ALDERSGATE GROUP
LEADERS FOR A SUSTAINABLE ECONOMY

GREEN POLICY REVIEW

POLICY RECOMMENDATIONS FOR A PROSPEROUS AND SECURE UK

09 · 2026

Aldersgate Group

The Aldersgate Group is a politically impartial, multi-stakeholder alliance championing a competitive and environmentally sustainable economy

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.

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Introduction

Since coming to power in 2024, the Labour government has shown significant ambition on climate and nature, with tangible progress in several areas. However, this early momentum has not always been matched by the pace and consistency of policy delivery.

This report reviews what has changed across each major policy area since July 2024, sets out the gaps that remain, and makes the Aldersgate Group's recommendations to the government under a new Prime Minister. Closing those gaps and translating ambition into delivery is how action on climate and nature will support growth, resilience and long-term prosperity across the UK.

Recommendations at a glance

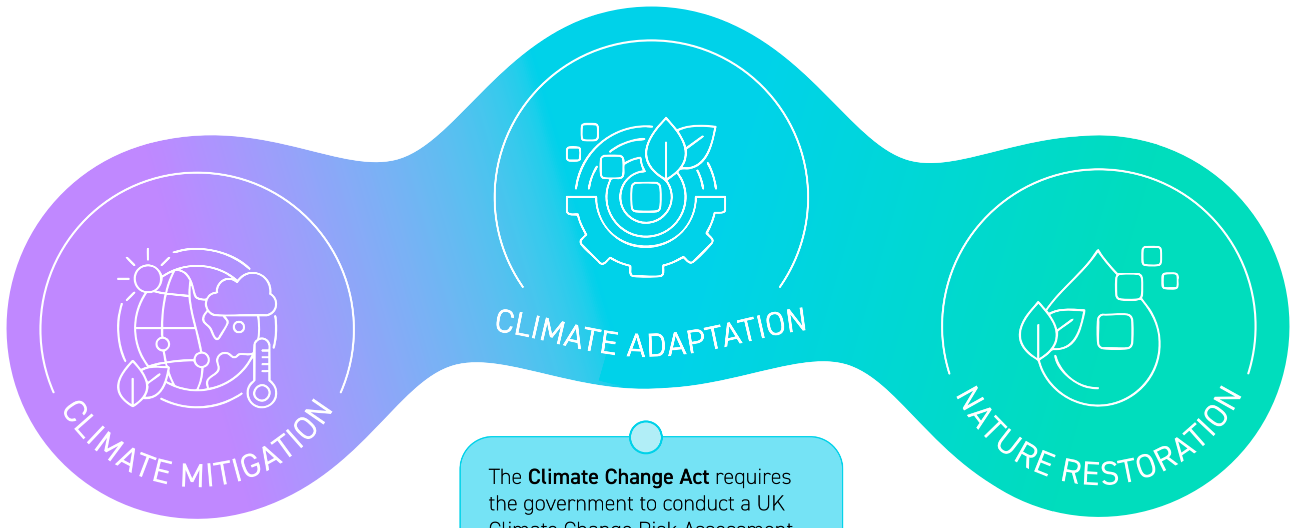
POLICY AREA	RECOMMENDATIONS
Nature restoration	» Explore low-cost planning rules that build nature into towns and cities » Publish guidance to increase policy clarity and business engagement » Commit to a period of environmental policy stability
Climate adaptation	» Provide information to assess climate risks and develop adaptation plans » Extend proven investment frameworks to support adaptation measures » Take the economic opportunities that climate adaptation can offer
Power and electrification	» Lower electricity bills by reallocating policy costs » Publish a cross-economy electrification action plan » Accelerate distribution network reform
Green finance	» Set a date for mandatory UK SRS S1 disclosures » Extend the National Wealth Fund's mandate to nature restoration » Adopt an inclusive wealth view of the UK economy
Circular economy	» Publish the delayed Circular Economy Growth Plan for England » Minimise regulatory divergence within the UK and with the EU » Ensure a smooth and fair launch of the Deposit Return Scheme
Industrial strategy and industrial decarbonisation	» Publish an updated Industrial Decarbonisation Strategy » Introduce targeted support to make electrification cheaper » Strengthen demand for low-carbon industrial products
Transport	» Prioritise grid connections at strategic HGV charging locations » Offer targeted electricity cost support for HGV charging » Clarify when diesel HGVs will be phased out
Built environment	» Publish a dedicated built environment skills and jobs plan » Set out a clearer policy on the transition to low-carbon heating » Mandate the assessment and reporting of embodied carbon
Water	» Legislate for a National Water Framework » Strengthen regional planning and local delivery » Unlock more private investment though a National Water System Operator

Governance

Structures offering certainty on climate and nature action

The Climate Change Act and the Environment Act, supported by the Climate Change Committee (CCC) and the Office for Environmental Protection (OEP), underpin government commitment to climate and nature action.

Maintaining these frameworks is critical to protecting and restoring our environment and keeping the UK secure and prosperous. This government has met its statutory obligations under these frameworks over its first two years and must continue to do so in its next phase.



The **Climate Change Act** mandates a 2050 emissions reduction target (now "net zero"), supported by a system of **carbon budgets**, which cap the total amount of greenhouse gases the UK can emit over consecutive five-year periods. The **CCC** advises government on the level of these budgets and reports annually on progress towards them.

Key developments since July 2024

» The Carbon Budget and Growth Delivery Plan was published in October 2025 outlining the government's plans to meet carbon budgets four to six, covering 2023-37.

» The government legislated the seventh carbon budget covering 2038-42. This targets an 87% reduction in emissions for the period compared to the 1990 baseline.

The **Climate Change Act** requires the government to conduct a UK Climate Change Risk Assessment every five years and publish a **National Adaptation Programme** (NAP) setting out actions to deal with identified risks. The CCC assesses progress on the NAP.

Key developments since July 2024

» The CCC found in April 2026 that the current NAP (covering 2023-28) has been ineffective in driving adaptation and that the UK's preparations for climate change are inadequate.

» The government accepted the CCC's findings and has committed to a range of actions to strengthen the next NAP including developing measurable objectives and a stronger cross-government approach.

The **Environment Act** sets legally binding environmental targets for nature and requires the government to produce an **Environmental Improvement Plan (EIP**) setting out objectives and actions for restoring nature. In England, the **Office for Environmental Protection (OEP)** scrutinises progress against the EIP and other environmental targets.

Key developments since July 2024

» A revised EIP was published in December 2025 setting the framework for improving England's natural environment to 2043. It contains 10 long-term goals for restoring nature and sets interim delivery targets.

Nature restoration

A wide range of nature policies have progressed under Labour. These span planning reform, biodiversity net gain, land use, agriculture, and environmental regulation. However, delivery of the outcomes required under the Environment Act are increasingly off track. The Office for Environmental Protection's 2024/25 progress report found just 5 of 43 targets are on course to be met, a worse picture than the year before.

KEY DEVELOPMENTS SINCE JULY 2024

- **The Nature Restoration Fund (NRF) was created through the Planning and Infrastructure Act 2025.** This was introduced in England with the aim of making it easier to build homes and infrastructure while also restoring nature. The NRF will come into action when the first Environmental Delivery Plans (EDPs) are published in late 2026. These are intended to address the impacts of development in a defined area. Where an EDP is in place, developers will pay a levy into the fund instead of undertaking environmental mitigation for each development. Natural England uses the funds to deliver strategic conservation projects.
- **Biodiversity Net Gain reforms confirmed.** A package of changes was introduced in April 2026, including a 0.2ha exemption and a 5-year temporary-development exemption; BNG became mandatory for Nationally Significant Infrastructure Projects.
- **The Land Use Framework was published in March 2026.** The framework sets national spatial priorities across housing, food, nature and climate, to be reflected in the National Planning Policy Framework and the Ten Year Infrastructure Strategy.
- **Farming Roadmap 2050 was launched in June 2026.** The roadmap sets a 25-year strategy aiming to secure long-term profitability and sustainability for the agricultural sector. It is backed by £123m for agricultural innovation and a £30m Farmer Collaboration Fund. The Sustainable Farming Incentive, paying farmers for nature positive actions, opened for applications in June 2026.
- **A revised Environmental Improvement Plan (EIP) was published in December 2025.** The plan set the framework for improving England's natural environment to 2043. It contains 10 long-term goals for restoring nature and sets interim delivery targets. The plan allocates £500m for landscape recovery over the coming two decades.
- **A plan for PFAS, often called 'forever chemicals', was published in August 2026.** The plan aims to better control such chemicals and reduce exposure to them through stronger monitoring, contaminated-land guidance and possible restrictions on use.
- **A Call for Evidence on Expanding the Role of the Private Sector in Nature Recovery** was conducted in June 2025. This focused on key areas such as business incentives, risk management and targeted environmental outcomes. Complementing this was a consultation on raising the integrity of voluntary carbon and nature markets also conducted in spring 2025.

REMAINING GAPS

- **The government's response on the BNG brownfield exemption is still awaited.** This consultation examined options for removing or reducing the requirements for Biodiversity Net Gain for brownfield developments to encourage housebuilding. Beyond BNG, planning policy is often not designed with nature restoration or nature-based solutions in mind.
- **Detail on the first EDPs and future scope beyond nutrient neutrality is still awaited.** It is important that the first EDPs are effective to prove that the model works and encourage private sector support.
- **Resourcing and the role of regulators remain unresolved.** The importance of adequately funding the environmental regulators is not lost on the private sector: strong regulation, effectively resourced, is what allows businesses to invest with confidence.
- **Greater policy clarity and consistency is needed to support nature market growth.** Despite a promising Call for Evidence in 2025 and work on voluntary markets, private sector engagement with nature markets remains small scale. More work is required to explore different demand drivers for private companies to buy nature credits of all types.

RECOMMENDATIONS

1. **Explore low-cost, high-impact planning rules, prioritising resilience.** The government should move beyond BNG to explore ways to embed nature-based solutions into urban planning and enable climate resilience in towns and cities.
2. **Publish guidance to increase policy clarity and drive business engagement.** Greater clarity is required about how the Land Use Framework, Nature Restoration Fund and reformed Biodiversity Net Gain (BNG) interact. This would help businesses understand and navigate a complex policy environment and support the government's environmental objectives. This should include a public explainer on nature markets and their role in addressing gaps in the financing of nature recovery.
3. **Commit to a period of environmental policy stability.** Government should allow time over the current parliament for policy frameworks relating to planning, biodiversity offsetting and nature recovery to settle in, establish themselves, and for the private sector to adapt and upskill.

Climate adaptation

The past two years have brought wildfires, record temperatures, drought and repeated winter flooding. In May 2026 the CCC's A Well-Adapted UK report warned that without further adaptation, climate-related damage could cost 1% to 5% of UK GDP by 2050 (~£60-£260bn a year) and said that around £11bn of annual investment could avert much of this damage.

The UK is not on track to adapt, and action has lacked cross-government ownership and delivery. With the next National Adaptation Programme (NAP) due in 2028, closing this gap will require a clear framework of objectives and measurable targets. Climate preparedness must be embedded across policy and investment decisions.

KEY DEVELOPMENTS SINCE JULY 2024

- **Record spending was promised on flood resilience and reform of flood insurance.** The 2025 Spending Review committed £7.9 bn of capital investment into flood resilience up to 2035/36. 20% of the funding is earmarked for the most deprived communities and £300m for natural flood management. In July 2026, Defra and Flood Re announced reforms to better target affordable insurance cover, develop Flood Performance Certificates and reward household resilience through lower premiums, while preparing the market for Flood Re's planned closure in 2039.
- **Strengthening resilience to wildfire.** Following the 2025 wildfires, government announced in June 2026 that specialist wildfire teams would be hosted at five strategic locations, alongside a £97m overhaul of National Resilience vehicles and equipment. The 2026 fire season exposed further capability gaps, including the absence of aerial firefighting capacity, and a cross-government Wildfire Action Plan is in development.
- **Cooling the built environment.** The Warm Homes Plan (January 2026) expanded support for domestic cooling as well as heating, with grants for air-to-air heat pumps and permitted development rights for dual heating and cooling systems. It also announced a full technical review of overheating regulations and committed to stronger, measurable adaptation targets in the next NAP.
- **Nature-based resilience on the public estate.** The Government Estate Nature Plan (June 2026) applies Land Use Framework principles across more than 560,000 hectares, around 4% of England, using nature recovery to strengthen public assets against flooding, wildfire and water shortages.
- **Better appraisal of climate resilience.** The 2026 Green Book strengthened the integration of climate resilience and natural capital into government appraisal processes.

REMAINING GAPS

- **Adaptation remains siloed.** It lacks strong cross-government ownership and is not systematically embedded in the policies shaping the UK's long-term exposure, including planning, infrastructure, health, skills and industrial strategy.
- **There is no clear framework, nor objectives or targets.** The CCC finds the UK lacks a coherent framework for increasing climate adaptation. Heat illustrates the gap: just over half of UK homes are already at risk of overheating, rising to 92% under 2°C of warming, yet there is no national heat-resilience strategy, and overheating standards apply only to new residential buildings in England.
- **The finance gap.** Around half of the £11bn needed annually for adaptation must come from the private sector, but government has yet to put the incentives, regulation, standards and information in place to unlock investment at scale. Understanding of the economic value of adaptation also remains inconsistent across government, limiting its consideration in fiscal decisions.
- **A missed growth opportunity.** The UK ranks highly for comparative advantage in adaptation technology and services, spanning engineering, life sciences, insurance and financial services. Yet the adaptation economy remains underdeveloped, lacking the policy support, investment frameworks and demand signals that drove growth in the net zero economy.

RECOMMENDATIONS

1. **Provide decision-ready climate risk and resilience information.** Government should equip businesses, financial institutions and local government with information they can act on, enabling both individual action and place-based initiatives in which those sharing assets, systems and supply chains can plan and invest in resilience together.
2. **Extend proven investment frameworks to adaptation.** Clean energy investment was unlocked by long-term policy certainty, stable revenue frameworks and blended finance. The same approach should be applied systematically to climate adaptation, supported by better capability across government to assess the economic value of resilience.
3. **Take advantage of the economic opportunities that climate adaptation can offer.** Adaptation technologies and services should be embedded within the industrial strategy, with targeted support for innovation, commercialisation and scale-up, positioning the UK as a global leader in adaptation goods and services.

Power and electrification

The Labour government committed to at least 95% of the UK's electricity being generated from clean sources by 2030. Two years in, delivery is visibly accelerating, with a record renewables auction, significant reform of the transmission grid connections queue, and a settled direction on electricity market design.

Increasingly, electricity affordability and the pace of electrification have become the defining tests of the government's clean power mission.

KEY DEVELOPMENTS SINCE JULY 2024

- **Clean power action plan** (December 2024) set the delivery pathway for generating at least 95% of the UK's electricity from clean sources by 2030.
- **Great British Energy (GBE) was established in May 2025 with £8.3bn of funding,** as an independent developer and operator of energy assets intended to attract private capital. Alongside the Clean Industry Bonus, GBE's 'Energy, Engineered in the UK' programme aims to strengthen domestic clean energy supply chains, addressing a constraint that has limited the economic benefits of UK deployment to date.
- **The National Energy System Operator** (NESO) now leads strategic system planning, including development of the Strategic Spatial Energy Plan, Regional Energy Strategic Plans and Centralised Strategic Network Plan.
- **The Review of Electricity Market Arrangements** (REMA) concluded in July 2025 with the decision to retain a single national wholesale price. The Reformed National Pricing (RNP) Delivery Plan (April 2026) now sets the implementation pathway including on stronger locational signals through strategic planning and connections, reform of transmission charges and a package of balancing and settlement reforms.
- **The 2025 Autumn Budget moved some policy levies off household electricity bills into general taxation,** cutting a typical domestic bill by roughly £150. It was the first substantive move to narrow the electricity-to-gas price gap that holds back electrification and establishes the principles we want extended to business bills.
- **The temporary removal of VAT on domestic electricity bills** starting in October 2026 was announced in the first week of the Burnham premiership.
- **Transmission connection reform** is prioritising projects that are "ready" and "needed", clearing speculative applications that were blocking viable ones and giving investors a more credible route to connection.
- **The Clean Energy Jobs Plan** (October 2025) set out how public and private investment can create and fill 400,000 additional jobs by 2030 across clean enegy and electrification.

REMAINING GAPS

- **Electricity prices remain high relative to gas.** Despite the removal of some policy levies, rising network charges and wider policy costs are weakening the business case for electrification.
- **Key elements of the Reformed National Pricing delivery plan remain unresolved.** Delays to the **Strategic Spatial Energy Plan** risk prolonging uncertainty over locational signals and delaying the **Centralised Strategic Network Plan,** which is critical to timely investment in electricity transmission.
- **Distribution grid access and wider policy coordination remain insufficient for growing electricity demand.** Electricity users still face slow and uncertain connections, criteria for prioritising strategic demand remain unclear, and there is no comprehensive cross-economy electrification strategy.

RECOMMENDATIONS

1. **Lower domestic and business electricity bills by reallocating policy costs to general taxation.** Moving electricity levies from both business and household bills into government spending would immediately make energy costs more affordable and competitive, stimulating investment in electrification and supporting growth.
2. **Publish a cross-economy electrification action plan.** A coordinated, cross-government action plan would help to accelerate the adoption of low-carbon technologies across transport, buildings and industry by aligning existing policies and closing remaining gaps.
3. **Accelerate distribution network reform.** Connections reform and strategic investment must ensure local grids enable, rather than delay, electrification. A clear and objective framework should prioritise demand connections in line with national priorities, while smart tariffs, energy storage and vehicle-to-grid technologies should incentivise and reward demand-side flexibility.

Green finance

The Labour government has continued to develop the UK's sustainable finance framework, with greater clarity given on new corporate disclosure regulations and ongoing work on transition plans. Meanwhile, access to finance for climate mitigation has been improved by the creation of the National Wealth Fund (NWF) which has a specific mandate to support the clean energy mission and attract private capital.

However, as the risks and opportunities related to nature become more urgent, there is a clear need for better disclosure and greater funding for nature.

KEY DEVELOPMENTS SINCE JULY 2024

- **The National Wealth Fund was established in October 2024, with a mandate to support regional growth, the Modern Industrial Strategy and the clean energy mission.** Backed by £27.8bn of public money, the fund aims to attract private investment primarily across 10 areas including the power grid, nuclear energy, energy storage and battery and EV manufacturing. £8.4bn has already been deployed, predominantly in the form of debt and guarantees, as well as some direct equity investments. In addition to the NWF's core capitalisation it has also committed £36.6bn to the construction of Sizewell C nuclear plant.
- **UK Sustainability Reporting Standards for listed companies (parts S1 & S2) have been published.** Mandatory disclosure against part S2 (climate-related risks and opportunities) is expected to start in 2027, pending a decision from the FCA. The timings of S1 reporting (including nature risks and opportunities) are yet to be confirmed.
- **A consultation on the implementation of mandatory Climate Transition Plans** signalled the government's intention to require UK-regulated financial institutions and FTSE 100 companies to produce such plans. They are intended to help firms manage climate risks and encourage the allocation of capital towards those taking credible climate action.
- **The UK Green Taxonomy was not implemented.** After a consultation launched in November 2024 the government decided the UK Green Taxonomy would not form a part of the UK's sustainable finance framework. This marked a significant divergence from the EU where a taxonomy is used in combination with other financial disclosures to categorise financial products.

REMAINING GAPS

- **Mandatory corporate disclosures are limited to a focus on climate change.** Good progress has been made in corporate reporting of risks and opportunities related to climate but disclosure of nature-related risks and opportunities remains voluntary. A mandatory approach would help companies manage their impact and prepare for future risks.
- **Inadequate funding for climate adaptation and nature.** There have not yet been equivalent funding vehicles established to support nature restoration or climate adaptation comparable to the National Wealth Fund or Great British Energy.
- **The government measures economic performance too narrowly.** Focusing on GDP but failing to adequately account for natural capital can lead to policy that achieves growth by depleting nature, thus undermining long-term economic prosperity.

RECOMMENDATIONS

1. **Set a date for mandatory compliance with part S1 of the UK Sustainability Reporting Standards to fill the gap on nature-related corporate disclosures.** Government should also contribute to the International Sustainability Standards Board's development of international guidance for nature-related disclosures and incorporate it into UK SRS S1.
2. **Adjust the mandate of the National Wealth Fund to incentivise more investment in nature and ecosystem services.** Adding nature-related outcomes to the NWF's strategy would direct more public and private capital towards nature protection and restoration.
3. **The Treasury should adopt an inclusive wealth view of the UK economy, as set out by the Dasgupta review, to better reflect fiscal and economic risks from climate and nature.** Central to this would be an understanding of national wealth as the combined value of produced, human and natural capital instead of simply GDP. This approach would lead natural capital and ecosystem services to have a more central role in economic appraisal and investment decisions.

Circular economy

The government has made significant progress on circularity schemes for packaging with Extended Producer Responsibility becoming operational and the Deposit Return Scheme scheduled to launch in October 2027.

Progress on circularity in other parts of the economy has been more limited. The absence of the long-awaited Circular Economy Growth Plan for England has created uncertainty around the government's intentions. Continued delay risks harming momentum towards a more resilient and resource-efficient economy.

KEY DEVELOPMENTS SINCE JULY 2024

- **The Circular Economy Taskforce was established in November 2024 with responsibility for co-designing the Circular Economy Growth Plan.** Publication of the plan has been delayed several times. However, it is expected to set out a strategy for six priority sectors: agrifood, textiles, chemicals and plastics, transport, built environment, and electricals.
- **The Packaging Extended Producer Responsibility scheme was implemented across the UK** (January 2025). Packaging producers pay fees based on the amount and type of household packaging they place on the market. The scheme is administered by PackUK, which disburses funds raised to local authorities to contribute to their waste management and recycling costs.
- **A new Deposit Return Scheme is set to launch in October 2027.** Once live, consumers across the UK will pay a 20p deposit on in-scope drinks containers, refunded when the container is returned. The scheme will be operated by the not-for-profit Deposit Management Organisation.
- **The government delayed the inclusion of municipal waste incineration in the UK Emissions Trading Scheme which was originally scheduled for 2028.** Under the original plans waste incinerators would have been obliged to buy carbon allowances to cover emissions, raising waste management costs for local authorities with the aim of incentivising waste reduction and recycling. The decision to delay this move was taken in August 2026, reportedly because of the risk that extra cost pressures could lead local authorities to cut other environmental and social services. DESNZ has indicated it will set out a new timeline and additional policy details 'in due course'.

REMAINING GAPS

- **UK circularity policy has predominantly affected packaging with limited focus on waste from other parts of the economy.** Broadening circular economy practices to encompass the six priority areas expected in the Circular Economy Growth Plan could have a greater impact on supply chain security and economic growth.
- **The UK does not yet have a Digital Product Passport (DPP) requirement.** DPPs are intended to store data on a product's origin, material composition, repair instructions and recycling options, promoting greater circularity. While the government is conducting a call for evidence on digital product record policy, progress is far behind the EU where DPPs are already mandated under the Ecodesign for Sustainable Products Regulation, with batteries first in scope.

RECOMMENDATIONS

1. **Publish the delayed Circular Economy Growth Plan for England.** A clear and ambitious signal from the government, including guidance for priority sectors, would increase business confidence and investment in circularity.
2. **Minimise regulatory divergence within the UK and with the EU.** Differing regulations and initiatives across the devolved nations and between the UK and EU can make business compliance challenging and costly. Greater alignment and interoperability in areas such as product design, passporting or carbon taxation would benefit business.
3. **Ensure the Deposit Return Scheme launch is smooth and provides for low-income areas fairly.** Significant teething problems at launch could damage take-up and popularity amongst the public, jeopardising the scheme's efficacy and potentially leading to political opposition. Care must be taken to provide sufficient return points in low-income areas where a 20p deposit is less affordable.

Industrial strategy and industrial decarbonisation

The Modern Industrial Strategy is the government's flagship growth plan, backing eight growth-driving sectors including advanced manufacturing and the creative industries. Heavy industry and manufacturing underpin this strategy, supplying the materials and products on which the wider economy depends.

As Prime Minister, Andy Burnham has made reindustrialisation central to the government's economic strategy. Decarbonisation is essential to futureproofing UK industry, and policy must now focus on turning strategy into investment and delivery.

KEY DEVELOPMENTS SINCE JULY 2024

- **The Modern Industrial Strategy (June 2025) has embedded net zero across its growth agenda,** supported by the National Wealth Fund and R&D budgets.
- **A new Climate Change Agreements scheme** began in January 2026, offering energy levy discounts in return for efficiency and carbon targets to 2030.
- **Action on industrial electricity costs.** The expanded British Industry Supercharger took effect in April 2026, raising network charging compensation to 90% for around 500 energy-intensive businesses. The confirmed British Industrial Competitiveness Scheme aims to cut bills by up to 25% for over 10,000 businesses from April 2027.
- **The structures required for carbon pricing are taking shape.** The UK Carbon Border Adjustment Mechanism (CBAM) goes live in January 2027, with Emissions Trading Scheme (ETS) free allocation beginning a phased reduction from the same date. Formal negotiations to link the UK and EU schemes began in early 2026, raising the prospect of mutual CBAM exemptions.
- **CCUS and hydrogen are moving towards delivery.** Construction has begun on the UK's first two carbon capture clusters, backed by up to £21.7bn over 25 years. While a second wave of low-carbon hydrogen projects is progressing through government allocation rounds.
- **Dedicated sector funding.** The Steel Strategy (March 2026) committed £2.5bn through the National Wealth Fund to low-carbon electric arc steelmaking, alongside a £470m package announced in May 2026 to help the chemicals and ceramics industries modernise and decarbonise.
- **The government has set out first moves on strengthening demand for low carbon industrial products.** In response to the consultation on this issue, the government has committed to set out voluntary guidance on embodied emissions reporting, product classifications and green public procurement.

REMAINING GAPS

- **The framework for futureproofing industry remains uncertain.** The promised update to the 2021 Industrial Decarbonisation Strategy remains unpublished. Meanwhile, policy is fragmented between DBT and DESNZ, and existing public funding commitments face pressure.
- **There is no delivery plan for industrial electrification.** The CCC's June 2026 progress report is unambiguous that electricity cost exemptions will not deliver electrification on their own.
- **Uncertainty on carbon markets and leakage is acute.** Until UK–EU ETS linkage is agreed and reciprocal CBAM exemptions in place, UK exporters remain subject to the EU CBAM, creating additional costs and administrative burdens despite paying a UK carbon price. Additionally, changes proposed (July 2026) to the EU ETS from the 2030s create further uncertainty for the UK if the schemes are linked.
- **The demand signal for low-carbon products is still too weak.** The proposed low-carbon industrial products framework relies on product classification and guidance rather than binding requirements, such as a maximum embodied carbon standard for construction. Therefore, first movers continue to face a competitive penalty.

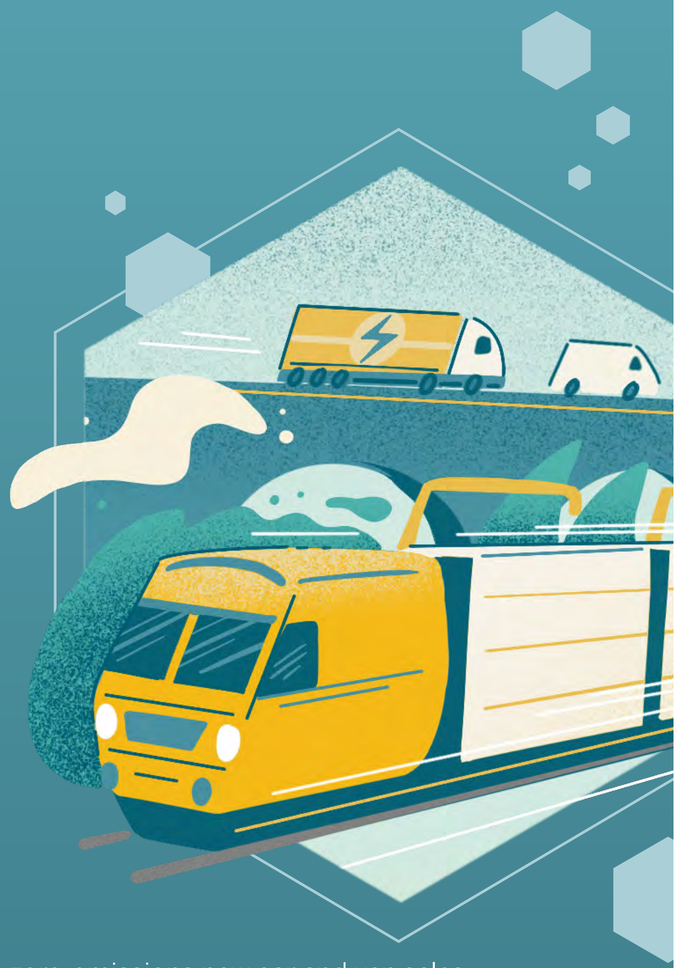
RECOMMENDATIONS

1. **Publish an update to the Industrial Decarbonisation Strategy, focused on the drivers of industrial investment.** The update should address the wider requirements of futureproofing industry alongside emissions reductions, certainty on regulation (particularly the UK ETS and CBAM) and planning, infrastructure access, energy costs, supply chain security, workforce and climate resilience. It should have a strong focus on regional delivery and align fully with the Modern Industrial Strategy, so that decarbonisation and reindustrialisation are pursued as one objective.
2. **Take specific, targeted action to drive industrial electrification.** Building on existing cost exemptions, the government should provide further support, such as a targeted electrification discount scheme. Such a scheme should make electrification economically competitive, taking into account regional and sectoral differences, and move quickly to consult on the options for industrial electrification support.
3. **Strengthen the demand signal for low-carbon industrial products.** Public procurement has been identified as a lever for reindustrialisation by the Prime Minister; it must have low-carbon and circular outcomes at its heart, moving from guidance to mandatory requirements.

Transport

The government continues to back the target of 100% zero-emission new car and van sales by 2035, despite a 2026 consultation on interim milestones. Policies have also been introduced across rail, aviation and shipping to incentivise decarbonisation.

HGVs are challenging to decarbonise despite the increasing availability of suitable vehicle technology, but they affect almost every business's supply chain, suggesting greater government action is required to support the transition. Zero-emission vehicles made up just 1% of new HGV registrations in the first half of 2025.



KEY DEVELOPMENTS SINCE JULY 2024

- **The ZEV mandate** requiring manufacturers to reach 100% zero-emissions new car and van sales by 2035 was retained when Labour entered government. However, there are signs of a potential shift in policy, with a consultation launched in August 2026 into whether interim sales targets for 2030 should be lowered.
- **DfT consulted on reducing emissions from HGVs** (January 2026). A range of options was considered including reducing emissions from conventional HGVs and the phase out of new non-zero emissions HGVs between 2035 and 2040 depending on size. A response to this consultation has not yet been published.
- **£1bn of funding announced in March 2026 to incentivise zero emissions trucks and vans.** Funding will subsidise truck and van purchases and a Depot Charging Scheme covering 70% of charging costs up to £1m per business. This does not fund any required grid connection upgrades.
- **The Railways Bill entered parliament in November 2025.** When it passes into law it will establish Great British Railways (GBR) and set a target for rail freight to grow by 75% by 2050, with duties on GBR and ministers to promote freight. This increase is intended to cut emissions and reduce air pollution compared to road haulage.
- **Buses, active travel, aviation and shipping.** The Bus Services Act 2025 increased franchising powers for local authorities, backed by £3bn. The Cycling and Walking Investment Strategy 3 (2026) committed £4.5bn to walking and cycling. The Sustainable Aviation Fuel Act 2026 established a revenue certainty mechanism for UK SAF producers, and government announced the world's first state-backed, airspace-scale contrail avoidance trial. The UK ETS extended to domestic shipping from July 2026.
- **DfT published its Strategy for Integrated Transport in April 2026** with over 40 funded commitments on multi-modal ticketing and service integration. It delivers the manifesto commitment to a long-term transport strategy and gives businesses and local authorities a framework to plan against.
- **Climate adaptation strategy for transport.** In December 2025 DfT set out how the sector will prepare for flooding, heat and storms, with resilience standards due by 2030, a £1bn fund for bridges and tunnels, and new adaptation duties for Network Rail, train operators and National Highways.

REMAINING GAPS

- **Grid capacity for rail freight electrification.** Connection delays of seven to eight years are common, and depot upgrades can cost £10m to £65m. Freight competes for grid supply with data centres and industrial users, and it remains unclear how competing demands are prioritised.
- **Lack of clear government position on low-carbon fuels in road freight.** Diesel HGVs will remain in service into the 2040s, even with an acceleration in the use of Battery Electric Vehicles (BEV). Biomethane and HVO can cut emissions now but the role of these fuels in government strategy is unclear, undermining investment in this technology and crucial short-term emissions savings.
- **Delivery gap between phase-out ambitions for HGVs and the existing policy framework.** The regulatory framework, infrastructure strategy and Freight Plan remain under development. Meanwhile, grid connection timelines create significant uncertainty, and electricity costs are a substantial barrier to HGV electrification.

RECOMMENDATIONS

1. **Prioritise grid connections and support charging infrastructure at strategic HGV charging locations.** HGV electrification will require high-capacity grid connections to support charging infrastructure at depots and key freight routes. Such connections currently face long waits and high upfront costs.
2. **Offer targeted support for HGV charging.** Electricity costs are a significant barrier to the cost competitiveness of electric HGVs. Government should consider targeted support for HGV charging costs, building on the precedent set by measures to reduce electricity costs for energy intensive industries, such as the incoming British Industrial Competitiveness Scheme.
3. **Provide greater regulatory clarity on reducing emissions from HGVs.** A response to DfT's consultation on an HGV CO2 regulatory framework is needed to give manufacturers and operators greater certainty to invest in zero emission HGVs.

Built environment

In its first two years the Labour government has delivered several long-anticipated policies. These include the Future Homes and Buildings Standards, intended to lower emissions from new buildings, and higher Minimum Energy Efficiency Standards to increase the efficiency of the existing building stock.

The publication of the Warm Homes Plan was an important step forward in improving home efficiency and decarbonising heating. However, heat pump installations are significantly below Warm Homes Plan targets, and it is not clear that the UK has the necessary skills and workforce ready to deliver ambitious upgrade plans.

KEY DEVELOPMENTS SINCE JULY 2024

- **The Warm Homes Plan** (January 2026) committed £15bn of funding to upgrade 5 million homes by 2030. The plan offers grants and low interest finance for heat pumps, solar panels, batteries and insulation. About one third of the funding is targeted at low-income households with the goal of lifting 1 million households out of fuel poverty. The plan also sets the target of 450,000 heat pump installations a year by 2030.
- **The Future Homes and Future Buildings Standards were announced** and are due to come into force in March 2027. The standards require new homes and non-domestic buildings to be built to higher efficiency specifications and use low-carbon heating systems like heat pumps. Buildings constructed to these standards should achieve zero-carbon operation once the electricity grid is fully decarbonised.
- **Higher Minimum Energy Efficiency Standards (MEES) for privately rented homes** have been confirmed, with a deadline for compliance in October 2030. In England and Wales all rented domestic property will have to achieve an EPC of C or prove an exemption, otherwise it will become illegal to lease.
- **The government announced plans to raise MEES for non-domestic buildings** in June 2026. Under the proposals, all privately rented non-domestic buildings in England and Wales over 1000 square metres will have to achieve an EPC of B by 2031 or prove an exemption, otherwise it will become illegal to lease. The response to the consultation setting out full details has not yet been published.

REMAINING GAPS

- **More detailed plans are needed for built environment skills and job creation.** The Clean Energy Jobs Plan identifies built environment trades as those with the largest gap between existing and required workforce by 2030. The plan sets out actions for the wider clean energy workforce but without an occupation-by-occupation approach for the built environment.
- **Embodied carbon sits outside the scope of national policy.** Embodied carbon emissions from the production of materials used in construction make up 20% of the UK's built environment emissions. However, national policy does not incentivise these emissions to be recorded or limited in the construction process.
- **Disincentives to use gas boilers.** Policy does not strongly disincentivise the use of gas boilers in existing buildings despite the importance of decarbonising heat. This means sales of gas boilers still far surpass those of heat pumps. A potential solution could be the phase out of new gas boiler sales.
- **Adapt the UK's existing building stock to new climate conditions.** Incentivising and financing adaptation, especially to extreme heat, is an underdeveloped policy area. For more detail on adaptation see pages 8 and 9.

RECOMMENDATIONS

1. **Publish a dedicated built environment skills and jobs plan backed by additional funding.** This should go beyond the Clean Energy Jobs Plan to set out a clear path towards building the workforce across each occupation. Such a plan could help to create secure, high-paying jobs in the built environment across all regions of the UK.
2. **Set clearer policy and market signals on the transition away from gas boilers to heat pumps.** Clarifying the future costs, availability and regulatory treatment of heating systems would give households and businesses greater confidence to invest in heat pumps and related skills training. Useful action could include extending funding for the Boiler Upgrade Scheme beyond 2028, extending VAT zero-rating for heat pump installation beyond 2027 and a phase-out of gas boiler sales.
3. **Introduce mandatory assessment and reporting of whole-life carbon emissions for new buildings.** Starting with large buildings, this would track embodied carbon and provide the framework needed for any future limits. How this could work in the UK has already been set out in the proposed Part Z amendments to Building Regulations. In the EU whole life carbon assessments will be required by 2030.

Water

This has been the most consequential two years for water policy in a generation, and the pace of reform continues to be rapid. Despite the policy changes up to now, the water system is under immense physical and political pressure, with sustained anger over water pollution and droughts affecting most English regions in summer 2026.

The government has announced a Clean Water Bill for the coming parliamentary session, focused on reform of both the water industry and the wider water system. The key challenge will be reforming the system at the pace and scale needed to build a resilient water system capable of managing future demand and climate pressures.

KEY DEVELOPMENTS SINCE JULY 2024

- **Price Review 2024 final determination was passed in December 2024.** This is the mechanism for Ofwat to set the investment and service packages for the water companies in England. It set a total expenditure programme of £104bn to upgrade infrastructure, mandated a 45% reduction in storm overflow spills and allowed significant bill increases.
- **The Water Special Measures Act** was passed in early 2025 to address water company governance concerns. This included bans on executive bonuses and increased fines for poor environmental performance.
- **A new vision for water was published.** Following the Cunliffe Review's final report in July 2025, Defra's 2026 white paper confirmed plans for a single integrated water regulator absorbing Ofwat, and relevant Environment Agency, Drinking Water Inspectorate and Natural England functions, plus a new independent water ombudsman.
- **Clean Water Bill expected 2026.** The Clean Water Bill aims to reform water regulation, penalise polluters and reduce sewage pollution. The Bill is expected to enter Parliament in late 2026.
- **Water nationalisation in focus.** At the time of writing, the Government has reportedly decided to shelve plans to put Thames Water into a Special Administrative Regime (a significant step towards nationalisation), citing costs and legal concerns.

REMAINING GAPS

- **The promised Water Transition Plan has not yet been published.** It is expected to set out the implementation roadmap for the planned overhaul of the water sector, including the move towards a single integrated water regulator. This plan needs to give the industry and water users greater certainty about how water will be managed into the future.
- **A final decision on Thames Water's future and the government's approach to public control of utilities remains outstanding.** Clarity on the future of Thames Water would send a clear message about the government's plans for the sector. Any decision on the public control of water will have implications for sectors beyond water utility companies, particularly the financial services sector, built environment and environmental consultancy sectors, all of whom have a stake in the water regulatory and planning cycle.
- **Uncertainty remains about plans for the water system.** Defra have not issued a public update since January 2026, leaving businesses in water dependent sectors without the certainty they need for forward planning. This will be particularly crucial for water companies who will already have an eye on the 2029 price review.

RECOMMENDATIONS

1. **Legislate for a National Water Framework.** This would include a statutory National Water Strategy and national targets, a cross-sectoral water systems regulator and a new National Water System Operator, consolidating fragmented water legislation by 2029.
2. **Strengthen regional planning and local delivery.** Establish statutory Regional Water Authorities and five-year Regional Water Strategies, timed to inform Price Review 2029, closing the "missing middle" between national targets and place-specific delivery.
3. **Unlock more private investment.** Several approaches could help with this including a standardised private investment framework, catchment nutrient budgeting and trading, and a National Water Investment Programme to help close the sector's estimated £300bn funding gap.

Thank you for reading the Aldersgate Group's Green Policy Review.

You can find more on the Aldersgate Group and our work on our website.

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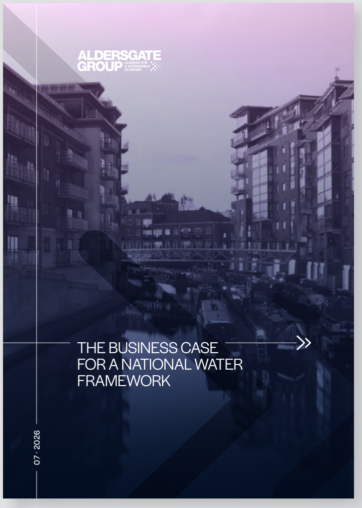

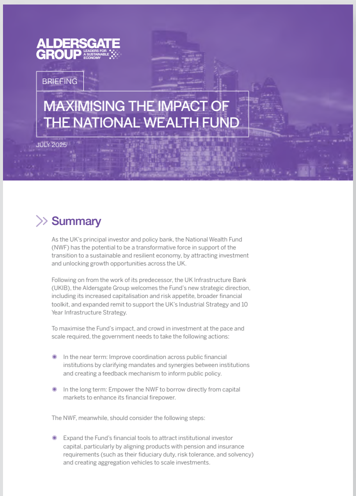

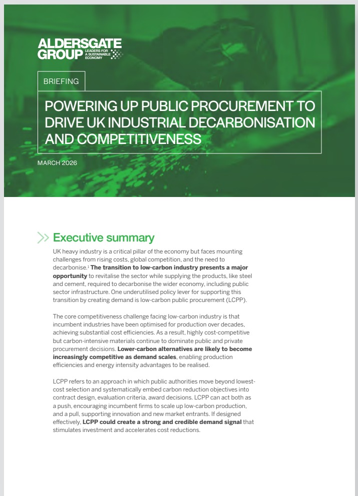

If you have any questions about the Green Policy Review or the Aldersgate Group's wider work, please get in touch.

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