

MAYOR OF LONDON

Léonie Cooper AM

Chair of the London Assembly Environment
Committee
C/o Saleha.Fazal@london.gov.uk

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Date: 7 January 2026

Dear Léonie,

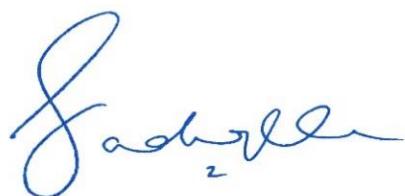
Thank you for sending me the Environment Committee's recommendations on financing London's climate response. I welcome the Committee's continued engagement and scrutiny on this topic, and I am grateful to your members for their hard work.

Since 2018, my green finance programme has made £1.1bn available to upgrade London's ageing infrastructure in line with my climate objectives. I know that many public organisations struggle to borrow, so the cost of finance is important. This is why my £500m Green Finance Fund, which recently had its most successful round of Expressions of Interest, specifically provides low-cost loans on flexible terms to local authorities, among others, for projects that deliver energy efficiency, clean transportation, and renewable energy.

We know that the level of investment required to reach climate targets clearly cannot be met by the public sector alone. The majority of funding and finance needed to achieve net zero will not be channelled through the Greater London Authority (GLA). We will need public, private and philanthropic pools of funding and finance to meet the challenge, which is one of the key drivers behind setting up my new Climate Finance Taskforce.

My response to your recommendations is set out in the annex to this letter.

Yours sincerely,



Sir Sadiq Khan

Mayor of London

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Annex

Mayor of London's response to the recommendations of the London Assembly Environment Committee's letter on Financing London's climate response

Recommendation 1

The GLA should publish details online about the Climate Finance Taskforce's membership and meetings as soon as these are confirmed. It should update the Committee on progress made in December 2025 and March 2026.

The Mayor's Climate Finance Taskforce (the Taskforce) has now been convened and is chaired by Dr Rhian-Mari Thomas, CEO of the Green Finance Institute. The Taskforce will be time-bound, aiming to deliver recommendations in March 2026. We will consider these recommendations as a vital input to inform the Mayor's approach to green finance going forward. The Taskforce held its first meeting on 24 November at the Guildhall in the City of London, agreeing on objectives and a high-level workplan for the coming months. The GLA has now published the list of Taskforce members on the GLA website, along with a summary of the terms of reference. We will be happy to provide further updates to the Committee on the Taskforce's work.

Recommendation 2

The GLA, with input from the Climate Finance Taskforce, should publish a lessons learned summary from existing and former GLA green finance funds, with recommendations for how to expand private finance in future.

We agree that understanding what has worked well, and where barriers remain, is essential to mobilising the scale of private capital required for London's net zero transition.

While there are no plans to publish a standalone lessons-learnt document at this stage, the work of the newly established Taskforce will build on lessons-learnt from previous and current GLA climate finance instruments, including the Green Finance Fund. This review will help identify practical insights and opportunities to increase private sector investment into net zero projects across the capital. It will also take into account direct feedback we receive from ongoing engagement with borough officers on how our green finance instruments are working for them.

The findings will inform the Taskforce's recommendations and shape future GLA green finance activity, supporting our wider efforts to ensure London continues to lead in innovative and effective climate finance.

Recommendation 3

The GLA, with advice from the Climate Finance Taskforce, should explore challenges around mobilising joint private / public financing and work with government to unlock barriers.

The Taskforce has been convened to provide actionable recommendations for new climate finance mechanisms that can drive investment into London's net zero priorities. The use of limited public finance is likely to be key to unlocking larger flows of private capital, and we will be open to feedback on this point from Taskforce members.

The GLA works closely with the National Wealth Fund (NWF), in particular around the Mayor's Green Finance Fund. The NWF is also part of the Taskforce, and we look forward to receiving its input on how public sector funding and finance can be utilised most effectively in leveraging

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private investment. We will also continue to engage with wider Government departments, specifically on this question.

Recommendation 4

The GLA should explore the opportunity to further aggregate interventions across multiple sites to make small-scale financing opportunities more attractive to private investors.

Our work with London Councils and boroughs to collate a Green Growth Pipeline shows that the size and investment needs of decarbonisation projects vary significantly. Most carbon reduction measures (in terms of number and total cost required to achieve net zero) must be implemented at a building level, such as fabric energy efficiency improvements, heat pumps and rooftop solar – making them by definition small-scale.

Such measures are difficult to aggregate between organisations to a level of interest to private investors (e.g., £100ms) given the need for a single entity to be responsible for financial arrangements. The Mayor's Green Finance Fund tackles this challenge of aggregation between organisations as investors invest in the GLA, which in turn invests in several projects. Aggregating projects within the ownership or management of individual organisations is more feasible but crucially requires most projects to be developed to a level of maturity that allows accurate estimates of financial risks and opportunities for investors.

Technical assistance is one of the most significant non-capital cost drivers in developing climate finance vehicles. It underpins project origination, preparation, structuring and aggregation, the key stages that turn ideas into investable opportunities. The Mayor's Zero Carbon Accelerator is specifically working with boroughs and other public sector organisations to develop a pipeline of projects that are ready for investment. We have also established the London Edge Fund that provides a financed end-to-end service (including technical assistance for project development) to clients to deliver carbon reduction projects that are off balance sheet to support those organisations that are unable to borrow money to fund climate action. London's organisations need access to such support at a greater scale, and so provision of technical assistance will form an important part of the discussion of the Climate Finance Taskforce.

Recommendation 5

The Climate Finance Taskforce should develop recommendations for the GLA on potential models for mobilising finance for climate resilience.

The Mayor recognises the importance of strengthening London's ability to attract investment to support both mitigation and adaptation to climate impacts.

The primary focus of the Taskforce is on mitigation projects, where revenue streams and investment models are typically more established and therefore more likely to attract private sector interest. However, the Taskforce will also consider the relevance of its work to adaptation and resilience. In developing any proposals for new finance mechanisms or tools, we will explore how these approaches could be applied or adapted to support climate resilience initiatives across the capital.

Alongside this, the GLA is progressing dedicated adaptation finance work through the Pathways2Resilience programme, for which London has received external funding to develop an investment pathway to address heat risk. This work is currently our main avenue for exploring practical models to finance adaptation. We will assess the outcomes of the project and consider whether similar approaches could be replicated for other climate risks and adaptation sectors.

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This integrated approach will help ensure that future GLA climate finance activity can respond to the full range of investment needs associated with London's transition to a net zero and climate-resilient future.