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# CATALYSING INVESTMENT IN CLIMATE AND NATURE

PRIORITIES FOR THE NEXT GOVERNMENT

# Aldersgate Group

The Aldersgate Group is an alliance of major businesses, academic institutions, professional institutes, and civil society organisations driving action for a sustainable and competitive economy. Our corporate members believe that ambitious and stable low carbon and environmental policies make clear economic sense for the UK. Our policy proposals are formed collaboratively and benefit from the expertise of our members who span a wide range of industry sectors and public interests. Our breadth and collegiate approach allows us to articulate progressive policy positions to benefit all organisations and individuals.

## ORGANISATION MEMBERS



Recommendations made in this report cannot be attributed to any single organisation and the Aldersgate Group takes full responsibility for the views expressed.

## ACKNOWLEDGEMENTS


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# PRIORITIES FOR THE NEXT GOVERNMENT

Tackling climate change and restoring our natural environment lie at the heart of a resilient economy. The UK's next Government has a critical and immediate role to play in ensuring the UK can deliver net zero emissions by 2050 and reverse the decline in nature by 2030.

The Aldersgate Group is a cross-sectoral alliance of businesses, academic and civil society institutions, driving action for a sustainable and decarbonised economy. This paper summarises our key recommendations for the next Government, focussing on economically pragmatic, high-impact policies.

## POWER

The next Government needs to accelerate the deployment of renewable energy infrastructure to decarbonise the UK's electricity and provide clean, affordable and secure energy:

- + Amend planning rules to remove the barriers preventing consenting and construction of onshore wind projects and their network infrastructure while protecting nature
- + Reduce the Electricity Generator Levy for existing renewable energy projects to a point that is at least consistent with oil and gas extraction

## INDUSTRY

Businesses, including heavy industry, need long-term certainty and confidence to invest in decarbonisation and deliver on economic and innovation opportunities across the UK:

- + Set out a long-term industrial strategy placing decarbonisation at its heart, with joined-up policy including skills, tax and a blueprint for deep decarbonisation of infrastructure
- + Incentivise industrial electrification by lowering industrial electricity prices and developing new business models
- + Implement a Green Public Procurement Strategy, creating market demand for low carbon and circular economy products and services



## TRANSPORT

Freight and commercial vehicles are the most challenging area of transport to decarbonise because of their long ranges and diverse sizes. A clearer government vision will drive private sector investment:

- + Develop strategies focussing on the needs of specific areas for the rapid decarbonisation of freight and commercial surface transport and expansion of charging infrastructure
- + Electrify the 60 miles of 'Infill' rail sections to unlock the decarbonisation of 95% of rail freight

## ENERGY EFFICIENCY

Improving energy efficiency and decarbonising heat sources is a vital part of the solution to the UK's 'energy trilemma' (sustainability, security and affordability):

- + Reform the Energy Performance Certificate to be consistent with net zero and require all homes to be EPC C by 2035, with a national advice service and support for a major demand reduction
- + Introduction of a minimum whole lifecycle carbon standard for building design
- + Bring forward the decision on the role of hydrogen in home heating from 2026

## NATURE RECOVERY

Practical action is needed to reverse the UK's poor track record on nature and grasp opportunities to drive nature restoration and biodiversity, with new jobs and improved resilience:

- + Rapidly deliver a programme to protect 30% of land and sea which improves the protected site network and expands the Public Nature Estate
- + Ensure that the planning system supports nature recovery
- + Set clear interim adaptation targets as part of an updated Environmental Improvement Plan

## GREEN FINANCE

The UK financial services sector has a crucial role to play in facilitating a market-led transition to net zero, through underwriting risk, lending capital and investing in low-carbon projects:

- + Complete implementation of the 2023 Green Finance Strategy, including delivering a UK Green Taxonomy, mandating transition plans, and adopting the ISSB's standards
- + Develop a first-in-class green regulatory framework, with clear timelines for mandatory reporting against the UK Green Taxonomy and the TNFD framework



## Long-term policy is required to drive immediate implementation

Tackling climate change and restoring our natural environment are urgent priorities globally and lie at the heart of our future resilient economy. Action during the next parliamentary term – by the next government and others – will play a critical role in ensuring the UK can meet its legally binding targets for achieving net zero by 2050 and reversing the decline in nature by 2030. This document sets out a series of suggestions and recommendations for pragmatic high-impact policies that a new government should prioritise, particularly bearing in mind the challenging fiscal and economic context.

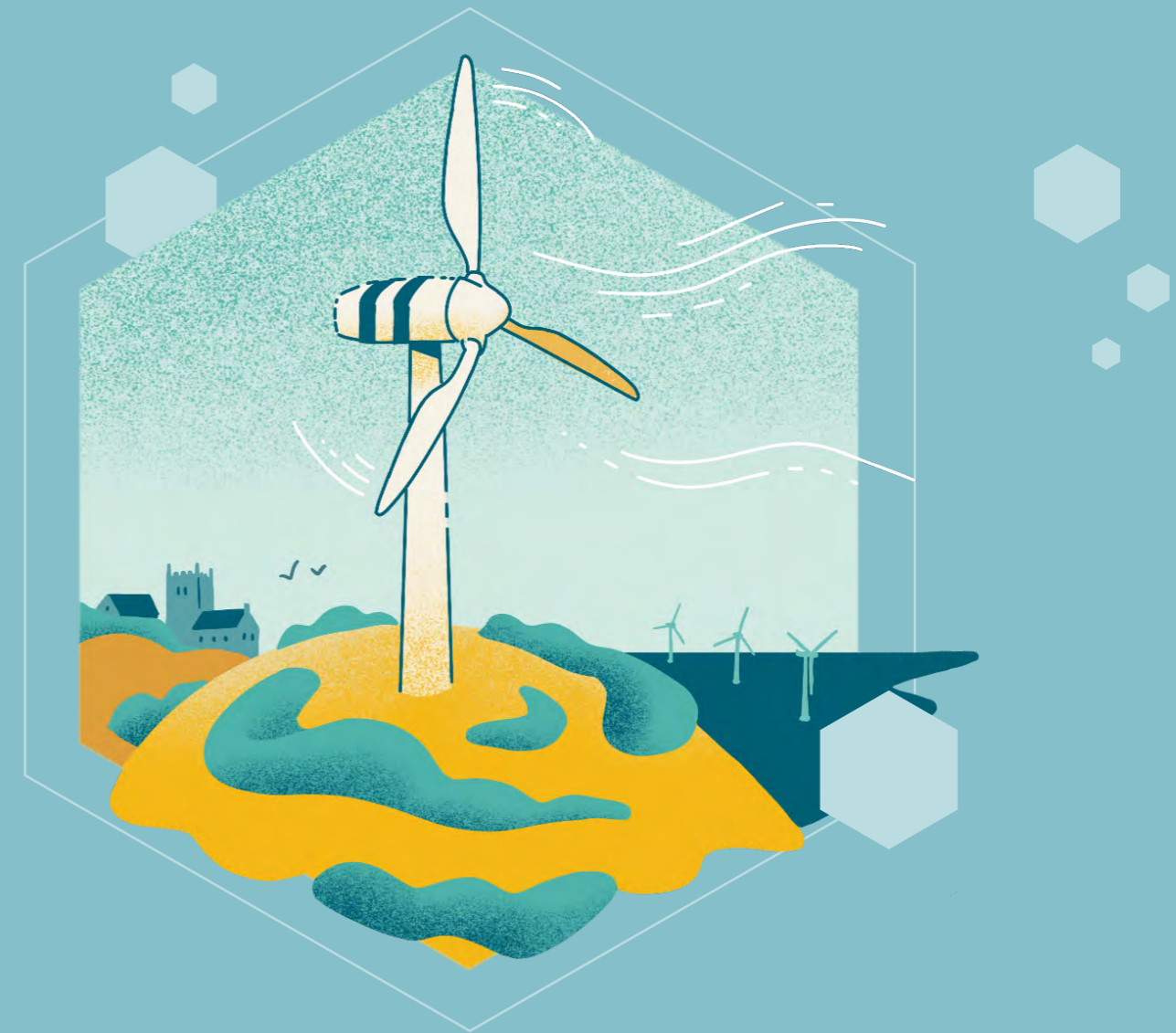
UK businesses are pushing ahead in their actions to reduce emissions and protect nature and biodiversity. The Aldersgate Group's cross-sectoral member organisations, including some of the largest companies in the UK alongside civil society and academic institutions, are clear that there is a business case for decarbonisation and environmental action. Their expertise and insights have informed these recommendations on policies which would enable the private sector to deliver for the planet and society.

Driving down emissions and restoring the natural environment will deliver economic growth and additional benefits across other systemic challenges that we face. Private investment in net zero could [catalyse](#) a 6.4% growth in UK GDP by 2050, equivalent to £240billion. Biodiversity provides fundamental widespread [benefits](#) including sustenance, pollination of crops, soil regeneration, human wellbeing and climate resilience. Accelerating the energy transition in a just way will bolster the UK's energy security, manage consumer energy bills, and reduce

regional inequality through the creation of highly skilled jobs. Given the right conditions, businesses can deliver substantial elements of the investment and implementation that is urgently needed across the economy.

However, businesses can only take accelerated action where an investment will clearly be robust over time: where demand for a product is likely to grow and they will be able to compete in a tough global market. At present, too big a [gap](#) lies between the UK's overarching emissions and nature targets and its implementation plans and policies. Joined-up strategies are needed which lay out the Government's priorities for land use, infrastructure, buildings, transport, industry and the workforce. Developing these strategies in close collaboration with businesses, academia and civil society will ensure that they are robust and practical, and can cascade down to sector-level policy decisions which will unlock much-needed private investment. In addition, how government itself embraces change through its own direct activities matters, and can help to encourage others to act.

The next government will need to prioritise putting strategies and policies in place which enable businesses to accelerate energy, climate and environmental action. Delivering on the proposals set out here would be a significant step forward, but they are by no means exhaustive. The Aldersgate Group stands ready to support decision-makers with detailed input from across the economy on solutions with potential for high impact at pace, and the design of effective overarching strategies to set a clear path for the future.



## Power

The UK has made strong progress on power decarbonisation compared to other sectors of the economy, with our offshore wind sector among the most advanced in the world. Meeting the commitment to a full decarbonised electricity grid by 2034 (or earlier) is not without significant challenges, especially around investment in the infrastructure required. Major policy gaps need to be addressed to successfully decarbonise, leverage investment and reduce wholesale prices: these include planning, grid infrastructure and supply chains, transmission

and interconnection capacity, cross border electricity contracting, and restoring participation in the day-ahead electricity markets. The UK must act at pace to fill these gaps to secure the delivery of the 2035 target or risk missing out on investment in an increasingly competitive global market. Many UK sectors are dependent on the grid decarbonising to achieve their own carbon reduction targets; progress towards a decarbonised power grid will unlock decarbonisation across supply chains and the UK economy.

## Critical policy interventions

- 1. Remove the barriers preventing the consenting and construction of onshore wind projects and the network infrastructure required to connect them, while protecting habitats.** Doubling UK onshore wind capacity to [30GW by 2030](#) would reduce consumer bills by £16.3 billion over this decade, generate £45 billion of economic activity and create 27,000 full-time jobs, but just one objection to a wind farm can jeopardise an entire project. Despite recent statements regarding the lifting of the effective 'ban' on onshore wind, significant barriers remain; given the pace of change required, we need to address these barriers urgently. [The Government should](#) amend the planning rules governing onshore wind to speed up consenting, set a clear target for capacity, and provide a detailed roadmap for how and when the technology will be rolled out, as part of a Strategic Spatial Energy Plan. This includes mandating the provision of community benefits for wind-related infrastructure and making rapid progress on delivering the actions set out in the [Transmission Acceleration Action Plan](#) and [Connections Action Plan](#).
- 2. Reduce the Electricity Generator Levy (EGL) for existing renewable energy projects to a point that is at least consistent with treatment of oil and gas extraction.** The 2023 Autumn Statement announced that the Government will exempt new electricity generation stations from the EGL, as well as those that have been expanded to provide additional capacity on or after 22 November 2023. This welcome move will help create a more attractive investment environment for the sector. The long lead time to finance and build new electricity generation stations, and the sunset date for the Energy Profits Levy on the 31 March 2029, creates a case for the next Government to go further by reducing levies (currently at a 45% tax rate) for existing stations. Levies should be reduced to below those placed on the oil and gas sector to create favourable (or at least equal) conditions for investment in clean energy.
- 3. Improve the UK's participation in neighbouring power markets.** First, the Government should restore UK participation in the day-ahead electricity markets with neighbouring countries, the absence of which is [estimated](#) to have resulted in lost trade totalling £45m in 2021. Secondly, the UK should expand its interconnected capacity with neighbouring countries, not only to ensure energy security via the availability of imports, but to enable greater exports as capacity increases in the future (providing a valuable income).



## Industry

A genuinely ambitious and strategic delivery plan to decarbonise the UK's industrial sectors could contribute to revitalising industry and manufacturing, with additional benefits of bolstering the UK's energy security, reducing consumer energy bills, and mitigating regional inequality through the creation of highly skilled jobs. Despite a declining industrial base and low investment levels, the UK has strengths and opportunities that the new Government can help harness.

The UK's heavy industries and their supply chains are a critical foundation of the economy, [contributing](#) £152 billion in GVA and supporting over 1.4 million jobs nationwide. Without further policy support for heavy industrial decarbonisation, the sector's contribution to the UK's economy is at risk, [potentially](#) wiping

out over £224 billion or 5.9% total GVA in 2050. The UK faces increasing global competition. The 2022 US Inflation Reduction Act commits much attention and funding (\$369 billion in subsidies over a decade) to reshoring supply chains and manufacturing to the US, incentivising significant investment from the private sector. The EU has already responded with a Green Deal Industrial Plan and a Net Zero Industry Act; so now a comprehensive response from the UK is critically needed, bringing together a deep understanding of the UK's unique economic strengths with investment and clear policy and regulatory signals. The new Government must ensure that industry is supported to decarbonise. Strategic and holistic policy can address onshore supply chains and with financial support to address the significant operational costs of transitioning to low carbon manufacturing.



## Critical policy interventions

1. **By setting out a cross-sectoral Industrial Strategy, the new Government should ensure industry decarbonisation is at the heart of the strategy and define its objectives for heavy industrial decarbonisation alongside the key interventions needed to deliver them.** At a minimum, this should include:
  - a. **A long-term vision for the UK's green industrial growth**, responding to the global competitive context. This vision should be supported by a **joined-up policy approach** to ensure the policy and regulatory environment is acting as an enabler for successful delivery. For example, skills policy is essential to provide the people to delivery green industrial growth (at examined in more detail later in this document) and the tax system needs to be adapted to incentivise the development and uptake of green technologies.
  - b. **Clarity on the decarbonisation pathways for industry and manufacturing sectors**, detailing how, where, and by whom different fuels and technologies (such as electrification, hydrogen, and CCUS) will be used across the economy
  - c. **A blueprint for the infrastructure needed for deep decarbonisation**, with details on how Government will invest in the infrastructure critical for a successful industrial transition – for example, learning from the inefficiency and challenges of site-by-site initiatives recently seen in the steel sector when developing plans for sector-wide decarbonisation in steel, cement and other foundational industries. Sector and industry decarbonisation plans must include consideration of grid infrastructure and should be linked to existing work on the Strategic Spatial Energy Plan.
  - d. **A clear roadmap for decarbonising dispersed sites**, which make up around 50% of the UK's industrial emissions. Local authorities and business partnerships should be involved as key stakeholders to ensure that existing local supply chains, skills centres, and areas of comparative advantage are maximised. Planning and permitting guidance for local authorities are also necessary to enable implementation of the roadmaps.
  - e. **Support for later-stage R&D activities** towards the commercialisation of new green technologies. Despite world-leading research capabilities, the UK has long faced challenges in the later-stages of technology development and commercialisation, often capital intensive and perceived as higher risk for private investment. The Advanced Propulsion Centre's Automotive Transformation Fund uses a model that supports R&D and capital investments such as gigafactories, an approach that serves as a potential example to expand or replicate in other sectors.

2. **Take decisive action to reduce industrial electricity prices, both relative to prices in key competitor nations and in relation to gas prices.** By lowering industrial electricity prices, Government can support industrial electrification as well as the transition to green hydrogen and CCUS. Competitiveness and long-term financial stability can be improved by:
  - a. Moving policy and network charges from **electricity bills to general taxation.**
  - b. Supporting the ability of industry to strike **Power Purchase Agreements (PPAs)**, either through state guarantees that underwrite off-taker payment default, or through the creation of a market for tradeable long-term PPAs.
  - c. **Developing business models and financial incentives for electrification**, learning from relevant initiatives for example contracts for difference, hydrogen and CCUS business models.
3. Link the **UK Emissions Trading System (ETS) and Carbon Border Adjustment Mechanism (CBAM) to those in the EU, taking an ambitious approach to ETS revision.** A considered approach to linkage will ease compliance for UK companies exporting to the EU, who would not have to produce new documentation of compliance with EU rules. It should also improve liquidity in the UK ETS, as being part of a bigger market increases opportunity for trading allowances; and perhaps most importantly, exempt UK producers from a future EU CBAM.
4. **Mandate the proposed voluntary product standards for low-carbon industrial products**, outlining clear timelines for their introduction.
5. **Implement a Green Public Procurement Strategy to use the purchasing power of Government to increase demand for low carbon products.** Requiring successful bidders for government contracts to use the lowest carbon production methods would provide a strong market signal to industry and help kick-start the market.
6. **Ensure the UK ETS and carbon price fulfil their role and incentivise decarbonisation.** The carbon price is currently lower than the EU's, limiting incentives to decarbonise and invest in low-carbon technologies. The cost of carbon emissions must be high enough to initiate the retirement or decarbonisation of emitting installations. ETS market mechanisms should be explored to resolve this issue and enacted in the next iteration of the UK ETS. This includes considering the introduction of an increasing carbon price floor and conditionality for free allocations, for example requiring installations to provide a decarbonisation strategy. The burden placed on ETS participants should be carefully considered, with support and alignment to EU ETS where appropriate.



## Built Environment

Improving energy efficiency in UK buildings and decarbonising heat sources could be a key tool in delivering effective solutions to the UK's 'energy trilemma' (sustainability, security and affordability). The UK has some of the least energy efficient homes in Europe, in some cases losing heat up to **three times faster**. It is estimated that if 26.2 million homes were improved to an EPC standard, a total of £112

billion would be saved in energy costs by 2034, alongside public health co-benefits. Swift, strategic, and stable intervention is needed from the new Government in the form of a clear, long-term policy framework which accelerates the growth of the energy efficiency retrofit market to the required scale and decarbonises the built environment.

## Critical policy interventions

1. **Introduce a Minimum Energy Efficiency Standard (MEES) regulation that requires all homes to be EPC C by 2035.** Regulation is needed to increase uptake, with [landlords cancelling plans](#) to invest in energy efficiency measures after the recent decision to scrap requirements for a minimum EPC C in all rental properties by 2028. A comparable level of demand creation has been seen in the automotive sector, where the phaseout of petrol and diesel cars has led to innovation and investment in EVs across all major European manufacturers. To ensure all homes are EPC C by 2035, the new Government should:
  - a. **Reform the Energy Performance Certificate (EPC) rating metric to support net zero.** While the EPC is the best measure we currently have, the current system leads to confusing and contradictory outcomes for consumers, which ultimately undermines confidence in the system. The EPC methodology should be revised to align with net zero, including additional metrics for water efficiency, to ensure that home upgrades (such as low-carbon heating) are reflected in the rating. Measures are also needed to improve the quality and consistency of EPC assessments to build trust, and to drive uptake of EPC assessments as [40% of all properties](#) across England and Wales do not have EPCs. These steps will also make it easier for financial institutions to understand their climate exposure.
  - b. **Establish an independent, impartial, and central Energy Advice Service for England.** Navigating planning permission, finding reliable suppliers and installers, and understanding which measures are suitable for properties of different ages and EPC ratings, are all technical and lengthy tasks which act as barriers to action. There is an urgent need for a trusted body to collate key information, to raise awareness of the benefits and types of energy efficiency retrofits and heating system upgrades, and to build consumer confidence. The Energy Saving Trust [estimates](#) that the cost of delivering a national advice service for England would be £3.75–5 million per year for each million people served with a digital first service. This could be paid for using a portion of the funding committed for home and business energy efficiency over the next Parliament.
  - c. **For those unable to pay, ensure that existing public funding schemes – such as the Public Sector Decarbonisation Scheme, the Social Housing Decarbonisation Fund, and the Energy Company Obligation – are allocated and expanded over time to support energy efficiency and heating system upgrades.** £6 billion is already committed over the next Parliament for home and business energy efficiency, which includes £1.25 billion for the Social Housing Decarbonisation Fund and £500 million for a new local authority retrofit scheme. This funding should be expanded to support those in fuel poverty and help to scale the retrofit market.

- d. Offer a stamp duty rebate to homes that improve their EPC rating through renovation within two years of a purchase.** Leveraging stamp duty could be an effective way to incentivise energy-efficiency improvement work amongst new homeowners and buy-to-let landlords.
- 2. Regulate building design to reduce embodied and operational emissions, with the introduction of a minimum whole lifecycle carbon standard.** Upfront embedded carbon targets should also be strengthened over time with differentiated targets by function and use. The next Government should build on the [guidance](#) produced by the Royal Institute of Chartered Surveyors on whole life carbon assessment for the built environment.
- 3. Bring forward the decision on the role of hydrogen in home heating** from 2026 to provide clarity to industry. It should explicitly state that hydrogen will not be used as a primary source for decarbonising home heating. This creates certainty for producers looking to manufacture equipment for the electrification of home heating, as well as to other sectors, such as industry and transport, who will have greater access to the fuel.
- 4. Accelerate the deployment of heat pumps, learning lessons from existing UK schemes and international success stories.** The evidence on heat pumps and their role in decarbonising heat is evolving, with an increasing understanding that a parallel approach, rather than sequential approach, for retrofit and heat pump installation is appropriate. The new Government should recognise this and take a whole-value chain approach to develop the supply chain, skills and demand for heat pumps across the country. The success of heat pump deployment in certain EU countries may provide policy options to explore and adapt to the UK context.



## Green finance

The financial sector has a crucial role to play in facilitating a market-led transition to net zero, through underwriting risk, lending capital and investing in low-carbon projects. At COP 26, the UK Chancellor set out the UK's ambition to become the world's first net zero-aligned financial centre. The UK is delivering on this ambition, with London ranked as the top financial centre for green finance above Amsterdam, New York, Singapore, and others. As the world's leading exporter of financial services, green finance offers the UK significant potential for sustainable growth. Low-carbon financial services could generate an export opportunity of up to £7.5 billion per year in 2030, increasing to £17 billion by 2050.

The 2023 Green Finance Strategy set out a strong policy framework towards becoming a net zero-aligned financial centre. Building on the strategy, our recommendations centre around improving the transparency and availability of climate and nature-related information, providing financial market participants with the tools to incorporate that information into investment decisions, and using government policy levers to shift and scale up the availability of finance for the transition to net zero.



## Critical policy interventions

1. **As an immediate priority, deliver on the commitments in the 2023 Green Finance Strategy.** To maintain the UK's current position as a world leading green finance centre, the next Government must deliver on the green finance regulations announced in the strategy. This includes implementing a UK Green Taxonomy, mandating transition plan disclosures for large private companies, and adopting the International Sustainability Standards Board (ISSB)'s sustainability standards. Crucially, the UK should continue to promote interoperability between the UK's green finance regulatory framework and equivalents in the EU and internationally, to ensure that businesses operating in several jurisdictions are not subject to multiple reporting requirements that may be incompatible. Building on the strategy, the next Government should do the following:
  - a. **Provide a clearer timeline for mandatory reporting against the UK Green Taxonomy.** The 2023 Green Finance Strategy announced that once the Taxonomy has been finalised, companies will initially be expected to report voluntarily against it for a period of at least two reporting years. This approach is pragmatic and will avoid some of the teething issues experienced in the EU, but it creates uncertainty on when companies will be expected to report against the Taxonomy on a mandatory basis. Outlining a timeline to mandatory reporting will help businesses to plan and resource ahead of time - driving uptake.
  - b. **Use the UK Green Taxonomy as a tool to inform public policy and spending decisions.** When the Government carries out tracking assessments of finance flows into the net zero economy, the Taxonomy should be used to define 'green'. This will help to assess the alignment of the UK's financial flows with net zero and identify where investment gaps exist on a sector-by-sector basis. The Taxonomy should also be used to monitor the portfolio of Public Financial Institutions, such as the British Business Bank and UK Export Finance, to classify the sustainability and optimise the impact of public investment.
  - c. **Set out an iterative roadmap to mandatory Taskforce on Nature-related Financial Disclosures (TNFD) reporting.** Following the launch of the TNFD's final recommendations in September 2023, the next Government should lead the world by becoming the first G20 country to mandate TNFD-aligned requirements, beginning with the UK's largest companies and financial institutions (FIs). This will support companies and FIs to identify nature-related risks and opportunities, and shift financial flows away from nature-negative outcomes towards nature-positive ones. There should be an iterative timeline, setting out a number of 'core' disclosure requirements Government expects companies to report against in the first year of disclosure, followed by a number of 'extended' disclosure requirements for subsequent years.

2. **Increase the capitalisation of the UK Infrastructure Bank.** Since UKIB was established in June 2021, it has already deployed billions of capital towards projects which support both economic growth and the UK's net zero goal. The Treasury provided the Bank with up to £22 billion of financial capacity over its first five years, which is a reduction on the level of investment the UK formerly received from the EU's European Investment Bank. To ensure that the UKIB can play an effective role alongside a future industrial strategy and wider decarbonisation ambitions, increasing capitalisation over time will be vital to leverage greater sums of private investment into the UK.
3. **Amend the 2023 Financial Services and Markets Act to explicitly include the transition to a net zero and nature positive economy as a secondary objective for financial regulators.** This will give regulators, such as the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) greater scope to embed climate change and nature into their work, including the use of green prudential instruments to facilitate the finance sector's transition to net zero. The objective will help to ensure the financial system is resilient to climate change, reduce the risk of stranded assets, and incentivise the shift of financial flows towards the low-carbon economy.

At the next available opportunity, the Chancellor should also reinstate 'environmental sustainability and climate change' as one of the Bank of England's Financial Policy Committee's priorities. Climate change was removed from the Committee's four priorities for supporting the Government's overall strategy for financial services in November 2023, which has led the Bank to [reduce](#) resources on its climate-related policy work.



## Commercial road and rail transport

UK emissions from road and rail transport were [113 MtCO<sub>2</sub>e in 2019](#) (22% of total UK emissions); rapid decarbonisation is needed to meet the requirement of 32 MtCO<sub>2</sub>e by 2035 estimated in the Climate Change Committee's "balanced pathway". Delivering this will entail significant modal shift from car use to public transport, active travel and shared mobility. It will also mean significantly reducing the use of fossil fuels in powering road vehicles and trains.

In considering practical solutions, low carbon fuels such as hydrotreated vegetable oil and biomethane provide an important transitional option, but sustainable feedstocks are [heavily constrained in their availability](#) and will need to be prioritised for use in aviation. As a result, decarbonisation of road and rail will depend on changes to vehicle types. Roll-out of light electric vehicles for individual use is now well under way, albeit with hurdles still to overcome; but freight and commercial vehicles still face significant challenges.

## Critical policy interventions

- 1. Publish a strategy setting out how the rapid decarbonisation of freight and commercial surface transport will be facilitated.** A clear vision for both energy infrastructure and vehicles is required, including how public sector interventions will drive private investment. The strategy should also consider fair pricing and taxation, infrastructure requirements, and whether hydrogen will play a role (and if so, how that will be supported). It should also take into account findings from the 2023 call for evidence on [Infrastructure for zero emission heavy goods vehicles and coaches](#).
- 2. Take a place-based approach within the strategy, reflecting the widely varying transport needs and conditions in different parts of the UK.** It should look at the role of multimodal hubs, especially at ports and major freight distribution locations, designed around electricity and (where appropriate) hydrogen supply for mixed uses alongside planned integration between maritime, rail and road journey legs. In doing so, greater collaboration between fleet operators of different types should be encouraged, facilitating joint projects to deliver shared infrastructure. Local authorities also have a critical role to play, and will need improved guidance about how to take a new approach to transport planning, bringing together energy availability and demand.
- 3. Accelerate the electrification of rail, focusing on "Infill" sections of the network.** 800 miles of additional track electrification is needed in the UK to enable [95% of rail freight](#) to be electrically hauled. [A number of short unelectrified sections](#) known as "infills" (sections adding up to less than 60 miles overall) prevent freight trains being electrically hauled over very long distances. Electrifying "infill" sections as a starting point would allow around 2 million train miles a year to be decarbonised. Prioritising a Transport Bill which puts [Great British Railways](#) onto a statutory footing will also help to drive progress on rail electrification.
- 4. Expand charging infrastructure, as it is still insufficient for both light commercial vehicles and heavy freight.** For company drivers that take their vehicles home, the inability to charge due to a lack of off-street parking is a major barrier. Price parity between VAT charged for electricity at home and at public charge points would increase fairness for those who do not have access to off-street parking. Pricing arrangements between wholesale electricity providers and charge point operators should also be examined to ensure that these are not creating additional disparities.
- 5. Increase depot charging for fleets.** Public charging does not meet the needs of depot-based fleets (either light or heavy vehicles). Fleets face cost, planning and grid constraints which prevent installation of charging infrastructure at depots and places of work. To support depot charging we encourage the creation of a simplified process to make applications for grid upgrades, transparency in costs for District Network Operator (DNO) upgrades and increased acceptance of load balancing options to reduce DNO upgrades.





## Nature

In 2023 the UK Government published its first Environmental Improvement Plan (EIP), a five-year plan to ensure thriving plants and wildlife. At the heart of the proposals is a target to halt the decline in biodiversity by 2030 by improving the quality of the UK's environment, improving the use of its resources, and improving adaptation. The EIP sets out interim targets to support the delivery of these objectives, as well as cross-cutting themes which will be important to drive progress. However, the Office for Environmental Protection (OEP) has [made it clear](#) that Government "remains largely off track to meet its environmental ambitions and must speed up and scale up its efforts in order

to achieve them." Equally, findings from the CCC, in its latest adaptation monitoring framework, showed that the UK is falling significantly behind in preparing for the impacts of climate change, despite the UK experiencing an increasing number of [extreme weather](#) episodes.

To meet the UK's environmental ambitions, the next Government will have to present an ambitious and holistic vision to accelerate progress on natural capital and adaptation. Significant opportunities are within reach to drive nature restoration, increase biodiversity, improve resilience, and create jobs.

## Critical policy interventions

1. **Implement a rapid delivery programme to fulfil the promise to protect 30% of land and sea for nature.** The programme should include completing and improving the protected site network, provide updated purposes, powers and funding for protected landscapes, introducing a Public Nature Estate obligation, and expanding the Public Nature Estate.
2. **Set interim targets for adaptation measures in the next update to the Environmental Improvement Plan** so that there is clear trajectory of Government's progress on building resilience to the impact of climate change.
3. **Provide further information on how a range of evolving spatial initiatives will work alongside each other in the upcoming Land Use Framework,** such as how Local Nature Recovery Strategies, biodiversity net gain, planning reform and environmental land management schemes (ELMs) will overlap and operate side-by-side.
4. **Clearly set out how nature restoration and decarbonisation will be integrated throughout the planning process** so that the planning system can support nature enhancement as well as net zero objectives. As part of this, ensure that any changes to environmental impact assessments and the planning system do not result in a regression in environmental standards.
5. **Double the nature-friendly farming budget to support large-scale nature restoration.** This will support the delivery of the "public money for public goods" aims of the new ELMs, support a revolution in farming and land management, and enable businesses to make the required transition to our new agricultural system. It will also help ensure uptake of the other ELMs schemes, in particular Local Nature Recovery and the Landscape Recovery schemes. In parallel, Government should pilot the application of nature-based carbon removals, building on Contract for Difference business models that are being trialled by the Department for Energy Security and Net Zero.



## Circular economy

The transition to a more circular economy offers demonstrable and significant economic and social benefits. [Research](#) has found that 517,000 gross jobs in the UK could be created by 2030, including in regions where there is persistent unemployment, with a [net gain in GVA](#) of £9.1billion. Producing more of greater value, for less money, has the potential to lower production costs, increase supply security

and secure long-term competitiveness. The 2018 Resources and Waste Strategy built a positive overarching vision, but progress and implementation have been slow. A more circular economy could create more resilient and, where economically desirable, localised supply chains that are less prone to disruption in the event of global shortages or breakdowns in the supply of key materials.

## Critical policy interventions

1. **Urgently implement the policy proposals first set out in the 2018 Resources and Waste Strategy**, by prioritising the development of mandatory eco-design standards and lifecycle assessments, with the aim of capturing a rapidly growing range of priority products and sectors.
2. **Introduce fiscal mechanisms to reflect the whole lifecycle economic and environmental benefits of using secondary materials**, for example adjusting VAT rates on repair services and the regeneration of the housing stock.
3. **Provide public finance through the UKIB to support the development of vital infrastructure** and facilities for recycling, repair, remanufacturing, and reuse.
4. **Develop criteria for the £290 billion spent annually by the UK on public procurement** to drive demand for products and services with higher resource efficiency standards.
5. **Use tax incentives**, such as reduced business rates on waste materials sold in the UK market, **to incentivise waste management and sorting companies to supply valuable scrap and waste materials to UK industry** rather than the export market. This is particularly important where materials are recovered at a high rate (such as scrap steel), but not retained in the UK market. The legal definition and requirements associated with waste should be reformed to ensure secondary raw materials are used to their fullest potential.
6. As committed to through the Environment Act, **introduce a statutory target on resource productivity** covering the entire UK economy, with underlying interim targets setting milestones for progress on this.





## Skills

Supporting skills development in the workforce will be crucial to the delivery of the UK's net zero and environmental targets, meeting the demand from employers and supporting the growth of new sectors. Upskilling and reskilling workers is also key to capitalise on the economic opportunity of net zero. [Research by Kingfisher](#), for example, has found that the UK is on course to face a shortfall of 250,000 tradespeople by 2030, which could cost the UK economy £98 billion in missed GDP growth opportunities.

Delivering the jobs that are needed to generate economic growth and achieve our climate and nature commitments will require robust action: in the education and further education sectors to secure the pipeline of future talent, in industry to support those already in work, and through an enabling policy environment where industry and educational providers can have certainty and develop the resources and make investments needed.

## Critical policy interventions

1. **Set out a low carbon and nature skills strategy** that provides the necessary stability across the curriculum, private sector and the wider policy environment to drive a skills revolution and just transition. This should include the development of granular sectoral skills plans, such as a plan for upskilling tradespeople to install energy efficiency measures across the country. The strategy should also consider how government departments can coordinate more effectively to ensure skills and job growth in the UK is tied to our long-term climate and environment goals.
2. **Reform the apprenticeship system to incentivise businesses to invest in the right kinds of training in the green economy.** The latest [government statistics](#) show the number of apprenticeships starts fell by 3.5% to 337,140 in 2022/3 compared to 349,190 in 2021/2. The number of apprenticeships starting in SMEs also continues to sharply decline, falling by [13% in 2022/3](#) compared to the previous academic year. To reverse this trend, and ensure a pipeline of workers with green skills, the Government should:
  - a. **Reform the Apprenticeships Levy** to provide employers with greater flexibility on who, what, when, and where their Levy funds can be spent. Under the current system, the Levy can only be spent on apprenticeships training and End-point assessments and must be spent within a 24-month period. Enabling businesses to spend Levy funds over a longer length of time and on other incurred costs, such as travel, accommodation, and essential pre-apprenticeship training, will support employers to take on more apprentices.
  - b. **Raise the apprenticeship grant for SMEs to at least £3,000.** The apprenticeship grant is currently at £1,000, but during the COVID-19 pandemic it was increased to £3,000 which contributed to a 20% increase in apprenticeships starts. This would complement the recent scrapping of the SME co-investment payments for young apprentices and funding increase that employers can transfer onto other businesses.
  - c. **Make apprenticeships more visible and viable to students.** [32%](#) of 16–25-year-olds aspire to an environmental career. However, delivering this requires schools to highlight the numerous routes into green and low carbon careers, including in trades. To ensure apprentices are not penalised compared to their peers, the apprentice living wage should be made equal to the national minimum wage, and loans and grants to support living costs should be made available to apprentices, in line with what is available to university students.
  - d. **Continue to support the work of the Institute for Apprenticeships and Technical Education in integrating sustainability into the development of new and updated apprenticeships and technical qualifications.** This will give businesses the flexibility they need to teach their workforce skills that go beyond their current organisation's remit.
3. Alongside reforming the apprenticeship system, **introduce shorter term qualifications** to provide the future skills of those enrolling in further education courses, as per the Lifetime Skills Guarantee.

