

# Catalysing ClimateTech

The Case for the Net Zero  
Innovation Portfolio 2.0

March 2025

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The bottom right corner of the page features several abstract, overlapping geometric shapes. These shapes are composed of thin, light green lines that form various polygons and irregular shapes, creating a modern, architectural feel. The shapes are scattered across the lower right quadrant, with some extending towards the center and others towards the bottom edge.

## Authors

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## About Startup Coalition

Startup Coalition, formerly the Coalition for a Digital Economy (Coadec), is an independent advocacy group that serves as the policy voice for Britain's technology-led startups and scaleups. Startup Coalition was founded in 2010 by Mike Butcher, Editor-at-Large of technology news publisher TechCrunch, and Jeff Lynn, Chairman and Co-Founder of online investment platform Seedrs. Startup Coalition works across a broad range of policy areas that matter the most to startups and scaleups: Access to Talent, Access to Finance & Regulation.

## Acknowledgements

We are grateful to all of the startup founders who contributed to this report, and to the experts who supported us by providing insight. Thanks also to Beauhurst for the underlying datasets to identify follow-on funding.

# The Net Zero Innovation Portfolio

In November 2020, the then Conservative Government launched a new Ten Point Plan for a Green Industrial Revolution - alongside this plan, it committed a new pot of money to invest in the underlying technology that would power this “green industrial revolution”, **the Net Zero Innovation Portfolio (NZIP)**.

NZIP was the successor to the £505 million Energy Innovation Programme (EIP), which ran between 2015-2021. In contrast to the EIP, the NZIP was designed to support a broader range of technologies, and also to support them as they scaled, targeting more mature “technology readiness levels” (TRLs).

NZIP included a wide range of competitions, including funds to invest innovative solutions to decarbonise the production of Scotch Whiskey, through to grants to support early stage Direct Air Capture of carbon dioxide.

In February 2025, DESNZ Minister Kerry McCarthy responded to a parliamentary question stating that the Government had committed £1.3bn to the Net Zero Innovation Portfolio (NZIP) and Advanced Nuclear Fund (ANF), supporting over 600 projects. The investment supported 5,500 jobs and had led to a further £750 million of private sector funding. Of the total funds, £1.1bn had been allocated, with around half going to small businesses.

5,500 jobs supported

£750m private sector  
follow-on funding  
secured

£1.3bn committed  
over the last four  
years

Over £500m for small  
businesses

600 projects funded

# NZIP Investment in ClimateTechs

NZIP was not explicitly targeted at UK ClimateTech startups - it was designed to fund innovation to combat climate change across the whole economy, with competitions open to firms of all sizes. This has meant that firms as diverse as Volkswagen to Royal Mail have been beneficiaries of NZIP funding, alongside many of the UK's leading universities.

Based on publicly available information about recipients of NZIP grant funding, Startup Coalition estimates that £208m-£250m of NZIP funding went to 199 UK ClimateTech startups, equating to between 19-23% of the total allocated funds.

Collectively, the 199 ClimateTech recipients have raised between £500m-£900m in venture capital investment after they received NZIP funding. This suggests that startups have been the source of the majority or the entirety of follow-on private investment secured by firms funded by the NZIP.

For every £1 of NZIP funding between November 2020 and January 2025, between £2.40 and £3.60 was raised in private investment. NZIP de-risked private investment in climate innovation. These 199 ClimateTechs employ over 8,400 people, and three of the ClimateTechs that received NZIP funds have gone on to exit. Only five of the 199 ClimateTech recipients of funding have failed.

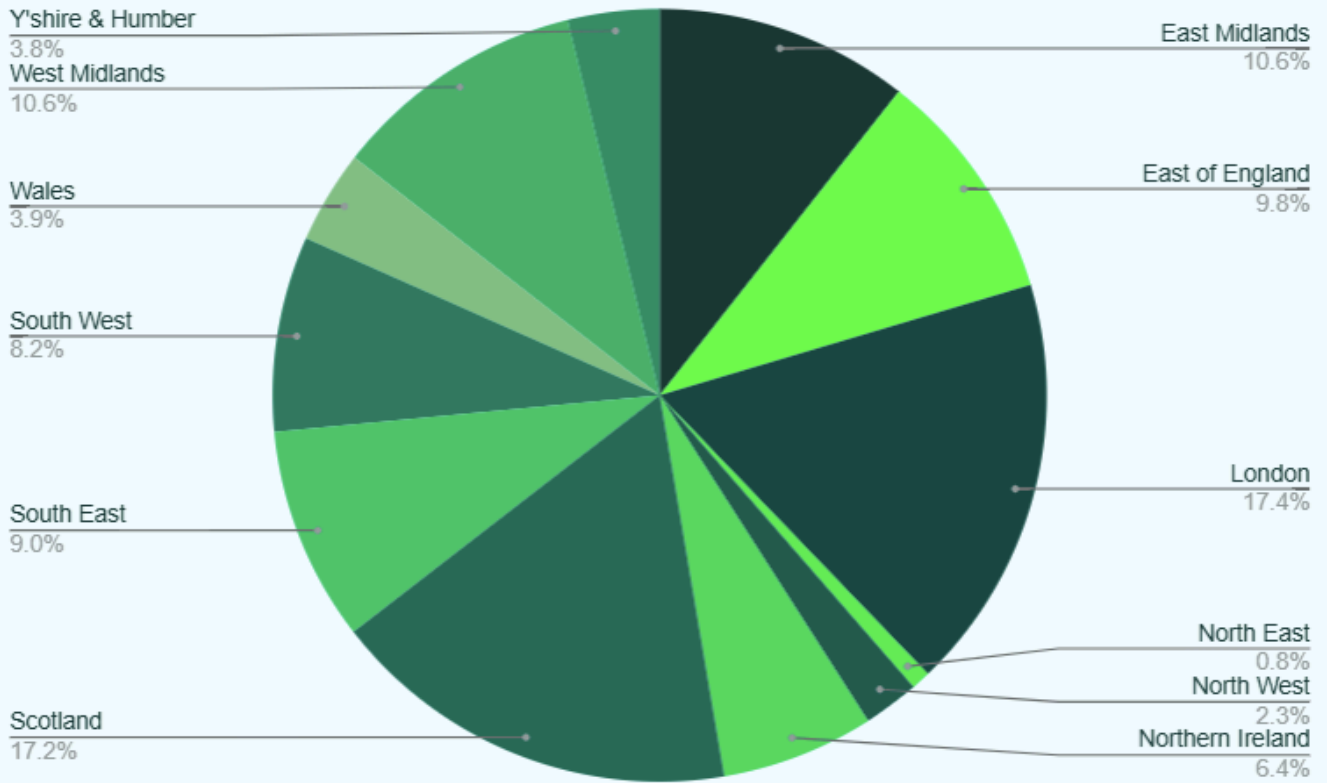
At least £208m  
granted to  
ClimateTech startups

At least 1/3 of  
startup NZIP  
recipients have  
raised follow-on  
investment

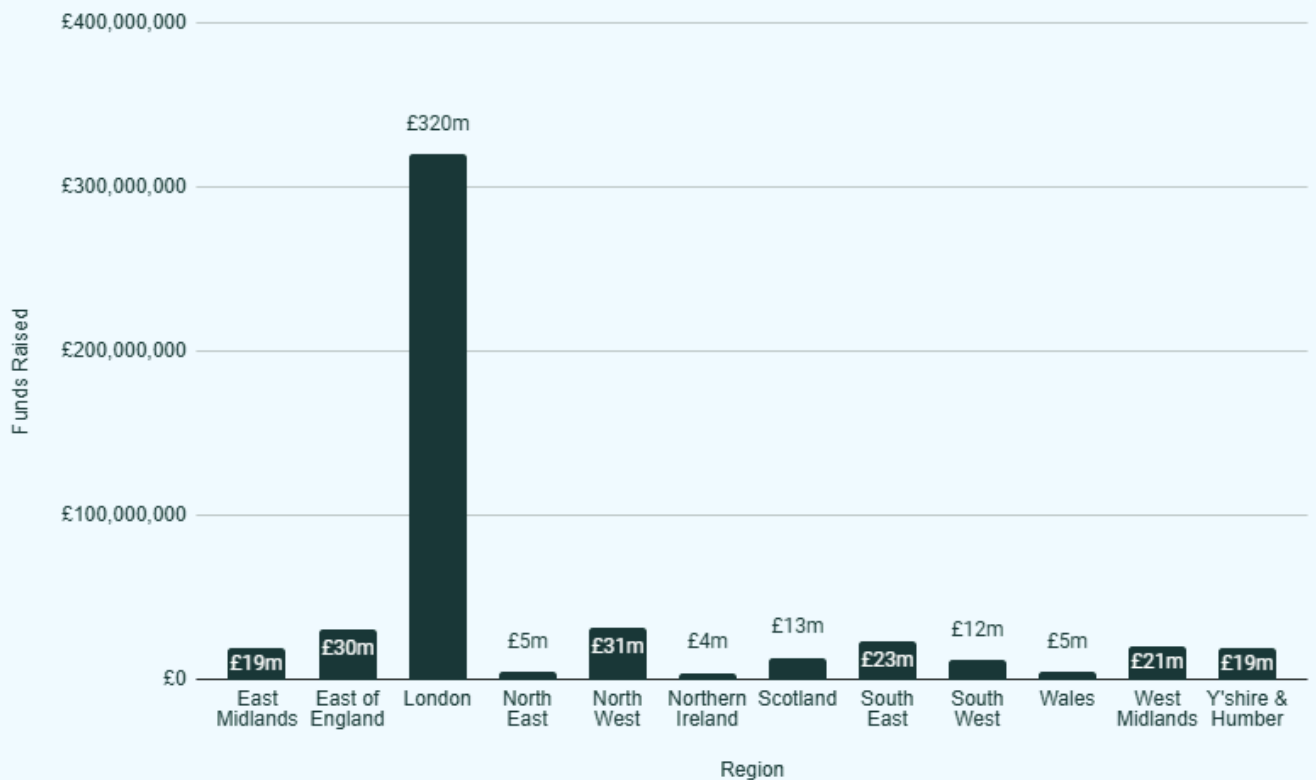
199 startup and  
scaleup recipients

£500m - £900m in  
follow-up investment  
secured

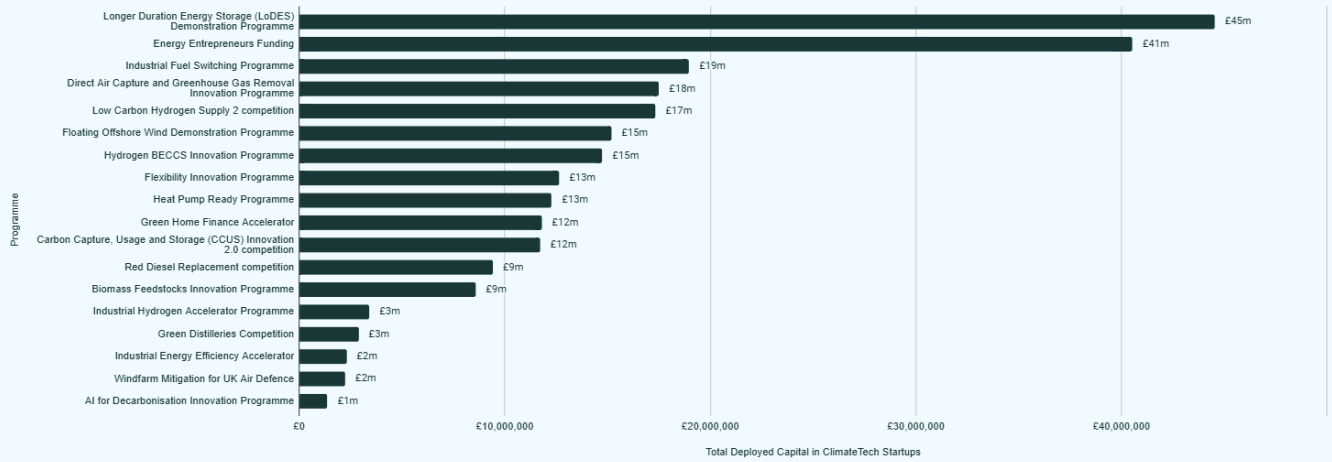
At least a 2.4x  
return on every £1  
of public funds  
invested



Share of NZIP Funds by Region



Follow-on Investment by Region



Total NZIP Funds Invested in ClimateTech Startups by Competition

## Competitions in Focus

Competition Name	Capital Deployed into ClimateTech Startups	Max. Private Investment Multiplier
Direct Air Capture and Greenhouse Gas Removal Innovation Programme	£17.5m	9.7x
Energy Entrepreneurs Funding	£40.5m	8.1x
Flexibility Innovation Programme	£12.6m	7.4x
Green Home Finance Accelerator	£11.8m	5.2x
Carbon Capture, Usage and Storage (CCUS) Innovation Competition	£11.7m	4.6x

# The Case for Extending NZIP

The Labour government should renew the Net Zero Innovation Portfolio (NZIP) to align with its manifesto commitments to **boost green industries, create high-skilled jobs, and accelerate the transition to a clean energy future.**

In the election campaign, Labour pledged to make the UK a global leader in **climate innovation and green technology**, with policies focused on **clean energy investment, industrial decarbonisation, and sustainable economic growth**. NZIP has already demonstrated its effectiveness, attracting at least **£2.40 of private investment for every £1 of public funding in UK ClimateTechs**, supporting thousands of jobs, and driving forward crucial low-carbon solutions.

Cutting this funding would undermine the UK's ability to **lead in net-zero innovation**, jeopardising economic opportunities and delaying critical advancements in the technologies of a **low carbon, low energy bill future**. Many of these technologies increase energy and food security, and reduce reliance on unreliable international sources of fossil fuels. Against the current backdrop of geopolitical uncertainty, it is only right that the Government invest in technologies to deliver security and growth, **which is why they should recommit to another £1bn round of the NZIP.**

## NZIP 2.0

Startup Coalition advocates that the second iteration of NZIP follows two key principles:

### 1. NZIP 2.0 should be targeted at startups and scaleups.

Our analysis demonstrates that the first round of NZIP delivered value to the planet *and* the public purse when it funded startups and scale-ups. DESNZ has publicly stated that the entire £1.3bn committed to date has secured £750m in follow-on funding. Our estimates suggest that startups and scale-ups alone have secured £500m-£900m, meaning they constitute the majority, if not all, of this follow-on investment. NZIP 2.0 should be entirely spent on these firms.

### 2. NZIP 2.0 should prioritise technologies that will accelerate the Government's missions.

Of the Government's five missions, NZIP 2.0 could be a key catalyst in supporting **economic growth, unlocking opportunity** and making **the UK a clean power superpower by 2030.**

**Growth & Opportunity:** Climate innovation is occurring across the UK, with the nation's coasts, hills and forests ensuring climate entrepreneurship is not confined to London. According to our ClimateTech Index, there are five unicorn regions home to startups within the Index that were collectively valued at over £1bn: London, South East England, the East of England, South West England, and Scotland. 63% of ClimateTech jobs are outside of London. NZIP 2.0 should exploit this geographic spread.

**Clean Power 2030:** To achieve Labour's audacious 2030 goal, we will need new technologies, at scale. According to NESO, we need first-of-a-kind clean dispatchable technologies, innovative energy flexibility, and the massive acceleration in supply-side technology deployment: there are ClimateTechs doing all of these things. NZIP 2.0 should target these key sectors.

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