Great British Energy: Delivering Security, Prosperity and Economic Renewal

BACKING JOBS AND INVESTMENT

Akshay Paonaskar, Heather McKay

The UK is still dealing with its second energy price shock in less than five years as the Middle East crisis has sent fossil fuels markets into turmoil. The last energy crisis cost the UK economy £183 billion, squeezing the UK's fiscal space to absorb a new shock.[1] Great British Energy (GBE) is a vehicle to tackle these challenges head-on by putting local and community energy in the hands of people, strengthening domestic supply chains as part of a broader reindustrialisation of Britain's left-behind regions, and scaling clean energy technologies to get the UK off volatile fossil fuels.

At a time of global energy shocks and weak fiscal headroom, reducing exposure to volatile fossil fuels is not only a climate imperative but an economic one. Recent measures to lower energy costs, including removing VAT from household electricity bills, may provide temporary relief; lasting prosperity will depend on cheaper home-grown power, stronger regional economies and greater resilience to future crises.

The Prime Minister has a defining economic task ahead of him: to restore public control over the essentials, reindustrialise Britain's regions and transform energy security into a national growth strategy. Great British Energy (GBE) will be a vital delivery vehicle – leveraging public investment to crowd in private capital, cut costs for households and businesses, create productive jobs and rebuild domestic supply chains.

With much of its funding already earmarked, GBE has a choice: either seek additional funding or narrow its focus on a smaller set of immediate priorities to close the gap

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[1] E3G and Energy & Climate Intelligence Unit, 2025, [Cost of the fossil fuel crisis in the UK]

between ambition and delivery. To deliver the government's mission for greater control over energy markets and industry, GBE must meet three conditions:

- Build institutional capacity aligned with its ambition to establish a world-leading energy company (by 2026).
- Focus its resources on areas of highest impact in the first two years and demonstrate delivery in key areas to ensure its projects reduce energy bills for communities, build strong supply chains and support local jobs (by 2028).
- Establish financial credibility to be in a strong position to scale its impact (by 2030).

Establishing a new institution and developing market credibility takes time, yet the window of opportunity for GBE to prove itself is narrowing. Strategic partnerships with bodies like the National Wealth Fund (NWF) and the Transition Finance Lab will offer the fastest route to deploy capital effectively now while also building the foundations for broad future capabilities.[2]

Recommendations

The following recommendations translate these conditions into action. The first two identify where GBE should focus for visible economic impact by 2028; the third sets out the institutional and financial roadmap needed to scale by 2030.

- **Unlock a new wave of community and local energy investment** by removing barriers to community energy, and crowding in private finance.
- **Reindustrialise Britain's regions** by strategically scaling finance for clean energy supply chains, creating good jobs and delivering a more secure energy system.

In parallel, GBE should build institutional capability and a roadmap to lay the foundations for long-term success.

- **Translate ambition into a delivery roadmap for the next phase that drives investment** by setting out sector prioritisation and an investor engagement strategy, and by articulating how GBE will manage trade-offs.

[2] Green Finance Institute, April 2026, **From ambition to investible reality: strengthening the pathways to private capital**

GBE needs to adapt its strategy to meet the political and economic moment

Great British Energy (GBE) and the National Wealth Fund (NWF) were at the heart of the Starmer government's plan to make the UK a clean energy superpower. There is broad public support for a state-owned energy company across political boundaries. According to polling by More in Common in June 2024, support for GBE stood at 86% among Labour supporters, 56% for Conservatives and almost 60% among Reform supporters.[3]

The government has made progress on establishing GBE, passing the Great British Energy Act 2025 to place it on a statutory footing. The act establishes GBE as a publicly owned, operationally independent energy company that will develop energy projects, build stronger supply chains, create jobs, and help grow the local and community energy sector. It also provides it with £8.3 billion in funding over the course of this Parliament.

GBE published its 5-year strategy at the end of 2025, providing further detail on its three broad priorities: local and community energy, supply chains, and energy generation. The strategy aligns with pre-election public expectations around lower energy bills and a rollout of renewable power, and clarifies how GBE plans to deliver its mandate.

Recent events however have significantly altered the operating environment for GBE. UK and European gas prices have almost doubled since the start of the Middle East crisis.[4] This follows hard on the heels of the previous energy price shock, which cost the UK economy £183 billion, narrowing the fiscal space for the government to respond to further crises now and in the future.[5]

Against this challenging backdrop, GBE has a narrow window to capitalise on opportunities and establish market credibility. GBE's success can reduce the UK's exposure to volatile fossil fuel prices and build further resilience into the energy system, and it will be judged on delivering tangible results that make a visible difference to people's lives. GBE now needs to build strong institutional and financial foundations that will ensure its success beyond this Parliament.

The case for more financial firepower

There is a case for additional public funding to help GBE close the gap between ambition and delivery and establish a clear path to success. Without new funding, GBE faces a difficult set of choices with regard to prioritisation and the level of ambition.

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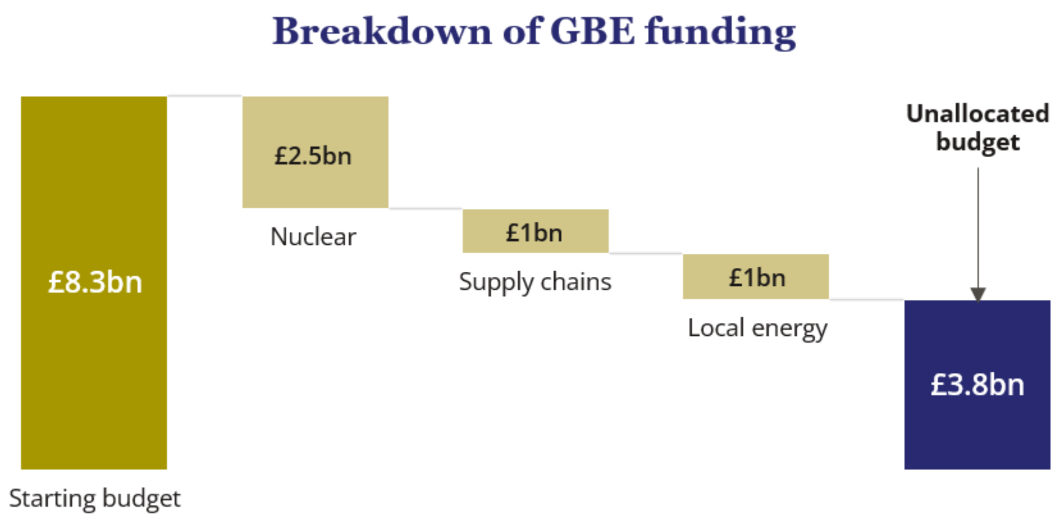
[3] E3G, 2024, **E3G polling: Climate and the 2024 General Election**.
[4] Economics Observatory, 2026, **How might the Middle East conflict shape Europe's inflation outlook?**
[5] E3G and Energy & Climate Intelligence Unit, 2025, **Cost of the fossil fuel crisis in the UK**

30% of GBE's initial £8.3 billion capitalisation was allocated to nuclear energy before GBE set out its strategic priorities. Its remaining budget of £5.8 billion is split across its three strategic priorities – community and local energy, supply chains, and utility-scale renewables and storage (see Figure 1). However, the current budget is not enough for GBE to drive meaningful change across all three areas, creating potential risks. Without visible impact for communities, households and businesses, GBE risks losing political and public support.

GBE's success will depend on making the most of its existing funding in the short term to establish credibility and secure additional public funding over the medium term.

- In the next two years (2026–2028), GBE should focus on two areas. First, it should strengthen internal capability by bringing in more commercial, investment and engineering expertise to transition from a grant-making vehicle to a proactive market player capable of structuring projects and crowding in private capital. Second, rather than spreading resources too thinly, GBE should prioritise areas where it can have the greatest impact. Two tests should guide GBE's prioritisation: can it deliver benefits quickly to lock-in public support and can it crowd-in rather than displace private investment.
- GBE's budget is currently too small to meet all its strategic objectives. By 2028/29, once GBE has established itself and demonstrated its ability to deliver, HMT should at least double its budget to reflect the scale of investment needed to deliver on its ambition.



Source: *E3G analysis based on GBE's strategy and government press releases.*

Figure 1: Less than half of GBE's initial capitalisation remains available for funding utility-scale energy projects.

Three conditions for successful delivery

GBE's institutional longevity rests on three inter-dependent conditions.

1. **Build institutional capacity aligned with the ambition to establish a world-leading energy company (by 2026).** GBE needs the right people, capabilities and systems to be successful. In some cases, this would need GBE to make a strategic call on paying sector competitive salaries to attract the right people in line with other public finance institutions (PuFIns). GBE should set out a roadmap of the capabilities it will develop first, the types of external partnerships it will need to achieve its mission, and how this would enable it to expand its portfolio over time from a position of strength.

2. **Focus its resources on areas of highest impact in the first two years and demonstrate delivery in key areas (by 2028).** As a new institution with a broad remit and no established track record, GBE will need to make choices about where to focus. Early wins are critical in the current political climate, both to demonstrate that the energy transition is working for people and for GBE to establish a track record to build on. These wins must be visible so that people can connect GBE's interventions to lower bills, energy security and local growth. GBE should accelerate delivery by building on its early success in rolling out solar across the public estate to reduce bills and free up resources for frontline services. Projects that reduce energy bills for communities, while also building strong supply chains and supporting local jobs, are popular, critical to strengthening energy independence and will help sustain a broad coalition of support.

3. **Establish financial credibility to be in a strong position to scale its impact (by 2030).** GBE's current grant funded model reflects the realities of a new institution establishing itself but is not fiscally sustainable over the long term. GBE now needs to use public funding strategically to de-risk projects and crowd in private finance to ensure it can scale up its impact. This will reinforce credibility with markets and deliver better value for money. GBE should prioritise developing a clear route to financial sustainability.

These mutually reinforcing conditions provide the framework for GBE's next phase. The recommendations below apply that framework to three priorities: unlocking local and community energy investment, scaling strategic clean-energy supply chains, and building the institutional and financial platform for long-term growth.

From conditions to delivery priorities

In considering how to apply in practice the three conditions outlined above, enabling GBE to sharpen its priorities and ambition, we have focused on three areas aligned with GBE's 5-year strategy where it is well placed to add value:

1. Unlock a new wave of local and community energy investment.
2. Reindustrialise UK regions by scaling finance for clean energy supply chains.
3. In parallel, build institutional capability and a roadmap to lay the foundations for GBE's next phase of growth.

Unlock a new wave of local and community energy investment

The Middle East crisis has once again demonstrated the need for the UK to strengthen its buffers against fossil fuel shocks and volatile energy prices. GBE's strategy recognises the role of local and community-led renewable energy projects in boosting energy security. Given the broad range of challenges such projects face, sets out a strong package of measures that blends advice and technical support, finance and measures to drive down costs (e.g. standardisation, leveraging the state's buying power through aggregation). This lays the ground for scaling community and local energy and supporting good quality local jobs. GBE now needs to remove existing barriers to scale investment and deliver at pace to lock-in benefits before political and public support starts to erode.

GBE and NWF should combine their resources to provide joined-up advice and finance to guide local and combined mayoral authorities on their decarbonisation journeys

Local authorities face two challenges in driving decarbonisation in their areas:

1. Support for local government is fragmented across multiple departments and PuFIns. The National Audit Office highlighted 21 funds that local governments can apply for.[6] It is challenging for local governments to navigate the complex landscape with limited resources, with potential risks that funds do not flow to where they are needed.
2. Local government finances are stretched. Despite funding increases, local government budgets are expected to be 0.5% lower in real terms by 2028/29 compared to 2010/11 and 14% lower when accounting for population growth, with social care for adult and children consuming a greater share of the budget. [7]

The centralisation of power and finance stymies the power of local government to shape programmes aligned with local priorities. There is an opportunity for GBE to use its local

[6] Phoenix Group, 2024, **Charting the UK's net zero future – Policy recommendations to unlock investment**
[7] IfG, 2020, **Local Government funding in England. Updated on 22 January 2026**

and community energy work as a platform to play three complementary roles to streamline support and empower local governments to scale decarbonisation efforts.

- **Adviser:** Research has shown that Local Area Energy Plans aligned with national frameworks such as the Regional Energy Spatial Plans that will be produced by the National Energy System Operator (NESO) can reduce overall energy transition costs.[8] Yet many local authorities lack the capacity to develop coherent, integrated plans bringing together different functions such as energy, planning and finance. There is a role for GBE to partner with the NWF's Regional Accelerator Programme and the Energy Systems Catapult to guide local authorities in this process by providing technical assistance, developing common tools and sharing best practice, and building a strong deal pipeline to crowd in private investment. There is an opportunity to integrate local and community energy projects with local authorities' broader decarbonisation ambitions.
- **Convener:** Local authorities often do not have the capacity to navigate funding schemes. This can result more finance flowing towards better organised, well-resourced local authorities that have the capabilities to apply for funding. GBE could serve as a one stop shop for funding, either pooling different government pots on behalf of local authorities or signposting local authorities to relevant departments. This could ease administrative burdens and improve capital allocation.
- **Investor:** Given the constraints on local finance, investments must be packaged in ways that attract private capital to close investment gaps. Building on the success of regionally led schemes such as Manchester's Good Growth Fund, GBE should work with NWF's Regional Project Accelerator to adapt and roll out financing mechanisms anchored in the specific challenges that local authorities face. There is scope to pool and repurpose existing grant schemes to provide a range of financial tools aligned with the needs of end users including grants, low-cost loans, guarantees, and blended finance.

Department for Energy Security and Net Zero (DESNZ) should implement measures to overcome barriers highlighted in last year's consultation on community energy

The government has signalled its intent to introduce proposals for mandatory shared ownership of renewable energy projects and collect evidence on how current market arrangements might disadvantage community groups. Following the completion of the call for evidence, the government now needs to move at pace to break down remaining barriers that stand in the way of scaling community energy across the country. The lack of adequate revenue certainty, expensive licensing agreements, and the challenges associated with selling electricity to consumers continues to hobble projects and slow deployment. Addressing these barriers is critical to unlocking private investment to achieve

[8] Phoenix Group and Energy Systems Catapult, 2025, **Unlocking regional investment through Local Area Energy Planning**

the government's target of 8 GW of community energy by 2030. GBE has an important role in pipeline development by expanding its advisory function to help communities undertake preparatory work and place them in a stronger position to apply for funding under the Community Energy Fund.

DESNZ should support GBE to design financial instruments that crowd in private capital for local and community energy

Most community energy projects struggle to get off the ground because of challenges accessing finance, both public and private.[9] GBE's £1bn for community energy is a welcome capital injection into a sector that has been struggling. At present GBE is mostly using grant financing to support projects. Grant financing plays an important role in moving projects from idea to conception by supporting feasibility studies and project development. GBE grants for laying solar panels across the public estate – schools, hospitals and military sites – are helping reduce bills and free up resources for frontline services. These activities support decarbonisation, strengthen energy security and support domestic supply chains and jobs, and should continue at pace.

However, solely deploying grant finance constrains GBE's reach because it is unable to recycle capital. In the next phase of GBE's delivery, it should transition to using public money more strategically to catalyse private investment alongside its grants programme. Combined with regulatory reforms that remove barriers and provide greater regulatory certainty, instruments such as guarantees, project aggregation and blended finance vehicles could unlock a new wave of private investment. These approaches have been tested in comparable contexts, and the broad principles are transferrable to GBE's portfolio. DESNZ should support GBE to work with the Green Finance Institute's (GFI) Transition Finance Lab and to design innovative funding approaches that crowd in private capital and develop a route to scaling solutions across GBE's portfolio.

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[9] DESNZ, 2025, **Call for evidence outcomes – Barriers to community energy. Government response**

Case studies: Crowding in private finance for community energy

UK Green Investment Bank funding for community energy

The UK Green Investment Bank (GIB) established investment vehicles to crowd in private investment into community energy projects.[10] In 2014, the GIB and KKR invested £100 million each to create a new £200 million long-term debt facility managed by Temporis Capital to fund community-owned energy projects. In 2015, GIB co-invested £50 million alongside Strathclyde Pension Fund in a community energy project through Albion Community Power. The scheme intended to provide unlevered equity financing for up to 30 projects, generating around 24 MW of renewable energy.

GFI's school decarbonisation recommendations

The expected investment needed to decarbonise UK's primary and secondary schools is £16.3 billion, on top of a £13.8 billion maintenance backlog. This cannot be funded through public sources alone. GFI identified the barriers facing school decarbonisation and made recommendations that ranged from incremental opportunities to more innovative financing solutions.[11] Besides regulatory changes to make it easier for schools to finance decarbonisation measures, the recommendations included repurposing grants as guarantees or subsidies to crowd in private finance, setting up a Schools Green Transition Fund to raise private capital upfront at low cost, and exploring property-linked finance to decarbonise the school estate.

New York Green Bank Community Distributed Energy

New York Green Bank's community-focused funds crowd in private investment by using public capital to take specific risks or transaction roles that make projects bankable for commercial investors. NY Green Bank provided early finance and standardised contracts for community solar projects.[12] By demonstrating a track record, it created a path for private investors to enter the market as it matured. It used a variety of instruments to help mobilise $2–3 for every dollar of public investment across its portfolio. The NY Green Bank supported market development through:

- **Market maker role:** Financing commercially viable but 'first of a kind' community solar and efficiency projects where private investors perceive policy or

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[10] GIB, 2015, **Annual Reports and Accounts 2014-15**

[11] Green Finance Institute, 2025, **Financing decarbonisation of schools**

[12] NY Green Bank, **Community Distributed Generation**

counterparty risk as too high. This helps build a track record and standardised structures that can be emulated and scaled by commercial lenders.

- **Credit enhancement and flexible debt finance:** Offering senior, mezzanine loans with tenors aligned with project cash flows, offering more flexible commercial terms compared to private lenders. This helps absorb early project risk and reduces perceived private sector risk to improve project bankability.
- **Wholesale lending and community intermediaries:** Expanding lending capacity by providing finance through other financial institutions, mostly community development finance institutions.
- **Co-financing with other green banks and private lenders:**[13] Adopting a project sequencing model in partnership with other green lenders to free up money to recycle into new projects. The New York City Energy Efficiency Corporation provided finance for a project's early stages, the NY Green Bank then stepped in with larger credit facilities to help projects scale, before passing projects on to private banks that were more comfortable lending once projects reached scale and a performance track record.

Rooftop Solar Private Sector Financing Facility

The India Innovation Lab for Green Finance designed a private sector financing vehicle for rooftop solar.[14] The idea was to provide stable, long-term debt financing to developers that struggle to access finance because of their size, lack of balance sheet strength, and no previous track record of developing projects. The scheme bundles smaller projects into a structured investment to reach an overall deal size of sufficient scale and quality to attract private investment, particularly from institutional investors. The facility aimed to expand private investment by demonstrating commercial viability and reducing risk perceptions.

Reindustrialise Britain's regions by strategically scaling finance for clean energy supply chains

Against a backdrop of rising geopolitical conflict and the weaponisation of trade, GBE's strong focus on supply chains is welcome. The government has taken significant steps on supply chains by increasing funding, strengthening the institutional architecture, and establishing strategic global partnerships. The Hamburg Declaration places the UK at the

[13] NYCEEC, 2024, Catalytic role of green banks to support the energy transition – Collaboration between Ecosave, NYCEEC, and NY Green Bank

[14] India Innovation Lab for Green Finance, 2016, Rooftop solar private sector financing facility

heart of efforts across North Sea countries to unlock investment and create jobs while strengthening the region's collective energy security.

Taken together, these are important steps towards embedding economic and national security within the government's broader industrial strategy. They form a strong platform to build upon and an opportunity to implement three levers in parallel: identifying where to invest; building a replicable model for government-industry collaboration; and mobilising private capital at scale.

GBE should map critical supply chain bottlenecks across key sectors to target investment strategically by the end of 2026

Supply chains have become increasingly complex and specialised, with the role of government increasingly being shaped by both economic and national security considerations. With limited funds, it will be difficult for GBE to support all supply chain components across different sectors. To sharpen focus and guide effective capital allocation, GBE should map UK strengths against critical supply chain bottlenecks to co-invest with the private sector in areas where the UK stands a strong chance of competing in global markets. Strategic investments in areas where demand is expected to exceed supply, or where domestic capability is critical from a national security perspective, could help lower energy system costs, and therefore bills.

GBE should look to replicate the public investment pathways for offshore wind supply chains for other low-carbon sectors by 2027

UK public finance institutions, investment bodies, industry and the Offshore Wind Growth Partnership came together to support project developers and investors to accelerate investment in domestic supply chains. In addition, the Clean Industry Bonus, as part of the offshore wind Contract for Difference (CfD) auction, provided an additional pull for domestic supply chains. This offers a potentially useful template for government–industry collaboration that can be replicated across other low-carbon sectors that face similar challenges and are vulnerable to geopolitical shifts (e.g. battery supply chains). Alongside the previous recommendation, this could create a strong package that aligns the UK's energy, economic and energy security goals.

GBE should work with the Transition Finance Lab and GFI to develop investment vehicles that can mobilise private capital at scale by the end of 2026

GBE has earmarked £1 billion to support UK energy supply chains, with the first tranche of £300 million providing grant funding for offshore wind and networks. That £1 billion allocation is insufficient given the scale of investment needed across the energy system in an increasingly uncertain and geopolitically fractious world. Therefore, GBE's impact will come from crowding in private finance to scale investment beyond its own budget. It will take time for GBE to build the institutional capability to deploy a range of financial instruments and structure investments to cater to different types of private investors.

Instead of waiting to build institutional capability in-house, GBE should leverage existing expertise across the public finance ecosystem through partnerships with the Transition Finance Lab/GFI, UK Government Investments, and other PuFIns to design products with the explicit goal of mobilising private finance.

Translate ambition into a delivery roadmap that drives investment

GBE's strategy is a critical milestone on its journey as the UK's new state-owned energy company. It has identified the barriers holding back clean energy deployment and carved out a distinctive role for itself to overcome them. GBE now needs to translate its strategic ambitions into a clear delivery roadmap. Success will depend on close coordination across government – with DESNZ, NESO and Ofgem on the energy transition, with the Department for Business, Innovation, Science and Trade on industrial strategy, with No. 10 on wider government priorities, and with HMT to secure the necessary capital.

GBE is a new organisation, operating across a broad remit in a competitive market for technical and commercial talent. Without clear sequencing of priorities and a coherent financing strategy, there is a risk that the gap between ambition and delivery will undermine market credibility. GBE should publish a strategic delivery roadmap covering three areas.

- **Sector prioritisation:** A sequenced approach that prioritises a narrow set of sectors will position GBE to demonstrate early impact and build credibility to scale over time. GBE's current generation remit covers onshore wind, solar and storage (LDES and batteries) alongside novel technologies like floating offshore wind. While these projects share a common foundation in project development – site assessment, grid connection, planning – they also require an additional layer of technical expertise and sector-specific commercial knowledge. For a new organisation, building these capabilities from scratch risks spreading resources too thin and missing out on quick wins to establish market credibility. Looking ahead, GBE's roadmap should therefore set out a sequenced view of where it will focus first, based on an assessment of investment gaps and NESO's scenarios of a future energy system, and where it sees a bigger role in the future as its capabilities mature, for example on grid infrastructure.

- **Finance strategy:** GBE's strategy sets out an ambitious target to mobilise £15 billion of private finance by 2030 and signals a range of instruments it plans to use. To deliver on this ambition, GBE should now develop an investor engagement strategy that maps the investors it plans to target (e.g. pension funds, banks, private equity), the types of products and financing vehicles it needs to develop to co-invest with them, and how it will build market credibility. This requires the ability to structure deals and transition from a grant-making vehicle to using more sophisticated financing arrangements to mobilise private capital at scale. In some areas, GBE's strategy might also need to be complemented by a stronger technical assistance function to actively develop an investable project pipeline. This will demonstrate that a publicly owned energy company can scale clean energy, support local communities, and lower the costs of the transition.

- **Trade-offs:** Delivering GBE's strategy will involve some difficult choices. There is an underlying tension between building an income-generating portfolio and backing innovative technologies where there is a strong case for government intervention. Similarly, promoting domestic supply chains may, in some cases, mean accepting higher project costs in the short term. In a world of rising geopolitical conflict and fractious international relations, the UK government's choices will be increasingly guided by national security and economic resilience. GBE is an important delivery vehicle, but must be transparent about trade-offs to send a clear signal to the private sector about co-investment opportunities.

The time to deliver is now

At a challenging time for the UK energy system, GBE can play a transformative role in the energy sector by delivering tangible benefits to communities and businesses across the country and demonstrating how public finance can be used strategically to unlock private investment at scale. This will potentially shift the investment landscape and signal within the next two years that the government's industrial and local devolution strategy is delivering. Delivered successfully, GBE could be a cornerstone of the UK's economic and national security for decades to come.

But the window for GBE to deliver is narrowing. The political consensus that drove UK climate action for the last two decades is fracturing; cost of living is weighing on people's minds and there is limited public patience for long-term investment without short-term impact. That is why GBE needs to quickly build off the solid foundations already established by the government since it came into power. Getting the sequencing right, scaling operations from a focussed base and delivering visible short-term impact on community energy, jobs and supply chains will be critical to secure a broad coalition of support. It is also critical that a new funding settlement for GBE is agreed within two years that doubles its budget to ensure it has the resources to succeed into the future.

A long-term roadmap to scale energy generation and crowd in private capital to make public budgets stretch further will establish the market credibility to secure GBE's place beyond this Parliament.

ABOUT E3G

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We drive systemic action on climate by identifying barriers and constructing coalitions to advance the solutions needed. We create spaces for honest dialogue, and help guide governments, businesses and the public on how to deliver change at the pace the planet demands.

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AUTHORS

Akshay Paonaskar leads the UK public finance work at E3G, focussing on how to deploy public finance strategically to crowd in private capital at scale to achieve energy and climate goals.

Heather McKay leads the UK sustainable finance work at E3G, working closely with CSOs, businesses and investors to deliver transformative finance outcomes in the UK. Heather also works to support global ambition setting by the UK.