

Green and sustainable finance in Scotland: Leveraging the growth opportunity



SHEPHERD+ WEDDERBURN



Scottish
Financial
Enterprise

Contents

- Foreword from Sandy Begbie **3**
- Foreword from Louisa Knox **4**
- Journey to Net Zero Summit **5**
- Global reputation and leadership **6**
- Financing the green transition **7-8**
- Developing our skills and expertise **9**
- Unlocking the power of data and AI **10**
- Progress through partnerships **11**
- Supporting our SME community **12**
- Charting a way forward **13-14**

Aims of this report

As the global economy shifts onto a more sustainable footing, financial centres around the world are responding to the significant opportunities presented by a low carbon future. Scotland has been a key competitor in this race, carving out a distinctive reputation as a leading green finance centre. With a long-established and diverse financial ecosystem, one of Europe's largest energy sectors, leading universities, and a vibrant digital economy, we have all the ingredients to further enhance our capabilities in the burgeoning green and sustainable finance space.

Following SFE's recent Journey to Net Zero Summit with Shepherd and Wedderburn, this report will explore some of the key challenges and opportunities for Scotland's financial services industry in leveraging its green and sustainable finance capabilities to drive growth and development in the sector while helping to deliver a just transition towards a net zero economy in Scotland and globally.

The report will provide an analysis of the issues covered at the summit, as well as bringing together contributions and insights from the key organisations driving progress in the green and sustainable finance ecosystem in Scotland, exploring some of the key themes facing industry leaders, practitioners, academics, and policymakers. It is not designed to be a framework or a roadmap for our green and sustainable finance objectives, but rather a helpful and timely review of the industry's progress to date, the obstacles it is encountering, and the new opportunities it is pursuing. It aims to paint a picture of what the future holds for Scotland's green and sustainable finance ambitions, outline areas for continued improvement and highlight opportunities for deeper, outcomes-oriented collaboration.

Given the strategic importance of the journey to net zero to the Scottish business community, we hope this report can provide helpful analysis and thought leadership for stakeholders working across the Scottish economy on our shared ambition of leading the journey to net zero and delivering inclusive, sustainable growth that benefits communities across Scotland.

Scottish Financial Enterprise

Scottish Financial Enterprise (SFE) is the representative body for Scotland's financial services industry with around 120 member companies which range in size from global organisations headquartered in Scotland like abrdn, Baillie Gifford, Bank of Scotland and Royal Bank of Scotland; UK and international companies with substantial operations in Scotland like Barclays, BlackRock, Phoenix Group, Morgan Stanley and Royal London; and small, locally-based fintechs and support companies drawn from all areas of financial services.

Leading the journey to net zero is a priority for SFE, and we play a key role in convening the sector on shared initiatives, providing a platform for thought leadership, and promoting the sector's green finance ambitions and reputation both domestically and internationally. We are a key member of Scottish Taskforce on Green and Sustainable Financial Services, a joint initiative with the Scottish Government and the Edinburgh-based Global Ethical Finance Initiative, which aims to demonstrate global leadership in implementing the Glasgow Financial Alliance for Net Zero (GFANZ) roadmaps. The taskforce is due to set out its recommendations soon, which will help inform the sector as it looks to the next phase of its net zero transition.



The climate emergency is one of the most pressing and complex issues of our time. It is a global problem that requires a global solution and, while international cooperation is necessary in securing a sustainable future for all, here in Scotland, we have an opportunity to lead by example.

In 2023 SFE launched its new sector growth strategy, which set out our ambition to boost the contribution of financial services to Scotland's economy and society. Throughout the research and development of the strategy, it was clear that one of the key advantages for Scotland was our credentials in green and sustainable finance. Our long-standing and diverse ecosystem comprises of expertise across every sub-sector within financial services, underpinned by a strong culture of collaboration. We also benefit from our proximity and connectivity to London, the world's leading green finance centre, providing us with a global platform to project our reputation and attract investment. When combined with our strengths in data, AI and emerging technologies, our competitive potential becomes clear.

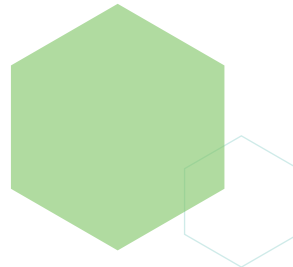
But fully leveraging these strengths to drive the journey to net zero is not without its challenges. The global green and sustainable finance landscape is increasingly competitive, with financial

centres across the world similarly alert to the opportunities and quickly stepping up their focus in the green finance arena. According to a recent report by TheCityUK and BNP Paribas, the green finance market grew from \$5.2bn to \$540.6bn between 2012 and 2021¹ and demand for impact investing is expected to continue to grow despite margin pressures.

As the effects of climate change worsen, pressure is mounting on the industry to deliver products, services and investment that can support a just transition and create long-term prosperity, while navigating political headwinds and an uncertain economic environment. As this report illustrates, Scotland's financial services industry has a clear sense of its role and purpose in achieving these aims. We hope it can be a helpful toolkit to understand the opportunity for Scotland and the action we are taking, and ultimately a catalyst for deeper, outcomes-oriented collaboration. I'd like to thank Shepherd and Wedderburn for partnering with us on this report as well as the expertise from across our membership for their contributions.

Sandy Begbie CBE FRSE
Chief Executive, Scottish Financial Enterprise

Shepherd and Wedderburn



Shepherd and Wedderburn is a leading Scottish-headquartered UK law firm, with offices in Edinburgh, Glasgow, Aberdeen, London and Dublin. Establishing long-standing relationships of trust, founded on legal advice and client service of the highest quality, is our hallmark.

Founded in 1768, Shepherd and Wedderburn has been at the forefront of innovation in all the key sectors of the economy – from the expansion of Edinburgh’s financial services sector to our work with Scotland’s first tech unicorn and on landmark clean energy projects. Our focus has always been firmly on the future, and on ensuring we maintain our proud tradition of supporting innovation, economic growth and international commerce.

Shepherd and Wedderburn is committed to achieving net zero carbon emissions by 2030, working with our clients to make a positive, tangible contribution to the communities in which we live and work through our extensive programme of corporate social responsibility activities. In addition, we are signatories of both the Edinburgh Climate Compact and the Sustainable Glasgow Green Economy Hub Charter.



Leading on the journey to net zero has been a key priority across the financial services sector as we work together to address the impact of climate change.

The goal of significantly reducing carbon emissions and making carbon-positive steps has been set across the industry. Implementing that goal within near and medium-term timeframes, whether that is 2030, 2045 or 2050 is recognised to bring challenges. And a glide path through the Just Transition rather than a cliff edge is vital to a smooth and successful outcome.

As with all change, multiple opportunities will present and be created as we navigate the fundamental changes required. Whether that is to reduce risk, capitalising on opportunities will mean positive change and outcomes for the financial sector.

SFE has been at the forefront, supporting its members in navigating the next steps. Supporting on the journey to net zero and financing the green transition was identified by SFE in 2021 as one of its main strategic aims.

Shepherd and Wedderburn was delighted to play its part in hosting the SFE Journey to Net Zero Summit. Drawing on excellent insights from superb contributors and discussions with those attending, the aim for all present was to leave the summit with specific actions and outputs. Capturing the discussions from the day and taking those forwards in concrete steps is a rewarding outcome – the journey is underway, and we need to stay focussed on meeting those goals.

Louisa Knox, Partner,
Shepherd and Wedderburn,
SFE Board Sponsor for Net Zero



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Journey to Net Zero Summit

In March we convened a group of green finance experts for our Journey to Net Zero Summit with Shepherd and Wedderburn, aiming to influence our sector and set out steps we need to take to achieve our zero-carbon objectives. This section showcases the organisations involved, the challenges they are focused on, and the issues we discussed. In particular, the summit focused on:

- How we develop skills and expertise across the ecosystem and promote Scotland’s reputation as a thought leader in green and sustainable finance
- Sharing learnings and highlighting shared challenges in our sector
- Bringing together data experts and researchers focusing on the opportunities and challenges of the just transition
- Identifying areas for deeper, outcomes-oriented collaboration
- Showcasing the value of our ecosystem in Scotland

Summit contributors



What challenges are the experts focused on?

- “ What are we going to do differently to finance the green transition; are we prepared to demonstrate an increased risk appetite? And what does government need to do more of in order that the funds can be leveraged so Scotland can achieve a just transition? ” Contributor A
- “ We must retain more talent in Scotland by ensuring it doesn’t leave at graduate level. Focus is needed to ensure there are enough university places for all students. ” Contributor B
- “ Scotland must use its ecosystem to lead and innovate on building consumer awareness for home energy efficiency and decarbonisation. We will not decarbonise this important sector without bringing consumers/homeowners with us. ” Contributor C

“ If we are to drive a faster just transition to net zero, fully capitalising on the opportunities for the Scottish economy, then we need all parts of Scotland’s financial services industry to play their part. That encompasses how we develop skills, how we blend different types of finance, how we engage outside of our sector and how we collectively map out a clear transition pathway. ”

Sandy Macdonald, Executive Director, Impact Assessment and Reporting, Scottish National Investment Bank

Global reputation and leadership

Scotland's reputation as a green finance centre is grounded in the breadth and depth of its ecosystem, its rich history and its strong foundations across investment management, life and pensions, banking and education. Both Edinburgh and Glasgow are in the top 50 global green finance centres. Edinburgh is ranked 24th in the internationally recognised Z-Yen Global Green Finance Index², while Glasgow ranks at 44th.

London is ranked first in the Global Green Finance Index, and our close relationship with The City, coupled with our shared institutions and regulators, connects us with a wider ecosystem to collaborate with and contribute to. HM Treasury's Transition Plan Taskforce is a key example of this, bringing together financial institutions, corporates, policymakers, regulators and civil society to deliver gold standard climate transition plans.

COP26 helped to put Scotland on the map as a green finance centre, with the establishment of the Glasgow Financial Alliance for Net Zero³ (GFANZ) roadmaps connecting Scotland's name to this flagship international initiative. GFANZ was founded to engage the industry globally to provide the necessary levels of finance for companies and countries to invest in a transition to net-zero that drives growth, expands opportunity, and raises living standards.

Case study 1: Global Ethical Finance Initiative

COP26 in Glasgow was the first United Nations Climate Change Conference where the finance sector took an active interest. It also marked the inception of Global Ethical Finance Initiative's (GEFI), Path to COP campaign. From its Edinburgh base, GEFI, a purpose driven non-profit committed to ensuring global finance delivers for people and the planet, was keen to welcome the world to COP26 and leverage the opportunity to build on Scotland's commitment to a just transition to net zero, its unique heritage in financial services and track record in ethical finance.

Having gained intelligence through its close working relationships with several UN agencies and attended COP25 in Madrid, GEFI designed and delivered the Path to COP26⁴ - a structured 12-month programme of activities and events to raise awareness and expedite climate action amongst the global financial services sector before, during and after COP26. As a UN Framework Convention on Climate Change Accredited Observer GEFI retained a light touch involvement in COP27, participating in several events in the Blue Zone.

Ahead of COP27 in Sharm-El-Sheikh and, having recognised that Dubai in 2023 was going to be a milestone, global stocktake COP, GEFI launched its Path to COP28⁵ campaign in October 2022. With finance now embedded on the COP agenda, the campaign emerged as the first and largest finance-focused campaign for COP28. Underpinned by a partnership with the Dubai International Finance Centre and backed by over 60 global financial institutions and thought leaders in green and sustainable finance, the Path to COP28 delivered a programme of summits, round tables, training sessions, reports, thought leadership papers and market engagement activities. GEFI prepared an Impact Report⁶ to highlight the campaign achievements.

The COP28 agreement signalled the "beginning of the end" of the fossil fuel era by laying the ground for a swift, just, and equitable transition, underpinned by deep emissions cuts and scaled-up finance. From its Scottish base, GEFI remains committed to ensuring these pledges are turned into real-economy outcomes, without delay.

Given its consistent presence at, and engagement with COP25, COP26, COP27 and COP28, GEFI is well positioned to support the three Government agreement between UAE, Azerbaijan and Brazil that will help ensure we have the collaboration and continuity required to keep the North Star of 1.5C in sight -- from Dubai, to Baku to Belem and beyond.

Financing the green transition

The big picture: investing in a greener future

Despite ongoing economic and political headwinds, the commercial case for net zero has never been stronger. Since 2010, the UK has seen £198 billion of investment into low carbon energy⁷, through a mixture of government funding, private investment and levies on consumer bills. Recent economic data and forecasts for UK growth demonstrate the increasing importance of the role of low carbon energy, technologies and ESG policies to the UK's growth prospects. Continuous external challenges like inflation and skills shortages have been major barriers to business investment in recent years, but one of the reasons firms in Scotland and the rest of the UK continue to invest is the opportunities that net zero presents. The opportunity for Scotland to take advantage of these economic trends is substantial.

Are we moving fast enough?

It's clear that greater action is needed to meet the pace of change required to achieve both national and corporate net zero targets. Lagging progress at the national level was highlighted recently by the UK Government's Climate Change Committee (CCC) which found Scotland has missed eight of the past 12 annual targets for cutting planet-warming greenhouse gas emissions⁸. While Scotland's emissions are 49% lower than the 1990 baseline, reaching our next targets will require decarbonisation in the most carbon intensive industries and areas of the economy, including oil and gas, transport, agriculture and our housing stock.

Green investment

- More than £6bn impact investment made in Scotland⁹
- £28.3bn existing commitments by all developers as part of the energy transition¹⁰
- £3.6million invested 27 nature investments in Scotland in 2023¹¹

Delivering further progress in these areas requires transition finance at pace and scale, and there are plenty of positive examples from Scottish-based financial institutions on how this can be achieved. NatWest Group recently provided £4.8m of funding for Carbon Capture Scotland (CCS)¹² to support its Project Nexus, aiming to remove 90% of biogenic CO₂ in Scotland by 2040, equivalent to the decarbonisation of 800,000 homes. Bank of Scotland is supporting Scottish businesses to grow sustainably through the Clean Growth Financing Initiative, offering financial support and guidance for reducing environmental impacts and facilitating the net-zero transition for SMEs. Virgin Money's Agri E-fund focuses on supporting farmers to build climate resilient, carbon efficient solutions.

Scotland's asset management cluster has also been demonstrating global leadership when it comes to responsible investment and stewardship. Investment institutions headquartered in Scotland are managing a disproportionately high assets under management (AUM) using sustainable and responsible investment (SRI) strategies compared with other European centres. The majority of Scottish asset managers have a dedicated responsible investment policy outlining their approach to non-financial factors¹³, using their expertise to support corporates around the world to decarbonise. For example, abrdn's framework for assessing the credibility of climate targets is helping investors to identify firms with leading transition strategies.

The Scottish Government has launched three initiatives aimed at scaling up these initiatives through greater capital and new financing models, including the Scottish National Investment Bank, Green Investment Portfolio and Global Capital Investment Plan.

Policy environment

The UK 2023 Green Finance Strategy reports that investment in low carbon sectors more than doubled in real terms over the last five years. Despite this progress, the policy landscape is often described as overly complex and difficult to navigate. Different bodies and governments within the UK are moving at different speeds, and in some cases diverging in policy. A good example is around heat in buildings, where the Scottish government's proposed legislation has been met with concern over its potential to shock Scotland's housing market, while the UK government's delaying of similar proposals has created uncertainty. Both developments taken together highlight the need for a clearer, more aligned, and more engaging approach to policy delivery which makes channelling capital into the most promising projects and innovations simpler and more commercially viable.

Clatteringshaws Loch reservoir in Galloway Forest Park damming the Black Water of Dee to feed Glenlee hydro Power Station

Unlocking greater investment

One clear area of progress has been the establishment of more regional development opportunities. The first ever Global Stocktake of climate action, which took place at COP28, highlighted that climate action is more effective when driven locally. In Scotland, regional development projects are marshalling resources to places like ports and brownfield sites, helping to drive reindustrialisation.

It's estimated that Scotland's two green freeports, approved last year, could attract up to £9bn of investment and create around 66,000 jobs¹⁴, while more than £5 billion has been committed so far to supporting economic development in Scotland through City Region and Growth Deals¹⁵.

This focus on place gives financial services companies a focal point for action and investment. Scottish banks are launching regional development teams, helping to direct finance towards industrial clusters and community energy projects, while local authorities are hiring investment specialists to help unlock investment for local and regional initiatives.

Another key opportunity sits in the massive development of renewable energy infrastructure in Scotland. Private sector consortia in the large ScotWind project planned in the North Sea are in the process of establishing project offices in Edinburgh and Glasgow, creating opportunities for financing, legal and other advisory expertise to support a growing pipeline of investable projects through to project completion.

Maximising the benefits of both regional and national initiatives requires a clear investment strategy to attract global capital. The Scottish Government's investor panel¹⁶, consisting of senior investment specialists from across financial services and business, shared its recommendations last year. It highlighted the importance of scale, supply chain and stakeholder engagement in helping Scotland develop a more comprehensive pipeline of largescale, commercially viable projects. Its recommendations include closer policy engagement with investors, the development of a plan of fully costed infrastructure priorities, and a focused and streamlined approach to building and managing relationships with investors across the Scottish Government, its agencies, and the public sector.

Developing our skills and expertise

With five of the UK's leading universities and a strong global reputation in education, Scotland produces thousands of graduates every year in areas that are relevant to the sector's needs today and in future. Apprenticeships and direct school leaver programmes are also increasing access a wider talent pool and creating a more inclusive sector.

But as our PwC case study outlines, there is a danger that Scotland becomes a victim of its own success, with the number of graduates with relevant degrees being outstripped by additional demand for green and sustainable finance roles.

Attracting diverse talent is key to ensuring firms are equipped with the skills they need to fill skills gaps, but workforces also require largescale upskilling and reskilling to ensure they are prepared for new and existing roles. Greater signposting and staff training at every level within organisations is needed to ensure people have proper guidance and are able to take advantage of opportunities. At a broader level, this will also ensure the sector continues to develop its credentials across a range of ESG disciplines and specialisms.

- **Over 20,000 staff being trained on green and sustainable finance at Scottish banks¹⁷**
- **MSc degrees in green and sustainable finance launched at University of Edinburgh and University of Strathclyde**
- **Green Finance, Green Futures initiative between the University of Glasgow, Bank of England and Skills Development Scotland for secondary school students**

Case study 2: PwC Green Jobs Barometer

As we pivot towards a more sustainable society, much has been discussed about the need to 'skill' roles for what is one of the biggest changes to our working world. To achieve a transition - particularly a just transition - we will need collaboration, change and consent across all sectors and the majority of roles. Reassuringly, there has been steady growth in our education system's focus on skills gaps and developing new content and standardised curricula.

However, PwC's most recent Green Jobs Barometer series highlighted Scotland as having the highest concentration of green financial services job opportunities in 2023, with 5.6% of job openings - equivalent to 2,200 roles - classed as 'green'. Across the UK there were almost 16,700 green jobs vacancies in the financial services sector - but existing graduates with sustainability skills would only be able to fill 900 of these vacancies.

That means a major focus for firms must be on the development of their workforce - a challenge many businesses are all too familiar with. In an already complex financial services landscape, where employees are balancing upskilling in technology, cryptocurrencies, regulatory change and shifting demographics, how do you support them to upskill in sustainability?

Making training available is critical, but the 'secret sauce' of upskilling is culture. Painting a vision of the future that inspires hope and positions it in the context of your organisation. For individuals and their roles, it will champion the importance of a transferable skillset that will have longevity and set them up for a changing world.

It is that clarity and opportunity which will engage the workforce to supercharge action and help us all move at the pace and scale required. To achieve net zero the question needs to change from 'what is a green job', to - 'what isn't'?

Unlocking the power of data and AI

Data-driven innovation and the rise of new technologies are central to enhancing the scale, impact and transparency of green and sustainable finance. This presents a multifaceted opportunity for Scotland to leverage its strategic assets across financial services, academia and other relevant areas of technological innovation.

Our universities – and their strong partnerships and connections with the financial services sector – are particularly well equipped to support our sustainability objectives through research, thought-leadership and intellectual capital. And while we shouldn't be complacent about developing our capabilities further, it's important to recognise our strategic strengths with Scotland already being home to 15% of the UK's research infrastructure, including one of the most powerful supercomputers in the world.

Unlocking the power of financial data is not without its challenges though. Financial services firms in Scotland and around the world are facing a number of emerging barriers brought about by the accelerated degree of digitisation, the abundance of new data types and sources, and the significant demands for climate data. Developing and maintaining high-quality data flows and structures requires resources, investment, and in-depth collaboration across the ecosystem. It also requires a huge amount of expertise which means an increased demand for high-quality human capital and ongoing upskilling.

The sector is working to ensure that data and technology can be fully harnessed at scale. Large financial institutions struggle with well-embedded, complex, legacy infrastructure and face significant operational challenges in fully adopting and integrating new technologies. Scotland's growing advisory and management consultancy sectors are key to driving this change, while initiatives like Smart Data Foundry are supporting the industry's ambition to promote data for good and shifting the way we think strategically about maximising the value of data.

- Over 150 companies in Scotland's data science cluster creating data-based products and solutions¹⁸
- 82,000 people in Scotland's digital tech workforce
- High investment is helping Scotland become a global leader in AI

Case study 3: Smart Data Foundry

Data plays a crucial role in advancing green finance, promoting sustainable investment practices, and encouraging environmental responsibility. The collaboration between Smart Data Foundry and The University of Edinburgh serves as a great example of this. Our partnership leverages private sector data to provide valuable insights, empowering stakeholders to make informed decisions and contribute to a more sustainable economy.

We are committed to creating innovative data solutions for green finance by collaborating with top academics and utilising public sector data. In the future, we will develop a data package to model ESG synthetic data to be used to drive innovation.

Smart Data Foundry is calling on financial institutions, technology companies, and policymakers to join us in this important cause. By pooling our expertise and leveraging data-driven insights, we can accelerate the transition to a more sustainable future, with profound implications for both finance and the environment.



Driving progress through partnerships

Scotland's financial services sector has a strong record of collaboration, fostered by a proactive community of specialists across each major sub-sector. This is helping us to identify gaps in the ecosystem and enabling innovation and development of new products and services.

Key examples of collaboration are taking place between large financial institutions, universities, fintechs, as well as across different sectors. Accelerated fintech partnerships and fintech adoption through innovation labs are aimed at creating outcomes helping customers towards carbon efficiency. Climate finance is being enabled through cross-sector collaboration with Space Scotland, accelerating sustainable innovations using data from satellite sources. This collaborative approach is having a clear impact on investment, with a 100 per cent increase in Scottish climate finance fintech's in 2022¹⁹.

Case study 4: Scottish Building Society & Snugg

In 2023, Scottish Building Society partnered with Snugg to help homeowners improve the energy efficiency of their homes. This partnership sees the world's oldest remaining building society working with Snugg, one of Scotland's newest innovators – showcasing collaboration is key to meeting the UK's net zero goals.

Paul Denton, CEO of Scottish Building Society, stated, "Everyone has a role in tackling climate change, and that means we do too. Driving change at a local level has an important part to play in helping us to meet the UK's net zero goals, and partnering with Snugg is one way to do that."

Snugg's user-friendly online platform provides customers with personalised step-by-step plans to make their homes more energy efficient. Its plans leverage data-driven insights to tailor recommendations, enabling customers to check eligibility of energy efficiency grants and connect with trusted installers. The collaboration supports Scottish Building Society's sustainability goals while also empowering customers to make informed decisions about making their homes more energy efficient, potentially reducing carbon emissions and lowering energy costs. Additionally, the partnership provides Scottish Building Society with opportunities to offer additional lending to members who require financial support to implement energy-saving measures at home.

Working closely together, the platform was able to seamlessly integrate into Scottish Building Society's customer journey without the need to invest time of their in-house technical teams. The partnership is already showing impressive results with several initiatives planned to increase member uptake. Beyond the platform, Snugg has also supported Scottish Building Society's broader business engagement efforts, participating in events with mortgage brokers and internal discussions about financial wellbeing.



Dam on the Lochan na Lairige water reservoir. Killin, Perthshire, Scotland.

Supporting our SME community

Financial services also have an important role to play in ensuring relevant skills are developed across other sectors in the economy. This is particularly important for SMEs which need to be cost effective but often lack the ESG expertise necessary to support their decarbonisation.

Scotland's banking sector has spearheaded a range of initiatives to help SMEs understand their carbon footprint and inspire them to take action to use resources wisely, save cost and reduce their carbon footprint.

Training programmes and new technologies are being rolled out to help SMEs to calculate their initial carbon footprint for their own business and their supply chain, helping them focus on reducing the emissions that they have the most control over. SMEs are also supported to disclose their emissions in line with industry standards, in a clear and practical way.

Businesses which are supported by their financial services providers are more likely to act on a wide range of energy saving initiatives, from switching off machinery not in use, purchasing of solar panels, encouraging action travel to switching to electric vehicles. Financial products created in Scotland can then be used to support greater investment in cleaner, more productive solutions and innovations.

The focus for many SMEs continues to be cost and supply chain challenges above net zero considerations. According to the British Business Bank, 76% of SME's in the UK are yet to implement a decarbonisation strategy, while 53% are not ready to prioritise decarbonisation. A key opportunity for Scotland's financial sector lies in supporting these businesses by raising awareness and continuing to make decarbonisation simpler, more manageable and cost effective. Read about Royal Bank of Scotland's partnership with the Edinburgh Climate Change Institute to see how this is being achieved in practice.

Case study 5: Royal Bank of Scotland & Edinburgh Climate Change Institute

Designed to support SMEs in reducing costs, whilst lowering carbon emissions, Royal Bank have partnered with the Edinburgh Climate Change Institute and the University of Edinburgh to bring Scottish businesses a unique programme, free of charge.

- Practical workshops and unique learning resources to support small businesses in making their vital contribution to Scotland's national target for net zero emissions by 2045, helping them to be ready to succeed in the future net zero economy.
- Delivered through three, two-hour online workshops, the programme will give SMEs the knowledge, tools, and confidence to take meaningful action on their net zero journey.
- Learn from experts in the net zero economy, share experiences and learn from each other. Leaving the programme with a carbon footprint and reduction plan, filled with practical steps on how to cut costs and carbon.
- And equipping them with the ability to communicate their climate strategy with others to support the tender process, meet regulation and have a positive impact on customers.
- This programme is available to any Scotland based business with a turnover of up to £25m.



Dam on the Lochan na Lairige water reservoir, Killin, Perthshire, Scotland.

Charting a way forward

In this section we'll discuss the key takeaways from our Journey to Net Zero Summit with Shepherd and Wedderburn and consider how they might be delivered by the industry. Rather than being prescriptive, these broad calls to action are designed to offer a general sense of direction to stakeholders and provide the industry with some food for thought.

Communicating with clarity

Achieving a just transition means taking people with us on the journey. The public want to see a greener financial system, but that puts an onus on us to demonstrate how we are making the system greener and how they can make more sustainable financial decisions.

How we communicate the impact of green and sustainable finance services and products is critical. We're therefore calling on the sector to simplify the language around sustainability and explore how we can better inform our customers and clients about green and sustainable finance: how it works, what the impact is, and how we can be used as a tool for social good.

This also means reflecting on the established measurement mechanisms, to better understand if they are fully encompassing the complexity of how financial decisions made by clients impact sustainability factors. Consumer Duty has a key role to play in terms of standard setting, and the industry has a shared interest in ensuring firms is fully supported to deliver its objectives.

New partnerships for the future

Partnerships have been an effective tool to support innovation across the green finance landscape in Scotland, supporting clear results driven activity, and we must continue to foster an environment which allows innovators to identify gaps in the market and find solutions. It's not just a matter of partnering to accelerate the transition, but rather a fundamental need to collaborate to understand current weaknesses in the ecosystem and build solutions that maximise impact while eliminating blind spots. Our ask is for trade bodies, government, universities and the wider industry to continue nurturing our ecosystem through increased cross-sector engagement, support for innovators, and capital for the most promising climate fintechs.

Making data deliver

Do we have the knowledge we need to make informed decisions? And what data are we using to assess our progress? These were some of the big questions that came out of our summit, with attendees expressing a sense of urgency in ensuring they are addressed.

Our ask for the industry is for a renewed focus on how we share, compare, and align our data to ensure that as an ecosystem we have a good baseline understanding on our progress against net zero targets. In doing so, we also need to set out a shared understanding of our collective limitations.

Celebrating our successes

As competition from other global financial centres increases, promoting Scotland's green finance capabilities has never been more important. This requires us to speak with one clear narrative about our strengths and the different factors that make us unique. We must also use the opportunity to target the right audiences to drive thought leadership and amplify our story, highlighting Scotland's history as a financial centre, our social purpose and our depth of experience and expertise.

We must also get better at understanding of how Scotland is perceived externally. What are industry practitioners around the world saying about us? What can they learn from us, and what can we learn from them?

Reflecting internally and externally on skills and capability

Greater focus on reskilling within organisations will help to build our capability and ensure a good baseline understanding of the threats and opportunities stemming from sustainability risks. Our calls to action for the sector are to increase its engagement with the education and research community for more support on upskilling and reskilling, and to engage with young professionals in your firms, offering our support to enable the new generation to develop the skills and knowledge they will need.

We also want to see government pursue a new approach to skills policy in Scotland which better aligns every level of the education system with the needs of employers and the wider economy.

Conclusion

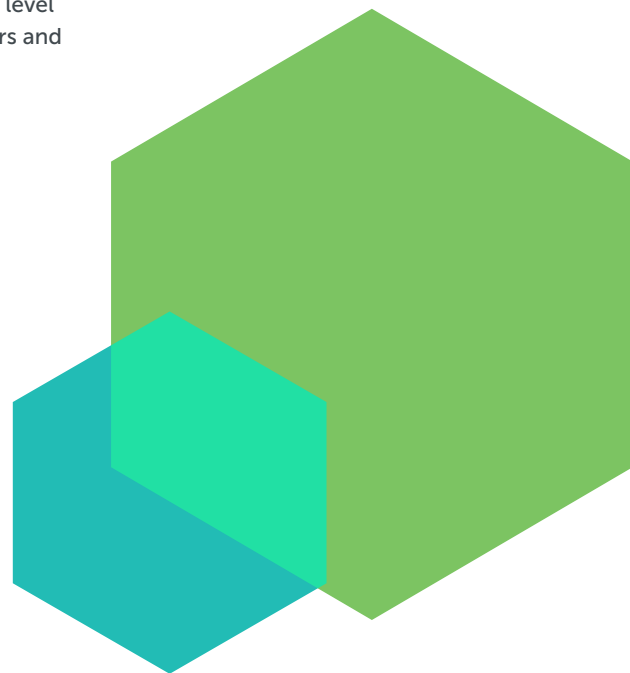
Countries that are leading the journey to net zero will naturally attract investment, jobs and create long term sustainable economic growth to better fund their public services — and it follows that their financial centres will benefit too if properly aligned.

Scotland is fortunate to have a complete ecosystem of the expertise and services required to support this ambition. We're also in a position where emerging technologies and the wider use of data and AI, allow us to improve how we monitor and assess environmental and social impacts in order to achieve a truly just transition.

Leveraging this opportunity effectively is not without its challenges. But leadership means tackling these challenges head on and we have no doubt that Scotland's world-class financial services ecosystem is up to the task.

Resources

- [1] TCUK green finance report: quantitative assessment of market trends.pdf
- [2] Z-Yen Global Green Finance Index
- [3] Glasgow Financial Alliance for Net Zero
- [4] GEFI: Path to COP26
- [5] GEFI: Path to COP28
- [6] GEFI: COP 28 Impact Report
- [7] UK Government response to the Climate Change Committee's (CCC) 2023 Annual Progress Report
- [8] Scotland's 2030 climate goals are no longer credible
- [9] SFE: From Scotland to the World
- [10] Scottish National Investment Bank 2023 Transition Finance report
- [11] Green Finance Institute: Nature Investment in Scotland
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- [13] GEFI: Mapping the sustainable investment landscape in Scotland
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