

Briefing

House of Lords report stage on the UK Infrastructure Bank Bill

July 2022

Overview

The UK Infrastructure Bank (UKIB) has a dual mission to support net zero and levelling up. The government has committed £22 billion to do this. The current mandate will enable the bank to deliver for the environment, while bringing economic opportunities and improving communities.

However, while the [UKIB Bill](#) establishes a climate change objective for the bank, it does not specify a broader environmental objective to ensure the bank plays a role in supporting nature's recovery. Furthermore, the definition of infrastructure in the bill excludes nature-based solutions, even though the government believes them to be included. There are also no safeguards or steers to prevent the bank making investments which move the UK further away from the government's environmental targets. A strengthened bill would ensure that the bank is designed and equipped to play a catalytic role in environmental investment from the outset, earning a financial return while improving nature.

The bill should ensure the bank will develop nature-based solutions and solidify government's ambitions for climate and levelling up

The chancellor has said the UKIB would help deliver a once in a generation investment to 'build back better' across UK regions. Embedding nature and the circular economy into the **bank's founding legislation will be critical in the creation of green jobs, positive financial returns, and regional and local growth.**

The recently published first [strategy](#) of the bank states that the UKIB 'does not currently see a pipeline of investable projects' in green infrastructure. However, the bank can play a crucial economic role in establishing a pipeline of nature projects with seed investing. By being more ambitious, the bank can enter the market where the private sector might be a bit more reluctant. By having the luxury of taking more risks, UKIB can pioneer frontier investments in nature-based solutions to shape the market and incentivise more private investment in the space.

The strategy document lays out a need to prioritise economic infrastructure while appearing to view green investments as an added benefit. Green infrastructure is economic infrastructure. The UKIB is a public interest bank that will help grow the economy and accelerate progress across government objectives.

Investments in nature and the circular economy do not come at the expense of the UKIB's objective to support economic growth but make it easier to achieve.

Priority amendment

We would, therefore, very much welcome your support for **amendment 6A**, which would extend the definition of infrastructure to include nature-based solutions. This is necessary to ensure that the bill reflects the government's policy intention and provides legal certainty. Widening the definition of infrastructure to include natural capital projects such as natural flood defences or establishing markets for ecosystem services will help generate nature-based investment.

Paragraph 32 of the [explanatory notes](#) states that the bank should be enabled to invest in nature-based solutions and technologies to help the UK reach net zero. Similarly, UKIB's strategy states that the bank will 'consider the role [they] can play in nature-based solutions and how that might develop over time'. Clarifying this on the face of the bill would provide welcome certainty and policy direction.

Nature-based solutions, such as restoring the UK's coastal environment, could result in benefits worth [£50 billion by 2050](#), contributing to mitigation and adaptation and creating over 100,000 new jobs. Nature investments can also help the UK government level up the country. Projects to improve woodland, peatland, and parks alone could deliver [16,050 jobs in the 20 per cent of UK constituencies](#) with the worst labour market outcomes, such as Copeland, Country Durham, Wolverhampton, and Ashfield.

Amendment 6A would also extend the definition of infrastructure to include the circular economy. Waste is considered one of the minor investment sectors in the UKIB strategy. The strategy states that the bank is open to financing circular economy projects but does not expand beyond that. By including the circular economy explicitly on the face of the bill, the government will be making it clear that UKIB can play a critical role in derisking the circular economy (reuse, repair, recycling, and remanufacturing) and proving that revenue streams are viable. Investing in the circular economy can create skilled jobs across the country. Circular

economy infrastructure could support up to [450,000 jobs](#) in reuse, recycling, and remanufacturing.

Additional amendments

We would also welcome your support for the following amendments during the debate.

Include a nature objective for the bank (Amendment 3)

- Amendment 3 embeds nature priorities alongside net zero and levelling up as the bank’s primary objectives. The bill would be strengthened by an explicit reference to nature and broaden the environmental focus of the bank’s objectives. This is essential to ensure that the bank plays a full role in delivering the requirements of the Environment Act 2021, including the forthcoming legally binding targets on species abundance and biodiversity.

Clarify that adaptation is within the bank’s climate remit (Amendment 1)

- Amendment 1 clarifies that the bank’s objective to help tackle climate change should support adaptation as well as mitigation. The amendment also clarifies that protection, enhancement, and restoration of the UK’s natural capital is within the bank’s remit.

Nature investments have a higher [cost-benefit ratio than traditional infrastructure](#), with £4.60 returned for every £1 invested in peatland, £2.80 returned in woodland. Agriculture and nature-based investments could generate financial returns of [£4 billion a year](#) in benefits by 2050.

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