INFRASTRUCTURE BANK

STRATEGIC PLAN

FOREWORD FROM THE CHEIF EXECUTIVE

John Flint

The UK Infrastructure Bank opened its doors in June 2021, and I was honoured to join as the Bank's first permanent CEO in September 2021.

I am pleased with the progress we made in our first year. We closed 7 deals worth £610 million - mobilising over £4.2 billion of private capital, opened two offices, onboarded 146 staff and started to build relationships with our stakeholders.

I am grateful for the warm welcome we have received from stakeholders across the country, including those in our home city of Leeds. We will invest across the UK and look to establish a presence in all four nations.

We were set up to tackle two urgent challenges – climate change and regional economic disparities.

Tackling climate change, particularly reaching net zero by 2050, is one of the biggest challenges facing the UK. Russia's invasion of Ukraine has highlighted the UK's dependence on fossil fuels and the impact this can have on people's bills. The Chancellor's strategic steer to the Bank is clear that the government's energy security ambitions complement our climate change objective. We will finance the scale up of existing green infrastructure and accelerate the deployment of new green technologies such as hydrogen and carbon capture usage and storage (CCUS).

On many measures the UK is one of the most geographically unequal developed economies. Opportunity is not spread equally across the country. Infrastructure can connect people and give individuals the opportunity to make the most of their talents without leaving their local area. Our net zero investments will benefit communities across the UK, helping to drive economic growth. We will invest to support the government's levelling up missions, particularly those relating to employment, productivity, and transport and digital connectivity.

I am proud of what the Bank has already achieved, but there is much more to do. This month, the Chair and I were delighted to announce the appointment of four new non-executive directors and five founding members of our executive team. They share our vision and bring a wealth of experience and expertise. We recently launched our recruitment campaign to hire permanent staff for roles across the Bank, moving away from our reliance so far on secondees and contractors.

We have an initial £22 billion of financial capacity. We will aim to deploy up to £3 billion of debt and equity and £2.5 billion of guarantees a year, committing our £22 billion over the next five to eight years, subject to the pipeline of investable projects in each year.

The publication of our first strategic plan is a crucial step in the Bank's development. This plan sets out how we will deliver on our mission to partner with the private sector and local government to increase infrastructure investment to help to tackle climate change and promote economic growth across the regions and nations of the UK.

We have identified a wide range of investment opportunities and we will respond to changing market conditions, adjusting our investment focus appropriately. Several of our early investments have financed the roll-out of gigabit capable broadband, particularly to harder-to-reach areas, reflecting the current financing conditions in the sector. Over time, we expect clean energy will emerge as our largest sector, reflecting its importance to the UK's net zero and energy security ambitions.

We want to lead the market in tackling specific infrastructure challenges. We are still considering which challenges we will look at first – options under consideration include financing the roll-out of electric vehicle charging points, the retrofit of buildings, the scale up of storage technologies or new net zero technologies such as low-carbon hydrogen and CCUS.

These are not challenges we can tackle alone – to succeed we need to partner with our public and private stakeholders. We will work with the UK government and the devolved administrations as they develop policy frameworks to help unlock investment and with the private sector to understand how we can crowd-in private capital.

We are a young organisation. I want the Bank to be a place where the best and the brightest of the public and private sector work together, energised by the opportunity to tackle major infrastructure challenges. And in doing so, make a difference to the lives of everyone in the UK.

John Flint
CEO
UK Infrastructure Bank

EXECUTIVE SUMMARY

Executive summary

The UK Infrastructure Bank is a new, government-owned policy bank, focused on increasing infrastructure investment across the United Kingdom.

Our mission is to partner with the private sector and local government to **increase infrastructure investment** in pursuit of our two strategic objectives:

- **to help tackle climate change**, particularly meeting the government's net zero emissions target by 2050
- **to support regional and local economic growth** through better connectedness, opportunities for new jobs and higher levels of productivity

This is our **first strategic plan** – it sets out how we will deliver on our mission.

We launched, in interim form, in June 2021. Over the past year we have started to scale up our activity, increasing our capability and capacity. We have closed 7 deals worth £610 million.

We will continue to build out the bank over the coming years. **Our ability and bandwidth to tackle the infrastructure challenges set out in this plan will increase over time, as we recruit more permanent staff.**

This plan builds on the potential private sector opportunities in priority sectors discussion paper we published in January 2022. We tested this paper with over 100 stakeholders and their feedback has informed this plan.

We will act in line with our operating principles:

1. **Delivering on our triple bottom line:** achieving policy objectives, crowding-in private capital and generating a positive financial return

2. **Impact and credibility:** we will focus our investments where we can maximise our impact

3. **Partnership:** we will collaborate with private and public sector stakeholders

4. **Operational independence:** we are wholly owned and backed by HM Treasury, but we have operational independence in our day-to-day activity

5. **Flexibility:** market conditions evolve, and we will change with them. We will review our focus annually – adapting our approach and priorities. Our investment strategy is designed to be flexible and leverage our ability to invest across the capital structure. We will assess each deal on a case-by-case basis to identify the financing structure that best fits a deal's needs and supports the Bank's mission

What we offer

We have an initial **£22 billion of financial capacity.** We will aim to deploy up to £3 billion of debt and equity and £2.5 billion of guarantees a year, committing our £22 billion over the next five to eight years, subject to the pipeline of investable projects in each year.

Our **private sector function** will invest up to £8 billion and issue up to £10 billion of government guarantees. We will provide corporate and project finance and invest across the capital structure, including senior debt, mezzanine, guarantees and equity.

Our **local authority function** will lend up to £4 billion to local authorities at a preferential rate (gilts + 60bps) for high value and strategic projects of at least £5 million. We will take a phased approach to building our advisory function as we scale-up our internal expertise. In the first phase, we will run a number of targeted pilot projects in partnership with local authorities to test where and how we can best add value.

How we invest

We will assess investments against these principles:

- **Investment principle 1:** support our objectives to drive regional and local economic growth or support tackling climate change.
- **Investment principle 2:** be in infrastructure assets or networks, or in new infrastructure technology. We will operate across a range of sectors, but will prioritise in particular clean energy, transport, digital, water, and waste.
- **Investment principle 3:** be intended to deliver a positive financial return, in line with the Bank's financial framework.
- **Investment principle 4:** be expected to crowd in significant private capital over time.

Private sector projects must meet all four of our investment principles, and local authority projects must meet the first three.

Where we invest

We will invest across the infrastructure landscape, including in new infrastructure technology. We focus primarily on economic infrastructure.

We have five priority sectors set by HM Treasury

Clean Energy	Transport	Digital	Waste	Water

We will not invest across these sectors equally. We expect clean energy will be the largest sector in our portfolio, reflecting its importance to the UK's net zero and energy security ambitions. The remainder of our portfolio will be more heavily weighted towards transport and digital. Both sectors are crucial to linking people and places, and spreading opportunity more equally. Water and waste are likely to be our smallest sectors because this is where we currently see the fewest investment opportunities.

A summary of the investment opportunities we have identified is set out on page 10.

Measuring our impact

We want to maximise the impact of our investments, achieve our strategic objectives and deliver on our triple bottom line in a transparent and accountable way. We are starting with a small set of KPIs that will help inform our decision making in a quantifiable way and we will be transparent about the way in which we measure our investments. We will develop our approach over time as we build our capability, expand our portfolio and learn from the investments we make.

We will develop our ESG policy and framework over the next year. This will incorporate resilience to climate change as an additional pillar to form an Environmental, Social, Resilience and Governance (ESRG) framework.

Looking forward

This plan reflects our view, after only one year, on where we can best add value. We are a new organisation - we will continue to iterate and refine the thinking set out in this plan as we learn more about how best we can deliver on our mission. The plan will be reviewed and updated by the Board during 2023.

Our investment opportunities

We have identified the following investment opportunities. The Bank is not limited to these, and we encourage all projects that meet our investment principles to apply for financing.

Clean energy

Power

- finance the transition of mature renewable technologies to subsidy-free business models
- finance the deployment of new technologies for renewable power generation
- explore how the Bank can support the regulated asset base (RAB) model in attracting private finance into nuclear projects
- finance flexibility and storage technologies, such as battery projects

Hydrogen, fuel supply and industry

- finance new green technologies, particularly low carbon hydrogen and carbon capture usage and storage (CCUS)

Heat and buildings

- finance the deployment of retrofit, energy efficiency and heat technologies

Transport

- finance electric vehicle charging infrastructure, working with both local authorities and private providers
- finance local authorities to adopt zero emission buses
- finance the procurement of green rolling stock
- finance port infrastructure, particularly where it supports green industries
- finance mass transit systems and infrastructure upgrades

Digital

- finance the roll-out of gigabit capable broadband, particularly to harder-to-reach areas
- monitor 5G roll-out and help finance any emerging capacity gaps

Water

- finance projects procured under the direct procurement for customers (DPC) model
- consider the role we can play in nature-based solutions

Waste

- finance new and retrofitted energy from waste plants that include CCUS or significant heat offtake projects
- finance proposals that increase the scale and sophistication of recycling infrastructure

UK INFRASTRUCTURE BANK