



## **Green Investment Bank Position Statement – October 2010**

The UK is facing a time of considerable economic stress. Restoring growth and re-balancing the economy are urgent priorities. Focusing our recovery effort on low carbon growth can re-power the economy, increase our energy security and help tackle climate change.

Rapidly accelerating investment in low carbon and environmental technologies will also increase the long-term competitiveness of Britain's businesses in the global market, protect consumers from fossil fuel price shocks and stimulate growth, especially in the regions. But fulfilling this low carbon vision for Britain will require financial as well as technological innovation.

For this reason we fully support the Government's commitment to set up a Green Investment Bank. This crucial institution can help tackle the significant investment barriers standing in the way of delivering this vital investment in our future. By directly reducing the risks to investors the cost of the energy transition will be significantly reduced for taxpayers and consumers.

Following the publication of the report by the Green Investment Bank Commission, it is essential that the Government builds on this bold vision by swiftly putting forward credible proposals for a strong, powerful and effective institution. This will only be achieved if the plans meet the following key criteria:

1. **Context:** The GIB must be designed with a clear picture of the low carbon economy that we want to achieve and over what time frame. To provide the greatest financial leverage and maximise the macro economic benefits to the UK in terms of growth and jobs, the Bank should not be designed in isolation but in the context of a range of policies (such as energy market reform, effective renewable subsidies, carbon pricing and skills development) aimed at removing barriers to a low-carbon, resource efficient economy.
2. **Urgent Legislation:** A fully independent, accountable and enduring institution must be established in statute in 2011 with a clear low carbon investment mandate. The will also ensure the option is retained to set up the institution 'off balance sheet'. To maintain momentum and inspire confidence, a 'shadow' Board should be set up without delay to lay the foundations for the new Bank. The Bank must be set up in a way which inspires confidence in its expertise, future growth and longevity. Delays in setting up the Green Investment Bank will hold up current investments in low carbon technologies.

3. **Focus:** The Bank must have a clear mandate to leverage low carbon investment and support the development of low carbon and environmental industry, R&D, manufacturing, services and exports. This will stimulate economic growth, jobs and competitiveness. As a priority it must unlock investment in energy efficiency and renewable energy infrastructure - both large scale projects but also smaller scale and community led schemes.
4. **Green Bonds & Green ISAs:** UK Institutional investors such as pension funds and life insurance companies hold assets worth over £2 trillion. The low carbon energy transition will only be achieved if some of this large pool of capital is used to support it. To achieve this the Bank must be given the powers to issue a range of Green Bonds. Such products should be designed to meet institutional investors' needs, including their fiduciary duty to achieve the best possible risk adjusted returns for their clients and beneficiaries.

The Bank must also design other innovative financial products such as Green ISAs which could be a source of significant additional capital funding to drive forward low carbon infrastructure investment.

5. **Helping Deliver the Green Deal:** To ensure that the Government's plans for Green Deal energy efficiency loans for homes are successful the Green Investment Bank must be used to help provide low cost capital, financed by Green Bonds.
6. **Capitalisation:** The Government must ensure the Green Investment Bank is sufficiently capitalised by at least £4-6 billion over the next 4 years. Over time this could leverage over a hundred billion more in investment from the private sector. It is the minimum required to ensure the Bank fulfils its potential to help make the UK a world leader in the supply and deployment of low carbon technology and the catalyst for a green jobs boom.
7. **Expertise & Advice:** The Green Investment Bank should act as a central point of technical expertise and advice to central and local Government on low carbon finance. It should act in an advisory capacity to Government to ensure new policy frameworks being developed are 'bankable' and should also have the ability to provide specialist assistance and advice to the private sector on developing first of a kind products to grow new low carbon markets.

At a critical time for our country we call on the Government to lead by advancing an ambitious and effective vision for the Green Investment Bank, putting it at the heart of our economic recovery and opening the road to a low carbon future.



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