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research & reports

# A VC allocation is a now 'moral obligation' for UK pensions, says Lord Wei

*'Risk averse' UK pensions must be able to invest in climate technology solutions to benefit their policyholders and the planet, says Big Society Capital founder peer Lord Wei.*

By **Snehal Shah** - 2 hours ago

A<sup>-</sup> A<sup>+</sup> 100%

UK pensions have a “moral obligation” to create venture capital climate impact allocations, says Lord Nat Wei, one of the founders of the £790 million (\$1.1 billion; €947 million) social investment platform [Big Society Capital](#).

Other commercial investors, charity and government funding alone cannot meet the capital needs of the climate technologies necessary for a net-zero world, says Wei, a UK Conservative Party adviser and life peer.

Pension funds are averse to VC funds' risk and fee levels and the high costs of entering an unfamiliar asset class, Wei says in a [report](#) commissioned by for-profit impact venture capital firm Future Planet Capital.

Achieving a world of net-zero carbon emissions by 2050 requires venture capital investment from pension funds, Wei tells *New Private Markets*. “We can't decarbonise fast enough without new technology solutions” in sectors such as renewable energy technologies, batteries, agritech, carbon capture and storage and the circular economy. These technologies require enormous capital from UK pension funds to scale, says Wei. Pensions “underinvest in venture capital in the UK because they're so income-focused, and that's a real danger. In the medium to long term, there are shortfalls in venture capital investment that then have to be filled by charity and government, and that impoverishes us all”.

Investing in venture capital climate solutions also makes financial sense, says Wei: “The pension holders don't get value for money – particularly younger holders. In 20 to 30 years, our pensions will be worth less if we don't back some of these riskier impact technologies that mean that there will be a world for us to enjoy with our pensions when we're older.”

Venture capital climate solutions can offset the risks that many pension funds already hold with “dirty” assets such as fossil fuel industry investments and high-carbon-emitting real estate holdings, Wei adds.

This allocation can be less than 5 percent of the pension's portfolio, Wei's report says. “Don't try to pick winners. Venture capital firms should pick the top universities and find the technology solutions to the world's biggest problems [from their researchers and laboratories], and cherry pick from that. It's a semi-automatic dealflow generation process,” says Wei.

The report recommends UK pension fund regulators ease restrictions on risk that pensions can take, and that the UK government offers tax breaks for impact investments.