ALDERSGATE GROUP
LEADERS FOR A SUSTAINABLE ECONOMY

BRIEFING

MAXIMISING THE IMPACT OF THE NATIONAL WEALTH FUND

JULY 2025

Summary

As the UK's principal investor and policy bank, the National Wealth Fund (NWF) has the potential to be a transformative force in support of the transition to a sustainable and resilient economy, by attracting investment and unlocking growth opportunities across the UK.

Following on from the work of its predecessor, the UK Infrastructure Bank (UKIB), the Aldersgate Group welcomes the Fund's new strategic direction, including its increased capitalisation and risk appetite, broader financial toolkit, and expanded remit to support the UK's Industrial Strategy and 10 Year Infrastructure Strategy.

To maximise the Fund's impact, and crowd in investment at the pace and scale required, the government needs to take the following actions:

- In the near term: Improve coordination across public financial institutions by clarifying mandates and synergies between institutions and creating a feedback mechanism to inform public policy.
- In the long term: Empower the NWF to borrow directly from capital markets to enhance its financial firepower.

The NWF, meanwhile, should consider the following steps:

- Expand the Fund's financial tools to attract institutional investor capital, particularly by aligning products with pension and insurance requirements (such as their fiduciary duty, risk tolerance, and solvency) and creating aggregation vehicles to scale investments.

- Closely engage with the private sector to gather views on investment opportunities.
- Highlight where lessons can be learned from the UKIB and previous deals to overcome challenges as the Fund progresses further.

What is the National Wealth Fund?

The NWF was launched by the UK government in October 2024, replacing the UKIB.

As set out in the Chancellor's Statement of Strategic Priorities,[1] the NWF has two strategic objectives: supporting regional and local economic growth and tackling climate change. The Fund has been instructed to prioritise clean energy, digital and technologies, advanced manufacturing, and transport. It will also consider the role it can play in supporting the delivery of the wider Industrial Strategy and Infrastructure Strategy.

The NWF aims to achieve its mission against a triple bottom line of helping deliver the government's growth and clean energy missions, generating a return for the taxpayer, and crowding in significant private capital over time. Broadly speaking, the NWF can deliver this in three main ways:

1. **Financial tools.** The Fund has a range of financial tools – including direct equity investments, loans, guarantees, and blended finance solutions – to help de-risk projects and make them more attractive for the private sector.
2. **Operational independence.** While the NWF is owned and funded by HM Treasury, it is operationally independent. The NWF's independence is integral to its credibility and ability to crowd in capital. Government interference in its investment decisions could compromise this by steering funds towards uneconomic projects beyond its remit, which should instead be pursued through normal departmental spending.
3. **Technical assistance.** The NWF offers commercial and financial advisory services to local authorities. This capacity building can help enable local authorities to turn concepts into investable propositions with a well-developed and bankable businesses case.

1. HM Treasury, 2025, Statement of Strategic Priorities to the National Wealth Fund

Since launching in October, the NWF has announced several deals. These include a £750 million guarantee to Lloyds Banking Group and Barclays UK Corporate Bank to enable them to deliver £1 billion of lending for social housing retrofit,[2] a £55 million equity investment (alongside a £10 million equity investment from Aviva Investors) in Connected Kerb to accelerate the UK's EV public charging network expansion,[3] and a £600 million loan to Scottish Power (part of a wider £1.35 billion financing package) to deliver transmission grid upgrade projects.[4]

How does the NWF differ from the UKIB?

The transition from the UKIB to the NWF represents evolution, not revolution. At a high level, the strategic objectives of the NWF remains the same. In terms of approach, however, the Fund differs in several important ways:

1. **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.[5]

2. **Remit.** The NWF's priority sectors are broadly the same as the UKIB's five priority sectors, except for water and waste sectors, which have been replaced by advanced manufacturing. The Fund has also retained flexibility to invest in wider sectors to support the government's Industrial Strategy and Infrastructure Strategy, such as natural capital.[6]

3. **Risk appetite.** The NWF's economic capital limit has been increased from £4.5 to £7 billion in its Financial Framework. This gives the Fund the capacity to take up to five times more risk than commercial banks.[7]

The Aldersgate Group welcomes the NWF's new strategic direction, which will help the Fund to be more catalytic and impactful. The inclusion of advanced manufacturing, for example, will encourage the NWF to adopt a whole-value chain approach. Such an approach will help the NWF to identify cross-sector opportunities and maximise potential for spill-over benefits

2. NWF, 2024, National Wealth Fund, Barclays UK Corporate Bank and Lloyds Banking Group join forces to unleash £1 billion to retrofit social housing
3. NWF, 2025, Connected Kerb secures £65m backing from The National Wealth Fund and Aviva to accelerate the UK's EV public charging network expansion
4. NWF, 2025, National Wealth Fund backs Scottish Power to boost UK grid upgrades
5. HM Treasury, 2025, Spending Review 2025
6. NWF, 2025, Financing the Future: A statement of intent by the National Wealth Fund
7. Ibid.

and success.[8] Upgrading port facilities, for instance, can help unlock the offshore renewable generation sector.

Additionally, the Fund's expanded mandate and enhanced risk appetite will enable it to support more projects that struggle to access private finance, such as first-of-a-kind (FOAK) technologies. Here, the Fund can learn from the UK Green Investment Bank (2012-2017), which invested in high risk, high-impact FOAK projects (see Case Study 1).

CASE STUDY 1

The UK Green Investment Bank's investment in first-of-a-kind offshore wind project

In 2014, the UK Green Investment Bank (GIB) invested £461 million alongside Japan's Marubeni Corporation to jointly purchase a 50% stake in DONG Energy's (now Ørsted) Westermost Rough offshore wind farm.[9]

This project was significant because it was the first commercial deployment of Siemens' next generation 6MW direct drive turbines, which, at the time, were almost twice the size of the typical existing turbine in UK waters. This represented an important step in reducing the costs of offshore wind construction and power generation.

This deal also contributed to the development of a supply chain for offshore wind in the UK, providing confidence to manufacturers, developers, and investors.

At the time, DONG Energy expressed that this project would not have taken off without the equity stake of the UK GIB.[10]

Recommendations for government

Between June 2021 and October 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.[11]

8. See Aldersgate Group, 2024, Placing decarbonisation at the heart of industrial strategy
9. Green Investment Group, 2014, UK Green Investment Bank invests £461m in the UK offshore wind sector
10. Aldersgate Group, 2015, Written evidence submission to Environmental Audit Committee's inquiry on the Future of the Green Investment Bank
11. National Wealth Fund, 2024, Annual Report and Accounts 2023-4

To build on these early successes and attract private investment at the pace and scale required to support the delivery of the government's growth and clean energy missions, the government must take near and long-term actions to support the Fund.

Critically, the NWF must be supported by accompanying real economy policy, including public investment, planning policy, energy market reform, carbon pricing, and skills development. This is essential to create an enabling environment for private investment.

Jointly, there must also be a plan to boost UK public capital markets. A challenging public markets environment has a knock-on effect on private investor appetite. This requires reform at a regulatory level and cannot be driven by merely relying on private markets and those companies – with or without NWF involvement – to support the UK markets from the 'bottom up'.[12]

The Fund must be given time to establish a track record, strengthen its institutional capacity and capabilities, and develop a robust investment portfolio. Lessons from previous state-owned economic development institutions – such as the UK Green Investment Bank (2012–2017) and the UK Infrastructure Bank (2021–2024) – underscore the importance of long-term commitment, as these institutions were not afforded the time needed to deliver their full potential.

NEAR TERM:

Improve the clarity of mandate and coordination between public financial institutions (PFIs)

The UK has a complex and fragmented PFI ecosystem. Not only are there national bodies such as Innovate UK, the British Business Bank, and UK Export Finance, but devolved ones like the Scottish National Investment Bank, the Development Bank of Wales, and the Northern Ireland Investment Fund.

The establishment of the NWF and Great British Energy (which will also co-invest in emerging energy technologies) adds further complexity to the ecosystem. Our members have expressed the need for greater clarity of mandate and alignment between PFIs.

The launch of the new Strategic Public Investment Forum to join up policymakers and PFIs is a positive first step.[13] As part of this, HM Treasury has published a diagram mapping out each institution's remit, the stages of commercial maturity at which they operate, and the types of support they provide. Additionally, the establishment of a concierge service in the Office for Investment will help investors and project developers to navigate the public finance offer.[14] Building on this, the government should:

12. Railpen, 2025, Written evidence to Treasury Committee inquiry on the National Wealth Fund

13. HMT, 2025, Launch of the UK Strategic Public Investment Forum

14. HMG, 2025, The UK's Modern Industrial Strategy

- **Provide further clarity on the role of different PFIs**, particularly about where their remit intersects, how they work with devolved counterparts and local government, and their respective ticket sizes. It has been pointed out that there is a gap between the largest ticket size of the British Business Bank (£10m) and the indicative minimum ticket size of the NWF (£25m), which could impact growth-stage companies' ability to access finance.[15]

  In June 2025, Great British Energy, the NWF, the Scottish National Investment Bank, The Crown Estate, Crown Estate Scotland, and the Development Bank of Wales agreed to work together to offer investors and project developers a "clear funding pathway to deliver offshore wind power in the UK".[16] This initiative should be replicated across other sectors to ensure complementarity and create a pipeline of investment opportunities for the NWF.

- **Create mechanisms for PFIs to feedback to government and the private sector.** The NWF has indicated it will be a "centre of expertise for government, providing market insight, identifying and developing solutions to unlock finance barriers by working closely with policymakers".[17] It is unclear how PFIs, like the NWF, will input into government. Here, the government can learn from the experience of the United States' Loan Programs Office (see Case Study 2).

CASE STUDY 2

The US Loans Programs Office[18]

The Department of Energy's Loan Programs Office (LPO) provides debt financing for high-impact, large-scale energy infrastructure projects in the United States.

During the Biden Administration, the LPO produced dozens of 'Pathways to Commercial Liftoff' reports. Using their unique insights into the market barriers facing emerging sectors critical to the energy transition, each report examined the commercialisation outlook of different technologies (e.g., clean hydrogen, industrial decarbonisation, and long duration energy storage).

The 'Pathways to Commercial Liftoff' reports were useful not only as a resource for governmental departments, but as a means of engagement with the private sector to help accelerate the commercialisation and deployment of clean energy technologies.

15. UK Finance, 2025, Written evidence to Treasury Committee inquiry on the National Wealth Fund
16. Great British Energy, 2025, United towards clean power
17. NWF, 2025, Financing the Future: A statement of intent by the National Wealth Fund
18. US Department of Energy, Pathways to Commercial Liftoff Reports (last accessed 27/05/2025)

LONG TERM:
Allow the NWF to borrow directly from capital markets

Compared with international counterparts, the NWF has a significantly smaller capital pool. The German KfW, for example, has €545 billion in total assets.[19] Italy's Cassa Depositi e Prestiti (CDP) has €468 billion in total assets.[20] Japan's Development Bank of Japan has ¥21,699 billion (US$143.3 billion) in total assets.[21] 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, now raises 90% of its funding on capital markets.[22]

The NWF, similarly, should be able to raise its own funds by creating its own debt by issuing bonds. This would enable the NWF to leverage its balance sheet and increase its overall capital pool. This should only be done once the NWF has established a proven track record and when its portfolio has reached a sufficient size where income can absorb potential credit losses.

Considerations for the NWF

The NWF is due to publish a Strategic Plan in the early summer. This plan will set out how the Fund aims to deliver on its mission of tackling climate change and supporting economic growth across the regions and nations of the UK.

In this Strategic Plan, the NWF should consider how best it can unlock investment from across the entire capital spectrum. The UK pensions and insurance sectors can – and already does – play an important role in financing the transition to a net zero and nature-positive economy, with £3.1 trillion in collectively managed assets.[23]

As highlighted by Phoenix Group,[24] the Fund's financial products must 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 NWF should:

19. KfW, 2024, Financial statements 2024
20. CDP, Investors (last accessed 08/04/2025)
21. Development Bank of Japan, 2025, Current Overview of Development Bank of Japan Inc.
22. UCL Institute for Innovation and Public Purpose, 2023, Mission-oriented development banks: the case of KfW and BNDES
23. Phoenix Group, 2025, Unlocking investment in climate solutions
24. Ibid.

- **Expand its financial products to align with the regulatory requirements of the pension and insurance sectors.** The NWF, for example, offers four different types of guarantees which typically cover 70-80% of the principal and interest. Crucially, however, these guarantees exclude make-whole provisions which allow the borrower to pay off the remaining debt early. This approach does not align with the requirements for Matching Adjustment (MA) eligibility under Solvency UK and creates a significant barrier to investment for institutional investors.

- **Create aggregation vehicles to scale investments.** The minimum ticket size of institutional investors ranges from tens to hundreds of millions of pounds. This means that many projects, particularly those in emerging sectors, lack the necessary scale. Aggregating smaller projects into a single investment product like a fund or asset-backed security could help to lift projects to the institutional investor level and create a more diversified and lower-risk portfolio, enabling MA eligibility under Solvency UK.

The NWF's Strategic Plan will also identify investment opportunities across its four priority sectors. To support this, the NWF should:

- **Closely engage with the private sector to gather views on investment opportunities.** In 2022, the UKIB published a discussion paper setting out its understanding of the potential opportunities and, importantly, where it believed it shouldn't invest to avoid crowding out capital.[25] Publishing a similar paper ahead of the Strategic Plan could facilitate private sector input. Aldersgate Group member, National Grid, for example, has highlighted Offshore Hybrid Asset projects as a potential investment which would align closely with the NWF's strategic objectives.[26] Industrial decarbonisation may be another area for investment, but the Fund will need to develop expertise to best identify early-stage commercial technologies, where risk is too high for private sector investors and capital investment is the primary barriers to progressing industrial decarbonisation.

  Additionally, the NWF should consider how it can enable effective information exchange, both by drawing on insights from experts in the public and private sectors to enhance its understanding of priority economic sectors, and by sharing its own knowledge with local authorities, businesses, and other stakeholders to help unlock private investment.

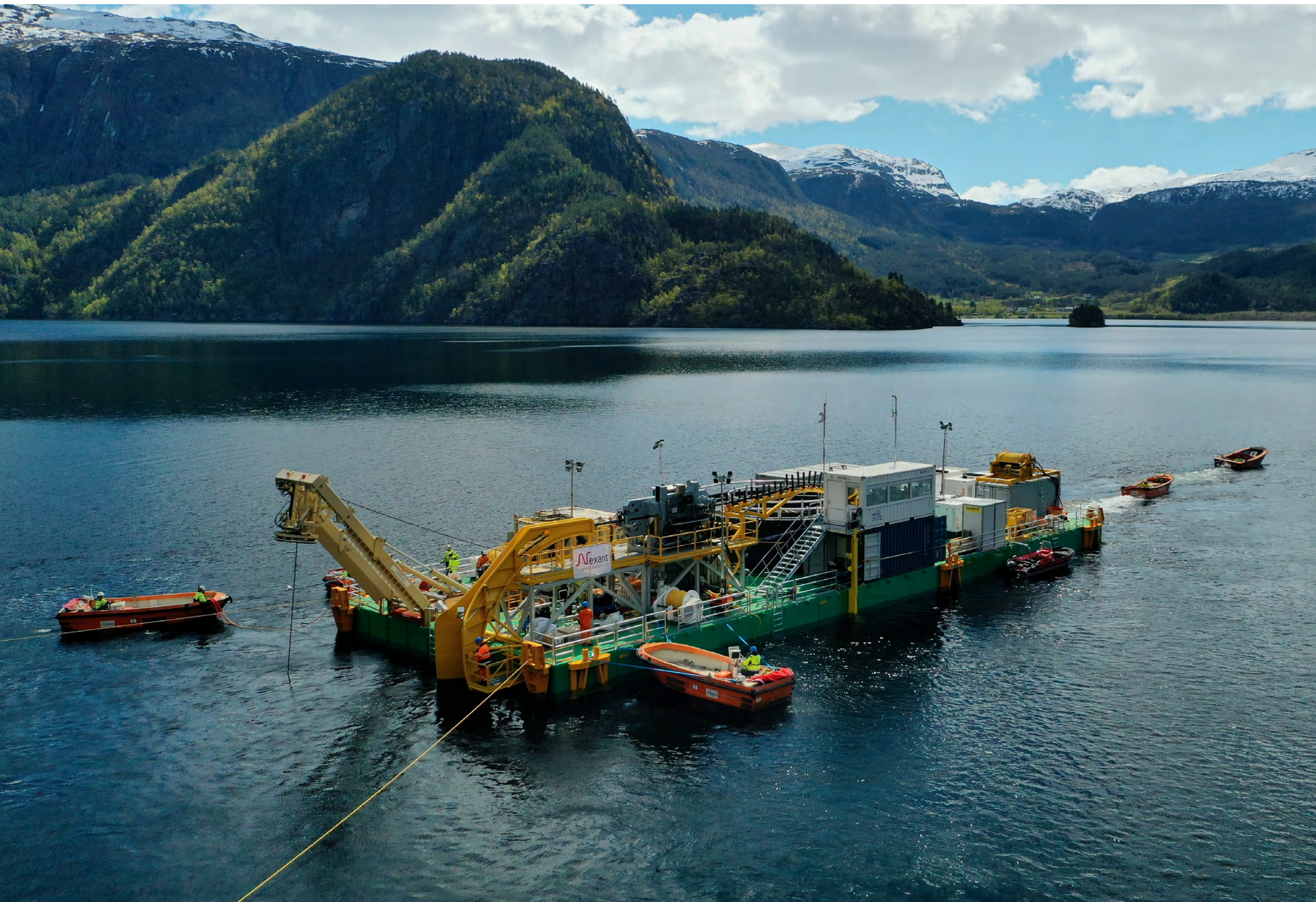
25. UKIB, 2022, Discussion paper: Potential private sector opportunities in priority sectors
26. National Grid, 2025, Written evidence to Treasury Committee inquiry on the National Wealth Fund

Finally, to effectively build on its predecessor, the NWF's Strategic Plan should:

- Highlight where lessons can be learned from the UKIB and previous deals to overcome challenges as the Fund progresses further. The UKIB has received criticism for investing in low-risk projects which failed to provide additionality (such as solar or broadband),[27] investing in fee heavy infrastructure funds[28], having insufficient in-house skills and expertise,[29] and significantly underspending on its annual financing capacity of £5.5 billion.[30] The NWF's Strategic Plan should address how it plans to avoid crowding out capital, develop skills and expertise for its new priority areas, and disburse capital more quickly.

  Additionally, the Strategic Plan should set out its success criteria, including what metrics will determine if it is delivering against its triple bottom line and strategic objectives.

27. Committee of Public Accounts, 2023, The Creation of the UK Infrastructure Bank
28. Railpen, 2025, Written evidence to Treasury Committee inquiry on the National Wealth Fund
29. Committee of Public Accounts, 2023, The Creation of the UK Infrastructure Bank
30. New Economics Foundation, 2025, Firing up the fund: Empowering the National Wealth Fund to meet the UK's needs



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