



WWF-UK

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PARLIAMENTARY BRIEFING

Enterprise Bill, 2nd Reading - Green Investment Bank

June 2012

Summary

- **WWF-UK welcomes the Bill to set up the Green Investment Bank (GIB), which has the potential to deliver key infrastructure to shift the UK economy towards a low carbon economy.**
- **The Enterprise and Regulatory Reform Bill will contain the lasting principles upon which the Bank will operate, so it is crucial to ensure that a number of changes are made to give greater confidence that both UK and Scottish targets for carbon reduction and energy efficiency can be met.**
- **WWF-UK believes that the Bill must be explicit about the GIB being a public bank and that it is allowed to borrow independently from capital markets.**
- **The green purposes should be more explicit about supporting low carbon investment. Focusing too heavily on resource efficiency may lead to less than ideal, higher carbon investments.**
- **WWF-UK is concerned that the Bill does not ensure that the GIB has sufficient transparency and accountability, and relies heavily on the traditional practices of a standard company. WWF-UK believes this is a missed opportunity to trial a new model of transparency and accountability.**

The Enterprise and Regulatory Reform Bill, contained within the 2012 Queen's Speech, confirms the Government's intention to set up the UK Green Investment Bank. A key plank of the Coalition Agreement, this Bank is vital to help build the transition to a low carbon economy. It should secure long-term investment in much-needed energy efficiency and renewable energy supply infrastructure which will be critical to meeting both UK and Scottish carbon reduction and renewable energy targets.

WWF-UK is working with the *Transform UK* Alliance to support an effective and transformational GIB. While WWF-UK welcomes the primary legislation to set up the bank, giving business and investors confidence that it is the Government's intention that the GIB will in the long-term be an effective mechanism to leverage investment in green technology we believe that at the moment it will not be green, leverage much investment, nor function as a bank.

1. Borrowing



President: His Royal Highness,
The Prince of Wales KG, KT, GCB, OM
Chair: Ed Smith
Chief Executive: David Nussbaum

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The decision in the 2011 Budget that the GIB could not borrow until debt is falling as a percentage of GDP was disappointing. WWF believes this delay, and restriction, will severely damage the ability of the GIB to leverage investment from the private sector. The Bill contains enabling powers for the GIB to borrow from the Treasury, however, remains largely silent on independent borrowing from capital markets. In their March 2011 report, MPs on the Environmental Audit Committee also called for a proper bank with the power to attract private sector investment. They stated that this was a ‘red line’, ‘able to operate commercially and attract private sector investors, rather than a relatively small un-leveraged ‘fund’.¹

If the GIB cannot borrow from the capital markets, it will be more of a fund than a bank. The scale of investment needed for the transition to a green economy will require infrastructure investments of £220-330bn over the next decade, substantially more than is invested today.² Clarification that the GIB will have the clear-cut power to borrow from the capital markets is critical to boosting investor confidence that a proper bank will be set up, and that it will catalyse the necessary amount of private capital. WWF believes that it is **vital that provision is made in primary legislation that the GIB will be a proper public bank (and not a fund) and that it may borrow from the capital markets from as early as 2013.**

2. Green Purposes

The Bill sets out five ‘green purposes’ for the GIB, and the bank must fulfil at least one of them when making an investment. WWF-UK does not believe that the purposes are strong enough to send a clear message of support for a low carbon economy. Of particular concern is the second purpose, ‘the advancement of efficiency in the use of natural resources’, which could be used to justify “more efficient”, but still high-carbon investments, such as fossil fuel power stations, nuclear or unsustainable biofuels.

The GIB should focus on emerging, relatively immature but potentially transformative renewable technologies with huge potential for cost reduction with economies of scale. WWF-UK believes that the GIB should be focussed on injecting capital investment and reducing investment risk in areas such as marine renewables and household energy efficiency.

The Committee on Climate Change (CCC) highlighted in the fourth carbon budget report that the near-decarbonisation of the power sector would play a key role in enabling the UK to meet its emission reduction targets.³ This transformation is not only important in terms of reducing the emissions from the power sector by 2030, but also in terms of allowing the low-carbon electrification of a substantial part of the transport and heating sectors. **WWF-UK believes that the GIB’s purpose should have a clear and unequivocal mandate to leverage in low carbon investment, unlock investment in energy efficiency and renewable energy infrastructure, instead of ambiguity allowing for high-carbon or unsustainable investment.**

3. Transparency / Accountability

A public bank with a Government guarantee will maximise leverage of private capital and invest in the most strategically valuable infrastructure where the market failures are greatest. **The GIB is destined to be the UK’s first public bank and should have the highest standards of accountability, currently there is no independent scrutiny or debate in either House.**

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¹ <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmenvaud/505/505.pdf>

² Vivideconomics Green Investment Bank report to BIS, October 2011
<http://www.bis.gov.uk/assets/biscore/business-sectors/docs/g/12-553-green-investment-bank-policy-and-finance-context.pdf>

³ Committee on Climate Change, December 2010, <http://www.theccc.org.uk/reports/fourth-carbon-budget>

