



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

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19 March 2025

Dear John,

Statement of Strategic Priorities to the National Wealth Fund

On 14 October 2024, I launched the National Wealth Fund (NWF), with £27.8 billion of capital to catalyse and mobilise additional private investment across the UK. I am now writing to formally communicate the government's strategic priorities for the NWF over this Parliament, in accordance with section 3 ('strategic priorities and plans') of the UK Infrastructure Bank Act. This statement is intended to confirm the NWF's role in financing the capital investment needed to deliver the government's policy agenda. It is the next step in enabling the NWF to deliver the government's growth and clean energy missions, with formal governance arrangements and legislation to follow.

Growth is this government's top priority. Mobilising private investment alongside public sector finance is central to the growth mission, delivery of which will create jobs, improve living standards, and make communities and families across the country better off. The NWF is at the core of this agenda, creating a new partnership with businesses and making sure Britain is the best place in the world to invest. I am pleased it has already started playing a key role in unlocking investment in the UK's growth and clean energy industries. In the past 6 months alone, the NWF has fuelled almost 10,000 jobs and unlocked over £1.8 billion of private investment in key growth-driving industries. I am keen to see the NWF continue to expand its role to help fuel the next wave of economic prosperity.

I look forward to seeing how the NWF's Strategic Plan reflects government's priorities, and to the NWF working together closely with the public and private sectors to drive economic growth in all corners of the UK.

Best wishes,

A handwritten signature in cursive script that reads 'Rachel Reeves'.

RT HON RACHEL REEVES MP
Chancellor of the Exchequer

Statement of Strategic Priorities to the National Wealth Fund

The National Wealth Fund (NWF) is at the forefront of investing public money for our future.

It delivers against a triple bottom line: helping deliver the government's growth and clean energy missions, generating a return for the taxpayer and crowding in private capital.

The triple bottom line is reflected in the investment principles set out in this Statement of Strategic Priorities. The NWF will use these investment principles to assess its transactions.

The NWF should produce a new Strategic Plan setting out how they will deliver on the government's priorities and increased ambitions.

Strategic objectives

Investment Principle 1: NWF investment supports the government's growth and clean energy missions. This includes:

- Supporting government policy, including developing innovative finance solutions.
- Building strong relationships with regional, local and devolved authorities, and addressing investment barriers by providing financing and expertise.
- Enhancing awareness and understanding of the NWF's offer and value add for private businesses, investors, and more widely.

The NWF has two strategic objectives: supporting regional and local economic growth and tackling climate change. The NWF should interpret these objectives in line with the government's growth and clean energy missions.

Growth mission

Growth is the government's number one mission. The NWF is a key lever for helping to deliver the investment underpinning this mission. It will do this by:

- Investing in the growth-driving sectors in the Industrial Strategy.
- Investing in support of the Infrastructure Strategy.
- Investing to support strong foundations for economic security and resilience.
- Investing in city regions, high potential clusters, and Mayoral Strategic Authorities' Local Growth Plan Priorities.
- Ensuring the benefits of investment are felt in all four nations of the UK, working collaboratively with the Scottish National Investment Bank, Development Bank of Wales, and the Northern Ireland Executive.

The NWF is uniquely positioned to support regional and local strategies with commercial and financial advisory and lending support throughout the investment cycle to deliver on local priorities, supporting them with early-stage project development. In doing so, the NWF should act in partnership with central government, local government, and other public bodies, to help identify the right support for projects. The NWF should deepen engagement with Mayoral Strategic Authorities and City Region Joint Committees,

establishing closer ways of working in support of the government's devolution agenda, and providing the tools and expertise necessary to build investment pipelines to support regional growth.

The NWF's Local Authority Function should continue to provide lending and advisory services to local government to drive local economic growth.

Clean energy mission

The clean energy mission outlines the strategic direction for this government's commitment to achieving net zero by 2050. It has two pillars: 95% clean power by 2030 and accelerating the transition to net zero carbon emissions by 2050.

The NWF is a key lever for helping to deliver the clean energy mission. It will do this by:

- Investing in the development of low-carbon power generation, flexibility and storage technologies and their supply chains, creating high quality jobs throughout the UK.
- Supporting the deployment of low-carbon fuels and technologies throughout the economy, including in our transport, homes, and workplaces.
- Investing in nascent markets and earlier-stage technologies that support the growth and clean energy missions.

The NWF is the UK government's principal investor and policy bank with a mandate to catalyse investment into clean energy projects with a financing challenge.

Great British Energy (GBE) is a publicly owned energy company with a mission to accelerate clean power deployment, create jobs, boost energy independence, and ensure UK taxpayers, billpayers, and communities reap the benefits of clean, secure, homegrown energy. To achieve this, GBE will establish itself as an energy developer and will develop, invest in, build and operate clean energy projects across the UK.

The combination of GBE and the NWF's expertise will provide a strong end-to-end clean energy development and finance offer. The two organisations will work closely together to support GBE to establish itself quickly as a publicly owned clean energy company, drawing on the NWF's experience as an investor.

Working with government departments and other institutions

To deliver these objectives, the NWF will collaborate with other Public Financial Institutions, government departments, relevant government bodies, and the Local Government Pension Scheme to address access to finance gaps and support strategic objectives on growth and clean energy. Under the net financial debt fiscal rule announced at Autumn Budget 2024, the NWF will play a significant role in the delivery of financial transactions with the potential to expand over time.

Working closely with departments, it will leverage its unique market expertise and insights to design and implement innovative financial solutions. This includes interventions where departmental funding and NWF capital work together to deliver financial transactions that represent better value for money than grant alternatives.

The NWF should be responsive to requests from HM Treasury ministers, in conversation with other departments, to consider investment opportunities, particularly in exceptional circumstances. However, the NWF, including its investment committees, remains operationally independent in its day-to-day activity and its investment processes and decisions in line with its delegated authority.

In addition to deploying capital, the NWF will continue to support government policy by providing strategic advice and insights based on the NWF's presence in key sectors. This unique vantage point will enable the NWF to offer valuable perspectives on emerging trends and potential challenges, helping to shape government policy. The NWF should also work with departments to identify investment opportunities in priority sectors.

Investment scope and priority sectors

Investment Principle 2: NWF investment is in capital intensive projects, businesses or assets. This includes:

- Prioritising investment in the modern Industrial Strategy sectors of clean energy, digital and technologies, and advanced manufacturing, alongside transport.
- Committing at least £5.8 billion into green hydrogen, carbon capture, ports, gigafactories and green steel.
- Considering investments in dual-use technologies across these priority sectors which better support the UK's defence and security.
- Remaining flexible to invest in support of emerging government priorities and in response to changing market conditions.

Investment scope

To ensure the NWF can most effectively support the government's growth and clean energy missions, including the Industrial Strategy, the government will introduce legislation as soon as parliamentary time allows to broaden its legislative mandate beyond infrastructure.

At that point, and subject to parliamentary consent, the NWF's investment principles will reflect that the NWF should focus on enabling investment in capital intensive projects, businesses or assets. The NWF will generally focus on investment in late-stage development, construction, and commercialisation. The NWF should look to build a pipeline of investable opportunities beyond infrastructure to ensure it can start delivering on its new mandate as soon as legislation comes into force. The Strategic Plan should outline how it will capitalise on its expanded mandate.

The NWF should continue to work closely with other Public Financial Institutions, and the Office for Investment, to promote a joined-up approach to mobilising private investment and delivering economic growth, ensuring its activities are complementary.

Priority sectors

The NWF should prioritise clean energy, digital and technologies, advanced manufacturing, and transport sectors. These priority sectors support the government's growth and clean energy missions and face access to finance issues the NWF can help to address.

The NWF should consider investments in dual-use technologies and to support supply chain resilience across these priority sectors, to better support the UK's defence and security.

As announced at the International Investment Summit in October 2024, the NWF will commit at least £5.8 billion over this Parliament to green hydrogen, carbon capture, ports, gigafactories and green steel sub-sectors.

The NWF Strategic Plan should focus on where and how the NWF can deploy its capital across its priority sectors.

The NWF should consider the role it can play in supporting the delivery of the wider Industrial Strategy , including in defence, life sciences, and creative industries; and the Infrastructure Strategy, including in the water and waste sectors.

The NWF should retain flexibility where financing gaps emerge, including by responding to changing market dynamics, identifying areas the UK has potential to develop world-leading expertise, and responding swiftly to emerging government priorities.

Financial objectives

Investment Principle 3: NWF investments are intended to deliver a positive financial return for the Exchequer, in line with its Financial Framework. This includes:

- Delivering the returns target set out in the NWF Financial Framework, recognising this will take time to achieve.
- Making use of its increased risk appetite, which should be held in balance with its returns target.
- Committing billions of pounds each year, with an ambition to roughly double its investment activity relative to the 2024-25 financial year.

Returns target

The NWF will seek to make positive returns for the Exchequer across its whole portfolio, covering at least the government’s cost of borrowing and institutional overheads. The NWF is operationally independent, including in its pricing decisions. The NWF should proactively explore how it can utilise concessional terms, including on price and tenor, to help unlock transactions and drive growth.

The returns target will be set out in the NWF’s Financial Framework.

The NWF will proactively explore blended finance solutions which combine its suite of financial products with grants and other policy instruments from government departments. This could be done on a commercial, concessional, or intentionally loss-making basis. However, any intentional losses will need to be covered by departments to ensure the NWF continues to make a positive return. This will be subject to controls set out in the Financial Transactions Control Framework, the Subsidy Control Act and the NWF’s governance documentation.

Economic capital

The NWF has a different risk appetite to the private sector because it is focused on delivering the government’s missions as well as delivering a positive financial return. The NWF’s economic capital limit will be increased from £4.5 billion to £7 billion in its Financial Framework to support its greater financial capacity and enable a greater risk appetite. This provides more flexibility to commit greater economic capital to higher risk investments, including equity, in support of the NWF’s strategic objectives and priority sectors. The NWF’s greater risk appetite should be held in balance with its financial sustainability and delivering a positive financial return for the Exchequer.

The Strategic Plan should articulate how the NWF will commit and monitor its greater risk appetite, achieving a fair balance of risk and reward with the private sector, to co-deliver government policy.

Commitment volumes

The NWF should aim to invest billions of pounds each year, subject to market conditions, with an ambition to roughly double its investment activity relative to the 2024-25 financial year. There should be an ongoing step-change in activity, facilitated by the additional capitalisation and expanded resource provided, the details of which will be agreed through standard annual business planning.

Additionality

Investment Principle 4: NWF investment is expected to crowd in significant private capital over time. This includes:

- Supporting sector development by crowding-in at sector level and targeting market weakness.
- Unlocking projects that otherwise would not have gone ahead.

The NWF will focus its interventions where there is an undersupply of private finance, and by reducing barriers to investment and actively leading the exploration of financing solutions, it will crowd-in private capital. The NWF should target an overall portfolio mobilisation ratio of 1:3 over time, unlocking over £70 billion of private finance.

The NWF should be additional in multiple ways. This can include demonstrating the commercial viability of a nascent technology, supporting new subsidy-free commercial models, and providing liquidity to sectors when the market is struggling to deliver the investment needed to deliver government policy ambitions. As the NWF builds its investment pipeline, it should consider all the ways it can be additional.

There are likely to be instances where the NWF's involvement in structuring a transaction is successful in crowding-in capital to a point where the NWF's investment is no longer required. The NWF should ensure these successes are measured and reported appropriately.

The NWF should evidence additionality in every deal, but the evidentiary burden these assessments place on projects should be proportionate, timely and supported by the NWF's own expert judgement of private financing gaps and market conditions.

The NWF should embed three principles into its additionality assessments to ensure front office staff are empowered to have a proactive mindset and the NWF can cornerstone a sector's development:

1. The NWF should prioritise crowding-in private capital at the sector level over time, rather than focusing narrowly on the individual project impact. It should target investments that will play the biggest role in supporting the government's sectoral policy goals.
2. The NWF should ensure transactions target market weaknesses and investment barriers, not just market failure.

3. The NWF should consider opportunities where it can demonstrate investment leadership, including being a first-mover in nascent sectors and a lead investor in catalytic deals.

The NWF's Strategic Plan and refreshed additionality guidance should set out how it will embed these principles into their additionality assessments.

The NWF's investment activity can crowd-in capital at three stages: first when it makes its initial investment, second where further finance is raised during the lifetime of the investment, and third when it exits an investment. Its exits from investments can crowd in additional flows. It should develop a balance sheet strategy to ensure it exits investments in a way that maximises crowding-in and enables it to recycle its financing capacity most effectively. Crowding-in through exiting existing investments, particularly once a project has matured and been de-risked, is an important way the NWF can be additional.