BVCA response to Labour's National Policy Forum consultation: Making the UK a clean energy superpower

Over recent years, the UK has generated great momentum towards achieving its sustainability and net zero goals through government commitments to being a sustainable finance leader and making the UK a clean energy superpower. The transition to a sustainable future offers an opportunity to grow the UK's economy, to be a global leader on green finance, and to stimulate innovation, opportunities and competitiveness on a national and international scale.

It has been estimated that to deliver on the UK's net zero ambitions over the next 10 years, an approximate £50- £60bn additional capital investment will be required each year (Invest 2035: the UK's modern industrial strategy). There is a strong imperative for the Government and the private capital industry to work together to mobilise capital that can drive positive environmental and social outcomes.

In a world of deepening socio-economic inequalities and a worsening climate crisis, the public sector is financially limited, when it comes to addressing challenges that stifle opportunities to deliver on climate action and inclusive growth. However, the Government needs to look for ways to be more innovative, to reposition policy strategies that will catalyse the capital required to achieve a sustainable future and stimulate economic growth.

Private capital supporting the Government's net zero ambitions

With a membership of over 600 firms, the British Private Equity and Venture Capital Association (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 invests for a better future by backing the UK's best loved businesses, developing the companies of the future and delivering solutions to global problems. As a sector, we support the Government's aim to transition to a net zero, climate resilient, nature positive economy and recognise the importance for the long-term economic growth of the economy. The industry provides the scale of investment to finance renewable energy, green infrastructure and clean technologies, while also driving innovation.

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 £178bn of funds, known as dry powder, expected to be invested over the next three to five years.

1. What are the key regulatory and delivery challenges in securing home-grown energy and clean power by 2030?

The main delivery challenges for home-grown energy and clean power revolve around lack of adequate infrastructure and the need for improvement, and more investment in both productive assets and the labour force. This may look like investment in Research & Development (R&D), the strengthening of the manufacturing industries that are at the forefront of technological progress, public infrastructure that makes the labour force more productive and the upskilling of workers. Investing in green and clean technologies is also significantly more capital intensive than other sectors; therefore, increased and sustained capital allocation is essential to accelerate their development and deployment.

Regional inequality and the talent drain to London is also a significant issue and so these investments are required across the UK. The National Wealth Fund (NWF) aims to deliver on some of these remits and kick-start economic growth. There have been calls for a range of investors to stimulate more growth in private equity, and the BVCA welcomed the Chancellor's reforms set out in the Pensions Investment Review, supporting Local Government Pension Scheme (LGPS) to invest a greater proportion of its capital in assets that unlock growth. In the venture capital & private equity sector, the limited scale-up capital available to ventures is a challenge for more green growth.

Policy uncertainty

A clear direction of travel from Government makes a huge difference to investors' willingness to invest. Some uncertainty is inevitable – nobody ever knows for sure what the future will hold. Even relatively small changes, if they are briefed as being significant, can look significant enough to affect investment decisions.

None of this means that policy should never change. Policies do sometimes have to change, for a range of reasons, including external shocks. Many existing policies can be improved. A call for policy consistency is not a call for stasis or stagnation. New governments are sometimes elected with a promise to shift policy decisively - and that gives them a democratic mandate to change things, so long as they have been clear about the changes they want to make.

Unclear and short-term net-zero policies create regulatory uncertainty, deterring investors by making terms unpredictable and investments less appealing. The BVCA's Investment Commission report, produced using data gathered from a survey of BVCA members, outlines how uncertainty about infrastructure investment paths created by shifts in policy, as well as the lack of infrastructure itself, highlighted the following:

- 33% of members surveyed for the Commission said that a clear net zero and policy roadmap would make it easier for them to invest in a UK business.
- 71% say UK businesses they invest in have experienced problems because of political or policy uncertainty.
- 31% have decided not to invest in a UK business because of political or policy uncertainty.

National Wealth Fund and GB Energy

The BVCA recognizes the Government's establishment of the National Wealth Fund (NWF) and Great British Energy, aiming to invest in sectors like green hydrogen, carbon capture, and gigafactories. The fund's goal is to attract private investment by deploying up to £27.8 billion in capital, with a target of £3 in private investment for every £1 of public funding.

We have welcomed the Government's commitment to the NWF, and encourage the Government to continue increasing this funding, while ensuring there is a favourable policy environment to maximize the impact of such initiatives.

It is equally important that the NWF and GB Energy support the broader supply chain, including the innovative, high-growth businesses typically backed by venture capital. These companies are often responsible for developing the next generation of clean technologies, materials, and services that underpin major projects. By ensuring that funding and policy support also reach these critical parts of the ecosystem, the Government can help build a resilient, competitive, and future-ready green economy.

A conducive policy environment, including planning system enhancements, and strategic industrial planning, will help fully realize the potential of initiatives like the National Wealth Fund and GB Energy.

Planning delays

A major uncertainty facing investors, and the businesses they invest in, is the length of time it can take to get planning permission for infrastructure projects they are ready and willing to pay for, such as generation facilities and supporting technologies, but cannot build without approval. In many cases, their plans are also vulnerable to planning delays affecting other necessary infrastructure — both public and private — such as grid connections, energy storage, and other net zero-enabling projects. These delays can significantly impact the viability and timing of clean energy investments, ultimately slowing progress toward national climate targets.

Broadening pension fund access to private capital

One of the key delivery challenges in securing home-grown energy and clean power by 2030 is ensuring sufficient long-term capital flows into infrastructure and innovation at scale. As such, a significant opportunity lies in unlocking investment from local government pension funds.

Increased pension fund participation in clean energy projects—particularly through private capital channels—can accelerate the deployment of low-carbon technologies, diversify investment portfolios, and deliver both environmental and financial value for future generations.

Local government pension funds can focus on seeking opportunities to invest in venture capital and private equity (in their local regions or across the UK) as part of a diversified portfolio as per the Mansion House Compact (i.e. not just for the quantum of financing but also for social benefits like addressing local needs, and use of local knowledge and talent). This presents an opportunity for venture capital and private equity firms to engage with those pension funds to attract capital, to broaden their investor base and to have a collaborative approach to creating a positive impact on the local community.

However, realising this potential requires overcoming barriers that have historically limited pension fund exposure to private market assets. The BVCA has welcomed major pension reforms by the Government, confirms that it will press ahead with significant consolidation of defined contribution and local government pension schemes. Private capital is a major focus of the reforms set out in the Pensions

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Investment Review which was published on Thursday, 29 May. Larger pension schemes will have a greater ability to build capability in their investment teams to invest in private market assets.

Broadening pension fund access to private capital funds offers a strategic pathway to accelerate investment in renewable energy projects, such as wind and solar farms. The UK Government has set ambitious targets for clean power generation, including doubling onshore wind capacity and tripling solar power by 2030. Enabling pension funds to invest in these sectors will help the Government to meet its energy transition goals. Addressing historic regulatory challenges and creating stronger vehicles for engagement between pension schemes and private capital will be essential to meeting the UK's clean power goals.

Domestic workforce skills shortages

Skills shortages in the recruitment of their domestic workforce were identified by investors in the Investment Commission's survey as the single biggest issue for UK businesses they invest in, and a major factor in deciding not to invest in particular UK businesses. It was mentioned by several respondents as a particular barrier to investing outside London and the South East.

In the context of this submission, domestic skills shortages in the sectors which are vital towards delivering clean energy projects risk slowing the UK's progress toward becoming a clean energy superpower, by limiting the pace and scale at which clean energy projects can be delivered.

These shortages will vary from sector to sector, but participant members in the Investment Commission survey were particularly concerned about difficulty in recruiting people with certain technical skills, from heat pump installation to the ability to use particular kinds of software.

In some cases, members said they were in a position to attract people with the right skills from other sectors – for example, people who can move from real estate development to renewable energy development – but noted that those sectors were also nationally important and in need of the same skilled workers, pointing to a recruitment problem that goes beyond the needs of any specific business or investor or sector. 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.

2. How can we ensure that Labour's clean energy transition delivers for working people by lowering consumer energy bills and creating high-quality jobs, skills and opportunities?

The BVCA welcomes the inclusion of Clean Energy Industries as one of the eight growth-driving sectors for the Industrial Strategy. To ensure that Labour'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:

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 that the Government considers the above as they seek to fulfil home-grown clean energy ambitions, to ensure that working people see direct benefits, including lower energy costs, meaningful job creation, and inclusive growth.

Furthermore, to ensure that the Industrial Strategy successfully leverages investment into clean energy, the Government must ensure that the surrounding policy frameworks, incentives and regulation, successfully encourage private equity and venture capital investment into clean energy. Creating the right conditions and co-investment models will serve to crowd in private capital investment in nascent clean energy technologies, finance Net Zero innovation and create high-quality jobs.

3. How can we protect and enhance our natural environment as we deliver secure home-grown energy and clean power?

The private capital industry is supporting the Government in building 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 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 report nature-related risks, impacts and dependencies and what steps will be taken to mitigate these ahead of the further development of infrastructure. There should be clear guidance and education around how to achieve this and what is expected from companies throughout the lifecycle of new energy projects. Government should support companies 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 to establish 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
As mentioned in Question 2, it is essential to ensure a *Just Transition* that 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.

4. What steps should the Labour Government take to deliver the infrastructure necessary to facilitate the transition to clean power, whilst supporting low-carbon hydrogen and the UK's future clean energy mix?

Recent announcements from the Government have indicated its commitment to attract private capital by using a combination of long-term policy signals, world leading financing mechanisms, transparent reporting frameworks, targeted public investment and a clear and co-ordinated offer from Public Finance Institutions (PFIs). The delivery of necessary infrastructure will rely greatly on a few factors:

Effective mobilising of capital from National Wealth Fund (NWF)
There is a need to create an environment conducive to enabling NWF's ability to effectively and rapidly mobilise funding towards high-impact clean energy infrastructure. The National Wealth Fund (NWF) aims to mobilise private investment into priority sectors including clean energy industries. This will work in alignment with the Great British Energy (GBE) (a publicly owned and operationally independent clean energy company) focused on clean power. To unlock the NWF's potential, the BVCA calls for the Government to:

- Identify the strategically and economically critical sectors for the UK. This includes determining areas with potential for global leadership, where the UK can build its first £1 trillion company and where it holds a competitive advantage. This might align with the broader industrial strategy.
- Develop comprehensive strategies to achieve global leadership in these sectors. This involves ensuring the provision of capital, implementing fast-track procurement processes, de-risking

investment in new clean tech and expediting talent acquisition. The approach must be coordinated across all relevant government departments.
- Execute these strategies (including due diligence processes and granting access to capital) with significantly increased speed—aiming for a tenfold improvement on current timelines.

Incentives for innovation and supply chains

- Provide tax credits, grants and subsidies for emerging clean energy technologies like green hydrogen, next generation energy sources and carbon capture.
- Support domestic manufacturing of clean energy components to reduce reliance on imports and boost energy security.

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 us to environmental or human rights risks. Achieving truly green outcomes requires that all elements of the supply chain align with our climate and ethical commitments.

Alignment the Transition Finance Council to 2030 clean energy action plan

To advance its goal of global leadership in sustainable finance, the Government has announced it will co-launch and support the Transition Finance Council. This initiative aligns with broader objectives of catalysing private capital for net zero and fostering economic growth, while also overseeing implementation, collaboration and capacity-building to scale transition efforts. Government should further work alongside the council and seek the best ways to align wider net zero ambitions with those within the clean energy action plan.

The Net Zero Council

Allocating more funding to the Net Zero Council to drive the decarbonisation of the economy, by performing actionable steps to deliver on improved investment and policy commitments.

- Having a dedicated Net Zero Council would increase investor confidence, helping to deliver on the granularity of sector-specific transition pathways, as well as improve collaboration with industry and greater coordination across the Government.
- The Net Zero Council should engage with and align efforts with the Transition Finance Lab to further improve sustainability policy and investment strategies which will help the long-term financial viability of investments and coalesce funding around clean energy that will drive the transition.

5. What measures need to be taken to ensure that the Government's Clean Power 2030 Action Plan is successful and facilitates the mass deployment of clean energy sources for decades to come?

The BVCA recommends the following measures to enable the Government to ensure their Clean Power action plan is successful and drives the UK's green transition ambitions, delivering a successful deployment of clean energy sources:

Measures to implement to ensure success

- The Government should establish and implement clear pathways with well-defined commitments and actions on public investment and policy in clean energy. This should include creating transparent planning and fiscal arrangements for key regions and energy technologies. Such measures are essential to provide investors with the confidence needed in the long-term financial viability of investments. Additionally, these steps will help direct funding toward the technologies most capable of driving the green transition effectively. This further includes developing dedicated financial instruments like green bonds, implementing risk mitigation tools and fostering public-private partnerships to co-finance large-scale projects.

- All parts of the economy need to decarbonise. The Government needs to carry forward key actions from the Transition Finance Market Review report, endeavouring to develop tools and build a more comprehensive understanding of transition finance market components.
- Innovative and efficient blended finance approaches must continue to be established and tested to de-risk long-term clean energy investments and allow risk-averse investors greater access to riskier but nascent clean technologies.
- Support the flow of capital into UK clean energy businesses by helping to define the UK as a Centre of Excellence for Impact Investing as many impact investors may see affordable and clean energy as an easy investment choice.
- Upgrade and expand grid infrastructure to handle increased renewable energy input and decentralised generation.
- Building investor confidence is critical to attracting private capital for clean energy projects. This can be achieved through transparent communication, ensuring stable returns, implementing legal protections for investors and providing robust market research and data. By fostering trust and offering competitive returns, the Government can encourage sustained investment in clean energy, which is essential for achieving long-term climate goals.
- Incentivise private capital to invest in sustainable solutions and services which increase public well-being and improve the quality and capacity of public services.
- Set binding targets for clean power generation beyond 2030 to build investor confidence and show commitment.
- Provide regions with sustainable funding and fiscal autonomy and powers over key areas to enable regions to unlock their potential and contribute to national economic growth whilst tackling regional and environmental social challenges. Effective governance, collaboration across regions and support for innovation are essential to attract businesses, foster entrepreneurship and reduce inequalities.
- Scalability, replication and clear guidelines are crucial for maximising the impact of innovative finance mechanisms, ensuring that these approaches can be effectively implemented across different sectors and regions.

Effective monitoring and progress reporting on home-grown and clean energy objectives

Through recent engagement, the BVCA has noted significant interest and momentum within government departments to engage with impact capital. The impact capital sector has done significant work on monitoring and communicating the social impact of their work. Government should, therefore, seek to engage with the Impact Investing community on how they demonstrate and report on the impact they create. By using appropriate financial tools and building new partnerships, departments can significantly multiply their impact and achieve sustainable outcomes at greater scale. A collaborative approach by the Government will not only help departments to leverage financial resources but also bring in valuable expertise and capacity.

Monitoring and progress reporting for the Clean Power 2030 Action Plan should be transparent, data-driven and responsive, with clear metrics such as renewable energy share, emissions reductions and project deployment rates. These should be regularly compared to initial goals of the action plan. Regular updates, including quarterly data releases, annual reports and independent evaluations every few years, should be made publicly accessible. There should be regular oversight by an independent body and active stakeholder engagement to ensure accountability and identify barriers to progress. Finally, findings should feed into policy and budget adjustments, enabling the Government to stay on track and adapt as needed to achieve long-term clean energy goals.

7. What consideration would need to be given to policy proposals in this area when collaborating with devolved administrations, combined authorities and other local governments in England, Scotland, Wales and Northern Ireland?

Government is looking to drive long term growth by setting out its vision for the Industrial Strategy which marks clean energy industries as core priorities. Central to this vision is the drive to ensure that economic opportunities and benefits are evenly distributed across the UK, fostering innovation and, and sustainability nationwide.

An enabler of this equitable growth is the approach of devolution introduced by the Government. By transferring powers and funding from national to local governments, devolution ensures decisions are made closer to the people, communities, and businesses they impact. Localised decision-making fosters tailored solutions, empowers regional leaders and addresses regional inequalities, unlocking unique local potential and driving inclusive governance. By embedding devolution into the clean energy transition and economic strategy, the Government aims to strengthen local accountability and catalyse regional economic growth, creating a robust foundation for the transition to a greener economy.

Successful decarbonisation depends on country and local level pathways, supported by clearly communicated transparent policy frameworks. The development of clear, granular decarbonisation pathways across key sectors of the economy will generate the confidence required for private investment to flow at the scale and pace required. These pathway implementations can be successful if we empower Devolved Administrations (DAs) to take necessary action.

The UK has historically faced regional economic disparities, with wealth and opportunities disproportionately concentrated in London and the South-East. Place-based investment aims to address these imbalances by channelling capital into underinvested regions. By doing so, it fosters local economic development, creates jobs and stimulates growth in areas that have traditionally been overlooked. This approach aligns with the UK Government's "levelling up" agenda, which seeks to ensure that all parts of the country benefit from economic prosperity.

The BVCA have engaged with private capital practitioners who are either active investors across the UK's nations and regions, or investors looking to explore more regional opportunities across the UK, as well as academics and representatives from local authorities, through a series of Invest Forums and Dinners held throughout the year.

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