

Llyr Gruffydd MS  
Chair, Climate Change, Environment, and Infrastructure Committee  
Welsh Parliament  
Cardiff Bay, Cardiff,  
CF99 1SN

25 August 2022

Dear Llyr,

Thank you for your letter. We very much welcome the interest of the Senedd/Welsh Parliament's Climate Change, Environment, and Infrastructure Committee in the UK Infrastructure Bank and how it considers Welsh Government priorities and policy in its investment decision making and assessments of impact.

The UKIB has been established to help drive increased infrastructure investment in all nations of the UK, whilst our dual mandate gives us a shared interest in delivering Welsh policy priorities, such as the Net Zero Wales Plan. This has included provided finance to NextEnergy for the initial seed assets of a fund that could double the amount of subsidy-free solar power in the UK, including a site in Llanwern in South Wales. This commitment from the Bank was welcomed as contributing towards Wales' net zero ambitions. I have also enjoyed meeting with representatives from Welsh Government and the Development Bank of Wales to discuss opportunities for collaboration. I look forward to continuing our close work with the Welsh Government on catalysing new private investment into climate and economic infrastructure.

The following sets out our response to the questions included in your letter.

### **1. Welsh Government priorities**

In June 2022, we published our first [Strategic Plan](#), which sets out how we will deliver on our mission to help tackle climate change and deliver local and regional economic growth, including our investment priorities. Regular meetings with the Welsh Government, along with Welsh local authorities and wider stakeholders, including the Welsh Development Bank, helped to align our Plan with Welsh priorities and policy drivers. When making investment decisions we consider the extent to which each investment opportunity delivers on our Strategic Plan and towards wider UK policy on climate change and economic infrastructure, including that of Wales. Our Strategic Plan will be refreshed regularly and so will remain up to date with Welsh policy. We also continue to engage frequently with Welsh Government, local authorities, and other market players on its delivery.

## **2. Legislation in Wales**

We comply with all applicable legislation. In respect of legislation that does not apply to us directly and is consistent with our objectives, as is the case with certain aspects of the Well-being of Future Generations (Wales) Act 2015, we anticipate that while we advance our chosen transactions we will be contributing towards the ultimate goals of such legislation.

## **3. Do no significant harm**

All investments financed by the Bank undergo environmental, social, resilience & governance (ESRG) screening. Our identification of ESRG concerns and “significant harm” is risk-based and seeks to ensure that adequate mitigants are in place. This includes, amongst other things, assessing how projects manage their direct and indirect environmental and social impact, the climate resilience of their projects, risks, and the robustness of their ESRG governance structures. UKIB requires ongoing regular reporting on key metrics and annual and environmental reports from our clients to ensure ongoing alignment with our mandate.

We are currently further enhancing our ESRG standards, including improving our approach to assessing “do no significant harm”, so ensuring it is fit for purpose in this fast-progressing area. Our annual reports will set out details of our evolving ESRG approach and disclosure on any material concerns related to our portfolio.

## **4. Cumulative harm**

We recognise the importance of monitoring cumulative impact and are committed to delivering on our strategic objectives by investing in resilient infrastructure throughout the UK, without compromising on environmental integrity. The Bank manages its overall portfolio and monitors closely the progress of its investments. Each of our investments is considered on a case-by case basis, ensuring all risks are identified, addressed and adequate mitigants are in place. ESRG considerations and climate risks are an important part of the due diligence process. We consider every new investment in relation to assets already financed, including impact and additionality. In accordance with our net zero mandate, the cumulative contribution of the Bank to climate mitigation will be measured with time. The location specific environmental characteristics of investment projects are considered in our assessments of cumulative impact, including in relation to our “do no significant harm” principle.

## **5. Fossil fuel exemptions**

We have a dedicated objective to achieve net zero emissions and will invest accordingly in technologies and projects that actively contribute to climate change mitigation. We consider the relative emissions of all our investments, both carbon emitted and relative savings compared to existing technologies. We expect most investments across our portfolio to positively contribute to the transition to net zero and for companies to report their progress.

Exemptions will be considered in the context of the energy transition where the benefit of moving a technology, business or sector to a lower carbon emissions intensity is critical to net zero and we can evidence the relative avoided emissions from the investment. Fossil fuel generation of any kind will only be considered by exception with adequate and proportionate carbon capture storage where emissions will be reduced over the lifetime of the asset. Judgements on exemptions will always be made with strong consideration of any risk mitigants and decisions will be made in collaborative and transparent fashion.

We are required to seek written approval from our shareholder before entering into any transaction that is or could be deemed novel, contentious, or repercussive. Where possible and practical to do so, we will look to consult with the Welsh Government on any potentially contentious issues arising from our activities in Wales.

I hope this information is of use to the Climate Change, Environment, and Infrastructure Committee. I would be very happy to follow up with further details should this be helpful.

Yours sincerely,



JOHN M. FLINT

**John Flint**