

The Rt Hon Boris Johnson MP
Prime Minister
10 Downing Street
London
SW1A 2AA

13 July 2021

RE: Step-change needed by UK Government to deliver the UK's climate targets

CC:

The Rt Hon Kwasi Kwarteng MP, Secretary of State for Business, Energy and Industrial Strategy
The Rt Hon Alok Sharma MP, COP26 President

Dear Prime Minister,

As a leading investor group on climate change, we are writing in relation to the UK's progress in implementing domestic policies to achieve its climate targets.

IIGCC's mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. IIGCC's 300+ members, representing €37 trillion assets under management, are able to catalyse real world change through their capital allocation decisions, stewardship and successful engagement with companies, policymakers and fellow investors.

We welcome the level of ambition in the UK Government's updated Nationally Determined Contribution (NDC) and the passing into law of the sixth Carbon Budget.

However, as highlighted by the Climate Change Committee (CCC) in its recent 2021 Progress Report to Parliament¹, with current policies the UK is on track to deliver only one-fifth of the emission reductions needed by 2035 to meet the sixth Carbon Budget¹. While progress in ambition has been made, further policy commitments are needed, with details setting out how delivery will be scaled up, in order to put the UK on a credible pathway for achieving net zero.

We look forward to this year's Net Zero Strategy and encourage its publication well in advance of COP26. Investors welcome a Net Zero Strategy that provides a clear, integrated and detailed roadmap for achieving the sixth Carbon Budget and net zero emissions. This should include clear transition pathways for each sector in line with achieving economy-wide net zero, and policy incentives for achieving those pathways. This will require increasing the ambition and detail within existing sector strategies, as well as avoiding further delays in publishing strategies such as the Heat and Buildings Strategy.

More investors than ever before are taking proactive action to drive the transition including aligning investment portfolios to net zero and engaging with companies on their net zero transition plans. For example, 128 asset managers with US\$43 trillion of assets under management have made net zero commitments under the Net Zero Asset Managers Initiative², and 28 asset owners with US\$1.9 trillion in

¹ CCC 2021 Progress Report to Parliament: <https://www.theccc.org.uk/publication/2021-progress-report-to-parliament/>

² Net Zero Asset Managers Initiative website: <https://www.netzeroassetmanagers.org/>

assets have recently made net zero commitments under the Paris Aligned Investment Initiative³. Through Climate Action 100+⁴, more than 570 investors with over US\$54 trillion in assets are actively engaged as shareholders to ensure the world's largest corporate greenhouse gas emitters take ambitious action on climate change.

Clear sectoral transition pathways from UK government would support a harmonised understanding between all actors on the transition and, in turn, speed up the deployment of net zero investment. Investors would be able to set targets for portfolio emission reductions consistent with the pathways, engage with companies regarding their alignment with the pathways, evaluate the potential for stranded assets, assess the need for asset write-downs and inform timetables for potential divestment.

In particular, we welcome the UK bringing forward the phase-out dates for coal in the power sector to 2024 and the sale of new petrol and diesel cars to 2030. The phase-out dates for other carbon-intensive activities and the timeline for transitioning to net zero aligned alternatives are now urgently needed. For example, we welcome and note the sectoral transition milestones recommended by CCC⁵, including:

- No new unabated gas-fired power plants by 2030, with phase-out of unabated gas-fired power generation by 2035
- Scaling up the deployment of renewables to reach a near-zero electricity system by 2035
- Phase-out of all new fossil fuel car and van sales, including plug-in hybrids, by 2032
- Phase-out of new diesel heavy goods vehicles sales by 2040
- Scaling up battery-electric vehicle sales to reach 100% of sales by 2030
- Ore-based steelmaking to reach near-zero emissions by 2035
- Near-zero direct emissions from the cement sector by 2040
- Phase-out the sale of fossil fuel boilers by 2033
- Scale up the deployment of low-carbon heat networks, so that most heating installations are low-carbon by 2030—predominantly heat pumps.

Delivering the sixth Carbon Budget will require building an annual investment programme reaching around £50 billion per year by 2030, up from around £10 billion per year today¹. Investors would welcome working with you to develop a plan that can be published ahead of COP26 to support the mobilisation of investment aligned with net zero.

In this defining year, there is a huge opportunity for the UK, as President of COP26, to show it is serious about matching its ambitious climate change commitments with effective policies and implementation. Investors stand ready to work with you to deliver a prosperous and net zero emissions economy.

Yours sincerely,



Stephanie Pfeifer
CEO, Institutional Investors Group on Climate Change

³ Paris Aligned Investment Initiative website: <https://www.parisalignedinvestment.org/>

⁴ Climate Action 100+ website: <https://www.climateaction100.org/>

⁵ CCC Sixth Carbon Budget Report: <https://www.theccc.org.uk/publication/sixth-carbon-budget/>