Investment Delivery Forum

Partnership for Prosperity

Our policy programme to boost public-private sector partnership, catalyse investment and unlock growth across the UK

April 2024

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A Policy Programme for a Future Government

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Introduction

The Investment Delivery Forum (The Forum) was established by the Association of British Insurers (ABI) to channel the major insurance and long-term savings firms' £100 billion commitment into green and good infrastructure over the next decade following the introduction of Solvency UK. The insurance and long-term savings industry can play a vital role in providing the sustained, patient and stable capital that is needed to finance and deliver green and good infrastructure, especially in the areas of renewable energy, energy networks, and housing.

We recognise the importance of working in partnership with the public sector, government, regulators, and other stakeholders to ensure that major projects are aligned with the UK's net zero targets, deliver value for money, and benefit local communities and supply chains across the United Kingdom. Changes to the regulatory framework for insurers are due to be implemented this year via the Solvency UK reforms, which will help unlock £100 billion in productive investment over the next 10 years by expanding the range of assets in which the industry can invest.

Industry is committed to making these investments as quickly as the regulatory framework will allow, and The Forum is keen to share its expertise to identify and support the next generation of investment opportunities. The Forum is chaired by Baroness Nicky Morgan with three sub-committee groups and supported by an Advisory Panel of industry experts, including John Flint, the CEO of the UK Infrastructure Bank, Lord Grimstone of Boscobel, the former Minister for Investment, and Lord O'Neill of Gatley, the former Commercial Secretary to the Treasury.

Recent research shows that the UK is currently facing an investment shortfall of £615 billion, if it is to reach the £1.3 trillion needed for 2030 investment targets for reaching net zero across energy, transport and housing. Narrowing this investment gap will require government, industry and key stakeholders to work towards a clear plan for unlocking private capital for important infrastructure projects.

The Forum has focused its policy recommendations on three key sectors: Energy Generation, Energy Networks, and Housing & Property. Given the unique and complex reasons as to why the required net zero investment is not yet being made, each area requires different specialist knowledge and bespoke solutions. However, common themes have become apparent, including the need for closer work with government on risk-sharing, educating project owners on the industry's role as an investor, and the need for new investment models.

Given the scale of the investment challenge facing the UK, effective collaboration between the public and private sector will be critical to driving growth and catalysing investment in green and good infrastructure.

Solving the UK's investment gap: the opportunity for partnership

The global race for investors in low-carbon projects has intensified. Large subsidies and market signals such as the US Inflation Reduction Act have increased the attractiveness of the UK's competitors. Long-term industrial planning from other governments has seen economies such as China and the US 'corner' key green markets. Meanwhile, international agreements to a 'just transition' away from fossil fuels continue to encourage a global market shift.

The energy, transport and housing sectors need the confidence that their contribution to growth and job creation will be recognised and supported. This certainty will give businesses the confidence they need to catalyse investment in green and good projects and technologies.

Industry is ready to take the lead on innovation and support government to deliver growth across the UK. Lessons learned from the EV industry, for example, can provide a critical steer for how policymakers can avoid friction in the adoption of these emerging technologies, providing confidence to private capital looking to mitigate risk in their investments.

With reforms to Solvency UK rules set to be completed by the end of 2024, one of the critical areas holding back investment in renewable energy generation, the networks essential to decarbonising our energy and transport systems, and our insufficient and inefficient housing stock will be eased. Indeed, there is now a broad consensus that the private sector is better placed and able to inject the capital required to address the gaps than the taxpayer alone, with appetite across the board for it do so.

To maximise the potential of these reforms and deliver the best returns for the economy, communities and the environment, the public and private sector must work in close partnership.

Leveraging momentum after the General Election

Following the General Election, the next government can commit to a number of policy reforms and deliver the attractive investment environment that will enable the private sector to lead faster delivery of investment capital and unlock growth in every corner of the UK.

1. **Empower the Office for Budget Responsibility (OBR) and National Infrastructure Commission (NIC)** with a greater level of independence to avoid short-term decision making, and instead demonstrate the multiplier effect of good long-term investment in infrastructure. Requiring the OBR and NIC to evaluate major spending initiatives on criteria like job creation, long-term revenue growth and contribution to public assets will build investor confidence that government programs can effectively leverage private sector investment in clean infrastructure and other green initiatives. An empowered OBR could be underpinned by a new independent and expert Fiscal Policy Committee with a mandate to advise the government on the impact both of overspending and underinvestment in the economy.

2. **Empower the Industrial Strategy Council** with a new statutory mandate to evaluate the government's progress in delivering the aims of the Industrial Strategy – to boost productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK with investment in skills, industries, and infrastructure.

3. **Hold a Green Investment Summit** in the first three months following the General Election to act as a catalyst and facilitator for how private sector and investors can work together with government to meet its net zero objectives and invest in green infrastructure, building on the success of the UK's Global Investment Summit to showcase the UK as a world-leading investment destination.

4. **Remove delays for new homes and onshore wind power** in the first 100 days after the General Election by tabling a Statutory Instrument to amend the Planning Act to include major housing developments and onshore wind power as Nationally Significant Infrastructure Projects. This would provide certainty and long-term decision making for housing developers and energy providers by allowing them to directly apply for planning permission to the Planning Inspectorate.

5. **Restore mandatory housing delivery targets** for all areas of England by using the provisions of the 2023 Levelling-Up and Regeneration Act that enable the Secretary of State to set National Development Management Polices, which when there is a conflict in planning policy must take precedence over local planning policy.

Additional policy recommendations

Unleashing green and good investment

Post-Brexit, the UK is in a position to unlock private capital from the savings industry to catalyse investment in green and good infrastructure. Strengthening the private-public sector partnership will be critical to bridging the gap between funding shortfalls and regaining our position as an attractive global leader on net zero.

While the UK has made important strides towards creating an investment-friendly environment, further policy reforms are required to overcome critical barriers to investment, address investment shortfalls and deliver the long-lasting benefits of Solvency UK. Industry and government can work in partnership to place a renewed emphasis on promoting and attracting investment across the UK and our policy recommendations are focused on empowering the institutions that can help to deliver this.

- **Crowd in billions from private sector investment** by seizing the opportunities of Solvency UK reforms to mobilise institutional investments into assets with stable, long-term returns, and ensuring much-needed public funds are available for investment in areas where scale or investability mean insurers cannot crowd in for regulatory reasons, such as nascent and emerging technologies. This could be delivered through government guarantees, co-investment by government and strengthening blended finance partnerships at a national and local level to secure the long-term finance needed to meet the UK's net zero targets.

- **Strengthen the remit of the Office for Investment,** in line with the recommendations of the Harrington Review, with a targeted, proactive focus on strategic sectors and priorities and new powers to negotiate deals and partnerships with business. The Office for Investment could also develop regionalised structures in co-operation with combined authorities and local government to coordinate and attract investment locally.

Improving the energy efficiency of housing

The UK has the oldest and most energy-inefficient housing stock in Europe. As a result, bringing our homes up to modern energy standards will be critical for reaching Net zero emissions by 2050. Within the context of constrained public finances, investors need long-term policy planning to ensure risks to green investments are mitigated, particularly in the adoption of emerging technologies when rolling out a programme of retrofitting across Britain's housing stock.

- **Develop a framework for encouraging and requiring retrofitting**. Implementing long-term incentives and regulations would provide certainty and signal that the government aims to reduce energy costs and improve energy security by promoting home energy efficiency. This would provide certainty for investors to finance large-scale renovation projects, while meeting risk-return profile for insurers and pension plans. Any new framework for encouraging retrofitting must also consider how the UK will build the skills and worker pipeline to deliver the reforms required.
- **Incentivise improvement of Energy Performance Certificates (EPCs)** so they provide accurate and up-to-date information. High quality and reliable EPC data is vital for informed consumer choices and policymaking and would help to incentivise investment in the UK's building stock by providing investors with confidence on the addressable market and potential returns. Standardised metrics will help to benchmark efficiency investment opportunities across the housing portfolio, while the enhanced quality would enable investors to underwrite large-scale innovation loans.

Increasing delivery of quality, affordable, sustainable new homes

Britain faces an acute housing crisis and a shortfall of over 4 million homes, which continues to push up the average housing cost for both owners and renters. One of the critical blockers to delivering the homes that Britain needs is an antiquated planning system which often produces unpredictable results over slow timelines for developers and their investors. Government can enable investors and housebuilders to deliver the homes that Britain needs by moving major housing projects into the Nationally Significant Infrastructure Projects (NSIPs) regime and restore mandatory housing targets for all areas of England. The Forum also recognises the importance of local planning departments, and our policy recommendations will support them to deliver on local planning applications in a proactive and timely manner that provides certainty for investors.

- **Increase the New Homes Bonus for local authorities and build their capacity to develop strong, investable business cases for sustainable housing projects** to further incentivise planning approval and housing growth. The bonus provides a financial incentive for approving planning and enabling growth, but a lack of expertise in creating feasible proposals with long-term viability is a greater barrier to investment. Linking the bonus to sustainability attributes, including the energy efficiency rating of new builds will help to encourage local authorities to prioritise green developments. With energy efficient homes requiring higher upfront costs, increasing the bonus and building the expertise of local authorities also has the additional benefit of closing viability gaps that can constrain investment in sustainable housing.

- **Require local authorities to work together on housing delivery** to encourage regional cooperation. Facilitating a coordinated strategic planning process across local authority boundaries would incentivise developers, home builders and institutional investors to commit investment capital towards housing pipelines aligned with streamlined approval processes. This could be enabled by empowering Metro Mayors and Combined Authorities to delineate strategic growth locations across a city region, while supporting the aggregation and pooling of resources between local authorities. Developing models that allow local authorities to collaborate and combine capacities will help to overcome barriers to investment.
- **Provide more resources to local authorities to deal with planning applications** – working with the Royal Town Planning Institution (RTPI) to the support training of people entering the planning officer field while upskilling existing council staff. Better resourced and trained planning departments will accelerate approvals for housing, renewable energy, and other developments that support the UK's growth ambitions and emissions reductions. Streamlining approvals, by encouraging local authorities to increase the use of permitted development rights and delegated powers for lower order applications to increase resources for larger applications, will give insurers and other institutional investors' confidence that proposed developments, across housing, renewable energy, and other sectors, will successfully navigate approvals in a timely manner, reducing risk.

Ensuring planning reforms that delivers more renewable energy and grid infrastructure

Britain's energy market and path to net zero face several barriers, from geopolitical instability threatening global energy security to ageing grid infrastructure and delays in the planning system. As a first step to enabling the delivery of more renewable energy, the government should restore a higher level of planning status to onshore wind power by moving it into the NSIPs regime. Updating National Policy Statements and streamlining the NSIPs process will provide certainty and ensure that investors can ensure renewable generation projects such as offshore wind, solar and tidal strengthen the UK's energy independence, lower costs for households and accelerate decarbonisation.

- **Higher level of planning status extended to a wider range of infrastructure development** required for clean energy transition, such as EV charging stations, to promote investments in new network capacity to ensure the UK meets the majority of electricity needs. Elevating the planning status of low carbon infrastructure projects by updating National Policy Statements and reform of the Nationally Significant Infrastructure Regime to streamline and shorten planning processes would provide investors with the confidence needed to commit major capital expenditure. The Department for Levelling Up, Housing and Communities and the Department for Business and Trade should set up a joint specialist planning unit, which would have the ability to guide high value investments through the planning system.
- **Amend the Community Infrastructure Levy (CIL) framework** so that onsite and offsite grid enhancement costs are treated as standard planning obligations. This would provide coordination and certainty on the pipeline of sanctioned projects and clarity on

developer funding obligations. At the same time, making grid reinforcements a matter of course within property development mitigates infrastructure delays, currently exacerbating housing shortages.

- **Expand the rollout of EV charging points** by creating a new statutory requirement for local authorities to work with stakeholders, such as sub-national transport bodies and the energy grid Future System Operator, to deliver local strategic plans on future EV charging points. The government should also introduce a National Development Management Policy and revise the National Planning Policy Framework to place an explicit presumption in favour of approving new EV charging stations.

Boosting the skills and worker pipeline necessary to support the green and good industries of the future

The UK is currently facing a significant green energy skills gap of approximately 200,000 workers. Narrowing this gap through upskilling and training workers in the green industries of the future will be critical to bridging the UK's investment shortfall, unlocking the benefits of Solvency UK and meeting net zero targets.

The Forum recognises the key role industry can play in upskilling Britain's workforce, which we encourage government to facilitate by increasing the annual transfer cap in the Apprenticeship Levy, reforming the CITB levy, and considering how to incentive the talent pool to work within the renewables sector, including by offering income tax rebates to qualifying workers.

- **Increase the annual transfer cap in the Apprenticeship Levy** to facilitate the necessary reskilling and retraining required to support the widespread adoption of green technologies. Building a skilled green workforce will maximise the UK's adoption of energy efficient technologies and practices.
- **Reform of the CITB levy** to ensure it includes key occupations for the industry, particularly those that will support the delivery of energy-efficient, sustainable new homes. Expanding the levy's occupational scope will provide funding to train workers in green skills that are essential for the widespread deployment of clean technologies and green building solutions.
- **Incentivise the talent pool to work within the renewables sector** by offering a lower level of income tax (or income tax rebates) for employees working for qualifying renewables businesses. Globally, talent shortages are a major barrier to securing investment in renewable energy. Tax incentives to attract talent in the renewables industry in the UK provides investor confidence in access to qualified staffing, helping to catalyse private investment in clean energy projects and technologies.

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Read our Interim Report and discover more about The Forum’s work: idforum.org.uk

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