Policy Liaison Group
Sustainable Growth

Wednesday 24 June 2026

# LCAW: Energy Security and the UK's Sustainable Growth Agenda

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## Introduction

As part of London Climate Action Week, the Policy Liaison Group on Sustainable Growth convened policymakers, investors, businesses and sustainability experts to examine how an increasingly uncertain geopolitical environment is reshaping the UK's approach to energy security. The event also marked the first discussion under the Group's new identity following its transition from the Policy Liaison Group on ESG, reflecting the Group's growing focus on the relationship between sustainability, resilience, investment and long-term economic growth.

The discussion took place against a backdrop of renewed volatility in global energy markets and growing recognition that the UK's energy transition has entered a new phase. While considerable progress has been made in deploying renewable generation, participants argued that future success will increasingly depend on creating the market conditions, infrastructure and consumer participation necessary to convert clean electricity into long-term resilience and economic competitiveness.

# Key takeaways

**The transition must move beyond electricity generation towards creating functioning energy markets**

- While successive governments have successfully stimulated investment in renewable generation, policy attention must now shift towards creating the market architecture required to maximise the value of clean electricity across the wider economy.
- Significant capital is already flowing into renewable energy generation, demonstrating that existing policy mechanisms have been effective in attracting investment. However, comparable progress has not yet been achieved across electricity networks, storage, industrial electrification and demand-side flexibility, creating bottlenecks that risk constraining future growth.
- Policy should increasingly focus on stimulating and facilitating demand for low-carbon solutions alongside supporting supply. This includes creating stronger procurement frameworks and market incentives. Investors will then be more confident that emerging low-carbon industries will have sustainable long-term markets.
- Constraints on investment in decarbonising hard-to-abate sectors such as steel, cement and chemicals are a key concern. Technological readiness, for example, an electric arc furnace, is much less of an issue than uncertainty surrounding future demand and net zero policy requirements.

**Energy security has become inseparable from national resilience**

- Rather than viewing decarbonisation solely as an environmental objective, reducing dependence on imported fossil fuels should increasingly be understood as a strategic national resilience priority.
- Recent volatility in international energy markets has exposed structural vulnerabilities associated with reliance on imported gas, concentrated infrastructure and globally traded fossil fuels.
- Distributed renewable generation and greater domestic energy production can improve resilience by reducing exposure to external supply shocks while strengthening critical national infrastructure.
- A decentralised energy system where households, businesses and communities actively contribute through distributed generation, battery storage and flexible demand could prove significantly more resilient than traditional centralised models.
- "A 21st-century defence strategy needs to treat energy as absolutely foundational" – future resilience depends not only upon generating clean electricity but also on redesigning the wider energy system.
- Energy security vs energy sovereignty: While increasing domestic capability remains important, long-term resilience will continue to depend upon international cooperation, interconnected electricity markets and coordinated infrastructure planning.

**Consumers are central but ignored – "They don't seem to think about the customer"**

- UK policies have historically prioritised electricity generation and network deployment while paying comparatively little attention to how households and businesses interact with the energy system.

- Consumers should increasingly be viewed as active participants and households should be viewed as distributed energy assets rather than remaining passive bill-payers.
- Greater consumer participation was seen as delivering multiple benefits simultaneously, strengthening grid resilience, improving public acceptance of the transition, creating new commercial opportunities and reducing overall system costs.

**Stable policy frameworks are essential for investment – "There is no shortage of capital"**

- Long-term investment depends upon credible regulatory frameworks, stable revenue models and clear demand signals.
- Institutional investors, including pension funds, are increasingly seeking opportunities to invest across the transition. However, unlocking greater volumes of private capital will require policy certainty that extends beyond individual parliamentary terms.
- While significant progress has been made in bringing forward renewable generation through mechanisms such as Contracts for Difference, similar market mechanisms are now required to accelerate industrial decarbonisation, electrification and emerging clean technologies.
- Procurement standards, product standards and strategic public investment have an important role to play in reducing investment risk and enabling new markets to develop. Without clear long-term demand, businesses may remain reluctant to commit capital despite improvements in technology and financing.

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# Issues raised

### Creating demand alongside supply

In hard-to-abate sectors such as steel, cement and chemicals, businesses may be willing to invest in low-carbon production but remain uncertain that viable markets will exist. Public procurement, product standards and coordinated policy frameworks can help create demand for low-carbon products and technologies, giving investors greater confidence in emerging industries.

### Aligning infrastructure investment with future energy demand

Infrastructure investment should become more anticipatory, enabling electricity networks, storage capacity and the grid to accommodate future demand rather than responding only after constraints emerge. A more strategic approach to planning transmission, distribution and storage is essential for reducing system costs, improving resilience and maintaining investor confidence.

### Simplifying the consumer journey

Installing low-carbon technologies often requires households to navigate multiple advisers, installers, funding mechanisms and digital platforms, creating unnecessary barriers to participation. As one speaker commented, "I don't know how my iPad works, all I know is that it works very well". Consumers should not be expected to become energy experts to make sustainable choices. Instead, greater coordination between government, installers and industry is required to deliver simpler products, trusted advice and integrated consumer propositions.

## Recommendations

- Develop demand-side market frameworks, procurement and standards to create markets for low-carbon products.
- Accelerate investment in grids, networks and storage to ensure the energy system keeps pace with electrification.
- Provide long-term policy certainty to unlock institutional capital and reduce investment risk.
- Enable households and businesses to support system flexibility through distributed generation, battery storage and smart energy technologies.
- Simplify access to retrofit advice, services and finance to reduce barriers to adopting low-carbon technologies.
- Embed energy security within economic and industrial strategy to strengthen resilience, competitiveness and growth.
- Strengthen public engagement through clear communication and consumer-focused policies that build confidence in the transition.

We would like to thank the members of our Advisory Board for their contributions and continuing support.

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