

The UK's infrastructure and energy markets have been watching the early evolution of the UK Infrastructure Bank with interest. The January 2022 paper "Potential Private Sector Opportunities in Priority Sectors" brought with it more flesh on the bank's strategic investment objectives and highlighted five priority sectors:

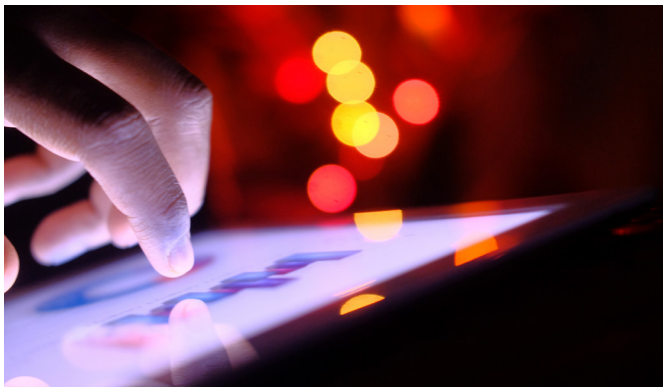
Clean energy – Including emerging net-zero technologies, such as greenhouse gas reduction, hydrogen and possibly carbon capture and storage.

Transport – Including port facilities to support offshore wind, EV charging infrastructure and gigafactories.

Digital – Playing a role to support emerging models and projects, including financing gigabit cable broadband and supporting 5G rollout. Public sector support to encourage private sector investment.

Water – A monitoring role in case the RAB and Direct Procurement for Customer models falter.

Waste – Focus on energy from waste, particularly where evolving and new technologies are proposed, as well as taking in the retrofitting of existing plants.



The Bank is known to be in an "open for business" mode at the moment, and its team is presumably heavily engaged in crafting its first strategic plan, scheduled for June 2022. It is, therefore, interesting to note the recent 18 March letter from Rishi Sunak, described as a "strategic steer" to the Bank, which gives more targeted guidance on the Government's priorities for the remainder of this parliament. His letter covers a range of points, all of which will go to evolving the focus of the Bank's remit, but the following is particularly notable:

- **Energy resilience** – Given the current Ukraine/Russia situation, there is additional encouragement to fund projects aimed at net-zero, reducing the UK's reliance on fossil fuels and generally supporting "the government's renewed focus on energy security".
- **Energy efficiency projects** – Including heat decarbonisation projects, which are currently a significant focus area for BEIS through its Heat and Building Strategy and where substantial capital sums are required. The focus should be on retrofit rather than new build social and cultural infrastructure, though mixed infrastructure projects such as town centre regeneration where there is a significant economic infrastructure component, are also encouraged.
- **Nuclear** – Reiteration that nuclear is in scope, providing encouragement for those in the small modular reactor market, in particular.
- **Nature-based solutions** – Perhaps most interesting is the discussion in the letter of the role the Bank could play in supporting "nature-based solutions and private markets for ecosystem services"; being "projects that restore or enhance our natural environment". The chancellor sees the Bank adding "future impetus" to this market, acting as a cornerstone investor and assisting the crowding of private capital. Market players will, no doubt, look forward to more information on what assets could feature in these projects.

We anticipate these projects will be closely connected to the biodiversity net gain provisions in the Environmental Act. There may be an opportunity for London's financial centre to take a lead role in structuring novel financings for sustainability, re-wilding and eco-diversity projects

Taken together and remembering that the Bank is permitted to lend to the private and public sectors including local and mayoral authorities, the Bank clearly has a wide, interesting and evolving remit.

The focus is very much on energy security and sustainability but there is plenty of scope here for the Bank to fund the infrastructure, such as new port facilities, that will be required for the delivery of projects that can realise the full potential of the UK's clean energy sources. We look forward to the strategic plan in June and more news of successful financings.

The chancellor's full letter to the Bank is available on the [GOV.UK website](#).

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