

Britain is in search of meaning. The climate crisis could hold the answer

After a tumultuous few years, Britain is searching for new meaning on the world stage. Where it once held clout through its central role in the EU, it is now more 'independent' – and more isolated. The years since the Brexit referendum have been dominated by factionalism and political infighting. No clear vision for Britain has yet emerged, but irrespective of your political leanings, all must agree that Britain has no choice but to carve out its own niche.

This can start with venture capital, one of the healthiest and most vibrant parts of the UK's economy. The prime minister reiterated the government's commitment to R&D spending in a speech at the start of the year, highlighting the UK's strengths in fields such as AI, quantum and green technology. An example of these strengths is VC-backed green-tech and innovations in sustainability, which hold enormous potential. At COP27, the UK announced it would invest over £65M into the space to achieve net zero by 2050.

Over the years we've seen how Britain has been able to leverage its long-established financial services base to build a world-beating fintech sector. In 2022, the UK was behind only the US once again in terms of fintech investment, and raised more than all of the next 10 European countries combined. The same can happen for green-tech and sustainability, particularly with a new influx of support from the government. However, the UK must take stock of the challenges and opportunities at play in order to carve out a new, green economic niche.

The Brexit threat (and opportunity)

Currently, the UK is in the global top three for investing in net zero ideas behind China and the US, and London remains on top when it comes to investing in early-stage businesses thanks to schemes such as the Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS). Both offer generous tax breaks, which encourages investment into early stage businesses. In 2022 the UK continuously fared stronger than its European counterparts in VC investment and innovation, with \$29.9B total funding compared to France's \$15.1B; much of this was as a direct result of both SEIS and EIS.

Despite this, increasing competition and the continued fallout from Brexit means we can't take this for granted. Brexit threatens both capital and talent, which startups heavily rely on, so when that starts to move elsewhere, so too will the entrepreneurs and investors who back them. The rise of new impact innovation hubs such as those in the Nordic region are a case in point - though in spite of the Nordics' impact strength, they still raise less impact funding than the UK, for now.

To remain on top, we need decisive action both at a governmental and business level. One possible option would be to set up a 'Green EIS', which would comprise some form of tax relief or bonus tax relief on top of existing options that direct investor cash towards companies contributing to decarbonisation or more sustainable business practices. Another option is to develop a 'Green Card' visa scheme that prioritises talent from green/sustainability industries, in order to attract and retain hot green talent. The green sector is dynamic and new, so it is imperative that the UK makes the push to best position its tech ecosystem for the opportunities ahead.

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Empowering university talent with capital

As world-class as the UK's university spinout ecosystem is, there is room for improvement. The ideas that are being developed at the likes of Oxford and Cambridge and other top universities have been constantly pushing the boundaries of innovation. But unlike their counterparts in the US and other parts of the world, they haven't been as good at turning these brilliant ideas into successful businesses. There have been and continue to be many fantastic spinouts emerging, but the process often fails to align the interests of investors and universities – slowing innovation and time to market.

Given the strength of UK universities, we should be making sure that we're leveraging the immense value they bring. This can start by improving the process in place in Tech Transfer Offices, which tend to be risk-averse and underfunded. By funnelling capital directly to ideas within universities and introducing nation-wide standards to streamline processes, we can make the most of the country's brightest minds and speed up innovation.

Furthermore, as these spinouts emerge into the commercial world, the UK needs to ensure that funding is more readily available from these shores. Indeed, opportunities and innovation are actively funded and supported in the UK, yet there's a lack of support at the early-stage and for spinouts. This doesn't give the opportunity for full commercial success in the UK, so companies are forced to migrate elsewhere to grow, since the infrastructure and commercial support is lacking in the UK.

Attracting investment from deeper pockets or corporate interest often hastens commercial roll-out and forms part of the endgame, which is a lucrative exit for all involved. This presents a long-term reward for not just UK founders, but the nation's economy as a whole. By implementing the infrastructure required for an effective and commercial spinout system, the UK will be able to fund and support its own opportunities, while also attracting wider European talent. After the US, the UK is the second largest desination for fintechs, which is due to the funding and support available to attract talent and foster an ecosystem. The same is possible for green-tech.

Identifying the route to reaping green rewards

If Britain was to successfully foster a world-beating green-tech and sustainability sector, the rewards would be lucrative. This does not have to be extensive, the UK is not going to be mass-producing solar panels for export – but it could very well be producing high-value, deep-tech innovations that play a key role in tackling the climate crisis and are used across the world.

Business as usual will not cut it if we are to do this successfully. Instead, we need to develop new policies that solely focus on developing green ideas, to keep the UK's competitive edge, and also empower young talent with incentives that go beyond network and towards direct capital investment.

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