

# Investing in *Britain's future*

## TO BOOST PRODUCTIVITY, GROWTH AND ENERGY SECURITY IN A VOLATILE WORLD

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The Middle East conflict risks a prolonged energy price spike that could lead to a further deterioration in living standards. As the UK enters its second fossil fuel price shock in three years, there is an overwhelming case to mobilise clean investment as a vehicle for energy security, faster growth and improved living standards. Given the strong headwinds, the Government has a window of about 12 months to strengthen the public finance ecosystem and realise the benefits within this Parliament. Building on the positive steps the Government has already taken to scale private investment in critical infrastructure, this briefing sets out the key institutional reforms required to deliver UK energy security and long-term growth.

Public finance institutions (PuFIs) are central to the UK Government's ambition to raise productivity, accelerate growth and improve living standards. Against a volatile geopolitical environment, they also have a role in establishing strong, secure supply chains that play to UK strengths. The publication of five-year strategies for key British PuFIs has provided greater clarity on institutional roles and has laid the groundwork for more coordinated public investment by embedding the 'no wrong door' policy. However, the UK's weak investment and productivity performance means that delivery now matters more than intent. Had UK business investment matched the G7 average since 2010, it would have been £57 billion per year higher.

Well-resourced PuFIs can serve as a core vehicle to translate policy ambition into sustained economic growth. This briefing sets out how targeted institutional reforms can build on current momentum to strengthen the effectiveness of the PuFi ecosystem and unlock higher levels of private investment. Key recommendations include:

- **Strengthen access and coordination across public finance institutions;**
- **Clarify investment principles and strengthen prioritisation to guide the deployment of public capital;**
- **Strengthen project development and market readiness to scale an investable project pipeline.**

## System-level reforms that will deliver impact in the short-term

### Building on public finance institutions' "no wrong door" policy, strengthen access and coordination across institutions within the next six months

- ▶ HM Treasury (HMT) and the Department for Energy Security and Net Zero (DESNZ) should provide further clarity on how the National Wealth Fund (NWF) and Great British Energy (GBE) will work together to scale energy sector investments.
- ▶ HMT should plug gaps in ticket sizes by clarifying institutional boundaries.
- ▶ HMT and the Department for Business and Trade (DBT) should expand the mandate of the Office for Investment (OfI) to improve visibility and serve as a concierge for all high-impact investment – both domestic and international.
- ▶ HMT should strengthen the Public Investment Roundtable's (PIR) governance by expanding departmental and OfI representation and deepening engagement with private sector and civil society stakeholders.

### Building on the publication of PuFI strategies, clarify investment principles and strengthen prioritisation to guide the deployment of public capital within the next six months

- ▶ HMT should clarify the relative weighting of the NWF's investment principles to enable it to manage trade-offs in its investment decisions.
- ▶ HMT and DESNZ should provide clearer sector prioritisation to guide the efficient deployment of public capital.

## Market-level interventions that will deliver impact in the medium-term

### Strengthen project development and market readiness to scale an investable project pipeline within the next nine months

- ▶ HMT should establish a Technical Advisory Taskforce within the PIR to map gaps in the provision of technical assistance across PuFIs and identify solutions to increase provision in the next year.
- ▶ HMT should prioritise mobilising institutional investment by supporting the NWF and the Transition Finance Lab to design investment vehicles that strike the right balance between risk and returns.
- ▶ HMT, DESNZ and DBT should build on the work of the Net Zero Council and the Transition Finance Council to develop investable sector transition plans to support market development.

## The case for action

The war in the Middle East has once again exposed deep vulnerabilities in the UK's energy system. As regional instability disrupts oil and gas supply chains, the UK faces a second fossil fuel shock in three years. The Russia-Ukraine war has cost UK households and businesses over £180 billion<sup>1</sup>. As the government enters this new crisis with limited fiscal headroom, PuFIns have a critical role in scaling investment to bolster the UK's energy security and ensure the country is well placed to tackle future fossil fuel shocks.

PuFIns are laying the foundations to unlock private investment and achieve the Government's ambitions. The NWF's five-year strategy sets out its ten priority sectors and recognises its important role in absorbing risk to kick-start private investment.<sup>2</sup> GBE's strategic plan has provided further clarity on priorities and how it will overcome the barriers to the energy transition. Together with the Government's 'no wrong door' policy, these developments represent a significant step towards a more coordinated public finance architecture and a more resilient economy.

However, UK economic growth has been weak since the 2008 global financial crisis. Productivity growth dropped from 2.1% pre-crisis to 0.6% between 2010-2019, squeezing living standards and weakening the public finances. This has been partly driven by poor business investment, averaging 9.9% of GDP in the UK compared to an average of 12.6% across the G7. According to the Joseph Rowntree Foundation, the average family will be £850 worse off over this Parliament, even after Budget measures to soften the impact.<sup>3</sup> This does not account for the acute impacts of an extended conflict in the Middle East.

Yet at a time of increasing global volatility, there is a huge opportunity to use clean investment as a vehicle for faster growth, higher living standards and greater energy security. The clean economy grew at 10% between 2023-24, supporting close to a million jobs across UK supply chains, with the average productivity per worker almost 40% higher than the national average.<sup>4</sup> Clean energy jobs and investment are spread across the country, supporting broader goals around local growth and regional rebalancing.

The institutional reforms outlined in this briefing build on the positive steps the Government has already taken. They are designed to close gaps and support PuFIns in deploying capital more effectively to create a more productive, innovative and resilient economy. Evidence from the UK and global institutions suggests that every pound of public investment can leverage between 3-3.5 times the level of private investment.<sup>5</sup>

<sup>1</sup> E3G and The Energy & Climate Intelligence Unit, 2025, [Cost of the fossil fuel crisis on the UK](#).

<sup>2</sup> British Business Bank, 2005, [Five-year Strategic Plan – Fuelling Ambition, Driving Growth](#). Great British Energy, 2025, [Great British Energy Strategic Plan](#). National Wealth Fund, 2026, [Unlocking the UK's Future – five-year strategic plan to 2030/31](#)

<sup>3</sup> Joseph Rowntree Foundation, 2025, [New JRF modelling shows bleakest parliament on record for living standards but less pain for the worse off](#)

<sup>4</sup> CBI, 2025, [Growth and innovation in UK's net zero economy](#).

<sup>5</sup> BIS, 2025, [Future of the Green Investment Bank Plc – Policy Statement](#). EIB (2025): [Powering Europe – The European Investment Bank Group 2025 Activity Report](#).

## **The Government should now capitalise on its strong foundations to translate ambition into delivery.**

### **1. Building on public finance institutions' "no wrong door" policy, strengthen access and coordination across institutions within the next six months**

A fragmented PuFIn landscape with overlapping remits can increase system inefficiencies and make it more difficult for the UK to achieve its goals of higher growth and investment. Investors and project developers also struggle to navigate the support available in the absence of clear signposting and a single point of contact.

The Government has made significant progress in starting to address these challenges. It has mapped the PuFIn landscape, established the PIR, formerly the Strategic Public Investment Forum, to improve internal coordination across PuFIns, and launched the "no wrong door" policy to ensure projects don't fall through the gaps if they approach the wrong institution. The publication of PuFIn strategies has provided further clarity on how these institutions will work in partnership to scale investment across Government priorities. The partnership across public finance institutions, investment bodies and industry to develop a unified public finance pathway for offshore wind supply chains demonstrates the value of strong collaboration and provides a template that could be applied to other sectors/technologies.

The following recommendations will help further strengthen the PuFIn ecosystem to deliver investment at scale.

#### **HMT and DESNZ should provide further clarity on how the NWF and GBE will work together to scale energy sector investments**

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There is still some uncertainty on the institutional boundaries between the NWF and GBE, and how they will work together to offer a compelling financial offer to catalyse private investment in the energy transition. This is not uncommon when a new institutional architecture is being set up, and institutions are trying to develop their value propositions. HMT and DESNZ should delineate and communicate the roles of these institutions, both in terms of how they will collaborate with each other, but also partner with the new Warm Homes Agency to provide a coherent policy and finance package. This is particularly relevant in the areas of energy generation and local authority decarbonisation.

#### **HMT should plug gaps in ticket sizes by clarifying institutional boundaries**

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There is a gap in support for projects looking for finance in the £15-25 million range, where projects are too large for the British Business Bank and too small for the NWF. The Government should clarify institutional roles to ensure a PuFIn is responsible for funding projects that fall within this range. Individual PuFIns should also explore how they could go further to aggregate smaller projects to reach the minimum ticket size needed to access both public and private finance. The NWF already does this at a regional level, and there is

significant potential to expand this approach to other areas such as home decarbonisation, EV charging infrastructure and small-scale nature restoration projects.

### **HMT and DBT should expand the mandate of the OfI and improve its visibility to serve as a concierge for all high-impact investment – both domestic and international.**

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The Government has made significant progress in improving access to PuFIs. However, investors and project developers continue to face challenges in navigating a complex landscape in the absence of clear signposting and a single point of contact. The OfI currently serves as a concierge for high-value inward investment, and HMT stated its intention to raise the profile of the OfI to maximise its effectiveness as part of its response to the Treasury Select Committee Inquiry into the National Wealth Fund.<sup>6</sup> HMT and DBT should now ensure that a revamped OfI has the capabilities and the mandate to support all high-value investment, both domestic and international. The OfI needs greater visibility so that companies and investors know whom to approach and the advice they can receive. The OfI should also take on a stronger convening role, connecting PuFIs, private investors, project developers and local authorities as part of a seamless process to support and grow all investment.

### **HMT should strengthen the PIR's governance by expanding departmental and OfI representation and deepening engagement with private sector and civil society stakeholders**

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The launch of the PIR, alongside explicitly adopting a “no wrong door” policy, are significant steps towards improving internal coordination across PuFIs. HMT should now strengthen the governance of the PIR to make it more effective.

- ▶ Expand PIR representation to include the OfI and relevant central government departments to create a space for regular feedback loops to constantly refine the policy and investment environment. This will provide a more joined-up approach to delivering the government’s goals by aligning PuFI investments and departmental funding priorities.
- ▶ The PIR should engage more frequently with external stakeholders – business, investors, CSOs – to align PuFI activities and public policy to overcome market barriers and address investor needs. Such proactive engagement offers an opportunity for PuFIs to outline to the market the types of projects they are interested in and build a network of investors that can be matched to project developers as viable opportunities arise in the future.

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<sup>6</sup> Treasury Select Committee, 2024, [National Wealth Fund](#).

## 2. Building on the publication of PuFin strategies, clarify investment principles and strengthen prioritisation to guide the deployment of public capital within the next six months

Building on the momentum of recent PuFin strategies, HMT and DESNZ should focus on two areas to ensure PuFIns have the tools to deliver impact.

### **HMT should clarify the relative weighting of the NWF's investment principles to enable it to manage trade-offs in its investment decisions**

The NWF has three investment principles: to support the government's growth and clean energy missions; to deliver a positive financial return; and to crowd in significant private capital. However, there are instances where these principles may come into conflict with each other e.g. seeking higher impact might constrain financial returns. HMT should clarify the relative weighting of NWF's investment principles to help it make the necessary trade-offs at an individual project level. It should be explicit about its willingness to make early investments in socially impactful areas that have a clear pathway to scaling, even if that implies taking a lower return in the short-term. This will give the NWF greater scope to kick-start investment in key nascent sectors, which face multiple barriers and struggle to attract private investment.

### **HMT and DESNZ should provide clearer sector prioritisation to guide the efficient deployment of public capital**

The NWF and GBE's current mandate covers a very broad range of sectors. This poses two risks given the current resource allocation. First, with such a broad set of priorities, public funding is likely to be stretched across multiple areas and will struggle to have a meaningful impact in any given sector. Second, as new institutions, it will take time for the NWF and GBE to develop capabilities across different sectors and establish market credibility. To ensure these institutions are impactful, HMT and DESNZ should provide a clearer direction on a narrow set of short-term priorities with a clear roadmap on how these institutions will evolve by 2030 to cover a broader range of sectors. For GBE's electricity generation activities, it is about unlocking the value of public land to develop onshore renewables combined with storage with short lead times, and moving into long duration storage solutions as the regulatory environment is more firmly established later this year. For NWF, it about scaling solutions to channel private finance into areas where it is unlikely to flow without some form of government support.

### **3. Strengthen project development and market readiness to scale an investable project pipeline within the next nine months**

The challenge is not always one of lack of capital, but often a lack of investment-ready projects.<sup>7</sup> This can be because of project-specific challenges or a lack of investment vehicles that align with the risk-return profile of different providers of capital. The Government should support measures that help grow a strong pipeline of infrastructure assets that align with the needs of different types of investors. This can increase investor visibility on the volume of investment and potential exit routes, while also reducing the risk that public capital displaces private finance. The following actions could help grow the pipeline of projects to crowd in private investment.

#### **HMT should establish a Technical Advisory Taskforce within the PIR to map gaps in the provision of technical assistance across PuFIs and identify solutions to increase provision in the next year**

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Before Brexit, the European Investment Bank's (EIB) technical assistance function supported public authorities on pipeline development and private developers to improve project quality and bring projects to maturity.<sup>8</sup> Brexit left a large gap in technical assistance support, which has only been partially replaced. For example, NWF's Regional Project Accelerator supports local and combined mayoral authorities on project development. The lack of technical assistance squeezes the project pipeline and reduces investment.

A Technical Advisory Taskforce within the PIR should map gaps in technical assistance provision, identify the types of services that are most useful and deliver value for money, and provide a range of solutions to increase provision including their likely fiscal impact. The PIR should also work closely with the Transition Finance Lab which is designing, developing and testing innovative financial structures to support pipeline development and accelerate decarbonisation. This would enable PuFIs to play a more proactive role in deal origination and channel funding into the most high-impact use cases.

#### **HMT should prioritise mobilising institutional investment by supporting the NWF and the Transition Finance Lab to design investment vehicles that strike the right balance between risk and returns**

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Using public capital to catalyse private investment is central to the Government's growth mission. The NWF's strategy commits to take on more risk to unlock investment into UK infrastructure. HMT should support the NWF to use its risk mandate to structure deals to co-invest with institutional investors, particularly in sectors where they are currently unlikely to invest on their own.

<sup>7</sup> Green Finance Taskforce, 2019, [Accelerating green finance – a report by the Green Finance Taskforce](#).

<sup>8</sup> [TARGET \(Technical assistance for a green energy transition\)](#)

This offers an untapped opportunity to scale UK investment. UK pension and insurance funds have about £4.5 trillion of assets under management. Large pension funds have committed to the Mansion House accord to invest 10% of their funds in private assets, with half of those investments in the UK.<sup>9</sup> Despite strong political intent, the structures and mechanisms for the NWF to co-invest with institutional investors remain nascent.

As the NWF sharpens its proposition, it should both draw lessons from the UK's past successes and deepen collaboration with others that are developing workable financing solutions. The Green Investment Bank (GIB) successfully co-invested with institutional investors by creating innovative financing vehicles that provided them with exposure to the offshore wind sector and the confidence to invest in future projects. The GIB successfully listed a renewable energy Yieldco (a financial vehicle that owns and operates power generation projects that deliver a predictable cashflow) that created a new asset class of investment vehicles that subsequently raised billions globally. It also raised what was then the UK's largest renewable energy fund attracting £800m from institutional investors for operational wind farms.<sup>10</sup> Bond issuances offer another mechanism to facilitate pension fund co-investment while enabling the NWF to scale. Existing solutions developed by the Green Finance Institute and institutional investors, such as the Green Road Transition Fund, offer models that can be applied to other parts of the NWF's portfolio.

The PIR is potentially well placed to drive this forward by collaborating with the Transition Finance Council, the Net Zero Investment Council and the Transition Finance Lab to gather insights and disseminate best practice across the PuFin ecosystem.

### **HMT, DESNZ and DBT should build on the work of the Net Zero Council and the Transition Finance Council to develop investable transition plans to support market development**

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Public finance has an important role in demonstrating commercial viability and scaling innovative solutions during early stages of market development.<sup>11</sup> This requires investable sector transition plans and technology scale-up roadmaps that provide the long-term stability needed to mobilise private capital at scale. HMT should support the Transition Finance Council and the Net Zero Investment Council's ongoing collaboration to advance this work. This will help PuFins take a more strategic view on sector-specific barriers, and design targeted interventions that blend policy tools with public capital to overcome them.

<sup>9</sup> HMT, 2025, [Rachel Reeves Mansion House 2025 Speech, July 2025](#).

<sup>10</sup> [Written evidence submitted by the Green Investment Bank](#).

<sup>11</sup> Transition Finance Council, 2025, [Sector Transition Plans - The Finance Playbook](#).

## Conclusion

With the Middle East conflict risking a prolonged energy price spike, the UK government's missions to deliver energy security, kick-start growth and boost living standards have never been more vital. The government has started to lay strong foundations – publishing the Warm Homes Plan, reforming planning regulations and the Contracts for Difference auction to secure better value for taxpayers.

The last Spending Review recognised PuFlns as critical drivers of investment by increasing their budgets. Given the scale of the challenge, the focus must now shift to delivery and ensure that UK PuFln's are empowered to invest strategically to unlock capital at scale.



## ABOUT E3G

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