Rt Hon Rishi Sunak
Prime Minister
Prime Minister's Office, 10 Downing Street
London
SW1 2AA

28 September 2023

Dear Prime Minister,

As the CEOs of organisations working with a significant number of investors and financial services institutions, and investors representing over £1.5 trillion in assets under management, we are writing to you because we are deeply concerned by your decision to backtrack on vital policy measures that support the UK's transition to net zero. Diluting ambition at this critical juncture erodes the UK's position as a global leader on climate, undermines our international competitiveness, and increases the risk that we fail to capitalise on one of the greatest economic opportunities of the 21st century.

An enabling policy environment is a prerequisite for investors looking to make long-term investment and asset allocation decisions in line with their fiduciary duty to clients and beneficiaries to manage risk and opportunities to maintain the long-term financial value of their assets. The latest moving of the goalposts fundamentally undermines this.

Long-term ambitions to reach net zero are a necessary starting point. But without a coherent, whole-of-government approach to the economic transition, underpinned by detailed policies to deliver on these ambitions, they are simply not achievable. This is as much true of policymaking as it is of the transition plans that a growing number of investors, and the companies they own, are implementing.

To meet the UK's legally binding climate commitments, we need to catalyse an additional £50-60 billion of capital each year.[1] Private finance will make up the bulk of this capital, and investors stand ready to support. But to create the conditions to accelerate net zero investment, we need government to uphold the 'four Cs' that underpin effective policymaking – certainty, consistency, clarity, and continuity. The UK's recent Net Zero Strategy explicitly recognises this[2] and so do investors.[3]

We welcome commitments to provide greater levels of financial support under the Boiler Upgrade Scheme and plans to speed up and enhance grid connectivity. But the decision to relax targets in other key areas will have the opposite effect, eroding market confidence and making it harder to attract investment. The 2030 target for banning new internal combustion engine (ICE) car sales has provided a 'vital catalyst'[4] to accelerate the transformation of the vehicle industry. It provided manufacturers with the clarity needed to make investments worth

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[1] Mobilising Green Investment – 2023 Green Finance Strategy
[2] 2023 Net Zero Strategy, p.8
[3] IIGCC, UKSIF and PRI letter (20/09/2022)
[4] FORD STATEMENT ON 2030 (20/09/2023)

billions to the economy and create jobs across the country.[5] Similarly, as the cost of renewables continues to decline, ambitious policies to replace gas boilers and increase the energy efficiency of UK homes are needed to provide the foundations of a more secure and resilient energy system in the UK, while simultaneously combatting the rising cost of living.

Ultimately, delaying key targets and lowering the ambition of existing government policies would be misguided. It reduces the capacity of industry to plan ahead and make investments that will drive down the costs of adopting low-carbon technologies. Not only will the government's current approach increase the UK's cumulative emissions, but it will also end up costing the taxpayer more[6] and hinder our ability to lead the charge in rolling out the climate solutions of the future.[7]

Staying the course on the UK's long-term climate goals is fully compatible with addressing immediate issues, including cost-of-living concerns.[8] We urge the government to uphold ambition and avoid backsliding on key climate policies, including by reconsidering the decision to delay phase outs of new ICE car sales and gas boilers, and maintaining commitments to deliver on energy efficiency targets. In the absence of strong policy incentives from government, there is a significant risk that investment will flow to the regions and nations that are taking a more consistent, long-term approach.[9]

Yours sincerely,

Stephanie Pfeifer

Stephanie Pfeifer
CEO, IIGCC

David Atkin
CEO, PRI

James Alexander
CEO, UKSIF

DISCLAIMER: This letter was developed in consultation between IIGCC, UKSIF, PRI and their members/signatories. However, the view expressed here do not necessarily represent the views of their entire memberships or signatories, either individually or collectively.

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[5] Including; £4bn investment by Tata Group in electric car battery gigafactory; £600m investment in MINI Plant Oxford; £430m investment in Ford's UK development and manufacturing facilities, with further funding planned by 2030.

[6] Under current policies, the total cost of climate change damages to the UK are already projected to increase from 1.1% of GDP at present to 3.3% by 2050 and 7.4% by 2100. See LSE Grantham Institute's policy brief.

[7] The Climate Change Committee's (CCC) June 2023 Progress Report to Parliament found that sales of electric vehicles were on track to meet 2030 targets, ahead of the CCC's central net-zero pathway (Table 1, p.21). Delaying the phase out of new ICE vehicle sales from 2030 to 2035 creates a risk that this trajectory will not be maintained.

[8] Energy and Climate Intelligence Unit (EICU), January 2023. Cost of NOT zero in 2022. Angela Ruskin University (ARU), June 2023. Poor UK households more vulnerable to climate shocks. EICU, September 2023. PM's net zero changes could cost households up to £8bn

[9] IIGCC, UKSIF and PRI letter (20/09/2022)

**This letter is supported by 32 investors and financial institutions:**

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