Investment Delivery Forum

Press release

Pension firms and insurers unveil blended finance model to drive billions into UK green and good infrastructure

Date: 22 July 2024

Pension and insurance firms have backed a public-private blended finance model to help navigate investment risk and drive billions of private finance into 'green and good' infrastructure.

This comes from the ABI's Investment Delivery Forum (the Forum) announcement of its 10-point action plan for investment. It includes the design of a new funding model to facilitate private investment in the UK's critical infrastructure - specifically a national EV-charging network. It also demonstrates support for nuclear energy and plans for offshore wind investment.

The funding model, developed in partnership with the Green Finance Institute (GFI) and engagement from His Majesty's Treasury's blended finance team, would produce many multiples of private investment for every pound of public investment. In the model, public support (potentially from the government's new National Wealth Fund) would be used to mitigate the initial risk in new infrastructure that private investors are unable to take, due to regulatory rules.

Once these risks have passed, public financial support would no longer be required, resulting in a self-sustaining financing programme that is ideal for institutions to invest in over years or decades.

In the case of the national EV charging network detailed in the report, it is estimated that less than £1bn of public investment spread over 15 years would support up to £20bn of private investment, driving economic growth. The funding model could also be used to speed up the planning process and the current problem of EV networks being absent from remote locations,[1] both of which are holding back a reliable national charging infrastructure.

Members of the Forum plan to take this model to government, following the announcement of the National Wealth Fund Bill in the King's Speech.

The Forum, set up in Summer 2023, is made up of some of the UK's largest pension firms and insurers. In its latest report, it sets out progress made over the last 12 months, during which the Forum prepared the ground for increased investment by insurers as the UK reformed its Solvency II regime, which is set to unlock £100bn for productive assets over the next 10 years.[2]

Its 10-point action plan on investment also details an appetite for nuclear investment among several Forum members, as well as longer term aims including floating offshore wind investment. The Forum has said that it will continue investigating newer technologies for investment suitability, such as carbon capture and small nuclear reactors.

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The plan features a broadening of the Forum's regional engagement plans too, which focused on Manchester and the North West in 2023/4. It will expand to cover West Yorkshire, Liverpool, Wales and Scotland in 2024/25.

The Forum will also begin tracking and reporting on investments made under the new Solvency UK regulatory regime, which will be live from January 1st 2025. The industry has committed to channel £100bn into productive assets following the changes to regulation. The tracking from the Forum will detail total investment but also the types of projects being invested in.

Further regulatory engagement will continue, including the investigation of options for enhancing the PRA's approval processes through the use of an investment accelerator or project sandbox.

Rhian Mari-Thomas, Chief Executive Officer of the Green Finance Institute, said:

"*Members of the Forum stand ready to act to accelerate the nation's investment into green and good infrastructure. This will deliver growth, jobs and help us meet our net zero targets.*

"The work done by the Forum on new funding models, such as the EV charge point programme, are essential to facilitate the flow of private capital into the green infrastructure transition and a number of members see nuclear as an attractive investment."

Tulip Siddiq, Economic Secretary to the Treasury said:

"I welcome the final report of the Investment Delivery Forum, which sets out a clear plan to deliver on the £100 billion pledge insurers have made to invest in critical UK infrastructure. I look forward to working with the sector in my new role as City Minister as we take action to drive sustained economic growth in the UK so we can make every part of our country better off."

Hannah Gurga, Director General of the Association of British Insurers said:

"The Investment Delivery Forum has laid firm foundations for the industry to act on the opportunity that reforming the regulatory framework brings, with £100bn set to be channelled into green and good infrastructure over the next 10 years."

The Forum's latest report can be accessed in full [here].

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Notes to editor:

Footnotes

1. Tenfold expansion in chargepoints by 2030 as government drives EV revolution / HMG
2. As part of the reform of Solvency II to Solvency UK, the insurance and long-term savings industry has committed to channel £100bn into productive assets over the next 10 years. The Investment Delivery Forum is focused on green and good infrastructure (see idforum.org.uk) but 'productive assets' are defined as (based on the work of the Productive Finance Working Group): Contributing to the real economy, expanding productive capacity, or furthering sustainable growth.

About the Investment Delivery Forum

The Investment Delivery Forum brings together the major insurance and long-term savings firms with an interest in large-scale infrastructure investment. The Forum acts as an accelerator helping industry, government and key stakeholders avoid delay and move forward together. It was established by the ABI in July 2023 to ensure that the industry would be ready to act quickly on regulatory changes (Solvency UK) that would enable the channelling of approximately £100bn into green and good projects.

Last year, research conducted for the Investment Delivery Forum found the UK needs over £1.3 trillion in investment by 2030 to deliver on energy, transport, and housing infrastructure ambitions. It found the UK faces a £615bn funding challenge to meet requirements for energy, transport and housing infrastructure by 2030 – having secured a little over half of the £1.3 trillion needed.

The Forum is chaired by Baroness Nicky Morgan with two sub-committee groups (energy and property) 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, Lord O'Neill of Gatley, the former Commercial Secretary to the Treasury, and Steven Penketh of the Green Finance Institute.

About the ABI

The ABI is the voice of the UK's world-leading insurance and long-term savings industry, which is the largest sector in Europe and the third largest in the world. We represent more than 300 firms within our membership, including most household names and specialist providers, providing peace of mind to customers across the UK.