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Green bank is open for business

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Simon Bain

The Green Investment Bank was formally launched in Edinburgh yesterday with a promise by chairman Lord Smith of Kelvin that it could stand alone without the need to borrow from the Government.

Business Secretary Vince Cable, with Energy Secretary Edward Davey and Scotland Secretary Michael Moore, declared the GIB open for business and unveiled its first two investments – £8 million in an energy-from-waste plant on Tees-side and £5m to help insulation group Kingspan reduce its energy consumption by 15%.

The GIB was intended to gain borrowing powers by 2015-16, subject to the Government deficit falling, but the Association of Consultancy and Engineering (Ace) has warned that this target is likely to be missed and the bank faces "disappointing" delays in gearing up. Ace has said if borrowing powers came earlier, the GIB could reduce risk and cost to private sector partners.

Lord Smith told The Herald: "I am relatively relaxed about this. As a plc, technically we have the right to borrow, but you have to ask your shareholders. In 2015 we have to have earned the right to go into the capital markets or return to Government for more money.

"Over the next couple of years we are going to have to build a track record. If we are successful I think we can go to a Government of any colour – or we can go into the capital markets."

Lord Smith admitted the £3 billion of funding from Government was tiny against the £200bn of identified renewables projects in the UK over the next decade, but said the GIB would be a catalyst for crowd funding of projects, adding: "There is a hell of a lot of capital around in the world – specialist banks, sovereign wealth funds, pension funds, the sort of people who like to put their money to work long-term. Some of them might be a bit nervous, but we know enough about the renewables sector in the UK, we have got the technical expertise."

On the GIB's benefits for Scotland, Lord Smith said much of the bank's work would tap into Edinburgh's expertise in investment management as well as in renewables. He added: "All the Scottish cities got behind Edinburgh for this bank and I think that is a model for the Commonwealth Games – it shows what can be done against the pull of London."

On his own credentials, the former investment banker who chairs Commonwealth Games 2014 as well as Weir Group and SSE said he had been on the board of SSE the UK's biggest renewables generator since 2003, and "knew a bit about engineering through Weir".

Mr Cable, who visited the Whitlock Energy Collaboration Centre at Rosyth, said at the launch at Heriot-Watt University: "Having the headquarters in Edinburgh is a powerful vote of confidence in the Union, and a testimony to our commitment to helping Scotland lead the green revolution."

Mr Davey said the bank would create "lasting economic benefit, with new expertise and jobs created, that will give the UK a competitive edge".

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