



HM Treasury

UK Green Finance

Finance Minister Coalition for Climate Action

February 2019

Overview

1. The UK's approach to Green Finance, public and private sector collaboration
2. Role of the Regulators
3. Example of Private and Public sector actions:
 - I. Pensions
 - II. Green Mortgages
 - III. The Green Investment Bank
 - IV. VC fund

1. The UK's approach to Green Finance, public and private sector collaboration

Green Finance Taskforce

- HM Government commissioned a taskforce on Accelerating Green Finance within the private sector
- The Taskforce, brought together, NGO's, academia and most importantly a range of private sector stakeholders.
- The report issues 30 recommendations under 10 themes
- Ultimately this is a policy area that requires the combined efforts of the private and public sector



Green Finance Taskforce outreach

VC and Fintech	Retail	Project & Commercial	Capital Markets	Institutional Investors	Insurance	TCFD, data and disclosure
2 Roundtables 29 Attendees	2 Roundtables 22 Attendees	3 Roundtables c.30 Attendees	2 Roundtables c.30 Attendees	2 Roundtables c.130 Attendees	2 Roundtables c.50 Attendees	2 Roundtables 20 Attendees

2. The Role of the Regulator

The Role of the regulator

- The Bank of England/Prudential Regulation Authority – leading reports on prudential regulation related to climate risk.
 - In 2015, it conducted the first climate-related prudential review by a regulator, focusing on the insurance sector.
 - In 2017/18, it conducted a similar review on the banking sector, issuing a consultation in October on its supervisory expectation for banks and insurers to consider Climate change risk (both physical and transitional).
- Financial Conduct Authority (FCA) – launched a discussion paper:
 - The treatment of contracted out pension schemes
 - Financial Innovation sandbox
 - Call for evidence on disclosures



Consultation Paper | 23/18
Enhancing banks' and insurers' approaches to managing the financial risks from climate change
October 2018



3. Example of Private and Public sector actions

i) Pensions

- Potential to stimulate large scale demand for green products.
- In 2018 the Department for Work and Pensions consulted on ‘Clarifying and Strengthening Trustees’ Investment Duties’
- Concluded, where trustees prepare a Statement of Investment Principals “they take account of financially material considerations, including (but not limited to) those arising from Environmental, Social and Governance considerations, including climate change”



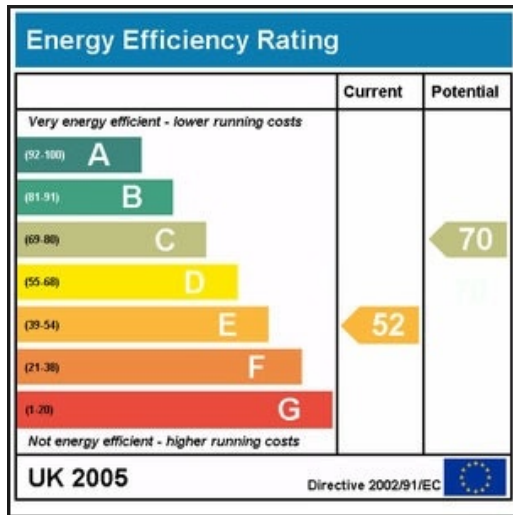
Clarifying and strengthening trustees’ investment duties

Government response

The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 (now the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018)

September 2018

ii) Green Mortgages and the housing stock



- No set definition of what a green mortgage is, but general consensus is either in the form of a loan to make energy efficiency improvements, or a mortgage when purchasing an energy efficient home.
- UK Energy Performance Certificate (EPC), grades all homes on energy efficiency
- Some research that credit ratings improve with the energy efficiency of a home. Translates to a consumer saving.
- The Energy Efficiency (Private Rented Property)(England and Wales) Regulations 2015 establishes a minimum level of energy efficiency for privately rented property in England and Wales. Introduced a minimum EPC rating for landlords.

ii) The Green Investment Bank and iv) the VC Fund

III. The Green Investment Bank (GIB)

- Public sector bank, focused on green infrastructure lending, specifically for offshore wind, waste and bioenergy, energy solutions and onshore renewables
- Under public ownership GIB committed £3.4bn of capital to 100 projects of total value of £12bn – achieving a private capital mobilisation ratio of 2.5
- Sold to Macquarie Group – now rebranded the Green Investment Group (GIG)

IV. VC fund

- Research indicated a strong market need for new funding to support Cleantech companies in their early stage of development. Supports the development and commercialisation of innovative clean technologies in the UK. Invests under commercial terms with 50% funding from the private sector.