

# **TURNING THE GEARS: HOW THE MACHINERY OF GOVERNMENT CAN ACCELERATE THE UK'S TRANSITION**

**Building the institutional architecture to unlock  
transition finance in the UK**

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# Executive summary

Economic transition policy creates the favourable conditions investors need to catalyse investments and align stewardship with sustainability goals. This includes supporting capital allocation towards low carbon or sustainable solutions as well as the avoidance of harmful economic activities. The make-up of an enabling policy environment is vast, but this briefing will focus on **refinements to the machinery of government to stimulate an enabling environment, in the UK context.**

The UK has been a **pioneer in developing robust climate legislation**, with the 2008 Climate Change Act introducing legally binding greenhouse gas (GHG) emissions targets (Carbon Budgets) every five years and establishing the independent [Climate Change Committee](#) (CCC). The UK has committed to reach net zero by 2050, and this target was enshrined into law in 2019. Successive governments have reiterated that pledge and developed Carbon Budgets and net zero strategies to support that objective.

Yet, while the UK's architecture around long-term targetry and evidence-based policy making is robust, numerous **challenges lie in its delivery and implementation**. Structural barriers persist – limited fiscal headroom, fragmented accountability, and under-resourcing across departments constrain effective delivery and implementation. Without coordinated policy signals, regulatory uncertainty remains and markets cannot fully mobilise the capital required to meet domestic net zero goals.

To support the UK's transition to a net zero economy, machinery of government shifts are required. Machinery of government will refer to how government is organised, coordinated, and empowered. It ranges from setting out the strategic direction, enabling finance, and delivery mechanisms, which all need to be interconnected and geared towards achieving a specific goal. 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.

Institutional architecture can align government, business, finance and society around shared sustainability goals, problem solving, and drive coordinated action.<sup>1</sup> This goes beyond ensuring adequate resourcing within government and requires **strategic planning on sustainability issues and policy integration across government departments.**

A vision on what a machinery of government that supports the transition looks like in practice is set out on page 3. Considering this, the focus of this paper will be on the gaps that exist, targeted to where the machinery of government can be streamlined to accelerate the UK's transition.

The PRI's four main recommendations on achieving this vision cover sectoral pathways, the budgetary process, public-private partnerships, and delivery mechanisms. On the sequencing of actions, the priority should be to provide strategic direction at sector level, via sectoral pathways that outline decarbonisation, technology development, and finance needs. Sectoral pathways could then cascade into the budgetary process, public-private partnerships, and delivery mechanisms, providing coherency and clarity to investors.

## Sectoral pathways

- Corporate and financial institutions need sectoral pathways that align with the UK's legally binding short, medium, and long-term targets. These should provide investors with the necessary detail as to how key sectors of the UK economy will transition, and by when.
- Formalise mechanisms, such as the Transition Finance Council, for structured collaboration between the private sector and government. Institutional oversight with clear cross governmental authority.

## Budgetary process

- The Budget should include an explicit **Transition Alignment Statement** to showcase how fiscal measures align with the UK's Carbon Budget and sectoral pathways.
- Government decisions on the Budget, spending, tax, and subsidies should be **stress tested** for their impact on the transition.

## Public-private partnerships

- **Stronger inter-departmental coordination** within government would ensure that climate targets are incorporated when designing tax, subsidies, or departmental budgets.
- Blended finance projects should be consistent with sector roadmaps to decarbonise, wider government priorities, as well as being factored into the annual budgetary process.
- A **multi-year funding commitment** from HM Treasury would offer certainty to investors, with a long-term planning lens on the pipeline of projects.

<sup>1</sup> WBCSD, [Public-private collaboration evidence base](#) (2025)



- A **single coordination unit** with oversight of the projects could help simplify the public investment landscape.

#### Stronger delivery mechanisms set up from the outset

- **Mission Control**, tasked with turbocharging the government's mission on cheap and clean power by 2030, could be replicated more broadly to support other priority sectors to transition, with clear feedback loops.
- **Delivery units** could be tasked with developing aligned policy tools with impact assessments, clear implementation routes, and regular review cycles to measure policy effectiveness.

## The UK's landscape and barriers

The Climate Change Act is an important mechanism 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.<sup>2</sup>

Targetry and accountability are crucial elements in the machinery of government to transition, and the CCC embodies these two pillars. It requires the government to set out its end goal and the pathway leading there through Carbon Budgets. The government can be (and has been) taken to Court on the lack of, or quality, of its net zero plans.<sup>3</sup> This has established a baseline quality standard that the government must meet, which is also an effective mechanism for convening a whole-of-government engagement regarding climate objectives. Here, the **UK has an effective foundational structure in place to drive the transition**, but implementation and delivery remain a challenge.

The UK government has set an explicit mission on 'Making Britain a Clean Energy Superpower by 2030.'<sup>4</sup>

<sup>2</sup> London School of Economics and Political Science (LSE) [Why the UK's Climate Change Committee is crucial to advancing evidence-based climate policymaking](#) (2024)

<sup>3</sup> Client Earth, [Our two wins against previous UK governments have produced a new climate plan for the country](#) (2025)

<sup>4</sup> HM Government, [Plan for Change: Make Britain a Clean Energy Superpower](#) (2025)

<sup>5</sup> Labour Party, [Mission-driven government](#) (2025)

Organising a government around core missions solidifies buy-in from the highest level of government, the Prime Minister.<sup>5</sup> Alongside this, the [Modern Industrial Strategy](#) sends clear, stable signals to investors on government's long-term vision and actions it will take to achieve this goal.

The [Transition Finance Market Review](#) (TFMR)<sup>6</sup> has put forward recommendations to unlock the required levels of finance by creating the right policies, pathways and signals for investment through collaboration between government, investors, business and civil society. The [Transition Finance Council](#) (TFC) was also created to drive forward the roadmap and recommendations from the Review.

The UK has predominantly had an overreliance on a market-led, technology-driven approach, with incentives such as carbon pricing and Emissions Trading Schemes (ETS) leading to important progress. However, this places higher expectations on the market to pioneer the transition. While the flow of capital towards the transition has increased<sup>7</sup>, thorny barriers around under-resourcing, limited fiscal headroom, short-termism and competing budgetary priorities have limited government action. As the CCC demonstrates, the transition is not yet at the scale needed<sup>8</sup> - this warrants economic transition policy intervention.

The UK's sustainable finance framework can set guardrails that support responsible investment practices. As the TFMR has emphasized, the market works within the parameters set by policy, law and regulatory action. An efficient machinery of government is an underlying thread to future proofing the transition, however gaps remain in the UK's policy architecture which could reduce the transition's pace and scale.

<sup>6</sup> The Transition Finance Market Review (TFMR) was launched in 2024, commissioned by the UK Treasury and Department for Energy Security and Net Zero to provide a blueprint for the UK to become a global hub for transition finance.

<sup>7</sup> PRI, [Investment flows to the net zero transition: progress and policy needs](#) (2025)

<sup>8</sup> CCC, [Progress in reducing emissions – 2025 report to Parliament](#) (2025)



## The UK's policymaking process

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. The Bank of England's mandate, for instance, is to maintain monetary and fiscal stability; and the Financial Conduct Authority's mandate is on consumer protection, market integrity and promoting competition.

Regulators therefore have discretion over the interpretation of sustainability in their mandates and remit letters. Whilst this allows for greater flexibility, it also risks ambiguity, inconsistency, and weaker accountability.

Within the UK government, Scotland, Wales and Northern Ireland are represented as devolved nations. They have distinct legislatures, which allows for tailored policy approaches. This adds an additional layer of complexity to the UK-wide net zero by 2050 framework, as devolved nations develop independent policies to meet targets whilst financial regulation remains UK-wide.

## Opportunities for change

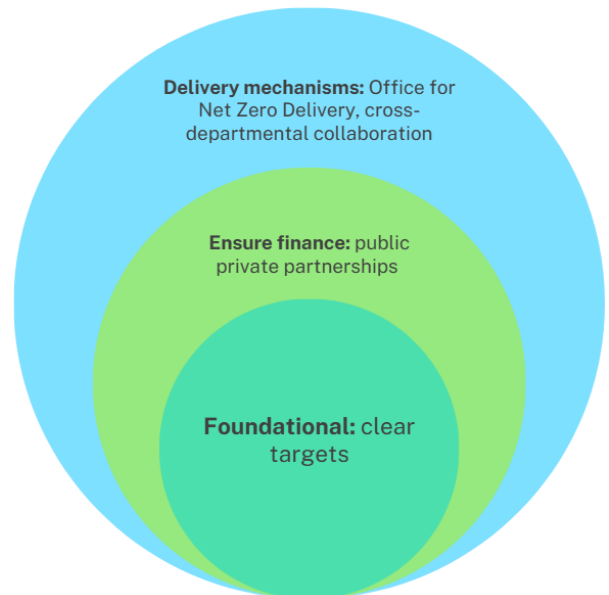
Efficient coordination within and across government departments is a key condition for ensuring continuity of the economic transition. Therefore, financial authorities should support broader government efforts to deliver the economic transition. This is also important for them to fulfil their own mandate to enhance financial stability, market integrity and efficiency, and investor and consumer protection.

The UK's approach to the transition to date is commendable, however, an underlying gap remains, which could, in the future, risk undoing or slowing down the substantial progress on the transition. An intentional focus on driving the transition through the machinery of government could future proof the transition. This could limit the risk that progress on the transition would be undone with changes in political cycles.

More broadly, fossil fuel phase out needs to coincide with the creation of market alternatives, such as wind, solar, hydro, geothermal and biomass. Therefore, **considerable coordination is needed from government to align policy measures and incentives, beyond relying purely on market forces.** There is an opportunity for the government to leverage a governance structure that enables society to benefit from the sectoral and industrial transformations that the transition entails.

Investors increasingly understand that efficient machinery of government helps ensure that commitments are translated into stable policy signals, investable projects pipelines, and contribute to long-term economic resilience. Weak delivery mechanisms can increase transition risk and delay capital deployment, therefore investor engagement on the machinery of government is, fundamentally, good risk management. Investors could engage by co-designing sectoral roadmaps, participating in public-private partnerships, and advocating for delivery units to ensure the transition is orderly and investable.

Figure 1: A vision for a machinery of government that supports the transition



### Foundational: clear targets

Legislated **Carbon Budgets** that set a clear direction and overarching national ambition through legally binding, five-year caps on total greenhouse gas emissions. A **Carbon Budget Delivery Plan**: to deliver against these targets. This should be a costed action plan that is anchored in strategic ambition and embedded into a coherent whole of government strategy. **Sectoral pathways** build an actionable investment plan, cascaded down from the Carbon Budgets.



### Ensure finance: public-private partnerships

A suite of **complementary policy measures** that either - directly allocate public money, enable financial markets through policy and regulatory frameworks, or build jobs and skills for a green economy. When combined, these will deliver an overarching package that can advance the transition across the economy.

**Pricing and incentives** (further positions here are beyond the realm of this paper on machinery of government)

### Delivery mechanisms

Once targets and pathways are set, the responsibility needs to be allocated across the whole of government. **Mission Control** could be replicated for priority sectors to transition, and an **Office for Net Zero Delivery** with a cross-departmental remit could improve government coordination and a coherent delivery of the transition.

## Sectoral pathways

**Sectoral pathways should be aligned with the UK’s legally binding short, medium and long-term targets to guide investment, signal market direction, and reduce transition risk.**

As the CCC evidence shows, the transition is progressing unevenly.<sup>9</sup> Sector decarbonisation can be a lever to drive emissions reductions in the real economy where carbon intensity is highest, such as in power generation, transport, cement, steel, and agriculture. Encouragingly, some of these sectors are increasingly decarbonisation-ready, meaning that lower-carbon technologies are readily available. Investors can effectively assess progress, reduce transition risk, and direct capital towards decarbonisation solutions with clear impact by engaging with companies on detailed, science-based transition pathways for their most emission-intensive holdings.

Considering that the UK’s transition is reliant on private investment, designing policies in a way where investment confidence is assessed and monitored is important. Developing government capability on understanding what is investable, and what measures will sufficiently spur investment confidence would improve the usability of sectoral pathways. There should be a stronger investor presence in the development of sectoral pathways. This should not equate to an over-reliance on industry to take the lead on their

development, as government co-creation and endorsement is crucial.

Finland has developed **sectoral pathways** covering 14 sectors, towards national decarbonisation targets. Coordinated by the Ministry of Economic Affairs and Employment and developed in close cooperation with the private sector, they are used to guide policy and investment across sectors. The EU, Japan, and France have also developed sectoral pathways.

Sectoral pathways offer trajectories for decarbonisation, technology deployment and investment needs considering specific advances and barriers in different sectors. **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.

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.<sup>10</sup> 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 government policy planning processes, providing a roadmap to accelerate capital flows towards the transition.

The pathways should be the foundation for sectoral transition plans, which will be explored further under delivery mechanisms.

<sup>9</sup> CCC, [Progress in reducing emissions – 2025 report to Parliament](#) (2025)

<sup>10</sup> For example, a pathway could be reliant on the removal of fossil fuel subsidies, the expansion of a new technology, or greater public investment.



# The budgetary process

**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. Government decisions on the budget, spending, tax, and subsidies should be stress tested for their impact on the transition.**

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 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 the most appropriate department to drive this. Alongside the Modern Industrial Strategy, this demonstrates commitment from the highest levels of government.

There is a **gap between the costed element of public-private partnerships for low-carbon solutions and alignment of the 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.

There have been moves towards a consideration of the transition in budgetary decisions. 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](#).<sup>11</sup> 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.**<sup>12</sup>

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 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.

## Public-private partnerships

**Blended finance projects should be consistent with sector roadmaps to decarbonise, wider government priorities, as well as being factored into the budgetary process. A multi-year funding commitment from HM Treasury would offer certainty to investors, with a long-term planning lens on the pipeline of projects. A single coordination unit with oversight of the projects could help simplify the public investment landscape.**

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

<sup>11</sup> 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.

<sup>12</sup> Tony Blair Institute, [Making UK Industrial Strategy Work: A Hard-Headed Approach Guided by Green Industry](#) (2025)



catalyst for change and should be able to contribute to decarbonisation efforts.<sup>13</sup>

Economic and environmental campaign groups highlight areas in which the **Bank of England** could also support the transition.<sup>1</sup> These include aligning the Bank's collateral rules with the green transition, adapting targeted lending schemes to support green investment, regulating for environmental risks, and coordinating for green investment and inflation preparedness.

Public-private partnerships can play a key role in facilitating long-term resilience and should be mobilised to support the scale up of new clean energy technologies. The government could require that blended finance projects be consistent with sector roadmaps to decarbonise, as well as being factored into the budgetary process. As an example, Germany's [Climate and Transformation Fund](#) is tied to national sectoral roadmaps, which improves coherence by acting as a government delivery vehicle for low-carbon finance and co-investment.

**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. Expertise within government on using public funding in a way that understands how investors think is important. Centres for Excellence (CfE) can operationalise this by driving expertise and innovation across government departments around capital raising and public-private partnerships.

**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.

<sup>13</sup> 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.

There is scope to simplify the public investment landscape. With the multitude of blended finance institutions, it can be difficult for investors to identify the best placed institution. **A single coordination unit with oversight of the projects within each institution could help with both investor experience and embed funding of the institutions within the budgetary process.** This should act as a gateway to projects, pipelines and policy makers, backed by a clear investment plan.

## A stronger delivery mechanism

**Mission Control's (the first of its kind delivery unit within government) strong delivery structure could be replicated more broadly to support other priority sectors to transition, with clear feedback loops. Delivery units could be tasked with developing aligned policy tools with impact assessments, clear implementation routes, and regular review cycles to measure policy effectiveness.**

The UK has set ambitious emissions reduction goals and has maintained a strong focus on targetry. With this setting an important foundation, 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 implementation.

The UK's mission-driven approach signals a powerful, outcomes-based framework for delivering the transition. [Mission Control](#) brings together a team of industry experts and government to troubleshoot, negotiate, and clear the way for energy projects. The Clean Energy Superpower Mission Board is the principal ministerial governance mechanism organising Departments to deliver on the Mission, along with cross departmental oversight and annual reporting mechanisms.<sup>14</sup> **Mission Control's laser focus on delivery incentivises and engineers effective, achievable policy making.** Mission Control is dedicated to delivering clean power by 2030, but its structure could be replicated more broadly to support a system-wide transition.

<sup>14</sup> [UK Carbon Budget and Growth Delivery Plan](#) (2025)



Following sectoral pathways, sector transition plans should be developed. Stronger delivery mechanisms could move sectoral pathways to the design and implementation of sector transition plans. 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**.<sup>15</sup> Co-creation provides policy makers with insights into sectoral challenges, opportunities, and progress. Representation from financial services, real economy, government, regulators, standard setters, and civil society would avoid regulatory capture by vested interests. 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.

Canada, Germany and Australia have built robust delivery architectures with institutions and mechanisms dedicated to ensuring that policies are implemented, barriers are overcome, and investment is mobilised. In particular, [Australia's Net Zero Economy Authority \(NZE\)](#) oversees just transition, regional delivery, and industrial decarbonisation. Having a **regional delivery lens to support local implementation** of transition plans would help to mitigate unintended consequences and mobilise regional opportunities. The UK's devolved governance structure could be leveraged here, with devolved governments able to tailor policies to suit regional approaches.

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.**

A clear case study on the failure to leverage feedback loops, aligned policy instruments, or sectoral pathways within the machinery of government is the UK's [Zero Carbon Homes Strategy](#). This strategy had a goal of ensuring that all new homes built in the UK would be net zero by 2016. However, it lacked realistic mapping on how this change would be rolled out, strategic consideration of timing, mobilising innovation coalitions with targeted incentives, and close monitoring to track feedback and adjust policy instruments as conditions changed.<sup>16</sup> Lobbying against the strategy ultimately hampered the energy efficiency supply chain industry, the government and homeowners. This strategy was ultimately scrapped in 2015 but caused damage to the housing industry as they had invested in energy-efficient technologies. This reversal also eroded trust in government's commitment to energy efficiency and climate change targets and led to ongoing higher energy bills for homeowners in the long-term.

By embedding the transition within the machinery of government, strengthening coordination, and aligning fiscal and industrial policy with climate objectives, the UK can unlock private capital, accelerate sectoral transitions, and set a robust standard as a global leader in the transition.

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<sup>15</sup> Transition Finance Council, [Sector Transition Plans: The Finance Playbook](#) (2025)

<sup>16</sup> Meadowcroft and Rosenbloom, [Governing the net zero transition - strategy, policy and politics](#) (2023)