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## MAJOR PENSION INVESTORS RELEASE LANDMARK BLUEPRINT TO UNLOCK INVESTMENT AND FAST TRACK CLEAN POWER BY 2030

**Wednesday, October 9, 2024**

A new landmark blueprint authored by UK and Australian pension funds, investors of £1.7trn (AUD3.25trn) in workers' retirement savings, is recommending carefully targeted policy action to unlock pension capital in order to contribute to the new UK Government delivering on its clean power by 2030 mission.

The blueprint, *Mobilising pension capital for net zero: a policy blueprint for the UK*, is a first-time collaboration between Australian and UK pension funds and the UK pensions trade association, Pensions and Lifetime Savings Association (PLSA). The development of the blueprint has been led by pension fund-owned asset manager, IFM Investors.

The blueprint will be launched in Westminster today at a roundtable event featuring the Chief Investment Officers of some of the UK's biggest pension funds and government representatives.

The new UK Government has made clean power by 2030 one of its defining priorities – and wants to work with private sector investors to double onshore wind, triple solar power and quadruple offshore wind over the next six years. The Government expects pension funds, both local and globally, to play a major role in financing the wider transition.

Funds meanwhile, have a legal duty to prioritise the interests of pension scheme members, and need the right policy settings in place to facilitate their investment.

The key recommendation is to reform Public Sector Net Debt (PSND), by including the net worth of illiquid infrastructure investments for the first time, and comes against a backdrop of growing debate about the role of the UK's fiscal rules in supporting capital investment - and the design of the new government's flagship finance institutions, Great British Energy (GBE) and the National Wealth Fund (NWF).

Reforming the fiscal rules to treat unlisted productive assets as an asset will help incentivise long-term public investment in the net zero transition, creating the conditions for NWF and GBE to crowd in pension capital at scale.

Mapping out a comprehensive set of pro-investment policy settings across finance, planning, renewable markets and industrial decarbonisation, the blueprint's key recommendations to government also include:

- **Planning reform** including incorporating the government's legally-binding emissions reduction targets in the National Planning Policy Framework and enabling rapid permitting of the repowering of wind farms;
- **Fast-tracking the deployment of renewable energy** including through clearly-defined commercial objectives for GBE, as well as longer term Contracts for Difference to bring down the cost of capital;
- **Supporting industrial decarbonisation and emerging net zero industries** by focusing the NWF on supporting the commercial development of higher risk emerging net zero industries.

The group of signatories to the blueprint includes the UK's largest pension fund, the Universities Superannuation Scheme (USS), its largest Local Government Pension Scheme pool, Border to Coast, and the UK's largest defined contribution fund, Nest, as well as LGPS Central and the North East Scotland Pension Fund. From Australia, Aware Super, CareSuper, Cbus Super, HESTA, Hostplus and Rest are signatories.

Collectively the signatories of the blueprint represent pension schemes that invest a combined £1.7 trillion (AUD 3.25trn) in the UK and abroad, including the retirement savings of more than thirty million UK workers and more than ten million Australian workers.

Last year, IFM signed a [Memorandum of Understanding](#) with the UK Government to invest £10 billion into infrastructure projects by 2027 and is a founding member of the government's British Infrastructure Council.

A copy of ***Mobilising pension capital for net zero: a policy blueprint for the UK*** can be downloaded [here](#).

#### **Quote attributable to Gregg McClymont, Executive Director, IFM Investors**

*"Mobilising pension fund investment has the potential to create benefits for society, but quite rightly, pension funds have a fiduciary duty and must only invest in their members' best interests."*

*"This world-first collaboration between some of the UK and Australia's largest funds maps out how the Government can accelerate the energy transition and deliver strong returns for working peoples' retirement savings."*

*"There are a number of steps to unlocking this investment. But a pre-requisite is that the Government should account for infrastructure assets more like a long-term investor, and less like a commercial bank holding equity as loan collateral to be sold in a fire sale."*

*(ends)*

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### **Notes to editors**

See below a series of quotes from signatories to the blueprint

#### **Quote attributable to Elizabeth Fernando, CIO, Nest**

*“Nest members represent a third of the UK workforce, so why wouldn’t we want to make great returns and invest in their communities and the infrastructure they rely on? As one of the world’s largest economies and a global leader in the transition to net zero, the UK presents significant opportunities for green investment. We already have hundreds of millions of pounds invested in solar and offshore wind farms across the country, and we welcome discussions on how a scheme like Nest can further support the UK’s green transition.”*

#### **Quote attributable to Carol Young, GCEO and National Wealth Fund taskforce member, USS**

*“We’re delighted to be involved with this important blueprint and its recommendations to Government. Used well, the policy options offer the opportunity of better aligning pension scheme interests and capital with the Government’s net zero ambitions.”*

#### **Quote attributable to Graham Buntain, Investment Manager, North East Scotland Pension Fund**

*“NESPF is fully supportive of the recommendations within this UK Energy Transition blueprint, as we recognise the need to support the decarbonisation of the UK economy. With the right approach and policies, collectively we can ensure suitable returns and provide the accelerated stimulus required towards Net Zero, balancing all considerations.”*

#### **Quote attributable to Nigel Peaple, Chief Policy Counsel, Pensions and Lifetime Savings Association**

*“Pension fund capital rightly flows to the assets its managers believe offer the best risk-adjusted returns for pension scheme members. This timely report by IFM aligns with recent PLSA policy recommendations which highlight how specific regulatory and fiscal interventions can attract pension fund investment to grow the UK economy and help the transition to Net Zero.”*

#### **Quote attributable to Joe McDonnell, Chief Investment Officer, Border to Coast**

*“The transition to a net zero economy will require wholesale changes to how the economy and society functions, and demand significant capital investment. The collective scale offered by pooling enables the development of innovative solutions that not only expand Partner Fund access to the investment opportunities involved in decarbonisation – through the likes of the innovative £2.6bn Border to Coast Climate Opportunities strategy – but also to provide the capital needed to fund the energy transition and support global net zero goals. We’re proud to showcase through our own approach and this collaboration how investors can be an active part of the climate transition.”*

#### **Quote attributable to Richard Law-Deeks, CEO, LGPS Central**

*“At LGPS Central, we have been a strong supporter of the UK’s energy transition and are positive on the market outlook. It’s not only additional capital from long-term UK investors that is required, but also a step change in the UK’s planning processes and policy reforms, as outlined in this report, to attract private investment and help*

*achieve the government's clean energy goals.”*

**Quote attributable to Deanne Stewart, CEO, Aware Super**

*“As a large global institutional investor, Aware Super can offer economies, including the UK and Australia, a valuable source of long-term and sophisticated capital to help meet Net Zero Emission targets. These opportunities are also a key contributor to the retirement futures of our 1.1 million members – which include nurses, teachers, police and other essential workers. The enormous scale of energy transition and need for private sector capital should enable appropriate opportunities for generating strong, risk-adjusted returns for their investment portfolios, as well as strengthening the communities in which they live, work and retire.”*

**Quote attributable to Kristian Fok, CEO, Cbus Super**

*“Cbus welcomes a focus on creating an investment environment that enables renewable energy projects to move forward more efficiently. By setting clear objectives and streamlining processes, there’s a compelling opportunity for long-term investors to partner with the energy sector and accelerate the deployment of renewable energy infrastructure, with the aim of securing long-term risk adjusted returns for our members while helping to meet ambitious climate targets.”*

**Quote attributable to Debby Blakey, CEO, HESTA**

*“HESTA is dedicated to investing 10% of our portfolio in climate solutions by 2030. Investing in opportunities arising from the global energy transition will help us aim to deliver strong long-term returns for our members. This blueprint includes a range of policy recommendations that can help encourage long-term investment from asset owners in renewable energy and innovative climate solutions.”*

**Quote attributable to David Elia, CEO, Hostplus**

*“Investment in sustainable infrastructure and innovative energy solutions can help drive strong, long-term returns for our members. This blueprint provides a pathway toward ensuring the right policy settings are in place to facilitate these important opportunities for investors like Hostplus and unlock the capital required to advance the energy transition.”*

## **List of recommendations**

### **Taking a long-term and strategic approach to public sector investment**

- ▶ Set clearly defined commercial objectives for Great British Energy so that it can effectively partner with and mobilise long-term investors like pension funds
- ▶ Focus the National Wealth Fund on supporting the commercial development of higher risk net zero industries where it can play a valuable role bridging gaps in capital markets
- ▶ Adapt the rules for calculating public sector net debt to account for investment in productive assets by the National Wealth Fund and Great British Energy

### **Accelerating growth in renewable power and emerging net zero industries**

- ▶ Extend Contracts for Difference terms for renewable and low carbon power generation beyond 15 years to reflect longer project lives and to unlock a lower cost of capital
- ▶ Use the Low Carbon Contracts Company to aggregate industrial and commercial demand for power, increasing access to power purchase agreements for renewable energy

- ▶ Streamline the permitting process for repowering existing onshore wind sites, with a clear presumption in favour of repowering
- ▶ Support hybrid renewable energy systems, combining different types of generation and/or storage, through updates to the grid connection process, planning policy and market support schemes
- ▶ Prioritise the development of business models and markets for hydrogen and e-fuels
- ▶ Accelerate delivery of the revenue certainty mechanism for UK producers of sustainable aviation fuel
- ▶ Accelerate the delivery of energy storage solutions, in particular long duration energy storage systems, through the development of revenue certainty mechanisms
- ▶ Improve physical and regulatory integration between the UK energy market and the EU Internal Energy Market to support harmonised, tariff-free trading and two-way flows of energy

### **Delivering planning reform and grid connections**

- ▶ Include the government's legally binding emissions reduction targets in the National Planning Policy Framework
- ▶ Review key National Policy Statements at least every five years
- ▶ Mandate economic regulators<sup>[4]</sup>, such as Ofgem, to report on the delivery of new infrastructure needed in their sector
- ▶ Implement the reforms set out in the Transmission Acceleration Action Plan and Connections Action Plan quickly to address delays and plan for future electricity system needs
- ▶ Designate the new independent National Energy System Operator as the single provider responsible for the development of offshore transmission infrastructure, to deliver the offshore grid more efficiently and accelerate new offshore wind capacity
- ▶ Implement the commitment to create regional energy planning roles to develop local net zero plans and help inform developers and investors of local investment opportunities
- ▶ Increase planning capacity in Local Authorities and reduce resource requirements in the planning system
- ▶ Support local government to develop Local Area Energy Plans and provide clear guidance and support to standardise energy-related procurement and business models
- ▶ Issue a new National Policy Statement allowing Local Authorities to exceed national standards in Local Plans, allowing for more ambitious climate action in communities

### **About IFM Investors**

IFM Investors was established more than 25 years ago with the aim to invest, protect and grow the long-term retirement savings of working people. Owned by a group of Australian pension funds, IFM has more than \$218.3 AUD billion in funds under management on behalf of 17 industry super fund owners (and 717 institutional investors, as of 30 June, 2024). As a signatory to The United Nations-supported Principles for Responsible Investment, IFM actively engages on ESG issues with the companies in which we invest with the aim of enhancing their net performance while minimising investment risk. Operating globally from offices in Melbourne, Sydney, London, Berlin, Zurich, Amsterdam, Milan, New York, Houston, Hong Kong, Seoul and Tokyo, IFM manages

investments across infrastructure, debt, listed equities and private equity assets. For more information, visit [www.ifminvestors.com](http://www.ifminvestors.com)