UK Infrastructure Bank Publishes First Strategic Plan

June 2022

The UK Infrastructure Bank (the Bank), now firmly set up in Leeds, has, as promised, published its first Strategic Plan (the Plan).

At a high level, the messaging is consistent with what we have seen to date, a bank that:

- Will lend to both the private sector and local government
- Has two strategic objectives:
  - To help tackle climate change
  - To support regional and local economic growth
  - In addition, with the added recent new objective of supporting the UK's energy resilience and security following the Russia/Ukraine conflict.

The Bank:

- £22 billion of financial capacity over the next five to eight years, and the ability to deploy debt, equity and guarantees
- A set of settled operating principles and investment principles

The Bank previously identified its five priority sector areas of Clean Energy, Transport, Digital, Waste and Water. Interestingly, the seven financings that the UKIB has participated in to date are dominated by Digital (fibre/broadband), although the Bank expects that Clean Energy will emerge in time as the largest sector.

Noteworthy points in the Plan include:

- John Flint, the CEO, talks of wanting to lead the market in tackling "specific infrastructure challenges" and goes on to list a number of "challenges" currently under consideration: EV charging infra roll-out, building retrofit, the scale up of energy storage technologies and other new, net-zero technologies, such as hydrogen and CCUS.
- In addition to lending to local authorities, the Bank seeks to build a local authority advisory function. As this team builds up, the bank expects to run a number of target pilot projects in partnership with local authorities to test how it can "best add value".
- Although water and waste are regarded as having the fewest investment opportunities, the Plan mentions the emerging Direct Procurement for Customers model in the Water sector, which is timely given the launch in the same week of the £1.5 billion Haweswater Aqueduct DPC project by United Utilities.
- The Bank has engaged with over 100 organisations in shaping the Plan, and intends to continue such engagement going forwards.
- Significant recruitment campaigns have been launched with a goal of reaching a headcount of 300 to 350 in 2023 to 2024, the majority being based in Leeds.

The continuing evolution of the Bank is welcome, but there are some points to consider:

- Investment Principle 4 – The Plan discusses the goal of "crowding in" private sector capital, and goes on to detail how this might be achieved, for example by acting as a "cornerstone" investor financing "frontier investments" where projects feature novel or early stage technology or where the risk profile is such as to deter usual private sector investors. Crowding in has been a theme of the Bank from the outset, but there has been some market comment following some of the investments made to date (specifically the investment in two funds) that arguably do not fall into this category. Thus, the Bank risks competing with the private sector and potentially "crowding out" investors. The Bank has a delicate balance to strike as it focuses on the perceived market gap in infrastructure finance.
- Overlap with other parts of government – There does seem the potential for this, for example, in relation to Heat Networks and the established BEIS funding programmes, as well as the ambitions for low carbon transport (buses, trains and EVs) and "mass transit projects" with DfT initiatives.
- On the other hand, with emergent technologies such as hydrogen production and transportation and CO2 capture, transportation and storage, UKIB funding could prove to be a valuable adjunct to the new support schemes that government is looking to introduce, as was the case with the Green Investment Bank and the Low Carbon Contract for Differences scheme for large-scale renewable energy projects.

Contact

Nick Helm
Partner, Infrastructure
T +44 161 830 5360
E nick.helm@squirepb.com

The opinions expressed in this update are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

© Squire Patton Boggs. All Rights Reserved 2022

52049/06/22