK Government is committed to this agenda – no ifs, no buts.”*
- **Liz Barber, Chief Executive, Yorkshire Water:** *“The stable climate is critical to affordable water supplies and flood resilience. We would welcome a strong national policy framework to enable, support and rapidly escalate bold carbon reduction across all sectors of the economy. Yorkshire Water is striving to lead by example, reducing our operational emissions by 80% over the last ten years and now working with the whole English water sector towards net zero operational emissions by 2030.”*

## The University of Cambridge Institute for Sustainability Leadership

The University of Cambridge Institute for Sustainability Leadership (CISL) is a globally influential Institute developing leadership and solutions for a sustainable economy. We believe the economy can be 'rewired', through focused collaboration between business, government and finance institutions, to deliver positive outcomes for people and environment. For over three decades we have built the leadership capacity and capabilities of individuals and organisations, and created industry-leading collaborations, to catalyse change and accelerate the path to a sustainable economy. Our interdisciplinary research engagement builds the evidence base for practical action.

## Authors and acknowledgements

This briefing was authored by Beverley Cornaby, Senior Programme Manager, CISL, with input from Eliot Whittington, Director of Policy, CISL and Director of The Prince of Wales's Corporate Leaders Group.

## Citing this report

University of Cambridge Institute for Sustainability Leadership (CISL). (2020). *Business briefing: The UK's Nationally Determined Contribution (NDC). Part 3: The economic case for an ambitious UK NDC and implications for business climate leadership*. Cambridge, UK: The Prince of Wales's Corporate Leaders Group.

---

## References

- <sup>1</sup> PwC. (2019). *The Low Carbon Economy Index 2019*. Retrieved from: <https://www.pwc.co.uk/services/sustainability-climate-change/insights/low-carbon-economy-index.html>
- <sup>2</sup> Department for Business, Energy & Industrial Strategy. (2019). *2018 UK greenhouse gas emissions, provisional figures. Statistical Release: National Statistics*. Retrieved from: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/790626/2018-provisional-emissions-statistics-report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/790626/2018-provisional-emissions-statistics-report.pdf)
- <sup>3</sup> Department for Business, Energy & Industrial Strategy. (2020). *Corporate report: Committee on Climate Change's 2020 progress report: government response*. GOV.UK. Retrieved from: <https://www.gov.uk/government/publications/committee-on-climate-changes-2020-progress-report-government-response>
- <sup>4</sup> University of Cambridge Institute for Sustainability Leadership (CISL). (2020). *Business briefing: The UK's Nationally Determined Contribution (NDC). Part 2: How an ambitious NDC can build a thriving resilient, net zero UK economy*. Cambridge, UK: The Prince of Wales's Corporate Leaders Group. Retrieved from: <https://www.corporateleadersgroup.com/reports-evidence-and-insights/publications/publications-pdfs/clg-business-briefing-uk-ndc-part-2-121120-updated.pdf>
- <sup>5</sup> University of Cambridge Institute for Sustainability Leadership (CISL). (2020). *Maximising the benefits: Economic, employment and emissions impacts of a Green Recovery Plan in Europe. Technical Report*. Cambridge, UK: CLG Europe. Retrieved from: <https://www.corporateleadersgroup.com/reports-evidence-and-insights/publications/publications-pdfs/uk-maximising-the-benefits.pdf>
- <sup>6</sup> The Prince of Wales's Corporate Leaders Group. (2020). *Building back a strong net zero UK economy. What a clean, green recovery for the UK can deliver*. Retrieved from: <https://www.corporateleadersgroup.com/corporate-leaders-group-uk/building-back-a-strong-net-zero-uk-economy/building-back-1>
- <sup>7</sup> Department for Business, Energy & Industrial Strategy, & The Rt Hon Chris Skidmore MP. (2019). *UK becomes first major economy to pass net zero emissions law*. GOV.UK. Retrieved from: <https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law>



- <sup>8</sup> Climate Action Tracker. (2020). *Japan's net-zero by 2050 announcement a step forward, but 2030 target revision now crucial*. Retrieved from: <https://climateactiontracker.org/press/japans-net-zero-2050-announcement-step-forward-2030-target-revision-now-crucial/>
- <sup>9</sup> Financial Times. (2020). *South Korea follows Japan and China in carbon neutral pledge*. Retrieved from: <https://www.ft.com/content/185e5043-fd72-4fef-a05c-f2a5001c7f4b>
- <sup>10</sup> Climate Action Tracker. (2020). *China going carbon neutral before 2060 would lower warming projections by around 0.2 to 0.3 degrees C*. Retrieved from: <https://climateactiontracker.org/press/china-carbon-neutral-before-2060-would-lower-warming-projections-by-around-2-to-3-tenths-of-a-degree/>
- <sup>11</sup> United Nations. (2020, November 12). *Net-zero emissions must be met by 2050 or COVID-19 impact on global economies will pale beside climate crisis, Secretary-General tells Finance Summit* [Press release]. Retrieved from: <https://www.un.org/press/en/2020/sgsm20411.doc.htm>
- <sup>12</sup> Edie. (2020). *The Net-Zero election: Will the US continue to swim against the tide on climate change?* Retrieved from: <https://www.edie.net/news/11/The-Net-Zero-election--Will-the-US-continue-to-swim-against-the-tide-on-climate-change-/>
- <sup>13</sup> Simon Evans [@DrSimEvans]. (2020, October 29). *The climate stakes in the US election, in one chart*: [Image attached] [Tweet]. Twitter. Retrieved from: <https://twitter.com/DrSimEvans/status/1321769016403382278>
- <sup>14</sup> Department for Business, Energy & Industrial Strategy. (2020). *UK Business Competitiveness and the Role of Carbon Pricing*. Retrieved from: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/911247/UK\\_Business\\_Competitiveness\\_and\\_the\\_Role\\_of\\_Carbon\\_Pricing\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/911247/UK_Business_Competitiveness_and_the_Role_of_Carbon_Pricing_report.pdf)
- <sup>15</sup> Economic & Social Research Council. (2016). *Evidence briefing: the impact of climate change policy on competitiveness*. Retrieved from: <https://esrc.ukri.org/files/news-events-and-publications/evidence-briefings/the-impact-of-climate-change-policy-on-competitiveness/>
- <sup>16</sup> Bassi, S., & Duffy, C. (2016). *UK climate change policy: how does it affect competitiveness?* Retrieved from: <https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2016/05/Bassi-and-Duffy-policy-brief-May-2016.pdf>
- <sup>17</sup> Beebee, T., Smith, L., & Amouruso, B. (2020). *A Just Transition to Net Zero*. Retrieved from: <https://www.makeuk.org/news-and-events/news/uks-top-five-business-groups-call-for-just-transition-to-net-zero-by-2050>
- <sup>18</sup> Ricardo Energy & Environment for the Committee on Climate Change. (2017). *UK business opportunities of moving to a low carbon economy: FINAL REPORT*. Retrieved from: <https://www.theccc.org.uk/wp-content/uploads/2017/03/ED10039-CCC-UK-Bus-Opportunities-Draft-Final-Report-V7.pdf>
- <sup>19</sup> Pollitt, H. (2020). *Assessment of green recovery plans after COVID-19*. Cambridge Econometrics. Retrieved from: <https://www.wemeanbusinesscoalition.org/wp-content/uploads/2020/10/Green-Recovery-Assessment-v2.pdf>
- <sup>20</sup> Public Health England. (2018). *Estimation of costs to the NHS and social care due to the health impacts of air pollution: summary report*. Retrieved from: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/708855/Estimation\\_of\\_costs\\_to\\_the\\_NHS\\_and\\_social\\_care\\_due\\_to\\_the\\_health\\_impacts\\_of\\_air\\_pollution\\_-\\_summary\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/708855/Estimation_of_costs_to_the_NHS_and_social_care_due_to_the_health_impacts_of_air_pollution_-_summary_report.pdf)
- <sup>21</sup> Department for Business, Energy & Industrial Strategy. (2019). *Energy Innovation Needs Assessment*. Retrieved from: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/845652/energy-innovation-needs-assessment-overview-report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/845652/energy-innovation-needs-assessment-overview-report.pdf)
- <sup>22</sup> Data sourced directly from the High Level Champions Team
- <sup>23</sup> Race to Zero. (2020). *Defining the "Starting Line"*. Retrieved from: <https://unfccc.int/sites/default/files/resource/Minimum-criteria-for-participation-in-RTZ.pdf>
- <sup>24</sup> UNEP Finance Initiative. (2020). *Institutional investors transitioning their portfolios to net zero GHG emissions by 2050*. Retrieved from: <https://www.unepfi.org/net-zero-alliance>
- <sup>25</sup> UNEP Finance Initiative. (2020). *Alliance members*. Retrieved from: <https://www.unepfi.org/net-zero-alliance/alliance-members>
- <sup>26</sup> Corporate Leaders Groups. (2020). *Business groups call on UK Prime Minister to deliver strong Paris Agreement pledge and urge business to join the campaign*. Retrieved from: <https://www.corporateleadersgroup.com/reports-evidence-and-insights/news-items/business-groups-call-on-uk-prime-minister>

---

<sup>27</sup> Corporate Leaders Groups. (2020). *Business support for setting an ambitious UK 2030 NDC in line with the net zero target*. Retrieved from: <https://www.corporateleadersgroup.com/reports-evidence-and-insights/pdfs/uk-ndc-letter-november-2020.pdf>

<sup>28</sup> Department for Environment, Food and Rural Affairs, Department for Business, Energy & Industrial Strategy, & The Rt Hon Alok Sharma MP. (2020). *COP26 President Alok Sharma at COP26 Business Leaders Event*. GOV.UK. Retrieved from: <https://www.gov.uk/government/speeches/cop26-president-alok-sharma-at-cop26-business-leaders-event>

<sup>29</sup> Powering Past Coal Alliance. (2020). *Blueprint to Transition – trailer*. Retrieved from: <https://poweringpastcoal.org/>

<sup>30</sup> Task Force on Climate-related Financial Disclosures. (2020). *Climate change presents financial risk to the global economy*. Retrieved from: <https://www.fsb-tcfd.org/>

<sup>31</sup> United Nations Climate Change. (2020). *Race To Zero Campaign*. Retrieved from: <https://unfccc.int/climate-action/race-to-zero-campaign>

<sup>32</sup> Science Based Targets. (2020). *Business Ambition for 1.5°C*. Retrieved from: <https://sciencebasedtargets.org/business-ambition-for-1-5c/>