

# GIB status update

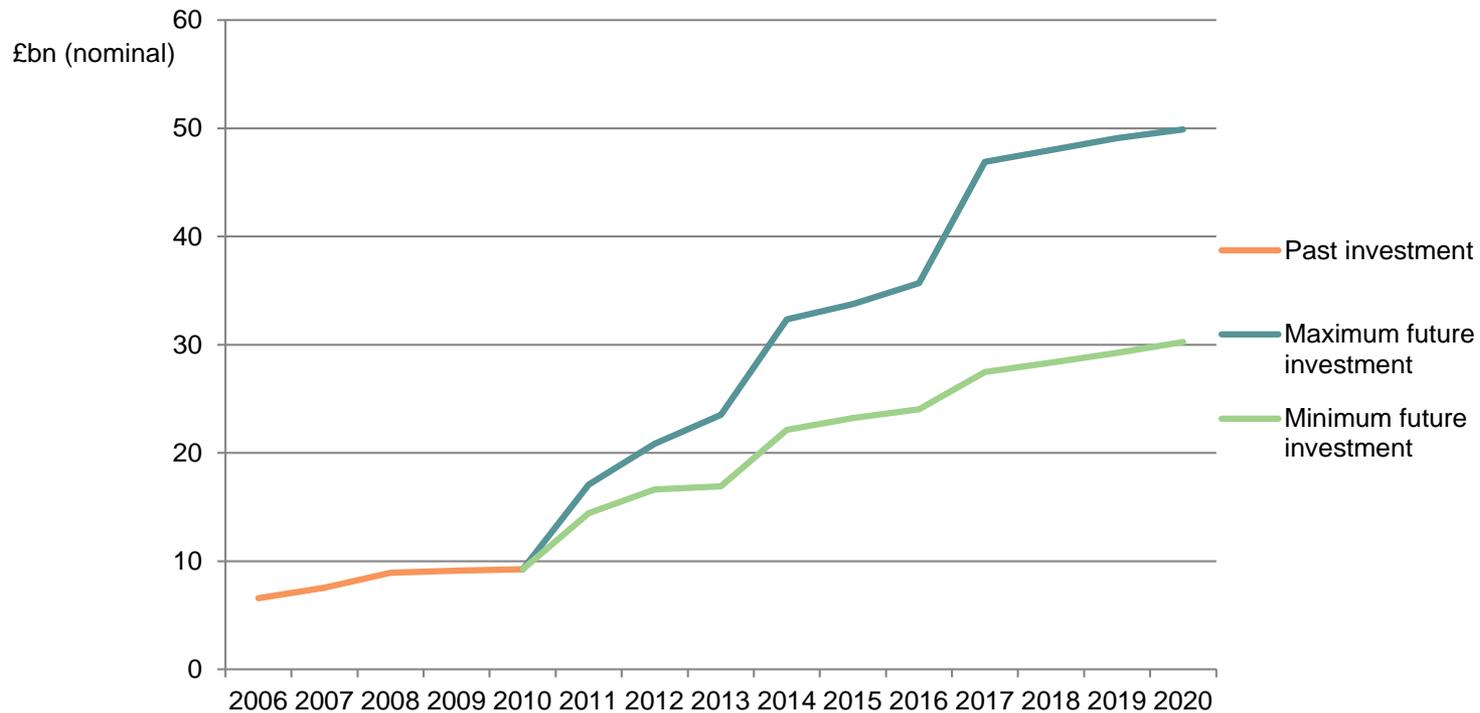
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Green Investment Policy and Appraisal

# Background to the Green Investment Bank

- Broad support for the transition to a Green economy
  - Ambitious green targets
- Government implementing policies to achieve targets
  - RO, FiTs, EMR, Landfill tax etc
- Significant up-front capital costs in Green Infrastructure
  - £200-300bn to 2020
- Finance challenges limiting scale and pace of investment in Green Infrastructure
  - Balance sheet restrictions
  - Risk aversion due to novelty of technology, policy risk, new business models
  - High third party transaction costs for smaller transactions e.g. energy efficiency

There is a discontinuity – a ‘kink’ – between past and future investment, requiring £200 - £300bn investment to 2020

## Annual capital investment in selected Green Infrastructure <sup>(1)</sup>



Source: Vivid Economics – The Green Investment Bank – Policy and Finance Context October 2011

(1) Includes low carbon electricity (renewables, nuclear, CCS), electricity grid transmission, smart meters, renewable heat, water and waste infrastructure

# Green investment Bank – Key Facts

- Mission: “to accelerate the UK’s transition to a Green Economy and build an enduring institution operating independently of Government”
  - Broad Green remit – not just Greenhouse Gases
- Investment framework based on achieving Sound Finances, Green Impact and Additionality
- £3bn funding over period 2012-15
- Independent plc, with HQ in Edinburgh
  - Chair Lord Smith, CEO Shaun Kingsbury
- GIB to be enshrined in legislation
  - Green purpose, independence, enhanced reporting and funding
- Focus on infrastructure
  - Not grants, subsidised finance, high risk investments e.g. Venture Capital

# 80% of GIB's investment to be in the 5 Priority Sectors

- Priority sectors chosen as those with greatest potential to satisfy GIB investment objectives to 2015
  - But specifically chosen because difficult to finance...
  
- 5 priority sectors over period to 2015:
  - Offshore wind power generation
  - Waste processing and recycling
  - Energy from waste generation
  - Non-domestic energy efficiency, including onsite renewable energy generation and heat
  - Support for domestic energy efficiency via the Green Deal
  
- Priority sectors to receive at least 80% of investment of the GIB; up to 20% can be invested in 'other' sectors
  - Biomass power and biofuels are likely candidates
  - Scope for investment in renewable heat, marine, CCS

# Priorities for the GIB

- Deploy capital in green projects
- Mobilise additional private sector capital
- Recycle capital for further investment
- Achieve a positive demonstration effect to attract new entrants
- Build an enduring institution