

Written evidence from Green Alliance on the UK Infrastructure Bank Bill

Introduction

I1 Green Alliance is an independent think tank and charity focused on ambitious leadership for the environment. Our work crosses climate, the natural environment and resource use. Since 1979, we have been working with the most influential leaders in business, NGOs, and politics to accelerate political action and create transformative policy for a green and prosperous UK.

I2 The UK Infrastructure Bank Bill is a vital piece of legislation to place the bank on a statutory footing. The bank has a dual mission to support net zero and levelling up. Under the current mandate there is a clear chance for the bank to deliver for the environment, while bringing economic opportunities and improving communities. However, while the UKIB Bill establishes a climate change objective for the bank, it does not specify a broader environmental objective to ensure the bank plays a role in supporting nature's recovery. Furthermore, there are no safeguards or steers to prevent the bank making investments which move the UK further away from the government's environmental targets.

I3 For further details, please see our [second reading briefing](#) on the bill.

Section 2 – objectives and activities

(3) The Bank's objectives are

- (a) to help tackle climate change, including by supporting efforts to meet the target for 2050 set out in section 1 of the Climate Change Act 2008, and*
- (b) to support regional and local economic growth.*

Include biodiversity loss and the 2030 species abundance target in UKIB's objectives.

UKIB is mandated to drive net zero and level up. Embedding nature in its central aims will support these objectives through carbon sequestration, while communities will benefit from the job creation of nature based investment.

The bill would be strengthened by an explicit reference to nature in the bank's objectives. This is essential to ensure that the bank plays a full role in delivering the requirements of the Environment Act 2021, including the forthcoming legally binding targets on species diversity and nature recovery.

Section 5 of the bill now defines infrastructure as follows:

(5) Infrastructure includes structures underpinning the circular economy, and nature-based solutions, technologies and facilities relating to—

- (a) water, electricity, gas, telecommunications, sewerage, or other services (including the provision of heat and, in relation to electricity, gas and the provision of heat, energy efficiency),*
- (b) 5 railways (including rolling stock), roads or other forms of transport, and*
- (c) climate change (including the removal of greenhouse gases from the atmosphere).*

Retain the inclusion of nature-based solutions in the definition of infrastructure.

Widening the definition of infrastructure to explicitly include natural capital projects, such as natural flood defences or establishing markets for ecosystem services, will help to attract nature-based investment.

The bank's strategy states that the UKIB 'does not currently see a pipeline of investable projects' in green infrastructure. However, the bank can play a crucial economic role in establishing this pipeline, with the investment readiness fund and [Big Nature Impact Fund](#) also driving progress in this area. With a greater risk tolerance and longer-term horizon than private actors, the bank can create and develop markets where the private sector might be a bit more reluctant.

Not all of the bank's work needs to come in the form of direct financing but the time and resources that the private sector is also unwilling to contribute. The bank should work with ecosystem service providers and financial institutions to prepare, stack, and bundle different services into viable financial products.

There is a readymade opportunity for the bank to work with Defra and create markets for their landscape recovery schemes. The Local Nature Recovery (LNR) scheme is one of three arms of the upcoming Environmental Land Management (ELM) scheme. It is essential that that LNR is ambitious enough to meet the UK's target of ending nature decline by 2030. One way to ensure the most is made from the scheme would be for UKIB to work with Defra to focus on the lower risk recovery schemes that have been identified as being able to provide the most bankable returns the bank can develop a market for these services to reduce the risk for private sector investment.

- Nature investments have been shown to have a [higher cost to benefit ratio](#) than traditional infrastructure, with £4.60 returned for every £1 invested in peatland, £2.80 returned in woodland. Agriculture and nature-based investments could generate financial returns of [£4 billion a year by 2050](#) which would meet the investment criteria currently stated by the bank.
- Nature-based solutions, such as restoring the UK's coastal environment could result in benefits worth [£50 billion by 2050](#), contributing to both mitigation and adaptation, along with creating over 100,000 new jobs.
- Projects to improve woodland, peatland, and parks alone could deliver [16,050 jobs](#) in the 20 per cent of UK constituencies with the worst labour market outcomes, such as Copeland, County Durham, Wolverhampton, and Ashfield which meets both UKIB's climate and levelling up mandate.

Earlier versions of the bill adopted a more limited approach to the definition of infrastructure which excluded nature-based solutions. This was contrary to the government's position set out in the explanatory notes to the bill published in [May](#) and updated in [July](#). Para 31 of the latest version of the explanatory notes clarifies that "The definition is inclusive in character and includes structures underpinning the circular economy, and nature-based solutions...". We strongly support this approach and encourage the government to retain the text that was inserted via Amendment 6A in the House of Lords, and which extends the definition of infrastructure to include nature-based solutions. This is necessary to ensure that the bill reflects the government's policy intention and provides legal certainty.

Include the circular economy. UKIB can also play a critical role in innovation in the circular economy (reuse, recycling, and remanufacturing,). The text Amendment 6A inserted into Clause 2(5) also extends the definition of infrastructure to include the circular economy. The strategy states that the bank is open to financing circular economy projects but does not expand on how this might be done. By including the circular economy explicitly on the face of the bill, the government will be making it clear that UKIB can play a critical role in derisking the circular economy (reuse, repair, recycling, and remanufacturing) and proving that revenue streams are viable.

Investing in the circular economy can create skilled jobs across the country. Circular economy infrastructure could support up to [450,000 jobs](#) in reuse, recycling, and remanufacturing.

Section 3 – strategic priorities and plans

- (1) The Treasury must prepare a statement of strategic priorities for the Bank.*
- (2) The Treasury must comply with subsection (1) within the period of six months beginning with the day on which this Act comes into force.*

Consider both the Climate Change Act 2008 and the Environment Act 2021 in the strategic priorities of the bank. The bank must ensure any investments made reflect the government’s climate and nature objectives, to ensure it is playing its full part in delivering these twin policy priorities.

Section 4 – directions

- (1) The Treasury may give a specific or general direction to the Bank about how it is to deliver its objectives.*
- (2) The Bank must comply with a direction.*
- (3) The Treasury must
 - (a) consult the Bank’s directors before giving a direction, and*
 - (b) publish a direction.**

Include a ‘do no harm’ principle. UKIB must not fund projects which impede the delivery of the government’s climate change or biodiversity targets. A ‘do no harm’ principle would prevent investment in high carbon projects which also damage the natural environment, such as airports, incinerators, and roads.

Investments in nature and the circular economy do not come at the expense of UKIB’s objective to support economic growth. They would make it easier to achieve.

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