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Sent via taxonomyconsultation@hmtreasury.gov.uk.

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HM Treasury UK Green Taxonomy Consultation

Dear Correspondence Team,

I am writing to respond to HM Treasury's UK green taxonomy consultation on behalf of ShareAction, a UK registered charity that works to build a financial system that serves our planet and its people. ShareAction works to define the highest standards for responsible investment, mobilising investors to take action to improve labour standards, tackle climate change and the biodiversity crisis, and address global health issues. We strongly support the introduction of a Green Taxonomy to address the escalating climate crisis and support the transition to a net-zero, nature-positive economy.

The introduction of a clear and science-based classification system via the UK's own Green Taxonomy is critical to mobilising private capital, tackling greenwashing and maintaining the UK's position as a global leader in sustainable finance. Since the Green Taxonomy does not represent additional regulation, rather is a tool to simplify and clarify sustainability-related financial disclosures, the reduction in ambiguity for companies and investors should be welcomed by all stakeholders as an essential step towards the UK's transition to net-zero.

Mobilising private capital for the transition to net-zero

To achieve net-zero, large-scale private investment in the green economy is essential and the Climate Change Committee estimates that an additional £50 billion is needed each year into the mid-2030s, with the majority coming from private investors. We note with some concern that the £50 billion per year figure was an estimate from the CCC's Sixth Carbon Budget in 2020 and anticipate this number to have risen when the Seventh Carbon Budget is published later this year. We accept that the Government and financial regulators have already laid some important foundations, e.g. the introduction of mandatory TCFD disclosures and new SDR investment labels, but the lack of an overarching classification system creates uncertainty for investors and companies. The Government's plans to introduce mandatory transition plans are welcome; an accompanying green taxonomy would help to make such plans more consistent, comparable, and credible.

A Green Taxonomy can help to provide a consistent framework to align investment decisions with corporate, institutional and national climate goals by ensuring capital is channelled effectively into green and transition activities. Businesses require certainty in aligning activities with a credible standard to guide investment decisions, establish reliable and comparable benchmarks and make informed strategic decisions. The impact of such a framework is evident in the EU, where taxonomy-aligned investments covering 600 companies totaled €194 billion and reportedly exceeded €500 billion in 2024. Learning from the EU experience, we would encourage the UK regime to incentivise sustainable investments rather than punishing laggards. This can help to bring substantial reputational benefits to companies and institutions that comply with it.

We note the Government's five missions to rebuild Britain and particularly welcome the ambition to make Britain a clean energy superpower. A UK taxonomy can help to support this objective by shining a light on the supply and demand of financing across specific areas of the green economy. For example, ShareAction research has shown that banks in the EU have faced difficulties allocating renewables finance due to lack of investment in enabling infrastructure like electricity grids and storage. Analysis has suggested that grids and storage should make up 38-47% of combined investments in power generation and infrastructure, but disclosures required under the EU Taxonomy Regulation indicate that they represented just 24-27% of clean energy financing by banks in the sample. The increased transparency driven by the EU green taxonomy has enabled policy makers to identify and address investment bottlenecks, such as these, which limit the development of underlying enabling infrastructure, removing a key barrier to further mobilisation of capital across the European green economy.

Tackling greenwashing

The introduction of a UK taxonomy will help to reinforce financial regulators' ongoing mission to tackle greenwashing. Greenwashing remains widespread, but could be reduced by the introduction of a transparent and robust classification system for sustainable economic activities. Without clear criteria, investors and companies risk making misleading claims about their environmental impact. The taxonomy will also make explicit which activities, such as fossil fuel extraction, are not aligned with sustainability goals and must be phased out. This is essential for financial institutions, regulators, and policymakers seeking to ensure that investment flows support genuine climate and environmental outcomes. Reduced greenwashing also means more accurate risk assessment and management by investors, and therefore increased financial stability.

We note numerous studies that highlight the disconnect between climate commitments and action, with research demonstrating the large proportion of companies' activities still misaligned with their stated climate goals. There is also emerging evidence of the accountability gap, where companies retract previous publicly made commitments with little to no consequence. We welcome the steps already taken by HMG and financial regulators, including the adoption of ISSB disclosures, the Transition Plan Taskforce framework, and the FCA's anti-greenwashing rule. A Green Taxonomy would go even further by providing sector-specific, activity-level standards to boost transparency, enhance decision-making and improve market confidence.

Making the UK a global leader in sustainable finance

We welcome the Government's ambition for the UK to be a global leader in sustainable finance. However, the UK risks falling behind without its own taxonomy, missing the opportunity to shape international standards and the financial services sector's competitiveness, a key priority for this government. However, the UK must learn from international experiences and avoid an overly complex or rigid approach. The taxonomy must be usable, proportionate, and science-based while integrating transition finance considerations to ensure it supports companies genuinely working towards sustainability. Sectors like gas an nuclear should not be included in a green taxonomy, as this risks undermining the credibility of the system.

ShareAction welcomes the proposal to introduce a Green Taxonomy as an essential next step of the infrastructure that underpins the UK's sustainable finance market.

Yours sincerely,

Fergus Moffatt
Head of UK Policy, ShareAction