



BRIEFING: Green Investment Bank

Report Stage votes 16th / 17th October 2012

Please support key amendments to the Enterprise and Regulatory Reform Bill to ensure the GIB is a bank and green

The Government is introducing legislation to establish a Green Investment Bank in the Enterprise and Regulatory Reform Bill. The Report stage of the Bill will be debated in the Commons on 16th and 17th October 2012.

Kick-starting the economy is an urgent priority. Focusing the recovery effort on low carbon infrastructure investment can re-power the economy, increase energy security and help tackle climate change. It would also increase the long-term competitiveness of Britain's businesses in the global market, protect consumers from fossil fuel price shocks and stimulate sustainable development, especially in the regions.

But fulfilling this low carbon vision for Britain will require financial as well as technological innovation. It is estimated that well over £100 billion is needed to renew Britain's aging energy infrastructure over the next decade.

The Green Investment Bank can help tackle the significant investment barriers standing in the way of delivering this vital investment in our future. By directly reducing the risks to investors the cost of the energy transition will be significantly reduced for taxpayers and consumers.

We fully support the creation of the Bank but two important amendments are needed to make it a successful driver of large scale green investment and jobs.

1. Borrowing amendment

The ability of the Green Investment Bank (GIB) to borrow from the capital markets is critical to its success – otherwise it will just be a Government-run fund with limited impact. The Government's own estimate is that with the £3 billion in capital committed, the GIB can leverage an additional £15 billion into the low carbon and green economy. But if it is allowed to borrow commercially it could use its £3 billion capital base to borrow £18 billion. It could then use this to leverage £90 billion, a major step towards attracting the amount needed to de-carbonise the energy system.

Public banks in other European Countries, such as the KfW Bankengruppe in Germany and the Bank Nederlandse Gemeenten in the Netherlands are allowed to borrow independently from the capital markets and make a significant contribution to strategically important infrastructure projects.

But the UK Government has said that the GIB will not be allowed to borrow until 2015 and only once the UK's national debt is declining as a percentage of GDP. This is now not expected to happen for at least the next four to five years. In addition, the Government has not yet taken the necessary steps under European law (State Aid notification) for the Bank to be allowed to borrow.

The link between national debt levels and GIB borrowing powers was made when the Government had very different economic forecasts. It should now be discarded so that the GIB can fulfil its potential as an engine of growth. The Government has significantly changed its policies to support infrastructure investment and agreed to £50bn in guarantees, part of which will go on the government balance sheet. In this context it is perverse to continue to stifle the GIB and its ability to deliver the necessary green infrastructure at scale.

Please support the amendments that have been tabled for Report stage that require the Government to allow the GIB to borrow from the capital markets no later than June 2015, while leaving open the possibility of earlier borrowing if needed.

2. Climate change amendment

The Bill currently does not contain any mechanism to ensure the Green Investment Bank (GIB) will always pursue investment in line with Britain's carbon budgets and targets under the Climate Change Act.

Although the 'statutory purposes' of the Bank include the reduction of greenhouse gas emissions, the Bank could still fund high carbon projects that fall under one of the other green purposes described, such as 'advancement in the efficiency of the use of natural resources'.

It is critical that the GIB's overall investments support the delivery of the UK's carbon budgets. This will not prevent the GIB from investing in single projects that may increase carbon emissions but still have green value, such as flood defence. But it will ensure the total investments of the GIB as a whole support delivery of the UK's carbon targets. This is particularly important in case the GIB is privatised in the future.

Please support amendments that have been tabled for Report stage that place a legal duty on the Bank's board to ensure the overall investments of the GIB support the delivery of the UK's carbon budgets and that the board has regard to the advice of the Climate Change Committee.

For more information, please visit the website of the coalition for the Green Investment Bank www.transformuk.org or contact Ed Matthew, Director, Transform UK. tel: 07827 157906 ed.matthew@e3g.org