

UK ENERGY AND INFRASTRUCTURE REVIEWING 2023 AND WHAT'S TO COME IN 2024

2023 delivered a raft of market and regulatory developments in the UK energy and infrastructure sectors. The UK government's [Powering Up Britain](#) package recognised the importance of energy security, alongside affordability and decarbonisation, and a [new Energy Act](#) provided a firmer legal framework for the energy transition, including for low carbon hydrogen and Carbon Capture, Utilisation, and Storage (CCUS). There was also considerable scrutiny of UK infrastructure as water and rail networks came under the spotlight, but opportunities for investment also emerged in the UK's power networks, digital infrastructure and ports.

With macro-economic challenges expected to continue into 2024, securing the investment needed to reshape the UK economy for a decarbonised, digitised future will be a priority. Continued pressure on household budgets means that careful stewardship will be needed to ensure the green agenda is not cast as a wedge issue in the upcoming general election. In this article, we consider what's to come for the UK energy and infrastructure sector in 2024.

5 key points to watch in 2024:

- An important milestone will be the award of licences and financial support to the UK's first CO₂ networks and carbon capture projects, including CCS-enabled power, hydrogen, industrial and waste management plants.
- Allocation rounds will open to support the development of hydrogen transport and storage infrastructure, and further analysis will be undertaken on the requirements for a core hydrogen network.
- It is hoped that the results of contracts for difference allocation round 6 and of the Crown Estate's floating wind Leasing Round 5 will revitalise the UK offshore wind market.
- The award of contracts for small modular reactors, Sizewell C reaching FID, and the development of plans for a further large-scale nuclear power project will give further impetus to nuclear power.
- With significant regulatory reform programmes underway, how Ofgem interprets its duties and exercises its powers will be crucial in 2024. Combined with the outcome of the Review of Electricity Market Arrangements initiative, 2024 has the potential to be transformative for the British energy market.

1. Regulating the Regulators

Regulators came under the spotlight in 2023. Notably the energy regulator, Ofgem, took on responsibility for carbon dioxide transportation and storage (CO₂ T&S), and heat networks following the entry into force of the Energy Act 2023. Alongside this expanded remit, we saw increased scrutiny of how Ofgem's powers are exercised resulting in the inclusion of an express duty to consider the net zero target and interim carbon budgets in its decision-making also introduced via the Energy Act 2023.

This trend is set to continue in 2024 with the decision, announced in the 2023 [Autumn Statement](#), to extend the duty to promote "sustainable economic growth" under the Deregulation Act 2015 to the energy, water, and telecoms regulators. The [Growth Duty](#) already applies to certain non-economic regulators such as the Office of Rail and Road, but is now being extended to

Ofgem, Ofwat and Ofcom. Guidance, subject to consultation, is expected to clarify how regulators take growth into account when setting policy and making decisions affecting the market, striking "the right balance" with other considerations such as net zero objectives. Pending consultation outcomes, the government aims to update the relevant statutory guidance by April 2024. With the expansion of regulated sectors to encompass third-party data centres under consideration (see further below), how regulators exercise their powers will be increasingly relevant to the UK's energy and infrastructure sectors.

2. Energy Markets

Following the energy crisis and the collapse of a number of British domestic energy suppliers in 2021/2022, the financial resilience of the energy retail market is likely to remain a key focus for Ofgem. 2024 will see the practical application of a new supervisory

approach [adopted](#) by the regulator to monitor the sector which, combined with reforms such as new powers to direct suppliers to ringfence a portion of customer credit balances and new minimum capital requirements for domestic suppliers, are intended to enhance resilience of the sector. The changes, however, prompted an [appeal](#) by Utilita Energy Limited to the Competition and Markets Authority of Ofgem's decision to introduce common minimum capital requirements which is set to be finally determined in January 2024.

The reform of the retail energy market and wholesale electricity market are a priority for the government as it seeks to achieve net zero targets, protect consumers and boost investment. Whilst the government [agrees](#) with industry stakeholders that current market arrangements are unlikely to deliver a net zero energy system, its promised consultation on innovation in the retail market and the second consultation on Review of Electricity Market Arrangements (**REMA**) failed to materialise. The publication of the 10-year review of the Electricity Capacity Market Scheme is expected by the summer, setting out the government's view on a range of [recommendations](#) to "strengthen the efficacy of the scheme's impact on investment". These include changes to the auction design to incentivise low carbon and carbon enabling capacity. In addition, the government is consulting on a cap and floor mechanism to encourage investment in [long duration electricity storage](#), having concluded that the sector "may struggle to deploy at scale as things stand" under existing market frameworks.

3. Renewables

Renewable energy - and offshore wind power in particular - sits at the heart of the government's ambition to fully decarbonise the UK electricity system by 2035. However, in 2023 rising costs and supply chain constraints posed challenges for project developers and policy-makers alike. This was evidenced in the results of the UK's [fifth allocation round \(AR5\)](#) for contracts for difference (**CfDs**) which attracted no contracts to fixed-bottom or floating offshore wind amid industry concerns that the CfD auction ceiling prices, administrative strike prices (**ASPs**), were set too low for projects to be economically viable (for details, please see [here](#)). The government has responded by increasing ASPs for all renewable energy categories in [AR6](#) which is due to open in March 2024. Increases in the ASPs of 66% and 52% were announced for fixed and floating offshore wind respectively, and fixed-bottom offshore wind will move back into a separate auction. With the final budget for AR6 expected to be announced in March, many hope 2024 will bring

brighter prospects for UK offshore wind. Looking longer-term, reforms to the CfD scheme may see the introduction of [Sustainable Industry Rewards \(SIR\)](#) (formerly non-price factors) from AR7 onwards, which could mean offshore wind bids will not just be assessed on price, but also on how much a project delivers on factors such as the economic, environmental and social sustainability of the supply chain (please see our blog [here](#) for further details).

It is hoped that the next 12 months will also be positive for floating offshore wind, with a new, "game-changing" Crown Estate Offshore Wind [Leasing Round 5](#) seeking to procure 4.5 GW of floating offshore wind in the Celtic Sea expected to open in early 2024. With potential for 12 GW to be developed in the Celtic Sea, there is likely to be strong interest in sites.

The coming year may also see renewed activity in onshore wind. Having finally [lifted](#) its de facto ban on projects in England, the government has [updated](#) the National Planning Policy Framework to make it easier to develop installations demonstrating a high level of community support. During 2024, it should become clear whether these modest changes will be sufficient to unlock significant new onshore developments.

4. Nuclear

The government recently published a new [nuclear roadmap \(Roadmap\)](#) which signals the 'biggest expansion of nuclear power for 70 years' and includes further detail on how the government intends to deliver its ambitious target to increase nuclear power capacity to 24 GW by 2050 - 25% of the country's projected electricity demand. The government's plans include exploring a new large-scale reactor project (beyond Sizewell C) alongside small modular reactors (**SMRs**) and the investment of up to £300 million in UK production of 'HALEU', the fuel used to power high-tech reactors (currently only produced by Russia on a commercial scale). The Roadmap also includes an aim of securing 3-7 GW of investment decisions on new nuclear projects every 5 years from 2030 to 2044 and plans to streamline regulations to reduce the timescales for the development of new nuclear projects. The government has published, together with the Roadmap, consultations on a new approach to siting future nuclear power stations and alternative routes to market for advanced nuclear technologies.

2023 saw the establishment of a new public body, [Great British Nuclear \(GBN\)](#), with a mandate to de-risk new nuclear development by co-funding projects at an early stage. The Roadmap indicates that in future GBN's functions will include supporting the delivery of

the government's nuclear programme and performing an expert advisory role. However GBN's initial priority however is SMRs; it [selected six companies](#) to take forward in a competition for financial support to deliver operational SMRs by the mid-2030s, with contracts expected to be awarded by summer 2024. We also expect the publication of findings of the Parliamentary [Environmental Audit Committee](#) into the role of SMRs, including value for money and whether existing financial models, such as CfD and regulated asset base (RAB) models, are effective in facilitating private financing for the sector.

Large-scale nuclear plants are seen as vital to the UK's future energy mix. The funding of the Sizewell C nuclear facility remains a central pillar of the government's energy security and decarbonisation agenda. In 2024, appetite for investment in the project will be tested following a call for [expressions of interest for private investment](#). In parallel, the outcome of a [consultation](#) on modifications to Sizewell C Limited's generation licence will be a significant step towards establishing the regulated asset base model for the project pursuant to the Nuclear Energy (Financing) Act 2022. Separately, the impact of inflationary pressures has also been evident in the nuclear power sector. In relation to the construction of the UK's first new-build nuclear power plant in over 20 years, [EDF group disclosed](#) that the estimated costs of building the Hinkley Point C plant have risen to at least £32.7 billion from previous estimates of £26 billion (but were unchanged in 2015 prices).

The government is also looking to boost the development and commercial viability of fusion energy technologies, updating its [Fusion Strategy](#) and launching a [£650 million funding package](#) to support industry research and development in 2023. In addition, it is progressing with plans to build a [prototype fusion energy plant](#) in Nottinghamshire.

5. CCUS

The announcement of a £20 billion funding envelope for CCUS and the enactment of the Energy Act were important milestones in 2023 in the establishment of CCUS and CO2 T&S networks in the UK, providing the legislative underpinning for the network economic licencing regime, and assuring government funding for initial networks and the first eight capture projects. The end of the year also heralded significant [announcements](#) including the agreement of head of terms with the Northern Endurance Partnership (NEP), owner and operator of the East Coast Cluster CO2 T&S network, one of the two "Track-1" clusters selected to be deployed. The NEP also submitted a proposed

storage appraisal plan for expansion of the network. Expressions of interest in the expansion capacity are expected to be invited in 2024 and will be relevant to emitters in the Humber and Teesside areas. This is in addition to the Track-1 expansion process for the HyNet Track-1 cluster, which also [launched](#) in December 2023 with applications due by 28 March.

Following the selection in summer 2023 of a further two Track-2 clusters, Acorn and the Viking CO2 T&S networks, there was disappointment that a process to allocate capacity to users was not launched swiftly thereafter. Instead, in its [CCUS Track 2 market update](#), the government has noted it is engaging with these clusters and will soon ask them to submit plans for an "anchor phase" of initial, pipeline-connected capture projects targeting deployment from 2028-29, and a subsequent "build-out phase" with the option for projects to use non-pipeline transport modes.

Progress in relation to business models for capture projects was also made; 2023 saw updates to the hydrogen production, industrial carbon capture (ICC) and waste ICC business models. Heads of terms for the new Greenhouse Gas Removals (GGRs) business model were also published in December, providing a 15-year CfD structure to support negative emissions projects using a variety of technology types (some of which notably do not require CCUS). There is a natural read-across to the CfD for carbon aspect of the Bioenergy with Carbon Capture and Storage (BECCS) business model and the government has indicated that it will align these to the extent possible. Further engagement on all the CCUS business models is expected in 2024 in advance of contract allocation.

Looking further ahead, the [CCUS Vision](#) sets out the government's plans for a competitive CCUS market by 2035. CO2 transport by ship, road and rail is expected to be enabled from 2025 onwards, which will also support longer-term cross-border CO2 transport solutions. Later this year the government will launch consultations on the design of an enhanced competitive allocation process for capture projects, a call for evidence on non-pipeline transportation and a review of third party access to CO2 T&S network infrastructure.

The government is also focused on capturing the economic, supply chain opportunities that CCUS presents, launching a £960 million Green Industries Growth Accelerator as part of the [Autumn Statement](#) in November 2023, with funding for a range of sectors including CCUS, hydrogen, offshore wind, electricity networks, and nuclear.

6. The Hydrogen Economy

Following a raft of publications on 14 December 2023, 2024 is set to be an important year for the UK hydrogen economy, with regulatory developments across the value chain.

Production

As 2023 drew to a close, the government made tangible progress towards its ambition for 10 GW of low carbon hydrogen production capacity by 2030 and offered Low Carbon Hydrogen Agreements (LCHAs) to 11 projects, totalling 125 MW, in the first electrolytic hydrogen allocation round (HAR1). The contracts are estimated to provide over £2 billion of revenue support once the projects become operational. In addition, over £90 million from the Net Zero Hydrogen Fund was allocated to assist electrolytic projects with capital and development expenditure.

In parallel, a second hydrogen allocation round (HAR2) has been announced with the ambition to allocate support to 875 MW of production capacity. New build and extension projects will be eligible, using electrolytic or alternative technology (namely gas splitting producing solid carbon, and gasification of biomass and waste (without CCUS)) for delivery between 31 March 2026 and 31 March 2029. In a change from HAR1, HAR2 will also assess projects against electricity system benefits, as well as economic benefits and supply chain development. LCHAs are expected to be awarded to HAR2 projects by mid-2025. It was also confirmed that HAR1 and HAR2 projects will be required to meet version 3 of the Low Carbon Hydrogen Standard, defining the emissions intensity of hydrogen eligible for support under the LCHAs.

The government is also currently negotiating the allocation of LCHAs in respect of two CCUS-enabled hydrogen production projects connecting to each of the Track-1 CO₂ T&S networks under the government's CCUS cluster sequencing programme.

Looking further ahead, the government has confirmed in its [Hydrogen Production Delivery Roadmap](#) that, subject to affordability and value for money, it intends to meet its 10 GW ambition by 2030 with:

1. up to 4 GW of CCUS-enabled hydrogen production capacity through CCUS allocation rounds for Track-1, Track-1 expansion and Track-2; and
2. up to 6 GW of electrolytic and alternative technology production capacity.

Government-led allocation rounds will be held for HAR3 and HAR4 which are expected to allocate 750 MW of production each, launching in 2025 and 2026 respectively. Thereafter, the intention, subject to further consultation, is for HAR5 to HAR7 to transition to annual auctions to be held between 2025-2030. The deployment trajectory will however be reviewed in 2025.

The roadmap also highlights the scope for innovation in the sector. For example, the government anticipates that up to 20% of hydrogen supply in 2050 could come from hydrogen BECCS. Markers are also laid for the future examination of water usage, hydrogen fugitive emissions and of recycling and recovery of critical minerals in hydrogen production.

Hydrogen transportation and storage

The government also published a Hydrogen Transport and Storage Networks [Pathway](#), launching in parallel market engagement exercises on the first allocation rounds for the [hydrogen transport business model](#) (the HTBM) and on the [hydrogen storage business model](#) (the HSBM). Whilst the government agrees in principle with the National Infrastructure Commission's finding in its [second assessment report](#) on the strategic case for a core hydrogen network, further analysis on requirements will be undertaken in 2024. However, on the information currently available, the government has identified a near term strategic priority for geological storage and associated pipeline infrastructure connecting with hydrogen production plants and clusters of industrial and power demand. As a result, it is seeking to support up to two hydrogen storage projects and associated regional pipeline infrastructure to be in operation or construction by 2030 via the HTBM and HSBM. Allocation rounds for the HTBM and HSBM are expected to open in Q3 2024 with the award of support targeted for Q4 2025.

Hydrogen end-uses

Analysis indicates that hydrogen to power (H2P) could deploy between 5 and 12 GW of low carbon electricity generation capacity by 2035, rising to between 20 and 90 GW by 2050. As a result, the government is consulting on its intended decision to establish a business model for H2P, clarifying that the intervention is a temporary one required due to the first of a kind nature of the projects and the cross-chain risks associated with low carbon hydrogen production, transport and storage. Under the proposals H2P would operate as flexible, low carbon generation and so it is proposed that the business model would use design elements based on the Dispatchable Power Agreement

for power CCS projects. Other options under consideration include a split capacity market, and a revenue cap and floor model. The H2P business model is expected to be developed during the course of 2024 and implemented as soon as practicable thereafter. The government is also proposing that less capital intensive H2P may be supported under the capacity market and is consulting on permitting this as soon as practicable.

Building on the positive decision on hydrogen blending into the gas distribution networks, the government published its [Strategic Policy Decision](#) on hydrogen blending, confirming that blending would serve as an ‘offtaker of last resort’ as a transitional measure, reducing volume sales risk for hydrogen producers and as a strategic enabler for electrolytic production which could locate behind electricity network constraints. Blending will be supported via the LCHA, subject to completion of the safety case and to further work into the commercial, technical and market arrangements to allow blending as an eligible offtaker.

[International markets](#)

Following the signature of a [hydrogen partnership](#) with Germany in autumn 2023, we expect that the government will continue the development of a hydrogen certification scheme to be in place by 2025, alongside exploring the UK’s potential role in the emerging global hydrogen economy, whether as an importer, exporter or as a hydrogen hub.

7. Energy Networks

Powering a net zero, growth economy requires “robust and resilient” energy networks. Electricity networks will need to be able to cater for increased demand and to manage the changing generation mix. Natural gas networks may need to be able to accommodate hydrogen blending and we are likely to see the establishment of hydrogen networks by 2030. As such, we expect the government and regulators to continue to focus on energy network development and strategic planning in 2024.

The Energy Act 2023 paved the way for significant structural reforms, including the establishment of a [Future System Operator \(FSO](#) - referred to as the Independent System Operator and Planner in the legislation), focused on key issues such as security of supply and bringing together strategic planning for both gas and electricity networks for the first time. It is anticipated that the FSO will be fully operational by summer in 2024, following enactment of the secondary legislation required. One of the priorities for the FSO

will be the [Centralised Strategic Network Plan](#) initiative, targeting greater coordination in energy network development. A transitional Centralised Strategic Network Plan is expected to be published in early 2024 by the Electricity System Operator. In addition, following Ofgem’s [decision](#) to introduce Regional Energy Strategic Planners, 2024 may also see the FSO take on responsibility for multiple strategic planning roles across Great Britain. In relation to hydrogen, although the [Hydrogen Transport and Storage Networks Delivery Plan](#) anticipates that the FSO will take on responsibility for strategic planning of hydrogen transport and storage networks from government in 2026 (subject to consultation later this year), the FSO’s role in the strategic planning of CO₂ T&S networks is understood to be still under consideration. For further information relating to CCUS, and hydrogen transport and storage, please see above.

Long-awaited new [National Policy Statements](#) will come into force in early 2024, providing updated guidance for the planning of major new energy projects in England and Wales and in the UK Renewable Energy Zone. These include an updated definition of the critical national priority designation which it is hoped will put the need for nationally significant low carbon infrastructure projects beyond doubt and could lead to faster planning for low-carbon energy networks in the future.

In relation to electricity networks specifically, key measures include the implementation of the [Transmission Acceleration Action Plan](#) seeking to halve the end-to-end building time of transmission infrastructure from 14 to 7 years, and the [Connections Action Plan](#) aiming to cut the average five-year wait for transmission connected projects in the grid queue to just 6 months beyond their requested connection date. The latter will see stalled “zombie” projects removed to release capacity for more viable projects, moving away from the existing “first-come, first-served” system which has caused logjams in the past.

Government efforts to scale up UK offshore wind will also mean a greater focus on the funding models for offshore grids in 2024. Responses to a [call for evidence](#) are expected to help government assess whether the Offshore Transmission Owner regime “remains fit for purpose”. We are also expecting the outcome of Ofgem and the Department for Energy Security and Net Zero (DESNZ) consultations on [offshore transmission networks](#) and [multi-purpose interconnectors](#). Ofgem has signalled that this may entail changes to the regulatory regime around interconnectors as a result of the move towards integrated offshore grids. The

government is also [consulting on a proposed exemption](#) from the requirement to hold a transmission licence for array systems connecting an offshore windfarm to an offshore substation, a proposal which would enable developers to install higher voltage cabling without the need for a transmission licence. 2024 will also see progress under Ofgem's [Accelerated Strategic Transmission Investment \(ASTI\)](#) framework to facilitate the necessary onshore grid infrastructure investment to deliver the UK's 2030 offshore wind ambitions (see further above).

8. Carbon Markets

Changes are also expected to the UK Emissions Trading Scheme (UK ETS). The UK ETS Authority announced a package of reforms in its [response](#) to a consultation published in the summer 2023. These include (i) opting for the top of the range for a UK ETS net zero cap to be implemented in 2024 in the hope of enabling flexibility and minimising carbon leakage; (ii) releasing 53.5 million additional allowances from the reserve to the market in 2024-2027 to smooth the transition to the net zero cap; (iii) raising the industry cap of free allocations at 40% of the overall cap to address risks of carbon leakage; (iv) putting aside 29.5 million allowances for future market management; (v) expanding UK ETS to domestic maritime transport from 2026 and waste incineration / energy-from-waste from 2028; (vi) phasing out aviation free allowances in 2026; and (vii) bringing GGR technologies into the UK ETS. The UK ETS Authority has now also announced its [plans](#) to legislate to continue with the scheme until at least 2050 and to explore its expansion into new sectors, launching two [consultations](#) inviting the power, aviation and industrial sectors to share their views on future market mechanisms (including a potential supply adjustment mechanism) and on free allocations of UK ETS allowances. Further consultations are expected in 2024, including on details of the scheme implementation in connection with the expansion to maritime and waste sectors, as well as on inclusion of GGRs and the integration of non-pipeline transport for CCUS in the UK ETS (please also see above). A voluntary carbon and nature markets consultation is also understood to be planned.

In relation to international carbon markets, there was disappointment at the failure to reach agreement on operationalising mechanisms under Article 6 of the Paris Agreement at COP28 in December 2023. Parties failed to reach consensus on either Article 6.2 (which provides for bilateral or multilateral cooperation in emissions trading between countries) or Article 6.4 (which provides a UN-administered trading mechanism) due to [disagreements](#) over, among other issues, the

extent of market regulation and transparency with regards to environmental and human rights protection. This failure will lead to continued uncertainty in the international carbon markets in respect of utilisation of Article 6 until the next UN climate summit in Baku in November 2024. Despite this setback, however, some commentators such as the Climate Neutral Group have voiced their view that [piloting of Article 6.2](#) deals can continue despite the lack of agreement. In this context we also note the growing trade of credits between countries, and between companies and countries. For example, Thailand recently sold credits to Switzerland under Article 6.2 of the Paris Agreement.

Concerns about potential greenwashing associated with carbon credit purchases repressed corporate demand for credits in the voluntary markets in 2023 and, subsequently, lower carbon prices, affected project developers' ability to raise funds and demonstrate financial viability. Nonetheless, we expect a rebound during this year with publication of revised methodologies, integrity guidance and safeguards, legislative regimes and regulatory guidance, as well as enhanced reporting practices restoring market confidence.

9. Carbon Border Taxes

In 2023, the EU became the first jurisdiction to extend its domestic carbon price to certain imported emissions generated outside its borders by implementing the EU's Carbon Border Adjustment Mechanism (CBAM). For UK exporters and EU importers, 2024 will require getting to grips with implementation of the EU CBAM. During the transitional period running to 31 December 2025, EU importers must submit reports containing information within the scope of EU CBAM but are not yet required to pay tariffs on embedded emissions within those goods. The first such report (for Q4 2023) is due on 31 January 2024. Information regarding reporting requirements, consequences of non-compliance and future requirements is available in our recent [article](#).

2024 will also see work on the design and development of a UK CBAM. The [government response](#) to a consultation on carbon leakage published in December 2023 confirmed that the UK CBAM will be implemented by 2027 and will cover the most emissions-intensive industrial goods from the aluminium, cement, ceramics, fertiliser, glass, hydrogen, iron and steel sectors. A key issue will be the interaction with the EU CBAM.

10. North Sea Transition

The current government views North Sea oil and gas as a means of ensuring the UK's energy security and is seeking to strike a delicate balance between supporting new production and encouraging decommissioning. 2024 will see Parliament debate the Offshore Petroleum Licensing Bill, which proposes a new duty to be placed on the North Sea Transition Authority (NSTA) to run annual licensing rounds for new North Sea oil and gas production, subject to meeting "stringent new emissions and imports tests" before each round can proceed.

To give industry confidence to invest in new and existing projects, the government also intends to legislate for an Energy Security Investment Mechanism (ESIM) which would disapply the Energy Profits Levy (introduced in 2022 and widely perceived as a "windfall tax") should average oil and gas prices fall to or below specific ESIM thresholds for two consecutive quarters. The government is also considering options for the long-term fiscal regime for oil and gas consistent with the UK's energy security and net zero ambitions, including the potential for the introduction of a new mechanism to respond to future price shocks following the end of the Energy Profits Levy in 2028.

In 2024, we also expect a greater regulatory focus on decarbonisation of activities in the North Sea. In particular, the NSTA is expected to progress its proposed plan to reduce UK continental shelf emissions, requiring operators to accelerate reductions in greenhouse gases generated during production, including by platform electrification, investment, and reducing emissions from venting and flaring. Reflecting the role that North Sea oil and gas has to play in the energy transition, the government is also planning to use a future Finance Bill to remove fiscal barriers to the repurposing of assets for CCUS activities.

11. Transport Infrastructure

The rail sector found itself at the centre of debates about economic growth, connectedness and "the levelling up agenda" in 2023 which are expected to continue in 2024. In particular, the government will respond to the five-yearly review published in October 2023 by the National Infrastructure Commission (NIC) which highlighted a "major gap" in rail infrastructure and called for a long-term, fully costed plan to "address the capacity and connectivity challenges facing city regions". The government will also bring forward a Draft Rail Reform Bill, highlighted in the King's Speech, proposing the creation of Great British Railways, a long-awaited new body to manage British

rail infrastructure (absorbing Network Rail). In addition, following the controversial decision to cancel the northern leg of the HS2 high-speed railway line on cost grounds, we also expect to see progress on implementation of the decision to invest £36 billion into the North and Midlands as part of the Network North transport infrastructure programme.

In the electric vehicle (EV) sector, the Zero Emission Vehicle Mandates entered into force on 3 January 2024 pursuant to the Vehicle Emissions Trading Scheme Order 2023, placing an obligation on manufacturers to ensure that 80% of new cars and 70% of new vans sold in Great Britain will be zero emission by 2030, increasing to 100% by 2035. It is hoped that the ZEV mandate will provide confidence for investors in new charging infrastructure. The government also intends to carry out a review in 2024 of planning policy and regulation to facilitate delivery of EV charging infrastructure.

The government's Freeports Delivery Plan (published in December) highlights the role of ports in transforming industrial areas. It outlines measures announced in the Autumn Statement including an extension to the Freeport tax reliefs to ten years (from five) and a new £150 million Investment Opportunities Fund to help land investment into Freeports and Investment Zones.

The UK Infrastructure Bank (UKIB) will play an important role in delivering the UK's transport infrastructure, transport being one of its strategic priorities (alongside clean energy, digital, water and waste). In relation to Freeports, UKIB's role will include advisory services, provision of debt, equity and/or guarantees to the private sector, and identification of offshore wind port infrastructure opportunities.

12. Alternative Fuels

From aviation to shipping, rail and road haulage, the cost-effectiveness and scalability of alternative fuels are seen as crucial to decarbonising all transport modes. To make investment decisions regarding specific technologies and infrastructure, the transport sector will be hoping for clarity from the publication of the delayed Low Carbon Fuels Strategy, now expected in 2024. The maritime sector will also be eager to see the government's promised update to its Clean Maritime Plan (originally published in 2019), setting indicative decarbonisation targets and a roadmap to zero greenhouse gas emissions by 2050.

Sustainable Aviation Fuel (SAF) has been a particular focus for the government, and £53 million has been

awarded to SAF projects through Window 2 of the Department for Transport's [Advanced Fuels Fund](#) in November 2023 (including a biomass to SAF project, and a CO2 and green hydrogen aviation fuel production plant). To boost production and attract SAF investment into the UK rather than rival EU and US markets, in 2024 the government intends to consult on the design and implementation of a [revenue certainty mechanism](#) for SAF. It has already confirmed that any mechanism will be industry-funded and sit alongside a proposed [SAF mandate](#) requiring jet fuel suppliers to begin blending SAFs into conventional aviation fuel from 2025. Further details of the mandate are due in the first quarter of 2024. Separately, the Civil Aviation Authority has launched a new grant funding scheme, the Hydrogen Challenge, alongside a regulatory sandbox to encourage research and innovation into hydrogen as an aviation fuel.

13. Digital & Telecoms Infrastructure

The government remains committed to [Project Gigabit](#), the roll out of nationwide standalone 5G coverage. However, as noted in its [Wireless Infrastructure Strategy](#), practical barriers to 5G deployment remain.

In 2024, stakeholders will be looking for further detail on how the government intends to encourage private investment in, and ease planning restrictions on, vital physical infrastructure. In particular, it is hoped that Ofcom [updates](#) to the Electronic Communications Code will go some way towards resolving ambiguities for both site providers and operators around apparatus sharing and upgrades.

The industry will also be monitoring the government's focus on UK data centres. Recognising the risk to the UK economy of incidents relating to data, the government is currently consulting on proposed measures to bolster the security and independence of UK data infrastructure. The [proposals](#) include establishing a regulatory function to oversee "a new, proportionate statutory framework, focused on data centres" to ensure that UK third-party data centre operators meet mandatory minimum security and resilience requirements mitigating risks such as cyber-attacks.

14. Water

In 2023, the UK water industry, grappling with inflationary pressures and high debt levels, faced calls from Ofwat for a "[step change in investment](#)" and more action to tackle storm overflows and pollution. The regulatory focus on financial resilience, increased investment, and pollution mitigation looks set to

continue in 2024. Ofwat now has enhanced powers at its disposal to [stop dividend payments](#) and to ensure that customers do not fund [executive bonuses](#) if performance targets are not met. A further consultation is underway on [proposals](#) to introduce customer-focused principles for all water companies via licence modification. Separately, Environment Secretary Steve Barclay has set out his [expectation](#) that water companies should "go further and faster" to reduce sewage spills in the next 12 months. Companies now face unlimited fines for environmental offences following the [removal](#) of the £250,000 cap on Variable Monetary Penalties. In addition, recent [amendments](#) to the Water Industry Act 1991 impose a new duty on sewerage undertakers in England to upgrade infrastructure breaching nutrient pollution standards by discharging excess nitrogen and phosphorus into sensitive catchment areas.

Improving infrastructure is one of the key priorities in Ofwat's 2024 [price review process \(PR24\)](#) which will determine the amount water companies are able to charge customers between 2025 and 2030 to support new investment. Ofwat is expected to release its draft preliminary determinations in Q2 before issuing final decisions in December.

15. What will the UK election mean for UK energy and infrastructure

Whilst a Conservative victory would likely mean a continuation of the policies and approaches outlined above, a Labour win is certain to herald shifts in several key areas. Although the publication of manifestos may be still some way off, we examine the emerging Labour party policies below.

The Labour Party has ambitious net zero goals, including a significant increase in clean energy production. Pledging to run the UK grid on [100% clean power by 2030](#) (five years ahead of the Conservative government), it has set specific, measurable [targets](#). These include 10 GW of green hydrogen production; 50 GW of solar power; 35 GW of onshore wind capacity; 55 GW of offshore wind to by 2030; and fast-tracking at least 5 GW of floating offshore wind capacity. Labour has also committed to investing in nuclear, tidal power and carbon capture. With regard to North Sea oil and gas, whilst Sir Keir Starmer has said a Labour government would "not grant licences to explore new fields", he has sought to reassure the industry with a promise to [honour licences in existence](#) at the time of the next election.

Whilst no longer advocating renationalisation, Labour would create a new state-owned energy firm, [GB](#)

Energy, able to co-invest in and deliver projects with the private sector, initially prioritising “leading edge energy technologies”. The new energy firm may also play a role in [increasing grid capacity](#) by coordinating transmission operators to launch a super-tender to procure the grid supply chain as part of Labour’s plans to “rewire Britain”. In addition, a new strategic body - the [National Wealth Fund](#) - would focus on investing and creating jobs in low-carbon energy, infrastructure, and industrial decarbonisation.

With regard to the water sector, Labour has indicated that it will take a more “severe” stance on enforcement and monitoring “to end the sewage crisis once and for all”. Shadow Environment Secretary Steve Reed has said a Labour government would put the industry under “[special measures](#)” introducing automatic fines for illegal discharges, and ensuring that operators “monitor every single water outlet”. Labour

has also pledged to make sure that senior industry executives “face personal criminal liability for extreme and persistent lawbreaking”.

Finally, in relation to transport, the Labour Party has put distance between itself and the current government with a commitment to [gradually nationalise](#) the railways as existing franchises expire, and will work with industry on a broader [review](#) of rail and transport infrastructure delivery ahead of the election. On [HS2](#), however, the Labour Party has so far refused to commit to reversing the government’s decision to cut the project’s northern route. Broader infrastructure ambitions include [accelerating planning processes](#) for critical infrastructure and priority sectors such as energy and digital.

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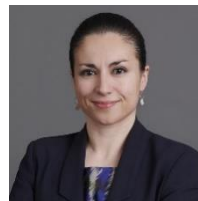


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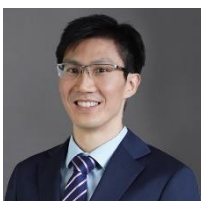


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