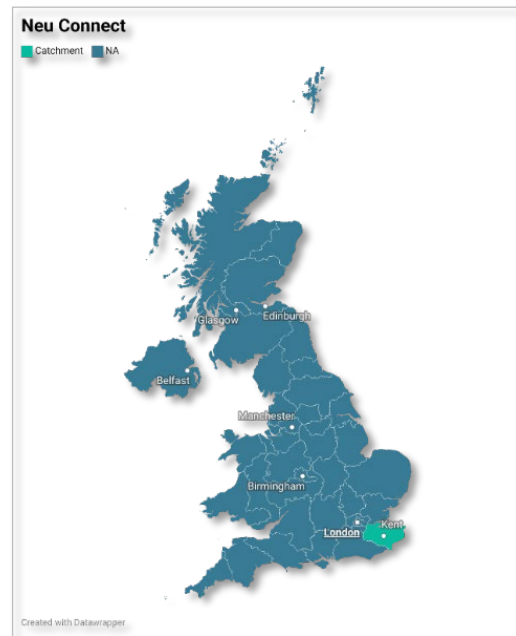


NeuConnect deal: factsheet

Deal Information	
Deal signed	21/07/2022
Project status	Live
Sector	Clean Energy
Location	Kent
Counterparty	Neuconnect Holdings ⁱ
Total Investment	£2.4bn ⁱⁱ
UKIB Finance	£150m
Product	Senior Debt



Summary

In July 2022, UKIB announced an investment of £150 million to support the £2.4 billion NeuConnect Electricity Interconnector project, which will build the first undersea energy link between the UK and Germany, due to come online in 2028. With a capacity of 1.4 GW, the interconnector will facilitate the transmission of low-carbon power generation from renewable energy sources (e.g., offshore wind), has the potential to reduce energy costs (estimated 1 – 2% cost reduction per GW) and increase UK energy security. This project supports the government’s target of achieving 50GW of offshore wind capacity by 2030ⁱⁱⁱ, whilst maintaining security of supply^{iv}. UKIB investment was needed to ensure these benefits are delivered without delay.

Sector context

Interconnectors enable the UK electricity market to trade with other markets, enhance the flexibility of our energy system and have been shown to have clear benefits for decarbonisation and energy security. A recent report into the impact of interconnectors on decarbonisation commissioned by BEIS, demonstrated how a higher level of interconnector capacity could decrease cumulative emissions in Great Britain by up to 199MtCO₂e by 2050, as well as reduce total system costs^v. Interconnection will be critical in realising the government’s offshore wind targets and maintaining security of supply^{vi}; this project helps meet the Government's ambition to double interconnector capacity by 2030.

Impact and Additionality

This project supports our net zero transition. Once built, the link will:

- Be one of the largest "interconnectors" in the world, with a capacity of 1.4GW.
- Allow for increased flexibility in generation, allowing sharing of power between the interconnected countries when they have abundant renewable generation and enabling them to import power when there are spikes in demand.
- Reduce the need for fossil fuel generation when an individual interconnected country is not producing as much wind or solar power.

UKIB's assessment following discussion with lenders and market experts is that UKIB investment was important to provide liquidity into a delayed nationally significant project. At the time of investment, the project was challenged by the scale of financing required, tight timescales, and inflationary pressures.

UKIB helped meet a funding gap for the UK Debt Facility. The deal, structured into two parts, consisted of the UK Infrastructure Bank providing £150 million to the UK side of the project, alongside £1bn from other UK lenders. The German side of the deal is structured in a similar way and is supported by the European Investment Bank.

ESRG considerations

The project was assessed for ESRG risks^{vii}. NeuConnect adhered to the Equator Principles and undertook a range of statutory Environmental Impact Assessments through the planning process. The project sponsor, Meridiam, received an Advanced Sustainability Rating from VigeoEiris (Moody's) and assessed project impact against the UN's Sustainable Development Goals^{viii}. An ESG assessment undertaken by Moody's on behalf of NeuConnect found that under this activity, the project is classed as Green. Environmental risks were assessed in the comprehensive screening and found to be predominantly low. The Moody's assessment found no environmental concerns.

Impact Metrics

3	# Deals in the Clean Energy sector
£444.5m	Total Investment in Clean Energy Sector
250 ^{ix}	Jobs (Created and Safeguarded)
-8,177,000 tCO ₂ e	Emissions^x
£259m	Private Finance Mobilised

Note: this factsheet has been completed retrospectively based on the information which was available to the bank at the time of investment decision making.

-
- ⁱ C/O Fulcrum, 105 Piccadilly, London, United Kingdom, W1J 7NJ
- ⁱⁱ EUR 2.1bn total senior debt requirement across GBP & EUR facilities: £1.2bn are GBP facilities
- ⁱⁱⁱ [Offshore Wind Net Zero Investment Roadmap](#) (published March 2023)
- ^{iv} [Ofgem gives green light to investment in new interconnectors | Ofgem](#)
- ^v [The impact of interconnectors on decarbonisation \(publishing.service.gov.uk\)](#)
- ^{vi} [Ofgem gives green light to investment in new interconnectors | Ofgem](#)
- ^{vii} UKIB developed its approach to ESG over time, establishing a robust framework which is used to assess all current deals. Before this framework was finalised, a qualitative assessment based on the Equator Principles was carried out on investments.
- ^{viii} [Sustainable Development Goals | United Nations Development Programme \(undp.org\)](#)
- ^{ix} Circa 30 attributable to UKIB share of finance
- ^x Circa -843,000tCO₂e emissions attributable to UKIB's share of finance. GHG emissions figures are self-reported ex-ante estimates provided by the underlying company/project sponsor. The scope boundaries vary in each case and UKIB cannot guarantee alignment with the GHG protocol