

Monday 10 September 2012

Green Investment Bank lending in doubt

10 September 2012 | By Vern Pitt

Government's inability to get public borrowing down could delay Green Bank's borrowing capabilities



The ability of the Green Investment Bank to fund sustainable building projects is being put in danger by the government's inability to get state borrowing under control, a report has warned.

The Green Investment Bank (GIB) was set up by the government to fund green schemes, including the government's flagship Green Deal scheme as well as sustainable infrastructure projects.

However, it is not allowed to borrow money from markets until the national debt as a percentage of GDP begins to fall, which the government predicts will be between 2015 and 2016.

The report by the Association for Consultancy and Engineering said that meeting this target now looked uncertain. It said the Office for Budget Responsibility forecasts had revised upwards the level of debt, which was expected to peak in 2014-15 and current economic pressures meant it was likely this would be revised further upwards.

It said: "Recent data from the Office of National Statistics on public sector finances suggests that the current fiscal year might prove more challenging than originally anticipated for government in terms of hitting its targets.

"Any further revision is therefore more likely to show that Public Sector Net Debt not falling as a percentage of GDP by 2015-16."

Nelson Ogunshakin, chief executive of ACE, said: "This is disappointing for industry. Investment is needed to drive growth and raise the standards and sustainability of the UK's infrastructure and the GIB's borrowing powers had the potential to leverage significant private investment."

The report said the government now needed to set a firm date for when the GIB would be able to borrow including stricter borrowing rules in 2015-16 to reassure investors while minimising government exposure.

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