

Aldersgate Group response to Treasury Committee inquiry on the National Wealth Fund

April 2025

Introduction

The Aldersgate Group is an alliance of major businesses, academic institutions and civil society organisations which drives action for a competitive and environmentally sustainable UK economy.¹ Our corporate members represent all major sectors of the economy and include Associated British Ports, Aviva Investors, BT, CEMEX, the John Lewis Partnership, Michelin, Nestlé, Siemens, SUEZ, Tesco, and Willmott Dixon. Aldersgate Group members believe that ambitious environmental policies make clear economic sense for the UK, and we work closely with members when developing our independent policy positions.

The inquiry, including the full list of questions, is available [here](#).

Questions

1. How successful is the National Wealth Fund likely to be in (1) mobilising private investment and (2) stimulating economic growth?

The National Wealth Fund (NWF) builds on the achievements of its predecessor, the UK Infrastructure Bank (UKIB). From its launch in June 2021 to November 2024, the UKIB invested £4.7 billion in projects across the UK, helping to unlock £12 billion in private finance and creating or supporting around 17,300 jobs.²

As the UK government's principal investor and policy bank, its success is likely to be determined by two factors: first, its capitalisation, and second, the wider enabling policy environment.

The NWF's ability to mobilise private investment at scale to tackle climate change and deliver economic growth is determined, to a large degree, by its financial capacity. The NWF has a total capitalisation of £27.8 billion, made up of £22 billion inherited from the UKIB and an additional £5.8 billion, committed over this Parliament. Despite this uplift, the NWF is still very limited in scale, both when compared with international counterparts and with the financing formerly provided by the European Investment Bank (EIB). Research has suggested that the EIB invested £146 billion into the UK (an average of £6 billion a year) in real terms, between 1970 and 2016.³ In 2016 alone, the EIB provided £7.5 billion in lending within the UK. This is significantly more than the total investment provided by the UKIB between 2021 and 2024. Additionally, as currently set up, the NWF cannot leverage its capital, as its lending is on the government's balance sheet, which sets limits on borrowing.

The NWF has a remit to support the delivery of the government's industrial strategy, but to be successful, the industrial strategy also needs to provide an enabling policy environment

¹ Individual recommendations cannot be attributed to any single member and the Aldersgate Group takes full responsibility for the views expressed.

² National Wealth Fund, 2024, [Annual Report and Accounts 2023-4](#)

³ UK in a changing Europe, 2023, [The investment gap: The UK's efforts to replace the European Investment Bank](#)

for growth sectors. Capital alone is not sufficient to mobilise private sector investment into low-carbon projects such as clean energy, advanced manufacturing, or transport. To attract private investment, the NWF must be supported by accompanying real economy policy, such as regulation, to provide a long-term visibility and strong demand signals. Equally, planning reforms and public investment in enabling infrastructure for decarbonisation (such as electrical grid infrastructure, hydrogen transport and storage, and CCUS) are essential, as uncertainty on infrastructure feasibility acts as a barrier to business and investor decision making.

2. The Chancellor has given the National Wealth Fund two strategic objectives: (i) supporting regional and local economic growth and (ii) tackling climate change. How will these two objectives work together?

The NWF's objectives of tackling climate change and supporting regional and local economic growth can work hand-in-hand.

Recent research by ECIU has found that the net zero economy has become a significant driver of growth, generating significant economic and social benefits throughout the UK. Between 2023-4, the sector grew 10.1% and generated £83.1 billion in Gross Value Added. Additionally, the research highlighted the West Midlands, Yorkshire & the Humber, and South West England as the largest contributors to the UK's net zero economy, accounting for 5.5%, 5.4%, and 5.4% of the national total respectively.⁴

Focusing on sectoral clusters can also help drive place-based decarbonisation, while unlocking new opportunities for growth and investment. Heavy industries in the UK, for example, are concentrated in industrial clusters (e.g., Grangemouth, Merseyside, Humberside, South Wales). Decarbonising these sites is not only key to accelerating progress towards the UK's climate goals, but can also play a role in closing regional inequalities by creating jobs away from London and the South East, typically paying salaries higher than regional and national averages.⁵

3. The Chancellor's strategic direction sets clean energy, advanced manufacturing, digital technologies, and transport as priority sectors for the National Wealth Fund. Are these the right priority sectors? Should others have been included?

Clean energy, advanced manufacturing, digital technologies, and transport are the right sectors for the NWF to prioritise.

It should be noted that the NWF's priority sectors are broadly the same as the UKIB's five priority sectors, except for water and waste, which has been replaced by advanced manufacturing. It is helpful that there has been minimal change, as UKIB has developed capacity and expertise in these areas since its launch to enable its lending and commercial and financial advisory services.

Moreover, with limited capitalisation (see answer to question 1), there is a risk that prioritising too many sectors could hinder the effectiveness of the NWF by spreading its capacity (both human and financial) too thinly.

⁴ ECIU, 2025, [The future is green: The economic opportunities brought by the UK's net zero economy](#)

⁵ See WPI Economics report for Aldersgate Group, 2023, [Economic benefits of industrial decarbonisation: A low carbon industrial future for the UK](#)

Within these priority sectors, the NWF should look to take a whole-value chain approach to identify where barriers to growth and finance exist within supply chains or in supporting infrastructure. The UKIB has previously worked in this area, having provided an equity investment of approximately £24 million to support Cornish Lithium in the development of the UK's critical minerals supply chain.⁶

Although nature is not a priority sector, the NWF should look to build on the UKIB's work on the topic. The Bank published a discussion paper on the role of the UKIB in natural capital markets in 2022,⁷ before announcing its first natural capital transaction in 2023.⁸ Natural capital markets and nature-based solutions (NbS) can support the NWF's mission of tackling climate change and supporting local and regional growth. They can also be complementary with the NWF's priority sectors. NbS, for example, can augment grey infrastructure projects to protect them from the impacts of climate change. A dedicated environmental impact investment would help support the development of high-integrity nature markets and crowd in private investment.⁹

4. How attractive is the National Wealth Fund likely to be as a partner for the private sector? Is the private sector sufficiently aware of the opportunities available within the National Wealth Fund?

The NWF is likely to be an attractive partner for the private sector, as it can help de-risk investments in two key ways:

First, as the NWF is state-owned, it will have a higher credit rating than most private lenders. This allows the NWF to offer lower rates of interest to make investments – such as emerging and riskier technologies – more attractive to the private sector.

Second, while the NWF is operationally independent, the fact that it is backed by HM Treasury will boost private sector confidence by showcasing the government's commitment to sharing risks. The NWF's alignment with the government's strategic priorities will enable the market to invest in confidence in clean energy and growth industries – reducing potential political and regulatory risk.

As highlighted by the NWF Taskforce, the NWF should be accompanied by a “review of the government-owned development finance institutions with the objective of simplification, building economies of scale and reducing friction for private investors”.¹⁰ Our members have expressed that following the recent updates to the UK public finance landscape, there is a strong need for greater clarity of mandate and synergies between public finance bodies and towards the private sector. To this end, we welcome the government's establishment of a new Strategic Public Investment forum to join up policymakers and public financial institutions.¹¹

⁶ National Wealth Fund, 2023, [Bank invests to strengthen domestic lithium supply chain and boost Cornish economy](#)

⁷ UKIB, 2022, [Discussion paper - Our role in Natural Capital Markets](#)

⁸ UKIB, 2023, [UK Infrastructure Bank announced first natural capital transaction](#)

⁹ See Aldersgate Group, 2024, [Why nature matters for business](#)

¹⁰ Green Finance Institute, 2024, [National Wealth Fund Taskforce](#)

¹¹ HMT, 2025, [Statement of Strategic Priorities to the National Wealth Fund](#)

5. How can the National Wealth Fund ensure that it is crowding in rather than crowding out private sector investment?

It is critical that the NWF does not invest in projects where private sector investment is also viable as this will lead to an inefficient use of public funds, reduce market competitiveness, and potentially delay the deployment of low-carbon technologies.

To ensure the NWF is crowding in private sector investment, the NWF should target projects where private finance is not already flowing in sufficient amounts, where it will have the most impact, and where managing the socio-economic impact of the transition is the hardest.

The NWF's first investment is a good example of a strategic approach. In October 2024, the NWF provided a £750 million guarantee to Lloyds Banking Group and Barclays UK Corporate Bank to enable them to deliver £1 billion of flexible and competitively priced lending to the social housing sector for retrofit.¹² Not only is social housing an effective way of scaling the retrofit market due to its centralised ownership and management, but it also provides significant social value by reducing energy bills for low-income and vulnerable households. Furthermore, the guarantee will incur no cost to the NWF unless the loans default.

To ensure the NWF is continually crowding in private sector investment, the NWF should conduct regular reviews of the investment landscape and engage closely with the private sector.

7. How similar is the National Wealth Fund to its predecessor, the UK Infrastructure Bank? What lessons can the National Wealth Fund learn from the UK Infrastructure Bank?

The overarching missions of the NWF remains the same as the UKIB: to support regional and local economic growth and to help tackle climate change.

In terms of approach, the NWF builds on the UKIB in several different ways:

- *Scope.* The NWF's remit has been expanded beyond infrastructure and will focus on enabling investment in capital intensive projects, businesses, or assets which support the delivery of the government's Industrial Strategy. The NWF has similar priority sectors as UKIB, except for waste and water which has been replaced with advanced manufacturing.
- *Capitalisation.* The NWF has a total capitalisation of £27.8 billion, made up of £22 billion inherited from the UKIB and an additional £5.8 billion committed over this Parliament for green hydrogen, carbon capture, ports, gigafactories, and green steel.
- *Risk appetite.* The NWF has a greater risk appetite than the UKIB. The NWF's economic capital limit has been increased from £4.5 billion to £7 billion in its Financial Framework.
- *Additionality.* The NWF has been given a steer to prioritise crowding in private capital at a sectoral level, rather than focusing narrowing on individual projects.

¹² National Wealth Fund, 2024, [National Wealth Fund, Barclays UK Corporate Bank and Lloyds Banking Group join forces to unleash £1 billion to retrofit social housing](#)

- *Financial instruments.* The NWF will have an expanded suite of financial instruments, such as performance guarantees and trialling new blended finance solutions with government departments.

The main lesson the NWF should learn from the UKIB is the importance of having the right corporate governance structures. The Public Accounts Committee attributed the UKIB's initial low-risk investment deals (such as broadband and solar farms) to weak corporate governance.¹³ As the Bank was established at pace, it was operational before it had an effective audit and risk committee and suite of non-executive directors in place. Additionally, the Bank opted for low-risk early deals because it lacked the necessary skills and expertise to handle deals with a higher risk profile.

To succeed, and to achieve the Chancellor's goal of doubling its investment activity relative to the 2024-5 financial year,¹⁴ the NWF needs to be properly resourced with sufficient capacity and expertise.

8. What degree of independence will the National Wealth Fund have from HM Treasury?

The NWF is wholly owned and backed by HM Treasury, although it is operationally independent.

As highlighted by the National Wealth Fund Taskforce,¹⁵ the NWF must operate at arms-length from government to maintain its market and commercial credibility. The Green Investment Bank (2012-2017), for example, had an independent chair who appointed a board of eight, only one of which was a government-appointed representative. At its peak, the Bank had 140 employees, and at most it only ever employed two people from the public sector.

While operating independently, there is an opportunity for the NWF to act as a single feedback loop to the government by sharing its market expertise across priority sectors to help improve understanding of challenges and inform policy interventions. Here, the NWF can learn from the US's Loan Programs Office which produced dozens of "Pathways to Commercial Liftoff" reports during the Biden Administration. Using the unique insights of the Loan Programs Office into the market barriers facing emerging sectors critical to the energy transition, each report looks at the commercialisation outlook of different technologies (e.g., clean hydrogen, industrial decarbonisation, and long duration energy storage).¹⁶

9. What can the National Wealth Fund learn from international counterparts which have similar objectives or functions? How will the National Wealth Fund work with its counterparts in the devolved nations: the Scottish National Investment Bank, the Development Bank of Wales and the Northern Ireland Investment Fund?

The parallels which can be drawn from international counterparts are limited because the NWF has a significantly smaller capital pool. The German KfW, for example, has €545 billion

¹³ Public Accounts Committee, 2023, [The Creation of the UK Infrastructure Bank](#)

¹⁴ HMT, 2025, [Statement of Strategic Priorities to the National Wealth Fund](#)

¹⁵ Green Finance Institute, 2024, [National Wealth Fund Taskforce](#)

¹⁶ US Department of Energy, [Pathways to Commercial Liftoff Reports](#) (last accessed 07/04/2025)

in total assets.¹⁷ Italy's Cassa Depositi e Prestiti (CDP) has €468 billion in total assets.¹⁸ Japan's Development Bank of Japan has ¥21,699 billion (US\$143.3 billion) in total assets.¹⁹ With a significantly larger capital pool, these national development banks can finance more ambitious and higher-risk projects.

These national development banks have been able to scale their investment activity to this size because they can borrow directly from capital markets. The KfW, for instance, plans to raise €65-70 billion in the capital markets in 2025, of which €10 billion is to be raised via green bonds.²⁰

The NWF, similarly, should be able to raise its own funds by creating its own debt through issuing bonds once it has established a sufficient track record. This would enable the NWF to leverage its balance sheet and increase its overall capital pool.

The NWF should also work closely with its counterparts in the devolved nations to ensure both that investments are complementary and that investment opportunities are being fairly shared across regions. Analysis of the EIB found that investments in the UK were largely focused in London, the North West, and Scotland, with regions/nations such as the East Midlands and Northern Ireland receiving the least.²¹ A review of the government-owned development finance institutions with the objective of simplification would reduce the risk of duplication and help the private sector to navigate between different public finance bodies.

10. By what criteria should the National Wealth Fund be judged?

The government has set a target for the NWF to mobilise private investment at a ratio of 3:1 at a portfolio level. The impact of the NWF, however, should be judged on more than the quantum of private sector investment crowded in.

The NWF should also be assessed by its impact on carbon emissions reductions, as well as its socio-economic impact. It will be important, for example, for the investment principles of the NWF to recognise the wider value of futureproofing industrial sectors and jobs.

11. What are the risks inherent in the National Wealth Fund? What are the risks that National Wealth Fund will lead to the Government funding either poor value for money projects and/or the Government having to spend more than anticipated due to defaults on the loans it is guaranteeing?

The main risk associated with the National Wealth Fund is that it uses public investment in a non-strategic way, crowding out private investment, delaying the deployment of low-carbon technologies, or enhancing returns for private investments without delivering commensurate public benefits.

¹⁷ KfW, 2024, [Financial statements 2024](#)

¹⁸ CDP, [Investors](#) (last accessed 08/04/2025)

¹⁹ Development Bank of Japan, 2025, [Current Overview of Development Bank of Japan Inc.](#)

²⁰ KfW, 2024, [KfW's funding team is walking the talk](#)

²¹ UK in a changing Europe, 2023, [The investment gap: The UK's efforts to replace the European Investment Bank](#)

There is also a risk that government funding will be poor value for money (see answer to question 12) or that the government will have to spend more than anticipated due to defaults on the loans it is guaranteeing. This is unlikely, however, as historically the default rates for infrastructure debt are comparatively much lower than other debt asset classes.²²

These risks can be mitigated through strong corporate governance structures, for example, by hiring staff with private sector experience with risk management skills.

12. Do we need to accept that some of the projects funded by the National Wealth Fund will fail or be poor value for money? What kinds of failure does the Government need to tolerate in projects funded through the National Wealth Fund?

Yes, we will need to accept that some projects will fail or be poor value for money. If the NWF has no tolerance for this, the risk appetite will be set too low – limiting access to finance for emerging and riskier technologies.

²² Schroders Capital, 2023, [Infrastructure debt remains resilient in the face of macro headwinds](#)