



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Dame Meg Hillier MP
House of Commons
London
SW1A 0AA

2 February 2023

Dear Dame Meg,

Further to the previous Chief Secretary's letter in July 2022, I wanted to provide you with an update on the UK Infrastructure Bank's (UKIB) guarantees and the launch of the Sovereign Infrastructure Guarantee.

As you are aware, UKIB was established in June 2021 and will partner with the private sector and local government to boost investment in infrastructure that tackles climate change and supports regional growth. UKIB has £22 billion of financial capacity including the ability to provide up to £10bn of guarantees.

As set out in UKIB's Policy Design document published before the launch of the new institution, the government's intention is for UKIB to benefit from HM Treasury backing as necessary, including the ability to access the benefit of sovereign guarantees where appropriate. To deliver on this commitment and enable UKIB as a new organisation to access the government's credit rating, the Treasury and UKIB will shortly launch the Sovereign Infrastructure Guarantee (SIG) – a legal agreement between the Treasury and UKIB that establishes the Treasury's backing of UKIB's guarantees. This has been designed working alongside UK Government Investments (UKGI) drawing on expert professional advice.

As UKIB is a new organisation, UKIB needs legal backing from the Treasury in order to offer sovereign-rated products. To establish this, UKIB and the Treasury have designed the SIG which should enable UKIB to offer its guarantee product backed by sovereign credit risk. The SIG establishes a blanket guarantee that will sit behind UKIB's individual guarantees. This should enable UKIB's guarantees to be treated as bearing sovereign risk by investors/lenders, supporting its aim to crowd-in private sector investment.

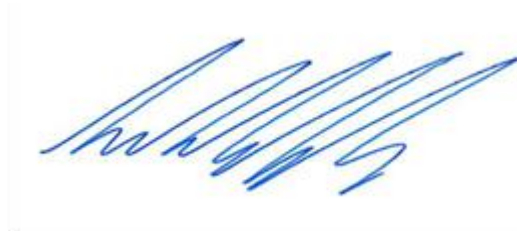
The SIG will enable a beneficiary of UKIB's guarantee to claim on the Treasury directly in a scenario where UKIB cannot pay. As the Treasury has provided UKIB the financial capability to meet its obligations, it is unlikely the SIG will be called. This structure has been designed to give UKIB, as an independent organisation, the freedom (subject to delegated limits) to make its own investment decisions in line with its investment principles.

UKIB will report to Parliament through its Annual Reports and Accounts on any guarantees entered into, providing details on the amount of actual or contingent liabilities. If the liability is called, provision for any payment will be sought through the normal Supply Estimates through UKIB's budgets in first instance. The Treasury will also report on the SIG as part of its Annual Reports and Accounts.

The UK Infrastructure Bank Bill, which is expected to receive Royal Assent in the New Year will establish in statute the Bank's ability to provide financial assistance, including guarantees.

I am copying this letter to the Exchequer Secretary to the Treasury, the Permanent Secretary of HM Treasury, and the CEO of the UK Infrastructure Bank.

Kind regards

A handwritten signature in blue ink, appearing to read 'Andrew Griffith', is positioned above the printed name. The signature is fluid and cursive, with a long horizontal stroke at the end.

ANDREW GRIFFITH MP