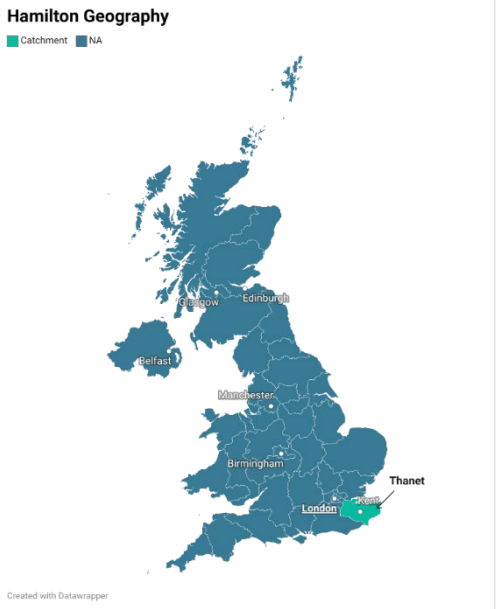
Pacific Green deal: factsheet

Deal Information	
Deal signed	November 2023
Sector	Energy Storage
Location	Kent
Counterparty	Pacific Green[i]
Total Finance	£120m
UKIB Finance	£60m
Product	Debt



Summary

National Grid forecasts that the UK needs to increase battery storage capacity by more than five-fold to achieve net zero. Pacific Green will deliver one of the largest batteries in the UK at 250MW. This is five times larger than the recently scrapped 50MW cap on battery storage and two and a half times larger than the largest battery in operation (100MW), helping push battery capacity forward as the market matures.

UKIB are providing a £60m loan to Pacific Green to support construction and operation of the battery. This will help raise 50% of the £120m debt needed to develop a battery of this size and scale.

Sector context

Energy storage is crucial in supporting the integration and rollout of intermittent renewables onto the grid needed to meet government's ambition to decarbonize the UK's power grid by 2035. The government's Smart Systems and Flexibility Plan (2021) highlights the important role storage will play in the transition to net zero, by reducing the curtailment of renewables and providing wider stabilization to the grid.

National Grid forecasts that up to 29GW of storage could be needed by 2030 and up to 51GW by 2050 – a huge increase on the approximate 5GW currently on the system. If we're to reach the level of storage deployment needed, significant investment is required.

Market capacity for debt is constrained with a limited number of banks consistently lending to projects. This is particularly a challenge for larger scale assets, resulting in only a few banks consistently lending to storage projects. This creates a potential barrier for companies looking to raise finance at the speed and scale needed for net zero.

Impact and Additionality

The Pacific Green battery will be one of the largest battery storage projects in the UK at 250MW and 1.5 hour duration (375MWh), increasing grid flexibility around the South East, which is an area of high grid constraint.

The investment is also expected to create or support around 56 jobs across construction and operations in Thanet, Kent, in line with the Bank's mandate to boost regional and local economic growth.

Through this investment, the UKIB is providing meaningful financial capacity to the sector, crowding in other banks and accelerating the deployment of storage projects in the UK.

ESRG considerations[ii]

The project was assessed for ESRG risks in accordance with UKIB's ESRG framework. Pacific Green has presented an ESG plan mitigating risk on supply chains and mineral sourcing, including not using cobalt in their batteries to reduce the risk of using conflict minerals. They have also taken an equator principles assessment on the site to further de-risk the project.

Impact Metrics

4	# Deals in the Storage sector
£323m	Total Investment in Sector
c.56[iii]	Jobs created and supported
c360,000 tCO2e[iv]	Emissions avoided
£60m	Private finance mobilised

[i] Pacific Green, 4 Albemarle Street, Mayfair, London. W1S 4GA

[ii] By partnering with us, companies agree to follow ESG best practice guidance and report on their: Environmental, social, resilience and governance (ESRG) approach: we will assess how projects manage their direct and indirect environmental and social impact, the resilience of their projects and the robustness of their ESRG governance structures. Material climate and environmental-related financial risk: we will check projects have incorporated the relevant recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) and the International Sustainability Standards Board.

[iii] 18 Jobs attributable to UKIB based on proportion of finance

[iv] c180,000 Emissions attributable to UKIB based on the proportion of finance