

# UK Green Taxonomy Shelved as Transition Plans Take Centre Stage

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On 15 July 2025, HM Treasury published its [response](#) confirming it will no longer pursue a UK green taxonomy – a classification system to define which economic activities could be considered environmentally sustainable (the “**UK Green Taxonomy**”).

Instead, the UK government is focusing on existing and emerging policies such as the UK Sustainability Reporting Standards (including the open [consultation](#) on the proposed UK version of the ISSB standards) (the “**UK SRS**”) and transition plans to support reducing greenhouse gas emissions.

This alert outlines the end of the UK Green Taxonomy and the growing policy and regulatory focus on transition plans.

## **UK Green Taxonomy discontinued**

Following a mixed response to the November 2024 consultation on the UK Green Taxonomy, in which 55% of respondents expressed neutral or negative views, HM Treasury concluded that a UK Green Taxonomy is not the most effective tool to support the transition to a low carbon economy. As a result, the UK government has now announced it will not be included in the UK’s sustainable finance framework.

Key concerns included:

- the resource-intensive nature of taxonomy development, as seen with the European Union’s experience;
- interoperability challenges with international frameworks, again as identified with regards to the European Union’s Taxonomy Regulation; and
- a preference for more flexible and impactful tools, such as transition plans and sustainability reporting standards.

After several years of exploration, the UK Green Taxonomy has now been formally discontinued.

## **Transition plans take priority**

Despite the final demise of the UK Green Taxonomy, the UK government is committed to advancing a range of sustainability-related measures. One such measure, is with regards to transition plans. On 25 June 2025, the Department for Energy Security and Net Zero launched a [consultation](#) on mandating UK-regulated financial institutions, including banks, asset managers, pension funds, and insurers, as well as FTSE 100 companies, to develop and disclose credible, decision-useful transition plans aligned with the 1.5°C goal of the Paris Agreement.

The consultation aims to explore how such plans can:

- support an orderly transition to net zero;
- enhance transparency for investors; and
- strengthen the UK's competitiveness in sustainable finance.

Key areas of focus include:

- the use of disclosure frameworks such as the Transition Plan Taskforce ("**TPT**") and the UK SRS;
- implementation options, including mandatory plan development and reporting, potentially on a three-year cycle;
- alignment with net zero by 2050, climate resilience, and nature-positive strategies; and
- consideration of legal risks and international interoperability.

This is certainly an uptick in expectations, and pro-climate stakeholders are likely to welcome the development, having previously criticized the Taskforce on Climate-related Financial Disclosures ("**TCFD**") recommendations. These recommendations, implemented by the Financial Conduct Authority (the "**FCA**"), required UK-regulated financial institutions and premium listed companies to disclose whether they had a transition plan, but did not mandate having one or adhering to any specific standards.

The consultation closes on 17 September 2025.

## **FCA's Role and Upcoming Developments**

The FCA is expected to launch a separate consultation later in 2025 to integrate transition plan disclosures into its Sustainability Disclosure Requirements (“**SDR**”), as well as their sustainable fund labelling regime, further supporting the implementation of transition plans across the financial sector.

## **Next Steps**

To prepare for this shift in regulatory focus, the following actions can be considered:

- review the government consultation and consider submitting feedback before the 17 September deadline;
- assess internal readiness to develop credible, decision-useful transition plans aligned with the TPT and UK SRS frameworks, if likely to be in scope or, alternatively, are likely to have requirements imposed through stakeholder relationships;
- monitor the outcome of the UK SRS consultation on the UK adoption of ISSB Standards, which will shape future sustainability reporting obligations; and
- track the FCA’s upcoming consultation on integrating transition plans into the SDR and fund labelling regime.

For further information, please reach out to [ukreg@proskauer.com](mailto:ukreg@proskauer.com).

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