

UKSIF response: UK's Net-Zero Review

October 2022

About UKSIF

The UK Sustainable Investment and Finance Association (UKSIF) is the UK's leading membership organisation for sustainable finance, committed to promoting a financial system that works for the benefit of the environment, society, and us all.

UKSIF represents a diverse range of financial services firms committed to these aims, and our nearly 300 members, representing over £19trn of global assets under management (AUM), include investment managers, pension funds, banks, financial advisers, ESG data and research providers, NGOs, among others.

UKSIF and our members have played a prominent role to embed sustainability in the UK's policymaking and regulatory framework over recent years, and find ways to overcome barriers to the growth of sustainability in the UK. For example, UKSIF is a representative of the UK's Green Technical Advisory Group (GTAG) advising on the delivery of the UK's 'green taxonomy', and we are working to ensure the taxonomy can set the highest standard possible for green investment for the rest of the world to follow. For more information, visit www.uksif.org.

Introduction

The UK Sustainable Investment and Finance Association (UKSIF) is the UK's leading membership organisation for sustainable finance, committed to promoting a financial system that works for the benefit of the environment, society, and us all. We are very pleased to respond to the UK's net-zero review, and welcome the opportunity to reiterate the views of our members on the enormous economic benefits that delivery on net-zero will bring to consumers and businesses across the whole country.

Prior to the publication of the net-zero review, UKSIF published an open letter to the former UK Prime Minister alongside institutional investor focused organisations – the Institutional Investors Group on Climate Change (IIGCC) and Principles for Responsible Investment (PRI) – urging government to uphold the UK's net-zero ambitions. With support also from the CEOs of eight leading financial institutions, our letter highlighted how continued net-zero ambition, including short-term delivery and implementation, can support the government's pro-growth and inflation-reducing agenda while promoting the UK's energy security.¹

UKSIF's response to this important review reflects many of the key messages from the UK's investment community outlined in our recent letter to the former Prime Minister, as well as from our thought leadership report published in May – *Delivering a net-zero financial centre*.² **We would urge the review team and policymakers to make the stronger public case highlighting the enormous short and long-term economic benefits of the transition, and crucially to help then ensure that these can be realised.**

1. How does net zero enable us to meet our economic growth target of 2.5% a year?

UKSIF and our members strongly believe that upholding the UK's net-zero commitment, and accelerating near-term delivery against this objective, can drive forward the UK's growth and help positively transform the economy.

As the UK's economy transitions in the coming years, our members see considerable potential for growth opportunities across the country, particularly should private investment be unlocked in new markets and green technologies, such as clean energy sectors and climate solutions. More specifically, **we know that thousands of new good jobs could be created according to various studies and research.** For example, Oxford Economics has recently estimated the UK's transition could attract £10 billion per year of investment into the UK and create 600,000 new green, decent jobs by 2030.

Separately, **the International Monetary Fund (IMF) has highlighted the positive stimulating effects that green investments can have on global GDP and employment.** For example, its envisaged, illustrative package of green supply policies is estimated to lead to annual global output rising by around 2% compared to a baseline average over 2021-2030, with 30 million additional people employed over this period globally.³ In a similar vein, the Oxford Smith School has pointed to strong evidence that green fiscal stimulus packages will deliver greater and more sizeable economic advantages in comparison to traditional fiscal packages from countries, in part due to the very high

¹UKSIF, IIGCC and PRI [open letter](#) to the UK Prime Minister, CEOs of leading investor groups call on new government to uphold net zero ambition, September 2022.

²In May this year, UKSIF published our '[Delivering a net-zero financial centre: Recommendations from UKSIF's 'net-zero inquiry](#),' outlining a roadmap for how the UK can become the 'world's first net-zero financial centre'.

³International Monetary Fund, [Reaching Net Zero Emissions](#), June 2021.

numbers of jobs created by green projects, such as renewable energy infrastructure projects, and long-term cost savings.⁴

In the IMF's joint analysis with the International Energy Agency (IEA) last year, they together estimate that the total annual clean energy investment will increase to such an extent by 2030 that global GDP growth will be boosted by an additional 0.4% each year. This analysis highlights that with private and public spending rising in this area, millions of jobs in clean energy and infrastructure and related industries will be created, with global GDP 4% higher in 2030 than it would be based on present trends. Similarly, the IEA's net-zero by 2050 pathway envisages 14 million jobs created by 2030 as the world transitions, due to the investments in clean energy solutions.⁵

In terms of global export opportunities for the UK, it has been estimated that UK financial services firms providing low-carbon financial services could generate export opportunities of up to £7.5bn per year in 2030, rising to £17bn per year by 2050.⁶ Finally, **recent research from one of our members FTSE Russell has shown the global green economy has recorded a compound annual growth rate of around 14% over the last 12 years**, increasing its market capitalisation from \$2trn in 2009 to more than \$7trn in 2021. If this were viewed as an industry, this would be the fifth-largest sector by market capitalisation, demonstrating the substantial economic opportunities afforded by the world's shift towards a more sustainable future.⁷

The economic case for net-zero delivery in the UK, and globally, is very clear from the view of investors and businesses broadly, particularly with over 90% of global GDP now covered by some form of net-zero target. It is why UKSIF, alongside IIGCC and PRI, recently wrote an open letter urging government to uphold the UK's net-zero ambition. With support also from the CEOs of eight leading financial institutions, our letter argued that tackling the climate crisis and avoiding the worst of its impacts would be in the UK's national and economic interest. The CEOs call for a clear policy vision with near-term actions and milestones so that investors can deliver investment at scale and the shift in capital allocation required to make net-zero a reality. Making the case for implementing net-zero policies today, the CEOs state the solutions required to address the ongoing energy security and cost of living crises are the same as those needed to achieve the UK's longer-term climate objectives. As a priority, they call for policies to deliver on energy efficiency, power sector decarbonisation and renewables integration.

The investment community wants to see much greater recognition from the incoming government that net-zero can turbocharge economic growth, support the UK's competitiveness as a financial centre, while also significantly promoting the country's energy security needs. **We recommend that the Review highlight in its final report the enormous short and long-term economic benefits of the UK's transition, and to make the clear, positive case for these benefits to be realised in the coming years.**

2. What challenges and obstacles have you identified to decarbonisation?

One of the most serious barriers our members have identified in regards to decarbonisation of the UK economy has been the continued lack of a clear policy landscape in the UK – for both the real economy and financial services. Critically, investors stand ready to help provide the capital necessary for the transition and to bolster the UK's energy security, but first require a clear and supportive policy environment.


In instances **when government's real-economy policies and signals have been consistent and communicated clearly upfront, we have seen a positive impact with capital flowing into the**

⁴Oxford Smith School of Enterprise and the Environment, [A net-zero emissions economic recovery from COVID-19](#), May 2020.

⁵International Energy Agency, [Net Zero by 2050: A Roadmap for the Global Energy Sector](#), May 2021.

⁶Social Market Foundation, [Financial services and net zero: Seizing the opportunity](#), May 2022.

⁷FTSE Russell, [Investing in the green economy](#), May 2022.



wider economy. A recent example we have seen is in regards to electric vehicles, which have seen considerable investment globally in light of a number of countries' (including the UK's) planned phase-outs of internal combustion engine (ICE) vehicles. Another example is the United States' Inflation Reduction Act (IRA), which has provided greater certainty for investors through its provision of long-term clean energy tax credits and grants for wind, solar, carbon capture, electric vehicles, and other clean technologies.

By contrast when real-economy policies and incentives are shifting and unpredictable, this damages investors' ability to invest in the economy for the long-term. One example often cited by our members has been the previous short-lived 'Green Homes Grant' to promote energy efficiency, which has sparked concerns from our members as to whether the political support needed to decarbonise individual sectors will be consistent in the long term.

Our recent letter to government alongside IIGCC, PRI and a number of financial institutions, emphasises each of these messages, calling on government to set out a clear delivery plan for the transition of the real economy and financial services, specifically with credible sectoral roadmaps underpinned by the near-term policies, actions and milestones needed to shift financial flows towards net-zero.

A focused 'sectoral approach' should be adopted that brings together government, regulators, investors, and others to consider the following areas: a long-term financing framework to lower the cost of capital; a cross-party based policy framework to tackle the risks of future changes to regulation; facilitating a strong and investible pipeline of projects including through effective project preparation; binding decarbonisation pathways, among other areas. This would mobilise higher levels of private investment while driving forward their decarbonisation at a faster pace. A sector-specific approach could build on the huge success of the UK's successful 'offshore wind sector deal', and could be applied to sectors from heat and buildings to food and agriculture, and other areas where private finance has been held back due to insufficient clarity.

In terms of financing frameworks specifically, **our members still remain unsure over how the UK's transition will be financed, including the investment needs for many sectors that will be required to achieve decarbonisation.** A key missing piece from the UK's 'Net-Zero Strategy' last year was how the substantial public and private investment required to reach our emissions targets will be met in practice.

This is why **UKSIF, alongside 30+ financial institutions, businesses, and others have lent support to a recent private letter to the Chancellor, co-ordinated by the climate change think-tank E3G, which recommends a 'Net-Zero Investment Plan' to be published by Treasury and BEIS** alongside the upcoming 'Green Finance Strategy.' As part of this Plan, the letter proposes that the UK commit to publicly track the identified investment needs for sectors to achieve decarbonisation. This function would be carried out by an independent body, such as the Office for Budget Responsibility (OBR). This will be important to help deliver the 'UK's Net-Zero Strategy' in practice, providing clarity for our members seeking to direct capital in the economy, and in time address the over-reliance on private finance (versus public funding) in delivering the additional investment for sectors.

The continued lack of clarity on the financing of the transition, and policy clarity, has meant **we have seen limited net-zero aligned investment opportunities available for our members** in the economy for our members, stalling the UK's ability to fund clean growth. Our members stand ready to provide finance for new projects and technologies in order to generate sustainable, long-term returns from their clients and savers, but the pipeline of investible projects that can meet these objectives remains lacking.

Government's actions to mobilise private finance at the pace and scale required has not succeeded in many respects, and the UK's own 'Net-Zero Strategy' highlights the enormous challenges here. It notes that additional capital investment in key sectors must grow from £10-15bn to £50-60bn per year through the late 2020s and 2030s to support the UK's net-zero target, while the Climate Change Committee has also long highlighted these funding gaps.

Finally, **another main barrier preventing efforts to decarbonise the UK economy has been the quality and availability of climate and sustainability-related data for the finance sector and investors.** Today, corporate data is still not sufficiently robust and decision-useful to meaningfully inform investors' investment decisions and accurately price assets in markets. For example, research from one of our members, FTSE Russell, shows that of the 4,000 large and mid-size constituents in the FTSE All World index, only 58% disclose both their Scope 1 and 2 carbon emissions. It indicates that many companies are still over relying on inaccurate data estimates, and finds that there is a material disclosure gap, and considerable variation in reporting on sustainability issues according to company size, region, and sector.⁸

That is why policymakers, both here at home and globally, need to continue to strengthen corporate disclosures and this includes among both listed and unlisted companies. The work of the International Sustainability Standards Board (ISSB) on global sustainability reporting standards will be crucial in this respect, and the UK should seek to accelerate its work and ensure as high a possible 'minimum baseline' is set.

3. What opportunities are there for new/amended measures to stimulate or facilitate the transition to net zero in a way that is pro-growth and/or pro-business?

Following on from our points in the previous section on the importance of good corporate disclosures, we believe that **new measures to improve disclosures from companies could bring considerable economic benefits by helping to attract investment from abroad.**

This is because we know that investors are increasingly seeking to allocate their capital to those companies that have good disclosures in place, including in regards to their carbon emissions and plans to transition over time. More robust corporate disclosures, and the swift introduction of planned disclosure and transparency frameworks in the UK, such as the 'green taxonomy' and climate transition plans, could play an important role in helping drive investment towards the UK.⁹ Stronger disclosures would better inform investors' capital allocation in the economy, while improvements in data quality and availability would also assist them in meeting upcoming regulatory requirements, such as the taxonomy, in addition to requirements in jurisdictions abroad. This could help ultimately bring down costs for many investors.

Another opportunity that our members see for new measures to be implemented by government to facilitate a 'pro-growth' net-zero approach is in relation to energy efficiency and home insulation measures.

UKSIF's members strongly support the increasing calls from a wide range of organisations, including leading business organisations such as the Confederation of British Industry (CBI) and the Climate Change Committee, for a comprehensive package of energy efficiency measures. This would alleviate the inter-linked energy security, cost-of-living and climate change crises, while stimulating

⁸FTSE Russell, [Mind the gaps: Clarifying corporate carbon](#), May 2022.

⁹In regards to transition plans, this data for investors is especially important in light of continued reluctance from many companies to publish low-carbon transition plans. According to a report published by CDP, one-third of companies that disclosed through CDP last year have these plans in place, with only 1% reporting against key indicators associated with a credible plan. CDP, [Are companies being transparent in their transition?](#), March 2022.

economic growth with households and businesses across the country benefitting from the permanent reduction in their energy costs.

Growth would also be promoted due to the need to build up, over time, the necessary supporting supply chains and train thousands of individuals whose skills will be required to carry out a comprehensive energy efficiency programme. This includes highly-skilled individuals who can be employed as home retrofit installers and engineers.

An energy efficiency package should be announced by government at the earliest available opportunity. We believe government should act now to avoid an exact repeat scenario of record energy bills for consumers next winter. As part of the new package, we want to see a fresh commitment from government that brings forward the UK's existing energy efficiency targets for homes, including the targets to have fuel poor homes upgraded to Energy Performance Certificate (EPC) Band C by 2030, and for all homes by 2035. This would represent a massive step forward given that energy usage in homes accounts for more than 14% of the UK's total greenhouse gas emissions.

Following this commitment, concrete steps need to be set out to achieve this and these could include: further financial incentives for homeowners to make energy efficiency improvements; a national education campaign involving banks to support government in delivering messages on energy usage; and a clearer decarbonisation roadmap for the UK's housing stock.

Another opportunity for the UK to promote a 'pro-growth' approach to the transition could be realised through active consideration of carbon pricing measures in the economy. With two-thirds of emissions currently unpriced in the economy, many goods and services fail to reflect the true costs of their emissions, and there are a lack of incentives for companies to develop lower-emissions alternatives. We would therefore like to see the UK's Emissions Trading System (ETS) expanded to cover more of the economy, including agriculture, a broader range of manufacturers, heating and transport.

In the longer term, the UK should adopt a comprehensive carbon pricing system to effectively price emissions across the economy. This will need to be designed in a way that does not penalise low-income households and SMEs, particularly vital in light of the ongoing cost of living crisis. A price on carbon, by targeting various economics sectors simultaneously, provides valuable incentives for decarbonisation and allows companies themselves to decide those areas in which reductions to emissions would be cheapest. This could lead to considerable costs savings in comparison to regulation from policymakers.

Ultimately, carbon pricing measures in the UK will be most effective should close collaboration take place between countries and international forums, and the UK should seek to raise ambition on carbon pricing at the global level. This includes encouraging countries to expand coverage of their existing mechanisms and provide predictable, long-term price signals that can give investors greater certainty. Broadly speaking, **carbon pricing is a cost-effective policy solution to incentivise the decarbonisation of the economy and promote growth in the long run.** Alongside a price on carbon, **the UK should also continue to consult on the introduction of a 'carbon border adjustment mechanism'**, which would help level the playing field between UK and non-UK companies, reducing the risks of carbon leakage, and encourage other jurisdictions to introduce their own carbon pricing systems.¹⁰

¹⁰Net-Zero Asset Owner Alliance, '[Position paper on Government Carbon Pricing](#)', June 2022.

Finally, **we would once again reiterate importance of a clear policy landscape for the real economy and financial services**, with policy implementation following this, to facilitate a pro-growth approach to net-zero in the UK.

4. What more could government do to support businesses, consumers and other actors to decarbonise?

In regards to better support the UK's consumers, **government, regulators and the financial sector should continue to promote better public understanding and awareness of 'green' financial products and investments**, which will help individuals minimise their overall impacts on the environment.

This means ensuring that consumers have a far better understanding of what constitutes a 'green' investment, and are more able to confidently engage with their investment decisions. Finance needs to play a more prominent role in boosting clients' and savers' understanding, and drive positive behavioural changes, taking steps to proactively engage with savers including in regards to their preferences on sustainability.

This has become increasingly important in light of the **rising demand we see from our members' clients and savers for sustainable and environmentally-focused financial products and funds**. For example, recent research from Scottish Widows indicated that 'green pensions' are a very attractive proposition for UK jobseekers, with 82% citing green workplace policies as an incentive to join an organisation. For current UK employees, it noted that 72% of employees place importance on their employer investing their pension sustainably. We expect this trend to become even more prevalent over the coming years as consumers seek to make a positive difference on the environment and society at large with their investments and pensions.¹¹

Public education also needs to be more of a priority – including more rigorously combatting the misconception that savers need to always accept lower returns when making investments that align with their environmental principles. Carefully explaining to consumers the multi-faceted nature of sustainability is vital too, for example a sustainable fund may not necessarily focus on climate change alone, but may also consider other environmental issues such as biodiversity. Carefully listening to savers' perspectives on ESG issues is another step policymakers and our sector can take. We should not assume all groups have a very limited understanding of sustainability issues, or do not wish to make a positive impact with their investments.

Broadly speaking, **the UK's financial services industry and policymakers need to give much greater priority to boosting clients and savers' understanding of their sustainable investment choices** and seek to drive positive behavioural changes, as we know savers are increasingly keen for the financial sector to address the serious risks posed by climate change to their investments, and for their values to be better reflected. Financial services can take further steps to offer funds and products that can effectively cater to savers' shifting attitudes, and make this group more aware of the positive difference that greater engagement with their pensions and investments can make in tackling climate change compared with other steps, such as changing energy suppliers or making personal lifestyle choices.

Far greater clarity over common definitions for sustainable and 'green' investments in the UK will be critical to support consumers too, and this is why we continue to make the case for government to progress at pace various sustainable finance regulatory initiatives addressing these issues. This includes the UK's 'Sustainability Disclosure Requirements' (SDR) framework and labels system and 'green taxonomy'. An effective and world-leading sustainable finance regulatory

¹¹Scottish Widows, [2022 Green Pensions Report](#), October 2022. The report also showed eight out of ten employees (83%) view climate change as an important issue, while more than a third (34%) believe it is the most critical issue affecting society today.

framework will not only help UK consumers, but also support investors and businesses across the economy in their decarbonisation journey.

In regards to the SDR framework, this will be invaluable for investors in promoting the streamlined flow of sustainability-related disclosures across the economy, helping our members more accurately price assets in markets on behalf of clients. By bringing together sustainability disclosures under a single coherent framework, it can help minimise the regulatory burden and address the continued lack of decision-useful data across sustainability issues, better informing corporates and investors' capital allocation decisions in the economy.

We would like to see SDR 'fast-tracked' in UK legislation in the current session of Parliament, alongside clear signals from government on its implementation across the economy in the coming years. This includes clarification that UK corporates (starting with the largest listed and private companies) will be subject to SDR ahead of investors and funds. This would avoid the serious sequencing issues with the EU's Sustainable Finance Disclosure Regulation (SFDR) that has caused uncertainty for the market.

On the UK's 'green taxonomy', investors have long supported the development of a 'green taxonomy' to provide the certainty they need to assess the sustainability of their portfolios, and clearly define economic activities that can support the UK's net-zero objective. The EU is ahead in its implementation of the taxonomy, with its climate mitigation and climate adaptation requirements coming into force from the start of this year, and the UK must not fall further behind in delivering its taxonomy.

As a priority, Treasury must publish, as soon as possible, its long-awaited consultation paper on the taxonomy in order to give clarity on its future direction. The sooner clarity is provided, the more quickly that UK-based investors and businesses can begin preparations for reporting against the taxonomy and planning for any divergence that may take place with the EU's taxonomy. Greater clarity would crucially mitigate 'greenwashing' risks for investors and consumers, and provide more certainty over how, and where, investors are channelling their capital in the economy, helping to unlock funding in capital markets.

In the upcoming consultation, we would like to see a commitment to excluding natural gas activities from the taxonomy. In June this year, we wrote an open letter to government alongside institutional investor focused organisations-IIGCC and PRI-voicing concerns on gas's inclusion, which would undermine the credibility of the UK's taxonomy for sustainable investors.¹² **Above all, the UK must proceed with delivering a science-based taxonomy**, and we are pleased to have contributed to the Green Technical Advisory Group's recent publication of its initial advice to government on the taxonomy.¹³ We hope that the group's advice can provide the necessary momentum to drive the UK forward in implementing the taxonomy.

A final vital component of the UK's future sustainable finance regulatory framework is climate transition plans. **We want to see the vital work of the recently launched Transition Plan Taskforce (TPT) to create a 'gold-standard' climate transition plan to continue at pace.** Transition plans will play a vital part in ensuring delivery of companies' stated ambitions to reach net-zero, and assist investors to scrutinise companies' progress on this journey. Crucially, they will offer further clarity for investors investing in those 'transitioning' sectors, such as cement and steel, that will require private finance in the coming years to transition and remain economically viable.

¹²From our engagement with our members, we see little evidence that natural gas's exclusion from the taxonomy would immediately deprive gas related activities from funding in the capital markets. Its exclusion would instead bolster the UK taxonomy's global credibility and present a significant advantage for the UK over the EU's taxonomy by being 'science-based'. UKSIF, IIGCC, PRI, [Open letter to government: future of UK's 'green taxonomy'](#), May 2022.

¹³Green Technical Advisory Group, [GTAG: Advice on the development of a UK Green Taxonomy](#), October 2022.

Finally in terms of support for other actors, local authorities will be an important partner as the UK economy shifts towards a decarbonised future. Though our response to the review focuses on government, regulators', and investors' actions to drive forward the UK's transition, some components of the transition will need greater involvement from local authorities; for example in regards to the installation of electric vehicle charging infrastructure. Local councils will need sufficient funding from government to be able to carry out and deliver local projects, such as EV infrastructure, in partnership with investors and we would like to see the incoming government provide this enhanced support for local government and recommit more broadly to the 'levelling-up' agenda.

5. Where and in what areas of policy focus could net zero be achieved in a more economically efficient manner?

Broadly speaking, we see considerable evidence that should the UK move earlier, and act more quickly ahead of 2050, in transitioning the economy towards net-zero, this will lead to large cost efficiencies and savings for businesses and other groups.

The longer that action is delayed by government, the more costly the transition will be for households, businesses and us all and we expect to see these costs to materialise very quickly. At present, the total costs of climate change related damages to the UK are currently projected to increase from 1.1% of GDP to 3.3% by 2050 and 7.4% by 2100.

These costs could increase significantly further we believe should delivery on net-zero be delayed further or postponed. A study from the Bennett Institute for Public Policy, University of Cambridge has predicted that 63 countries could suffer climate-induced rating downgrades due to climate-related impacts as early as 2030. This was the first climate smart sovereign rating simulation conducted, which concluded that climate and weather-related impacts could lead to "material and widespread costs to business".¹⁴ The simulation showed that the most affected nations would include Chile, China, Slovakia, Malaysia, Mexico, India, Peru and Canada, and that virtually all countries, whether rich or poor, hot or cold, would suffer ratings downgrades if the current trajectory of carbon emissions was maintained. The recent 'Hurricane Ian' we saw in Florida in the United States reminds us of the huge potential financial impacts of climate-related events, which may cost private U.S insurers around \$63 billion in claims and will represent the largest storm-related loss in Florida's history.

Should ambitious action be immediately taken in this crucial decade by government, such as rapid decarbonisation of the UK's energy sector, the savings for the economy could be enormous. This applies too at the global level. According to a new peer-reviewed study by Oxford University researchers, transitioning to a decarbonised energy system by around 2050 is anticipated to save the world at least \$12 trillion, when compared to continuing our current levels of fossil fuel use. It challenges the narrative in some quarters that the shift to clean, green technologies and energy solutions will be very costly in the long-run for countries' economies, with a fast transition to net-zero expected to be cheaper than a slow or no transition at all.¹⁵


6. How should we balance our priorities to maintaining energy security with our commitments to delivering net zero by 2050?

We very strongly believe that in the long-term, the solutions to addressing the UK's energy security are the exact same solutions that are needed to achieve the UK's 2050 objective.

Record global energy prices fuelled by Russia's invasion of Ukraine has drawn the UK's net-zero mission into even sharper focus, and policy solutions can be put forward by government that effectively address the impacts presented by these twin challenges.

¹⁴Bennett Institute for Public Policy, [Rising Temperatures, Melting Ratings](#), March 2021.

¹⁵[Empirically grounded technology forecasts and the energy transition](#), Joule (Oxford University peer-reviewed), September 2022.



As previously highlighted in our response, swift delivery on energy efficiency measures for households and businesses is one example and this would help build on recent relief measures announced by government, such as the 'Energy Price Guarantee.'

Separately to this, in our recent letter to the former Prime Minister alongside IIGCC and PRI, we call for consideration of other longer-term measures and thinking to pave the way towards a more affordable and resilient energy system. This includes continued decarbonisation at pace of the power sector and integration of renewables into the UK's energy mix. Our letter highlights that **ramping up efforts to increase the share of renewables in the energy system will contribute to long-term climate ambitions, but also will boost energy security**; for example, the new record-low price for UK offshore wind is currently nine times cheaper than new gas plants.¹⁶ Separately to this, we see mounting evidence showing that with advancements in wind and solar technologies, these energy sources are now cheaper to use in around 90% of markets compared to fossil fuels.

Greater reliability of renewable energy sources is another consideration, in comparison to reliance on fossil fuel energy imports from jurisdictions with current and potential serious geo-political risks.¹⁷ National Grid has announced it would be ready for periods of 100% renewable energy by 2025, arguably addressing some concerns over possible intermittency. Reducing reliance on fossil fuels will also help minimise risks for investors of 'stranded assets.'¹⁸ For example, the IEA has previously warned to investors that around \$300bn in fossil fuel assets could be left stranded by tougher climate policies from governments by 2035.

We know that clean energy technologies and solutions are far more cost-competitive now than they have been in the past, and this should be a key driver in promoting the UK's transition. A more rapid scaling up of clean energy solutions is needed today both to bolster the UK's energy security and drive forward net-zero delivery.

¹⁶A recent UK government auction to secure 11 gigawatts of new renewable energy capacity through offshore wind will generate electricity nine times more cheaply than current gas-fired power stations, [Carbon Brief](#), July 2022.

¹⁷Anecdotally, we have seen benefits for some countries such as Norway that have existing, stable renewable energy supplies available in a scarce market. This has helped them avoid price volatility and provide greater energy independence.

¹⁸National Grid, [Connecting to a Net Zero Future](#), September 2022.