



PRI CONSULTATION RESPONSE

**HM Treasury and the economics of climate and
nature**

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An investor initiative in partnership with
UNEP Finance Initiative and UN Global Compact



United Nations
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About this consultation

The Environmental Audit Committee's (EAC) [call for evidence](#) examines the role of Treasury in shaping the UK's response to climate change, nature loss and wider environmental sustainability. It recognises that HM Treasury not only plays a key role in fiscal decision making but also setting the economic framework through which climate and environmental issues are understood across government.

The PRI is the leading organisation in advancing responsible investment globally. Set up with United Nations' support, our unique community contributes to stable financial markets and a more prosperous world for all. We bring together signatories, amplify their voices and provide resources and guidance for complex sustainability challenges. The six Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the EAC's call for feedback on the role of HM Treasury in shaping the UK's response to climate change, nature loss and wider environmental sustainability.

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To inform this paper, the following group has been consulted: UK Regional Policy Reference Group

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

PRI Consultation response

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Key recommendations

The PRI welcomes the Environmental Audit Committee's (EAC) exploration into the role of HM Treasury in shaping the UK's response to climate change, nature loss and wider environmental sustainability. As the government department responsible for developing policies or regulation for the financial system, HM Treasury plays a vital and underexplored role in meeting the UK's climate commitments.

The PRI's key recommendations are:

- HM Treasury's budget could include an explicit **Transition Alignment Statement to showcase how fiscal measures align with the UK's Carbon Budget and domestic sectoral pathways**. Ensuring government decisions (budget, spending, tax, subsidies) are stress tested for their impact on the transition would limit the risks of setting conflicting policies and ensure consistency in prioritising low carbon policies.
- Sectoral pathways should be anchored in government oversight with clear cross governmental authority and mechanisms for structured collaboration between policy makers and investors, which should be formalised.
- HM Treasury could embed the **Climate Change Committee's (CCC) recommendations** as a framework for policy interventions, enabling evidence-based policy making with a long-term perspective.
- **Delivery units** could be tasked with developing aligned policy tools with impact assessments, clear implementation routes, and regular review cycles to measure policy effectiveness. Alignment with HM Treasury's fiscal policy should be prioritised, with transition milestones embedded into Treasury's Spending Review processes.
- HM Treasury could better leverage existing **incentives to catalyse markets** through subsidies, tax credits, blended finance and pricing mechanisms (e.g. carbon markets), which would provide appropriate signals to investors and stimulate private finance towards the economic transition.
- **Stronger inter-departmental coordination** within government would ensure that climate targets are incorporated when designing tax, subsidies, or departmental budgets.



Detailed response

The PRI's response focuses on positions related to the role that HM Treasury is playing and can play in driving the UK's climate change agenda; how HM Treasury works with other departments, regulators, public bodies; progress to date and recommendations.

The PRI will shortly publish a report on how the UK government can accelerate the transition, focusing on how the **machinery of government** (how government is organised, coordinated, and empowered) can be leveraged. This is part of the PRI's global workstream on a [whole-of-government approach](#) to the transition. The incoming machinery of government report focuses on four issues; sectoral pathways; the budgetary process; public-private partnerships; stronger delivery mechanisms. It also examines the progress made on the UK's transition to date and provides recommendations on overcoming underlying gaps to ensure that commitments are translated into stable policy signals, investable project pipelines, and contribute to long-term economic resilience. Many of our positions in this call for evidence stem from our research on the machinery of government, which we will share with the EAC once published.

The role of HM Treasury

HM Treasury has played an important role in funding or setting the mandate for initiatives that have been key to the UK's transition, such as the Contracts for Difference scheme, the National Wealth Fund (NWF), Transition Plan Taskforce (TPT), the Net Zero Review, and more. It is not sufficiently clear how consistently climate and nature considerations are incorporated into **HM Treasury decision making, nor how these considerations influence spending decisions**. The UK government has strong frameworks in place around spending and policy decisions, but there is scope for HM Treasury to better embed decarbonisation in its broader economic strategy. HM Treasury's Green Finance team drives the UK's sustainable finance strategy however it is unclear how much influence this has in wider HM Treasury budget decisions.

Academic evidence reinforces how HM Treasury use of green finance could determine the pace of the UK's transition. Equally, the choices that it does not take may slow the pace of change.¹ Embedding transition delivery into the core of government could **future-proof climate progress against political shifts and ensure economic resilience**. This requires also tackling ambiguity across regulators' mandates and weak integration of climate priorities into fiscal decision-making, which reduce coherence and accountability.

The [Carbon Budget and Growth Delivery Plan](#) is funded by HM Treasury and directly links delivery of the transition with economic growth. Whilst the delivery of the Plan sits with DESNZ, HM Treasury plays an **enabling role in setting the right economic framework**. The PRI considers it important that HM Treasury not only sees its role as a funding mechanism but recognises that its decisions exert control over the directionality of the UK economy. To help deliver the Plan effectively, HM Treasury should ensure alignment with wider spending, taxation, and macroeconomic strategy – notably, fiscal rules and risk frameworks. Our response elaborates on recommendations around a Transition Alignment Statement below.

HM Treasury could leverage the use of incentives to provide appropriate signals to investors to stimulate private finance towards the economic transition. Incentives catalyse markets through subsidies, tax credits, blended finance and pricing mechanisms (e.g. carbon markets). Investors consider them to be flexible instruments that most directly change investment conditions and expand the investable universe. Incentives can serve different purposes:

¹ James Jackson, [A Very British industrial policy: Green finance and the City-Bank-Treasury control of Net Zero](#) (2024)

- **Direct public spending** through subsidies, tax cuts and blended finance can be directed to making early-stage technologies economically viable.
- **Pricing mechanisms** will make more mature sustainable activities more financially attractive than their harmful counterparts, a dynamic that will be reinforced by removing harmful subsidies.

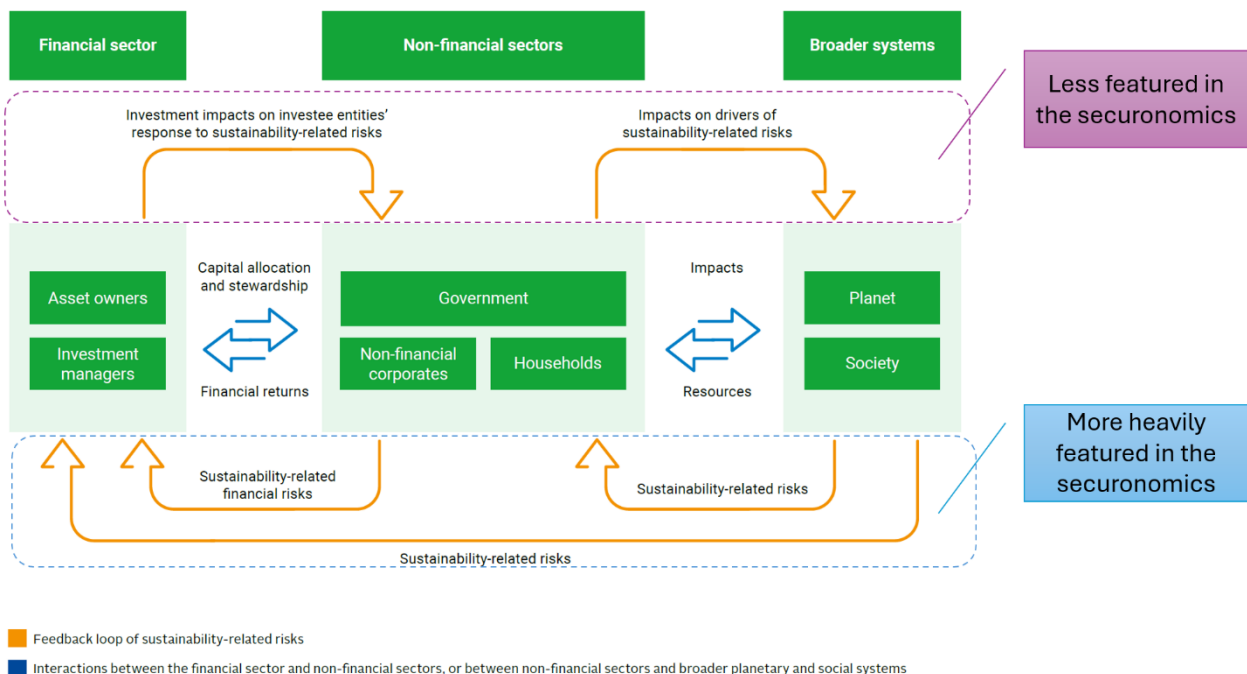
Incentives both support companies to make sustainable economic activities and supply chains more financially performant and can support investors to redirect finance to sustainable economic activities. These instruments can address persistent market failures and create a level-playing field.

Financial risks and stability

UK securonomics recognises climate change and nature loss as material threats to economic security, fiscal sustainability, financial stability and national resilience.² However, its dominant framing is outside-in (how environmental shocks, energy volatility, supply-chain disruption and ecosystem degradation affect the UK economy). The inside-out dimension (how UK production, consumption and capital allocation contribute to climate change and nature loss) is recognised through net-zero law, carbon budgets, green finance and nature policy, but is less central to the securonomics narrative unless it is linked to growth, competitiveness, energy security or investment opportunity.

This creates a conceptual gap. Environmental impacts are not merely ethical or external concerns; they are drivers of system-level sustainability risks. If left unmanaged, they accumulate into the very outside-in risks that securonomics seeks to guard against. A more complete securonomics framework would therefore treat reducing UK-driven climate and nature impacts as a form of preventive economic-security policy.

Figure 1: The feedback loop of sustainability-related risks.



Source: PRI research on [how financial authorities can build a sustainable financial system](#), adapted from the [Network for Greening the Financial System](#) (2020), [International Monetary Fund](#) (2024), [Financial Stability Board](#) (2025).

² Securonomics was coined by UK Chancellor Rachel Reeves in 2023, aimed at building a resilient, stable economy



Table 1: Different perspectives to sustainability-related risks and how they are reflected in Treasury’s securonomics

Perspectives	How sustainability related risks are reflected in HM Treasury’s economic strategy
<p>Outside-in risk: How do climate change and nature loss affect the UK economy and financial stability?</p>	<p>The dominant economic framing.</p> <ul style="list-style-type: none"> • National Security Strategy 2025 and the Nature Security Assessment frame climate and ecosystem degradation as threats to UK prosperity and stability. • Strong focus on resilience against energy-price shocks, supply-chain disruption, food/water insecurity and infrastructure vulnerability. • Office for Budget Responsibility climate fiscal-risk analysis focuses on impacts on growth, debt and public spending.
<p>Inside-out impact: How do economic activities contribute to climate change and nature loss?</p>	<p>Recognised but measures are mostly present where impacts align with growth, competitiveness and resilience.</p> <ul style="list-style-type: none"> • Securonomics supports clean energy as drivers of secure growth and industrial resilience. • Securonomics also cover other growth and security strategies, such as domestic industrial capacity, regional renewal, infrastructure resilience, and strategic supply-chain security. To what extent those strategies will be implemented with consideration of inside-out impacts on climate and nature systems remains unclear. • Impacts on nature and biodiversity are less embedded in core fiscal and industrial strategy than climate/energy security.
<p>Feedback / system-level view: How do today’s impacts become tomorrow’s systemic financial and economic risks?</p>	<p>Conceptually recognised, but not yet fully operationalised.</p> <ul style="list-style-type: none"> • The Dasgupta Review argues economic activity can undermine the natural systems on which prosperity depends. • OBR and Nature Security Assessment recognise that unmanaged climate and nature impacts can feed back into fiscal stress, inflation, supply-chain instability and security risks. • It is not yet fully embedded into fiscal rules, spending reviews, prudential regulation or interpretation of fiduciary duties to drive precautionary actions (including investment) to mitigate negative impacts on climate and nature and therefore prevent future instability.

The [PRI Regulation Database](#) captured 33 policies, regulations and laws that take into account sustainability factors.³ Our assessment shows that:

- The UK sustainable finance framework is comprehensive, covering 9 out of 10 most commonly adopted sustainable financial policy tools. It is only lacking a taxonomy for sustainable activities, following a period of consultation on developing a UK Green Taxonomy.
- The UK framework is comparatively strong as a transparency, risk-management and market-integrity regime, with a broad set of robust disclosure frameworks and stewardship standards guiding both corporate and investor reporting. This has helped position the UK as one of the leading global financial markets for sustainable investment products and services.
- However, being a strong marketplace for sustainable investment does not mean that capital will automatically be allocated to finance the UK’s green transition. While the government has the ambition to drive the economy-wide transition, there are clear ambition gaps between government strategies and financial policies, which primarily focuses on managing risk exposure and occasionally on addressing risk drivers. Corporate and investor disclosure regimes remain more focused on risk exposure than on sustainability impacts and transition outcomes. Transition-plan disclosure is developing, but is not yet fully connected to capital allocation, stewardship expectations or public investment strategy. Prudential regulation has strengthened climate-risk management but may unintentionally encourage risk avoidance rather than transition finance. Sustainable product disclosure and regulations improve credibility but may raise compliance costs relative to mainstream products.

Overall, the UK’s sustainable financial policy framework helps investors identify climate risks, compare products, reduce greenwashing and improve stewardship practices. But it does not yet create strong enough incentives, demand, pipelines or risk-sharing mechanisms for pension funds and other institutional investors

³ The PRI’s Regulation Database was updated in November 2025 using a [methodology which is available to read in full](#).



to finance the UK’s transition to a sustainable and resilient economy at scale. Implementation frameworks on real economy plans, policies and pipelines could be stepped up from ambitious strategy documents. There also needs to be better integration between financial policy frameworks and real economy frameworks (such as public finance and industrial strategy) operating as one coherent capital mobilisation strategy.

Table 2: Assessment of UK’s sustainable financial policy framework

Policy Areas	Assessment
Corporate disclosure	The UK has strengthened climate-related disclosure through TCFD-aligned rules and is moving toward UK Sustainability Reporting Standards. However, the regime remains climate-dominant and mainly focused on financial risk exposure. Disclosure of transition-plan implementation, sustainability impacts and wider system-level risk drivers remains weaker. This matters because investors need not only risk exposure data, but also information on whether companies are reducing or worsening the underlying sustainability risks that may feed back into long-term portfolio returns.
Corporate sustainability responsibility	UK corporate responsibility requirements are fragmented. Companies are expected to consider stakeholder interests, climate-related risks, modern slavery and certain supply-chain issues. The framework improves awareness and reporting on certain sustainability issues but does not consistently require companies to manage their contribution to system-level risks.
Investor sustainability disclosure	The UK investor disclosure framework is relatively advanced. The FCA’s Sustainability Disclosure Regime (SDR) covers product labels, naming, marketing and disclosure; entity-level expectations also require firms to explain how they consider sustainability risks. The framework is strong in enhancing product integrity, but weaker in creating incentives for such products.
Fiduciary duties	UK fiduciary and trustee guidance permits consideration of financially material ESG factors, but many still interpret narrowly and focus on ‘how sustainability affects the portfolio’, rather than ‘how investment activity affects sustainability outcomes that feed back into long-term returns.’ This limits incentives for asset owners to address system-level sustainability risks through allocation, stewardship and mandate design.
Prudential regulation	The Prudential Regulatory Authority (PRA) and Bank of England work has improved climate-risk governance, scenario analysis and supervisory expectations. But if applied narrowly, risk-based supervision may encourage institutions to reduce exposure to high-emitting sectors rather than finance credible transition. This could create a chilling effect on transition finance, especially where transition assets are perceived as higher risk or capital-intensive.
National transition / sustainable investment strategy	<p>Current and previous UK governments have published many relevant strategies: Green Finance Strategy, Net Zero Strategy, Powering Up Britain, Carbon Budget Delivery Plan, National Wealth Fund, Clean Power 2030, and transition finance initiatives. The issue is not lack of ambition. A barrier around weak transmission from strategy to investable investment pipeline remains. Investors need credible projects, stable revenue models, grid and planning certainty, and clear sectoral pathways.</p> <p>HMT has introduced or supported useful measures, such as the National Wealth Fund, green gilts, Mansion House reforms, transition finance work, and public investment programmes. But these are not yet sufficiently integrated with the financial policy framework. Disclosure, transition plans, stewardship, public finance and industrial strategy still do not operate as one coherent capital-mobilisation system.</p>
Sustainable financial products	The UK has placed strong emphasis on credibility, anti-greenwashing and labelling. Whilst this is valuable, it may also create uneven compliance burdens. Sustainable products face more explicit labelling, naming and disclosure risks than mainstream products, which may discourage innovation or lead to green-hushing unless demand-side incentives are stronger.
Stewardship framework	The UK Stewardship Code is robust and internationally influential. It supports transparency, engagement and escalation. It encourages good practice but does not by itself create strong incentives for financing transition, especially where investable opportunities, fiduciary clarity and policy certainty remain insufficient.



Coordination with other departments, regulators, public bodies

HM Treasury is responsible for overall economic policy. It controls public spending according to its fiscal rules and the budgets of all government departments. Government Ministers decide priorities and set the legal and regulatory frameworks to achieve these - through legislation, policy statements, or remit letters. Each regulator has a core mandate, decided by Parliament through primary legislation.

Governments generally mandate financial regulators with three main objectives, all of which interact with sustainability issues:

- **Financial stability:** sustainability-related risks can impact the stability of the financial system and individual financial institutions; some sustainability-related risks, such as climate change, degradation of nature and excessive inequality, can trigger system-level financial risks.
- **Market integrity and efficiency:** financial authorities oversee the fairness, effective functioning and transparency of financial markets. As such, they aim to support a system in which capital markets accurately reflect all material risks, including those related to broader sustainability challenges and goals. They also aim to reduce regulatory arbitrage and unnecessary regulatory burdens. Regulators operating with mandates to support the economic transition are expected to ensure that capital can be allocated to opportunities that contribute to these goals.
- **Investor protection:** sustainability-related risks can impact financial returns and other end-investor goals. Therefore, under their mandate to protect the interests of consumers in financial markets, financial authorities can put investor protection regimes in place to ensure that financial intermediaries incorporate sustainability factors into investment decisions and advice.

In practice, financial authorities may operate with differing mandates and varying levels of ambition regarding their role in addressing sustainability challenges. Government departments and public bodies also have a critical role in establishing the incentives, rules and frameworks that shape markets for the transition that help determine risk-reward profiles for investment.

Efficient coordination within and across government departments is a key condition for ensuring continuity of the economic transition. Therefore, other departments, regulators and public bodies should support broader government efforts to deliver the economic transition. This is also important for them to fulfil their mandates around enhancing financial stability, market integrity and efficiency, and investor and consumer protection.

The government is a catalyst in the trajectory of the UK's decarbonisation pathway. Stronger inter-departmental coordination within government would ensure that climate targets are incorporated when designing regulation, tax, subsidies, or departmental budgets. Integrated and agile action from all government departments would enable a more coherent approach – a government organised by missions with clear accountability structures and aligned budget commitments. The UK's mission-driven approach signals a powerful, outcomes-based framework for delivering the transition. By creating a regulatory and fiscal environment that encourages sustainable practices, the UK can position itself as a stable, attractive destination for sustainable investment across the globe.

The PRI detail further below insights on how HM Treasury can better coordinate with the CCC, DESNZ, the Bank of England, the OBR, and on public-private partnerships to achieve the UK's climate goals. Importantly, these bodies should maintain their independence and our recommendations is centred around how HM Treasury can play a stronger role in setting a strategic direction or incorporating findings into decision-making.

Climate Change Committee (CCC)

The Climate Change Act is an important piece of legislation for ensuring that the UK delivers an equitable share of emissions reductions and provides certainty on the UK's direction of travel towards climate neutrality. The CCC has a clear mandate set in law to advise on climate targets and sectoral contributions to the Carbon Budgets, alongside an independent assessment of progress on implementation. It has played a



key role in **strengthening evidence-based policymaking and encouraging a long-term perspective in climate policy**, ensuring consistency with latest scientific findings.⁴

Whilst the government are not legally required to implement the CCC recommendations, it could use these more directly as a **framework for policy interventions**. The CCC carbon budgets and annual progress reports on meeting carbon budgets and targets highlights priority actions that are critical for government to achieve the UK's required emissions reductions. They also identify delivery risks, policy gaps, and sectors where there is a risk of failing to meet carbon budgets. HM Treasury should not just be aware of the CCC's recommendations but actively support and embed the CCC's findings into spending decisions and fiscal policy. A formal mechanism for setting out how CCC findings have been reflected in HM Treasury's spending and decision making should be set up. This would also strengthen alignment between economic policy and UK's climate targets, which would improve policy certainty and reduce long-term transition costs.

Department for Energy Security and Net Zero (DESNZ)

Notably, the evolution of the Department of Energy and Climate Change (DECC) to the Department for Business, Energy and Industrial Strategy (BEIS), to the Department for Energy Security and Net Zero (DESNZ) has hampered policy stability in delivering the transition. In practice, it has weakened the institutional clout of the department responsible for energy policy, reducing the centrality of the transition to core government policy. Effective delivery of the UK's climate commitments needs **buy-in from a department with the ability to convene, influence, and work with other departments**. HM Treasury would be an appropriate department to drive this alongside DESNZ. Combined with the [Modern Industrial Strategy](#), this demonstrates commitment from the highest levels of government.

The Bank of England

Coordination between HM Treasury's fiscal policy and the Bank of England's monetary policy is an important foundation for driving the transition. The Bank integrates climate considerations through its financial stability mandate. Whilst climate change has been [reinstated](#) for the Bank as a priority by the government in 2024, it was downgraded by the previous government, as it did not feature as a priority in the Bank's [remit letter](#) in 2023. This reduced the Bank's capacity, remit, and stability on embedding climate change considerations into decisions. The government could sharpen the Bank's remit by **setting clear and measurable short-, medium-, and long-term climate change objectives**.

Interest rates are critical to advancing or slowing the pace of the UK's transition, as higher interest rates increase the cost of capital for green projects. Higher interest rates make long-term, high-upfront-cost green projects less attractive and increase financing costs for green investments.⁵ Monetary policies could be better leveraged and calibrated to incentivise green and transition projects while remaining aligned with the objective of maintaining price stability/keeping inflation under control. The PRI is currently undertaking a research project focusing on central banks' role in supporting the transition, covering monetary policy, which we can share with the EAC once published.

Office for Budgetary Responsibility (OBR)

Other public bodies such as the OBR could also support HM Treasury in more consistently embedding sustainability considerations into decision-making processes. With a standard five-year horizon forecast, the OBR's assessments may not sufficiently address medium- to long-term impacts of policy decisions. This could risk limiting HM Treasury's ability to make decisions with climate change, nature loss and wider environmental sustainability in mind. Whilst the OBR's climate change analysis is across two timelines (a 25-year **mitigation horizon** focused on the 2050 net-zero target and a 50-year **damage horizon** extending into

⁴ London School of Economics and Political Science (LSE) [Why the UK's Climate Change Committee is crucial to advancing evidence-based climate policymaking](#) (2024)

⁵ New Economics Foundation, [A new 'Green Interest Rate' is needed if the UK is to meet its net zero ambitions](#) (2023)



the 2070s to assess physical climate risks⁶), it is not fully integrated into the standard five-year horizon forecast. The **OBR's standard forecast horizon should be extended to least ten years** to more effectively assess the impact of fiscal decisions on the long-term exposure to inflationary drivers. This could improve price stability and the UK's resilience to price shocks, whilst shifting how climate risks are represented in the UK's fiscal projections.

Public-private partnerships

Public-private partnerships have emerged as a core pillar of the government's strategy to galvanise economic growth and drive the transition. When governments and businesses align around shared goals, rapid innovation can occur. Investors are a powerful catalyst for change and should be able to contribute to decarbonisation efforts.⁷ **Targeted use of public money, in a way that is catalytic in nature undertaken in the context of a clear action and investment plan** will most effectively change the economics on activities that the public and private sector agree need to accelerate the transition.

There is currently a **gap between the costed element of public-private partnerships for low-carbon solutions and alignment of the HM Treasury's Budget**. A clear mechanism for estimating public spending and types of financing would function as a commitment mechanism. It would demonstrate HM Treasury's leadership on climate policy and long-term public spending, which would be helpful signals for investors.

A multi-year funding commitment from HM Treasury would offer certainty to investors, with a long-term planning lens on the pipeline of projects. For example, projects should be linked to sectoral decarbonisation roadmaps with 10–20-year horizons. The National Wealth Fund's statutory remit could be focused on net zero and growth, and funding streams should be embedded into departmental budgets and Spending Review cycles. Purpose-led public private partnerships have functioned as powerful tools to unlock private capital, but in practice have faced challenges with project delays and high costs. The National Wealth Fund's market making focus should enable it to take on more risk than its predecessor, ensuring it is catalytic and additional to the UK's transition.

Progress and recommendations

The PRI recognises the notable progress that HM Treasury has made to date on considering environmental priorities. Our recommendations on how HM Treasury could better integrate climate considerations into decision making and economic frameworks consider the role of the budget, sectoral pathways, and delivery units.

HM Treasury's budget

There have been moves towards a consideration of the transition in budgetary decisions. For instance, the Scottish Government's [Budget](#) uses a climate taxonomy to classify how funding aligns with a net zero by 2045 target and climate resilience. It tracks how £5 billion funding aligns as a positive, neutral or negative climate impact. In the UK more broadly, HM Treasury's Green Book includes a statutory duty for UK government departments to have due regard to the [Environmental Principles Policy Statement](#).⁸ This is a welcomed development, as it sets an expectation that environmental impacts should be central to policy making and

⁶ Office for Budget Responsibility, [Fiscal risks and sustainability – July 2025](#).

⁷ The National Wealth Fund (repurposed to a larger scale and impact from the UK Infrastructure Bank), Great British Energy, and the National Housing Bank are the main public-private partnerships that exist in the UK.

⁸ The [Green Book](#) is the UK government's guidance on appraisal, the process of assessing the costs, benefits and risks of different options for achieving government objectives. The Green Book does not set these objectives or make policy decisions. It provides a structured framework for developing evidence-based, objective and impartial advice for decision makers on the best way of achieving their objectives.

public spending decisions. However, a duty to ‘have due regard’ faces implementation challenges in practice because of its ambiguity and weak legal enforcement.

To go further, HM Treasury’s budget could include an explicit **Transition Alignment Statement to showcase how fiscal measures align with the UK’s Carbon Budget and sectoral pathways**. Ensuring government decisions (budget, spending, tax, subsidies) are stress tested for their impact on the transition would avoid conflicting policies and prioritise low-carbon impacts. This could also ensure that the Budget is informed by Carbon Budgets and sectoral pathways, aiming for clear impacts on the UK’s economy and emissions pathways. Developing such transition risk analysis would also ensure that HM Treasury’s economic strategy captures the long-term opportunities from the transition. Here, decarbonisation targets would be designed with long-term economic strategy in mind, backed by robust delivery plans.⁹

Integrating sectoral pathways

Sectoral pathways can send price signals to markets and increase the pipeline of targeted investable opportunities in key industries needed for the transition. Producing comprehensive sectoral pathways, aligned with the UK’s legally binding short, medium and long-term targets is needed to provide investors with the necessary detail as to how key sectors of the UK economy will transition, by when, and the policy tools and levers available to support and accelerate their transition. These **pathways should set out the investment roadmaps** required to unlock private investment, and associated tax subsidies, spending and regulatory/policy commitments to incentivise demand. A price signal around future markets for technology and infrastructure would appeal to investors, offering confidence and clarity around government intentions.

The Transition Finance Council recommends that sectoral transition plans be **anchored by strategic government oversight, shaped through co-creation with businesses and finance, and informed by structured feedback loops**.¹⁰ Co-creation provides policy makers with insights into sectoral challenges, opportunities, and progress. Mechanisms for structured collaboration between these players should be formalised, rather than co-creation on an ad hoc basis. Sector transition pathways should have **institutional oversight with clear cross governmental authority**. For priority sectors, public-private steering bodies could be formed, which would also enhance governmental capacity and expertise on transition finance.

Sectoral pathways also shed light on **policy dependencies**, which should ground policy interventions in strategic direction. Shared analysis on the make-up of pathways and their timeframes should be accompanied by aligned policy frameworks. Here, policies are co-created from the identification of gaps and instruments to overcome them.¹¹ From a policy perspective, this reduces the risk of policy delivery failing, and from an investor perspective, this reduces the investment risk. This operates as an **important feedback loop**, with investors and government aligned on priorities provided the enabling conditions are put in place. Addressing these dependencies should form the basis of HM Treasury’s decision-making and policy processes, providing a roadmap to accelerate capital flows towards the transition.

Delivery units

The UK has set ambitious emissions reduction goals and has maintained a strong focus on targetry. This sets an important foundation, but the priority must shift to delivery. At a high level, **greater focus on agile delivery would offer confidence to investors that plans will be followed through**. Fragmented responsibilities between departments and low accountability slows policy progress, which could lead to inconsistent policies and investment gaps. Strengthening delivery mechanisms would enable government to shift towards

⁹ Tony Blair Institute, [Making UK Industrial Strategy Work: A Hard-Headed Approach Guided by Green Industry](#) (2025)

¹⁰ Transition Finance Council, [Sector Transition Plans: The Finance Playbook](#) (2025)

¹¹ For example, a pathway could be reliant on the removal of fossil fuel subsidies, the expansion of a new technology, or greater public investment.



implementation. Delivery units within the structures of government are an important tool to boost policy measures and investable pipelines, which investors have noted remains a significant barrier.

Delivery units should be set up from the outset to inform and shape the government's approach to sectoral transition planning. Delivery units will operate most effectively with a clear remit aligned to the mission of their relevant department. For example, Mission Control is tied to DESNZ's mission on making Britain a clean energy superpower. For replicated Mission Controls, their focus should be tied to core government policy, and the transition to net zero by 2050 embedded in their delivery rather than a separate obligation. As an example, the pledge to deliver 1.5 million new homes in England target as part of the Better Lives agenda should be delivered in a way that is consistent with net zero. Framing the transition around energy security, affordable energy, growth, and better lives should ground its delivery in wider government policies.

Delivery units could be tasked with developing aligned policy tools with impact assessments, clear implementation routes, and regular review cycles to measure policy effectiveness. Alignment with HM Treasury's fiscal policy should be prioritised, with transition milestones embedded into Treasury's Spending Review processes. Links between HM Treasury and public-private partnership institutions should ensure that funding is channelled into high-priority delivery areas.

Setting vehicles for feedback loops is also essential for strengthening delivery. Once government coordination is in place, governance mechanisms set to work with private sector actors can contribute to assessing the effectiveness of policies. **Feedback loops should identify where key policy levers are going to lie, to ensure that policies are effective in driving capital towards important sectors for the transition.**

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Environmental Audit Committee further to examining the role of HM Treasury in shaping the UK's response to climate change, nature loss and wider environmental sustainability.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org