

The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
11 Downing Street London
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The Rt Hon Kwasi Kwarteng MP, Secretary of State for Business, Energy and Industrial Strategy

16th December 2021

Dear Chancellor,

COP26 brought finance to the forefront of the global climate conversation, and the UK took a leadership stance by announcing at COP26 the creation of a net zero financial centre, supported by mandatory transition plans for financial firms and listed companies. This adds to the range of other world-leading green finance reforms that the UK has committed to, including the creation of a science-based UK Green Taxonomy.

Green financial regulation will be vital to ensuring that net zero is delivered in an affordable way for people across the UK – by harnessing the ingenuity and creativity of private finance. It is also essential to provide investors and the public with transparency on the sustainability of their investments. With \$130 trillion of institutional financial assets now committed under the Glasgow Financial Alliance for Net Zero, it is no longer a question whether investors have sufficient appetite for the transition but rather how they will shift investments at the speed and scale required.

However, the UN Secretary-General rightly cautioned in Glasgow that ambitious net zero commitments from national actors and the private sector have been accompanied by a *'deficit of credibility'*¹. Science-based definitions of green economic activities will be crucial to maintaining integrity and trust. We were therefore pleased to see the commitment in the UK Green Finance Roadmap that the UK's taxonomy *"will take an objective and science-based approach to assessing sustainability."* Remaining science-based must include alignment with a 1.5C decarbonisation pathway and resilience to the long-term impacts of climate change, alongside transparency on methodologies, and implementing a robust Do No Significant Harm approach for the other five environmental objectives in the taxonomy.

It can be expected that taxonomy thresholds for the UK will be subject to a high level of scrutiny from stakeholders. It is also reasonable to expect that those activity thresholds which proved contentious in the EU context will also prove controversial in this country – particularly in sectors such as agriculture, hydrogen, gas, nuclear power, bioenergy, and forestry. The government must take expert advice and should actively engage with a full range of stakeholders, including NGOs and Local Authorities, to ensure that the UK's taxonomy is widely understood to be science-based and aligned with UK emissions targets as well as its Paris Agreement commitments.

The EU taxonomy is a starting point for the UK's own taxonomy and has also acted as a template for numerous other jurisdictions around the world. As EU Member States continue to debate the inclusion of gas-fired and nuclear power within its green taxonomy, risk is growing that it will depart

¹ [Secretary-General's remarks to the World Leaders Summit - COP 26](#)

from the advice of its own Technical Expert Group and its 2050 climate neutrality target. Such a decision could trigger an international cascade of greenwash. Moreover, it risks undermining the competitiveness of private sector leaders who have made more stringent net zero commitments on a voluntary basis.

Decisions made by the EU and UK about their final thresholds are likely to set the standard for decisions to be made in the near future by other transitioning jurisdictions, including South Korea and Indonesia. It is critical that in coming weeks the UK avoids following the EU in any decisions that are not science-based, instead maintaining high standards of integrity in line with the 2050 net zero target and interim carbon budgets.

2022 will be the year where private sector pledges and promises are seen to shift into delivery mode. The UK must ensure that investors deliver on their net zero commitments and create credible and measurable transition plans, while avoiding greenwashing. It will be crucial that the UK takes ambitious actions which can result in a race to the top on green financial standards, and not a race to the bottom.

Yours Sincerely,

Nick Mabey, CEO, E3G

On behalf of:

Peter Stevenson, Chief Policy Advisor, Compassion in World Farming

Jesse Griffiths, CEO, Finance Innovation Lab

Professor Ralf Toumi, Co-Director, Grantham Institute - Climate Change and Environment at Imperial College London

Chris Venables, Head of Politics, Green Alliance

Oliver Greenfield, Convenor, Green Economy Coalition

Doug Parr, Policy Director, Greenpeace UK

Luke Murphy, Head of Environmental Justice Commission and Associate Director for Energy, Climate, Housing and Infrastructure, Institute for Public Policy Research

Joseph Lewis, Policy Lead, The Institution of Environmental Sciences

Adam Eagle, CEO, The Lifescape Project

Tony Burdon, CEO, Make My Money Matter

Lydia Prieg, Head of Economics, New Economics Foundation

Dr Mary Booth, Director, The Partnership for Policy Integrity

Simon Youel, Head of Policy and Advocacy, Positive Money

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