

MANIFESTO COMMITMENTS: POTENTIAL IMPACT ON UK ENERGY AND INFRASTRUCTURE



ENERGY TRANSITION
Part of the Horizon Scanning series

The UK General Election on 4 July 2024 takes place in the broader context of heightened geopolitical tensions and inflationary pressures, with energy security, net zero targets, and economic growth remaining key concerns on both the national and international stage. The next government will need to take significant decisions in relation to the UK's energy and infrastructure sectors, leveraging private investment, to ensure the UK remains competitive in the face of these challenges.



Hywel Davies
Partner



Mike Corbett
Partner



Isabel Taylor
Partner



James Cook
Partner



Alex Dustan
Partner



Philippa Harris
Associate



Aaron Wu
Senior PSL



Kathryn Emmett
PSL Counsel



Lisa Sabbage
Knowledge & Information Officer

With thanks to Demosthenes Caldis and Adam Wilkinson-Hill for their contributions.

INTRODUCTION

Following publication of party manifestos, each political party has now set out the actions it wishes to take if it were to win the election. In UK politics, manifesto commitments also have a special status: by convention, the House of Lords should not reject at second reading any government legislation that carries out a manifesto commitment and has been passed by

the House of Commons. But, with a number of important decisions needed imminently, the winning party will need to ensure that manifesto commitments are delivered without causing a hiatus in projects and investment.

In this context, we examine what the [Conservative party](#) and [Labour party](#) manifestos could mean for UK energy and infrastructure. We have not considered non-manifesto policies for this article or policies put

forward in other party manifestos. These include, for example: the Liberal Democrat commitment to electrify all railway lines by 2030 and replace Ofwat with a new Clean Water Authority; the Green party's pledge to nationalise water, retail energy companies, and railways; the SNP's plans to promote renewables, low carbon hydrogen and CCUS in Scotland, as well as its demand for devolution of powers over energy regulation and production; and Reform UK's proposals to fast-track fracking and North Sea oil and gas licences, abolish renewable energy subsidies and net zero targets, whilst also scrapping HS2 and part-nationalising Britain's utilities. However, these may come into sharper focus should the formation of a coalition government be required.

OVERARCHING COMMITMENTS

The Labour party manifesto sees energy and infrastructure as one of the drivers for the UK economy. A cornerstone of its policy will be the development of an Industrial Strategy and, aligned with it, a ten-year infrastructure strategy. The infrastructure strategy is intended to “guide investment plans and give the private sector certainty about the project pipeline”. Alongside this, Labour proposes to create a new National Infrastructure and Service Transformation Authority, bringing together existing bodies, “to set strategic infrastructure priorities and oversee the design, scope, and delivery of projects”.

Both parties highlight planning reforms in order to speed up decisions for major infrastructure projects. The Conservative party manifesto also highlights the need to consider the funding requirement to reach net zero. With significant public sector funding required for UK infrastructure, estimated by the National Infrastructure Commission to total £30 billion each year in the 2030s and 2040s, the next administration will face the challenge of ensuring the public understands the costs and benefits of this investment.

ENERGY MARKETS AND ENERGY INFRASTRUCTURE

Both the Labour and Conservative manifestos highlight actions across energy markets, energy infrastructure, and energy efficiency. Consumer energy bills are an area of focus for both parties, with both committing to reduce standing charges. Labour emphasises that its plans for Great British Energy (see further below) will help deliver lower bills. The Conservative manifesto highlights a number of policies aimed at reducing bills including a commitment to “cut the cost of net zero for consumers by taking a more pragmatic approach, guaranteeing no new green levies or charges while accelerating the roll out of renewables”.

Both parties highlight the need to take action to develop electricity grid infrastructure and cut the time-frames required to connect to the grid.

RENEWABLES

Renewable and low carbon energy is a headline issue for the Labour party, which has pledged to make the UK a “clean energy superpower”. If elected, it intends to decarbonise the power system by 2030, working with the private sector to double onshore wind production, triple solar power, and quadruple offshore wind. A key commitment is the establishment of Great British Energy (**GB Energy**), a publicly owned company to be headquartered in Scotland. It is envisaged that GB Energy would partner with industry and trade unions to deliver clean power by co-investing in leading technologies. GB Energy will receive £1.7 bn from the windfall tax on oil and gas as well as additional borrowing, within an overall capitalisation of £8.3bn.

Whilst the Conservative party manifesto provides less detail on renewables, it does include a pledge to treble offshore wind capacity in the next Parliament. It also restates a commitment to several existing policies for such as support for solar power “in the right places”, such as on brownfield sites and rooftops (rather than agricultural land). The manifesto also increases funding to £1.1bn for the Green Industries Growth Accelerator to support renewable and energy transition supply chains.

CARBON CAPTURE, USAGE AND STORAGE (CCUS), AND HYDROGEN

As noted in our recent blog [here](#), the election falls at a key moment for the UK's nascent CCUS industry with the first projects gearing up to take their final investment decision in the autumn. The Conservative party policy on CCUS outlined in its manifesto appears to be largely a continuation of its existing policy. The party pledges in the next Parliament to “build the first two carbon capture and storage clusters [...] and progress the second tranche of projects in Aberdeenshire and the Humber.” Labour's commitments on CCUS are less firm but there are pledges to “invest in carbon capture and storage” and to provide “£1 billion to accelerate the deployment of carbon capture” in the next Parliament from a newly established National Wealth Fund to leverage private investment. In relation to low carbon hydrogen, the Labour party makes a pledge to support investment in the sector, with £500 million earmarked for the manufacturing of green hydrogen through the National Wealth Fund.

CARBON MARKETS AND CARBON BORDER TAXES

The Conservative manifesto restates the party's commitment to introduce a UK carbon border adjustment mechanism (**UK CBAM**) by 2027 (please see our detailed commentary [here](#)). Labour's manifesto also supports the introduction of a UK CBAM, acknowledging that an import tariff on carbon-intensive goods would protect British industries from overseas competition where carbon intensive production is less regulated. However, UK industry, as well as importers to the UK will be seeking further detail regarding the implementation of a UK CBAM, including whether Labour would depart from the proposals set out in the 21 March 2024 CBAM consultation paper (for example, through an accelerated timetable, closer alignment with the EU CBAM or an increase in the types of in-scope goods).

Neither party makes mention of the UK Emissions Trading Scheme (**UK ETS**) or the reforms to the scheme proposed by the UK and devolved governments in 2023 (see [here](#)), such as the accelerated phase out of free allowances or expanding the scope of the UK ETS coverage to maritime and/or waste sectors. There is also no express mention of any voluntary carbon and nature markets in either manifesto, suggesting that a consultation on high integrity voluntary carbon and nature markets previously envisaged by the current government may be further delayed.

NUCLEAR

Both parties agree on nuclear power's fundamental role in decarbonising the UK's electricity sector. They also identify the potential of new nuclear power stations—such as Sizewell C nuclear project and Small Modular Reactors (**SMRs**)—to bolster the UK's energy security and create highly-skilled employment opportunities. The Conservative party pledges to approve two new SMR fleets within the first 100 days of the next Parliament and to deliver a new gigawatt power plant at Wylfa in North Wales during the next Parliament. The Labour party manifesto pledges that, if elected, a Labour government would “extend the lifetime of existing plants”, and oversee the completion of Hinkley Point C. The party also comments that “new nuclear power stations, such as Sizewell C, and [SMRs], will play an important role in helping the UK achieve energy security and clean power while securing thousands of good, skilled jobs”.

NORTH SEA TRANSITION

The North Sea features in both Labour and Conservative party manifestos, however there are key differences in the Conservative and Labour approach to North Sea oil and gas production. The Conservative party restates its intention to legislate for mandatory annual oil and gas licensing rounds. By contrast, Labour would not issue new licences if elected - although it would honour existing licences and work with business and workers to

“manage our existing fields for the entirety of their lifespan” and “ensure a phased and responsible transition in the North Sea”.

Regarding the Energy Profits Levy (often referred to as the windfall tax) on oil and gas companies, the Conservative party intends to retain the levy at its current rate of 35%—and the total headline rate of tax on oil and gas profits to 75%—until 2028-29, and to maintain the current investment allowance regime (for further details, please see our Tax and Energy Sector briefing [here](#)). By contrast, Labour has pledged in their manifesto to increase the Levy to 38%—bringing the headline rate to 78%—and remove investment allowances, channelling the proceeds through a range of instruments to support new energy technologies (including via its proposed National Wealth Fund and GB Energy).

TRANSPORT INFRASTRUCTURE AND FUELS

Although both major parties recognise the urgency of reforming the regulatory and investment environment for the UK transport infrastructure sector, they differ on the level of regulatory intervention and public funding required for its delivery.

Rail

The Conservative party restates its intention to progress the Rail Reform Bill (paused with the announcement of the General Election). The Bill establishes a new Integrated Rail Body (also known as Great British Railways (**GBR**)) as both the franchising authority and infrastructure manager for the rail network. The Labour Party supports GBR's creation but envisages that GBR would progressively bring railways into public ownership. More specifically, under Labour's rail reform plan, GBR would inherit existing contracts currently held by private train operators either as they expire, or if breached by operators “who fail to deliver for passengers”. Under its GBR plan, therefore, “track and train will be brought together”, enabling unified railway cost and revenue decisions on an industry-wide basis. Labour would also create a new rail passenger watchdog, focused on driving up standards.

Roads

The Conservative manifesto indicates the party's intention to invest £8.4 billion to upgrade and resurface roads, with a further £1 billion to support new bus routes. Labour is also planning to maintain and renew road networks, with a view to improving safety and reducing congestion, and to provide new powers for local leaders to franchise local bus services.

In relation to electric vehicles and charging infrastructure, the Conservative manifesto commits to deliver the party's Zero Emission Vehicle Mandate (**ZEVM**), which (although not defined in the document), is understood to be the existing policy aim that all new

cars and vans be zero emission by 2035. It also pledges to roll out nationwide charging infrastructure. A Labour government would also implement measures to accelerate the roll out of electric vehicle charge points but commits to restore the ZEVMS original 2030 phase-out date (pushed back to 2035 by the government in 2023).

Ports

The Conservative manifesto emphasises the government's existing funding for port upgrades. It pledges to expand the number of freeports, building on the 12 existing sites, which are reported to have generated around £3 billion to date. The Labour manifesto notes that ports will have a key role to play in helping the UK become a "clean energy superpower". It has pledged to channel £1.8bn in direct public investment—through the National Wealth Fund—to upgrade ports around the country, including to bolster the deployment of renewable technologies, such as floating offshore wind, hydrogen and CCUS.

Alternative Fuels

Although support for alternative fuels is likely to fall within both major parties' broader decarbonisation strategies, there is no explicit policy from either on how they plan to develop these, other than through express support by both parties for sustainable aviation fuels (SAF) in their manifestos.

DIGITAL AND TELECOMS INFRASTRUCTURE

Recognising that digital and telecoms infrastructure is critical in driving the UK's economic growth, both parties express support for the ongoing roll out of full gigabit and nationwide standalone 5G coverage by 2030. In its manifesto, the Conservative party also restates plans (originally articulated in Chancellor Jeremy Hunt's 2023 Autumn Statement) to invest £1.5 billion in large-scale "compute clusters", for the purposes of assembling the raw processing power necessary to fully harness the potential of artificial intelligence. The Labour manifesto also includes pledges to orient its industrial strategy to support development of the artificial intelligence sector and to remove planning barriers to new data centres.

WATER

Although light on detail, both parties outline similar priorities for the water industry in their manifestos, highlighting plans to work with Ofwat to mitigate pollution and increase monitoring of sewage leaks, fine companies for environmental offences, and to block bonuses for executives of persistent polluters. Neither party refers to concerns regarding the financial resilience of the industry.

Labour appears to take a strong position on enforcement, noting that it will "bring criminal charges against persistent law breakers", "impose automatic and severe fines for wrongdoing" and "put failing water companies under special measures to clean up our water". There is, however, no proposal in the Labour manifesto to reform Ofwat or renationalise the industry, as some commentators had anticipated. But also lacking are plans to encourage investment in water and sewage infrastructure.

By contrast, the Conservative party has pledged to reform the five-year price review process which determines how much water companies can charge customers to support new investment (the provisional decision for the current PR24 consultation for the 2025-2030 period has been delayed to after the election). The manifesto notes this reform will consider how to "move to a more localised catchment-based and outcome-focused approach, that better utilises nature-based solutions and further strengthens sanctions for water companies that fail to deliver for the public, coasts and rivers."

You can read the extended version of this briefing [here](#).

Prefer to listen? Search for "Horizon Scanning Slaughter and May" on your preferred podcast app.