



EXECUTIVE SUMMARY

## Emerging danger – a new net zero industry?

The UK Government's Net Zero Strategy could offer major opportunities to fraudsters, as demonstrated by the Government's own figures on stimulus fraud during the pandemic. These suggest that, for example, £5.2bn (or 8.7%) of the £60bn paid out under the furlough scheme was lost to fraud and error. In addition, 11% of the £47bn of Bounce Back loans paid by banks related to fraud, resulting in a £4.9bn cost to the taxpayer. The total losses from stimulus fraud are likely to be much higher.

*“FTI Consulting estimates that a new green fraud industry could cost the UK £3.5 billion per annum and up to £50 billion by 2050.”*

Perhaps these losses were unavoidable given the urgency of the situation, but the country can ill afford to shed funds on a comparable scale when implementing its Net Zero Strategy. The many opportunities for green fraud will range from duplicate and fraudulent grant applications and trader scams, to falsifying ESG credentials to gain funding. Judging by the Government's pandemic fraud figures and its projected net zero budgets, FTI Consulting believes green fraud across public and private sector spending could amount to £3.5bn per annum, and up to £50bn by 2050.

Clearly, such losses would be unacceptable. When it comes to fraud on government spending, taxpayers' money can be much better spent: just £1bn is enough to pay the salaries of 31,000 nurses and health visitors for a year or to cover the annual budget for one of the UK's biggest hospitals. And, of course, the funds can also be reinvested into the net zero programme or used to further strengthen the Government's defences against fraud and pay for more police.

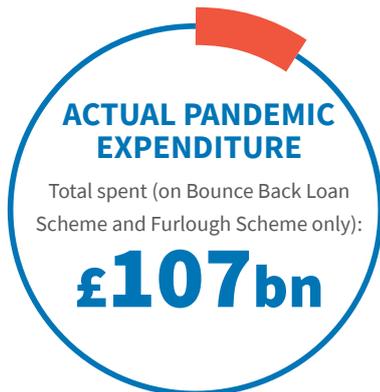
Fortunately, there is time to prevent green fraud from turning into the next big industry, but prompt preventative action from Government and other stakeholders is required, covering everything from risk analysis to the implementation of centralised data collection and oversight, AI-based threat monitoring, and whistleblowing channels.

To ensure that the necessary skills and expertise are available, this preventative action must be based on collaboration between public and private sectors. Models for this type of collaboration are already proven for combating money laundering and terrorist financing. However, given the nature of the green fraud challenge, an unusually wide range of stakeholders will need to participate this time, including Central and Local Government, law enforcement agencies, social media companies, banks and other payment companies, and counter-fraud professionals.

The UK Government's Net Zero Strategy implies massive investment from both the public and private sectors and brings with it significant potential for fraud. This report attempts to quantify that potential with reference to the recent experience of stimulus fraud, outlines some specific risks for both public and private sectors, and recommends some actions to prevent losses of public funds – actions that need to be taken jointly by public and private sectors.

Download the full report here: <https://ftiemia.to/greenfraud>

**£10.1bn (or 9.4%)**  
Total lost to fraud & error



**£3.5bn (or 5%)**  
Annual estimated lost to fraud



**£50bn (or 5%)**  
Total estimated lost to fraud by 2050



*The views expressed in this article are those of the author(s) and not necessarily the views of FTI Consulting, its management, its subsidiaries, its affiliates, or its other professionals.*

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