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**New Report urges banks to support just transition to a sustainable and inclusive economy in wake of pandemic**

Banks need to work with the government to create a new and more resilient model of prosperity that will enable the UK to build back better in the wake of the COVID-19 pandemic, according to a report published today (July 15th) by the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science.

The report, *Financing climate action with positive social impact*, which has been produced together with the Sustainability Research Institute at the University of Leeds, makes a series of recommendations to the government and the banking sector to advance the creation of a ‘levelled-up’ net-zero emission economy. Until recently, the social dimension of climate action in terms of new green job opportunities as well as potential risks of ‘stranded workers’ has not received sufficient attention. Adopting these recommendations, however, would enable the UK to fast-track the delivery of a just transition, which is part of the 2015 Paris Agreement on Climate Change.

“The UK has a once in a generation opportunity to create a new, more resilient model of prosperity in the recovery from COVID-19”, said Nick Robins, Professor in Practice of Sustainable Finance at the Grantham Research Institute and co-author of the report, adding “the just transition lens provides banks with a new way of deepening their existing efforts on climate risks and green finance,”

“This important report sets out clear steps for how the banking and finance industry can play a central role in delivering the UK’s net-zero goal through a just transition” said Bob Wigley, chair of UK Finance which was a partner in the development of the report, adding: “UK Finance commits to acting on its recommendations.”

The report focuses in particular on the need for the transition to the net-zero economy to be inclusive and placed-based. This means ensuring that climate decisions take account of the key stakeholder needs, notably workers, communities, small businesses and consumers. In addition, the transition will need to respond to the different requirements across the country, enabling local action and investment.

“Banks can play a key role as anchor financial institutions in regional initiatives to drive ahead with the just transition”, said Sophia Tickell, co-author of the report, adding “Working with small and medium sized enterprises will be particularly important given their critical role in employment generation and social cohesion.”

The report shows how the COVID-19 crisis has amplified the need for a just transition. It estimates that the transition impact on jobs in some of the country’s most deprived areas will often be greater than the national average.

“We estimate that around 14% of jobs in constituencies in the top 10 per cent for multiple deprivation will be in greater demand in the shift to a net-zero economy, a positive boost from the transition,” said Andrew Sudmant, Research Fellow at the University of Leeds, adding “Another 13.5% of jobs in these places will require reskilling, particularly in the manufacturing sector.”

The report makes a set of recommendations to banks seeking to support the just transition:

* Board and senior executive leadership commit to ensure that the just transition is incorporated into institutional strategy and culture.
* Banks make the just transition central to their core purpose and culture, by embedding it in strategic objectives and their business models.
* Banks outline a clear institutional action plan for how they plan to operationalise the just transition, covering culture, governance, risk, opportunity, and compliance.
* Banks develop a core portfolio of financial products for different customer groups that enable them to achieve net-zero in a socially inclusive manner.
* Banks work with key stakeholders in different parts of the country to respond to the diverse needs for the just transition, for example, by helping to finance place-based climate action.
* Banks engage with policymakers to encourage the right enabling environment for the just transition and promote system-wide innovation.

The report goes on to highlight the importance of partnership between finance and the government, setting out a number of policy recommendations, including extending the mandate of the British Business Bank to support SMEs in a just transition, establishing a National Investment Bank with an explicit sustainability mandate and issuing a sovereign green bonds to finance a just and sustainable recovery programme.

The report builds on growing momentum in the financial sector to connect action on climate with social inclusion. Over 150 institutional investors, with over $10 trillion in assets, have now committed to supporting the just transition through their shareholder engagement and capital allocation activities.

Read the full report “Financing climate action with positive social impact” (see attached). The link will be live once the embargo has lifted.

A statement of support for the report from leading UK banks has also been released by UK Finance.

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For further information and for interview requests please contactNiamh Brannigan at n.brannigan@lse.ac.uk or +44 (0) 7933997989

**Notes for editors**

**About The Grantham Research Institute on Climate Change and the Environment**
Established in 2008 at the London School of Economics and Political Science, the Institute brings together international expertise on economics, as well as finance, geography, the environment, international development and political economy to establish a world-leading centre for policy-relevant research, teaching and training in climate change and the environment. It is funded by the Grantham Foundation for the Protection of the Environment. [www.lse.ac.uk/grantham/](http://www.lse.ac.uk/grantham/)