On 24 May 2011, I made an oral statement setting out the Government’s plans for a Green Investment Bank (GIB). I explained that establishing an effective, enduring GIB would be a major undertaking and gave a commitment to update the House on further milestones in future.

The Government has made significant progress towards the establishment of an independent GIB, which will be a key component of the UK’s transition to a green economy. As I explained in May, the Government will need to ensure that the GIB complies with State Aid rules. We have had a constructive dialogue with the European Commission and are now in a position to formally notify our proposals. The Government will be seeking a broad remit for the GIB, including approval to make investments on commercial terms across the full spectrum of the green economy. Where we are seeking scope for the GIB to provide finance on state aided terms, we have developed strong evidence that such aid is necessary in the particular sector concerned and that this will not unduly distort competition or interstate trade.

It will be important that GIB is in a position to be fully operational as soon as possible after State Aid approval. I therefore intend to form the company shortly and to begin the formal recruitment process for the board and senior management team next month, with a view to appointing the Chair in spring 2012.

The Bank will operate independently from Government, but will agree its strategic priorities with the Government for each Spending Review period. Subject to approval by the European Commission, we have identified the following priority sectors over the Spending Review period to 2015/16:

- offshore wind power generation;
- commercial and industrial waste processing and recycling;
- energy from waste generation, including gasification, pyrolysis and anaerobic digestion for the production of heat and/or power;
- non-domestic energy efficiency, including onsite renewable energy generation and heat; and
- support for the Green Deal.

At least 80% of the funds committed by the Bank over the Spending Review period will be invested in these priority sectors.
As I explained in May, the initial capitalisation of the GIB will be £3 billion. From 2015, the GIB will be given powers to borrow, subject to public sector net debt falling as a percentage of GDP. The GIB will work to a “double bottom line” of both achieving significant environmental impact and making financial returns. Potential investments will be assessed against the following objectives:

- **Green Impact**: accelerating investment to advance the UK’s transition towards a Green economy, including reducing greenhouse gas emissions; improving resource efficiency; and protecting and enhancing the natural environment and biodiversity, which includes improving water and air quality, reducing noise pollution and improving land use amenity;

- **Sound Finances**: deploying capital and expertise as a responsible investor and managing risks to achieve positive portfolio returns and, in so doing, preserving and building its capital base as an institution with enduring Green Impact; and

- **Additionality**: operating alongside other market participants in response to market failures, leveraging their capabilities where appropriate, to introduce and mobilise additional investment and achieve Green Impact

There has been considerable interest in the location of the GIB, with around twenty locations expressing interest to date. The Government welcomes this, and is committed to an open and transparent process for deciding the location of the GIB. I have today published a document setting out details of the process that will be followed and the criteria which I will be taking into account in reaching my decision on location. The document also provides information about the likely structure of the GIB, and explains that it is expected to have between 50 and 70 staff in the period to 2015. Copies of the document have been placed in the House Libraries and will be available to download on the BIS website. I intend to announce my decision on the Bank’s location in February 2012.

I announced in May that Sir Adrian Montague had agreed to chair an Advisory Group, comprising independent finance experts, to advise Government on the setting up and strategic direction of the new institution. I appointed nine other members in August, and the Group has met three times. Its advice has greatly contributed to the progress made towards establishment of the GIB, particularly in relation to the detailed drafting of the GIB’s strategic priorities.
It is however clear that, in advance of State Aid approval for the GfI, we need to take immediate action to accelerate private sector investment in the UK’s transition to a green economy. I have therefore set up a new team within my Department to drive investment in the UK’s green infrastructure from April 2012. The team, which will be called UK Green Investments, will be staffed by finance professionals, whose track records are widely known and respected in the City.

Drawing on funding of £775m for the next financial year, UKGI will invest up to £100 million in commercial and industrial energy efficiency projects and will stand ready to make major co-investments with private finance in offshore wind projects. UKGI is also seeking managers for up to £100 million to invest in waste projects and is now calling for expressions of interest from experienced fund managers in the waste infrastructure sector.

The Government will make investments during this period under section 8 of the Industrial Development Act 1982. I have established an Investment Committee, including members of the Industrial Development Advisory Board, to advise me on investment proposals made by UKGI.