



The UK's infrastructure pipeline

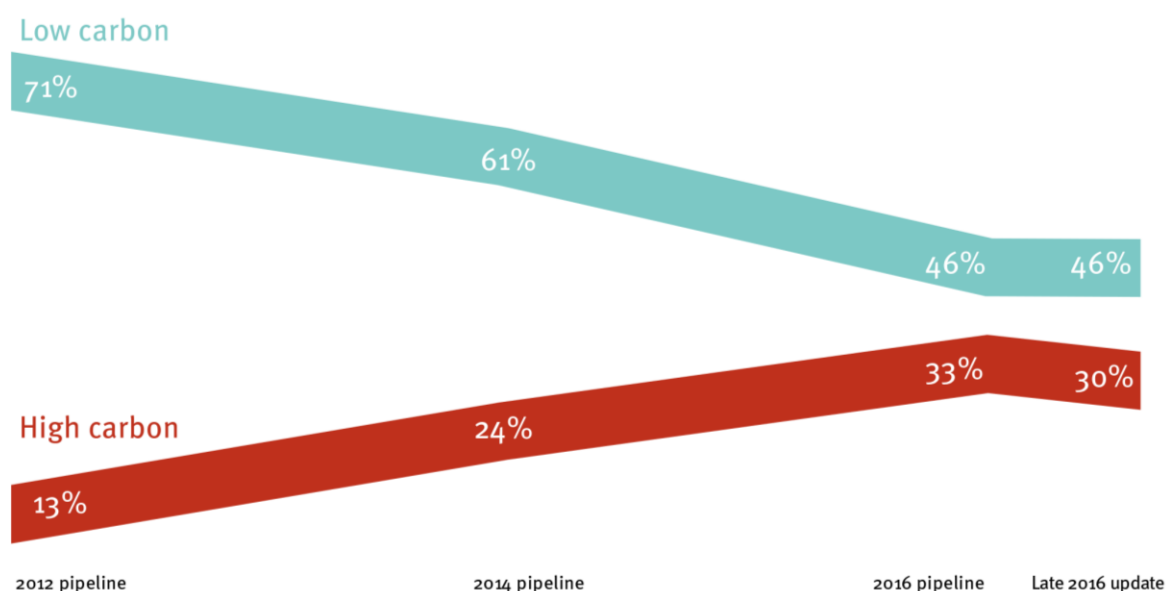
Private sector divestment from high carbon assets is not being matched by investment in low carbon

The government’s infrastructure pipeline sets out its view of large infrastructure investments that are likely to be made over the course of this parliament and beyond. Green Alliance has analysed the [last three iterations](#) of the pipeline, which show the changing pattern of investment across low and high carbon sectors of the economy. This year, the government has chosen to release two pipeline updates. This briefing note, therefore, focuses primarily on what has changed over the past six months.

The balance between low carbon and high carbon investment

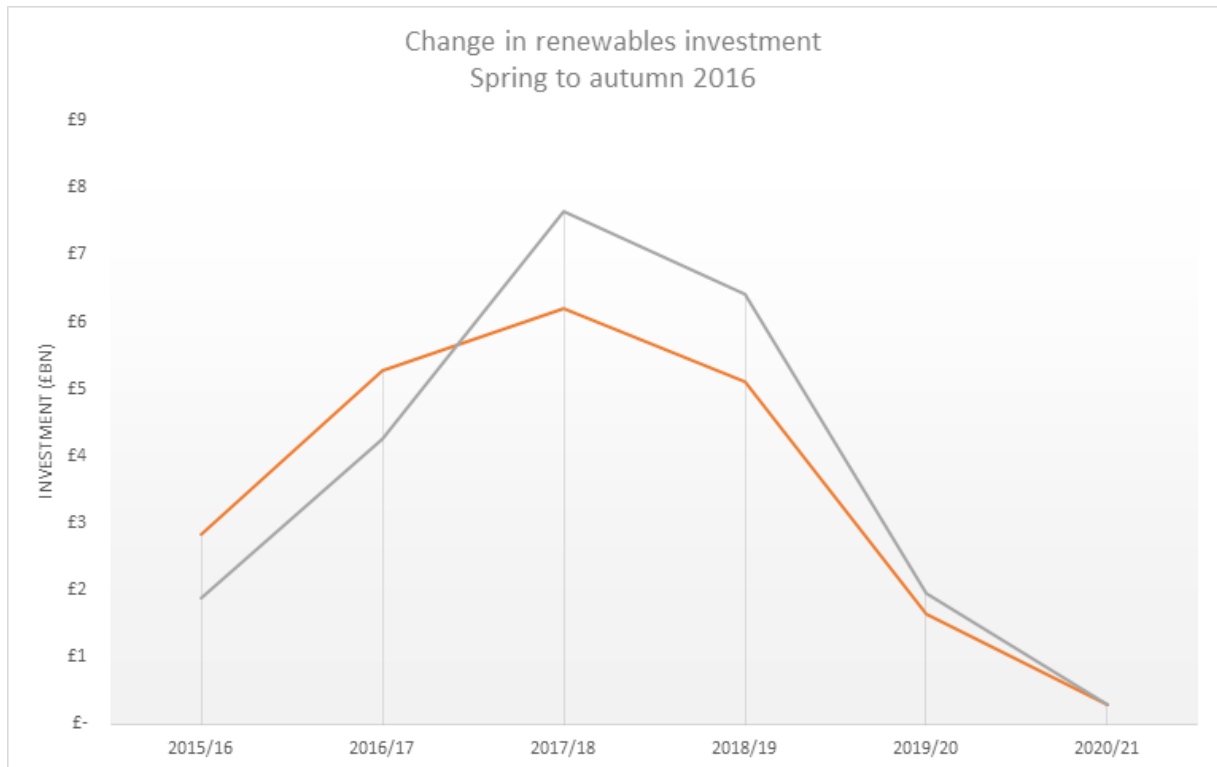
For the first year since 2012, the trend of rising high carbon investment and falling low carbon investment in the UK has reversed. This is primarily because of a decline in private sector investment in high carbon assets, rather than a strategic change in UK government priorities. But it is good news.

The shifting UK infrastructure pipeline to 2020¹⁵



Renewables

In contrast to the overall picture, renewables spending has fallen by £1.1 billion in just the past six months. This is not due to falling renewables costs; it is due to a shrinking pipeline of projects. The graph below compares the autumn 2016 picture (in orange) with the spring 2016 pipeline (in grey). Most significantly, there is still a 95 per cent fall in investment between 2017 and 2020. This cliff edge needs to be avoided if the UK is to meet its world leading carbon budgets and Paris agreement pledge.



Nuclear

The government has managed to cut £2 billion from the cost of decommissioning.¹ This is good news because it frees the Department for Business, Energy and Industrial Strategy's (BEIS's) budget up, potentially enabling the department to spend on deployment of low carbon heat and efficiency rather than legacy clean up costs. Last year, Green Alliance's [analysis of DECC's budget](#) showed that legacy costs accounted for over 80 per cent of the department's budget, making cost reductions here especially important.

Surface transport

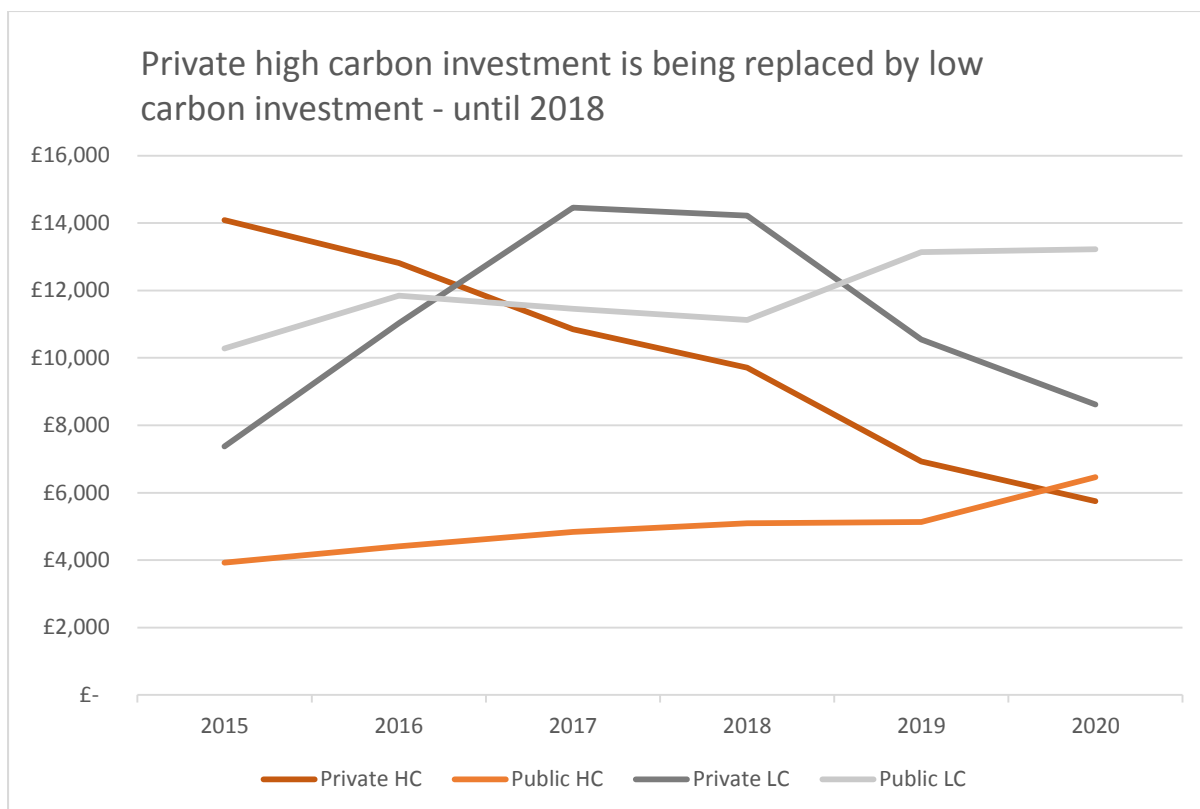
Low carbon transport spending, excluding HS2, has risen by £2.3 billion since spring 2016. This appears to be down to local authorities choosing to spend transport funds on bus and light rail, as well as cycling and walking. Roads spending is broadly the same. HS2 spending has risen by £1.1 billion, which may reflect higher than expected costs.

Airports

Airport spending is up by 8.5 per cent, by around £400 million. This is mostly down to the expansion of City Airport and new spending at Stansted. 85 per cent of airports spending is in the south east.

The balance of private and public sector investment

The picture of private sector investment is very clear: it is rapidly moving away from high carbon infrastructure. In contrast, public sector high carbon investment is rising, although slowly. Looking at private low carbon investment, this peaks in 2017 before falling back, due primarily to a lack of low carbon policy in the early 2020s. Nevertheless, the pipeline shows that divestment of high carbon assets can be matched by investment in low carbon ones, with the right policy environment.²



The challenge for government will be to deliver the policy required in the forthcoming Emissions Reduction Plan to keep low carbon investment up for the tail end of this parliament and into the 2020s. Green Alliance has [analysed](#) where these gaps lie in the energy, heat, and transport markets and proposed actions for government to take to meet its climate targets.

Endnotes

¹ We assume that lower decommissioning costs do not reflect a less safe decommissioning strategy.

² The Autumn 2016 pipeline update brings together two previous documents: the National Infrastructure Pipeline and the Construction Pipeline. This latter document is largely composed of property spending. For the sake of comparability, our analysis excludes construction and housing.

This raises the question of energy efficiency standards for buildings. Unless efficiency standards are improved, it is possible that government investment in property and buildings could tilt the balance of investment in favour of high carbon assets.

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