July 2019

Green Finance Strategy Summary

Status

BEIS published a Green Finance Strategy in July, accompanied by a summary of responses to a call for evidence on Building a Market for Energy Efficiency (BAMFEE).

BEIS issued the BAMFEE call for evidence back in 2017. It covered options for improving finance options for home improvements and addressing barriers to retrofit market growth in the owner occupied sector. It was published alongside the Clean Growth Strategy. BEAMA submitted a comprehensive response. The recent document sets out a summary of responses to the call for evidence. It does not set out exactly how many responses were in favour of certain opinions. It does not give any further Government opinions or action plans. Many of the comments raised would be familiar to those who have been at energy meetings or conferences.

The Green Finance Strategy (GFS) sets out several plans for increasing finance for energy and environmental investment. A Green Finance Institute has also been launched, jointly backed by the City of London and UK Government with the aim of championing green finance in the UK and abroad.

The first section of the GFS focuses on 'Greening Finance', that is, embedding environmental concerns within the financial services sector domestically and internationally. This includes measures like requiring all listed companies by 2022 to meet standards that require disclosure of climate impact, working with BSI to develop new Sustainable Finance Standards, pushing the phasing out of finance support for unabated goal generation, considering how to address barriers to investment, and aligning the Paris Agreement targets through international finance.

The next section focuses on 'Financing Green', that is, encouraging investment in green projects and making the UK attractive for green investment. As well as the strategy referencing several ongoing measures, new proposals in this area include:

- Reviewing how operational (rather than modelled) energy use can be measured and utilised as a measure for new build projects
- A forthcoming consultation on amending minimum energy efficiency ratings in the non-dom private rented sector
- A forthcoming consultation on requiring financial lenders to help householders that they lend to improve their homes' energy performance
- Publishing a new update to publicly available EPC data and doing this more regularly
- Considering how to take advantage of the support in principle for Pay As You Save schemes (the idea behind the failed Green Deal)
- Pushing uptake of the new PAS 2035 and PAS 2030 standards that were published in June 2019 and link to the new Trustmark quality scheme

- More Government-initiated investment funds that begin with Government funding for impetus and then leverage private funding. This will include:
    - A new clean growth venture capital fund, beginning with £20m from Government and targeting another £20m from private sources (which in the context of the challenge and scale of initiatives to date does not sound that significant)
    - The previously-announced EV Charging Infrastructure Investment fund (£200m Government investment) and Industrial Energy Transformation fund (£315m Govt investment)
    - More availability of finance for the public sector
    - Creation of a Shared Prosperity Fund (capital not stated) to tackle inequalities between communities
- Incentivising environmental measures in developments such as biodiversity gain
- The new Green Finance Institute will consult stakeholders to address barriers to green finance
- A specific focus on the maritime sector with an event at International Shipping Week
- Launch of a £5m Green Home Finance Innovation Fund, an 18 month pilot for 'green home finance products that have sustainable business models, [and] will incentivise energy efficiency retrofit'.
- Formal reviews of the UK's progress in greening its financial system, and progress against the specific actions of the GFS, by 2020 and 2022 respectively.

Impact

The GFS follows the Government's usual 'framework-first' approach, setting out a broader plan with objectives and future consultations. While it should signal an increase in awareness of and availability of 'green finance' eventually, it is not certain that the proposed measures will mean a sudden change for BEAMA members. Given the call for evidence was held in 2017, the many ideas proposed by Government and respondees, and the changed public and political agenda around seeking to meet net zero by 2050, there are relatively few new concrete policy proposals in the strategy, or at least ones that will have an immediate impact. This is perhaps due to uncertainty of funding availability with the Government-wide spending review coming at some point in the next year.

Nevertheless, there should be a renewed awareness of Green Finance and the role financial organisations must play. While not a measure of direct immediate impact, the forthcoming requirement on listed companies to declare their climate impact has had some media attention and could signal the start of a culture shift. The establishment of the Green Finance Institute could have a similar impact, thought it depends on the persons involved and the influence that it will have.

Moves to create and make available more data in other areas could also be enlightening, such as the publishing aggregate EPC data, investigation in how to measure operational energy for buildings, and measurement and target requirements for non-domestic buildings.

Action

We would appreciate views from members on their views of finance provision to date, whether they have benefited from any Government-backed schemes, and views on the new proposals.

The GFS notes the ongoing Infrastructure Finance Review, which BEAMA is contributing to with the views of members. This review will inform the Government-wide spending review and National Infrastructure Strategy.

We will continue to track the development of measures and consultations proposed in the strategy and brief members accordingly.