# UK Infrastructure Bank Bill [HL]
# HL Bill 3 of 2022–23

Author: Chris Smith
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On 24 May 2022, the House of Lords is scheduled to debate the second reading of the UK Infrastructure Bank Bill [HL].

The aim of the bill is to place the UK Infrastructure Bank, currently operating on an interim basis, on a statutory footing. The bank's purpose is to invest in infrastructure projects using both public sector funds and private sector funds that it will seek to attract. It has two strategic objectives: to use its investments to help tackle climate change; and to support regional and local economic growth.

The bill's provisions would:

- define the objectives and activities of the bank
- set out how the government can alter the bank's strategy or intervene to give it directions
- describe some aspects of the financial relationship between the bank and the government
- specify certain administrative arrangements for the bank
- require reviews of the bank's operations at specified intervals

In 2018, the National Infrastructure Commission (NIC) recommended establishing a UK national infrastructure bank to replace the functions of the European Investment Bank (EIB) after Brexit. A government consultation between 2019 and 2020 also found support for such a body. Responding to the consultation, the government set out a new national infrastructure strategy that included a commitment to establishing a "major new national infrastructure bank". The bank would operate with a "high degree of operational independence" but within a mandate set by government.

In 2021 and 2022 a series of documents fleshed out the bank's mandate and design. Proposals included setting its financial capacity at £22bn, consisting of £5bn of equity, £7bn of debt and £10bn of guarantees. Alongside this public funding, the bank is expected to attract £18bn of private sector finance. It is also required to provide advice to local authorities on developing and funding infrastructure.

Initially, the bank's objectives covered investments in a range of sectors. Since the Russian invasion of Ukraine, the government has asked it to give priority to projects aimed at increasing the security of the UK's energy supply.

The Labour Party has also called for a national infrastructure bank although it argues the existing proposal is not sufficiently ambitious. Other commentators have also discussed the appropriate size of the bank. Other issues debated include whether its mission should encompass delivering a 'just transition' to net zero and what parallels can be drawn from a previous public infrastructure investment institution, the Green Investment Bank.

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## 1. Overview of the bill

The UK Infrastructure Bank Bill [HL] is a government bill introduced into the House of Lords on 11 May 2022. It is due to have its second reading on 24 May 2022.

The bill is intended to place an existing institution, the UK Infrastructure Bank, on a statutory footing with a more specific set of powers. The bank's aim is to invest in infrastructure projects using both public sector funds and private sector funds that it will seek to attract because of the opportunity for co-investment with the public sector. Its twin overarching aims are to use its investments to help tackle climate change, including the UK's transition to net zero greenhouse gas emissions, and to support "regional and local" economic growth.

The bill sets out measures that:

- define the objectives and activities of the bank
- set out how the government can alter the bank's strategy or intervene to give it directions
- describe some aspects of the financial relationship between the bank and the government
- specify certain administrative arrangements for the bank
- require reviews of the bank's operations at specified intervals

The government has said that placing the bank on a statutory footing would:[1]

- confirm and give statutory force to the bank's objectives and activities
- ensure the bank is a long-lasting institution
- create statutory forms of transparency, accountability and governance
- remove legal barriers to the bank undertaking direct lending to local authorities
- grant specific powers to HM Treasury to provide financial assistance to the bank

## 2. Policy background

The UK Infrastructure Bank and its mandate and design have been established following a series of reports and government publications.

[1] Explanatory notes, p 3.

## 2.1 National Infrastructure Commission's report on economic regulation (2018)

The National Infrastructure Commission (NIC) proposed an institution such as the UK Infrastructure Bank in 2018.

The NIC was established in 2015 to provide impartial advice to government on major long-term infrastructure priorities.[2] Every five years, the NIC publishes a national infrastructure assessment.[3] In the 2018 assessment, one of the NIC's recommendations was for an "operationally independent, UK infrastructure finance institution".[4]

In particular, the NIC said such a body was needed to replace the European Investment Bank (EIB) after Brexit. The EIB is the lending arm of the European Union and supports projects that promote growth, employment and environmental sustainability.[5] It previously invested around €7bn per year in the UK and the government said it played a "pivotal role in helping some new green technologies, such as offshore wind, develop a commercial market".[6] UK projects ceased to be eligible for EIB operations reserved for EU member states on 31 January 2020.[7]

The NIC said the institution it envisaged should act as an "anchor investor"; should "catalyse innovation, support due diligence functions and enable projects of public significance that may not otherwise take off"; and should be a "centre of financial and technical excellence on infrastructure".[8]

## 2.2 Infrastructure finance review (March 2019 to November 2020)

In March 2019, the government launched a consultation on infrastructure financing in the UK.[9] The feedback statement, published in November 2020 before the UK and EU had agreed the terms of their future relationship, reported respondents agreeing that "the UK has one of the strongest and

[2] HM Treasury, 'Response to the regulation study: Strategic investment and public confidence', 25 November 2020.
[3] National Infrastructure Commission, 'National infrastructure assessment', accessed 16 May 2022.
[4] National Infrastructure Commission, 'Design and funding: Key issues', 29 March 2022.
[5] European Investment Bank, 'Who we are', accessed 16 May 2022.
[6] HM Treasury, 'UK Infrastructure Bank Bill: Impact factsheet', accessed 17 May 2022, p 2.
[7] Institute for Government, 'European Investment Bank', 24 March 2020. It is possible that some UK activities will remain eligible for EIB funding, as historically around 10% of its lending has gone to non-member states. However, the largest share of such lending has been in countries seeking to join the EU: European Investment Bank, 'Financed projects: breakdown by region', accessed 16 May 2022.
[8] National Infrastructure Commission, 'Design and funding: Key issues', 29 March 2022.
[9] HM Treasury and Infrastructure and Projects Authority, 'Infrastructure finance review', 25 November 2020.

most active infrastructure finance markets in the world".[10] However, it noted certain challenges, including uncertainty around the UK's future relationship with the EU.

Again, the feedback statement identified a number of benefits from the EIB that respondents believed could be lost due to Brexit. These included: competitive lending rates and flexible terms; the ability to provide additional liquidity in economic downturns; independence from government; technical expertise; and support for new technologies.

The feedback statement stated that there was support for a "new, enduring body to deliver infrastructure finance support tools".[11] Consultation responses proposed that the mandate for any new body should focus on "innovation, reaching net zero, and supporting the government's infrastructure strategy".

In a summary of next steps, the government committed to establishing "a major new national infrastructure bank", operating with a "high degree of operational independence" but within a mandate set by government.[12]

### 2.3 Spending review and national infrastructure strategy (November 2020)

The chancellor of the exchequer, Rishi Sunak, announced a new national infrastructure bank at the November 2020 spending review.[13] He said the bank would "catalyse private investment in infrastructure projects across the UK".

The infrastructure bank formed part of a new national infrastructure strategy, published alongside both the 2020 spending review and the feedback statement on the infrastructure finance consultation (described in section 2.2).[14] The strategy set out the government's wish to deliver an "infrastructure revolution" and to address long-term issues that had, it suggested, held back UK infrastructure in the past. The government said these issues included:

> 'Stop-start' public investment, insufficient funding for regions outside of London, slow adoption of new technology, policy uncertainty that

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[10] HM Treasury, 'Infrastructure Finance Review: Summary of consultation feedback', 25 November 2020, p 4.
[11] HM Treasury, 'Infrastructure Finance Review: Summary of consultation feedback', 25 November 2020, p 10.
[12] HM Treasury, 'Infrastructure Finance Review: Summary of consultation feedback', 25 November 2020, p 12.
[13] HM Treasury, 'Spending review 2020', 15 December 2020, section 4.1.
[14] HM Treasury, 'National infrastructure strategy', 25 November 2020.

> undermines private investment, and project delivery plagued by delays and cost overruns.[15]

The strategy set out how the government intended to change this approach, including by:[16]

- providing a long-term perspective
- setting out clear goals with plans to achieve them
- announcing multi-year funding commitments, and a £27bn investment in economic infrastructure in 2021/22
- fundamentally changing the way government considers and delivers infrastructure

Within the strategy, the government said the UK Infrastructure Bank would act as a "cornerstone investor". Its activities would include lending to mayoral and local authorities and encouraging co-investment from the private sector.[17] In particular, it would seek to release investment by pension funds and insurers which, the government suggested, could provide £150bn to £190bn for investment in infrastructure over the next ten years. The bank's activities in this area would be supported by other government reforms, such as changes to the 'permitted links' rules for pension funds and reforms to the way capital requirements for insurers are calculated.[18]

The strategy said other private sector co-investors could include banks, institutional investors, sovereign wealth funds and global infrastructure investors.

The government stated that the bank would replace "some of the activities" of the EIB.[19] Elsewhere, the government has argued that there is evidence the EIB acted to reduce ('crowd out') the amount of private finance going into infrastructure investment.[20] Therefore, the government said the new bank's investments would be "more targeted" than those of the EIB and "better aligned with the UK government's objectives".[21] It stated that this would be achieved by the bank operating within a mandate set by government. However, the government repeated that the bank would work with a "high degree of operational independence".

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[15] HM Treasury, 'National infrastructure strategy', 25 November 2020, p 8.
[16] HM Treasury, 'National infrastructure strategy', 25 November 2020, pp 10 and 15.
[17] HM Treasury, 'National infrastructure strategy', 25 November 2020, pp 68–71.
[18] HM Treasury, 'National infrastructure strategy', 25 November 2020, p 71.
[19] HM Treasury, 'National infrastructure strategy', 25 November 2020, p 70.
[20] HM Treasury, 'UK Infrastructure Bank Bill: Impact factsheet', accessed 17 May 2022, p 2. The finding derives from a study of the EIB and an earlier UK infrastructure financing body, the Green Investment Bank: Vivid Economics for the National Infrastructure Commission, 'The role and impact of the EIB and GIB on UK infrastructure investment', May 2018, p 6.
[21] HM Treasury, 'National infrastructure strategy', 25 November 2020, p 70.

The national infrastructure strategy envisaged the bank operating in an "interim form" from spring 2021.[22]

## 2.4 Policy design document (March 2021)

In March 2021, alongside the spring 2021 budget, the government set out further details of the bank's mandate and design.[23] It said these had been drawn up following engagement with expert groups. The document set out the bank's strategic objectives, operating principles and further details on elements of its operations. Summaries of each are set out below.

The bank's **strategic objectives** are:[24]

- to help tackle climate change, particularly meeting the government's net zero emissions target by 2050
- to support regional and local economic growth through better connectedness, opportunities for new jobs and higher levels of productivity

The bank's **operating principles** are:[25]

- Achieving policy objectives through sound banking. In other words, the bank should generate a financial return while also contributing to the government's priorities, such as climate policy and levelling up.
- Operating in partnership with public and private institutions.
- Additionality. This means the bank should prioritise investment where private sector finance is lacking and should also "crowd in" further private sector investment.
- Operational independence. The bank will operate within a strategic framework set by government but maintain "operational independence in its day-to-day activity including investment decisions".
- Impact and credibility. The bank should take a long-term approach to provide the market with "confidence and clear direction".
- Flexibility. The bank's mandate is sufficiently flexible to allow it to adapt and respond to evolving markets and technologies.

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22 HM Treasury, 'National infrastructure strategy', 25 November 2020, p 70.
23 HM Treasury, 'UK Infrastructure Bank: Policy design', 3 March 2021.
24 HM Treasury, 'UK Infrastructure Bank: Policy design', 3 March 2021, p 4. For more information on the net zero target, see: House of Lords Library, 'Net zero and integrated policymaking', 16 April 2021.
25 HM Treasury, 'UK Infrastructure Bank: Policy design', 3 March 2021, p 12.

Further details on the bank's operations included that it:

- would have its headquarters in Leeds
- could provide a range of financing tools including debt, hybrid products, equity and guarantees
- could support university projects
- would offer its loans to local authorities at low cost; for example, the gilt rate plus 60 basis points (0.6%) for high value and strategic projects

The government stated that the bank would have £22bn of financial capacity, consisting of £5bn of equity, £7bn of debt (of which £4bn would be allocated to local authorities) and the ability to issue £10bn of guarantees.[26] The government has said funds will come from three sources: capital drawn from HM Treasury; borrowing from private markets; and retaining and recycling returns on its investments. In the bill's explanatory notes, the government said that taking into account private sector finance raised through the bank, it expects to generate a total of £40bn of investment for UK infrastructure.[27]

The policy design document also said that the bank will complement the expertise of the National Infrastructure Commission and of other bodies in the sector, such as the Infrastructure and Projects Authority (IPA).[28] The IPA describes itself as the "government's centre of expertise for infrastructure and major projects".[29]

## 2.5 Framework document (June 2021)

In June 2021, the government published a further document setting out the principles underpinning the relationship between the bank and the government.[30] For example, it said that HM Treasury is the sole shareholder of the bank and that the chancellor of the exchequer has ministerial responsibility and accountability for the bank.

The framework document also set out the bank's investment principles.[31] These repeated the bank's objectives and the expectations that it would deliver a positive financial return and attract private capital. In addition, the principles set out the types of infrastructure in which the bank could invest. They added the bank will operate across a range of sectors, but would prioritise clean energy, transport, digital, water, and waste.

[26] HM Treasury, 'UK Infrastructure Bank: Policy design', 3 March 2021, p 12.
[27] Explanatory notes, p 3.
[28] HM Treasury, 'UK Infrastructure Bank: Policy design', 3 March 2021, p 4.
[29] Infrastructure and Projects Authority, 'What we do', accessed 16 May 2022.
[30] HM Treasury, 'UK Infrastructure Bank framework document', 17 June 2021.
[31] HM Treasury, 'UK Infrastructure Bank framework document', 17 June 2021, p 4.

Conversely, the document also specified that the bank would not support fossil fuel projects, with very limited exemptions.[32] These exemptions were in areas such as improving efficiency, health and safety or environmental standards, decommissioning fossil fuel projects or promoting carbon capture and storage.

Alongside the framework document, HM Treasury issued the text of a 'keep well' agreement. This is designed to ensure the bank has funds to meet its payment obligations via support from HM Treasury as the sole shareholder.[33]

### 2.6 Strategic steer (March 2022)

On 18 March 2022, the government set out its "strategic steer" to the bank.[34] It said that while the bank's investment principles, summarised in section 2.5, said it will operate across a range of sectors, given current circumstances the bank should prioritise energy security. This reflects the government's concern about energy security and energy prices following the recovery from the Covid-19 pandemic and the war in Ukraine.[35]

The government also provided further definitions of the types of infrastructure that were outside and within the bank's remit. For example, investment in social and cultural infrastructure (including housing, schools, sports venues, theatres and libraries) would not be permitted. However, investments in nuclear energy, retrofitting energy efficiency measures in homes, and greenhouse gas removals would be within scope.

As part of the strategic steer, the government set out more details on how the bank should meet its strategic objectives. For example, on climate change, the government said that projects that help with the transition to net zero and reduce the UK's reliance on fossil fuels should be particularly prioritised.[36] On regional and local growth, the government said the bank should prioritise projects that link to the missions set out in the February 2022 levelling up white paper.[37] In particular, it mentioned improving employment and productivity, transport infrastructure and digital connectivity in places where they were lagging.

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[32] HM Treasury, 'UK Infrastructure Bank framework document', 17 June 2021, p 4.
[33] HM Treasury and UK Infrastructure Bank, 'Keep well agreement', 17 June 2021.
[34] HM Treasury, 'Letter to John Flint, CEO of UK Infrastructure Bank, ref strategic steer to the bank', 18 March 2022.
[35] Subsequently, on 7 April 2022, the government published an energy security strategy: Department for Business, Energy and Industrial Strategy and Prime Minister's Office, 'British energy security strategy', 7 April 2022.
[36] HM Treasury, 'Letter to John Flint, CEO of UK Infrastructure Bank, ref strategic steer to the bank', 18 March 2022, p 3.
[37] Department for Levelling Up, Housing and Communities, 'Levelling up the United Kingdom', 2 February 2022.

The government provided more detail on how the bank should work with the devolved administrations.[38] It said the bank should develop its presence in all four nations of the UK and should build strong relationships with the Scottish National Investment Bank, the Development Bank of Wales and the Northern Ireland Executive "in ways that are compatible with the UK's devolution arrangements".

The strategic steer also stressed the advisory role of the bank, saying that its role in helping local and mayoral authorities on developing and financing infrastructure would become increasingly important.

The government also discussed how the bank would take over the previous UK Guarantees Scheme (UKGS), which offered government-backed guarantees to help infrastructure projects access debt finance where they were unable to raise funds in the financial markets.[39] UKGS was previously run by the Infrastructure and Projects Authority (IPA). In the strategic steer, the government said "the UKGS should be an "important priority" for the UK Infrastructure Bank.

### 3. Major milestones in establishing the bank

The UK Infrastructure Bank was launched in interim form on 17 June 2021.[40] It has initially operated under existing legislation; namely, the Infrastructure (Financial Assistance) Act 2012 and sections 50 and 51 of the United Kingdom Internal Market Act 2020.[41]

On 1 September 2021, the government announced that John Flint would be the first permanent chief executive of the bank.[42] Mr Flint was formerly group chief executive of HSBC.

The bank announced its first investment, of £107mn to develop a quay on the River Tees to service the offshore wind sector, on 25 October 2021.[43]

On 30 April 2022, the government announced that Chris Grigg would be the first chair of the bank.[44] Mr Grigg was formerly chief executive of British Land and Barclays Commercial Bank.

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[38] HM Treasury, 'Letter to John Flint, CEO of UK Infrastructure Bank, ref strategic steer to the bank', 18 March 2022, p 4.
[39] For more information on the scheme when operated by the IPA, see: Infrastructure and Projects Authority and HM Treasury, 'UK Guarantees Scheme', 24 August 2017.
[40] HM Treasury, 'UK Infrastructure Bank opens for business', 17 June 2021.
[41] Explanatory notes, p 5.
[42] HM Treasury, 'John Flint appointed as UK Infrastructure Bank CEO', 1 September 2021.
[43] UK Infrastructure Bank, 'First UK Infrastructure Bank investment goes to green energy hub unlocking thousands of jobs in Teesside', 25 October 2021.
[44] HM Treasury, 'Chris Grigg CBE appointed chair of the UK Infrastructure Bank', 30 April 2022.

## 4. Bill provisions

The bill consists of 11 clauses. Clause 1 defines the bank as being the existing company registered with Companies House under the name UK Infrastructure Bank Limited. The main provisions follow in clauses 2 to 9. Clauses 10 and 11 contain definitions and general provisions.

### 4.1 Clause 2: Objectives and activities

Clause 2 aims to define the objectives and activities of the bank and ensure these are reflected in the bank's articles of association. As described in section 2.4 above, the bank's twin objectives would be to help tackle climate change, including meeting the government's 2050 net zero emissions target, and to support regional and local economic growth. The bank's activities would be to provide:

- financial assistance to infrastructure projects
- loans to local authorities for infrastructure projects
- expertise, advice and other support services in relation to such projects
- any other services connected with the three activities above

Clause 2 would define infrastructure projects as technologies and facilities relating to:

- water, electricity, gas, telecommunications, sewerage or other services (including the provision of heat)
- railways (including rolling stock), roads or other forms of transport
- climate change (including the removal of greenhouse gases from the atmosphere)

Clause 2 would also provide powers to change the activities of the bank or the definition of infrastructure by statutory instrument. Such regulations would be subject to the affirmative procedure, meaning both Houses of Parliament would need to approve them before they could be signed into law. Clause 2 does not provide powers to amend the bank's overall strategic objectives.

### 4.2 Clauses 3 and 4: Strategic priorities and directions

Clause 3 would require HM Treasury to prepare and lay before Parliament a statement of the bank's strategic priorities. The first must be published within six months of the act passing. The explanatory notes to the bill state that the 'strategic steer' of March 2022, discussed in section 2.6, is the first such statement of strategic priorities. As the strategic steer was non-statutory at the time of publication, the government stated it will be reissued to fulfil the bill's requirements.

The government may amend the bank's strategic priorities without recourse to secondary legislation.

Clause 4 would permit HM Treasury to give "a specific or general direction" to the bank about how it should deliver its objectives and that the bank must comply with such a direction. Before issuing such a direction, HM Treasury would be required to consult with the bank's directors. The explanatory notes state that this power should be used "sparingly", with a default position that the bank is "independent as regards its operations and investment decisions". The notes describe the circumstances in which the power would be used as:

> Where ministerial accountability to Parliament requires that the bank be given an overriding form of direction as to how it should be delivering its objectives, particularly in cases where a more precise, tailored and expeditious form of intervention may be needed than general company law could afford.[45]

Again, the directions issued under clause 4 can be given and amended without recourse to secondary legislation.

In the bill's delegated powers memorandum, the government stated that the powers in clauses 3 and 4 "arguably have some degree of legislative character".[46] Defending the decision not to require secondary legislation for their exercise, the government said that similar powers already exist, for example:

- Powers comparable to those in clause 3 exist to allow HM Treasury to issue "notices of remit and recommendations" to the Bank of England's Monetary Policy Committee and Financial Policy Committee.
- Powers comparable to those in clause 4 allow HM Treasury to direct the Bank of England (except for with regard to monetary policy) following consultation with the Governor. The government said this power has never been used.

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[45] Explanatory notes, p 10.
[46] HM Treasury, 'UK Infrastructure Bank Bill: Memorandum from the Treasury to the Delegated Powers and Regulatory Reform Committee', 11 May 2022, p 4.

### 4.3 Clause 5: Financial assistance from HM Treasury

Clause 5 would provide powers for HM Treasury to provide financial assistance to the bank to help it deliver its objectives. The government stated that "a capacity of this nature" already exists in legislation.[47] However, it argued that a "specific form of statutory authority" was appropriate, given "the specific nature of the bank's remit and the policy intention that the bank be an enduring institution".

The clause would also provide that HM Treasury can make arrangements for money to be paid out of the National Loans Fund to the bank at terms set by HM Treasury. The National Loans Fund is used to account for government borrowing and lending.[48]

### 4.4 Clauses 6 and 7: Administrative arrangements

Clause 6 would ensure the bank compiles annual accounts as required under the Companies Act 2006 and delivers them to HM Treasury. HM Treasury would then be required to lay these accounts before Parliament.

Clause 7 would specify various provisions about the appointment and tenure of the bank's directors. For example, the board would consist of between five and 14 directors. The chancellor of the exchequer would appoint the chair, chief executive and the non-executive directors (NEDs). NEDs would have a maximum term of four years and could not serve more than two terms.

### 4.5 Clause 8: Duties enforceable by law

Clause 8 would provide that the duties imposed on the bank by this legislation were enforceable by law via a court injunction (or equivalent remedies in Scotland). The government stated that "it is not envisaged that these provisions will be needed in practice".[49]

### 4.6 Clause 9: Reviews of the bank's operations

Clause 9 would require HM Treasury to conduct reviews of how effective the bank is in meeting its objectives. The government said these reviews are intended to ensure the bank is "effective and impactful".[50] The first review would have to be carried out within 10 years of the bill passing, and subsequent reviews at intervals of no more than seven years.

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[47] Explanatory notes, p 10. The notes refer to the Infrastructure (Financial Assistance) Act 2012 and sections 50 and 51 of the United Kingdom Internal Market Act 2020.
[48] HM Treasury, 'National Loans Fund account 2020/21', 16 September 2021, HC 631, p 2.
[49] Explanatory notes, p 11.
[50] Explanatory notes, p 11.

In HM Treasury's March 2021 statement of the design of the bank's policy, the government committed to an initial review by spring 2024.[51] It said this would include considering market demand for finance and the bank's pipeline of projects, to ensure it had sufficient resources.

### 4.7 Clause 10: Definitions

Clause 10 includes definitions of terms used in the bill. In relation to the types of "financial assistance" the bank can offer, this is defined as loans, guarantees, indemnities, participation in equity financing "and any other kind of financial assistance (actual or contingent)".

### 4.8 Clause 11: General provisions

Clause 11 sets out the bill's territorial extent, commencement and short title. The bill extends to the whole of the UK. It would come into force two months after it received royal assent.

The government noted that infrastructure investment is a mixture of reserved and devolved competence.[52] For example, it stated that investments in energy, cross-border rail and digital communications are likely to be reserved to the UK Parliament, but railways, ports and bridges within a single country are likely to be devolved matters. Because the bill would legislate in these areas of devolved competence, the government said that legislative consent motions are being sought from the three devolved administrations.

## 5. Commentary on the bank

### 5.1 House of Lords European Union Committee

The House of Lords European Union Committee considered a possible UK national infrastructure bank in a report published in January 2019.[53] The committee concluded there could be "significant benefits" to having an infrastructure institution that was independent from government but aligned with "clearly defined strategic national priorities".

The committee's other findings included that the bank might have to comply with EU state aid rules and that this should be considered as part of its design process. The committee also suggested that the bank's liabilities would "almost certainly" be counted as part of the government's net debt.

[51] HM Treasury, 'UK Infrastructure Bank: policy design', 3 March 2021, p 23.
[52] Explanatory notes, p 6.
[53] House of Lords European Union Committee, 'Brexit: The European investment bank', 31 January 2019, HL Paper 269 of session 2017–19, pp 27–41.

It warned that this could have implications for the government meeting its fiscal rules, particularly the target that net debt should be decreasing.[54]

The House of Lords debated the committee's report in July 2019.[55] Responding to the debate, the minister, Lord Young of Cookham, said that many speakers had raised the possibility of a national infrastructure bank. He stated that the government would "reflect seriously" on the points made.[56]

### 5.2 Labour Party

The Labour Party has called for a national infrastructure bank to support decarbonisation and the recovery from the Covid-19 pandemic.[57] However, it argued that the proposed bank is too small and will "fail to plug the gap" left by the end of the European Investment Bank's operations in the UK. Labour called for the government to build the bank's balance sheet to the same size as other countries. For example, it calculated the German national investment bank had assets worth almost 15% of German GDP, compared to the UK Infrastructure Bank's initial asset base which it said would be 0.1% of UK GDP.

### 5.3 External commentators

Some commentators have drawn parallels between the UK Infrastructure Bank and the earlier Green Investment Bank.[58] The Green Investment Bank was set up under the coalition government in 2012 to provide public money to, and encourage private investment in, green infrastructure projects such as windfarms and waste and bioenergy projects.[59] It was sold to the Australian financial services group Macquarie in 2017.[60]

A March 2018 House of Commons Public Accounts Committee report on the Green Investment Bank concluded that it failed to live up to its original ambitions.[61] The committee found the bank had been successful in attracting

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[54] For further information on the government's fiscal targets, see: House of Commons Library, 'The UK's fiscal targets', 25 February 2022.
[55] HL Hansard, 16 July 2019, cols 200–28. In addition, the government's response to the committee's report, published on 30 March 2019, can be found at: House of Lords EU Financial Affairs Sub-Committee, 'Government response: Brexit: The European Investment Bank', 30 March 2019.
[56] HL Hansard, 16 July 2019, col 226.
[57] Labour Party, 'Government's new infrastructure bank will have no effect on growth and is 147 times smaller than Germany's', 4 March 2021.
[58] Jim Pickard et al, 'Sunak set to launch UK infrastructure bank to fund capital projects', Financial Times (£), 20 November 2020.
[59] House of Commons Public Accounts Committee, 'The sale of the Green Investment Bank', 14 March 2018, HC 468 of session 2017–19, p 4.
[60] Department for Business, Energy and Industrial Strategy, 'UK government's sale of Green Investment Bank completed', 18 August 2017.
[61] House of Commons Public Accounts Committee, 'The sale of the Green Investment Bank', 14 March 2018, HC 468 of session 2017–19, p 3.

private investment into the offshore wind industry, but that the government did not know whether it had achieved its intended objectives of encouraging investment in the green economy and "creating an institution that lasts". The committee said the bank had provided £3.4bn to fund or part fund projects and had additionally attracted £8.6bn of private capital.

The committee described the manner of the sale as being "deeply regrettable", as it said the government did not carry out a full assessment of the bank's impact before deciding to sell and nor did it secure adequate assurance over the bank's future role.[62] In the policy design document for the UK Infrastructure Bank, the government said it "intends that the bank will remain as part of the public sector, fulfilling its role in supporting investment, permanently".[63]

Commentators have also discussed whether the UK Infrastructure Bank has adequate capital. The chair of the National Infrastructure Commission, John Armitt, has been quoted as saying that it would need an initial asset base of £20bn.[64] However, the Institute of Chartered Accountants in England and Wales reported estimates that the transition to net zero by 2050 will require investments of £40bn per year.[65] On the other hand, Lawrence Slade, chief executive of the Global infrastructure Investor Association (a representative organisation for private sector investors), was quoted as saying there was at least $200bn of international private capital available to invest in projects.[66] Therefore, Mr Slade argued that the government "has to be careful it doesn't just crowd out existing finance". He also proposed that the bank should only invest in projects that are too risky for institutional investors. In this regard, he commented that the Canada Infrastructure Bank was mandated to lose money.

Academics from the London School of Economics have argued that the objective to help deliver net zero emissions should incorporate a direction to ensure a 'just transition'.[67] They defined this as the move to net zero being "fair for all workers and communities". They proposed that this should be built into the bank's objectives. They referred to other institutions that have a just transition as a specific part of their remit, including the European

62 House of Commons Public Accounts Committee, 'Bank's green intentions not adequately protected in sell-off', 14 March 2018.
63 HM Treasury, 'UK Infrastructure Bank: Policy design', 3 March 2021, p 13.
64 Jim Pickard et al, 'Sunak set to launch UK infrastructure bank to fund capital projects', Financial Times (£), 20 November 2020.
65 Nicholas Neveling, 'New builder', Institute of Chartered Accountants in England and Wales, May 2021, p 25.
66 Gill Plimmer and Jim Pickard, 'Investors look to Sunak for clarity on new UK infrastructure bank', Financial Times, 24 February 2021.
67 Katarzyna Szwarc et al, 'The new UK Infrastructure Bank can drive the just transition: Here's how', London School of Economics, 22 April 2021.

Investment Bank and the European Bank for Reconstruction and Development (EBRD).[68]

## 5.4 National Audit Office review

The National Audit Office is currently undertaking a review of the setting up and the early stages of the bank.[69] It will consider issues such as whether the government learned lessons from comparable institutions; for example, the Green Investment Bank and the British Business Bank.

[68] European Investment Bank Group, 'EIB group climate bank roadmap 2021 to 2025', November 2020; and European Bank for Reconstruction and Development, 'The EBRD's just transition initiative', accessed 17 May 2022.
[69] National Audit Office, 'The creation of the UK Infrastructure Bank', accessed 17 May 2022.

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