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Boosting low-carbon investment in the UK

2025 Roadmap Update

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AVIVA INVESTORS

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Main responsibilities

Nick is Head of Sustainability Policy Advocacy at Aviva plc, where he co-ordinates and helps develop Aviva's public policy advocacy positions relating to climate policy and broader topics of environmental sustainability in the UK and EU. In this role, Nick works closely with investment teams and other business units across the business to help identify key areas of public policy change that can help unlock greater levels of private investment in low carbon infrastructure and businesses across different sectors of the economy.

Nick regularly engages with public policy makers in the UK and EU on a wide range of climate, low carbon, and environmental sustainability policy topics. Nick also regularly feeds climate and policy insights to investment, commercial and sustainability colleagues across the business.

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Foreword

Efforts to decarbonise the economy represent an important opportunity for long-term investors to generate attractive risk-adjusted returns. They can also support economic growth, supply chain resilience, and improved energy security in countries like the UK. Aviva recognises this and has already invested £8.7 billion in sustainable assets since 2019.[1]

"The report reflects our clients' continued appetite for investment opportunities in low-carbon projects and businesses that deliver an appropriate level of risk- adjusted returns"

Looking ahead, clear and stable public-policy frameworks will be key to enabling us, and other private investors, to seize further commercial opportunities across the low-carbon economy. This is why, over the last year, I have joined three taskforces to help shape the UK's public-policy framework in this area. This includes the Department of Energy Security and Net Zero's Net Zero Industry Council, the City of London's Transition Finance Council, and the Foreign, Commonwealth, and Development Office's Emerging Markets and Developing Economies Investor Taskforce.

A number of public policy developments over the last year have the potential to significantly improve the investment context for low-carbon supply chains in the UK. They range from offshore wind and power networks to low-carbon buildings, clean transport, and the electrification of some industries. However, the pipeline of commercially viable low-carbon projects and investment opportunities in the UK remains relatively small. Continued momentum to develop and implement a supportive public-policy framework at pace can help grow this pipeline and accelerate capital deployment.

In July 2024, Aviva Investors published its Low-Carbon Investment Policy Roadmap ("2024 Roadmap").[2] In it, we outlined what we saw as the most important public-policy interventions over the next five years to unlock private investment at scale in low-carbon projects and businesses across several sectors of the UK economy. This 2025 Roadmap Update takes stock of some of the key policy developments of the last year. It then identifies next steps to strengthen and implement this public-policy framework from a private investor's perspective.

The report reflects our clients' continued appetite for investment opportunities in low-carbon projects and businesses that deliver an appropriate level of risk-adjusted returns. It also reflects how we see our duty to deliver long-term returns to our clients. This involves engaging with policymakers to tackle and avoid systemic risks, such as those relating to climate change, and to help shape the conditions for viable investment opportunities in the UK's low-carbon future and the long-term resilience of its infrastructure and supply chains.

Mark Versey
CEO, Aviva Investors

Executive Summary

In support of global and domestic efforts to tackle climate change, Aviva was the first major global insurer – and one of the first major financial institutions – to set a **2040 net-zero emissions ambition.** It covers all parts of Aviva's business and includes its investments, insurance underwriting, insurance claims supply chain, and its operations and supply chain.

As an insurer and long-term investor, Aviva recognises its role in helping customers and clients manage the challenges associated with climate change and capitalise on the opportunities of the transition to a low-carbon economy. Aviva also recognises that efforts to tackle climate change cannot focus solely on decarbonisation. Aviva therefore takes an integrated approach to delivering its sustainability ambitions, which also incorporate nature, climate adaptation, and social considerations.

Aviva's progress towards its ambition was outlined in the second iteration of its Transition Plan, published in February 2025.[3] By the end of 2024, 100 per cent of Aviva's operational electricity came from renewable energy sources, it had invested £8.7 billion in sustainable assets since 2019 (beating its ambition of £6 billion), and the Scope 1 and Scope 2 carbon intensity by revenue of the listed equity and corporate bonds held in its shareholder and with-profit funds was 64 per cent below its 2019 levels (against an ambition of 25 per cent).

The development of sufficiently ambitious, timely, clear, and long-term public-policy frameworks is essential to attract private-sector investment

Tackling external dependencies to unlock low-carbon investment

Aviva is one part of a wider system responding to climate change, so cannot achieve its emissions reduction ambitions in isolation. A range of external dependencies will impact upon Aviva's ability – and that of its financial sector peers – to achieve those goals. In particular, the Transition Plan noted that **a supportive policy and regulatory environment is critical**.[4] The development of sufficiently ambitious, timely, clear, and long-term public-policy frameworks is essential to attract private-sector investment in low-carbon projects and businesses at the pace and scale required to meet national climate targets and at a reasonable cost of finance for businesses and society.

We recognise that private-investor insights are an essential input to inform effective policymaking. With this in mind, **we published Aviva Investors' first *Low-Carbon Investment Policy Roadmap* in July 2024**.[5] In it, we outlined key public-policy solutions to unlock greater private investment in low-carbon projects and businesses across eight broad sectors of the UK economy: power, energy-intensive industry, surface transport, buildings, aviation, shipping, nature restoration, and engineered greenhouse-gas removals.

Figure 1: A snapshot of our exposure to the low-carbon economy

Aviva has made a wide range of investments across the UK's low-carbon economy, totalling £8.7 billion in sustainable assets between year-end 2019* and year-end 2024 (against an ambition of £6 billion).[6]

Specific examples of Aviva Investors' and Aviva's commercial exposure across different low-carbon sectors include:

Renewable energy:

- **Investment**: Aviva Investors' investments in renewable energy include a £400 million investment in one of the world's largest offshore wind farms at Hornsea One that can power over one million homes (2018), financing for the acquisition of offshore transmission assets by Diamond Transmission Partners at the Hornsea Two Offshore Wind Farm (2023), a €30 million equity investment in Innovo to support their renewable energy pipeline across Italy, the UK, and Spain (2025) and a €40 million investment into Connected Infrastructure Capital GmbH, a German-based renewable energy developer.[7,8,9]
- **Insurance**: In the UK, Aviva provides commercial insurance for the generation of on- and offshore wind, solar, and battery storage. We have grown our renewables portfolio over eighteen-fold between year-end 2019 and 2024.[10]

Real estate:

- As of 2021, Aviva Investors had originated over £1.04 billon in climate-transition-focused real estate loans, surpassing its 2025 ambition of £1 billion of loans three years early.[11]
- As part of its Climate Transition Real Assets Strategy, Aviva Investors is developing Curtain House in Shoreditch into a best-in-class office space, targeting an upgrade of its Energy Performance Certificate rating from E to A, such as by replacing the gas heating system with electric heat pumps.[12]
- Aviva and Aviva Investors worked together to complete a transaction for a new Velindre Cancer Centre in 2024, which provides specialist cancer services to over 1.7 million people. The scheme will target a BREEAM "Excellent" rating and is designed to use all-electric solutions and air-source heat pump infrastructure, supporting low energy demand and low operational carbon.[13]
- Aviva Ventures also invested in Rendesco alongside the Clean Growth Fund and Eurazeo's Smart City Fund.[14] Rendesco is a UK market leader in ground-source heat pump solutions, particularly within the new-build housing sector.

EV-charging infrastructure:

- Aviva Investors has committed to a number of investments in the UK and Ireland's EV charging infrastructure, including a commitment of up to £110 million in 2022 and a £10 million ordinary equity investment in 2025 (alongside £55 million from the National Wealth Fund) in Connected Kerb to grow its charging network in the UK and €30 million in Erapid (now trading as EZO) to develop further sites across its growing EV-charger network in Ireland.[15,16,17]
- Aviva Ventures supported a funding round led by National Grid Partners for ev.energy, an EV managed-charging software platform, to support an expansion of its global operations in electric vehicle-to-grid services in North America and Europe.[18]

Zero-emission buses:

- Aviva Capital Partners partnered with Rock Rail and the National Wealth Fund (then the UK Infrastructure Bank) to provide a new funding platform ('Rock Road') for zero-emission buses in 2024. The partnership, alongside a debt facility from the UK Infrastructure Bank and HSBC UK, committed an initial £100 million to fund up to 250 zero emission buses and associated infrastructure.[19]

Nature restoration:

- By year-end 2024, Aviva had committed £87 million to nature-based solutions in the UK, Ireland, and Canada, which deliver carbon sequestration, biodiversity gain, improved climate resilience, and social and community benefits.[20]
- Aviva Investors has made two investments in Scotland – Glen Dye Moor in Aberdeenshire, where five million trees will be planted and 1,800 hectares of peatland will be restored, and Glen Forsa, where 1,500 hectares will be afforested – which should contribute a cumulative 350,000 tonnes of carbon removal by 2040.[21]
- Aviva Investors launched the Carbon Removal Fund in September 2024. The fund aims to grow to £1 billion over the next ten years with a dual scope across both nature-based and engineered solutions.[22]
- Aviva Ventures contributed to one of the largest early-stage funding rounds in the nature restoration sector, raising £40 million of equity overall for Nattergal. This funding enabled the acquisition of three sites, in which nature restoration work has already begun.[23]

*Defined as green and sustainability assets, sustainability-linked debt, social bonds and investment of £1.5bn of policyholder money in Aviva Investors climate transition funds (available at the time).

Source: Aviva Investors, as of September 2025.

Global investment in low-carbon technologies continues to accelerate

Meanwhile, global momentum behind low-carbon investment has continued to build. A record $2.1 trillion was invested globally in clean-energy technologies in 2024, an 11 per cent increase on the previous year. Ninety per cent of this came from investment in renewables ($728 billion), electrified transport ($757 billion) and power grids ($390 billion).[24]

In the power sector, against a backdrop of marked growth in global electricity demand in 2024 (of more than twice the annual average of the last decade), 80 per cent of the growth in electricity generation was provided by renewables and nuclear. Renewables supplied 32 per cent of total global generation and nuclear a further eight per cent.[25] Despite reduced projections for renewables deployment in some countries, the International Energy Agency (IEA) forecasts that installed global renewable power capacity will double between 2025 and 2030, increasing by 4,600GW. The IEA notes this is roughly the equivalent of adding China, the European Union and Japan's power generation capacity combined to the global energy mix.[26]

In the transport sector, for the first time, in 2024, electric vehicles represented over 20 per cent of new car sales globally (and almost half of all new car sales in China). The IEA forecasts that new EV sales could amount to more than 25 per cent of global new car sales in 2025.[27]

In the nature restoration sector, the UN Environment Programme Finance Initiative (UNEP FI) reported that private finance for nature increased elevenfold, from $9.4 billion in 2020 to $102 billion in 2024.[28]

As outlined in Aviva Investors' Q3 2025 House View and Q4 2025 House View, we are seeing continued momentum behind both infrastructure debt and equity investments.[29,30] These investments can deliver a range of broader benefits, including economic growth, energy transition, energy security, and digital transformation. It is especially the case for renewable energy infrastructure, which continues to dominate infrastructure equity capital flows, with strong investment volumes observed in H1 2025, particularly in Europe. The energy storage sector – particularly batteries – is also rapidly emerging as an indispensable cornerstone of the energy transition. Policies and trends around energy security, decarbonisation targets, and electrification – and the continued funding gap for the UK and Europe's energy transitions - are helping to drive this upward investment trajectory.

$2.1 trillion was invested globally in clean-energy technologies in 2024, an 11 per cent increase on the previous year

The growth of the UK's low-carbon economy

In the UK, the low-carbon economy also continues to gain importance. Analysis from the Confederation of British Industry (CBI) suggests that low-carbon supply chains contributed £83.1 billion in gross value added to the UK economy in 2024 (a 10.1 per cent growth on 2023), employing 951,000 people across the country, and with typically more productive and higher-paid full-time roles than the UK average.[31]

Looking ahead, the UK's Climate Change Committee (CCC) estimates that an average of £26 billion of annual additional investment will be needed between 2025 and 2050 to put the UK on a cost-effective pathway to meeting its emissions reduction targets. Most of this will be needed over the next ten to fifteen years to decarbonise key sectors such as power, surface transport and domestic heating.[32]

And **a significant share of this investment will need to come from the private sector**. For that to happen, private investors need to identify investment opportunities in low-carbon projects and businesses that will deliver an appropriate level of risk-adjusted returns, at a reasonable cost of finance for governments, businesses and society. Clear, ambitious, and long-term public-policy frameworks have a key role to play in growing a sufficiently large pipeline of commercially-viable projects.

Taking stock of recent policy developments and looking ahead: four key themes to unlock greater investment in the UK's low-carbon economy

Over the last 12 months, the UK government has unveiled a range of strategies – such as the Clean Power Action Plan and Modern Industrial Strategy – and announced a range of policies to improve market conditions for low-carbon investment, all of which have been brought together under the umbrella of the revised Carbon Budget and Growth Delivery Plan. This includes announcements aimed at spurring investment in sectors as varied as clean power, zero-emissions vehicles, heat pumps and energy-intensive industries (see themes below). The priority must now be to implement these policies and strategies at pace to unlock private investment in low-carbon projects and businesses.[33]

The aim of the Boosting low-carbon investment in the UK - 2025 Roadmap Update (*2025 Roadmap Update*) is to take stock of these policy developments, reflect on their potential implications for private investors, and identify key next steps to facilitate further private investment in low-carbon technologies, projects and businesses across the UK.

The 2024 Roadmap identified four key public-policy themes that were essential to drive private-sector investment in the UK's low-carbon economy. The 2025 Roadmap Update provides **a more succinct overview of recent developments and forward-looking recommendations across those four themes**. Under each theme, we focus on a limited number of relevant sectoral examples that have recently seen significant public-policy developments, or where important interventions are required in the near term. A summary of these is set out below.

Theme 1

Tackling cross-sectoral barriers is crucial to unlocking investment:

Several systemic barriers are holding back private investment in the UK's low-carbon economy, including planning delays, volatile carbon pricing and skill gaps. A lack of long-term clarity on climate adaptation policy could also become a challenge for investment where new and existing infrastructure projects are at greater risk of exposure from extreme weather events.

Over the last 12 months, **a range of policy actions have begun to address these issues,** including through the revision of the **National Planning Policy Framework**, the introduction of a **Planning and Infrastructure Bill** and other measures to accelerate planning consent for **Nationally Significant Infrastructure Projects**, including low-carbon projects such as clean-power infrastructure, carbon capture and storage (CCS) and hydrogen production hydrogen production.[34,35] This is in addition to power-sector-specific planning and connection reforms covered under Theme 2. Other key policy developments include the creation of **Skills England** to address skill gaps across low-carbon supply chains, the publication of the **Clean Energy Jobs Plan** with specific actions to support the growth of the clean-energy workforce, and **a commitment to link the UK and EU Emissions Trading Schemes** (UK ETS and EU ETS) to improve market liquidity.[36,37]

We stress the importance of an implementation plan in the near future to link the UK and EU emissions trading schemes

In this theme, **we highlight some key next steps**. These include finalising measures to reduce planning delays for Nationally Significant Infrastructure Projects, for example through a more streamlined consenting process (alongside power-sector-specific planning and connection reform recommendations set out in Theme 2). We stress the importance of an **implementation plan in the near future to link the UK and EU ETSs**, as this could help deliver a larger and more liquid carbon market, and a potentially more stable carbon price for investors. It could also avoid the costs that could come from UK businesses being subject to the EU carbon border adjustment mechanism (CBAM).

We call for continued progress in developing a **cross-sectoral skills plan through Skills England** and **a rapid implementation of the measures in the Clean Energy Jobs Plan** to tackle skill gaps, provide specific skills support to workers in high-carbon sectors facing a decline in activity, and deliver a Just Transition on the ground. We also highlight the case for developing a **stronger fourth National Adaptation Plan (NAP4)** to make new and existing infrastructure more resilient to extreme weather events and improve the investment case in UK infrastructure.

Theme 2

Delivering growing volumes of affordable low-carbon electricity will enable low-carbon investment across other sectors:

The growth of the UK's clean-power generation and grid network infrastructure is **a significant investment opportunity in its own right**: the National Electricity System Operator (NESO) estimates an average annual investment of over £40 billion per year will be required for the rest of the decade to decarbonise the power grid.[38] The **predictable availability of affordable clean-electricity supplies is also essential to support investment in low-carbon infrastructure in other sectors**. Surface transport (i.e. cars, vans and buses), domestic heating, and some industrial processes will increasingly need to run on electricity. The CCC estimates annual electricity demand could double between 2023 and 2050.[39]

Under the umbrella of its Clean Power Action Plan, the government has pursued **a range of measures to improve the investment context for clean power and network infrastructure.**[40] Building on reforms that had started under the previous government, the measures include planning reforms to facilitate and speed up approvals for new networks, clean-power generation, and storage infrastructure, as well as grid connection reforms to cut the time it takes to connect new low-carbon power and storage projects to the grid.[41,42] Other key interventions are seeking to **improve the commercial viability of new projects supported by the UK's annual renewable energy auction process.** These include extending the duration of Contract for Differences (CfDs) from 15 to 20 years, increasing ceiling strike prices for some technologies, and allowing flexibility in determining the final annual auction budget where it is deemed to represent value for money for consumers.[43,44,45]

Rapidly progress reforms to make the new regime more effective at directing infrastructure investment in the most strategic locations

The government also reached **a final decision on the Review of Electricity Market Arrangements (REMA),** opting for a **Reformed National Pricing (RNP)** regime.[46] The stated objective of this new regime is to ensure new low-carbon energy generation and storage projects are built in locations that are most strategic and cost-effective for the overall network, thereby tackling existing constraints (and associated costs) on parts of the network. However, the government and a range of public bodies will need to work together to rapidly progress reforms to make this new regime more effective at directing infrastructure investment in the most strategic locations. Key next steps include **the development of a Strategic Spatial Energy Plan and Centralised Strategic Network Plan**, and a review of seabed leasing and transmission network use of system charging arrangements.

Looking ahead, **investors will be looking for policymakers to rapidly develop and finalise ongoing planning, connections and electricity market reforms as part of the new RNP regime.** Policymakers will also need to **implement recently completed policy reforms at pace – and monitor their effectiveness.** For example, they will need to operationalise the reforms to the annual renewable-energy auction rounds (ARs), strike prices, and contract terms for CfDs. They should ensure these reforms are effective at growing the pipeline of commercially viable renewable-energy projects in forthcoming annual auctions (from AR7 onwards) and delivering value for money for consumers. **Progress to finalise the RIIO-3 price control frameworks with regulator Ofgem will also be essential to unlock investment at scale in electricity transmission and distribution networks**. This is important in anticipation of the high volumes of new low-carbon generation, storage, and demand-side electrification infrastructure expected to connect to the grid in the coming years.

Finally, **progressing negotiations for the UK to rejoin the EU's internal electricity market would help unlock electricity trading across interconnectors**, which could cut wholesale electricity costs for the benefit of both industrial and residential consumers. This would improve the investment case for electrification across different sectors. **Implementing and developing further measures to reduce the price of electricity for residential consumers could also be considered, in line with the announcements set out in the 2025 Budget.** In addition to providing relief with high electricity bills, such measures would help cut the operational costs to residential consumers of running low-carbon appliances such as heat pumps and electric vehicles, improving their relative attractiveness and supporting investment in their supply chains.

Theme 3

Investors need a balance of supply-side and demand-side levers to invest in commercially viable low-carbon supply chains:

Historically, with the exception of the power sector, low-carbon policy has tended to primarily focus on the supply side, by supporting the initial development and commercialisation of new technologies. Fewer policies have focused on stimulating market demand for low-carbon goods and services. However, as explained in our 2024 Roadmap, **having a balance of supply- and demand-side measures is essential to support the development of commercially viable - and investable - supply chains** across different low-carbon sectors.

In Theme 3, **we consider policy developments and next steps for four sectors: surface transport** (in particular electric cars and charging infrastructure), **residential buildings** (energy efficiency and low-carbon heat measures), **energy-intensive industries** (electrification, CCS and hydrogen in sectors such as steel, chemicals, and cement) and **nature restoration** (such as woodland, wetland, and peatland restoration).

Over the last year, **there has been a notable focus on addressing this policy imbalance**, with a range of supply- and demand-side measures – either implemented or being consulted on – to support the growth of supply chains for electric vehicles, heat pumps and low-carbon industries. A good example comes from **energy-intensive industries**. On the supply side, **the government introduced policy to support the deployment of** (still relatively new) **low-carbon technologies**: this has included the finalisation of CCS business models, funding for CCS and low-carbon hydrogen infrastructure in industrial clusters, holding further auctions for green hydrogen production projects, and announcing measures to reduce electricity prices for energy-intensive industries from 2026/27.[47,48,49] **These supply-side policies have been accompanied by a consultation on possible measures to grow demand for low-carbon industrial goods in the steel, cement, and concrete sectors** (for example, through green public procurement criteria and product standards).[50]

We encourage the development of demand-side policy signals to grow demand for low-carbon industrial products

We suggest **the focus for policymakers should now be to maintain a balance of supply-side and demand-side policy levers in sectors where there have been advanced policy developments, and to monitor their effectiveness.** This is particularly the case for **electric cars** (with the revised Zero Emissions Vehicles Mandate and new Electric Car Grant Scheme) **and heat pumps** (with the Clean Heat Market Mechanism and Boiler Upgrade Scheme).

In other sectors, such as energy-intensive industries and nature restoration**, the focus should be to push ahead in developing a more balanced policy framework on the supply and demand sides.** Alongside finalising funding plans and business models to **improve the competitiveness and predictability of industrial electricity prices** to support electrification, we encourage the development of demand-side policy signals to grow demand for low-carbon industrial products. This could be through carefully designed **low-carbon procurement criteria and product standards covering finished goods** (e.g., buildings, vehicles) **and intermediate goods** (steel, cement, chemicals, glass etc.). For high-integrity nature restoration projects, we highlight the importance of **developing new nature restoration compliance markets** and the role of robust carbon price signals to improve the level and predictability of their revenue streams.

Theme 4

Deploy earmarked public investment to efficiently crowd in private investment in priority sectors:

In a challenging context for the UK's public finances, only limited public investment can be made available to support the growth of the low-carbon economy. **It should therefore be directed to sectors where market barriers subsist and where public investment can help de-risk projects or supply chain investments**, with a view to crowding in private investment.

In our 2024 Roadmap, we highlighted **three categories of opportunities for public investment to focus on**:

(i) **First-of-a-kind projects involving emerging-technology risk** (e.g., new low-carbon industrial plants in energy-intensive sectors);

(ii) **Logistically complex projects** (e.g., the mass retrofit of homes and buildings with energy efficiency and low-carbon heat measures); and

(iii) **Critical infrastructure** that is either **essential to the decarbonisation of multiple sectors** (e.g., hydrogen pipelines in multi-sector industrial clusters) **or essential to the growth of low-carbon supply chains** (e.g., the modernisation of port infrastructure to support supply chains as varied as floating offshore wind, hydrogen, low-carbon shipping fuels, etc.).

The next step should be about timely implementation in a way that most effectively crowds in private investment

Over the last year and through its multi-annual Spending Review in June 2025, **the government has made important public funding and investment announcements at the sector-specific level. It has also created or strengthened public investment institutions**, giving them a remit to provide greater support to low-carbon projects and supply chains. It formally established the **National Wealth Fund** (NWF) – previously the UK Infrastructure Bank – **with a capitalisation of £27.8 billion**, £5.3 billion of which is to be deployed specifically towards five priority low-carbon sectors (green steel, green hydrogen, CCS, gigafactories, ports).[51] It has also set up **a new public energy company, GB Energy, with a capitalisation of £8.6 billion** to facilitate investment in and the development of complex clean-energy projects and supply chains.[52] And it has **increased the British Business Bank's financial capacity to £25.6 billion**.[53] The latter aims to drive investment in the priority sectors earmarked under the government's new Industrial Strategy, including clean energy and advanced manufacturing.

These are significant sums. **The next step should now be about timely implementation, with a focus on delivering existing commitments rapidly and in a way that most effectively crowds in private investment**. In Theme 4, we outline a range of possible steps to build on recent progress. This includes:

(i) Further **clarifying the respective remits** of – and interaction between – the different public investment institutions;

(ii) Operationalising their mandates and their blended finance tools in a way that optimises public and private co-investment. This includes **further developing approaches to enable these institutions** – and in particular the NWF – **to support higher-risk projects unlikely to be backed by private investors alone**. It also includes developing **bespoke public-investment pathways for priority low-carbon sectors**, as is being done for the offshore wind supply chain; and

(iii) Efficiently deploying committed public investment towards projects, supply chains, and sectors where it can most effectively crowd in private investment. We provide specific examples in Theme 4.

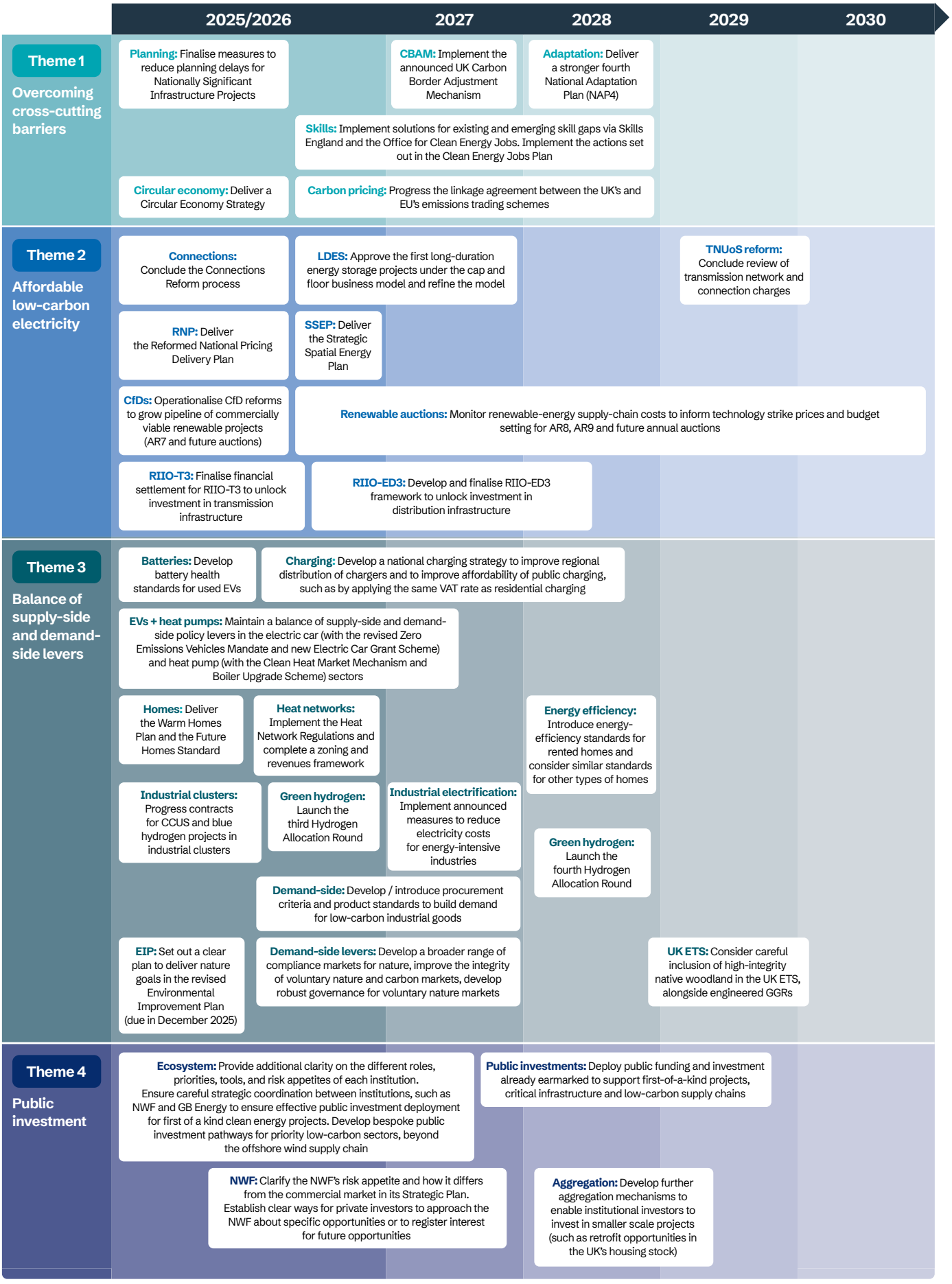
To maximise the impact of public investment, we also highlight that public-investment priorities must work hand in hand with the development of a broader and supportive public-policy framework that seeks to attract long-term private investment in low-carbon projects and businesses across different sectors of the economy.

Navigating this report

This 2025 Roadmap Update does not provide recommendations on the sectors covered in the 2024 Roadmap where the investment and policy context has not evolved significantly, such as low-carbon shipping and aviation or engineered greenhouse-gas removals. The public-policy recommendations made in relation to these sectors in 2024 remain applicable.

Finally, like the 2024 Roadmap, this 2025 Roadmap Update expresses no technological preferences. It highlights what is required to improve the investment context for different low-carbon technologies and solutions that currently feature in the scenarios and pathways put forward by the government and key public bodies such as the CCC.

Figure 2: The 2025 Roadmap Update's recommendations in a timeline



Source: Aviva Investors, as of October 2025.

Theme 1

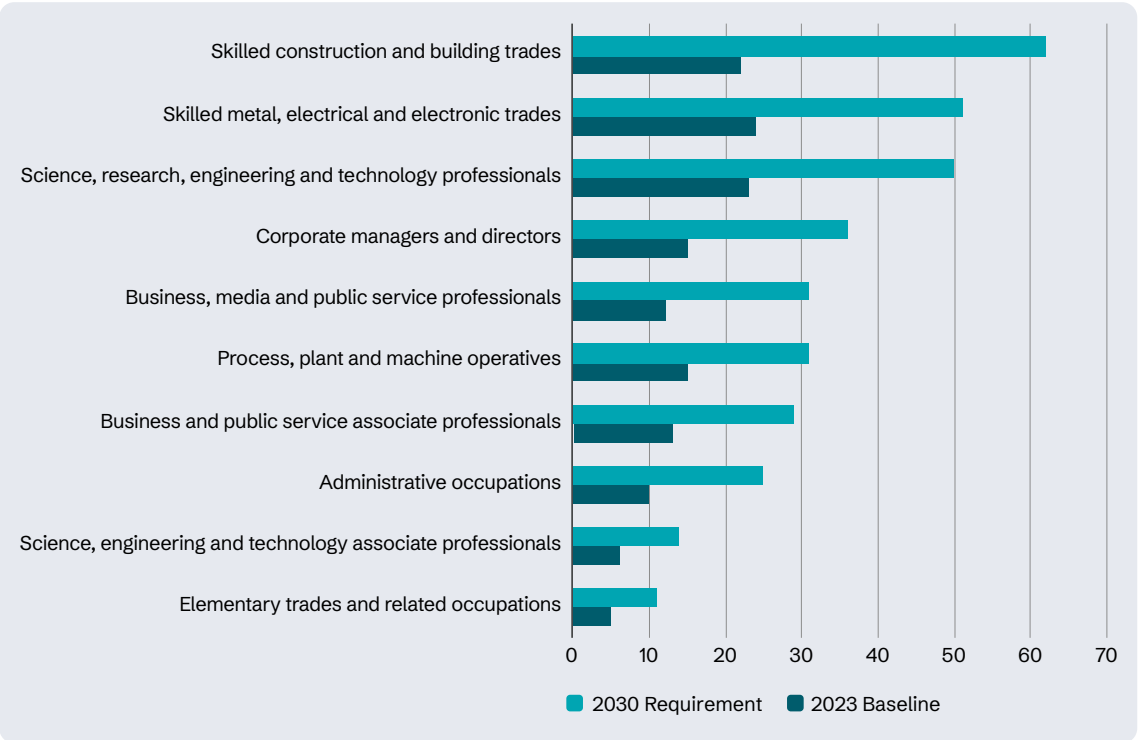
Tackling cross-sectoral barriers is crucial to unlocking investment

The 2024 Roadmap highlighted a range of cross-cutting challenges that were undermining low-carbon investment across multiple sectors. These included planning delays for critical infrastructure projects, skill shortages in key low-carbon supply chains like construction, energy-intensive industries and renewable energy, and in recent years, a low and volatile carbon price under the UK ETS. We also highlighted the need for stronger climate adaptation policy, as a lack of resilience measures against extreme weather events can dampen the investment case for new infrastructure with long asset lives.

A lack of resilience measures against extreme weather events can dampen the investment case for new infrastructure

A range of measures have been initiated over the last year to address these challenges. For example, the **Planning and Infrastructure Bill seeks to streamline the consenting process for Nationally Significant Infrastructure Projects** (NSIPs). A range of additional measures aim to give local planning authorities more resources, and to deliver more regular and decision-useful National Policy Statements. On skills, **a new body with dedicated funding, Skills England, has been created** to identify key skill gaps across eight growth sectors of the UK economy, and to present programmes to tackle them. The Office of Clean Energy Jobs was also created to help ensure sufficient skills provision programmes are in place to meet an average annual growth of ten per cent in the clean-energy workforce between 2025 and 2030.[54] Figure 3 shows this projected increase, broken down across key job roles within the clean-energy sector.

Figure 3: An estimate of the increase in UK clean energy workforce required by 2030 across the top ten occupational groups by Department for Energy Security and Net Zero



Source: "Clean Energy Jobs Plan", Department for Energy Security and Net Zero. Data as of October 2025.[55]

On carbon pricing, **the UK government and European Commission have reached an agreement to link the UK and EU ETSs**. If implemented, this could result in a larger, more liquid carbon market – and a potentially more stable carbon price trajectory than the volatile price witnessed under the UK ETS in recent years. On the other hand, outside of a measurable increase in flood defence spending, little progress has been made over the last year to strengthen the UK's climate adaptation policy framework to improve infrastructure resilience to extreme weather events.

In the table below, **we highlight key next steps to address these cross-cutting challenges** and improve the investment context for low-carbon projects across a range of economic sectors. Thisincludes finalising reforms to streamline the planning application process for NSIPs, while ensuring that sound environmental and nature safeguards remain in place. For Skills England and the Office for Clean Energy Jobs, we suggest most notably delivering the actions set out in the Clean Energy Jobs Plan and unlocking earmarked funding to rapidly put in place skills provision programmes tailored to skill gaps identified in key low-carbon supply chains.

Deliver the actions set out in the Clean Energy Jobs Plan and unlock earmarked funding to rapidly put in place skills provision programmes

We call for **a clear implementation timeline to link the UK and EU ETSs**, to provide investors with a more stable carbon price trajectory as part of a larger and more liquid carbon market. It would also avoid the costs that could come from UK businesses being subject to the EU carbon border adjustment mechanism (CBAM). **We encourage a step-change in the UK's climate adaptation policy** to lower the future physical risks to new and existing low-carbon infrastructure as part of the development of National Adaptation Plan 4 (NAP4). Aviva's recent research on the potential future flooding and extreme heat risks to homes demonstrates the urgency of this.[56] Finally, we highlight the importance of a new, detailed Circular Economy Strategy which could begin to incentivise greater investment in resource-efficient product and infrastructure design. This would support efforts to cut emissions and improve supply-chain resilience in sectors such as construction, manufacturing and foundation industries.

Issue	Recent policy developments	Key next steps and expected benefits
Planning	• **Revised National Planning Policy Framework (NPPF):** The government published a revised NPPF in December 2024. A key change was the introduction of a new paragraph requiring the consideration of climate change within planning decisions, with "significant weight" given to the benefits of low-carbon energy generation and a project's contribution to a net-zero future.[57] • **Planning and Infrastructure Bill and accompanying measures:** The Planning and Infrastructure Bill aims to tackle planning delays to support timely construction of key infrastructure and is in the final stages of the legislative process. **A key objective of the Bill is to deliver a faster and more certain consenting process for critical infrastructure**, with a focus on Nationally Significant Infrastructure Projects (NSIPs) such as large clean-energy generation and grid projects. According to the National Infrastructure Commission, planning decisions on major infrastructure projects take over four years, a notable increase from an average of 2.6 years in 2015.[58] • As part of and alongside the Bill, **a number of measures have been introduced to help speed up planning decisions for large infrastructure**, including the recruitment of 300 additional planners across local authorities, updates to the National Policy Statements (NPSs) every five years to provide certainty to investors, streamlining consultation requirements for NSIPs and limiting the number of judicial reviews against these projects where cases have no merit. The bill also includes proposals for a new strategic approach to nature through the creation of Environmental Delivery Plans and a Nature Restoration Fund to deliver environmental improvements. Recent amendments introduced in October 2025 to the Bill seek to expand the scope of the Nature Restoration Fund to the marine environment, grant Natural England greater discretion over which planning applications to advise on, and allows the Secretary of State to prevent the rejection of planning applications by local authorities.[59] • **Planning and clean-power infrastructure:** A range of measures to accelerate the consenting, grid connection, and siting of clean-power and network infrastructure were announced over the last 12 months. These are set out in Theme 2 below.	• **Planning and Infrastructure Bill:** Conclude the passage of the Bill in a way that reduces consenting periods for clean energy, grid network, and other low-carbon infrastructure projects and contributes to the UK's climate and environmental targets and goals. **The overall package of planning reforms should be delivered in a way that balances improved planning efficiency with the maintenance of fundamental environmental and nature safeguards**, to ensure any development leaves the environment in a better state than before. • Specific measures that should be implemented in a timely manner to improve the investment context for large low-carbon infrastructure projects include: (i) **NSIPs:** Deliver the reforms as planned, including making regular updates to NPSs and streamlining consultation requirements, to ensure significant infrastructure projects can progress in a time-efficient way, improving supply-chain and investor confidence in implementation timelines. (ii) **Resourcing:** Complete the recruitment of additional planners and explore additional measures to deliver a more time-efficient planning application process for critical projects. For example, one way to use resources more effectively could involve **allowing regional renewable-energy specialists to advise on planning applications and decisions across multiple local authorities**, as suggested by Innovate UK and Regen UK. Improved and more effective use of resources in planning authorities will help unlock greater levels of timely investment in low-carbon infrastructure. UK government data shows around 91 per cent of planning bodies report some difficulties in recruitment and 72 per cent struggle with staff retention.[60,61] • **Planning and clean power infrastructure:** A range of actions are required to keep improving the planning framework for the power network and clean power infrastructure. These are set out in Theme 2 below .
Skills	• **Cross-cutting:** A new body, **Skills England,** has been set up to identify and tackle skill gaps across the "growth-driving sectors" of the Modern Industrial Strategy published in June 2025. This includes clean energy and advanced manufacturing. Skills England completed an in-depth assessment of future employment needs across ten sectors aligned to those in the Industrial Strategy and Plan for Change: for example, it finds that the clean-energy workforce will require one of its largest increases between 2025 and 2030.[62,63] • **Funding:** Funding commitments have been announced to support the skills agenda. This includes **£3 billion for the new growth and skills levy** and an additional **£1.2 billion investment in skills per year by 2028/29 announced in the Industrial Strategy.** This comprises several **sector-specific skills fundings**, such as £100 million over three years to support engineering training, an additional £5 million to extend the Heat Training Grant for heat-pump installers until March 2026, and £600 million over four years to train up to 60,000 skilled construction workers.[64,65]	• **Cross-cutting**: Building on the establishment of Skills England and the publication of its first skills assessment, **outline and implement funding and non-funding interventions to tackle existing and emerging skill gaps** across the clean energy, advanced manufacturing, and construction sectors. This will require close collaboration with the **Industrial Strategy Council** – to deliver the skills elements of the ten-year Sector Plans – and with **OCEJ** to deliver the clean-energy initiatives. • **Unlock funding and skills provision for workers in the oil and gas sector:** Building on the TFF, the North Sea Jobs Service, and the Energy Skills Passport, unlock funding and skills provision to support workers in the oil and gas sector (and other high-carbon sectors) being provided with the right skills to take on employment opportunities in clean energy and other low-carbon sectors. This skills provision support needs to work hand-in-hand with the development of a supportive public-policy framework to encourage the growth of employment opportunities in sectors such as offshore wind, carbon capture and hydrogen.

Issue	Recent policy developments	Key next steps and expected benefits
Skills *(continued)*	• **Clean energy skills - overview:** The **Office for Clean Energy Jobs** (OCEJ) has been set up within the Department for Energy Security and Net Zero (DESNZ) to ensure the workforce required to meet the government's clean energy ambitions is equipped with the necessary skills. In collaboration with Skills England, OCEJ have established four **Regional Skills Pilots** to build an understanding of the most effective local skills interventions for clean energy. • **Clean Energy Jobs Plan:** The Jobs Plan, published in October 2025, sets out a **detailed analysis of workforce requirements and a range of actions to build a skilled and diverse domestic clean-energy workforce** to meet the growing needs of clean-energy subsectors and their underlying supply chains. This includes renewable-energy generation, energy storage, low-carbon heat, and energy efficiency. For example, **the analysis estimates the clean-energy workforce could nearly double, from 440,000 in 2023 to around 860,000 by 2030** – an increase of around ten per cent on average per year. Actions include: [66] (i) **Oil and Gas Transition Training Fund (TFF):** The TFF was launched with £900,000 of UK government funding and £450,000 of Scottish government funding. It provides tailored support and training to Scottish oil and gas workers to transition into the clean-energy sector. This will be **scaled over the next three years**, with up to £18 million in funding available from the UK and Scottish governments. In parallel, a new North Sea Jobs Service will provide end-to-end support from 2026 to North Sea workers seeking new opportunities in the Industrial Strategy sectors, such as clean energy and advanced manufacturing.[67] (ii) **Energy Skills Passport:** The industry-led skills passport supports workers transitioning from carbon-intensive industries, such as oil and gas, to clean-energy sectors like offshore wind. It was endorsed by the UK government and may be expanded to other clean-energy sectors, such as electricity networks.[68] • **Clean Industry Bonus:** Changes to the **Clean Industry Bonus** (CIB) to incentivise skills investments as a minimum standard may be introduced for the renewable-energy auctions from 2026 onwards. The CIB currently awards a top-up payment to project developers bidding in the Contracts for Difference (CfD) scheme, to compensate them for the added costs involved in opting for more expensive supply-chain investments that are either located in deprived economic areas of the UK or have a lower carbon footprint. **The additional criteria consulted on would require project developers to incentivise skills investments by project developers as a minimum standard for receiving a CfD contract**. Developers could meet this requirement by contributing to either a pooled "skills investment fund" focused on industry-wide actions or to project-level skills investment.[69]	• **Funding**: In line with Skills England's in-depth skills assessments, allocate **the funding earmarked for skills programmes** in the areas where skill gaps need to be urgently tackled, to support growing supply-chain investments in areas such as clean energy, advanced manufacturing and construction. This could be accompanied by careful monitoring of funding delivery by the Industrial Strategy Council, to ensure available funds continue to be targeted at the most pressing skill gaps holding back investment. • **Clean energy**: Deliver the actions set out in the Clean Energy Jobs Plan to support the development of a skilled clean-energy workforce in line with the expected growth in needs. This should include implementing existing funding commitments and initiatives and strategically building upon them where future skill gaps emerge. For example, the Regionals Skills Pilots could provide a foundation for a UK-wide programme of funded interventions to meet clean-energy workforce needs at the local level. In parallel, the changes to the CIB scheme to incentivise skills investments should strike a careful balance between meeting sector-wide skills needs and giving project developers sufficient flexibility to cost-effectively fill skill gaps in their supply chains.
Carbon pricing: evolution of the UK Emissions Trading Scheme (UK ETS)	• **Linkage announcement between the UK and EU ETSs:** In May 2025, the UK and European Union announced their intention to begin formal negotiations to link their respective emissions trading systems (ETSs). This move was widely supported by UK industry, including the Confederation of British Industry (CBI), Energy UK, and Make UK.[70,71,72,73] • **UK Carbon Border Adjustment Mechanism (CBAM):** The UK CBAM is set to be introduced from January 1, 2027. It will place a carbon price on in-scope goods imported to the UK comparable to that applied domestically produced products. The UK CBAM will apply to specific goods imported to the UK from the aluminium, cement, hydrogen and steel sectors, among others. The sectoral scope of the UK CBAM will be kept under review beyond 2027.[74]	• **Linkage between the EU and UK ETSs - progressing negotiations:** Progress negotiations in a timely manner and give clarity to the market as soon as possible on the linkage timetable between the two trading systems. Clearly define (i) the sectors in scope for the linked market, and (ii) a transparent procedure to add other sectors in the future. • **Providing clarity on the interaction between the UK and EU CBAMs:** As outlined in the Common Understanding between the UK and the EU, the ETSs linkage agreement should create the conditions for goods exported from the UK to the EU (and vice versa) to benefit from mutual exemptions from the respective CBAMs being developed across both jurisdictions. Prior to the linkage agreement, **analysis by Frontier Economics found that the introduction of the EU CBAM could have cost UK industry up to £800 million between 2026 and 2030**.[75]

Issue	Recent policy developments	Key next steps and expected benefits
Carbon pricing: evolution of the UK Emissions Trading Scheme (UK ETS) *(continued)*		• **Potential benefits of ETS linkage:** The linkage between both schemes could lead to **a larger and more liquid carbon market and could deliver a more stable carbon price** than the one observed under the UK ETS in recent years**.** This would provide a stronger incentive to decarbonise. Carbon price movements under the UK ETS appear to have been less volatile since the Common Understanding between the UK and EU was agreed on May 19, 2025.[76, 77] • **EU CBAM and temporary support to UK industry:** Subject to how linkage negotiations progress, consider options to support UK industry from the forthcoming EU CBAM in 2026. This could be through a temporary mutual CBAM exemption agreement while negotiations are ongoing.[78]
Climate adaptation	• **Climate adaptation and infrastructure investment:** With ever more extreme weather events linked to climate change, developing and implementing **a detailed and cross-sectoral climate adaptation strategy is essential to support the resilience of existing and new infrastructure.** Aviva's recent Building Future Communities (BFC) report summarised the physical risks to UK buildings from flooding, subsidence, and extreme heat. It highlighted that, by 2050, eight million homes in England could be at risk from flooding (up from 6.3 million today) and another 1.4 million from subsidence. Analysis from engineering consultancy Arup found that 90 per cent of homes would be at risk of overheating in a two-degree scenario.[79,80] • Physical risks from extreme weather events linked to climate change are increasingly priced into investments in new low-carbon infrastructure with long asset lives. Without appropriate adaptation measures, they can worsen the investment case in that infrastructure, resulting in lack of investment or less affordable capital to finance it. **Recent advice from the CCC stated that UK adaptation planning should prepare for global warming levels between 2°C and 4°C above preindustrial levels by 2050**.[81] • **Cross-cutting strategy:** The third National Adaptation Programme (NAP3) – released in July 2023 – remains the most recent overarching government strategy to address climate-change risks in the UK. Required every five years under the Climate Change Act, NAP3 set out plans for the period 2023 to 2028.[82] • The CCC's first assessment of NAP3 in 2024 found that, while an improvement on NAP2, the plans were insufficient and needed an urgent refresh. More recent analysis by the CCC found that the UK's approach to adaptation remained inadequate, with the vast majority of measured outcomes scoring the same as in 2023. The CCC calls for making climate-adaptation objectives and targets more specific and measurable, integrating adaptation into all relevant policies and strategies, and improving cross-government coordination.[83,84] • **Infrastructure Strategy:** As part of the ten-year Infrastructure Strategy, a number of measures were announced to build the resilience of new and existing infrastructure. This includes a **£7.9 billion ten-year pipeline of capital investment to maintain existing infrastructure resilience measures and invest in new flood defences, nature-based solutions, and property-level resilience measures**. This is expected to help 840,000 properties by 2035/36. It also detailed the government's plans to consider whether resilience standards (such as on drought) should form part of adaptation planning ahead of NAP4.[85]	• **Develop a strengthened, cross-cutting adaptation strategy**: In line with recent CCC recommendations, begin work to deliver a **stronger fourth National Adaptation Plan (NAP4)** in 2028, with specific and measurable adaptation targets and measures across all relevant sectors of the economy. Integrate these targets and measures across relevant public-spending decisions and policy strategies, including Carbon Budget Delivery Plans, the ten-year Infrastructure Strategy, Industrial Strategy Sector Plans, and National Planning Policy Framework. • **Investment benefits from a strong NAP4 strategy:** A stronger national adaptation strategy with clear long-term objectives will be essential to build investor confidence in: (i) the resilience of the UK economy and its supply chains to a changing climate, and (ii) the resilience of critical infrastructure with long asset lives (such as buildings, power networks, and clean-energy infrastructure) to extreme weather events in a changing climate. Without further policy support, the CCC estimates that failure to improve the UK's overall approach to adaptation could impact the country's economic output by up to seven per cent by 2050.[86] • **Incorporating climate adaptation in policy and infrastructure development – sectoral examples:** Below, we set out sectoral examples of how (through NAP4 and the broader policy framework) climate adaptation and resilience measures could be better integrated in infrastructure and associated policies, to improve the investment case in new low-carbon infrastructure: • **Energy**: Integrate climate adaptation and resilience measures for new and existing energy generation, storage, grid, and network assets in energy-sector policies and strategies. For example, **the upcoming Strategic Spatial Energy Plan should consider extreme wind, flood, extreme heat, subsidence, and water-scarcity risks** to ensure new assets are sited in a way that minimises the likelihood of network-wide impacts during extreme weather events. This will help underpin a stable investment climate in the UK's clean power and network infrastructure.[87] (See Theme 2 for our recommendations on the energy sector.) • **Infrastructure – cross cutting**: Make a decision on resilience standards for new infrastructure. Their introduction would be in line with recommendations by the CCC and the National Infrastructure and Service Transformation Authority (NISTA, formerly the National Infrastructure Commission). **Clear standards would help infrastructure operators and investors plan and invest in a way that accounts for future physical risks**. For new low-carbon energy infrastructure, a clear understanding of what will be required to meet the standards can be priced into new infrastructure that is resilient from the outset.[88,89]

Issue	Recent policy developments	Key next steps and expected benefits
Climate adaptation *(continued)*		• **Buildings - extreme heat**: In addition to improved standards for new homes, **implement the recently-announced discount for air-to-air heat pumps under the Boiler Upgrade Scheme (BUS),** as these can deliver both heated and cooled air. Another solution, as put forward in a recent Aviva report, could be to extend the requirements of Part O of the Building Regulations (to protect new homes against extreme heat) to refurbishments of existing homes.[90,91,92] • **Buildings - flooding risk**: To complement the recent expansion in flood-defence funding, further solutions could be introduced to mitigate flooding risk and unlock more capital in new low-carbon and climate-resilient homes: (i) building regulations and the forthcoming Future Homes Standard could be updated to ensure that **effective, low-cost property-level flood resilience measures, such as air brick covers, are included as default**; and (ii) planning rules could be strengthened to prevent unprotected housing developments in current and future flood zones.[93]
Circular economy / resource efficiency	• **Background:** In many sectors such as foundation industries (e.g., production of steel and cement), manufacturing (automotive), and construction (new buildings), **reducing carbon emissions requires improvements in resource efficiency, and access to affordable and high-quality secondary materials and, in some cases, waste-based fuels**. Since the publication of the Resources and Waste Strategy in 2018, there has been little activity to create a policy framework to incentivise greater resource efficiency. By contrast, the EU's Circular Economy Package has introduced a range of regulatory tools in recent years to incentivise investment in resource-efficient business models, product manufacturing and infrastructure.[94] • **A cross-cutting strategy for resource efficiency:** A Circular Economy Taskforce was established in November 2024 to develop **a Circular Economy Strategy for England**. The Strategy and its underpinning roadmaps are due to outline recommended policy interventions to drive resource efficiency across priority sectors: textiles, agri-food, construction, chemicals and plastics, and transport.[95,96] • **Sector-specific initiatives:** A number of sector-specific interventions have already been introduced to drive investment in the reuse, re-manufacturing and recycling of critical materials for low-carbon supply chains. These include: (i) **Electric vehicles:** From 2027, all electric-vehicle batteries (and industrial batteries) over 2 KWh sold into the EU market will require a unique Battery Passport, and from 2031, those batteries must meet recycled content targets for lithium, nickel, cobalt, and lead. The UK Advanced Manufacturing Sector Plan highlights plans to develop similar standards. An upcoming update to the Critical Minerals Strategy will also outline how the recovery, reuse, and recycling of critical minerals essential for battery manufacturing, such as lithium and cobalt, will be improved.[97] (ii) **Industry:** A recent consultation on policy options to grow demand for low-carbon steel, concrete and cement sought views on ways to improve resource efficiency. **Options include introducing circular economy principles as best practice within the Government Buying Standard (GBS).** This would incentivise industrial products to contain a higher proportion of secondary products and materials (such as scrap steel). If introduced, this would initially be voluntary, with the possibility of adding mandatory standards to the GBS in the future.[98]	• **Developing a new, cross-cutting strategy on resource efficiency:** Building on the 2018 Resources and Waste Strategy, develop a Circular Economy Strategy that puts forward a detailed action plan to attract investment in – and grow consumer demand for – resource-efficient product and infrastructure design, material re-use, remanufacturing, recycling, and waste prevention across different economic sectors. • **Developing an internationally interoperable policy framework on resource efficiency:** As recommended by the Aldersgate Group and the Institute for European Environmental Policy (IEEP), develop England's Circular Economy Strategy in a way that maximises international operability with other key markets given the international nature of product and infrastructure supply chains. This could include building on some of the EU's existing circular economy incentives and product standards. The commitment to build on the EU's Battery Passports is a welcome step forward in developing an internationally interoperable circular economy approach for the sector.[99,100] • **Introducing resource efficiency standards and incentives across different sectors:** As called for by the Aldersgate Group, the IEEP, and the Chartered Institute of Wastes Management (CIWM), consider the introduction of sector-specific measures such as resource-efficiency product standards, public-procurement criteria, fiscal incentives and consumer-engagement tools. This will help strengthen market signals for resource-efficient products and services and improve the investment case in resource-efficient business models.[101,102] • This could include progressing existing plans to drive resource efficiency in critical sectors such as electric-vehicle battery and energy-intensive supply chains, and developing product standards to improve resource efficiency in finished products (e.g. buildings, cars) and intermediate industrial products (e.g. steel, cement). • **Carbon pricing - next steps for waste-to-energy plant inclusion under the UK ETS:** Building on the voluntary MRV-only period for waste-to-energy plants in the UK ETS from July 2026, **support the UK ETS Authority in making a final decision on the future mandatory inclusion of the waste sector in the UK ETS** (including the basis on which the sector will be included), supported by a clear timeline and implementation plan. In line with recent calls from Suez and CIWM, this should include **clarity over the selected cost-pass-through mechanism** to ensure that the sector's inclusion in the UK ETS incentivises investment in resource efficiency, remanufacturing, recycling, and circularity across the value chain.[103,104]

Issue	Recent policy developments	Key next steps and expected benefits
Circular economy / resource efficiency *(continued)*	• **Carbon pricing - potential inclusion of waste-to-energy plants in the UK ETS:** In its interim response to a technical consultation, **the UK ETS Authority announced plans to allow waste-to-energy plants to participate in the UK ETS on a voluntary basis from July 2026**. This will take the form of a "voluntary monitoring, reporting, and verification (MRV) only period" to inform the design and implementation of the potential mandatory inclusion of the waste sector under the UK ETS from 2028, including with respect to viable cost-pass-through mechanisms that maintain the incentive to decarbonise. The UK ETS Authority will use the findings from the voluntary MRV-only period to inform ongoing policymaking and its future decision to legislate for the mandatory inclusion of the waste sector under the UK ETS.[105]	

Theme 2

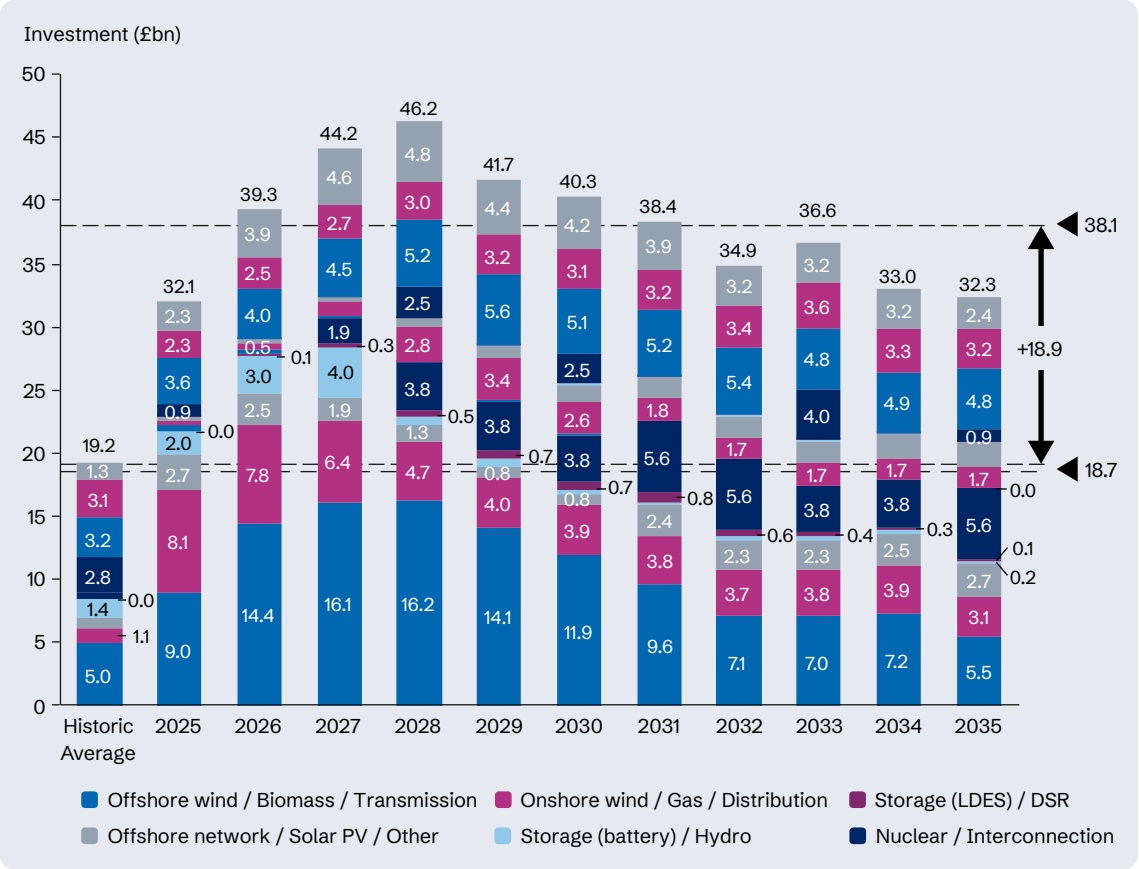
Delivering growing volumes of affordable low-carbon electricity will enable low-carbon investment across other sectors

More than 16.1GW of renewables projects were given planning approvals in Q2 2025, a 195 per cent rise on Q2 2024

The 2024 Roadmap highlighted several key barriers to investment in the UK's clean-power and network infrastructure. These included significant planning delays, as well as strike prices and annual auction pots for renewable energy projects that were uncompetitive relative to underpinning supply chain costs. Other barriers were the ongoing uncertainty linked to the Review of Electricity Market Arrangements (REMA), and factors that undermined the commercial viability of short- and long-duration storage projects (such as skipping issues for batteries, and a lack of business models for long-duration storage).

A range of developments over the last 12 months have focused on improving the overall public-policy framework for clean energy. As part of its mission to deliver clean power by 2030 (defined as a 95 per cent decarbonised power grid), **the government published a Clean Power Action Plan (CPAP) in December 2024.**[106] The plan aims to attract up to £40 billion of annual investment in power infrastructure for the rest of the decade, compared to an annual average of £11 billion between 2020 and 2024 (see Figure 4 for a breakdown of the investment needed across key technologies out to 2035).[107]

Figure 4: A summary of the annual investment need for key clean energy technologies between 2025 and 2035, developed by Baringa, E3G, and WWF to support the delivery of the Clean Power Action Plan



Source: "UK Power Sector: Delivering a Sectoral Investment Roadmap", Baringa, E3G, and WWF.
Data as of September 2025.[108]

The CPAP outlines deployment ambitions for different low-carbon generation technologies (such as renewable energy and nuclear), flexible generation (such as gas-CCS plants), energy storage, and grid infrastructure. It also sets out a range of policy interventions to support these ambitions, many of which have now been published or progressed further. This includes planning and connection reforms to speed up the building of power networks and grid connections for renewable-energy projects. **A final decision was also made as part of REMA to improve the strategic location of new power and storage infrastructure, with the government opting for the introduction of a Reformed National Pricing (RNP) regime**.

Other measures have focused on enhancing potential returns for renewable-energy projects and broadening the types of capital that could finance them. For example, **an extension – from 15 to 20 years – of Contracts for Difference for renewable-energy projects was recently announced, and ceiling strike prices were raised for technologies such as offshore wind**. Policy progress also includes developments to attract private investment in areas like long-duration electricity storage (LDES) and small modular nuclear reactors (SMRs).

Establish a more efficient regime for grid connections, consenting, and strategic spatial energy planning

In parallel, the deployment of the UK's clean-energy infrastructure appears to have gathered momentum in 2025. **Government figures suggest more than 16.1GW of renewables projects (spread across 233 projects) were given planning approvals in Q2 2025, a 195 per cent rise on Q2 2024**. At the same time, over 100 planning applications for around 8.4GW of battery storage capacity were filed, double the figure for Q2 2024.[109]

To further improve investment conditions for clean power and network infrastructure, tangible progress on ongoing reforms will now have to be a priority – especially to establish a more efficient regime for grid connections, consenting, and strategic spatial energy planning. **Finalising the five-year RIIO-T3 price control framework and progressing the development of the RIIO-ED3 framework will be key to unlocking investment in new transmission and distribution infrastructure** at the scale needed to support growing volumes of supply-side and demand-side grid connections. In other areas such as renewable energy, electricity storage, and nuclear, the priority will be delivering on recent commitments at the necessary pace and scale, and in a way that delivers good value for money for consumers. This includes embedding recent auction-rule and CfD changes into the annual renewable-energy auction rounds (ARs), and concluding the first auction under the cap-and-floor business model for LDES technologies.

Finally, in light of policy objectives to grow investment in electrification and consumer take-up of low-carbon goods such as electric vehicles and heat pumps, policymakers should progress discussions to resume free electricity trading between the UK and the EU to cut wholesale electricity costs. **Implementing and developing further measures to reduce the price of electricity for residential consumers could also be considered, in line with the announcements set out in the 2025 Budget.** In addition to providing relief with high electricity bills, these could help cut the operational costs of running low-carbon appliances on electricity (such as heat pumps), improve their attractiveness to consumers, and support investment in their supply chains.

Issue	Recent policy developments	Key next steps and expected benefits
Planning and connections reform for grid, renewable energy, and demand-side infrastructure	• In addition to the cross-cutting planning reforms mentioned in Theme 1 to cut consenting timelines for NSIPs, the government is pursuing additional measures to improve consenting timelines for clean-power and network infrastructure and reduce grid connection delays. • **A more standardised approach to community engagement and benefits:** Alongside the Planning and Infrastructure Bill, the government announced its intention to standardise engagement with communities hosting clean energy and transmission projects. **It published a working paper seeking views on the introduction of a mandatory community benefit scheme for these projects.**[110] The Planning and Infrastructure Bill would also introduce a Bill Discount Scheme for communities hosting new or significantly upgraded transmission infrastructure projects.[111] • **Connections Reform:** The ongoing reforms to the grid connections queue process (Connections Reform) led by NESO are another essential component supporting the delivery of a more efficient future network. **Formerly run on a "first come, first served" basis, the reforms aim to move towards a "first ready, first connected" approach**. The aim is to remove unviable projects from the connections queue and prioritise projects that are ready to connect and critical to delivering a clean-power system. A new **"Connections Accelerator Service"**, set up under the Industrial Strategy, will also help streamline grid access for major demand-side investment projects (such as the electrification of energy-intensive industrial plants) from 2026.[112] • **Revised National Policy Statements:** The government recently consulted on strengthened **National Policy Statements** for energy, renewable-energy infrastructure, and electricity networks infrastructure.[113]	• **A more standardised and high-quality approach to community engagement and benefits:** Build on the commitments in the working paper and the Planning and Infrastructure Bill to deliver a more standardised, high-quality approach to community benefits and engagement, while allowing developers sufficient flexibility to tailor benefits to the needs of different communities. This should ensure that communities hosting low-carbon energy infrastructure in their vicinity feel adequately involved in their development, while also helping improve the efficiency of the consenting process. • **Connections Reform and Connections Accelerator Service:** Work with Ofgem and NESO to progress the Connections Reform process, by rolling out revised connection offers from autumn 2025. In parallel, set up the new "Connections Accelerator Service" to support strategic projects (such as industrial electrification), to connect to the grid in a reasonable timeframe and, in the near term, clarify the scope of projects and industries eligible for this support. • Timely connections to the grid are important to deliver investment in clean-power infrastructure on the supply side at a reasonable cost to consumers, while also supporting the electrification of infrastructure on the demand side (such as the electrification of energy-intensive industrial plants). On the supply side, **analysis completed by EDF Renewables, RenewableUK and Baringa for the Onshore Wind Industry Taskforce suggested that grid connection delays can cost renewable developers up to £1 million per month, when considering loss of revenue and increased costs.**[114, 115]
Optimising the siting of energy infrastructure: next steps for REMA and tackling system constraints	• **Review of Electricity Market Arrangements (REMA):** A final decision to introduce a reformed single national electricity price was announced in July 2025 **(Reformed National Pricing** or **RNP).** This will be supported by planning and connections reforms (many of which are already in development), to improve locational investment signals in power infrastructure. **The reforms are intended to help site new power generation, storage, and grid assets in the most cost-effective and strategic locations to serve the overall network.** The aim is to gradually reduce existing – and prevent future – constraints on parts of the network where power generation significantly exceeds local demand. • Building on the other planning reforms already outlined, the key components that will support the new RNP regime will include:[116] (i) **A Strategic Spatial Energy Plan (SSEP):** The SSEP is expected to be delivered by NESO in 2026 and to subsequently be reviewed every three years. **It aims to provide a coordinated, whole-systems approach to planning and to promote strategic network investment ahead of need.** It will map potential locations, capacity, and types of energy generation and storage across the UK to inform optimal future network design and supportive investment decisions. This is intended to reduce both waiting times for new projects to connect to the grid and network constraint costs. (ii) **A Centralised Strategic Network Plan (CSNP):** The SSEP will feed directly into the CSNP. This will set out a **25-year plan for transmission network infrastructure** to provide greater certainty and alignment between future generation and networks. (iii) **A review of Transmission Network Use of System (TNUoS) and connection charges**: DESNZ and Ofgem will, by 2029, review the TNUoS and connection charging regimes to improve locational investment signals, by ensuring they reflect the long-term system benefits of new generation assets. Currently, TNUoS charges vary significantly year to year, with this uncertainty priced into higher strike-price bids in the annual renewable-energy auctions.	• **Putting in place a delivery plan for the Reformed National Pricing (RNP Delivery Plan):** Deliver as planned the RNP Delivery Plan and full analysis underpinning the REMA reforms by the end of 2025. This should set out: (i) more detail on the design of the RNP; (ii) how the different actions under the Plan will be resourced between government, NESO, Ofgem, the Crown Estate, and other public organisations; (iii) how energy-sector companies and private investors will be engaged in the development of key reforms; (iv) a **clear implementation roadmap with timelines for all the key next steps**, to provide certainty to developers and investors. • **Implementing RNP:** Each component of the RNP has an essential role to play in unlocking investment in new, strategically located assets across the power grid and reducing long-term constraints on the system:[117] (i) **SSEP**: This has the potential to send stronger signals to developers and investors about the relative system value of investing in network, storage, flexibility and generation assets in different locations. It will also help prioritise near-term investments, such as grid reinforcements, to tackle current constraints. (ii) **CSNP**: This plan will be essential to guide where investment in transmission network reinforcement and expansion should be prioritised, to most effectively alleviate – and prevent – system constraints, building on the transitional plans published in 2022 and 2024. It is important to developers and investors that the SSEP and CSNP make provision for network reinforcements linked to upcoming supply-side and demand-side infrastructure alike, including taking account of strategic demand locations. This should include the implications of the new Connections Acceleration Service, to support the electrification of energy-intensive industries and of the AI Growth Zones.[118]

Issue	Recent policy developments	Key next steps and expected benefits
Optimising the siting of energy infrastructure: next steps for REMA and tackling system constraints *(continued)*	(iii) **A targeted use of the Crown Estate's seabed leasing powers:** Through the Crown Estate's seabed leasing process, government policy can help direct new offshore renewable-energy generation infrastructure towards locations that are of greatest benefit to the overall system. In addition, the Crown Estate Act 2025 has granted borrowing and investment powers to the Crown Estate. This may enable more frequent seabed leasing rounds in pursuit of the Crown Estate's ambition to bring to market an additional 20 to 30 GW of offshore wind leasing opportunity by 2030.[119,120] • **Tackling system constraints in the near-term:** In addition to the long-term reforms set out above and as part of the Constraint Collaboration Project (CCP), NESO and the government are considering a range of options to reduce – or better manage – system constraints in the near term and the associated costs. Options being considered under the CCP include using long-term contracts to incentivise new demand to locate where there are existing or future constraints (including data-centre demand) and using flexible assets (such as batteries) to reduce power flows over network boundaries.	(iii) **TNUoS and connection charges**: Reforms to TNUoS and connection charges will help provide a regime that better aligns with strategic planned locations of new generation and power demand. To support a stable investment context, the reform process should provide an early degree of clarity to investors on likely material changes to (i) the balance between connection and TNUoS charges, (ii) the overall objectives of the TNUoS,(iii) the key cost drivers in the TNUoS charging methodology, and (iv) any transitional implementation arrangements that will be put in place.[121] (iv) **Crown Estate Seabed Leasing:** The Crown Estate seabed leasing rounds should be delivered in a way that helps to strengthen locational investment signals. This includes awarding leases in strategic locations in line with the SSEP, where developers can deliver commercially viable projects with affordable connection and TNUoS charges. • **Tackling constraints in the near term:** Continue the development of policy options to reduce system constraints and associated costs in the near-term. This should include supporting NESO with the development and implementation of solutions under the Constraint Collaboration Project, such as those linked to the creation of constraint management markets and technical solutions to reduce flow over network boundaries. Pending longer-term infrastructure investments, managing constraint costs in the near term is key to reducing negative impacts on energy bills and providing a stable investment context for developers and investors in new renewable-energy infrastructure.
Investment in new electricity grid infrastructure	• **Significant investment need:** Analysis from NESO suggests that, to support current power-sector decarbonisation goals, **around twice as much transmission network infrastructure will be needed across the grid by 2030 as has been built in the past decade**.[122] • **Price control for transmission infrastructure:** Ofgem published its **Draft Determination for RIIO-T3 (Revenues, Incentives, Innovation, and Outputs)** in July 2025. Among other things, these set out the levels of investment network owners can make in new and reinforced electricity transmission infrastructure from April 1, 2026 to March 31, 2031. The Draft Determination – currently under consultation – allows network owners to invest an additional £8.9 billion in electricity transmission during that period (with an additional £1.3 billion of "use it or lose it" investment). This compares to £12 billion of aggregate baseline investment previously suggested in the draft plans of network companies.[123] • **Price control for distribution infrastructure:** Ofgem published its decision on the key issues to consider as part of the framework for the **RIIO-ED3 price control review period** (the "ED3 Framework Decision"). This will govern the allowable investments in electricity distribution infrastructure by distribution network owners between April 1, 2028 and March 31, 2033.[124]	• **Finalising the RIIO 3 framework:** Support Ofgem in the completion and implementation of a RIIO-3 framework settlement to provide clarity to network companies and investors on the size of the overall investment package in new electricity transmission infrastructure over the next five years. **The framework should aim to unlock sufficient anticipatory investment in transmission infrastructure**, in line with the growing pipeline of generation and demand-side infrastructure due to connect to the transmission system, and with a view to alleviating system constraints. The development of the final framework should seek to unlock sufficient upfront investment while minimising near-term impacts on consumer bills. • **Develop the RIIO-ED 3 framework:** Building on Ofgem's RIIO-ED3 Framework Decision, work with Ofgem to develop the framework settlement, to provide distribution network companies and investors visibility on the overall allowable investment in electricity distribution infrastructure from 2028 to 2033. **The framework should aim to deliver sufficient "ahead of need" investment in electricity distribution extension and reinforcement**, to address the increase in electricity demand expected from residential heat pumps, electric vehicles, industrial electrification and new housing developments.
Renewables (solar, onshore wind, offshore wind)	• **Market developments following AR6:** The renewables allocation round (AR6) in September 2024 secured a **combined renewable-energy capacity of 9.6 GW across 131 successful projects**.[125] In May 2025, developer Ørsted announced it would not deliver the Hornsea 4 offshore wind project under the Contract for Difference (CfD) awarded in AR6, citing increased supply-chain costs and construction risk.[126] However, the £3.6 billion East Anglia Three Offshore Wind Farm, which received CfDs through auction rounds AR4 and AR6, achieved financial close in July 2025, with a 40 per cent oversubscription.[127]	• **Monitor the effectiveness of changes to renewable energy auctions and contractual arrangements:** Monitor the implementation of the recent CfD and auction reforms for renewable energy projects made ahead of AR7, to ensure they deliver good value for money for consumers, while creating the right conditions for a growing pipeline of commercially viable renewable-energy projects and supply-chain investment. Use this information and ongoing monitoring of supply-chain and financing costs to inform the strike price and budget setting for AR8 and AR9.

Issue	Recent policy developments	Key next steps and expected benefits
Renewables (solar, onshore wind, offshore wind) *(continued)*	• **AR7 auction:** The results from the 2025 auction (AR7) are set to be announced in January 2026, with **an available budget of £900 million for fixed-bottom offshore wind and a further £180 million for floating offshore wind**. The deployment ambitions set out in the CPAP suggests **procuring around 12GW or more of new offshore wind projects is likely to be required across the next two to three auctions** (ARs 7, 8 and 9), with high deployment ambitions also set for other renewable technologies like onshore wind and solar.[128,129] • **Renewable-energy auction reforms from AR7 onwards (strike prices, CfD duration, and change to auction rules):** A number of key reforms were introduced ahead of the auction process for AR7, to improve the commercial viability of new renewable projects and broaden the pool of capital, while also seeking to secure new capacity at a competitive price for consumers. These include: (i) The **administrative strike prices for AR7 are around ten per cent higher than those for AR6** for fixed-bottom and floating offshore wind. These are the maximum strike prices that projects within a technology group can receive. They are different to the actual strike prices agreed for each project following the competitive bidding process.[130] (ii) **The CfD term length for all types of offshore wind, onshore wind, and solar has been increased from 15 to 20 years for AR7 and future auctions**. This increases the period of revenue clarity for these projects and shortens their period of merchant tail risk.[131] (iii) The Secretary of State can now **increase the overall auction budget ahead of an auction to allow for a higher volume of fixed-bottom offshore wind**, where it is deemed to represent good value for consumers. Fixed-bottom offshore wind developers can now, under certain conditions, apply for a CfD without having obtained planning permission. Consented new offshore-wind projects will also benefit from these contractual flexibilities, should they face a legal challenge, to ensure a level playing field for all projects.[132]	• **Maintain visibility on future auctions:** Continue to provide visibility on the timing and range of new renewable-energy capacity sought in future annual auction rounds. This will provide clarity to project developers, supply-chain businesses and investors on the expected upcoming pipeline of new projects. • **Avoiding unintended impacts:** Carefully monitor the inclusion of unconsented fixed-bottom offshore wind and the impact of the new flexibilities in AR7. This should inform future auction design, to ensure a core focus on the deliverability of projects that successfully bid, and to make sure that projects with little prospect of obtaining a planning consent do not crowd out more viable ones from the annual auction process.[133] • **Future-proofing the CfD regime:** Continue work to ensure the CfD regime remains fit for purpose to deliver benefits to the overall power system, and clarity to project developers and investors. As more renewables get connected to the grid and periods of negative pricing occur more frequently, **consider the introduction of CfDs no longer based on output but instead on a fixed variable** (such as a capacity-based or deemed generation CfD).
Nuclear	• **Future projections for nuclear generation capacity:** Recent modelling from the National Energy System Operator (NESO) forecasts a need for **at least 10.4 GW of installed nuclear capacity by 2050**. This is projected to be met by a mix of investments in large nuclear power stations, small modular nuclear reactors (SMRs) and advanced nuclear reactors (AMRs).[134] • **Support for large nuclear:** As part of the 2025 multi-annual Spending Review**,** the government committed **£14.2 billion in equity investment (out to 2028-29) to support the construction of the Sizewell C nuclear plant**, with further debt financing (of up to £36.6 billion) to be provided through the National Wealth Fund.[135] • **Support for SMRs:** The Spending Review allocated **£2.5 billion to support the UK's SMR programme** over the next four years. Rolls-Royce SMR has been selected as the preferred bidder to partner with Great British Energy – Nuclear, with the first three projects expected to connect to the grid in the mid-2030s. Wylfa in North Wales has been announced as the first site. The extent to which a Regulated Asset Base (RAB) Model will be applied for future SMR projects appears to still be under consideration, with no decisions made to date.[136,137,138]	• **Cross-cutting - implementation:** Progress the implementation of recent support mechanisms and planning reforms, with a focus on providing clarity to project developers and investors and delivering value for money for consumers. • **SMRs - next implementation steps:** Progress contractual arrangements between Great British Energy – Nuclear and Rolls-Royce SMR and identify further sites for projects. Complete an evidence-based review of the planning and regulatory systems, to ensure suitability for a range of different nuclear-power generation assets, such as SMRs, building on the final recommendations of the Nuclear Regulatory Taskforce. • **Future revenue model for SMRs:** Consider developing a tailored RAB model or similar for SMRs given their relative technological complexity. This could deliver greater revenue clarity from these projects and improve their appeal to private investors.

Issue	Recent policy developments	Key next steps and expected benefits
Nuclear *(continued)*	• **Regulation for SMRs and AMRs:** A new independent Nuclear Regulatory Taskforce was set up, to provide advice on improving regulation for nuclear power. In its final report published in November 2025, **the Taskforce indicated a need for a "radical reset" of the nuclear-energy regulation and planning system**, particularly for SMRs and AMRs. For example, under the current system, AMRs and SMRs – both emerging technologies – must meet existing safety standards for traditional, large-scale reactors. This may prove a challenge to investment.[139,140] • **Planning reforms:** A second round of consultation (with the first held under the previous government) on **a new national policy statement for nuclear-power generation** (covering large-scale projects, SMRs, and AMRs) was launched in February 2025. An updated statement was published in November 2025. The proposed changes would provide applicants with more detailed criteria for site selection and remove deployment deadlines for new nuclear.[141,142] • **UK – US collaboration:** An agreement was signed by the UK and US governments to facilitate faster investment in – and construction of – new nuclear-power infrastructure and supply chains in both countries. This was accompanied by several deals between UK and US companies, including with respect to advanced modular reactors.[143]	
Energy storage	• **Long-Duration Electricity Storage (LDES):** No new LDES technology has reached commercial deployment in the UK in the last 40 years.[144] **The details of a cap-and-floor business model were released in March 2025, under which LDES projects that can provide eight hours of continuous rated power are eligible for support**. The first application window ran from April to June 2025, after which 77 projects, totalling 28.7GW, passed the eligibility stage. The business model will provide a guaranteed minimum income over 25 years for eligible projects, in return for a limit on revenues. Ofgem will assess projects on strategic, economic, and financial criteria, although the weighting of each criterion is as yet unclear.[145] • Eligible technologies have been split across two tiers of technological readiness. More established technologies, such as lithium-ion battery energy storage systems (BESS) and pumped-storage hydro (PSH), with a minimum power output of 100MW, will be stream 1. Less mature technologies, such as flow batteries, Liquid Air Electricity Storage (LAES), and Compressed Air Electricity Storage (CAES), will be stream 2. A minimum power output of 50MW for stream 2 will enable greater accessibility to developers of more novel technologies. It is not yet clear whether the available support will differ for the two streams.[146] • **Short-Duration battery energy storage systems (BESS) – Deployment ambitions and recent commercial developments**: The CPAP outlined an ambition to have 23 to 27GW of grid-scale batteries installed by 2030. There are currently 5GW of battery storage systems on the GB grid. The upcoming pipeline includes 17GW of projects with a Capacity Market agreement in place up to 2029, and another 17GW with planning approval. The National Wealth Fund recently announced £200 million in support for a new £500 million battery storage platform, Equitix and Aware Super providing the rest of the capital. The platform will build, own, and operate grid-scale batteries, aiming to deliver over 1GW of new battery storage.[147,148,149,150,151] • **Challenges to short-duration BESS deployment and ongoing remedial actions:** Challenges remain for battery developers, including: (i) **Planning and connection delays:** BESS projects continue to experience delays in connecting to the grid due to the connections queue and broader planning delays, although this may begin to be alleviated through the ongoing Connections Reform and the government's growing focus on strategic spatial planning.	• **Cross-cutting:** To provide a coherent and long-term policy landscape to project developers and investors, ensure the implementation of the LDES cap-and-floor business model and continued support for BESS projects are carried out in close coordination with the development of the forthcoming SSEP and CSNP. This will help ensure short- and longer-duration storage projects are strategically located to provide benefits for the overall system, including by tackling constraints on parts of the network. • **LDES – next steps for implementation of cap-and-floor business model:** Progress the first application round under the LDES cap-and-floor business model and publish the outcome. Provide greater clarity on the weighting of the different strategic, economic, and financial criteria. **Monitor implementation and design future rounds to ensure contractual arrangements are sufficiently attractive to unlock investment at scale in a range of LDES technology types**. Investments should span the two technology readiness streams and offer a broad range of storage capacities and duration periods. • **Short-Duration BESS:** To improve the commercial viability of new BESS projects: (i) Complete the ongoing reforms to the grid connections queue (Connections Reform) to speed up the connection of BESS projects to the grid. (ii) Work with NESO to **bring skip rates for short-duration BESS developers to relative parity with other technology types**, to meet Ofgem's performance objective by March 2026. This should build on the IT updates and training programmes outlined in the action plan released in autumn 2024. This will help ensure projects generate revenues in line with investors' expectations at the final investment decision stage.[152]

Issue	Recent policy developments	Key next steps and expected benefits
Energy storage *(continued)*	(ii) **Skip rates:** Skipping occurs when certain energy assets are bypassed as part of system operational decisions. A coalition of battery developers and investors addressed an open letter to NESO in September 2024, stating that batteries are "skipped" in the balancing mechanism at a higher rate than other technologies (up to 90 per cent of the time). NESO set out an action plan in Autumn 2024 to tackle this issue.[153,154] (iii) NESO data shows **battery skip rates remain high relative to other technologies, with the highest skip rate across all technologies (45 per cent) in June 2025,** compared to 37 per cent for combined cycle-gas turbines (the second highest skip rate). Ofgem has set NESO a performance objective of achieving a substantial reduction in skip rates, and relative parity across technology types, by March 2026.[155,156]	
Potential UK participation in the EU internal electricity market	• **Barriers to efficient electricity trading between the UK and the EU:** The UK left the EU Internal Electricity Market on January 1, 2021, creating challenges to electricity trading between the UK and the EU. According to analysis from trade group Energy UK, **the lack of efficient electricity trading over interconnectors raised wholesale electricity costs by between £130 million and £370 million in 2022**, feeding through to consumer bills across the UK and Northern Europe. In addition to impacts on business competitiveness and consumer bills, these added costs also undermine the case for investment in electrification across different sectors of the economy.[157] • **UK – EU Common Understanding:** The Common Understanding published alongside the UK – EU Summit in May 2025 made provision for the European Commission and UK government to explore the UK's renewed participation in the EU's internal electricity market and its different electricity trading platforms.[158]	• **Work towards UK participation in the EU's internal electricity market:** Continue progress in defining the parameters of a renewed participation by the UK in the EU's internal electricity market. This will allow free cross-border electricity trading between the UK and the EU, which could reduce the costs of maintaining system security, and therefore cut electricity prices for domestic and industrial consumers. This in turn will help improve the attractiveness of investment in electrification in the residential and industrial sectors (see Theme 3).
Reducing residential electricity bills and improving consumer access to flexibility	• **Residential electricity costs – current picture:** Residential electricity prices remain high in the UK. According to the most recent government international comparison data available, **the UK had the highest domestic electricity prices in 2023 amongst International Energy Agency (IEA) members** (such as France, Germany, and Austria). More recent analysis by the House of Commons Library found that, despite falling from a 2023 peak, electricity bills in 2024 were 46 per cent higher than in 2014 in real terms.[159,160] • **Price ratio of electricity to gas and heat-pump uptake:** The cost of residential electricity relative to gas is also higher than the European average, and this impacts the take-up of low-carbon consumer goods, such as heat pumps and electric vehicles. Previous analysis from the UK Energy Research Council in March 2023 found that that **the ratio between electricity and gas prices is a crucial factor in the affordability of heat pumps for consumers.**[161] • In the UK, **residential electricity prices are currently four times the level of residential gas prices, compared to between two and three in France and Ireland.** Analysis from the Climate Change Committee (CCC) on comparable countries suggested that the market share of heat pumps is higher in countries with more favourable electricity-to-gas ratios, like France and the Netherlands.[162]	• **Tackling high residential electricity costs:** Consider and implement near-term measures to reduce residential electricity prices, given the positive impact this could have on lowering the operational costs of low-carbon consumer goods, such as heat pumps and EVs. **Such a move would enable greater market uptake of electric heating and transport technologies, thereby improving the commercial outlook for these supply chains and their attractiveness to investors.** It would also help provide some relief with high electricity bills. • Pending long-term reductions to the wholesale price of electricity, **one option to reduce residential electricity bills in the near-term is to remove policy costs from electricity bills,** as put forward recently by trade group Energy UK, civil society organisations, and the CCC. According to analysis from the CCC, such a move would reduce annual electricity bills by around £190 for a typical household with a gas boiler and around £490 for a typical household with a heat pump.[163,164] • The 2025 Budget introduced plans to remove around £150 from household energy bills from April 2026 and committed to doing more to reduce electricity costs for all households.[165] • **Support consumers to take up smart technologies to reduce bills:** Alongside measures to reduce the price of electricity, progress the implementation of consumer-led flexibility options outlined in the Clean Flexibility Roadmap published by DESNZ, NESO and Ofgem. This could include ensuring consumers can access lower-cost electricity when available, through smart tariffs. For example, **a government analysis has estimated that households could save £330 annually by smart-charging their EVs overnight.**[166]

Theme 3

Investors need a balance of supply-side and demand-side levers to invest in commercially viable low-carbon supply chains and projects

Achieving a balance between "supply-side push" and "demand-side pull" policy levers has an important role to play in creating long-term market signals to underpin investment in low-carbon supply chains and projects. **Supply-side measures** – such as innovation and revenue support for new technologies – **can help bring new technologies and solutions to market, whereas demand-side measures** – such as regulatory standards and consumer incentives – **help kickstart and grow consumer demand for these goods and services**.

In the 2024 Roadmap, we explained that this balance of policy levers had been achieved to a certain extent for renewable electricity, where past innovation support and guaranteed prices for its sale on the supply side were matched by clear renewable-energy targets and national power-sector decarbonisation ambitions on the demand side. However, we made the point that in most other sectors such as low-carbon heat, surface transport, energy-intensive industries and nature restoration, this balance was not yet in place, with policy progress focusing predominantly on the supply side.

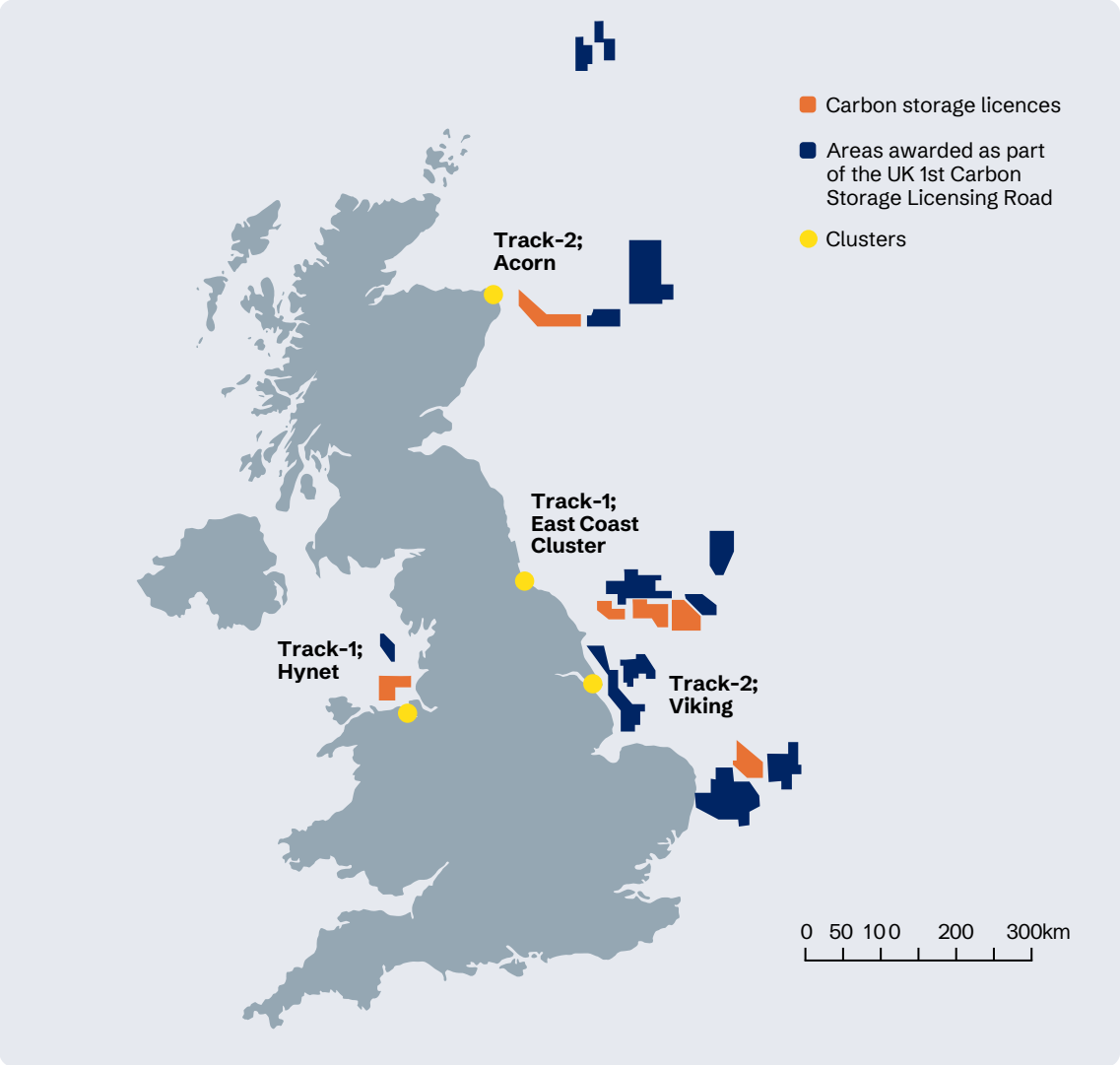
Over the last year, some notable policy developments have begun to address this imbalance and to strengthen levers on both sides across a range of sectors. In the table below, **we consider developments and next steps across four sectors: buildings** (energy efficiency and low-carbon heat), **surface transport** (with a particular focus on electric cars and buses), **energy-intensive industries** (such as steel, cement, and chemicals), and **nature restoration** (such as woodland, wetland and peatland restoration).

In surface transport, the refreshed **Zero Emissions Vehicle Mandate** aims to continue growing the supply of electric vehicles with additional flexibilities awarded to manufacturers. This is now matched by an **Electric Car Grant Scheme** supporting consumers with the upfront cost of a defined list of affordable EV models. The picture is similar on low-carbon heat, where the newly introduced **Clean Heat Market Mechanism** (CHMM) aims to drive a greater supply of heat pumps. The CHMM is designed to work with the **Boiler Upgrade Scheme**, which supports consumers with the upfront cost of heat pumps and has recently received a budget increase. In energy-intensive sectors, measures to cut industrial electricity prices and to award funding to the first carbon capture and storage (CCS) and low-carbon hydrogen projects in industrial clusters (see Figure 5) have been accompanied by a consultation on policy options to stimulate demand for low-carbon industrial products, like green steel and cement.

In areas that have witnessed significant policy developments, such as the heat-pump and electric-vehicle supply chains, policymakers should now focus on implementing the recent supply- and demand-side policy measures and reviewing their effectiveness. In other areas, **continued policy development is required to deliver a balanced policy framework for investors**. That includes energy efficiency in homes, where standards and incentives are lacking for both new and existing owner-occupied homes. Policies are also needed for the **development of heat networks**, particularly to determine a workable approach to zoning, designate appropriate zones for heat network development, and provide greater clarity on revenue streams for developers. In energy-intensive sectors, key next steps include (i) implementing solutions to improve the competitiveness and predictability of industrial electricity prices to support electrification, (ii) further developing business models and contractual arrangements for CCS and hydrogen production, and (iii) making final policy decisions on tools to stimulate demand for low-carbon products. In nature restoration, the development of clearer regulatory and carbon pricing signals (including as part of **the revised Environmental Improvement Plan** due in December 2025) **will be key to improve the level and predictability of revenue streams for nature restoration projects** and deliver a step-change in the scale of investment flows.

Clearer regulatory and carbon pricing signals will be key to improving the level and predictability of revenue streams for nature restoration projects

Figure 5: A map of the industrial clusters included in Track-1 and Track-2 of the CCUS Cluster Sequencing Programme



Source: "Carbon Capture, Usage and Storage: A Vision to Establish a Competitive Market", Department for Energy Security and Net Zero, December 2023.[167]

Issue	Recent policy developments	Key next steps and expected benefits
Surface transport (cars, vans, and buses)	**Electric cars and vans** • **Continued growth in UK new electric-car market share (cars):** The market share of electric vehicles (EVs) as a proportion of all new cars sold continues to grow year-on-year. According to Zapmap, 19.6 per cent of all new cars registered in the UK were fully electric in 2024, up from 11.6 per cent in 2021. This has continued in 2025: **up to the end of September, 22.6 per cent of new cars registered were fully electric**. The Society for Motor Manufacturers and Traders (SMMT) has recently upgraded its EV forecast for 2025 and predicts a 23.8 per cent market share by year-end. Demand for used EVs has also increased, with SMMT data showing one in ten used cars sold in Q2 2025 was electric.[168,169] • **Continued but moderate growth for electric-van sales:** The market share of electric vans has also grown, albeit more slowly than EVs. According to recent analysis by the SMMT, **demand for electric vans was 52.8 per cent higher in the first half of 2025 than in 2024**. However, the same analysis points out that the overall market share of electric vans – at just 8.6 per cent so far this year – is just over half the target under the ZEV Mandate.[170] • **Supply-side policy developments – ZEV mandate (cars):** Following a consultation on the ZEV Mandate in early 2025, **the overall policy trajectory for the electric car and van market remains unchanged**: (i) new petrol and diesel cars will not be sold from 2030, and (ii) all cars sold after 2035 will be zero-emission. However, in response to industry feedback, **changes were introduced to the ZEV Mandate**. This includes reduced fines for missing sales targets and more flexibility to borrow "allowances" between years.[171] Accounting for the new flexibilities, the target market share for EVs under the ZEV Mandate for 2025 is 22 per cent, which is on track to be achieved.[172] • **Supply side – industrial strategy and funding support for supply chain:** Automotive is one of the core "frontier industries" within the Advanced Manufacturing Sector in the Modern Industrial Strategy. **The DRIVE35 initiative will deliver £2.5 billion in government funding to support automotive manufacturing** and research and development (R&D).[173] • **Demand side – consumer support for EV uptake:** Measures have been introduced to support consumer uptake of EVs. An Electric Car Grant scheme was set up in July 2025 to provide grants of up to £3,750 towards the purchase of new EVs. At the 2025 Budget, the overall funding was increased by £1.3 billion (in addition to the initial funding of £650 million) and extended by one year to 2029/30. By November 2025, over 35,000 drivers had received a grant.[174,175] It also includes government backing for an industry-led awareness campaign on the benefits of EVs to drivers. The plug-in van and truck grant has been extended until at least 2027 and will continue to support businesses, with discounts on electric vehicles ranging from small vans to large trucks.[176,177] • **Demand side – charging infrastructure rollout and funding commitments:** At the end of July 2025, there were **over 84,000 charge points in the UK** – an increase of 26 per cent since July 2024. Over £450 million has been committed to support the rollout of charging infrastructure in recent months, including £25 million to support cross-pavement charging. Road signage for charge points is also set to be improved. However, the £950 million Rapid Charging Fund – set up under the previous government to support high-voltage charge point rollout – has been scrapped. **Regional disparities in the coverage of charging infrastructure also persist, with 43 per cent of public charge points found in London and the Southeast**.[178,179]	**Electric cars and vans** • **Supply side – mandate:** Continue to deliver an **effective implementation of the ZEV Mandate** in line with recently agreed flexibilities. This should be done **in careful conjunction with measures to support manufacturers' achievement of the Mandate**, including **supply-side funding commitments** under the Industrial Strategy, planned **charging network investment**, investment in skills, and the rollout of **demand-side measures** to support continued growth in EV uptake (see below). • **Demand side – consumer support:** Oversee the continued implementation of the **Electric Car Grant scheme** in a way that supports predictable consumer demand growth for EVs, in line with the delivery of manufacturers' ZEV Mandate targets. This is particularly important in the near term while EVs continue to be at an upfront price premium relative to their petrol and diesel equivalents; **price parity is expected to be reached between 2026 and 2028**.[180] • **Demand side – consumer trust:** Develop **battery health standards** to improve consumer trust in the longevity of batteries and the viability of EVs on the second-hand market. Continue to support **public awareness campaigns** to improve understanding of how EVs can already meet consumer needs. • **Supply side and demand side – charging infrastructure:** Develop a **national charging strategy** to provide long-term clarity to the supply chain on the dissemination of funding commitments and to investors on the shape of future opportunities. This should focus on (i) improving **regional distribution of charge points** across both local and major roads and (ii) on **improving the affordability of public charging,** such as by applying the same VAT rate as to residential charging. Continued progress on improving the geographical distribution and financial accessibility of charging points is essential to support a wider consumer uptake of EVs and strengthen the market signal for investment in EV supply chains.

Issue	Recent policy developments	Key next steps and expected benefits
Surface transport (cars, vans, and buses) *(continued)*	**Electric buses** • **Electric buses – policy:** A further **£38 million was awarded as part of the Zero-Emission Buses Regional Areas scheme** to support local authorities with the purchase of zero-emission buses out to 2026. Looking ahead, the scheme appears to have been superseded by the **£15.6 billion settlement in the 2025 Spending Review for Transport for City Regions**, some of which will be dedicated to the acquisition of zero-emission buses and related infrastructure.[181] • **Electric buses – manufacturing trends:** Momentum in UK zero-emission bus rollout and manufacturing has continued over the last 12 months. For example, (i) bus operator Go Ahead announced orders worth £500 million for the manufacturing of 1,200 new zero-emission buses over the next three years by Northern Ireland-based Wrightbus, and (ii) Transport for London announced that it passed the 2,000 zero-emission bus threshold in June 2025.[182,183]	**Electric buses** • **Next steps for zero-emission bus investment:** Continue to roll out the funding earmarked under the Zero-Emission Buses Regional Areas scheme and 2025 Spending Review transport settlements. This should sustain growing market demand for zero-emission buses, including in rural areas, and the continued rollout of supporting charging and depot infrastructure. The continued growth of zero-emission bus related infrastructure will also help pave the way for the rollout of other zero-emission HGVs.
Residential buildings (energy efficiency and low-carbon heat)	**Overall home improvement strategy and energy efficiency** • **Development of a home improvement policy strategy:** The upcoming **Warm Homes Plan** (WHP) will set out the government's overall strategy to deliver improvements and reduce emissions in homes. It will consist of regulatory measures and policy incentives to support the take-up of energy efficiency, low-carbon heat and renewable-energy measures. **This will be underpinned by £13.2 billion of funding over five years**, confirmed in the 2025 Spending Review, as well as an additional £1.5 billion to tackle fuel poverty, announced in the 2025 Budget. Some elements of the WHP are based on existing policy (e.g. the Boiler Upgrade Scheme grants for heat pumps) and others have recently got underway.[184,185] • **Demand side – energy-efficiency incentives:** Set up under the previous government, two schemes under the Energy Company Obligation (ECO4 and the Great British Insulation Scheme (GBIS)) require energy suppliers to install energy-efficiency measures for low-income households, funded from consumer bills, and are expected to run until March 2026. By the end of March 2025, over 300,000 homes had been upgraded under ECO4 and GBIS, including 280,000 installations of external wall insulation.[186] • Recent analysis by the National Audit Office (NAO) found that **nearly all external wall insulation measures fitted under ECO4 and GBIS have major issues requiring remediation**. The NAO reported that retrofit businesses are failing to meet existing quality standards for a range of reasons, including poor workforce skills and uncertainty over how the standards apply to different retrofit projects.[187] While the 2025 Budget confirmed plans to end the ECO scheme from April 2026, a government response to the NAO report outlined plans for **greater accountability and consumer protection standards** to ensure future retrofit schemes under the upcoming Warm Homes Plan meet quality standards.[188,189] • The **"Warm Homes: Local Grant"** scheme opened in April 2025 and will deliver £500 million over three years via local authorities to support low-income households with installing energy efficiency and low-carbon heat measures.[190] There is not yet a fiscal incentive or direct support scheme for other types of households.	**Overall home improvement strategy and energy efficiency** • **Overall policy: Publish and implement the Warm Homes Plan** in a way that clearly sets out the regulatory measures and policy incentives to support the deployment of energy-efficiency and other low-carbon measures in homes. This will help investors assess the scale of the investment opportunity – and available incentives – for home energy efficiency, low-carbon heat and renewable-energy measures. • **Demand side – energy efficiency (low-income households):** Provide continued support to low-income households to install energy-efficiency and low-carbon heat measures through the **Warm Homes: Local Grant** and other schemes under the WHP. • **Demand side – broadening energy-efficiency incentives to other households:** Consider options to further grow demand for energy-efficiency measures across other types of households. This could include: (i) introducing a **Warm Homes Stamp Duty Incentive**, as put forward by the UK Green Building Council and the Energy Efficiency Infrastructure Group, offering a rebate for energy-efficiency improvements made after purchase;[191] and (ii) working with the NWF to further improve the **availability of low-interest finance for energy-efficiency improvements**. As suggested by UK Finance, the latter could include the NWF providing guarantees to private lenders to reduce their perception of risks, thereby enabling cheaper rates of borrowing for households.[192] • **Demand side – ensuring quality standards are met:** In line with the recent ministerial statement and the NAO report, improve consumer outcomes and trust in all future retrofit schemes by **introducing a simpler, coordinated system of consumer protections and oversight**. This should ensure that all retrofit schemes adhere to high standards, improving skills and standards across the sector. This will help grow consumer demand for energy-efficiency measures and attract greater investment in underpinning supply chains.

Issue	Recent policy developments	Key next steps and expected benefits
Residential buildings (energy efficiency and low-carbon heat) *(continued)*	• **Supply side – regulatory standards for energy efficiency:** Subject to the outcome of a consultation earlier this year, a **minimum energy efficiency standard of EPC C is expected to be introduced for newly rented homes from 2028** and for existing rental homes from 2030. Costs of improvement work for landlords are to be capped at £15,000, and several support schemes will be available, including the Boiler Upgrade Scheme (to help with the cost of installing a heat pump) and the Warm Homes: Local Grant (for energy-efficiency upgrades). However, **there is no indication that similar standards will be rolled out to owner-occupied homes**.[193] • **Supply side – regulatory standards for new homes:** The government has signalled that the long-awaited **Future Homes Standard** will be published in the coming months. It is expected to require **almost all new homes to have rooftop solar and heat pumps and meet high energy-efficiency standards** as a default.[194]	• **Supply side – energy efficiency:** Implement the announced minimum energy efficiency standard of EPC C for rented homes from 2028. This will provide clarity on investment requirements for energy efficiency in rented homes. **It could later be complemented by minimum regulatory energy-efficiency standards for owner-occupied homes**. • **Supply side – new homes:** Deliver the **Future Homes Standard** to ensure **all new homes are built with high levels of energy efficiency, renewable-energy generation capacity, low-carbon heat measures, and resilience to extreme weather events** as standard. (see Theme 1 on improving home resilience.) • **Demand side – consumer awareness:** Working with local authorities and consumer groups, **grow existing public awareness campaigns on the benefits of heat pumps and energy-efficiency measures** and the existing support schemes. As recommended by the House of Commons Energy Security and Net Zero Select Committee, accelerate this by establishing a new **Warm Homes Advice Service** to signpost customers to available support and advice.[195]
	Heat pumps • **Supply side – driving the manufacturing of heat pumps:** The heat-pump supply chain has been identified as one of the "frontier industries" within the Clean Energy Industries Sector under the Industrial Strategy, meaning it is a priority sector for public policy and investment support. **Heat-pumps sales in the UK are growing**, with data from the Heat Pump Association showing **a jump from 62,906 heat pumps sold in 2023 to 98,345 in 2024**. The **Clean Heat Market Mechanism** (CHMM) **was introduced in April 2025**, requiring boiler manufacturers to meet a minimum target of six per cent for heat pumps as a proportion of overall sales in 2025/26. **A government response to a recent consultation confirmed a target of eight per cent of overall sales for 2026/27**.[196,197,198] • **Supply side – innovation and skills support for heat-pump manufacturing:** The growth of the heat-pump supply chain has also been **supported with two further measures**: (i) the **Heat Pump Investment Accelerator Competition** provides grant funding to grow domestic manufacturing capacity, and (ii) the **£5 million Heat Training Grant** that subsidises heat-pump and heat-network training programmes has been extended.[199] • **Demand side – incentivising consumer uptake of heat pumps:** The **Boiler Upgrade Scheme (BUS) provides grants of up to £7,500 to support households with the upfront costs of installing a heat pump** and saw a record number of applications in Q1 2025 (73 per cent higher than in Q1 2024). The **overall budget for the BUS has been increased** – £205 million for 2024/25 (with over-allocation of vouchers allowed up to £280 million) and £295 million for 2025/26. The government also launched a **public-awareness campaign** on the benefits of heat-pump ownership and has introduced some planning flexibilities to facilitate heat-pump installation, such as removing the requirement to install a heat pump more than one metre from the property boundary.[200,201,202]	**Heat pumps** • **Supply side:** Set **evidence-based targets for the CHMM in 2027/28 and 2028/29** that support continued growth of the manufacturing and installation market, in line with supply-chain capabilities. Carefully monitor the **Heat Training Grant** to ensure workforce availability grows in line with the CHMM targets, as it is estimated that 70,000 heat-pump installers will be required by 2035.[203] • **Demand side:** Carefully **coordinate the annual budgets for the BUS** for 2026/27, 2027/28 and 2028/29 to ensure the scheme is sufficiently resourced to drive a growth in heat-pump demand in line with or in excess of the level needed to meet the annual targets under the CHMM. • **Demand side – delivering a lower cost of electricity for residential consumers:** As set out in more detail in Theme 2, consider near-term measures to reduce the cost of electricity for residential consumers. This will have positive knock-on effects on the operational costs of heat pumps and their relative attractiveness to consumers.

Issue	Recent policy developments	Key next steps and expected benefits
Residential buildings (energy efficiency and low-carbon heat) *(continued)*	**Heat networks** • **Supply side – developing a regulatory framework for heat networks:** Depending on their source and the geographic area, heat networks can be a cost-effective low-carbon heat solution for buildings. **Around 500,000 consumers are already served by heat networks in the UK, and this is set to increase to one fifth of UK heat demand by 2050**. Until now, heat networks have not been regulated in the same way as electricity and gas markets, resulting in an unclear framework for investors and patchy protections for consumers. The **Heat Network (Market Framework) Regulations 2025** aim to address this: from January 2026, Ofgem will be able to regulate the activities of heat-network operators and suppliers. • **Demand side – developing a Heat Network Zoning Policy:** The Energy Act 2023 gives the government the power to introduce regulations allowing local authorities to designate suitable zones for heat-network development where these can offer the lowest-carbon, lowest-cost form of heat to local residents. A **Heat Network Zoning Pilot scheme has developed an initial methodology** to guide local authorities and energy-sector stakeholders in identifying such zones. However, it is currently unclear if and when the government will introduce heat-network zoning regulations. • **Demand side – delivering viable revenue streams for heat networks:** For heat networks to be investable, the combination of the UK's zoning policy and pricing regulations will need to generate a revenue stream allowing developers and investors to make a return on the **estimated £60 billion to £80 billion of upfront capital investment required for heat networks in the UK out to 2050**.[204] Pricing regulations for heat networks are not yet in place and it is currently unclear if the policy framework will generate sufficient revenue streams to incentivise investment in new heat networks.	**Heat networks** • **Supply side – completing the framework for heat-network regulation:** Oversee the effective introduction of heat network regulations by Ofgem from January 2026. • **Demand side – completing the framework for heat-network zoning:** Publish the response to the Heat Network Zoning Policy consultation to support the development of a workable approach to zoning, and the development of zoning regulations. Based on the input to the consultation and the Heat Network Zoning Pilot scheme, **develop a final standardised methodology to support local authorities to designate the geographic areas where heat networks could provide the lowest-carbon and lowest-cost form of heat to consumers.** This will help investors identify where low-carbon heat networks represent a viable investment opportunity. • **Demand side – creating the right incentive framework for heat-network development:** Progress the development of pricing mechanisms that, combined with zoning regulations, provide the necessary incentives for the development of heat networks. The focus should be (i) on ensuring these networks deliver **sufficient and predictable revenue streams** to support the high capital expenditure required for these networks, and (ii) being **affordable to consumers** relative to the cost of other forms of heat.
Industrial decarbonisation (steel, cement, chemicals, other manufacturing)	**Supply side – industrial electrification** • **Supply side – industrial electrification:** As part of the Industrial Strategy, steps have been announced to reduce electricity costs for energy-intensive industries.[205] These include: (i) A new **British Industrial Competitiveness Scheme** will lower electricity bills by up to £40/MWh for 7,000 energy-intensive businesses by removing social and environmental policy costs from April 2027 until 2035. A consultation on the proposed approach and eligibility for the scheme was recently launched.. This scheme is not yet fully funded, but the announcement suggested it would be partially funded by higher carbon revenues following the UK – EU ETS Linkage.[206] (ii) The discount on network charges under the **British Industry Supercharger Package** will be increased from 60 per cent to 90 per cent from 2026 for the UK's 500 most energy-intensive businesses. (iii) The government plans to support the development of a **corporate Power Purchase Agreement (PPA) market** between energy-intensive businesses and renewable-energy generators to provide industrial businesses with direct access to lower-cost renewable electricity and bypass the carbon price. • **Cessation of the Industrial Energy Transformation Fund:** Following the 2025 Spending Review, **the government decided not to extend the Industrial Energy Transformation Fund (IETF) beyond the £160 million committed in the 2024 Autumn Budget** for Phase 1, 2 and early Phase 3 projects. The IETF provided funding to energy-intensive businesses to support them with efforts to improve their energy efficiency.[207]	**Supply side – industrial electrification** • **Delivering more competitive electricity prices:** (i) Complete a funding plan for – and deliver a timely implementation of – the electricity price support mechanisms announced as part of the Industrial Strategy. This would help provide more competitive industrial electricity prices and improve the business case for industrial electrification. (ii) Facilitate the growth of the corporate PPA market between energy-intensive industries and renewable-power developers to provide industrial sites with direct access to cheaper electricity. Two options have been put forward by industry bodies to facilitate this by lowering some of the risks for both parties: – The first is for the **government to underwrite PPAs** to reduce offtaker risk, as suggested by trade group Energy UK and Green Alliance.[208,209] – The second is to **standardise the types of contracts within a corporate PPA market**, as put forward by Aldersgate Group and University College London. This would enable a tradable market in which contracts – or parts of one – could be resold at any time (for example, if an industrial user's electricity demand varies), reducing the level of offtaker risk priced into the contracts.[210] • **Phased introduction of an electrification business model:** The electricity price competitiveness measures set out above could be further supported by the development of an industrial electrification business model, as called for by a range of industry voices, including Make UK, Energy UK, the Energy Intensive Users Group, UK Steel, Green Alliance, and in our interactions with businesses in energy-intensive sectors.

Issue	Recent policy developments	Key next steps and expected benefits
Industrial decarbonisation (steel, cement, chemicals, other manufacturing) *(continued)*		• As proposed by Energy UK, such a business model should focus on electrifying manufacturing and process heat. **It could guarantee a price of electricity to energy-intensive industrial users to reduce the operational risk of volatile electricity prices** and could be particularly beneficial following the cessation of IETF funding. • This business model, which could take the form of a **two-way CfD mechanism** as suggested by UK Steel, could be introduced in phases, first prioritising those sectors with a high carbon footprint and which are ready to electrify.[211,212,213,214,215]
	Supply side - industrial carbon capture and storage (CCS) and low-carbon hydrogen • **Low-carbon hydrogen business model:** The Low-Carbon Hydrogen Production Business Model (HPBM) incentivises investment in new low-carbon hydrogen production. The business model is underpinned by Low-Carbon Hydrogen Agreements (LCHAs) signed between the Low-Carbon Contracts Company (appointed by the government) and a low-carbon hydrogen producer. **It provides revenue support to address the operational cost gap between the production of low-carbon hydrogen and that of high-carbon fuels**. For green hydrogen projects (based on renewable electricity), this support is allocated through the **Hydrogen Allocation Rounds** (HARs). For blue hydrogen projects (gas + carbon capture), it is allocated through the **CCUS Cluster Sequencing Programme**.[216,217,218] • **Green hydrogen auctions:** 11 projects were successful in HAR1 – with Low-Carbon Hydrogen Agreements (LCHAs) now signed for ten projects expected to become operational between 2025 and 2028; **27 projects were shortlisted under HAR2 in April 2025**. Several HAR2 projects expect to supply manufacturers such as brickworks and glass producers. The government has confirmed HAR3 will be launched by 2026 and HAR4 from 2028.[219] • **Connecting low-carbon hydrogen producers with offtakers:** Hydrogen producers continue to face difficulty in securing offtake agreements with customers. A particular challenge resides in producers requiring long-term offtake commitments of ten to 15 years to support their investment case, compared to two-to-three-year durations under standard natural-gas contracts.[220] • **Hydrogen transport and storage auction:** The first hydrogen transport and storage allocation round is expected to be launched in 2026. This will build upon **£500 million of government support for the UK's first regional transport and storage hydrogen network.**[221] • **Industrial carbon capture business model:** Depending on the project, the **industrial carbon capture (ICC) business model** provides capital and revenue support for the installation of carbon-capture infrastructure on industrial plants. The model has been through several iterations, with the first version for Track-1 of the CCUS Cluster Sequencing Programme (projects in the HyNet and East Coast Cluster) published in October 2023. A revised version was published for the Track-1 expansion and Track-2 projects (Acorn and Viking clusters). In line with the government's 2023 CCUS Vision, **it is expected that future carbon-capture projects will go through a competitive allocation process with regular auctions from around 2027 onwards** to accelerate the growth of the sector at an affordable cost.[222,223]	**Supply side - industrial carbon capture and storage (CCS) and low-carbon hydrogen** • **Green hydrogen production:** Continue to hold auctions (HARs) as planned to procure increasing volumes for green-hydrogen production, beginning with confirming which shortlisted HAR2 projects are successful by early 2026 and finalising their LCHAs, and launching HAR3 by 2026 and HAR4 from 2028. This will help create a growing pipeline of commercially viable green-hydrogen production projects. Outline a long-term plan to support projects beyond HAR4 to provide certainty to the supply chain and investors. • **Hydrogen offtakers:** Two solutions, put forward by trade group Hydrogen UK, could consist in (i) GB Energy acting as a central procurer of hydrogen to mitigate offtake risks or (ii) allowing Risk Taking Intermediaries, such as gas distribution network operators, to sign long-term offtaker agreements under LCHAs to coordinate demand from multiple offtakers with varying needs.[224] • **Hydrogen transport and storage:** Complete the business models under development for low-carbon hydrogen transport and storage by the end of 2025. • **Industrial carbon capture**: As outlined in the 2023 *CCUS Vision*, consult on the future market framework for industrial carbon capture. Should competitive allocation rounds be introduced, give long-term certainty to industry and investors by providing an auction schedule with clear capacity ambitions.[225] • **Progressing contractual arrangements for CCS and hydrogen projects:** Building on recent contracts finalised under Track-1 of the CCUS Cluster Sequencing Programme, continue to develop contractual arrangements for the remaining Track-1 projects and the Track-2 clusters. Focus on sectors where CCS is the most viable decarbonisation option (e.g. parts of the cement and chemicals sectors). Progress these arrangements in way that delivers value for money for consumers and provides predictability for project developers and investors. • **Dispersed sites:** Develop a **comprehensive strategy to accelerate the decarbonisation of dispersed sites** for industries like cement, ceramics, and glass, building on the Local Industrial Decarbonisation Plans. This should include clarity on the timings and types of infrastructure dispersed sites will be able to access, such as low-carbon hydrogen and CCUS.

Issue	Recent policy developments	Key next steps and expected benefits
Industrial decarbonisation (steel, cement, chemicals, other manufacturing) *(continued)*	• **Direct support:** The government announced **£21.7 billion over the next 25 years to support the rollout of carbon capture, usage, and storage (CCUS) and low-carbon hydrogen.**[226] Under Track-1 of the CCUS Cluster Sequencing Programme, three capture projects have been approved across two industrial clusters: a waste-to-energy plant and a blue hydrogen production plant at HyNet in Merseyside, and a gas-power CCS plant at the East Coast cluster in Teesside (Net Zero Teesside). A transport and storage network has also been approved at each of the clusters. The **Spending Review confirmed £9.4 billion** (the first tranche of the £21.7 billion committed overall) to support the Teesside and Merseyside clusters.[227] • **Progress on the finalisation of commercial contracts (CCS and hydrogen):** Contracts have been signed for a capture project in Teesside (Net Zero Teesside) and the two transport and storage projects in Teesside (Northern Endurance Partnership) and Merseyside (Liverpool Bay Carbon Transport and Storage). Contractual negotiations are underway for the hydrogen production project. The Spending Review also signalled **future support for transport and storage networks at two further industrial clusters (Track 2 clusters) - Acorn in Aberdeenshire and Viking in the Humber** - subject to project readiness and affordability. It remains unclear how and when dispersed industrial sites will be able to access low-carbon hydrogen and CCS infrastructure.[228, 229,230]	
	Demand side - growing the market for low-carbon industrial products • **Procurement reform and product standards:** The government recently consulted on how to standardise the methodology to measure a product's emissions, and on a range of policy options to grow demand for low-carbon industrial products. The initial focus was on **low-carbon steel, cement, and concrete**. Options include developing best-practice voluntary guidance for procuring low-carbon industrial products, which could lead into a longer-term pathway towards mandatory public-procurement policies and mandatory product standards from the late 2020s.[231] • **Carbon border adjustment mechanism (CBAM):** A CBAM is set to be introduced in January 2027. It will apply a carbon price to imported carbon-intensive products comparable to that applied to domestically-produced products. However, the planned linkage between the UK and EU ETS may have implications on its implementation, which are as yet unclear. (See Theme 1 for our recommendations on carbon pricing.)	**Demand side - growing the market for low-carbon industrial products** • **Cross-cutting:** Accelerate the development of policy measures on the demand side, with a focus on growing market demand for low-carbon industrial products and providing a level playing field. • **Procurement reform and mandatory product standards:** Clear, long-term demand-side policies will help improve the business case for industrial decarbonisation using CCUS, low-carbon hydrogen, and electrification. Building on the recent consultation on policy options to grow demand for low-carbon steel, cement, and concrete, **consider widening the scope for demand-side measures to other intermediate products**, such as glass and ceramics. Policy options include the introduction of: (i) **Green public-procurement reform:** Around nine per cent of steel and 24 per cent of cement demand in the UK come from public-procurement processes.[232] Building on the update of the National Procurement Policy Statement to include net zero, a standardised approach to procuring low-carbon products in line with circular-economy principles across all public institutions would send a strong signal to the supply chain.[233] (ii) **Mandatory Product Standards (MPS) for finished products and intermediate industrial goods:** A study by Frontier Economics and Aldersgate Group found that voluntary product standards – as planned in the near-term in the recent consultation – are unlikely to shift the market for low-carbon products significantly. On the other hand, **the introduction of well-designed MPS applied to finished products** (e.g., buildings, vehicles) **and intermediate industrial** goods (e.g., steel, cement, glass) **could help drive down embodied and lifecycle emissions** and unlock investment in the manufacturing of low-carbon industrial products. The introduction of MPSs would be in line with the long-term ambition set out in the recent Government consultation.[234] • **CBAM:** Provide clarity on the UK ETS and CBAM linkage with the EU's respective schemes. Subject to linkage negotiations, implement the UK CBAM in 2027 to create a level playing field for UK-produced low-carbon industrial goods relative to imported goods which do not meet similar low-carbon standards. (see Theme 1 for our recommendations on carbon pricing.)

Issue	Recent policy developments	Key next steps and expected benefits
Nature restoration	• **Continued development of an overall policy framework for nature restoration:** The Department for Environment, Food and Rural Affairs (Defra) published its **National Biodiversity Strategy and Action Plan** (NBSAP) in February 2025, outlining the steps it would take to meet its commitments under the Kunming-Montreal Global Biodiversity Framework.[235] It also announced **a review of the Environmental Improvement Plan** (EIP) in July 2024 to ensure it was fit for purpose to deliver the UK's nature targets in the Environment Act 2021. The revised EIP is expected to more clearly set out priority policy levers that can drive investment in meaningful environmental improvements.[236] Defra and DESNZ have also consulted on the development of a **Land Use Framework,** which will set out principles to guide land-use decisions (including for nature restoration projects). • **Regulation to drive nature restoration and growth:** Defra commissioned an independent review of its regulatory landscape ("the Corry Review"). The Review examines whether the current regulatory landscape is fit for purpose – in the context of the government's development and nature restoration ambitions – and develops recommendations to ensure that regulation across Defra is driving economic growth while protecting the environment. **The Review emphasises the need for a repositioning and repurposing of environmental regulation to deliver better outcomes for nature and economic growth**. • **Supply side – agriculture:** The 2025 Spending Review committed **£2.7 billion per year to support sustainable farming and nature recovery** from 2026/27 until 2028/29. £2.3 billion will be available per year through the Farming and Countryside Programme (and relevant Environmental Land Management Schemes) to support agriculture, and an additional £400 million for wider non-farming land nature regeneration (such as for tree planting and peatland restoration). In addition, the agri-tech sector was identified as a "frontier industry" within Advanced Manufacturing under the Industrial Strategy. As a result, the Farming Innovation Programme (FIP) will benefit from £200 million between 2025 and 2030 to support innovation in agriculture.[237,238] • **Demand side – boosting nature markets:** Defra has started to explore measures to boost demand for nature restoration projects. It recently held a call for evidence on expanding the role of the private sector in nature recovery, with a particular focus on the "demand side" of nature investment and markets. It also consulted on the development of **integrity principles for voluntary nature and carbon markets** (VCNMs). In addition, it has held two consultations on the design – and potential widening – of the **Biodiversity Net Gain (BNG) scheme.** The first looked at proposals to streamline the rules for small, medium-sized and brownfield sites, while the second sought views on the potential expansion of the BNG scheme to Nationally Significant Infrastructure Projects (NSIPs).	**An efficient policy and regulatory framework for nature restoration** • **Continuing the development of an overall policy framework for nature:** Develop a robust policy and regulatory framework to underpin long-term investment in – and demand for – nature restoration projects. **This should consist in a strengthened Environment Act framework, underpinned by clear nature restoration objectives, nature-positive sectoral pathways, and a comprehensive delivery plan as part of the revised EIP**. Investors would benefit from this framework being integrated into wider government strategies, such as the revised Carbon Budget and Growth Delivery Plan, Industrial Strategy, Clean Power Action Plan and Land Use Framework. The Land Use Framework should include spatial guidance on appropriate land uses and be integrated with other relevant spatial strategies, such as the Strategic Spatial Energy Plan (SSEP) and transport strategies.[239] • **Regulation to drive nature restoration and growth:** In line with the spirit of the Corry Review, continue efforts to deliver a policy framework that can more efficiently attract private-sector investment into nature restoration, including in terms of using nature-based solutions for climate adaptation projects. In line with recommendations 1, 5, and 21 to 29 of the Corry Review, **this could be done by embedding environmental and climate policy objectives across the remit of different regulatory bodies**, empowering and facilitating greater collaboration between them, and focusing the actions of government and regulatory bodies on (i) scaling up markets in nature restoration and (ii) removing barriers to investment. • Reforms to improve the efficiency of the environmental policy framework should be done in close consultation with relevant public bodies such as the Office of Environmental Protection and expert stakeholders such as environmental NGOs, to guard against unintended consequences. **Approaches to overcome market challenges in nature-restoration investment:**[240] • **Supply side – public-sector investment and funding to derisk and crowd in private investment:** Building on the Landscape Recovery Programme, **deploy targeted public-sector investment** – including the £400 million per year earmarked for non-farming land regeneration schemes – **to co-invest with private investors in nature restoration projects, with a focus on parts of projects that do not currently have a revenue stream attached to them**. In a similar way, should a Nature Restoration Fund be set up pursuant to the Planning and Infrastructure Bill, the Fund should focus on projects without a clear revenue stream for private investors and/or on derisking private investment in complex projects. Public-sector funding and investment should aim to derisk and/or complement, not compete with, private investment that can be deployed towards projects where adequate and predictable revenue streams are identifiable. (See Theme 1 for our recommendations on planning.)

Issue	Recent policy developments	Key next steps and expected benefits
Nature restoration *(continued)*	• **Nature restoration and carbon pricing under the UK ETS:** in May 2024, the UK ETS Authority consulted on how engineered greenhouse-gas removals (GGRs) – as well as high-integrity nature restoration projects – could be integrated into the UK ETS. In July 2025, **the Authority announced its aim to allow the integration of engineered GGRs into the UK ETS by the end of 2029**. This will rely on a number of safeguards to maintain market stability and integrity in the UK ETS, such as (i) maintaining the total number of allowances in the UK ETS and replacing emissions allowances with GGR allowances on a one-for-one basis to maintain the incentive to decarbonise, (ii) developing robust monitoring, reporting, and verification standards for engineered GGR operators, and (iii) putting in place a permanence framework that requires a minimum carbon storage period of 200 years. **A final decision on the inclusion of high-quality, high-integrity woodland restoration projects in the UK ETS has not yet been made.**[241]	• **Demand side – creating new compliance markets for nature and associated revenue streams:** Build on compliance nature markets, such as the BNG scheme, to create new revenue streams outside of carbon markets. To ensure the success of the BNG scheme and other compliance nature markets, **robust criteria are needed to define what constitutes a "high-quality, high-integrity" project**, as is adequate resourcing to local authorities and forestry commissions. • **Demand side – improving carbon price signals for high-integrity nature restoration projects:** (i) As is being considered in other jurisdictions, such as the EU and New Zealand, **consider the inclusion of high-integrity native woodland creation projects under the UK ETS up to a particular cap**, having regard to compatibility with the EU ETS and the offsetting requirements of different sectors. The inclusion of these projects should be done in a way that does not dilute the price signal under the UK ETS for long-term engineered removal solutions likely to be needed to address long-term residual emissions in sectors like aviation.[242] (ii) Build on the agreement between the European Commission and UK government to link the UK and EU ETS to create a larger and more liquid carbon market with less volatility and potentially a more stable carbon price. It will be important to give the private sector, including investors, visibility on a clear timetable for the linkage. We also note that the EU is considering including GGRs within the scope of the EU ETS. Cooperation between the UK and the EU on this issue would ensure alignment in the approach and provide more long-term certainty to the market. (iii) Continue ongoing efforts to improve the integrity and governance of voluntary carbon markets. (See Theme 1 for our other recommendations on strengthening the price of carbon under the UK ETS.) • **Demand side – improving the integrity of voluntary nature markets (VNMs) and developing robust governance:** VNMs could offer an innovative route to unlocking private investment, but they must be based on high-integrity criteria and well-functioning processes, to ensure they deliver desired outcomes and have sustained demand from investors. Measures to improve their effectiveness require introducing a governance framework for voluntary nature markets in line with the UK Nature Markets Dialogue Initiative's recommendations, and endorsing high-integrity methodologies, such as those of the British Standards Institute.

Theme 4

Deploy public investment and funding to crowd in private investment most efficiently

In a challenging context for the UK's public finances, only limited public investments can be made to support the growth of the country's low-carbon economy. Support should therefore focus on sectors where market barriers persist and where public investment can be most effective in de-risking projects and crowding in private investment.

In our 2024 Roadmap, we highlighted **three categories of investment opportunities for public investment** to focus on:

(i) **First-of-a-kind projects** involving emerging-technology risk (e.g. new low-carbon industrial plants in energy-intensive sectors);

(ii) **Logistically complex projects** (e.g. the mass retrofit of homes and buildings for energy efficiency and low-carbon heat); and

(iii) **Critical infrastructure** that is either **essential to the decarbonisation of multiple sectors** (e.g. hydrogen pipelines in multi-sector industrial clusters) **or essential to the growth of low-carbon supply chains** (e.g. modernising port infrastructure to support supply chains as varied as floating offshore wind, hydrogen, low-carbon shipping fuels, etc.).

The National Wealth Fund has £5.3 billion to invest in five priority low-carbon sectors

Over the last year and through its multi-annual Spending Review in June 2025, the government has made **important public-funding and investment announcements at the sector-specific level.** It has also **created or strengthened public investment institutions**, giving them a remit to provide greater support to low-carbon projects and supply chains. It formally established the **National Wealth Fund** (NWF) – previously the UK Infrastructure Bank – **with a capitalisation of £27.8 billion**, £5.3 billion of which is to be deployed specifically towards five priority low-carbon sectors (green steel, green hydrogen, CCS, gigafactories, ports). It has also set up **a new public energy company with a capitalisation of £8.6 billion, GB Energy,** to facilitate investment in and the development of complex clean-energy projects and supply chains. And it has **increased the British Business Bank's financial capacity to £25.6 billion.** The latter aims to support small businesses and innovation in the priority sectors earmarked under the government's new Industrial Strategy, including clean energy and advanced manufacturing. See Figure 6 for a mapping of each public finance institution's remit and public investment tools against different project lifecycle stages.

These are significant sums. The next step should be to ensure timely implementation, with a focus on delivering existing commitments rapidly and in a way that most effectively crowds in private investment. In Theme 4, we outline a range of possible steps to build on recent progress. These include:

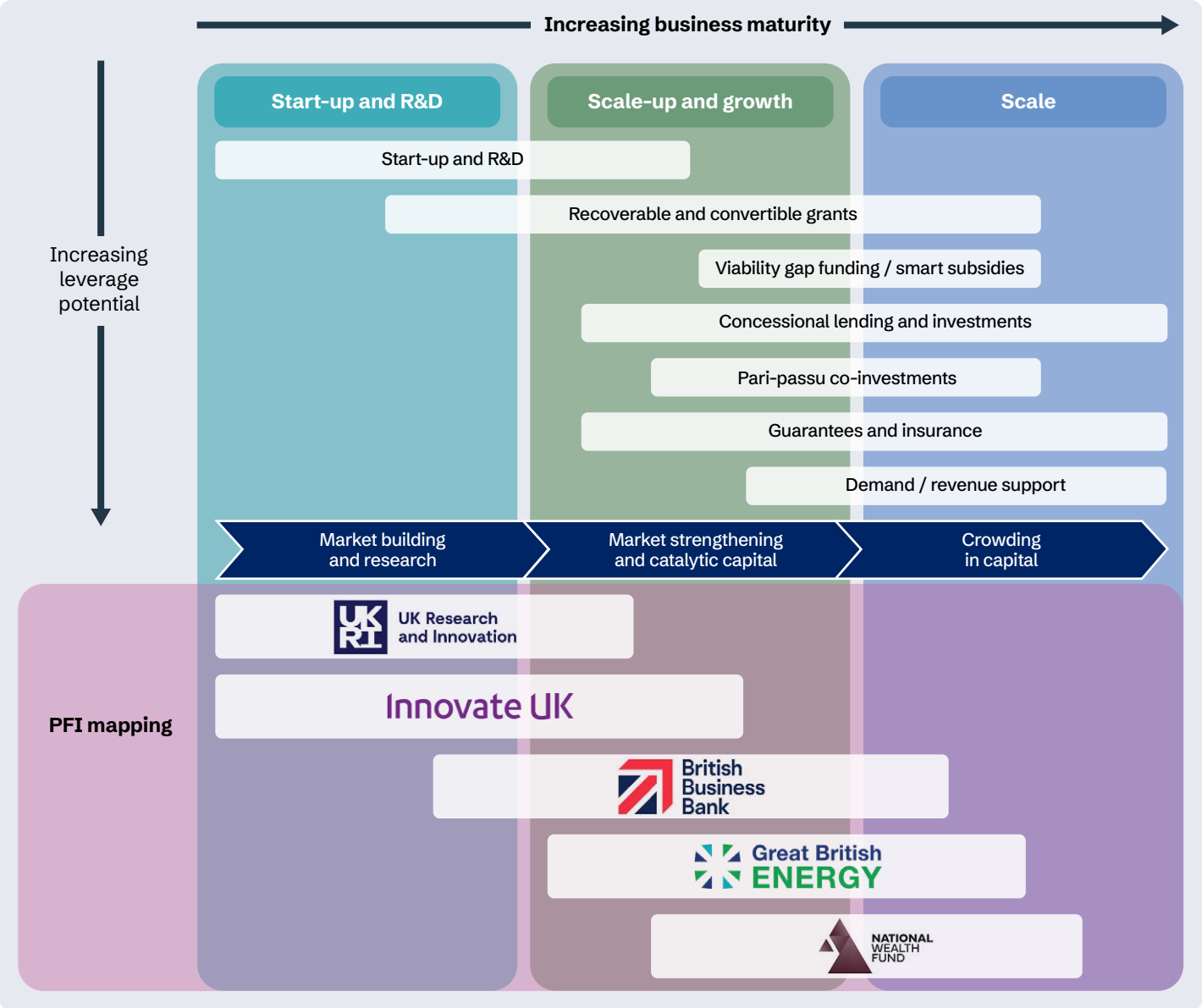
(i) Further **clarifying the respective remits of** – and interaction between – **the different public investment institutions**;

(ii) Operationalising their mandates and their blended finance tools in a way that optimises public and private co-investment. This includes **further developing approaches to enable these institutions** – and in particular the NWF – **to support higher-risk projects unlikely to be backed by private investors alone**, as well as developing **bespoke public-investment pathways for priority low-carbon sectors**, as is being done for the offshore wind supply chain; and

(iii) Efficiently **deploying committed public investment** towards projects, supply chains, and sectors where it can most effectively crowd in private investment. (We provide specific examples of these in Theme 3.)

To maximise the impact of public investment, **we also highlight that public-investment priorities must go hand in hand with the development of a broader and supportive public-policy framework** that seeks to attract long-term private investment in low-carbon projects and businesses across different sectors of the economy. (We cover many of these policies in Themes 1 to 3.)

Figure 6: A mapping of UK public-investment tools and bodies against different technology and market maturity levels



Source: "Investor Prospectus", UK Government, October 29, 2025.[243]

Issue	Recent policy developments	Key next steps and expected benefits
Delivery of public investment and funding via public investment bodies	• **Public investment bodies – overview:** The ecosystem and financial resourcing of public investment bodies has **changed significantly** over the last year, including through the establishment of new institutions, the expansion to their remits, and increased capital provision. **The 2025 Spending Review outlined that the overall capacity of public investment bodies has been increased by around 40 per cent for the course of this Parliament (out to 2029), to £137 billion.**[244] • **National Wealth Fund (NWF):** The NWF has replaced the UK Infrastructure Bank as the country's main policy bank. As set out in the Statement of Strategic Priorities from HM Treasury, it is expected to deliver against **a "triple bottom line"**: helping deliver the government's growth and clean-energy missions, generating a return for the taxpayer, and crowding in private investment. This is then cascaded down into **four investment principles** used to assess its transactions. Its economic capital limit was also increased in March 2025 to allow it to take on greater risk and provide more support to projects that cannot access private finance. The NWF is expected to publish its Strategic Plan in early 2026.[245,246] • In addition to a separate debt facility to support the construction of Sizewell C nuclear plant (of up to £36.6 billion), the NWF has **a total of £27.8 billion in capitalisation to crowd in private investment, split between £17.8 billion for debt and equity investments and £10 billion in guarantees**. The NWF is expected to prioritise investment in clean energy, digital and technologies, advanced manufacturing, and transport. As part of this, it is also expected to allocate **at least £5.8 billion to green hydrogen, carbon capture, ports, gigafactories, and steel sub-sectors**. In its first year, the NWF deployed **£3.6 billion of capital to 22 projects**, some of which are set out below (see "First-of-a-kind projects").[247,248,249] • The NWF has **several tools at its disposal to crowd in private investment**. These include: (i) debt across the capital structure, (ii) sovereign-equivalent financial guarantees (including credit substitution and first loss), and (iii) ordinary and preferred equity investments (with a focus on earlier-stage projects and technologies).[250] • **Great British Energy (GB Energy):** GB Energy is a new publicly-owned, operationally independent energy company. The government recently set out GB Energy's strategic priorities to both drive clean energy deployment across the UK and unlock its benefits for communities and workers. **GB Energy will operate as a developer, investor and owner**. It will actively support clean-energy generation and storage projects across the technology spectrum – with a focus on emerging technologies (such as floating offshore wind). It will also support the growth of domestic clean-energy supply chains (such as subsea cabling). This may involve grants or loans to support projects in their earliest stages to attract investment from the private sector or the NWF, and equity partnerships or joint ventures for more mature projects. GB Energy is expected to publish its Strategic Plan in March 2026.[251] • **GB Energy is backed by up to £8.3 billion in capitalisation over the next four years.** That will allow it to allocate £1 billion to a Clean Energy Supply Chain Fund and £2.5 billion to enable the SMR programme through Great British Energy – Nuclear.[252] • **British Business Bank** (BBB): The 2025 Spending Review **increased the capacity of the BBB by £10.3 billion**, putting its total capacity at £25.6 billion. This includes **£4 billion in the British Business Bank Industrial Strategy Growth Capital programme** to back small businesses and innovation across the eight growth-driving sectors, including clean energy and advanced manufacturing.[253] This will include enhanced direct investment programmes with increased ticket sizes, building on previous investments such as the one in Tokamak Energy in 2024.[254]	• **Overall ecosystem:** Following recent changes and capitalisation increases of public investment bodies, a number of measures would help private investors better understand how to work with these institutions. • **Mapping of the public-investment landscape:** As called for by TheCityUK and Aldersgate Group, build on HM Treasury's initial mapping of public-investment bodies (March 2025) to provide **additional clarity and examples to investors on the different roles, sector priorities, financing tools, co-investment criteria, ticket sizes and risk appetites of each institution** and map their suitability for different types of low-carbon projects. Such mapping could pave the way to develop **bespoke public-investment pathways for priority low-carbon sectors**, as is being done for the offshore wind supply chain.[255,256] • Carefully monitor how the risk appetites of different public-investment bodies complement each other in practice as a coherent offering for different projects and technology-readiness levels. **Continue to iterate an approach to risk across the ecosystem that effectively crowds in private investment for complex and high-risk projects.** • This mapping should include the role of public-investment bodies operating in Devolved Administrations (e.g. Scottish National Investment Bank). It could be done in collaboration with the Strategic Public Investment Forum and the OFI and be reflected in the upcoming Strategic Plans expected from the NWF and GB Energy in 2026. • **Targeting public investment towards key priorities:** Effectively use the Strategic Public Investment Forum to help direct public investment where it is most needed to crowd in private investment. **Careful coordination will be important for sectors that are in scope for more than one public-investment body.** For example, the NWF and GB Energy should work closely to ensure efficient public investment deployment for first-of-a-kind clean-energy projects in areas such as floating offshore wind, hydrogen and CCS. • **Identifying and relaying barriers to investment:** Use the Strategic Public Investment Forum (with input from the OFI) to proactively identify sector-specific and cross-cutting barriers to investment in low-carbon projects and relay these **insights back to the government** to inform policy decisions.[257] • **NWF:** Building on its growing investment activities, support the NWF in developing approaches to crowd in private investment at a greater pace and scale: (i) **Approach to risk:** Building on the Statement of Strategic Priorities, **clarify risk appetite** at both the institutional and sectoral level, and explain **how it differs from risk appetite in the commercial market**. A focus on supporting higher-risk projects unlikely to be financed through private sources alone will help maximise the effectiveness of the NWF's capital and crowd in private capital. The NWF's approach to risk **could build on the precedent set by the Green Investment Bank (GIB)** when it co-invested in Dong Energy's Westermost Rough offshore windfarm in the early 2010s. The project commercially deployed novel 6MW turbines in the UK for the first time. The GIB's 25 per cent stake crowded in private investment in the project. It also encouraged the use of these new turbines in other privately financed projects.[258] The development of a more ambitious approach to risk could be complemented by an additional mechanism, as put forward by the Investment Association (IA), to enable the NWF to transfer investments to private investors if it is later assessed that a project can progress with private financing alone.[259,260]

Issue	Recent policy developments	Key next steps and expected benefits
Delivery of public investment and funding via public investment bodies *(continued)*	• **Innovation funding**: Increases in innovation funding – including through **Innovate UK** and **UK Research and Innovation** (UKRI) – have also been provided to support the Industrial Strategy. For example, UKRI's Sustainable Industrial Futures programme will continue to benefit from £20 million over seven years, to enable the transition of UK industrial manufacturing processes to net zero. **The Industrial Strategy has committed up to £2.8 billion in research and development funding for the advanced-manufacturing sector**.[261,262] • **Office for Investment (OFI)**: The role of the OFI has been enhanced, to deliver **a single, streamlined concierge service for investors**, to unlock greater investment in support of the Industrial Strategy. The OFI will help the most strategically important investors navigate the public finance institution landscape. It will also partner with local authorities to help develop investible opportunities across all regions of the UK, particularly in the North.[263,264] • **Coordination**: Work to improve coordination across the public-finance ecosystem is underway. The **UK Strategic Public Investment Forum** was set up in March 2025 to bring together the CEOs of the NWF, BBB, UK Export Finance, Homes England, Innovate UK, GB Energy and the Crown Estate. This seeks to ensure public-investment bodies are working together effectively to deploy public investment – and crowd in private investment – in priority sectors. It also aims to improve clarity on the purpose of each institution and the types of projects and stages of technological maturity where their capital can be most suitable.[265] • Public-investment bodies are also developing partnerships to deliver shared objectives. For example, the strategic priorities set by the government for both GB Energy and the NWF outline an expectation for the bodies to jointly develop an end-to-end offer for clean-energy projects and clearly communicate to the market. A broader partnership between GB Energy, NWF, the Crown Estate, and the Scottish and Welsh national public-investment bodies also aims to **develop an integrated public-finance ecosystem to accelerate the development of offshore wind supply chains**.[266,267] • **Broader investment / funding commitments:** Beyond – and in some cases overlapping with – the changes to the public-finance institution landscape, a number of standalone investment and funding commitments have been announced, some examples of which are set out in the rest of this table.	(ii) **Communication with investors:** Continue to **improve the process for private investors to approach the NWF** about specific opportunities or to indicate interest in future opportunities. This will help build a network of investors to connect with when the NWF is considering specific investment opportunities.
First-of-a-kind projects: energy and industry	• **Mandate of the public-investment bodies:** Over 2024/25, policymakers have increasingly recognised the role public investment can play in de-risking first-of-a-kind low-carbon projects. This has been reflected in the four core investment principles underpinning the NWF's Statement of Strategic Priorities (such as the capital-intensive projects and additionality principles) and the priority sectors set out for the NWF (including green hydrogen and CCS) and GB Energy (Small Modular Reactors, floating offshore wind etc). • **A growing pipeline of public investment in first-of-a-kind low-carbon projects:** Several first-of-a-kind and early-stage technologies and projects have benefitted from public funding or investment support over the last year, either through the government or its public-investment bodies. Examples include: (i) A **£500 million grant** to support Tata Steel's installation of a new electric arc furnace at the Port Talbot steelworks, with 5,000 jobs secured as part of the agreement.[268] (ii) A **£2.5 billion programme** to support the development of SMRs, delivered through GB Energy – Nuclear, and a further **£2.5 billion** to support the development of the nuclear fusion sector.[269]	• **Unlock earmarked public-investment support to first-of-a-kind projects:** Work closely with the NWF, GB Energy and other public investment bodies to deploy public co-investment in first-of-a-kind projects such as low-carbon industrial plants in energy-intensive sectors. This will help support the commercialisation and private financing of similar projects in the future. • **Early-stage innovation funding and investment:** Work closely with UKRI, the BBB, and other public-investment bodies to deploy public funding and co-investment in early-stage technologies and innovation in low-carbon sectors, such as floating offshore wind.

Issue	Recent policy developments	Key next steps and expected benefits
First-of-a-kind projects: energy and industry *(continued)*	(iii) A **£28.6 million equity investment by the NWF in Peak Cluster Limited**, which will develop a CO_2 transport pipeline to transport carbon emissions from cement and lime manufacturing processes in Derbyshire and Staffordshire.[270] (iv) A **£272 million financial guarantee** from the NWF and UK Export Finance to unlock £1 billion of private investment in a gigafactory in Sunderland.[271]	
Logistically complex projects (e.g. energy efficiency and low-carbon heat in all UK buildings)	• **Social-housing retrofit:** The NWF has announced support for several large-scale energy-efficiency and low-carbon-heat retrofit programmes in social housing across the UK. **The NWF is providing a total of £1.3 billion in financial guarantees**, including £400 million to NatWest, £350 million to Barclays, £400 million to Lloyds Banking Group and £150 million to The Housing Finance Corporation. **This will enable a total of £1.65 billion of lending from the private sector in social housing retrofit**.[272] • There do not appear to be similar schemes to support private lenders in providing preferential loans to other parts of the housing market such as the "able to pay" / homeowner-occupier market, or to aggregate financing requirements for energy-efficiency retrofits in these other parts of the housing market. (See recommendations in Theme 3.)	• **Developing aggregation mechanisms to connect institutional investors with a growing range of small, low-carbon projects:** Building on the NWF's use of financial guarantees to unlock finance for social-housing retrofit, develop and roll out further aggregation mechanisms – such as through a new range of funds – that enable institutional investors to invest in retrofits across the UK's housing stock (including able-to-pay homes). A similar call has been made by the Aldersgate Group and UKSIF. This approach could also help broaden the pool of capital available for other sectors with smaller ticket-size opportunities, such as the mass installation of electric vehicle charging points and small-scale nature-restoration projects.[273,274] • **Low-interest finance for energy-efficiency improvements:** Work with the NWF to further improve the availability of low-interest finance for "able to pay" / homeowner-occupiers, to fund energy-efficiency improvements. As suggested by UK Finance, the latter could include the NWF providing guarantees to private lenders to reduce lenders' perception of risks, enabling cheaper rates of borrowing for households.[275] (See recommendations in Theme 3.) • **Heat networks:** In light of the important upfront cost of rolling out and connecting heat networks to buildings, consider developing upfront funding, investment and low-cost finance options to support developers with initial development costs, and consumers with the initial charges to connect to these networks. To deliver cost-effective investment in heat networks, public-investment support should be carefully coordinated with the development of a broader policy framework that clearly identifies priority zones and connection arrangements for heat-network deployment, and provides predictable revenue streams that can deliver an appropriate level of risk-adjusted returns.
Critical infrastructure for cross-sector decarbonisation and supply-chain growth	• **Industrial decarbonisation:** The government and/or its public-investment bodies have made a number of commitments to support the development of critical infrastructure and supply chains that are key to reduce emissions across several sectors of the wider economy: (i) The government announced **£21.7 billion over the next 25 years to support the rollout of CCUS and low-carbon hydrogen infrastructure** in two industrial clusters. One quarter of this support will be publicly funded, and three quarters will come from consumer levies.[276,277] (ii) The government has committed over **£500 million to support hydrogen infrastructure** by developing the UK's first regional hydrogen transport and storage network.[278] (iii) Green hydrogen and carbon capture are also among the five sectors that will benefit from £5.8 billion of investment from the NWF. The recent £28.6 million equity investment into the Peak Cluster CO_2 transport pipeline for the cement industry is a good example.[279]	• **Deploying earmarked investment in critical, cross-economy infrastructure, with a focus on value for money:** Deploy the public funding and investment already earmarked to support critical infrastructure that will be relied on by several sectors (e.g. electrification, hydrogen and CCS infrastructure in industrial clusters involving cement, chemicals, steel and glass industries). However, as highlighted in a report from the House of Commons Public Accounts Committee (PAC), **the delivery of public investment in areas such as CCUS in industrial clusters should be carefully targeted to those areas where CCUS is the most viable decarbonisation option** (such as industrial processes in the cement sector) **and can be most effective at unlocking private investment**.[280] • **Deploy targeted investment to supply the growth of low-carbon supply chains:** Deploy the public funding and investment already earmarked to support the growth of UK-based low-carbon supply chains, including in underpinning infrastructure such as ports that are key for the expansion of supply chains like floating offshore wind and sustainable shipping fuels.

Issue	Recent policy developments	Key next steps and expected benefits
Critical infrastructure for cross-sector decarbonisation and supply-chain growth *(continued)*	• **Low-carbon supply chains:** A number of targeted interventions aim to invest in enabling infrastructure for low-carbon supply chains: (i) Gigafactories and ports are included in the five sectors that will benefit from £5.8 billion of support from the NWF. This will help grow supply chains for the electric-vehicle and floating offshore wind sectors respectively. Investment in this area has begun to be deployed, with a £272 million financial guarantee from NWF and UK Export Finance to support a gigafactory in Sunderland. **The 2024 Autumn Budget also committed £2 billion over five years to support zero-emission-vehicle manufacturing** and its underpinning supply chains.[281,282] (ii) The Industrial Strategy announced a **£1 billion Clean Energy Supply Chain Fund**, to be delivered by GB Energy. This fund aims to help grow UK supply chains in support of the government's clean-power goal. The fund includes £300 million set aside to provide grant funding for the manufacturing of offshore-wind components.[283,284] (iii) A £55 million government grant to the Port of Cromarty Firth aims to make it the first port able to build floating offshore wind turbines on site and at scale.[285]	• **Ensure a coordinated approach between public investment in supply chains and broader policy priorities on skills:** The deployment of public investment should be delivered in a strategic way to work effectively alongside wider initiatives. This includes: (i) **Clean-energy supply chains:** Deliver GB Energy's £1 billion Clean Energy Supply Chain Fund in a coordinated way with the Clean Industry Bonus (CIB), to create a streamlined package for investors and developers that supports the growth of the offshore-wind supply chain. The CIB offered AR7 bidders top-up payments to cover the difference between investing in manufacturing or installation capacity in deprived areas in the UK, compared to supply chains in non-deprived areas. **The disbursement of the Clean Energy Supply Chain Fund should therefore proactively focus on unlocking investment and co-investment opportunities for the private sector that will be eligible for the CIB.**[286] (ii) **Clean energy skills:** Ensure careful policy coordination between the delivery of public investment and the skill policy programmes being developed through Skills England, the Office for Clean Energy Jobs and the Industrial Strategy. The availability of a well-qualified workforce will increase the attractiveness of UK low-carbon supply chains for private investors.

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