



HM Treasury



NATIONAL
WEALTH
FUND

NATIONAL WEALTH FUND

Mobilising Private Investment

October 2024

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MINISTERIAL FOREWORD

When I was appointed Chancellor of the Exchequer, I vowed to lead the most pro-growth Treasury in our country's history. I did so because of my profound belief that the answers to the challenges our country faces lie in delivering a step-change in our economy.

If growth is the challenge, then investment is the solution – and that is why I am determined to work with business to deliver.

The National Wealth Fund (NWF) is central to this agenda. The NWF will be a cornerstone of this government's strategy to catalyse investment into clean energy industries and to support the delivery of our new Industrial Strategy, building on the success of the UK Infrastructure Bank (UKIB).

It will mobilise private sector capital into investments across the UK, while aligning with our shared goals of economic growth and tackling climate change. It will support the government in forging new partnerships with business so we can invest in the jobs, industries and infrastructure of the future, including green hydrogen and gigafactories.

The NWF will retain a strong focus on additionality and delivering measurable impact. It will operate with independence, ensuring that investment decisions are driven by economic value and strategic impact, with governance structures designed to uphold transparency and accountability. In establishing the NWF, we are setting out clear principles to ensure its long-term success and we will legislate to ensure its longevity. Together these changes will ensure that the NWF can catalyse additional investment.

Today's announcements are the first step in delivering on this government's central mission to secure sustainable growth, rebuild Britain and make every part of the country better off.

RT HON RACHEL REEVES
CHANCELLOR OF THE EXECHEQUER



EXECUTIVE SUMMARY

Britain is open for business. This government has been clear: our number one mission is driving economic growth to improve the lives of the British people.

To grow our economy, we need more high quality, long-term investment. This means creating a new partnership with businesses and making sure Britain is the best place in the world to invest.

Importantly, we have a long-term vision for how we will transform our public financial institutions to catalyse wider investment. We will:

1. Increase the impact of public investment through our public financial institutions by driving greater strategic alignment with this government's missions;
2. Increase overall investment in the UK by equipping our public financial institutions to mobilise greater levels of private capital; and
3. Improve access to investment support and information for investors, businesses and project developers.

Today, the UK is hosting a major International Investment Summit, bringing together the world's leading companies and investors. After just 100 days, and two weeks before the Budget, these are the **key first steps** towards realising this longer-term vision in developing a comprehensive and coherent offering for investors and businesses and demonstrating this government's ambition to deliver economic growth across the whole of the United Kingdom.

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The NWF Taskforce highlighted the fundamental importance of investment to the UK's clean energy transition. They identified key barriers to further mobilising private investment in clean energy technologies, including investment viability, demand certainty and value chain readiness, and set out five recommendations.

In line with these recommendations, we are creating the NWF to address these barriers, catalysing more private investment and accelerating investable projects coming to market across the UK.

To mobilise investment at pace, we are turbocharging UKIB to become more catalytic and from today it will operate as the National Wealth Fund. As the **UK's impact investor**, the NWF will have a broader mandate, extending beyond infrastructure to support delivery of the wider Industrial Strategy in areas where an undersupply in private finance exists, working alongside the British Business Bank's finance for smaller companies.

The NWF will build on UKIB's leadership and expertise and go further:

- **More catalytic:** empowered to make investments that maximise the mobilisation of private investment with an expansion of UKIB's offer, including an expanded suite of financial instruments such as performance guarantees and trialling new blended finance solutions, with government departments, that take on additional risk to facilitate higher impact in individual deals;
- **More impact:** the NWF will have a larger amount of economic risk capital to free it from previous constraints. This will be used to direct the NWF's investments towards having greater economic impact by taking risk in service of the government's Industrial Strategy, clean energy mission and growth mission. The NWF will seek to make positive returns for the exchequer across its whole portfolio;
- **More capital:** the NWF will have a total capitalisation of £27.8 billion to catalyse investment that would not have otherwise taken place. It will inherit UKIB's existing £22 billion capitalisation and have an additional £5.8 billion, which will be committed over this Parliament. The government previously announced that £7.3 billion additional funding would be allocated through the NWF - the remaining £1.5 billion has been reserved to maintain flexibility in how the government can best deliver against its aims for the NWF. With a target portfolio mobilisation ratio of 1:3, the NWF could mobilise at least £70 billion of private investment;
- **Renewed focus:** the NWF, and wider institutions such as the British Business Bank, will support the delivery of the wider Industrial Strategy in areas where an undersupply in private finance exists. At least £5.8 billion of the NWF's capital will focus on the five sectors announced in the manifesto: green hydrogen, carbon capture, ports, gigafactories and green steel;
- **A proactive approach:** the NWF will have increased resources and conduct more outreach to identify expanded project pipelines and structure innovative transactions with project sponsors, industry, local authorities and government departments. It will work collaboratively, focusing on additionality and never crowding out private investment; and
- **Greater regional focus:** the NWF will have a strong regional objective to unleash the full potential of our cities and regions to be reflected in its statement of strategic priorities and how it measures success. It will work in close partnership with Mayors to support investable propositions in their Local Growth Plans, devolved governments, and other local leaders to support their investment plans and priority sectoral clusters across the UK.



THE CASE FOR ACTION

SECURING ECONOMIC GROWTH IS CENTRAL TO KICKSTARTING A DECADE OF NATIONAL RENEWAL, TO CREATE JOBS, UNLOCK INVESTMENT, AND MAKE EVERY PART OF THE COUNTRY BETTER OFF BY SHOWCASING THE STRENGTH OF OPPORTUNITIES FOR INVESTMENT ACROSS THE UK.

By putting growth at the very heart of our agenda, the government is driving the start of an economic revival and demonstrating that Britain is a great place to do business and to invest. We are looking to catalyse public and private investment through an improved relationship with business: the government respects business, wants to partner with business, and is open for business.

We recognise that a stable, predictable environment is essential to delivering this greater investment, so our approach to driving growth is built on three principles: stability, investment, and reform. We are working with regions and nations to showcase the strength of opportunities for investment across the UK, building on our leading position at the forefront of global innovation.

Key to delivering on our ambitions are the UK's public financial institutions. We have a long-term vision for how we will transform them to catalyse wider investment. We will:

- Increase the impact of public investment through our public financial institutions by driving greater strategic alignment with this government's missions;
- Increase overall investment in the UK by equipping our public financial institutions to mobilise greater private capital; and
- Improve access to investment support and information for investors, businesses and project developers.

This document sets out how we are developing the NWF as part of a comprehensive and coherent offering for investors and businesses, and demonstrates this government's ambitious drive to deliver economic growth across the whole of the United Kingdom.

Great British Energy (GBE) will invest in clean energy generation in partnership with the private sector. It will work in lockstep with the NWF. As GBE scales up, we will set out how the two institutions will collaborate and complement each other. Initially, while it is established, we expect GBE's investment activity, set by its strategy, to be undertaken by the NWF, in line with the NWF's investment and operating principles. This will enable GBE to invest quickly and draw on the NWF's experience and pipeline of projects.



DEVELOPING THE NATIONAL WEALTH FUND

THE NWF WAS FIRST ANNOUNCED BY THE RT HON RACHEL REEVES AS SHADOW CHANCELLOR IN 2022.

In April 2024 the Green Finance Institute was asked to lead the NWF Taskforce to advise on how best to design and implement a vision for the NWF that (1) mobilises private investment at scale, (2) supports the transition to a low carbon economy and (3) creates jobs as part of a broader strategy to drive investment and growth.

The NWF Taskforce [published their advice](#) on Tuesday 9 July 2024 including five headline recommendations:

1. For speed-to-market, the NWF's capital **should be managed and deployed by an existing public financial institution**. UKIB was highlighted as the potential organisation of best fit;
2. The NWF — or the institution that will house it — **must operate at arm's length from the government** to have market credibility;
3. The NWF must be empowered to deploy catalytic capital with **higher levels of risk appetite** against a **broad, strategic investment mandate**, aligned with government priorities to maximise flexibility, allowing the NWF to respond innovatively and with agility to the challenges and opportunities of different sectoral transitions;
4. The NWF must be mandated to deploy a **broad range of products and financial instruments**, recognising that required interventions differ by sector and this would enable the NWF to take a 'Swiss-army-knife' approach and deploy capital in a way that most effectively mobilises private capital; and
5. The NWF should crowd in private capital on a **deal-by-deal basis**, rather than at the Fund level, to maximise its catalytic potential in the immediate term. Opportunities to crowd-in fund-level capital should be considered as part of the NWF's medium-term strategy.

Alongside these recommendations the Taskforce noted the importance of a **stable, long-term, and competitive policy environment** as a necessary requirement to drive growth.



Hon Rachel Reeves MP
Chancellor of the Exchequer

The Rt Hon Ed Miliband MP
Secretary of State for
Energy Security and Net Zero



One of the Chancellor's first actions following the election was to convene a Taskforce meeting to discuss the implementation of the National Wealth Fund.

PROGRESS SINCE THE TASKFORCE'S REPORT

Since the election, the government has been working at pace to develop a set of proposals to implement the recommendations of the Taskforce.

As part of this work, HM Treasury has conducted extensive engagement across industry through a series of roundtables and bilateral meetings to ensure that the development of the NWF can best address the needs of key stakeholders looking to do business in the UK.

We have also engaged with international peers to extract learnings from their experiences in mobilising private investment, while noting the UK's distinctive context and mature capital markets. This informs our approach that NWF investment should be genuinely additional to the private sector rather than substituting for it.

Furthermore, we have engaged across the government and with the existing public financial institutions to identify improvements that can be made in aligning the landscape into a more coherent and compelling offer for investors and businesses.

The developments being announced today are a product of this engagement and are a key next step in realising our longer-term vision.

TAKING ACTION ON THE TASKFORCE RECOMMENDATIONS

RECOMMENDATION 1

For speed-to-market, the NWF's capital should be managed and deployed by an existing public financial institution. The UK Infrastructure Bank was highlighted as the potential organisation of best fit.

Actions this government is taking to implement:

- To deliver immediate impact, the NWF will build on the existing capabilities and capitalisation of UKIB, with additional investment and new capacity to deliver on a more ambitious mandate as the UK's new impact investor; and
- A revised mandate and future priorities will be set following planned legislation and the Chancellor's statement of strategic priorities for the NWF.

RECOMMENDATION 2

The NWF — or the institution that will house it — must operate at arm's length from the government to have market credibility.

Actions this government is taking to implement:

- The NWF will operate at arm's length from the government. Its sponsorship will sit within HM Treasury; and
- The Chancellor will provide the NWF with a new framework of investment principles and a statement of strategic priorities, setting out the policy priorities for the organisation while allowing it to remain operationally independent in its day-to-day activities, including when making investment decisions.

RECOMMENDATION 3

The NWF must be empowered to deploy catalytic capital with higher levels of risk appetite against a broad, strategic investment mandate, aligned with government priorities to maximise flexibility and allow the NWF to respond innovatively and with agility to the challenges and opportunities of different sectoral transitions.

Actions this government is taking to implement:

- We are giving the NWF a broad investment mandate, empowering it to support the delivery of the Industrial Strategy and invest in sectors where an undersupply of private finance exists, alongside other public financial institutions such as the British Business Bank. Further detail about the NWF's future priorities will be set out through the Chancellor's statement of strategic priorities for the NWF;
- To enable this, we will pass legislation to broaden the NWF's legal mandate beyond just infrastructure investment;
- We will give the NWF a larger amount of economic risk capital than UKIB had previously, requiring it to deliver a return for the exchequer at a portfolio level while enabling it to take more strategic risks; and
- We are empowering the NWF to be proactive in identifying catalytic and impactful investment opportunities with the market, working with local leaders (including Mayors), government departments and devolved governments.



RECOMMENDATION 4

The NWF must be mandated to deploy a broad range of products and financial instruments, recognising that interventions differ by sector, and this would enable the NWF to take a ‘Swiss-army-knife’ approach and deploy capital in a way that most effectively mobilises private capital.

Actions this government is taking to implement:

- Building on UKIB’s existing expertise, the NWF will be able to deliver a broad range of financing tools across the capital structure (including loans, first loss and mezzanine debt, guarantees and equity investments). We will further expand this toolkit over time, for example the NWF will have the ability to deploy a new product type – performance guarantees – to further mitigate new types of risks and increase investor confidence; and
- In collaboration with government departments, the NWF will also explore new blended finance solutions where this can deliver wider government policy objectives and support the most effective and catalytic use of public funds to mobilise private investment.



RECOMMENDATION 5

The NWF should crowd in private capital on a deal-by-deal basis, rather than at the fund level, to maximise its catalytic potential in the immediate term. Opportunities to crowd-in fund level capital should be considered as part of the NWF's medium-term strategy.

Actions this government is taking to implement:

- At least in the short-term, the NWF will make investments which crowd in capital on a deal-by-deal basis with a broader remit and product range.

DELIVERING THE NATIONAL WEALTH FUND

THE NWF, THE UK'S NEW IMPACT INVESTOR, WILL MOBILISE BILLIONS OF POUNDS OF INVESTMENT IN THE UK'S WORLD-LEADING CLEAN ENERGY AND GROWTH INDUSTRIES AND SUPPORT THE DELIVERY OF THE INDUSTRIAL STRATEGY.

Investment is key to growth. This government is taking action in a range of areas to increase investment, as set out by the Chancellor at the International Investment Summit. Together these announcements represent the first steps to drive greater alignment and coherence across the UK's public financial institutions, enabling a more strategic and impact-focused approach to mobilising private capital.

The NWF Taskforce highlighted the fundamental importance of investment to the UK's clean energy transition. They identified key barriers to further mobilising private investment in clean energy technologies, including investment viability, demand certainty and value chain readiness, and set out recommendations.

In line with the recommendations, we are creating the NWF to address these barriers and catalyse more private investment and accelerate investable projects coming to market across the UK.

The following sections set out the policy package in more detail, including:

A. Mobilising private investment in strategic priorities

B. Delivering the NWF at pace

C. How the NWF will mobilise private investment



MOBILISING PRIVATE INVESTMENT IN STRATEGIC PRIORITIES

The NWF will continue to invest in UKIB's previous priority sectors of clean energy, (including renewable generation, nuclear, flexibility, storage, grid, retrofit, heat networks and clean energy supply chains), digital, transport, water, waste and natural capital.

The NWF is the place for projects in these sectors to go if they have a financing gap.

In addition, we are empowering the NWF to build on UKIB's mandate and priority sectors with a broader investment mandate:

- Firstly, the NWF will focus committing the additional £5.8 billion of capital into the five sectors outlined in the manifesto: green hydrogen, green steel, carbon capture, gigafactories and ports; and
- Secondly, the NWF will be able to support the delivery of our Industrial Strategy in areas where an undersupply of private finance exists, alongside wider public financial institutions such as the British Business Bank.

Following planned legislation it will have a mandate extended beyond infrastructure. Further detail on the NWF's expanded mandate and role in delivering the Industrial Strategy will be set out in a statement of strategic priorities to be issued by the Chancellor.

B

DELIVERING THE NWF AT PACE

To mobilise investment at pace, we are turbocharging UKIB to become more catalytic and from today it will operate as the NWF. As the UK's impact investor, the NWF will help create the stable investment environment the market needs.

The NWF will build on UKIB's leadership and expertise and go further:

- **More catalytic:** empowered to make investments that maximise the mobilisation of private investment with an expansion of UKIB's offer, including an expanded suite of financial instruments such as performance guarantees and trialling new blended finance solutions, with government departments, that take on additional risk to facilitate higher impact in individual deals;
- **More impact:** the NWF will have a larger amount of economic risk capital to free it from previous constraints. This will be used to direct the NWF's investments towards having greater economic impact by taking risk in service of the government's Industrial Strategy, clean energy mission and growth mission. The NWF will seek to make positive returns for the exchequer across its whole portfolio;
- **More capital:** the NWF will have a total capitalisation of £27.8 billion to catalyse investment that would not have otherwise taken place. It will inherit UKIB's existing capitalisation and have an additional £5.8 billion¹, which will be committed over this Parliament. With a target mobilisation ratio of 1:3, the NWF could mobilise at least £70 billion of private investment;
- **More capital:** the NWF will have a total capitalisation of £27.8 billion to catalyse investment that would not have otherwise taken place. It will inherit UKIB's existing capitalisation and have an additional £5.8 billion, which will be committed over this Parliament. With a target mobilisation ratio of 1:3, the NWF could mobilise at least £70 billion of private investment;

¹The government previously announced that £7.3 billion additional funding would be allocated through the NWF. While the full £7.3 billion will be committed to the priority sectors identified, the remaining £1.5 billion has been reserved to maintain flexibility in how the government can best deliver against the aims for the NWF set out in the manifesto. This recognises the varying stages of development of these sectors and suitability of different types of support.

- **Renewed focus:** the NWF, and wider institutions such as the British Business Bank, will support the delivery of the wider Industrial Strategy in areas where an undersupply in private finance exists. At least £5.8 billion of the NWF's capital will focus on the five sectors announced in the manifesto: green hydrogen, carbon capture, ports, gigafactories and green steel
- **A proactive approach:** the NWF will have increased resources and focus on conducting more outreach to identify expanded project pipelines and structure innovative transactions with project sponsors, industry, local authorities and government departments. It will work collaboratively, focusing on additionality and never crowding out private investment; and
- **Greater regional focus:** the NWF will have a strong regional objective to unleash the full potential of our cities and regions to be reflected in its statement of strategic priorities and how it measures success. It will work in close partnership with Mayors to support investable propositions in their Local Growth Plans, devolved governments, and other local leaders to support their investment plans and priority sectoral clusters across the UK.

These changes will ensure the NWF catalyses additional investment and helps address key barriers to private investment, resulting in impactful projects unlocking growth opportunities across the UK.

The NWF will review its range of success metrics to demonstrate the impact of its additional capital and realisation of investment, impact and outcomes across the economy.

The NWF will expand its team based at headquarters in Leeds to realise this ambition.

The NWF will be fully owned by the government and will operate at arm's length, with a high degree of operational independence its day-to-day activities, including in its investment decisions. HM Treasury will be the sponsoring department and sole shareholder and will continue to be represented on the NWF's Board through a senior official from UK Government Investments (UKGI).

The NWF will be led by John Flint as its CEO and will be chaired by Chris Grigg, with the previous UKIB Board becoming the NWF Board.

The government will also publish an updated framework document, statement of strategic priorities and investment principles document in the coming months. In the meantime, the NWF will continue investing in its five sectors (clean energy, digital, transport, water and waste) and apply UKIB's four investment principles. The NWF will publish a strategic plan in the next financial year.

Priorities and investment principles document in the coming months. In the meantime, the NWF will continue investing in its five sector priorities (clean energy, digital, transport, water and waste) and apply UKIB's four investment principles². The NWF will publish a strategic plan in the next financial year.



HOW THE NWF WILL MOBILISE PRIVATE INVESTMENT

As a government-backed impact investor, the NWF's presence in a transaction can help instil confidence with potential investors – it can act as a cornerstone investor in new or challenging markets. The NWF will work with ambitious project sponsors who can initiate, develop and promote the projects in which it will invest. The NWF will mobilise private capital on the deal-by-deal basis through individual transactions, by reducing barriers to investment, including investment viability, demand certainty and value chain readiness. It will not commit capital to transactions that could have been financed by the private sector.

² Investment principle 1 – the investment helps to support the objectives to drive regional and local economic growth or tackle climate change; Investment principle 2 – The investment is in infrastructure assets or networks, or in new infrastructure technology; Investment principle 3 – the investment is intended to deliver a positive financial return; and Investment principle 4 – the investment is expected to crowd in significant private capital over time.

It will mobilise private investment in the following ways:

- **senior debt** - direct lending to respond to low levels of liquidity in the market or overall capacity issues;
- **mezzanine debt** - can be used to help crowd-in debt capacity by reducing the risk of a project from the perspective of senior funders, potentially also raising the project's overall debt capacity;
- **financial guarantees** – providing credit substitution for an underlying debt instrument, including bonds and loan guarantees which can attract institutional investors;
- **credit enhancement guarantees and first loss guarantees** – enhancing the credit rating of investments or a portfolio of individual loans, giving confidence to senior investors;
- **performance guarantees** – to support supply chains in nascent sectors and supporting established sectors where there is significant investment need and potential market weaknesses;
- **direct equity** into a corporate entity or special purpose vehicle alongside a project developer, co-ordinating with the British Business Bank;
- **blended finance solutions** - the NWF will explore blended finance solutions which combine its suite of financial products with grants and other policy instruments from government departments to most effectively use public capital to crowd in private investment; and
- **fund investments**, outsourcing management of NWF capital to third party managers where it provides the best route to deploy capital into the NWF's sectors of focus, complementing activity by wider public financial institutions.

NWF FUNCTIONS

Working in partnership with the private sector and local government, the NWF will deploy its total capitalisation of £27.8 billion of finance across two functions:

Private sector banking and investments: £23.8 billion, of which £13.8 billion for debt and equity investments and £10 billion of guarantees, providing corporate and project finance to invest across the capital structure – including:

- **Debt:** Offering debt across the capital structure, with tailored solutions for each transaction. Debt can be provided on a fixed or floating rate basis and includes senior debt, mezzanine debt and bridge financing;
- **Equity:** including ordinary equity, preferred equity and convertible loan notes. As well as considering mature assets which require equity investment to further their impact, the NWF targets equity investments in earlier-stage projects and technologies looking to scale up, in close partnership with the British Business Bank; and
- **Guarantees:** sovereign-equivalent guarantees to qualifying projects. Products include:
 - o financial guarantees: providing credit substitution for an underlying debt instrument;
 - o credit enhancement guarantees: unfunded guarantees designed to enhance the credit quality or credit rating of other project debt;
 - o first loss guarantees: guarantees for a capped amount of potential losses on a portfolio of smaller debt obligations; and
 - o performance guarantees: such as construction bonds to protect against the performance of construction companies on infrastructure projects.

Local authority advisory and lending: £4 billion total. Local authorities have set ambitious targets to support economic growth and the net zero transition. They act as project sponsors, work to crowd-in private investment and invest where there is limited market provision. The NWF offers:

- commercial and financial advisory services to help local authorities undertake ambitious projects with confidence; and
- lending on flexible terms at a market leading rate.

NWF INVESTMENT APPROACH

The NWF's investment approach is designed to be flexible and leverage its ability to invest across the capital structure. Each opportunity will be assessed on a case-by-case basis to identify the financing structure that best fits a deal's needs and supports the NWF's mission.

The NWF's front office teams have a wealth of experience drawn from the private and public sectors. These teams will proactively shape transactions and engage with the market, looking for problems the NWF can solve by deploying its financial resources.

HOW TO GET IN TOUCH

If you are a project sponsor, local or mayoral combined authority or a business seeking financing or investment from the NWF you should get in touch via contact details available at www.uknwf.org.uk. Any eligible opportunity is encouraged to contact the NWF.

DELIVERING FOR THE WHOLE OF THE GOVERNMENT

The creation of the NWF is a key step towards bringing greater alignment and coherence to the landscape of the UK's public financial institutions.

The government will continue to review how these institutions operate and interact with the market, government departments and each other to ensure that they are effective in mobilising private investment and delivering economic growth. The NWF will work on an ongoing basis with all English regions, Scotland, Wales and Northern Ireland.

The NWF will work with other public financial institutions so that its offering is complementary across the range of sectors, products and ticket sizes to ensure public financing can mobilise investment in government priorities. This could include aligning other public financial institutions more closely together in future.

The NWF will work with the Office for Investment (OfI) to provide a seamless journey for our most important international and large domestic investors. This will ensure that investors with high-value, sophisticated investment projects receive practical support to address their requirements. Investors wishing to discuss their project needs can contact the OfI directly via info@officeforinvestment.gov.uk.

The NWF's activities will be aligned with the government's plans to develop a 10-year infrastructure strategy and create a National Infrastructure and Service Transformation Authority to bring together strategy and delivery on infrastructure to provide investors with certainty and stability.





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