BVCA response to Policy Renewal Programme: Prosperity

About the BVCA

With a membership of over 600 firms, the BVCA represents UK-based private capital, as well as the wider ecosystem of professional advisers and investors.

Private capital consists of private equity and venture capital which makes long-term investments to grow British businesses and build a better economy. Private credit and venture debt also provide active and engaged debt finance to businesses.

The private capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP.

In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in ten (58%) of the businesses backed in 2024, located outside of the capital. These investments are long term, with an average investment period of six years, in contrast to less than a year in public markets.

UK-based private capital specialists have raised £190bn of funds, known as dry powder, expected to be invested over the next three to five years.

The industry invests for a better future by backing some of the UK's best loved businesses, developing the companies of the future and delivering solutions to global problems.

- **Backing the UK's best loved businesses:** Private capital has revived and reinvigorated much loved UK businesses like Hovis and Merlin Entertainment.
- **Developing the companies of the future:** The UK is the third largest venture capital hub in the world, while three in ten of the UK's 100 fastest growing companies were backed by private capital.
- **Delivering solutions to global problems:** Private capital investors are key to backing the innovative UK firms developing sustainable solutions to the challenge of net zero and climate change, with investment for the long-term in companies like biofuel tech company Nova Pangaea Technologies and aerospace business Orbex, which has developed a low-carbon launch vehicle for the small satellite industry.
- **Driving productivity throughout portfolios:** Analysis shows that private capital's active ownership model helps the businesses it backs become more productive. Private capital owners help to embed better management practices, provide accesses to technical expertise, business strategies and knowledge of supply chains.

UK growth and productivity relative to its competitors

Growth

Successive Governments have sought to increase economic growth, which in turn will deliver higher living standards to citizens across the UK, however that growth has been slow to materialise and in recent years, the UKs growth has fallen behind many other G7 nations, including the US, Canada and France. Without a growing economy, Britain will not see the higher living standards, the good jobs, the prosperous communities and the improving public services that everyone wants.

There is a clear link between economic growth and increased investment, much of which will come from private capital. To achieve this increase, it is critical that UK maintains a competitive environment which builds investor confidence and enhances the UK's position as a place to invest. This investment will foster innovation, bolster the UK's pipeline of SMEs and support the groundbreaking businesses that are developing scientific and technological advancements. These advancements can then be deployed into the National Health Service and other critical public services, improving living standards across the UK.

This submission outlines the barriers that currently stifle economic growth and the key areas such as financial regulation, taxation, increasing investment from UK pensions schemes, and Research and Development (R&D) funding, which all play a critical role in fostering a pro-growth, pro-business and pro-innovation environment.

Productivity

Increased productivity is essential to achieving economic growth, with higher productivity widely also recognised as a key determinant of improving living standards. However, the UK's productivity has underperformed similar economies in recent years. In 2024, the average German worker produced 9% more than a British worker, the average French worker produced 18% more, and the average American worker produced 40% more.

Data from Public First shows that private capital backed businesses increase their productivity by 1.1% per year more than the business population as a whole. If this productivity growth was realised across all private enterprises from 2025, the UK economy would be £100bn larger by the end of this Parliament (2029) and £250bn larger within a decade. If all businesses were as productive as the median private capital backed company, the situation trend would begin to reverse, and the UK would overtake Germany's labour productivity levels by 2038.

Private capital businesses operate an active ownership model which involves working with portfolio companies to improve management capability, operational efficiency and use of technology. The lessons of private capital ownership should be applied across the economy, providing support to SME leaders, removing barriers to productive investment, and using the

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British Business Bank and channelling pension fund investment to support future productivity champions:

- **Upskill SME leaders:** Encourage small and medium-sized enterprise (SME) leaders to adopt behaviours and practices that drive productivity, whilst supporting programmes such as Help to Grow which boost management capabilities, and organisations like Be the Business, Small Business Britain and Business Leader which create networks of high performing business leaders who share the ambition to improve their operations
- **Remove investment barriers:** Address obstacles preventing businesses from making productive investments, through the likes of planning reform, to ensure that access to the resources needed for growth are available.
- **Support future productivity champions:** Pension investment should be directed towards venture capital and growth equity, whilst expanding support for the British Business Bank and creating new pension vehicles.

Barriers and inhibitors for UK private enterprises

The UK's private capital industry already invests heavily in Britain – private equity and venture capital support 2.5 million jobs and back businesses which make an annual economic contribution of nearly £200bn across the UK.

As of the end of 2024, UK-based private capital funds had £190bn of capital available to invest, representing a huge opportunity for the sector to continue to deliver on its investment potential. The challenge, however, is to make sure that the 50% that we would typically expect to be deployed in the UK, is invested here in practice. It is essential that the UK continues to be an internationally attractive destination for private capital investment, no matter the global economic backdrop

Increasing access to finance

One of the main barriers, especially for venture capital and growth equity investors is translating research, development and innovation into companies that grow and remain in the UK at the 'scale-up' stage of investment. Currently, UK companies often seek investments from the US and elsewhere to continue their growth, and this often leads to UK companies relocating to these jurisdictions. This increases the UK's exposure to geopolitical risk and fluctuations in global capital allocations.

As recognised by the previous Government, DC pension schemes have huge potential to invest, through private capital, into these 'scale-up' stage up stage businesses. This greater level of investment from UK pension schemes into private capital funds could then increase economic growth and improve the retirement prospects of UK savers. Currently, 16 times more capital from pensions around the world goes into UK private capital than from UK pension funds. Canadian pension schemes most active in private capital investment typically allocate on average 21% of their capital to private equity, and major US schemes average around 14%. UK pension funds are investing less in private markets than comparable asset managers. If this is not addressed, UK businesses will continue to miss out on investment, notably scale-up capital, and UK pension savers will not benefit from the returns generated by these innovative businesses.

The BVCA welcomed the launch of the Mansion House Compact in July 2023, led by the then Chancellor of the Exchequer Jeremy Hunt. This marked a commitment by many of the largest UK DC schemes to increase the proportion of their allocation to unlisted equities. The May 2025 Mansion House Accord established an expanded ambition for 17 UK DC schemes to allocate 10% of their default funds across all to private markets, with 5% of this total to UK private markets, by 2030. This has the potential to support fast-growing companies operating in sectors of the future such as life sciences, AI and Net Zero. The BVCA supports this voluntarily, sector lead, approach.

The Pensions Investment Review and accompanying Pension Schemes Bill will drive much needed consolidation across the DC and LGPS pension landscapes. This will mean larger schemes with more assets under management and a greater ability for them to build capability in their investment teams to invest in private capital funds.

The review also rightly identified that there has long been an 'excessively narrow' focus on cost that is detrimental to saver outcomes. We need to ensure that the Value for Money framework changes this.

The LGPS has a track record of supporting the UK's innovative growth companies by investing in private capital funds managed by firms based around the nations and regions, thereby enhancing nationwide economic development. The new LGPS pooling proposals should open new avenues for UK investment, and so the BVCA welcomes them.

However, more could be done to ensure that the plans do not inadvertently exclude small private capital fund managers from investment. In contrast to investing in infrastructure projects or large funds with global mandates, investing in private capital funds that support the growth of these growth companies will require the pools to make relatively small individual investments of £10-50m into funds. It will also require that pools are able to take a flexible approach to "local" investment, or otherwise embed a focus on investing that drives UK SME growth.

The returns generated in the UK's high-growth and lower mid-market segments are often very attractive, but accessing these smaller opportunities, alongside larger investments in infrastructure or global private capital funds, will also require the pools to develop specific expertise and programmes targeting smaller private capital funds that have a track record of deploying capital, exercising active ownership and delivering strong returns from UK SME growth.

'NOVA' (New Opportunities for Venture and growth Acceleration)

The cross-industry Pensions and Private Capital Expert Panel, bought together by the BVCA, proposed the creation of 'NOVA' (New Opportunities for Venture and growth Acceleration), emulating the French Tibi scheme. This scheme would create a market of private capital funds specially accredited for DC schemes to facilitate investment in strategically important sectors. A partnership between industry experts, the British Business Bank (BBB), or other appropriate Government department or subsidiary, could act as the gatekeeper of a certified accreditation process.

The criteria for the French Tibi scheme formed a flexible framework for identifying French funds investing in the tech ecosystem. The NOVA scheme would have criteria around investment strategy, track record and experience with institutional investors. Fund terms and structures could also be required to fall within agreed ranges on areas like reporting, valuations and potentially other terms designed to mitigate DC-specific challenges. This could allow participating DC schemes to compare private capital fund opportunities from a pre-filtered pool and engage bi-laterally with those firms to discuss terms, structures etc. in more detail.

The gatekeeper/accreditation process, led by an appropriate Government department, would act as a qualifying kitemark for funds to participate in a NOVA scheme. This could include the BBB and would likely need specific commitments from participating UK DC schemes to invest agreed amounts into funds on an extended list of 'accredited' private capital funds.

Continued support for public finance institutions

The BVCA welcomed the recent enhanced funding and changes to the remit of the British Business Bank. The BBB should use its enhanced funding and remit to more effectively direct support to companies at the scale up stage. This would help to secure more high growth companies' futures in the UK, so they can continue to contribute to the nation's economic growth over the long-term.

It is important that the BBB, and other public finance institutions such as the National Wealth Fund and UKRI have sufficient resource to support SME growth and to ensure funding schemes are adequately funded over the long term.

It is important that the BBB is able to continue to build on existing initiatives to support growth and innovation, in particular to provide long-term support for SMEs to secure debt finance, alongside the BBB's equity finance programmes. A broader increase to the Growth Guarantee Scheme's budget is needed, alongside an extension to the current expiry date in March 2026.

Many small businesses are aware of finance offered by banks, but there is limited awareness of alternative finance which has different lending criteria to banks and can offer more bespoke and flexible options. For example, some venture debt members of the BVCA note that low levels of awareness on the type of funding available is particularly evident amongst investee company management teams who are often averse to take on debt at a relatively early stage of a company's life due to the risks involved.

Clear signposting to the range of schemes and support available for the different stages of growth and activities in a business' lifecycle, including private credit and venture debt providers. This could help to address the lack of awareness and underutilisation of external sources of finance to support growth, helping to tackle barriers to accessing to finance.

Address the domestic skills shortage and ensure the UK remains attractive for international talent

Whether private capital is backing fast-scaling tech firms, advancing life sciences, or building world-leading investment platforms, success ultimately relies on the skills and capabilities of people. However, both domestic and international skills shortages remain a persistent barrier to continued growth for businesses. The UK's ability to train, attract and retain highly skilled individuals is central to its long-term economic competitiveness. With the right policy environment, the UK can become a magnet for top talent and a global leader in talent intensive sectors.

Skills shortages in the recruitment of a domestic workforce has been identified by investors as a major factor in deciding not to invest in UK businesses. To reduce regional inequality and improve living standards, it is important that there is a focus on developing a skilled workforce across the UK.

These shortages will vary from sector to sector, but through the BVCA's engagement, we have identified particular concerns about difficulty in recruiting people with certain technical skills, from heat pump installation to the ability to use particular kinds of software.

Support for skills training programmes that focus on particular skills gaps would make it easier for businesses to be confident that they can recruit the workers they need, and for investors to back them. Skills and talents are not just about the broad workforce that a business needs, but about specific leadership and business development skills. In the absence of domestic or local business leadership, this sometimes has to be brought in from overseas.

To address domestic skills shortages, the BVCA recommends the expansion of the Apprenticeship Levy, to fund specific non-apprenticeship training programmes, such as skills bootcamps in areas where specific skills shortages constrain economic growth and where there is demonstrable business need. This would provide support for businesses to provide lifelong learning and training to employees and help combat the skills crisis.

Taxation including incentives and optimisation

Maintaining a stable and competitive tax framework will build investor confidence and enhance the UK's position as an attractive environment to invest. This would encourage investment, innovation and help to address the scale-up gap. Speculation about a 'wealth tax' is hitting investor confidence, as such we would urge the Conservative Party to maintain their opposition to any broad-based wealth tax, which would undermine the UK's competitiveness. Instead, the UK has a chance to go further in promoting investment both through continuing to drive forward reforms to pensions and wider capital markets, and through targeted tax changes.

Carried Interest Taxation

As the current Government acknowledged in June, it is important that the tax treatment of carried interest is placed on a stable footing for the long term. There is a need to strike an appropriate balance between ensuring work carried out in the UK is fairly taxed, while preserving the UK's competitive position as a global asset management hub. The UK must ensure it remains internationally competitive compared to its counterparts in the EU and other jurisdictions and must not be complacent.

Research & Development

Research & Development tax credits play a very important role in the companies that are backed by private capital, particularly in businesses that are at the cutting edge of innovation such as deeptech and life sciences. They are an efficient way of supporting companies to reinvest in their future growth. The R&D tax relief regime is need of simplification, to reduce complexity and eliminate cliff-edge effects, ensuring a more predictable and supportive environment for businesses.

The UK economy needs these early-stage businesses to drive growth and employment for the future. The relief provides an efficient way of supporting companies to reinvest in their future growth. It is particularly important for early-stage businesses in the period before they start to generate income, as the availability of a payable tax credit increases the length of their cash "runway" (the amount of time for which they can operate before they run out of money).

EMI Scheme and EIS/VCT

The EMI scheme has been extremely effective in allowing SMEs to compete with larger firms, by giving their employees a material interest in the company. However, the scheme hasn't been reformed in 12 years, and later stage companies are facing recent changes to capital gains tax and reduced reliefs, like the Business Asset Disposal Relief.

Similarly, the EIS and VCT programmes are critical tools to drive private capital into UK innovation and scale-up, however over recent years, the impact of these schemes has been weakened by outdated rules that no longer reflect the capital requirements, growth pathways or operational realities of modern high-growth businesses. Regional EIS and VCT funds are particularly constrained by restrictions such as the 7-year rule. This often limits access to access schemes as regional funds often take longer to reach the stage when they are able to receive institutional investment from VCs. Raising this limit would therefore provide more opportunities to scale up and grow across the nations and regions. Lifting the EIS Knowledge Intensive Company upper limit so R&D intensive IP rich companies in sectors such as biotech and deeptech can continue to raise capital would also help continue the development of innovative companies.

Financial Regulation

The UK is the world's second largest hub for private capital. The sector now backs over 13,000 UK companies, supporting 2.5 million jobs, contributing £199bn to the UK economy (7% GDP). A robust, well-regulated financial system has underpinned this success. However, private capital investment is being slowed down by a regulatory environment that is overly complex, duplicative and at risk of losing ground to more competitive jurisdictions. This matters because it is holding back growth. Excessive rules delay deals and deter international firms from locating in the UK and suppress the speed at which investment can reach parts of the UK economy.

The recently published Financial Services Growth and Competitiveness Strategy acknowledges many of these issues. It makes important commitments to reduce authorisation timelines, reduce regulatory burdens, and benchmark UK performance against international peers.

For the UK to compete globally, and attract more of the £190 billion in deployable capital held by UK-led private funds, regulation must evolve from a brake on investment to a bridge for economic growth.

The current regulatory landscape frequently delays deals, introduces risk, and dampens investor confidence. Excessive bureaucracy - such as protracted FCA notification and approval processes slows capital deployment and undermines the UK's appeal as an investment destination. In high-growth sectors such as advanced manufacturing, life sciences, and clean energy, slow or unclear regulatory processes act as a drag on expansion, innovation, and job creation.

The BVCA is encouraged by the FCA's recent commitment to reform the regulatory regime for private capital, including:

- The review of the future regulation of private capital firms (UK AIFMD).
- The potential reform of the MiFID client categorisation rules to unlock investment from experienced sophisticated investors.
- Set new shorter deadlines for determining regulatory applications to make it quick and easier to do business in the UK, and support faster authorisation for new firms
- Strip away duplicative processes to enable regulators to become more agile and responsive.
- Require regulators to take a longer-term, more strategic approach to regulation and supervision with a new have regard to their growth-orientated remit letters.
- A review of the appropriateness of remuneration rules for asset managers and investment firms.

- An engagement paper on potential reforms to the market risk framework for the Investment Firm Prudential Regime (IFPR) .
- Streamlining the Senior Managers and Certification Regime.
- The broader ambition to enhance proportionality and competitiveness through the secondary international competitiveness and growth objective (SICGO).

However, these reforms must be meaningful and targeted. Good intentions will count for little if the outcome is in reality an increased burden or continued friction. The FCA must be held to account and ensure delivery of a regulatory framework that is genuinely:

- Proportionate to the risks posed by private capital and other financial services firms
- Clear and predictable in application
- Internationally competitive and attractive to global private capital firms and investors when choosing where to locate and invest.

A clear example of where the current approach is misaligned is the FCA's proposed new three-tier regulatory structure and thresholds for UK Alternative Investment Fund Managers (AIFMs) in its Call for Input. Rather than easing the burden on smaller firms, the proposal would impose greater complexity, reporting obligations, and increased costs on UK private capital firms. This risks reducing competitiveness and deterring new firms at a time when competing jurisdictions in the EU are actively exploring reforms to attract and grow their own private capital footprint.

If the UK is committed to maintaining its position as a world-leading hub for private capital, it must deliver on its promises by removing unnecessary regulatory frictions while maintaining high standards and ensuring global private capital firms and investment capital is not just welcome but wants to be here.

UK R&D compared with other countries

R&D tax credits allow research-driven companies backed by private capital to reinvest in their future growth. The UK's regime needs to be competitive with other international jurisdictions. Whilst the BVCA welcomed the announcements related to R&D in the 2024 Budget, the BVCA has called for improvements to the regime and an increased uptake of advance assurance claims.

Recent Reforms

Following reforms that came into effect from April 2024, the UK now operates two forms of R&D tax relief. R&D expenditure credit applies to any size of company undertaking qualifying R&D. It is also referred to as the "merged" scheme because it consolidated two previous relief schemes in place before April 2024. The other form of R&D tax relief is enhanced R&D intensive support a more generous form of relief aimed at SMEs (small and medium-sized enterprises) that meet the R&D intensity condition - defined as having at least 30% of their total expenditure allocated to R&D.

Concerns and Issues
Feedback from BVCA members indicates significant concerns with both the amount of relief and the way it is administered by HMRC. Specifically, the amount of support under both the merged and enhanced schemes is significantly less generous than before changes implemented in April 2023.

There is concern that if the UK does not increase the level of R&D support, it risks losing out to competitor jurisdictions.

In addition, while the aim is to provide relief to eligible companies, our member's experience suggests that many are unable to effectively claim due to HMRC's current practices. One of these issues is that high compliance burdens are being placed on small businesses due to demands for extensive additional information. Furthermore, delays and disruption arise from HMRC being under-resourced and lacking staff with the technical knowledge to properly assess whether work qualifies as genuine R&D. These factors undermine the effectiveness of the R&D relief, especially for early-stage life sciences companies with long development timelines and no immediate revenue.

This disruption is, in part, caused by HMRC's response to large-scale fraud and error in R&D claims. While the BVCA supports the goal of reducing fraud, there are concerns about the validity of HMRC's data. One of these concerns is that withdrawn claims, due to the burdensome process, are often classified as "incorrect", potentially inflating fraud and error figures. Such challenges contrast unfavourably with other global leaders in R&D, such as Australia, where the R&D tax credit system is perceived to be more supportive and less administratively burdensome.

Proposals
To enhance UK competitiveness and attract innovation globally, the BVCA recommends several targeted changes. HMRC needs better resourcing to allow for the fair and timely processing of claims, supported by technically qualified staff, along with great transparency of the organisation's reporting on fraud and error data. The BVCA has also called for the clarification of eligibility for firms with overseas subsidiaries or cross-border research, and a 30-day fast-track for pre-revenue firms. To remain internationally competitive, the UK R&D tax credit regime should be benchmarked on outcomes against countries, such as Australia, and adjust support levels accordingly.

Further steps to support the UK's Innovation environment include:
To further support the UK's innovation environment, the EIS Knowledge Intensive Company upper limit should be lifted to allow continued capital raising by IP-rich, R&D-intensive companies in sectors like biotech and Deeptech. The British Business Bank's Future Fund Breakthrough scheme should receive increased funding, UKRI Translational funding should be expanded, and there should be improved early-stage support from Innovate UK and university seed funds across UK nations and regions.

These measures would align the UK more closely with international best practices and ensure it remains an attractive destination for research-driven, high-growth companies.

Energy and Electricity Costs

Clean Energy Infrastructure
The main delivery challenges for home-grown energy and clean power relate to inadequate infrastructure, and the need for greater investment in both productive assets and the labour force —factors that directly impact energy costs. Addressing these challenges involves investment in R&D, strengthening manufacturing industries at the forefront of technological progress, improving public infrastructure to enhance workforce productivity, and upskilling workers to support the energy transition.

Green and clean technologies are significantly more capital intensive than many other sectors, making sustained capital allocation essential not only for their development and deployment but also for reducing long-term energy costs for consumers and businesses.

Upgrading and expanding grid infrastructure is vital to accommodate increased renewable energy input and decentralised generation, helping to stabilise supply and lower energy prices over time.

Delivering a clean energy transition for working people
To ensure the UK's clean energy transition truly delivers for working people — by lowering consumer energy bills and creating high-quality jobs, skills, and opportunities — it is vital to recognise that the challenges of transitioning to a low-carbon economy and tackling social inequality are deeply interconnected. Neither can be successfully addressed in isolation.

This is reflected in the concept of a "Just Transition", as laid out in the Impact Investing Institute's Just Transition Criteria initiative. This approach sets out ten investment strategies, grouped under 3 specific elements, all of which are essential to ensure that the transition delivers for working people by lowering consumer energy bills and creating high-quality jobs, skills and opportunities. These ten investment strategies are as follows:

Climate and environmental action
- Greenhouse gas emission mitigation, reduction, and removal
- Adaptation and resilience
- Biodiversity and natural capital – climate and environmental effects
- Reduction of pollution or degradation of natural environments

Socio-economic distribution and equity
- Fair distribution of climate change costs and benefits between developed and developing countries and between regions and communities within countries, based on a place-based lens

- Inclusive opportunities for decent jobs (including re-skilling where jobs are lost), delivering fair income, security in the workplace and social protection for families
- Accessibility and affordability of products and services
- Livelihood enhancement and social justice for all, across regions, communities, and individuals, including marginalised and underserved groups
- Biodiversity and natural capital – socio-economic effects

Community voice

- Social dialogue and stakeholder engagement through a participatory voice and inclusion in decision making for those affected and those frequently excluded and/or marginalised, including communities and people

It is imperative the above areas are considered to ensure that working people see direct benefits from the clean energy transition, including lower energy costs, meaningful job creation, and inclusive growth.

Transport

One of the reasons to invest in infrastructure is to make it easier for talented individuals to travel to and live in the places they are needed, and therefore easier to invest in and grow businesses there.

A major uncertainty facing investors, and the businesses they invest in, is planning delays affecting infrastructure, both public and private, from transport to the national grid to housing.

Although over half the UK businesses invested in by the private capital industry are based outside London and the South East, investment in regional businesses could be even higher with improvements to infrastructure and planning decisions.

The BVCA's Investment Commission highlighted that transport infrastructure can boost regional investment by creating national and regional capacity for businesses to attract investors.

- Of the BVCA members who responded to the Investment Commission's survey, 34% said that significant public investment in transport infrastructure would make it easier for them to invest in UK businesses.
- 42% said they had decided not to invest in a UK business because of a lack of public infrastructure such as transport or grid connections.

Some of the most important factors that affect whether an investment will deliver a return are beyond the control of either investors or the businesses they invest in, but are either in the direct control of government or subject to long-term government decisions, including transport links that affect where the workforce can be drawn from.

The Investment Commission's recommendations for how this can be achieved are:

- Where a business commits to investing over a certain amount in physical assets in order to create over a certain number of jobs, Government should support the costs of building associated grid or public transport connections in line with their timelines.
- A lack of basic planning capacity is a crucial constraint on approvals: we should invest in training planning officers and deliver and go beyond its pledge to recruit 300 additional planning officers.

Natural Environment

The private capital industry is investing for a better future, having worked with both former and current Governments to build a better, greener economy. Protecting the UK's natural environment must go hand-in-hand with scaling sustainable energy solutions, and private capital stands ready to support and invest in innovations which achieve both. With the right policy stability and regulatory frameworks, private capital can help unlock technologies and infrastructure that are both low-carbon and nature-positive.

Robust assessments
To ensure that the drive for home-grown clean energy does not come at the expense of our natural environment, companies (private, public or government-affiliated) involved in the development, financing or operation of clean energy infrastructure should consider nature-related risks, impacts and dependencies and what steps will be taken to mitigate these ahead of the further development of infrastructure. The BVCA urge the Opposition to call for the Government to provide clear guidance and education around how to achieve this and what is expected from companies throughout the lifecycle of new energy projects. Companies need government support as far as possible in the protection of vital ecosystems and natural resources.

Credit markets
In order to unlock greater private capital investment in nature and climate solutions, there is also a pressing need for a credible, transparent, and high-integrity carbon and biodiversity credit market. These markets can play a critical role in directing capital toward restoration, conservation, and emissions reduction efforts, but only if they are underpinned by robust standards, clear governance, and strong safeguards against greenwashing. Building trust and integrity in these markets is essential to mobilising long-term, scalable private finance.

A Just Transition

It is essential to ensure a *Just Transition* considers biodiversity, natural capital and the environmental and climate impacts, alongside the associated socio-economic effects. This can be achieved by ensuring that all contracts related to the construction and operation of clean energy facilities must incorporate legally binding clauses that prioritise the protection, restoration and sustainable management of natural ecosystems. These clauses should set clear environmental performance standards, including biodiversity safeguards, ecosystem services preservation and mitigation of land-use impacts. By embedding nature-positive principles into the core of clean energy development, the UK can accelerate the transition to a low-carbon future without compromising the health of the ecosystems on which many livelihoods are dependent.

Supply chains

Decarbonisation must address the entire value chain, ensuring that investment supports low-carbon, sustainable practices from production through to deployment. This includes securing access to safe, affordable, and socially responsible supply chains that do not expose UK businesses and investors to environmental or human rights risks. To achieve truly green outcomes, all elements of the supply chain must align with the UK's climate and ethical commitments. Crucially, policymakers must recognise that frameworks designed with large corporates in mind often cascade down to SMEs—who make up a significant portion of emissions—through supply chain obligations. We urge the Conservative Party to ensure that decarbonisation policy is proportionate, avoids unintended burdens on SMEs, and actively supports their ability to adapt and thrive in a net zero economy.