Briefing

# Five tests for the government's new climate and growth plan

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## Summary

The government has a legal deadline to produce a new climate action plan by 29 October 2025. The Carbon Budget and Growth Delivery Plan (CBGDP) it will publish to meet this requirement should set out a credible pathway towards a lower carbon economy, demonstrating its benefits for energy security, growth and living standards.

Here, we set out our five tests for the plan, to ensure it can lead to the carbon reductions necessary in the highest emitting sectors and as many co-benefits for the economy and society as possible. These tests include rapid action on methane emissions; progress on cleaner HGVs, home energy systems and industry; and the restoration of vital natural carbon stores.


## Introduction

The UK has made impressive progress in reducing greenhouse gas emissions since passing the Climate Change Act in 2008, meeting all three of its carbon budgets so far. These set targets for total greenhouse gas emissions produced over five year periods and they have been steering the UK towards a low carbon economy. The UK is now over halfway to achieving net zero carbon.[1] This is driving growth, with the green economy growing ten times faster than the wider economy.[2]

Most of the progress so far has been made in reducing the emissions from electricity generation. Renewable technologies, like wind power, produced just four per cent of the UK's electricity in 2010. Effective policy and falling costs have increased this to over 50 per cent, enabling the UK to become the first major economy to stop burning coal for power and less reliant on volatile international fossil fuel markets at a time of geopolitical instability.[3] This is a major achievement that lays a foundation for decarbonising much of the economy through electrification.

The challenge now for the government's new climate and growth plan, covering the period to 2037, will be to guide modernisation of other sectors – particularly transport, buildings and industry – which are still largely dependent on old, dirty fossil fuel technologies. These are the sectors that

must now do the heavy lifting to meet the UK's international and national climate commitments.

The government's recent Industrial Strategy has already identified that clean technologies are the economic opportunity of the century. Clean technologies can cut fuel and energy costs for drivers and households by thousands of pounds a year, while making industrial processes more efficient.

To facilitate affordable decarbonisation of the economy, the government must also scale up cost effective nature-based solutions which mitigate climate change by preserving carbon in soils and vegetation. Natural processes that remove carbon from the atmosphere are cheaper than technological solutions. They have a wealth of other benefits too, protecting communities from flooding, improving wellbeing and boosting biodiversity.

## Our five tests

The government will need to address the following priorities for a successful climate and growth plan, cutting costs, tackling climate change and providing other benefits for businesses, households and the UK as a whole.

### 1. Cut methane emissions

Methane has over 80 times the global warming power of $CO_2$ but only lasts a comparatively short time in the atmosphere. Cuts to $CO_2$, although vital, are slower to take effect. Because of this, cutting methane emissions during this decade would act as an 'emergency brake' on global warming while other measures to cut $CO_2$ are introduced. This will help prevent the dangerous climate tipping points that could occur if global temperatures rise more than 1.5°C above 1990 levels.

The government has a chance to show international leadership on methane and has promised a national methane action plan as part of its climate and growth plan. This must set ambitious targets and specify how the government will work across departments to cut methane urgently.

Tackling methane emissions from farming, waste and the fossil fuel sector would have a powerful climate impact, while offering economic and social benefits and cementing the UK's place as a global climate leader. Actions needed are:

- **Capture and use methane emissions from manure**, boosting farm revenues. Slurry stores on farms are a potent source of methane and ammonia, which are both local air pollutants. But methane can be

captured and upgraded to biomethane which can be sold or used on farms to generate electricity or heat, cutting energy bills. If 30 per cent of UK cattle and pig farms implemented this technology, it would save at least 650,000 tonnes of $CO_2$ equivalent ($MtCO_2e$) a year, reduce air and water pollution, enhance the profitability of farms, improve national energy security and reduce reliance on fossil fuels.[4]

- **Retain incentives due to expire in 2027 to capture landfill gas and generate electricity.** This would maintain the UK's position as a global climate leader in this area. Without this, methane emissions are likely to rise as landfill operators lose their incentive to continue capturing gas and a source of 3TWh of baseload renewable electricity generation will disappear (enough to supply 1.1 million homes). Maintaining the existing rate of subsidy would avoid 1.9$MtCO_2e$ a year of emissions. And stronger incentives that ensure the capture of 80 per cent of landfill gas could reduce annual emissions by 6.1$MtCO_2e$ in 2030. These incentives should sit alongside ongoing efforts to keep food and other waste from going to landfill or being generated in the first place, to eliminate future sources of methane and other greenhouse gases.
- **Mandate regular leak detection and repair in North Sea oil and gas operations.** This would create jobs, reduce wasted natural gas and air pollution, and increase tax income from the energy giants. It could also cut emissions by around 0.12$MtCO_2e$ a year. Technologies now exist that make it easy to spot methane leaks from oil and gas rigs, pipelines and terminals.

## 2. Accelerate the switch to electric lorries, buses and coaches

Petrol and diesel cars, vans and lorries are the UK's biggest source of greenhouse gas emissions and a significant source of harmful air pollutants, such as nitrogen oxides ($NO_x$) and particulate matter (PM).

Drivers are increasingly switching to electric cars (EVs) that are cleaner, quieter and hundreds of pounds cheaper to run each year. Effective government policies, such as the zero emission vehicle (ZEV) mandate, salary sacrifice scheme and new electric car grant are helping to increase electric and plug-in hybrid car and van sales. In August 2025, 38.8 per cent of new cars were in this category.[5] The UK is now the leading EV market in Europe and the growing number of EVs is accelerating the pace of decarbonisation and improving air quality.[6]

But there is limited support to decarbonise coaches and lorries, despite their disproportionate contribution to pollution.[7] Heavy goods vehicles (HGVs) only make up 1.5 per cent of vehicles on road in the UK but, in 2023, they were responsible for 18 million tonnes of $CO_2$ equivalent (MtCO2e), which was 16 per cent of domestic transport emissions.[8,9] Cleaner trucks are

currently more expensive to buy upfront but can be much cheaper to run than diesel versions and the technology is improving rapidly.[10] They are particularly valuable around urban areas because of their lower impact on air quality.

The previous government's carbon budget delivery plan suggested a regulation phasing out sales of polluting new HGVs would come in 2026.[11] This was projected to deliver big carbon savings, averaging 5.4Mt$CO_2$e a year between 2033 and 2037. But no proposals have been published since, and time has run out to consult in time to introduce the policy at the start of 2026. A consultation should commence without further delay, aiming to introduce new measures by 2027.

## 3. Make clean tech for homes accessible to everyone

Clean technology for homes, such as solar PV, batteries, home EV chargers and heat pumps, offers households more control over their energy use and costs, saving them hundreds or even thousands of pounds a year.[12] Widespread adoption would also create a consumer-led revolution in grid flexibility because of households' ability to produce and store their own power, reducing the need for additional generation and network infrastructure and the country's reliance on imported gas.[13]

Electrifying heating is especially important for climate action, as it is expected to be the way to make two thirds of the carbon savings needed from homes.[14] Heat pumps are made in the UK. But upfront costs are a major barrier for many households. A heat pump system can cost around £5,400 to install, even with the £7,500 boiler upgrade grant.[15] It has mostly been wealthier households that have installed these technologies.[16]

The climate and growth plan and the Warm Homes Plan, also due in the autumn, should make sure clean technologies are available to more people. These plans should continue to reduce the upfront costs of heat pumps but also explore other finance mechanisms, such as zero interest loans and extending salary sacrifice schemes to include solar PV and heat pumps.[17,18] The aim should be to ensure that, by the mid-2030s, low carbon heating solutions are the default when replacing gas boilers.

Home electrification should be pursued alongside continued promotion of improvements to building fabric, where it is cost effective, with the aim of bringing all homes up to the energy performance standard of EPC C or above. These efforts should particularly target low income households experiencing fuel poverty.

## 4. Support industry to electrify

Global competition, trade tariffs and high energy prices are exacerbating the historic underinvestment across a range of industrial sectors. The recent Industrial Strategy recognised the enormous growth potential of clean technologies but also the need to futureproof wider supply chains, including energy intensive sectors like cement and steel. An important element of this futureproofing must be to ensure that new equipment, which will last decades, is ready for a low carbon and fossil fuel free future.

The government has put substantial effort into policies that will enable industrial sites to address climate impacts by switching to clean hydrogen and carbon capture and storage (CCS). However, there is no equivalent support for the electrification of industry, even though the Climate Change Committee (CCC) now expects this to be the way most emissions reductions will be delivered, and technologies like low temperature heat pumps can be more efficient and better for air quality.[19,20] To back electrification, the government should:

- **Replace the Industrial Energy Transformation Fund.** This fund was the main source of support for companies seeking to electrify their processes until it closed recently. A replacement is needed to provide upfront capital support for electrification.
- **Provide consistently lower electricity prices for sites that electrify.** The current price differential between electricity and gas does not guarantee lower running costs for sites that electrify, despite the wider advantages this brings. The government should offer an electrification business model to cut electricity costs for these sites.

The government should also address gaps in support offered to industrial sectors to ensure gas and power prices are competitive including, for instance, looking at emergency measures for when gas prices peak and the more rapid introduction of the British Industrial Competitiveness Scheme. Clearer plans are also needed to involve workers and local communities in deciding the future of industrial areas and how to make the most of emerging opportunities.

## 5. Set higher ambitions to restore habitats

Habitats like woodland and wetlands store carbon, support rich wildlife, help reduce flooding and improve water quality, as well as boosting people's wellbeing. Setting an ambitious target, in line with the CCC's recommendations, to restore and increase habitats is critical to reverse the severe ongoing decline in UK nature. This is critical to giving people better

access to nature, particularly in national parks which are currently in a worse condition for nature than elsewhere.[21]

This will also be essential to balance residual greenhouse gas emissions from harder to decarbonise sectors of the economy in decades to come. A combination of established woodland, restored peatland and the natural regeneration of vegetation on unproductive land is a cost effective way to help reduce emissions by 30Mt$CO_2$e per year by 2050.[22] With effective policy, farm incomes could be boosted by direct payments for providing this service. Greenhouse gas removal companies are vying to deliver the same service, but through costly engineered solutions, like bioenergy with carbon capture and storage, which could also have negative outcomes for nature.[23]

Nature-based solutions should always be the first choice, for the benefit of farmers, nature and the public purse.

## A credible, cross cutting plan

The government's clean energy mission is a cross-cutting priority at the centre of its Plan for Change, to increase energy security, climate and economic resilience, and growth. The Carbon Budget and Growth Delivery Plan should build on this by leading a step change in action, with policies spanning departments, and by effectively dovetailing with other relevant strategies, including the forthcoming Circular Economy Strategy for England and delivery of the Industrial Strategy.

In previous similar plans, governments have not always been transparent about the degree of responsibility assigned to each department, exactly which measures they will put in place or how they will address the risk of under delivery. Besides leaving plans open to legal challenge, this has made it harder to track progress and less obvious where major investment is needed.[24]

The new plan should be clear about the trajectories expected from different departments, associated risks and conditions under which the effort share and policy measures will be revised.

The government must use this moment to confidently champion this opportunity for national transformation, to improve living standards, grow the economy and increase energy security.

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## Endnotes

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