

MAYOR OF LONDON

Neil Garratt AM

Chairman of the London Assembly Budget and
Performance Committee
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Our ref: MGLA270525-6741

Date: 21 August 2025

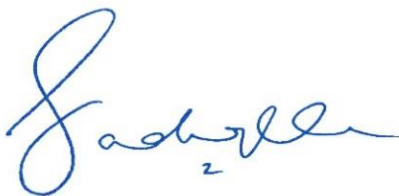
Dear Neil,

Thank you for sending me the Budget and Performance Committee's recommendations to improve the London Climate Budget. I welcome the Committee's continued engagement and scrutiny, and I am grateful to your members for their hard work.

The Climate Budget is a vital tool in supporting London's progress towards net zero. Achieving my ambition of a net zero London by 2030 will not only help protect us from the worst impacts of climate change but also help lower energy bills, create new high-quality green jobs and grow our economy. But I do not have the powers or funding to deliver this alone. Getting to net zero will require action across all levels of government, as well as from businesses and Londoners themselves.

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

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small '2' written below the name.

Sir Sadiq Khan
Mayor of London

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Annex

Mayor of London's response to the recommendations of the London Assembly Budget and Performance Committee's review of the Climate Budget

Recommendation 1

The Mayor should include details on the impact of the London Climate Budget as part of the GLA's budget to enhance transparency and accountability. These details should include measurable outcomes from the specific Climate Budget initiatives, including evidence of emissions reductions.

It is vital that we understand the impact of the initiatives in which we are investing. The Mayor's consolidated budget for 2025-26 included estimates of emissions reductions from measures in section 2.25. The climate budget published as Appendix I sets out which projects in the consolidated budget contribute to the reduction in greenhouse gas (GHG) emissions, covering the GLA Group estate and fleet and London-wide emission reduction. The climate budget aims to make this data available, examples of which are included below. Officers are currently reviewing how the data can be presented better and increase the transparency and accountability of the climate budget, as set out under recommendation 2.

In Appendix I, Climate Budget measures for emission reduction are set out as projected GHG emissions (Funded Level 1_Table A 25-26, Column L) and as product lifecycle emissions reduction (Funded Level 1_Table A 25-26, Column J). These are reported in tCO₂e to ensure that the data is consistent and comparable between projects and years of reporting. In Tables C and D, each project also receives a confidence rating of high, medium, or low, indicating what level of confidence officers have in the data and modelling underpinning those figures.

The sustainability measures in the current 2025-26 Climate Budget are expected to reduce the GLA Group's emissions to 267,204 tCO₂e by 2030-31 if all the proposed measures are agreed upon. The GLA Group has experienced a drop in greenhouse gas (GHG) emissions from 913,585 tCO₂e in 2021-22 to 847,649 tCO₂e in 2024-25.

Another benefit of climate budgeting has been to focus attention on securing funding for unfunded projects in Table B, thus supporting them to move to Table A. To date, eleven projects, valued at £400 million, have moved. Some notable projects include:

Organisation	Project	Annual emissions per year (tCO ₂ e)
LLDC	London Stadium Solar Membrane Roof	199
MOPAC	Heat decarbonisation and energy efficiencies measures covered by PSDS grant funding for 11 police stations (initially 13 stations)	611
TfL	TfL Road Network street lighting - replace street lighting assets with LED bulbs	402

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Recommendation 2

The GLA should improve the clarity and accessibility of the Climate Budget tables for 2026-27 by providing a public-facing summary that explains funding decisions in plain language, including why certain measures are prioritised while others remain unfunded.

The consolidated Mayor's Budget currently includes a two-page summary of the Climate Budget, but we recognise that we could do more to communicate the data-rich document. The document should be accessible to all Londoners.

To improve clarity and communication of data, officers are currently developing and reviewing options for formatting in the budget tables as well as improving the supporting documents. Several options are currently being considered. The changes will need to deliver a stronger link between the consolidated budget and the climate budget, improved explanations of the methodology behind the climate budget, and an improved approach to showcasing the key statistics and changes. This work is underway and will be fully implemented by the final 2026-27 consolidated budget publication.

In addition to the raw data reported, each Functional Body issues a narrative setting out the key changes in the climate budget and assurances for how net zero has been factored into the budget cycle, aiming to increase the transparency of decision-making across the Group.

It should be noted that the Climate Budget can help the GLA Group to prioritise their projects, but it is not the mechanism for decision-making on which projects should be progressed and the order of funding.

Recommendation 3

The next Climate Budget and Green Finance Fund reports should include clear, accessible evidence demonstrating the real-world benefits of these investments.

For climate budgeting, please refer to the answers to recommendations 1 and 2.

The Green Finance Fund (GFF) first Allocation and Impact report sets out the investment decisions made by the GFF Credit Committee during 2023-24. The report also included detailed analysis of the environmental impacts and some wider social benefits (in section 6) that are expected from the investments. This report states:

"The aggregated forecast reduction in GHG emissions for the eight projects is 27,804 tCO₂e per annum, which is equivalent to taking 19,297 cars off the road.

The eight approved projects are expected to make energy savings of up to 31,951 MWh per annum, which is equivalent to the energy needed to heat 2,779 homes for a year. Also, the projects are expected to generate up to 3,547 MWh per annum of renewable energy from solar PV panels. This is equivalent to the energy needed to power 1,313 homes for a year."

Section 5.4 of the report included a few case studies outlining some of the tangible benefits that derive from the investments made by the Fund. For instance, investment to facilitate the installation of solar PV membrane on the London Stadium enables the generation of approximately 1,077 MWh of on-site renewable energy every year (about 10 per cent of the stadium's current electricity usage) and estimated GHG savings of around 270 tCO₂e per annum. The report also

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highlighted the support provided to the London Borough of Barnet that will finance the decarbonisation of schools, a children's home and a community building.

The 2024-25 Allocation and Impact report is due to be published in September and will provide similar information. Officers are already exploring how to improve the presentation and content of the report.

Recommendation 4

The Mayor should assess the implications of aviation expansion on London's climate goals and consider whether and how these emissions should be incorporated into the city's climate budget reporting

The impact of airport expansion on London's ability to meet its climate goals is an issue the Mayor has been very concerned and vocal about.

Landing and take-off emissions are included in London's GHG inventory (LEGGI) and in the GLA's future projections of emissions modelled for the Climate Budget. If there were specific actions within the Mayor's powers that he could take to reduce these emissions, these would be included in Table C or D of the Climate Budget. However, the decision around airport expansion lies with the Government, as with the many other policy decisions beyond the Mayor of London's remit.

In relation to the point made regarding the extent of aviation emissions included in London's emissions inventory and in future projections, London follows the approach recommended in the GHG Protocol for Cities: to include in the city-wide emissions inventory take-off and landing emissions up to 1,000m. National and international aviation emissions are to be accounted for in national inventories. The 2019 City Hall analysis for the Heathrow Airport Judicial Review quoted in your letter refers to this same scope of emissions.

Finally, as and when there is a firm date for an expanded Heathrow airport to be in operation and details on the numbers of flights, this impact will be incorporated into the projections of London's future emissions.

Recommendation 5

The 2026-27 budget should outline how the £20 billion annual investment target will be achieved, including clear steps to leverage private investment and ensure sustained public support. Additionally, in response to this letter the Mayor should provide an update on the extent to which the £173 billion of investment required by 2030 has been secured.

The £20 billion "annual investment" referred to is not a figure we recognise. It has not been explained how the Committee arrived at these figures, but it is assumed that they have been derived from the Zero Carbon Pathways Tool¹, by adding up all the annual capital expenditure and operational expenditure in a single year.

For clarity, operational expenditures are the fuel costs for gas, electricity, petrol, diesel and hydrogen. Including operational expenditure when quoting "required investment" figures is inaccurate since expenditures replace existing fuel expenditure. Estimated operational expenditure is not *additional* required expenditure. Fuel costs will continue to exist whether the capital expenditure takes place or not.

¹ which accompanies the Accelerated Green Pathway and is published on the London Datastore.

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The original analysis undertaken for the London Environment Strategy showed that the net zero pathway fuel costs to 2050 would be lower than the “business as usual” fuel costs to 2050 due to energy efficiency improvements, meaning less fuel is required.²

The Accelerated Green Pathway Report refers to a requirement of £75 billion capital investment. This is still a significant sum, but the cost of inaction on climate change will far outweigh the cost of action now. Furthermore, the estimated cost of climate action has come down significantly since the Accelerated Green pathway was published. The Committee on Climate Change’s latest advice found that their proposed net zero pathway would cost 0.2 per cent of GDP. That is 73 per cent less than estimated in 2020.

Tracking the investments that go towards net zero across London would not be feasible beyond some high-level modelling, as investments will be made across public and private sectors. The climate budget sets out how investments are made in the GLA Group.

The previously estimated £75 billion required investment by 2030 is not a bill the GLA or Londoners can foot alone. Private investments, both to public and private sector recipients, will need to contribute a significant part of the total investments to the green transition. The GLA aims to facilitate and accelerate private investments to net zero, including through:

- The Mayor of London’s Energy Efficiency Fund: between 2018 and 2025, MEEF invested £148 million across 24 projects, £63 million of which was raised from private investors.
- The London EDGE Fund: The London EDGE Fund was formally launched in 2024. The £100 million fund was set up as a collaboration between the public and private sectors with a £50 million GLA investment and £50 million in private investment, with a view to grow the fund with additional private sector investors.
- At London Climate Action Week, we hosted a group of global investors and wider city Mayors to explore how to accelerate investment into climate action in London.

² Please refer to the original 2050 Zero Carbon Pathways Tool on the London Datastore and compare fuel costs for the patchwork and baseline pathways.