

Government launches updated Green Finance Strategy

AT A GLANCE

April 2023

What's new?

- The UK Government issued a new [Green Finance Strategy](#) on 30 March 2023, setting out a revised approach from the previous iteration in 2019. This follows a consultation in the summer of 2022.
- The strategy sets out the Government's plans to be the world's first Net Zero-aligned financial centre, and provides key updates on the Government's plans to implement a UK Green Taxonomy, introduce mandatory transition plan disclosures, and implement the International Sustainability Standards Board (ISSB) standards.
- Alongside this paper, the Government published other documents, including a '[Powering Up Britain](#)' strategy, a [Nature Markets Framework](#), an [International Climate Finance Strategy](#), [UK Strategic Framework on Climate and Nature](#), and a [consultation](#) on the regulation of ESG ratings providers.

What does this mean?

- The Green Finance Strategy includes an update on the approach for the **UK Green Taxonomy**. It confirms plans to consult in autumn 2023, and sets out an expectation for firms to report against the Taxonomy on a voluntary basis in the first two years, after which the Government will explore whether to make it mandatory. This is a departure from the previous commitment to a mandatory taxonomy.
- The paper includes a commitment to consulting on new requirements for the UK's largest companies to publish their **transition plans**, if they have them. In line with rules for listed companies, this would apply on a 'comply or explain' basis, and will happen after the UK Transition Plan Taskforce (TPT) has finished its work (expected in autumn/winter 2023).
- The Government confirmed plans to set up a framework to assess the **ISSB standards** for UK adoption, after they are finalised in June 2023
- The Government uses the paper to confirm its continued commitment to the **Sustainable Disclosure Requirements**, which brings together new and existing frameworks for corporates and financial services firms. It notes further detail will be set out in the summer.
- Other areas of focus include: (i) a Call for Evidence on the costs and benefits of producing and using **Scope 3 Greenhouse Gas** emissions data, in order to establish whether government can support the process; (ii) an update to the voluntary Environmental Reporting Guidelines; (iii) a commitment to working with industry partners on the development of **adaptation metrics and guidance**, in response to the Climate Change's Committee's report and to improve disclosure; and (iv) a industry led market review on how the UK can become a world leader in raising transition capital.

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- The Government will explore how the Taskforce for Nature Related Financial Disclosures might be incorporated into UK regulation
- The strategy reiterates the Government's plans to consult on regulating **ESG rating providers** and published [a separate consultation](#) on this.
- The current Solvency UK reform proposals are expected to incentivise insurers to invest in long-term productive assets, such as renewable energy infrastructure.
- The Government also notes its support for **international alignment** within finance and commits to working with international partners.
- For pension and asset owners, the Government plans to review the regulatory framework and guidance on stewardship, and engage interested stakeholders on the clarification of fiduciary duty.
- In anticipation of requirements for large companies to publish their transition plans, companies should consider how best to prepare to disclose based on the draft TPT Framework published in November 2022. They should consider how they could integrate transition planning across their business and reporting processes.
- The Government has suggested TNFD may be reflected in UK regulation. As such, firms should start to consider how to implement the draft TNFD Framework and how to integrate nature across their business and reporting processes. They should consider where they can build on existing practices relating to governance, risk management, strategy, and metrics and targets.
- The Strategy sets out a path for a number of new or existing reporting initiatives. Firms may wish to consider how these might impact their existing ESG programmes. To ensure robust and future-proof implementation, firms should look to take a strategic and joined-up approach to responding to this upcoming wave of new ESG reporting regulatory initiatives in a way that is flexible enough to meet the requirements of new regulation as it develops, and which identifies areas of compatibility between each.

What do firms need to do?

- Firms should engage on the Green Technical Advisory Group's early [high level advice](#) on the Taxonomy, and on [international operability](#), and consider aligning their investments with the EU Taxonomy criteria. They should continue to monitor the GTAG's guidance, as published.

Next steps

The Government plans to take forward most of these proposals over the course of 2023 and into 2024. This is likely to involve a number of consultations. The consultation on bringing ESG rating regulation into the regulatory perimeter, published alongside this, closes for comment on 30 June 2023.

