Local Net Zero Delivery Progress Report

Finance

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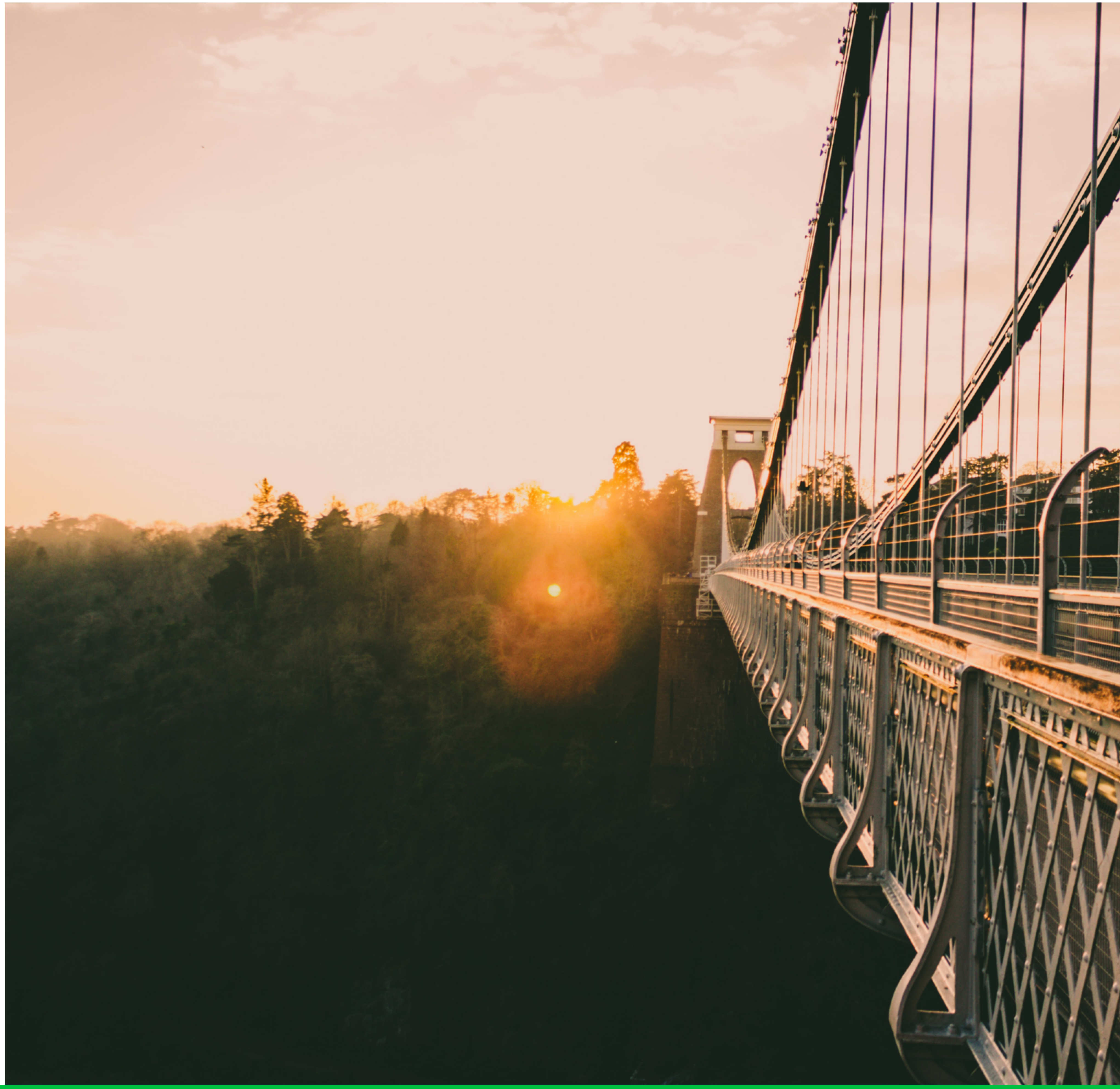
About UK100

UK100 is a network of local authorities that have pledged to shift their communities to Net Zero ahead of the government's legal target. They do this to demonstrate their ambition, make the case for rapid change, and enable a fast and fair transition.

The network provides local leaders opportunities to learn from each other, agree priorities for legislative and regulatory change, engage with national decision-makers and businesses, and develop a better understanding of how to build consent and support for rapid climate action in their communities.



Executive Summary

UK100 has made an increasingly compelling case for addressing the gap in local authority (LA) financing for Net Zero in recent years. We called for the establishment of a Net Zero Development Bank in 2020 and welcomed the Government's announcement of the Infrastructure Bank (UKIB) in May 2021. We have been watching the development of the bank over the past year and working with colleagues in UKIB to ensure that the bank's Net Zero mandate is realised and that the potential of its LA lending and technical support for LAs is maximised.

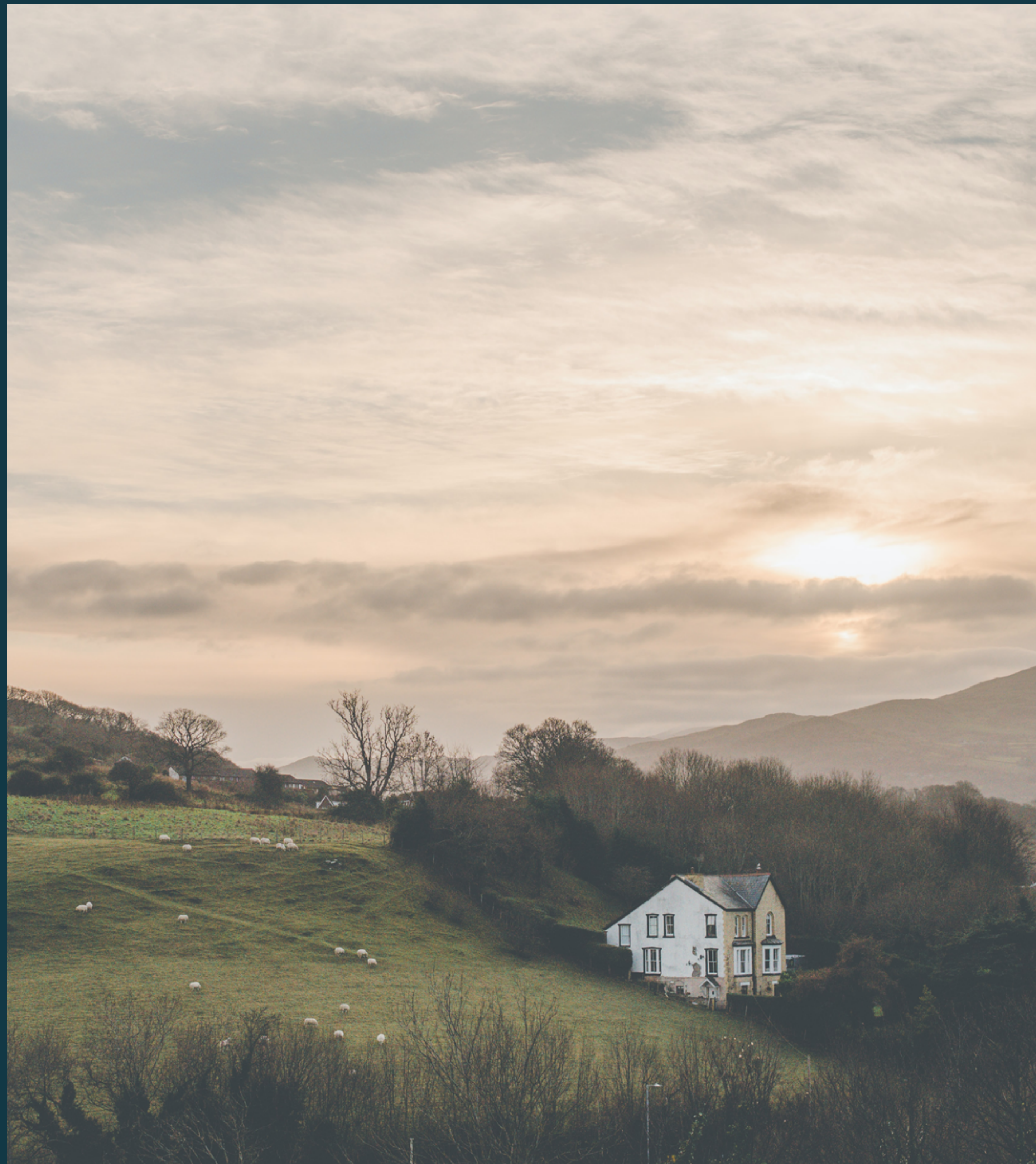
In its first Strategic Plan, released in June 2022, the UKIB confirmed that its LA function will lend up to £4 billion to LAs for high value and strategic projects of at least £5 million.[1] UKIB will take a phased approach to building its advisory function, with the first phase, concentrating on running a number of targeted pilot projects in partnership with LAs to test where and how it can add best value.[2] UK100 welcomes the Strategic Plan and will continue to engage with UKIB on its delivery.

This report presents an analysis of the progress on commitments made by the UK Government over the past 12 months, as well as how funding for particular initiatives has changed. It presents our recommendations for actions needed to enable the pace and scale of delivery required for success.

1 Lending will be at a preferential rate (gilts + 60bps)
2 https://www.ukib.org.uk/sites/default/files/2022-06/UKIB%20Strategic%20Plan%202022%20-%20Full.pdf

The issues raised in this report both influence and are influenced by cross-cutting issues. This report is one of eight sector-based reports produced to assess progress on Local Net Zero Delivery.[3] There are lots of commonalities and synergies between them which are clearly signposted throughout each of the reports.

3 https://www.uk100.org/publications/local-net-zero-progress-reports



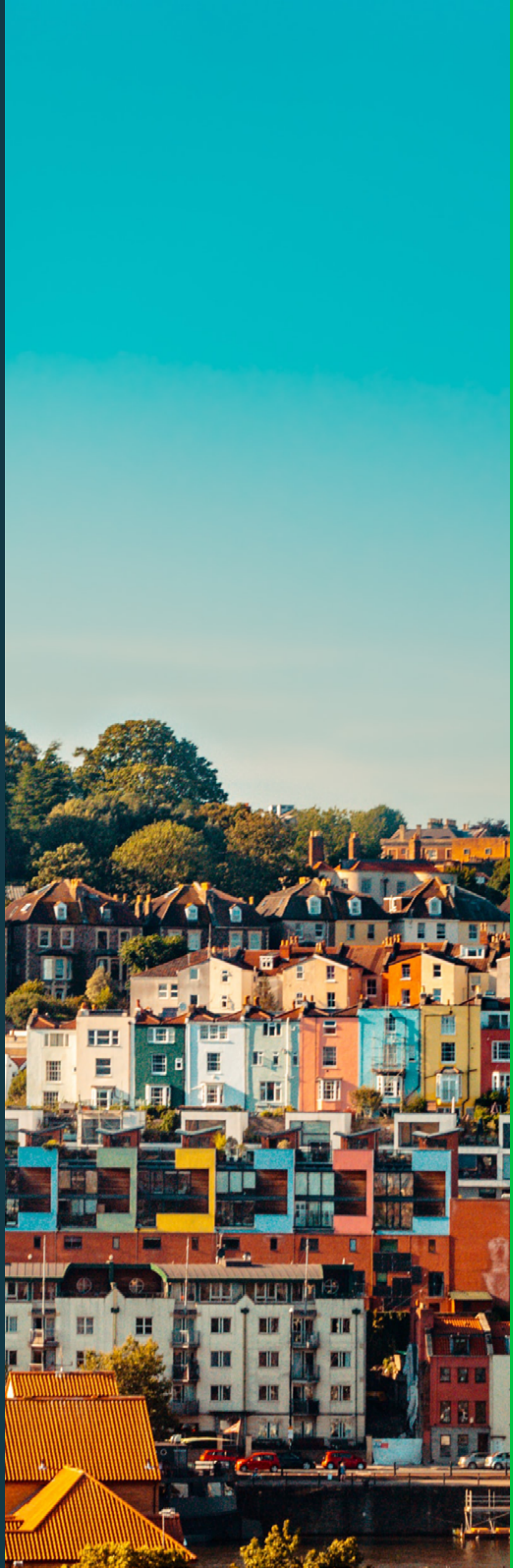
What’s in this report?

This report aims to:

1 **Assess the progress on delivery of Government commitments**

2 **Take stock of UK100’s research recommendations and identify areas where key developments have taken place and highlight where barriers remain**

3 **Share success stories from LAs.**



Background

The Climate Change Committee (CCC) argues that to achieve Net Zero, extra capital investment in the UK will need to grow from £10bn per year in 2020 to £50bn in 2030, and then stay at around £50bn each year through to 2050.[4]

To achieve that, UK100 sees it as paramount that the UKIB’s Net Zero mandate enables local investment to support local and regional projects and programmes. The UKIB must have capacity to work with local, city and regional authorities to develop investable proposals for place-based Net Zero projects and programmes, and it should provide development capital, as well as leveraging additional private investment, to kickstart local energy schemes that are at too early a stage for private finance.

UK100 has made several recommendations to the UKIB to enable it to do this.[5] These include:

- helping LAs to develop financing aggregation techniques to reduce the cost of funding
- offering support to LAs to develop ideas into investable projects which could attract commercial revenue
- become a co-investor with LAs, as well as a “critical friend,” providing networking and an exchange of ideas and best practices between LAs, government departments and industry
- encourage private investment
- use its standing and expertise to develop solutions taking into account the natural risk aversion of LAs.

4 https://www.theccc.org.uk/wp-content/uploads/2020/12/The-Sixth-Carbon-Budget-The-UKs-path-to-Net-Zero.pdf

5 https://www.uk100.org/sites/default/files/publications/UK100_Accelerating%20the%20Rate%20of%20Investment%20in%20Local%20Energy%20Projects.pdf, https://www.uk100.org/publications/opportunity-uk-infrastructure-bank-accelerate-pace-net-zero-investment-our-cities, https://www.uk100.org/sites/default/files/2022-05/UKIB_LA%20lending%20and%20advisory%20support%20briefing.pdf

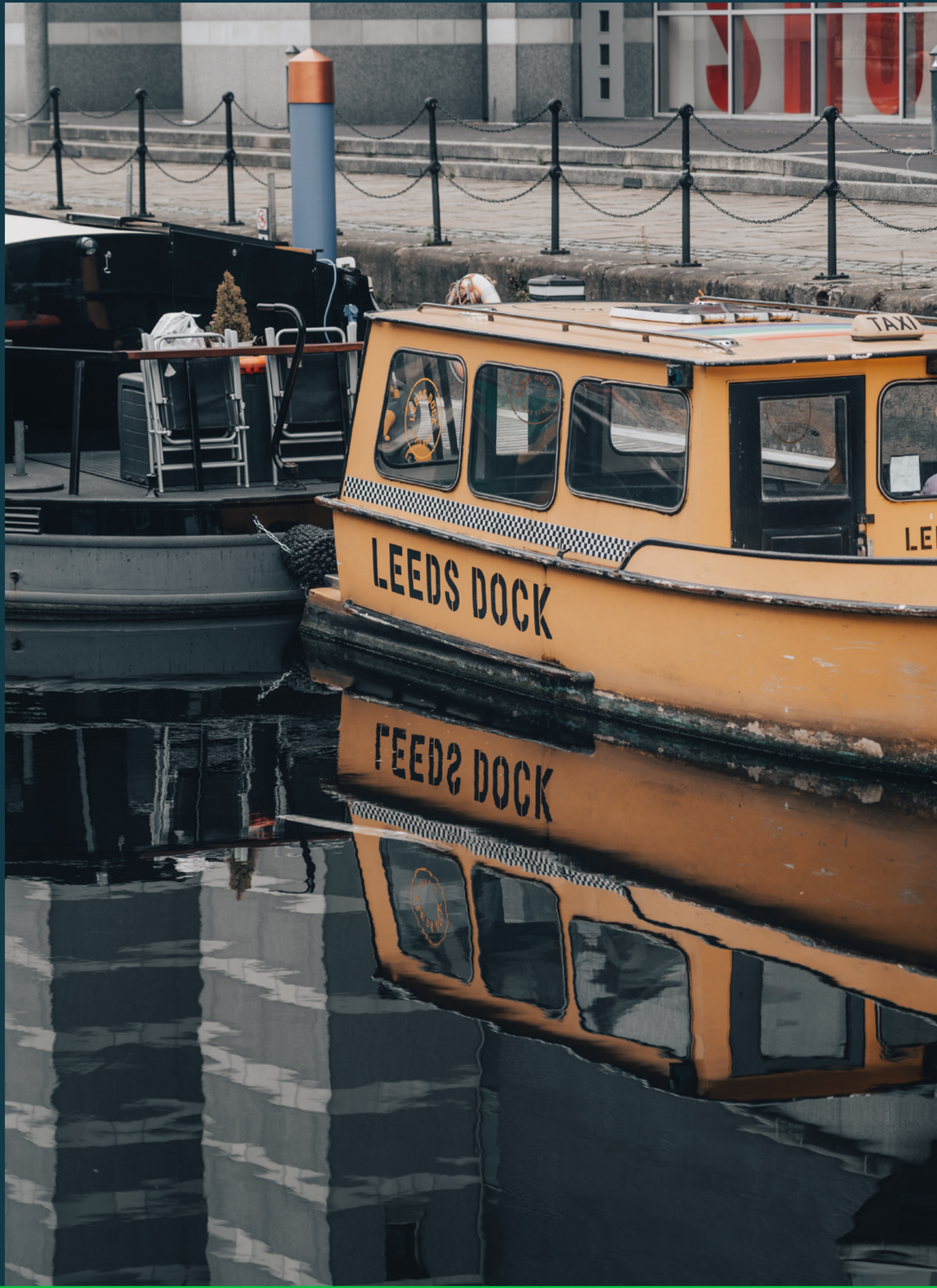
There is competitive funding open to LAs to support Net Zero delivery - the National Audit Office (NAO) identified 22 dedicated grant schemes for Net Zero work from central to local government.[6] However, it is clear that competition precludes many, often smaller or rural, LAs accessing the funding due to capacity to submit bids. The discrete, short term pots of money also mean that funding cannot be aggregated to scale projects. We have advised the UK Government to provide longer term, non-competitive zero carbon funding to LAs alongside existing funding, such as the Levelling-up Fund, and for existing and future funds to have clear Net Zero criteria which is both transparently, simply and robustly assessed.

We also recommend that co-benefits - direct and indirect - from climate action are taken into account when making policy and financial decisions, and that VAT should be discounted on energy efficiency measures, ensuring that investments and actions can be focused on decarbonisation and delivering social value.

We acknowledge recent UK Government announcements, during the UK's COP26 presidency, including new strategies, funding streams and targets, as well as the Chancellor's abolition of VAT on domestic solar panels. Although these are steps in the right direction, further measures would accelerate progress, for example VAT cuts on retrofit measures for homes that complement the support for solar panel installation.

For the UK to accelerate the delivery needed to avoid the worst effects of climate change, we need to do things differently. We must evolve the national and local government relationships, making the course of action clearer. We need to reconsider how risk is perceived in financing Net Zero, with patient capital, business models and products that are capable of scaling up multi-vector, cross-sector projects that can be replicated.

6 https://www.nao.org.uk/wp-content/uploads/2021/07/Local-government-and-net-zero-in-England-Summary.pdf



Progress

This section of the report offers us an opportunity to take stock of the past 12 months and highlight the main areas where developments have taken place. A more thorough analysis of what these developments mean is provided later in the report.

- **June 2021** UK Government sets out its Green Financing Framework introducing Green+ Gilts and retail Green Savings Bonds
- **October 2021** HM Treasury releases its Net Zero Review
- **October 2021** UK Cities Climate Investment Commission (CCIC)[1] releases its City Investment Analysis Report, calling for an emphasis on local spending on Net Zero
- **November 2021** $130tn of private finance committed to the Net Zero cause through the Glasgow Financial Alliance for Net Zero (GFANZ)
- **March 2022** Chancellor of the Exchequer commits to zero VAT rate on solar panels, and affirms support for wind and water turbines across the UK
- **May 2022** Queen's Speech announces UKIB will be dedicated to Net Zero.
- **June 2022** UKIB launches its first Strategic Plan

6 CCIC became 3Ci - the Cities Commission for Climate Investment in July 2022

What's happened?

There have been some positive indicators of progress in line with our recommendations over the last 12 months.

And, in November 2021, UN Special Envoy Mark Carney announced that the Glasgow Financial Alliance for Net Zero (GFANZ), a consortium of over 450 financial firms across 45 nations, have committed to align their own businesses, including their lending and investing, with Net Zero goals. This means $130 trillion of private finance will be committed to the cause. This underlines the wider understanding within the green finance sector, that there is no shortage of potential capital: the key is to develop the projects and programmes that are investable. Mobilising that finance will require an active role for the UKIB to ensure the pipeline produces such projects.

The HM Treasury Net Zero Review states: *"The UK Infrastructure Bank will provide leadership to the market in the development of new technologies, crowding-in private capital and managing risk through cornerstone investments and a range of financial tools. It will help to bolster the Government's lending to Local Government for large and complex projects to bring private and public stakeholders together to regenerate local areas and create new opportunities."*[7]

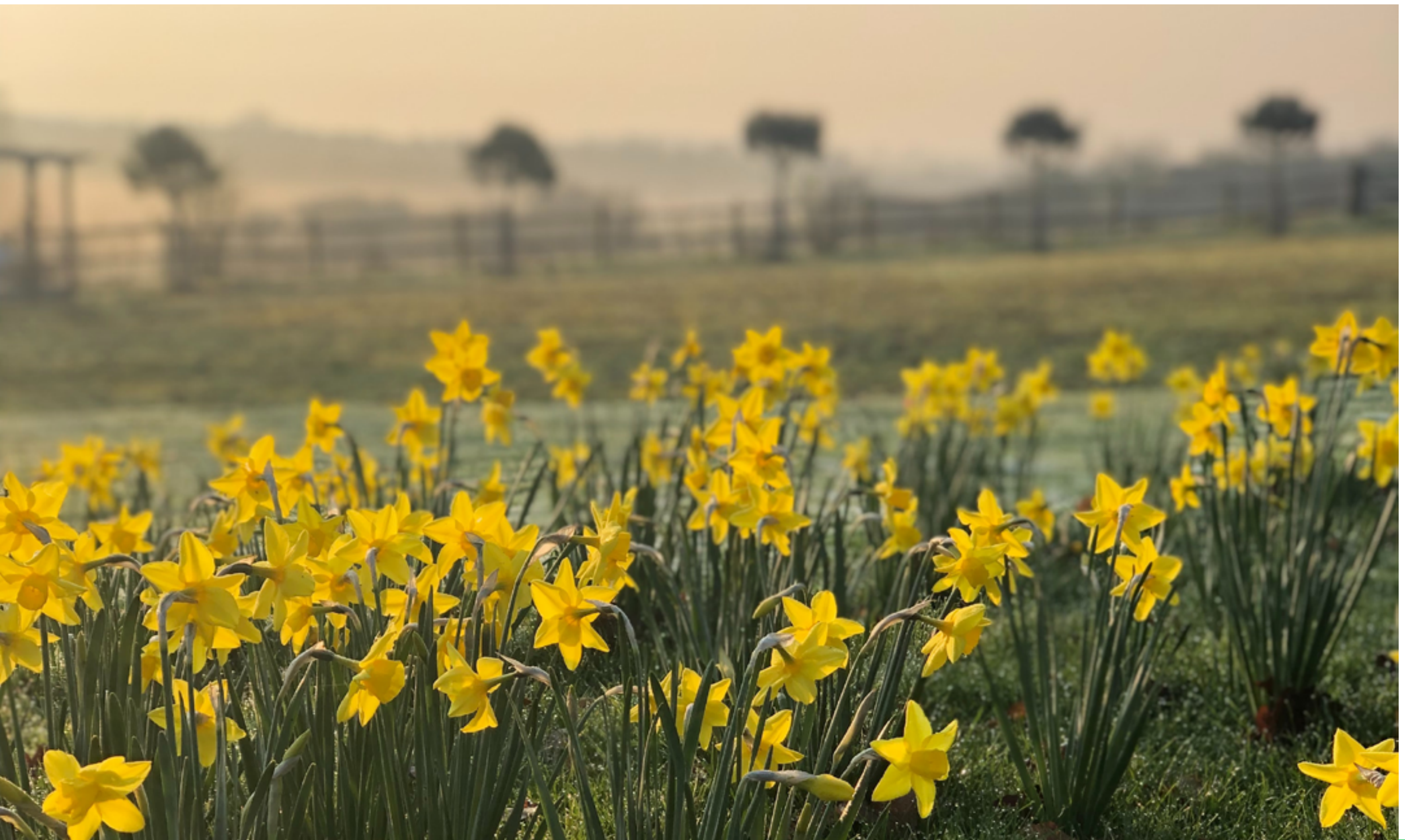
It also makes the point that successful levelling-up - a government priority - *"will require local growth and the UK's most competitive green industries could build on existing regional strengths to contribute to sustainable growth across the country"*.[8]

7 https://www.gov.uk/government/publications/net-zero-review-final-report
8 Ibid.

LAs, of course, have a key role here. Because they understand their communities, both domestic and commercial, in more granular detail than other institutions. They need to be involved in developing local economic plans that generate jobs and provide skills development so that the wealth generated locally can be retained locally. Only in that way will benefits be felt locally. It is welcome that the HM Treasury Net Zero Review indicates that the UKIB will perform this role to support LAs, but the broader role of local government in the delivery of Net Zero is not clearly articulated. For example, it does not give a clear signal about how LAs will contribute to building on "existing regional strengths"; the opportunity to capitalise on the potential of LAs as delivery partners for Net Zero is not being taken.

In the Queen's Speech in May 2022, HRH The Prince of Wales announced that: *"A new UK Infrastructure Bank will utilise its £22bn financial capacity to help grow the economy to address the cost of living and support the transition to Net Zero by 2050."*[9] There has been much political discussion about the size of the capitalisation of the Bank but in UK100's view the key is to ensure the finance is structured in the right way. Then over time, with demonstrable success from the outcome of development capital, guarantees etc., more capitalisation can be justified to build on success if needed.

9 https://www.gov.uk/government/speeches/queens-speech-2022



The UK Government has pledged:

- for the UK to become the world's first Net Zero-aligned financial centre
- to stop financing fossil fuel projects overseas, through UK export finance and otherwise
- to conduct at least two Green Gilt issuances in 2021 as part of its Green Financing Programme
- to also issue a retail Green Savings Bonds via NS&I, the first standalone retail product tied to a Sovereign Green Bond
- to require Britain's largest businesses to disclose their climate-related risks and opportunities[10] from April 2022 in line with Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and to require all financial firms and FTSE-listed companies to publish plans on how they will transition to Net Zero from 2023
- for the UKIB to have £22bn of "financial capacity" to deliver on its objectives, as mentioned in the 2022 Queen's Speech, consisting of £12bn of equity and debt capital, with £4bn allocated to LA lending, as well as the ability to issue £10bn of guarantees
- to develop a Green Taxonomy,[11] a common framework which sets standards for which economic activities and investments can be defined as environmentally sustainable, based upon the recommendations of the Green Technical Advisory Group (GTAG).

10 https://www.gov.uk/government/news/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law
11 https://appgsusfin.org/parliamentary-briefing-the-green-taxonomy-and-how-to-tackle-greenwashing/

Highlights:

What's going well

The UKIB has been established, is engaging with LAs and recognises the importance of place-based Net Zero delivery. UK100 convened a roundtable in January on the LA lending function and technical advisory of the bank to feed into its business plan. The importance of support for LAs was recognised in HM Treasury's Policy Design brief for the bank which confirmed that:

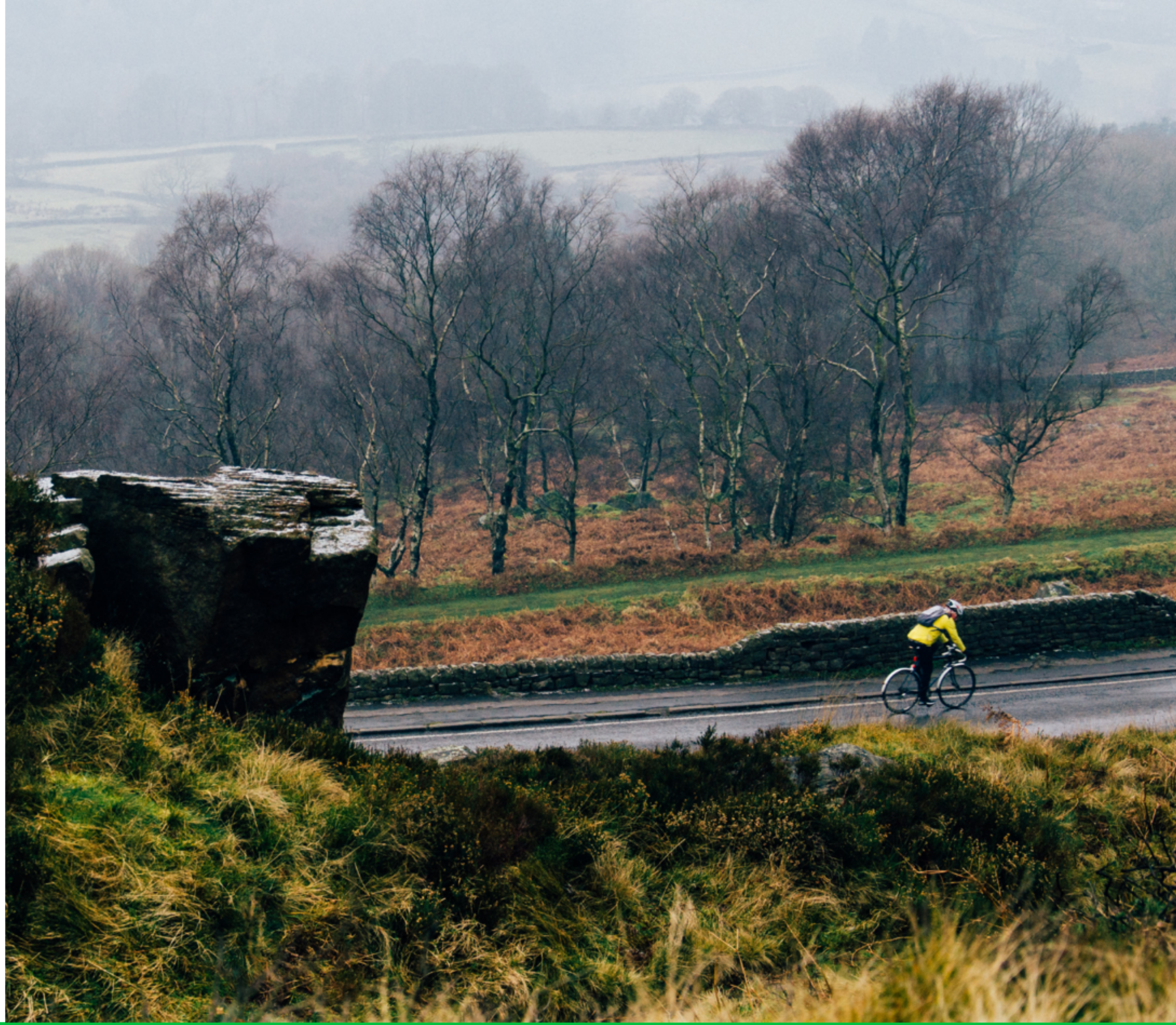
- The UKIB can lend to local and mayoral authorities to support their delivery of local projects
- Supporting LAs will be central to the UKIB's objectives of Net Zero and levelling-up
- Of its initial £12bn of capital, £4bn will be allocated to LA lending
- The UKIB will offer loans to LAs at a rate of gilts plus 60 basis points for high-value and strategic projects of at least £5 million
- The UKIB will develop an advisory service for LAs and other project sponsors to support project development.[12]

The Chancellor of the Exchequer, in his strategic steer to the UKIB[13] confirmed that: *"nature-based approaches (such as afforestation and soil carbon sequestration)"* would come within the scope of the bank. Adding that: *"the retrofit of existing homes and buildings, and/or the decarbonisation of heating, in line with the government's Heat and Buildings Strategy, are in scope."*

12 https://www.gov.uk/government/publications/policy-design-of-the-uk-infrastructure-bank
13 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1061776/Strategic_steer_to_the_UK_Infrastructure_Bank_180322.pdf

> **relevant opportunities may include helping to bring forward low carbon energy projects that accelerate the UK's transition to clean energy and improve the energy efficiency of buildings and homes**
>
> **Rt Hon Rishi Sunak MP, Then-Chancellor of the Exchequer, March 2022**

The Chancellor said the bank should: *"prioritise in particular clean energy, transport, digital, water and waste." He added: "In light of the recent circumstances, I'd encourage you to prioritise opportunities that align with the government's renewed focus on energy security. Examples of relevant opportunities may include helping to bring forward low carbon energy projects that accelerate the UK's transition to clean energy and improve the energy efficiency of buildings and homes."*



In its Strategic Plan,[14] launched in June 2022, the UKIB confirmed that it work with LAs on a pilot projects to test how and where it can best add value. It will assume the role of critical friend to help navigate the complexities of project development. This was a key ask of the bank and it is most encouraging that this role has been acknowledged. Electric vehicle (EV) charging infrastructure and building retrofit are being considered as specific infrastructure challenges the bank can help to finance and UK100 welcomes these developments. We will continue to engage with the bank to help inform how the technical advisory function can best support LAs.

Green Financing Framework

In June 2021 the Government set out in its **Green Financing Framework** how the Green+ Gilt and retail Green Savings Bonds will help finance projects with environmental benefits, while creating green jobs across the UK.[15] The Framework also commits the government to annual allocation reporting and reporting on environmental impacts and social co-benefits every two years, ensuring transparency for retail and institutional investors and other interested parties.

Green+ Gilts are bonds issued by the UK Government to institutional investors, where an investor lends money to the government for a set period of time, in exchange for regular fixed-rate interest payments. So far, £16.4bn has been raised in Green+ Gilts from the first two issuances, and the UK is set to raise a further £10bn.

VAT reductions

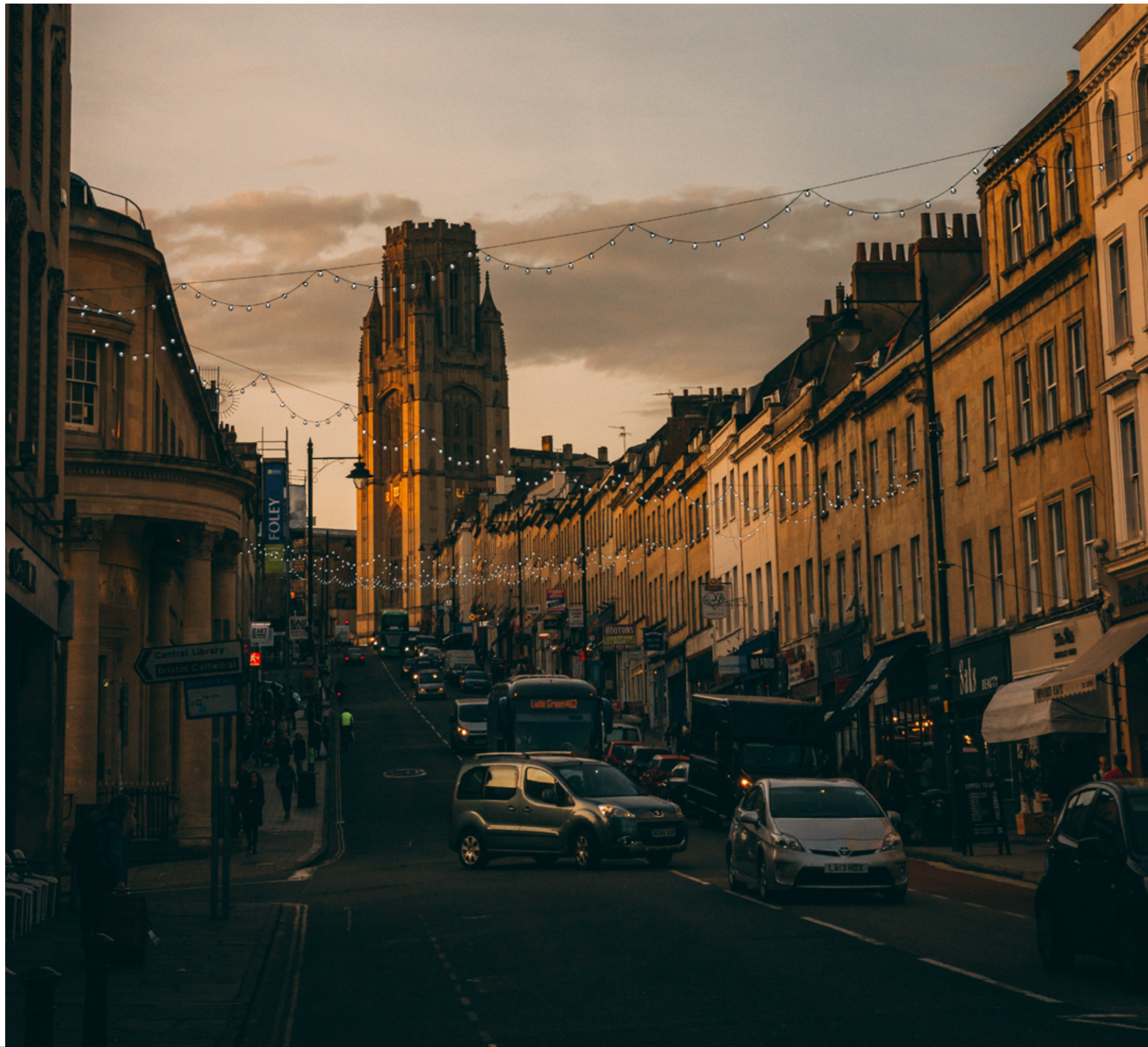
The Chancellor's Spring Statement confirmed **a zero rate of VAT for the installation of certain energy saving materials** - including solar panels - in residential accommodation in Great Britain until 31 March 2027.[16] The same is also true of wind and water turbines, which had been outside the zero rate scope since 2019.

14 https://www.ukib.org.uk/sites/default/files/2022-06/UKIB%20Strategic%20Plan%202022%20-%20Full.pdf
15 https://www.uk100.org/publications/economic-benefits-local-climate-action
16 https://www.gov.uk/government/publications/changes-to-the-vat-treatment-of-the-installation-of-energy-saving-materials-in-in-great-britain/the-value-added-tax-installation-of-energy-saving-materials-order-2022

Net Zero Strategy announcements

The announcement of the **Local Net Zero Forum and the broadening of the scope of the Energy Hubs to Net Zero Hubs** in the Net Zero Strategy[17] were also welcome developments. This acknowledgement that focusing solely on facilitating and supporting energy projects isn't sufficient is positive. We welcome this expanded scope and hope that Net Zero Hubs will be given a clear remit and be adequately financed to ensure their impact can be maximised. These developments are discussed in more detail in our Local Powers progress report.[18]

17 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1033990/net-zero-strategy-beis.pdf
18 https://www.uk100.org/publications/local-net-zero-progress-reports/local-powers



Opportunities:

What we'd like to see more of/what has potential

- **Setting up Net Zero mandate of UKIB and its technical advisory:** UKIB's business plan has set a positive course. UK100 is looking forward to continuing to engage as the bank develops and implements its proposition. As UKIB's technical support works to prove feasiblity and deliver pilots, we stand ready to support the bank in its learning. We can help make the important connections between Net Zero Hubs and the Local Net Zero Forum to bring about change at scale

- **Green Finance Strategy:** The UK Government's updated Green Finance Strategy, planned for publication in late 2022, will take stock of progress following the plan's 2019 launch. It aims to enable the UK to ensure the financial services industry is supporting the state's climate and environmental objectives, as well as the increased emphasis on energy security

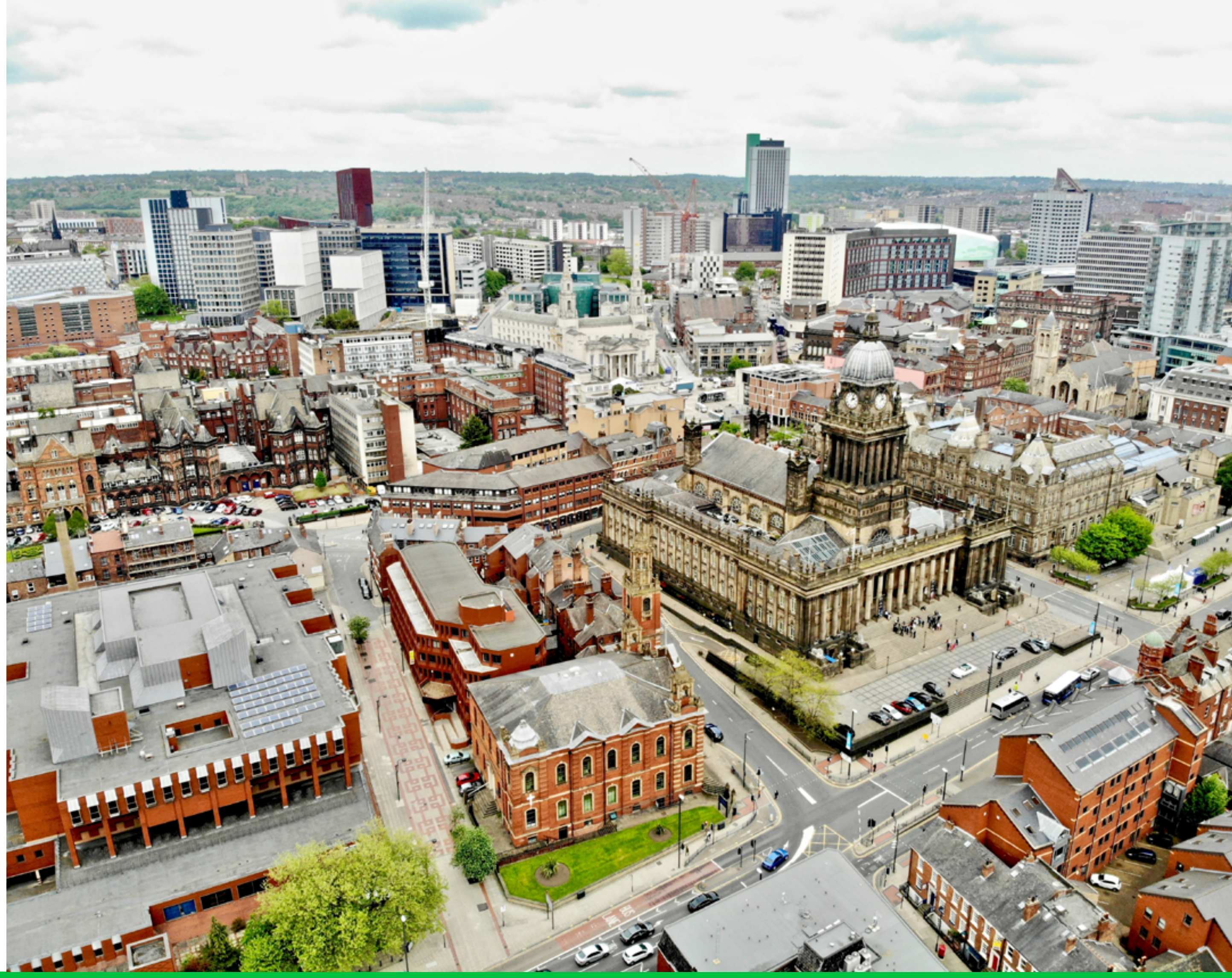
- **UK Green Taxonomy:** The UK Government says this is: "a clear direction for Green Finance: a common framework setting the bar for investments that can be defined as environmentally sustainable."[19] It is intended to tackle 'greenwashing' - the practice of companies who underestimate their impact on the environment for PR reasons. But it also aims to improve the understanding of environmental impact enabling firms and investors to make green choices, to support investment in sustainable projects, and to boost efforts to tackle climate change.

19 https://www.gov.uk/government/news/new-independent-group-to-help-tackle-greenwashing

> **The UK Green Taxonomy will build on existing international taxonomies, including the EU taxonomy, and will focus on Net Zero in the UK context. It is an opportunity for the UK to set a high bar globally with a rigorous, science-based taxonomy that helps accelerate green finance and support the UK's transition to a Net Zero economy.[20]**
> **Green Finance Institute**

There is a clear opportunity for the UK to learn from the EU taxonomy in respect to the inclusion of particular fuel sources. If included, natural gas has the potential to undermine the taxonomy's credibility.

20 https://www.greenfinanceinstitute.co.uk/programmes/uk-green-taxonomy-gtag/



Challenges:

What could be going better

The HM Treasury Net Zero Review forms part of a cross-governmental effort to set the UK on a path to achieving Net Zero, and informs the Net Zero Strategy, as well as future policy across government. Unfortunately, it is scant on specific details.

The review describes itself as: *"a first step in understanding trade-offs over a 30-year economic transition." It goes on: "It considers the potential exposure of businesses and households to the transition, and highlights factors to be taken into account when designing policy that will allocate costs over this time horizon so that policy can help to make the most of opportunities that will arise, and support households as necessary. The Net Zero Strategy sets out a comprehensive range of policies to support and capitalise on the UK's transition to net zero by 2050 across the whole economy."*[21]

However, there are no real announcements on next steps in the review, and we consider this a missed opportunity.

There has been no new money for Net Zero. There has been a commitment to deliver through existing pots of money, but, as yet, there has been little alignment on Net Zero for existing funds and the Net Zero test that should be applied to all funding and financing needs to be transparent, robust and simple.

21 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1026725/NZR_-_Final_Report_-_Published_version.pdf

Gaps:

What's missing?

- **Green Book reform:** There needs to be a change in how funding is allocated. For instance, the Government's Transport Decarbonisation Plan (TDP) promised that transport funding would be aligned with emissions reduction, but there has been no progress on this, and, in any case, it is not across the board

- **Non-competitive funding:** Competition can drive innovation but competition for limited funding pots limits the benefits of that investment. UK100's experience is that progress thrives on partnership and collaboration, so that LAs can learn from each others' initiatives, transfer knowledge, replicate and scale. We would like to see a greater emphasis on non-competitive funding. In addition, we want to see more long term, ring-fenced funding so that projects can plan ahead with confidence

- **Clarity in funding:** The question of what is in and out of scope when it comes to Net Zero funding is frequently obscure. More clarity from the UK Government would be very much welcomed.

Overarching Themes

We have identified three overarching themes which apply across all the progress reports in this series. By identifying blockers and sharing successes in these key areas, we can achieve the step-change we need.

Partnerships

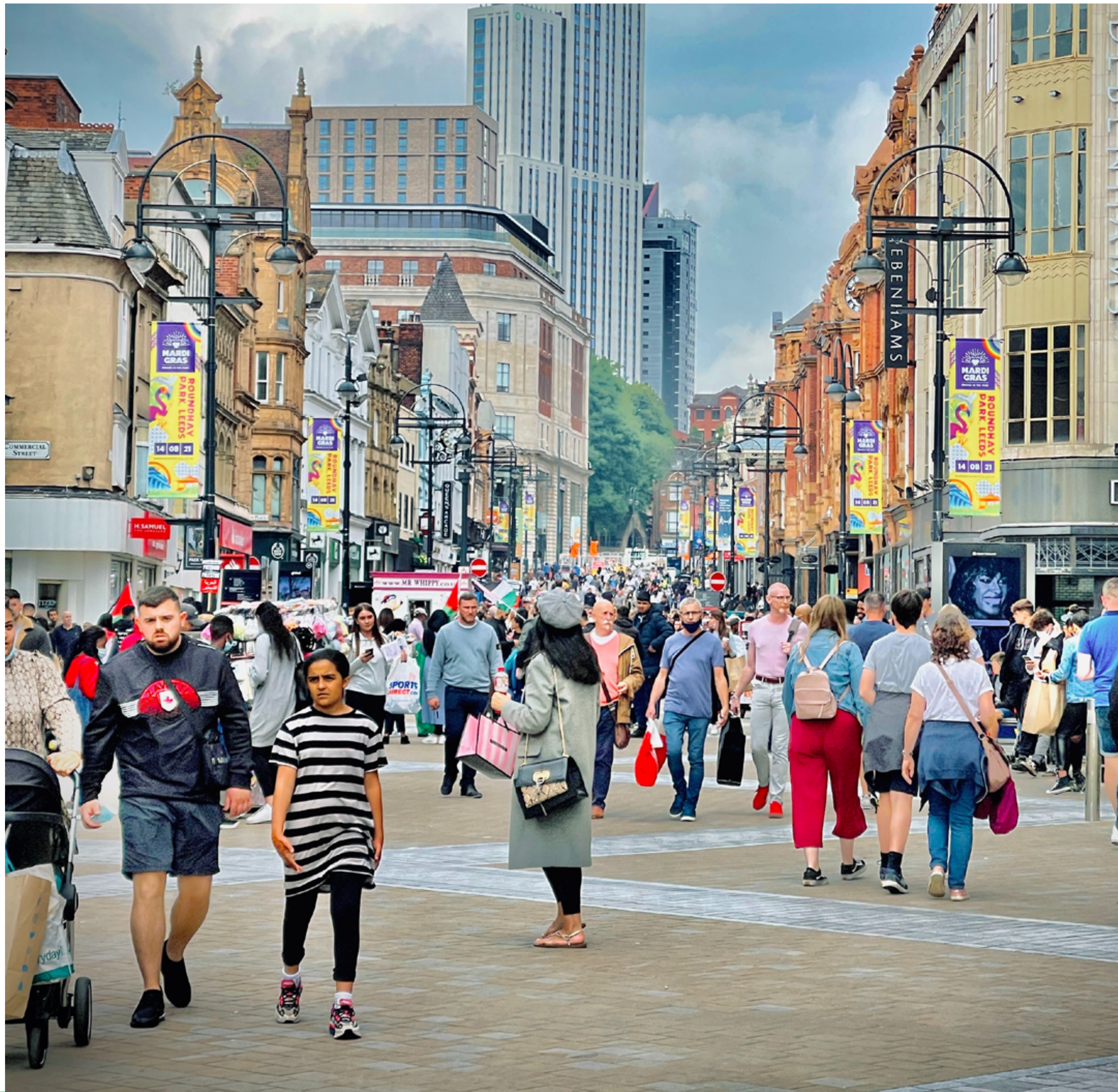
Getting the right partnerships in place and functioning well will catalyse the delivery of Net Zero financing. A recent example of this is the partnership between Core Cities, London Councils and the Connected Places Catapult which has established the UK CCIC.[22] UKCCIC has been set up to build the investment case for local Net Zero programmes and interventions. Using collective networks and capabilities, the Commission is seeking to use the combined scale of cities to mobilise finance and drive investment into low and Net Zero projects across all of the UK's largest cities, rather than individual ones. The Commission's report concluded that the scale of the challenge requires new implementation and blended finance models.

For instance, Bristol, Liverpool, Newcastle and Sheffield have identified a need for solar photovoltaic (PV) requirements for their cities, costing £600 million, £775 million, £1.5bn, and £695 million respectively. Combined, these represent an investment opportunity of approximately £3.6bn. Availability of finance is not the primary barrier, but rather the ability to create robust business cases and investment models that address issues of scale, longevity and confidence.

22 CCIC became 3Ci - the Cities Commission for Climate Investment in July 2022

Through its dialogue with the investment community, CCIC are clear in their findings that such business cases will be strengthened if the plans of cities can be brought together, generating greater scale, volume, and predictability, thereby creating a more attractive and substantial proposition for investors.[23] Indeed, collaboration between these cities could help minimise transaction costs and increase efficiencies through economies of scale and shared learnings."[24]

23 https://cp.catapult.org.uk/project/uk-cities-climate-investment-commission/
24 https://1hir952z6ozmkc7ej3xlcfsc-wpengine.netdna-ssl.com/wp-content/uploads/2021/10/UKCCIC_Final_Report.pdf



Member Insight:

Bristol

Bristol's City Leap low carbon energy investment project has had the biggest impact in securing financing for Net Zero delivery. The City Leap partnership aims to deliver low carbon energy infrastructure, such as solar PV, heat networks, heat pumps and energy efficiency measures at scale, all which will help Bristol meet its carbon reduction targets of becoming carbon neutral by 2030.

The project took a cross-organisational team of people from Bristol City Council over two years and £7.5 million to secure £1bn towards the decarbonisation of the city with a private sector partner, in this case Ameresco Ltd, a leading clean tech integrator and renewable energy asset developer, owner and operator.

Private sector partners are contributing capital funding, including £424 million the first five years of the 20-year collaboration. In those first five years, the project will remove around 140,000 tonnes of carbon across the city.

Finance

Local Climate Bonds (LCB) are a way of linking Net Zero projects to the communities which benefit from them. They are issued by LAs to raise money directly from the public, enabling councils to engage with citizens as investors, with anybody able to invest £5 or more via a crowdfunding platform accessible to ordinary investors.[25] Abundance Investment calculates that the bonds could raise as £3bn if issued by the 343 LAs in England.[26]

With the LCB Pledge, LAs aim to raise funding for specific local Net Zero projects, committing to set and share publicly their target dates for completion, and to provide public updates on their measurable positive impacts.[27] This means the bonds can be used to fund councils' Climate Emergency and Net Zero Plans, for example through the installation of solar panels on council facilities, the development of EV charging points or urban tree planting.

> **Local authorities are pioneering new ways of raising funding for the green projects they identify, adopting financing tools that contribute to unlocking their potential to lead on the place-based transition to Net Zero...**
>
> **Polly Billington, UK100 Chief Executive**

LCBs have so far been piloted by West Berkshire and Warrington councils in 2019 and 2020, raising £2 million in total, used to fund projects including solar panels, habitat restoration, tree planting and LED lighting. They have subsequently been rolled out across five more LAs, including UK100 members Cotswold District Council, the London Borough of Islington, and Lewes District Council.

Frameworks and governance

We have an opportunity at this stage to link all the new developments together - UKIB, Net Zero Hubs, and the Local Net Zero Forum - to achieve pace and scale through linking policy with project development and financing in innovative ways.

UK100 is calling for a Net Zero Delivery Plan,[28] which will articulate and join the dots, with defined roles and responsibilities, and a clear timeframe for action.

25 https://www.greenfinanceinstitute.co.uk/programmes/ceeb/lcbs/
26 https://www.greenfinanceinstitute.co.uk/news-and-insights/local-climate-bonds-a-cost-effective-way-to-raise-billions-for-councils-green-plans-says-new-campaign/
27 https://www.greenfinanceinstitute.co.uk/programmes/ceeb/lcbs/#:~:text=With%20the%20LCB%20Pledge%2C%20Local,on%20their%20measurable%20positive%20impacts
28 https://www.uk100.org/publications/research-national-local-net-zero-delivery-framework-executive-summary

In Focus

PWC/UKRI report demonstrates that Local Costs Less

A missing piece of evidence has been the economic and social value of locally tailored approaches. To help close this gap, a report from UK Research and Innovation (UKRI) and PwC, Accelerating Net Zero Delivery: Unlocking the benefits of climate action in UK city-regions,[29] compares the benefits of place-specific and place-agnostic approaches for the first time. It shows significantly better outcomes when places tailor their Net Zero delivery to the needs and opportunities of the area with the potential to contribute to levelling-up.

PwC and UKRI used economic and strategic research and analysis from across six diverse city-regions to compare the benefits of place-specific and place-agnostic approaches.[30] They compared place-agnostic deployment, where low carbon measures are adopted uniformly across places, to place-specific deployment, which enables each city-region to adopt the combination of low carbon measures which most benefit the particular community in social, economic and environmental terms, based on the specific characteristics, needs and opportunities of different locations.

They found when city-regions adopt the most socially cost-effective combination of low carbon measures based on the specific characteristics, needs and opportunities of their location it requires significantly less investment, while creating nearly double the energy savings - which are reflected in lower bills for consumers. For example, district heat networks are most viable in dense urban areas and where there is an existing waste heat source.

PWC/UKRI found that local costs less. Their economic analysis of the place-agnostic scenario found it requires £195bn of investment across the UK to meet targets set out in the Sixth Carbon Budget by 2035 and this investment is partly offset by £57bn of energy savings. Whereas their place-specific scenario requires just £58bn investment between now and 2035, which is significantly offset by £108bn of energy savings for consumers.

They found that the place-specific investment of £58bn generated wider social benefits of £825bn - e.g. the economic value brought by cleaner air, warmer homes, healthier people. This is compared to £195bn investment realising £444bn of wider social benefits in the place-agnostic approach. This targeted action benefits the levelling-up agenda.

The case presented by this report is compelling and provides strong evidence that local delivery is essential. It supports UK100's growing evidence base that highlights all LAs - not only city-regions - are convenors of place that are centrally important to Net Zero delivery. The solutions are plentiful but they need to be deployed in the places that make the most economic, social and environmental sense for the communities that will implement them and live with the transformation that they will bring. UK100 members are clear in their commitment to delivering for and with their localities and stand ready to work with the Government to enable the cost savings and wider benefits of place-specific Net Zero delivery.

Place-agnostic

£195bn investment → £57bn energy savings → £444bn wider social benefits

Place-specific

£58bn investment → £108bn energy savings → £825bn wider social benefits

Source: Accelerating Net Zero Delivery: Unlocking the benefits of climate action in UK city-regions, UKRI and PwC, March 2022

29 https://www.ukri.org/publications/accelerating-net-zero-delivery/
30 Ibid.

Analysis

LAs have been handed a great deal of responsibility in the race to Net Zero, but cannot do their job without sustainable funding and financing. The establishment of the UKIB, with its Net Zero mandate, is key to providing this crucial investment. The bank is engaging with LAs and has important powers to support the innovative regional projects and programmes that are emerging from those authorities. But it should have the space to do more. It should focus on project development support - acting as a critical friend to LAs as they shape Net Zero initiatives, helping them to become investable prospects for private finance. We want more projects like Bristol's City Leap, which has secured £1bn towards decarbonisation in the city, with a hefty chunk coming from the private sector.

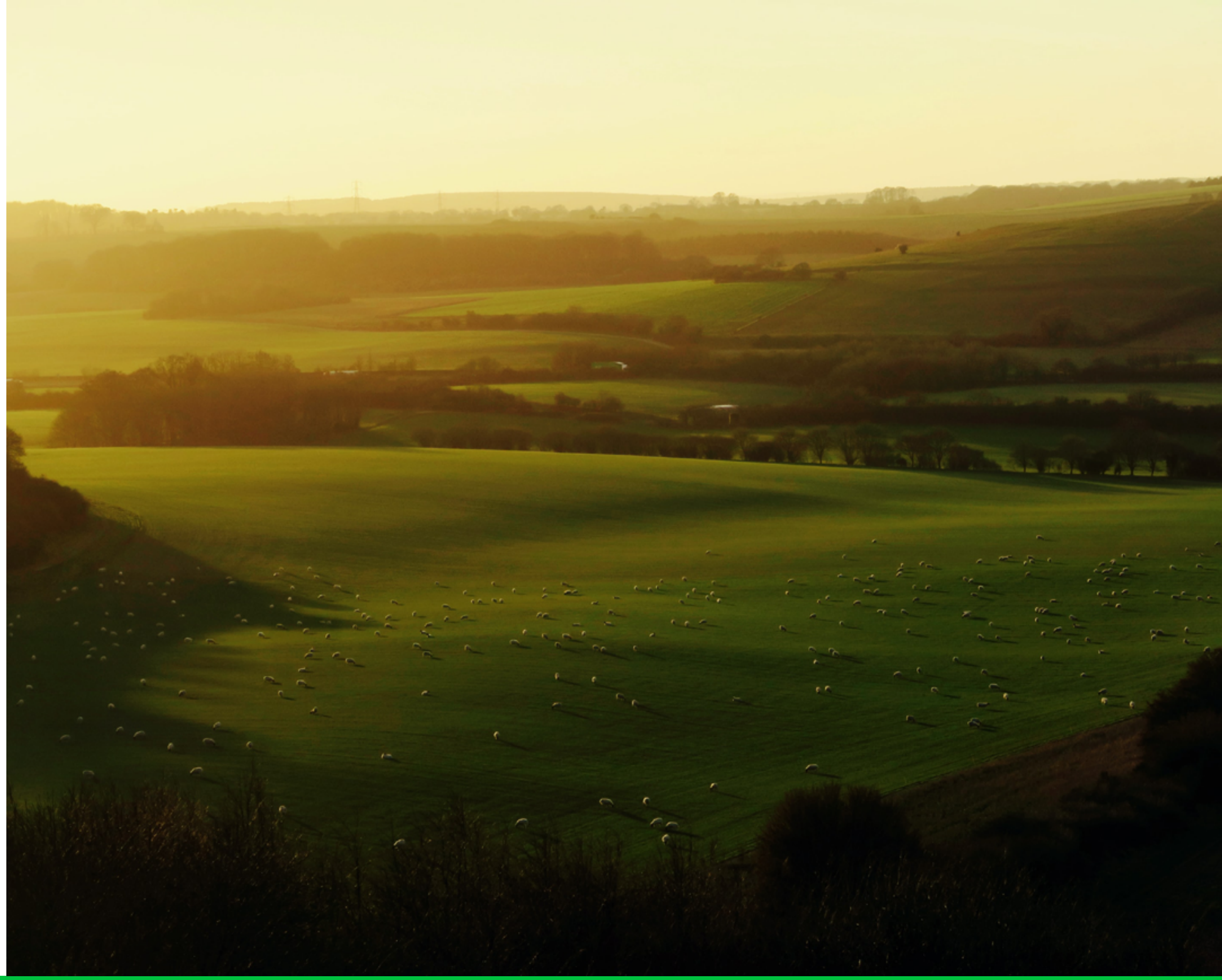
We also want to see more cooperation and cross-pollination of ideas between LAs. Sharing of research is hugely important, especially where LAs aim to emulate the success of their counterparts in other regions. But also consolidation of investment pitches can free up money that would otherwise be spent on duplication of effort. And savings can be made through economies of scale. The relationship between LAs and the UK Government must evolve too, with roles and responsibilities defined and enacted.

The government's establishment of UKIB is to be commended, as is its introduction of Green+ Gilts, and its commitment to developing a Green Taxonomy, which will set standards for which economic activities can be defined as sustainable. But HM Treasury's Net Zero Review is frustratingly low on specific details, and there is no clear direction on next steps. Nor has any new money been allocated centrally for Net Zero.

That's why it's so important that the CCIC is given the space to build the investment case for local Net Zero programmes. Using networks and the clout of the UK's largest cities, the CCIC can mobilise finance and drive investment into carbon reduction programmes across all of those cities.

In the end, though, LAs are often better placed to spend that money. The UKRI/PwC report gives a compelling account of how 'local costs less'. While cooperation is helpful when it comes to sharing of research and economies of scale, a one-size-fits-all approach to low carbon measures across different localities can lead to waste. LAs, with their local knowledge, are best placed to determine the most socially cost-effective mix of low carbon measures for the characteristics of their own regions.

We cannot afford not to invest in Net Zero. The future of our planet, human wellbeing and economic prosperity depend on it. But allocating that money wisely will mean that every pound spent by LAs to achieve that target will do more.



Recommendations

In conclusion, our key recommendations are as follows:

For Government

- Dedicated long-term funding for LAs to deliver Net Zero
- Reform the funding allocation, so that is it is non-competitive and reform the Green Book
- Use the Green Finance Strategy to fix key issues.

For the UKIB

- Develop financing aggregation approaches for LAs that would help to reduce costs
- Ensure that the pilot projects invested in during the first phase of advisory support are from diverse local authorities - investment in rural infrastructure projects will be important as well as that in cities and learning from a wide range of projects will ensure support can be strengthened as the advisory support develops
- Feed insights back to Government in order to inform policy change that will reduce project and programme costs.

Glossary of terms

3Ci	Cities Commission for Climate Investment - formally CCIC
CCC	Climate Change Committee
CCIC	UK Cities Climate Investment Commission
EV	electric vehicle
FTSE	Financial Times Stock Exchange
GFANZ	Glasgow Financial Alliance for Net Zero
GTAG	Green Technical Advisory Group
LA	Local authority
LCB	Local Climate Bonds
LED	light emitting diode
NAO	National Audit Office
NS&I	National Savings and Investment
PV	photovoltaic
TCFD	Task Force on Climate-Related Financial Disclosures
TDP	Transport Decarbonisation Plan
UKIB	UK Infrastructure Bank
UKRI	UK Research and Innovation
VAT	value added tax

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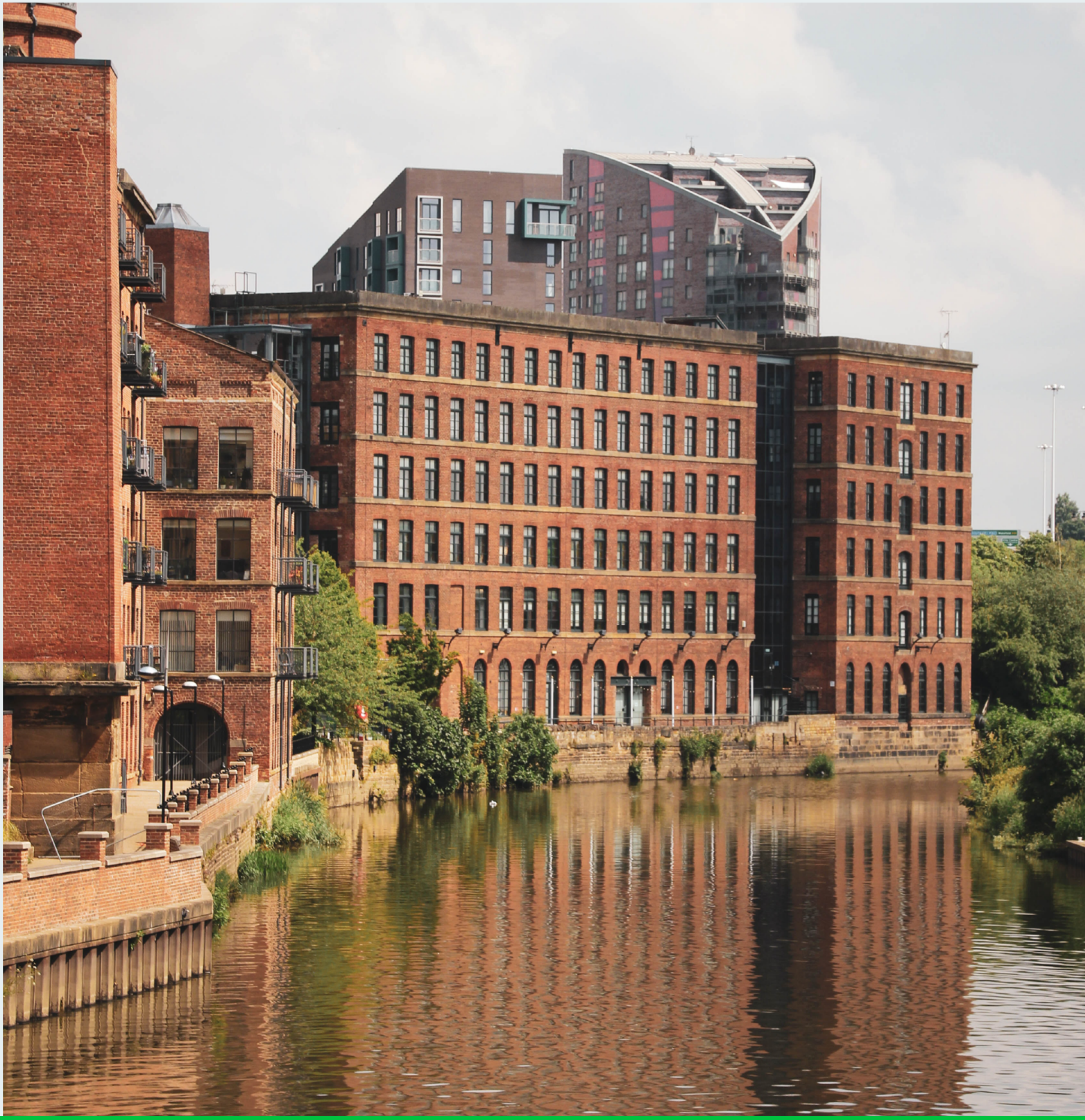

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