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Llywodraeth Cymru  
Welsh Government

Our ref: RE/739/22

Llyr Gruffydd AS/MS,  
Chair, Climate Change, Environment and Infrastructure Committee

20 July 2022

Dear Llyr,

### **Legislative Consent Memorandum (LCM) for the UK Infrastructure Bank Bill**

Thank you for your letter relating to this LCM. I have responded to your questions in turn as below.

#### **1. To what extent does the Bill, as drafted, reflect the Welsh Government's policy priorities in relation to infrastructure investment?**

The Government's approach to infrastructure was set out in the Wales Infrastructure Investment strategy (WIIS), which I published alongside the draft budget on 20 December 2021. The WIIS establishes the outcomes that investment in infrastructure must enable, while recognising our overarching commitment to tackle the climate and nature emergencies.

In principle, as a lender to public and private borrowers with a wide-ranging mandate to help tackle climate change and support regional and local economic growth, the UK Infrastructure Bank (UKIB) has the potential to support the Welsh Government's infrastructure priorities.

#### **2. To what extent are you satisfied with the Bank's 'objectives' set out in section 2(3)? Are there any other objectives that you believe should be included, for example, tackling the decline in biodiversity?**

I discussed the Bank's objectives with its Chair and CEO. As drafted I understand these objectives to be non-exhaustive, and that they are sufficiently broad to encompass a comprehensive range of interventions with respect to climate change, including biodiversity, nature-based solutions or the circular economy. However, I would not be averse to seeing these objectives on the face of the Bill.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

You will also be aware from the Legislative Consent Memorandum that I tabled on 25 May 2022 that I believe there should be equivalence between administrations in terms of the Bank's governance, such that Devolved Governments would, for example, have a role to play in the setting of the Bank's Strategic Priorities and Plans. This would allow for the honing of the Bank's objectives and for priorities and plans to be revisited where necessary while fully respecting devolved competences.

**3. How will the Bank take into account Welsh legislation, for example, the Well-being of Future Generations Act, when making its investment decisions?**

This question would be better directed at the UKIB, which you may wish to invite to give evidence.

**4. Much of the detail relating to the Bank's core principles and parameters within which it will operate are set out in the UK Infrastructure Bank Framework Document ('the Framework Document'). To what extent are you satisfied that an appropriate balance has been struck between the detail contained in the Bill and that left to the non-legally binding Framework Document, which has been agreed by the UK Government?**

I remain concerned, as set out in the Legislative Consent Memorandum of 25 May 2022 that issues pertaining to the governance of the Bank have been left solely in the hands of HM Treasury as exemplified by both the Bill and the Framework Document. In order for devolved competences to be respected, it is necessary that such matters be corrected; and in doing so my preference would be that UK Government makes amendments to the Bill.

**5. As noted in the LCM, the Framework Document states "where an investment is primarily to support economic growth, the Bank will ensure that it does not do significant harm against its climate objective". Please set out your understanding of:**

- the meaning of 'significant harm' in this context, and
- how the Bank will determine whether an investment will do 'significant harm'.

This question would be better directed at the UKIB, which you may wish to invite to give evidence.

**6. Even though a specific investment decision may not meet the threshold of 'significant harm', it is possible that a series of decisions could be considered cumulatively to cause significant harm. Please set out your understanding of whether and how the Bank will consider the cumulative effect of its investment decisions.**

This question would be better directed at the UKIB, which you may wish to invite to give evidence.

**7. To what extent are you satisfied with the meaning of 'infrastructure' set out in section 2(5)? Are there any other aspects/measures that you believe should be included within the meaning?**

As with the Bank's objectives, the definition appears to be reasonably broad. However, I would reiterate my remarks concerning the need for equivalence between administrations in the terms of the governance of the Bank. This would provide the means by which we revisit collaboratively and with full respect to developed competences the objectives and definitions if they were found, for example, to be too restrictive.

**8. As drafted, the Bill would permit the Bank to provide financial assistance to infrastructure projects relating to roads. To what extent does this align with the**

## **Welsh Government's current transport priorities and its sustainable transport hierarchy?**

The Wales Transport Strategy, Llwybr Newydd, prioritises active travel and public transport over private car use. Whilst the Welsh Ministers have paused the current pipeline of roads projects pending review by an independent panel, they have been clear that this is not the end of road works in Wales. Revisions to the road network will be essential to enable this modal shift, reduce private car trips and, ultimately, achieve the 2050 net zero targets shared by all Governments. Welsh Government will work with partners and stakeholders to develop and implement road infrastructure that meets national, regional and local needs.

## **9. The UK Government has made clear its intention that the Bank should be permitted to provide financial assistance/loans for projects aimed at improving the energy efficiency within homes. Can you explain whether and how this will help support the Welsh Government to deliver its ambitions to decarbonise Wales' housing stock?**

Innovative funding models are needed to pay for the decarbonisation of homes across the range of tenures, such as the private rented and owner occupied sectors, the costs of which cannot rest fully on Government. We know that decarbonising these homes is going to cost a significant amount and that the funding will need to come from a variety of sources – both government and private funding.

Welsh Government has started evaluating a variety of options for financing retrofit in the owner-occupied and private rented sectors. These incorporate both grant funding and repayable finance. The financial capacity of the end user will be utilised to help direct them to the most appropriate financing solution in the medium term. We are also bringing together a panel of experts from across the finance sector to work with us evaluating options and shaping those viable funding solutions.

This proposal has the potential to provide an additional source of funding, to those organisations/projects that have the ability to take on and repay debt funding. Further details on the funding offer will be needed to determine how useful it will be in helping to support Welsh Government's ambition to decarbonise Wales' housing stock.

## **10. The Framework Document sets out types of projects that should not be supported by the bank, including projects involving extraction, production, transportation and refining of crude oil, natural gas or thermal coal with very limited exemptions. Please set out your understanding of the 'very limited exemptions'.**

This question would be better directed at the UKIB, which you may wish to invite to give evidence.

## **11. Are there any other types of projects that you believe the Bank should not be permitted to support?**

I note from the Framework Document that investments in infrastructure that support economic growth should "not do significant harm against its [the Bank's] climate objective;" and indeed that there is a stipulation on the Bank to ensure such that is the case. It is clear to me that the Bank's exercise of due diligence in regard of this stipulation must be central to determining whether a project is supported or otherwise.

## **12. In reference to the policy mentioned in question 8, the Explanatory Notes states that "This policy will be updated over time to reflect changes in government policy and regulatory standards". How will the Welsh Government ensure these changes reflect policies or regulatory standards that fall within devolved competence?**

Please see my answers to question 2 and question 7.

**13. The Bill creates delegated powers to enable the Treasury to change the Bank's activities or the definition of infrastructure using secondary legislation under the affirmative procedure in the UK Parliament. What arrangements are in place to ensure the Welsh Government (and other devolved governments) are consulted in advance of any such changes?**

Please see my answers to question 2 and question 7.

**14. What role will the Senedd have in considering subordinate legislation to change the Bank's activities or the definition of infrastructure?**

Please see my answers to question 2 and question 7.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive, flowing style.

**Rebecca Evans AS/MS**  
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