Delivering the next phase of the energy transition

Annual Renewables Report 2026

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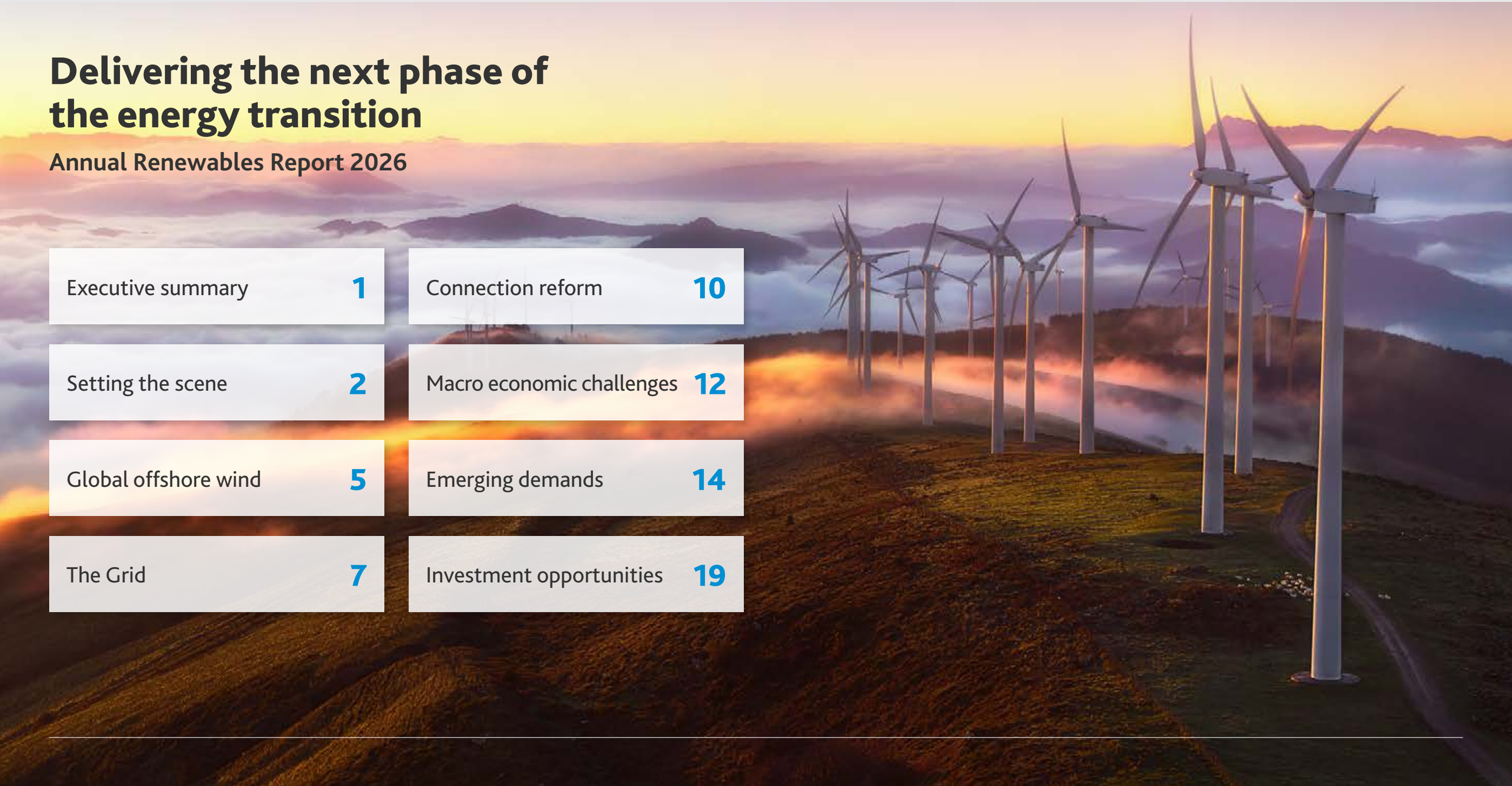


Executive summary

Caroline Hulmston
UK Head of Renewables
caroline.hulmston@bdo.co.uk

In our renewables report last year, there was a certain level of optimism with the release of the Clean Power 30 Agenda and Connection reform. 2025 has not moved at the pace many in the sector were hoping with the reforms taking longer than initially envisaged.

Although renewables deployment is increasing, it is not yet happening at the pace required. Generation growth has lagged against increases in installed capacity, reflecting volatile weather patterns, the growing influence of climate-driven variability, and persistent grid constraints. The sector has reached a point where incremental improvements alone will not close the gap to 95% clean power by 2030. The next phase of the transition will require scale, delivered rapidly and reliably through far greater coordination.

The grid has emerged as both the greatest risk and the greatest opportunity. The Great Grid Upgrade and NESO's overhaul of the connections process represent the most significant reforms in decades. For investors and developers, these initiatives provide clearer direction, but the shift from policy to delivery will be challenging. Rising project costs, long equipment lead times, supply chain pressures and skills shortages are already shaping outcomes. The grid is no longer just an engineering constraint; it is the backbone of policy credibility, investor confidence and energy security.

At the same time, the rapid expansion of the UK's digital economy is reshaping electricity demand. Data centres and AI-driven computing are growing far faster than historical norms, intensifying pressure on grid capacity and connections. Yet they also create opportunities for flexible demand, onsite generation and behind-the-meter solutions. As microgrids, private wires and co-located renewables proliferate, the boundaries between generation, consumption and flexibility are increasingly blurred. In this context, AI is becoming a quiet enabler -improving reliability, reducing costs and supporting a more dynamic, decentralised system.

Against this backdrop investment activity remains bouyant but future uncertainities predominantly around renewable and fiscal policy is likely to impact this in the short term.

Since preparing this report, geopolitical developments - notably the US–Iran conflict - have heightened the risk of fossil fuel volatility, potentially accelerating the UK's shift towards renewable energy in support of energy security. Early indications also suggest increased domestic uptake of clean technologies such as solar and heat pumps. While the full impact remains uncertain, these external factors may strengthen the pace of renewable adoption in the UK.

Key findings

- Over 2025, the UK added 3.8 GW of new renewable capacity, up 6.2% YoY, led by solar.
- NESO prioritised 283 GW of generation and storage through Grid Reform, shifting to a 'first ready, first needed' approach.
- In 2026, only seven Grid Upgrade projects are expected to be under construction, with around £10bn invested.
- In 2025, grid connected data centres consumed around 7.6 TWh of electricity – 2.7% of total demand.
- In 2025, AI solutions in the UK energy system delivered meaningful impact for some organisations, enabling net zero infrastructure.
- In 2025, UK renewable M&A reached 91 deals valued at £8.3bn, with wind accounting for the largest share.

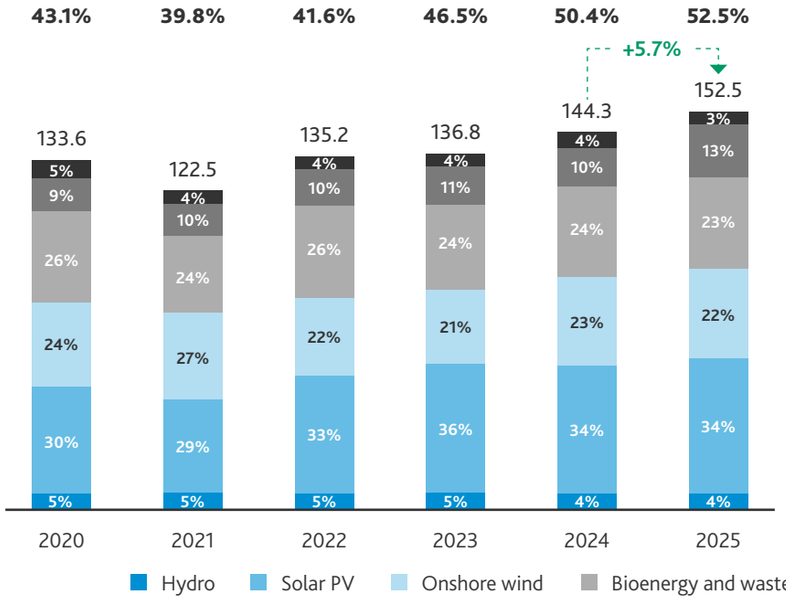
The UK is progressing its renewables roll out...

The UK renewables landscape in 2025 was fairly flat, mired in uncertainty from a lack of clarity in relation to the Clean Power 30 Agenda. Most notably, the grid connection reform process has taken much longer than expected. Installed capacity increased by 6.2% but generation only increased by 5.7% over 2025. Key drivers were low wind yields and dry conditions reducing the output of wind and hydro.

In light of the Clean Power 2030 Action Plan, this pace of growth is rather marginal, and meeting targets will require exponential scale-up. Concerns over the feasibility of achieving the 2030 metrics mean the UK Government will need to tackle the restraints on expansion in the remaining years.

Renewable electricity generation and capacity in the UK[1]

Electricity generated from renewables, TWh



Cumulative renewables installed capacity, GW

Source: DESNZ — Energy Trends — [March 2026]; DESNZ — Clean Power 2030 metrics — [September 2025]; UK Parliament — Clean power targets — [January 2026]; UK Government — Clean Power 2030 Action Plan — [December 2024]; Cornwall Insight — Growing investor caution puts 2030 clean power target at risk — [January 2026]; E3G — The UK's Clean Power Mission: Delivering the prize — [January 2025]; NESO Data Portal; Media overview

Notes: (1) Due to changes in the approach to estimating electricity capacity and generation in the original source, figures presented in this report may from those in BDO Renewables Report 2025; (2) Including Shoreline wave / tidal, Landfill gas, and Anaerobic digestion.

...but reaching 2030 targets remains doubtful

Selected renewables capacity additions in the UK[1,2]

Technology	Added capacity in 2025	Capacity as of Q4 2025[3]	Govt. target[4]
Offshore wind	+0.7 GW	16.7 GW	43-50 GW
Onshore wind	+0.3 GW	16.4 GW	27-29 GW
Solar	+2.8 GW	21.7 GW	45-47 GW

In the year ending 31 December 2025, the UK added 3.8 GW of new renewable capacity[5], an increase of 6.2%. Solar PV accounted for 73% of this expansion. Despite the projected expansion of renewable capacity and flexible generation and storage technologies in 2026-2030 (which has also been supported by successful AR7), concerns remain about shortfalls in target capacity amid persistent grid connection delays, supply chain constraints, and uncertainty surrounding market reforms.

9-10 p.p. shortfall behind 95%-target of Clean Power[6]

According to available estimates from experts in the energy industry, Great Britain risks missing its target for clean sources to produce at least 95% of the country's generation in 2030. Existing downside pressures like grid connection delays, market saturation of technologies, slow clean sources rollout and policy uncertainty will need to be eliminated with existing delivery mechanisms in the next five years.

The Clean Power 2030 Action Plan: recent developments

December 2025

NESO confirmed a new pipeline of deliverable, shovel-ready energy projects that will be prioritised for connection to electricity networks.

The UK Government appointed eight energy experts to Clean Power 2030 Advisory Commission for three years to support and accelerate the delivery of the Clean Power 2030 mission.

Great British Energy, a state-owned energy company, unveiled a five-year strategic plan aimed at accelerating the country's transition to renewable power.

January 2026

On 14 January 2026, the results of the seventh allocation round (AR7) for offshore wind projects were announced. The auction procured 8.4 GW of offshore wind capacity.

February 2026

The results of the AR7 for non-offshore wind projects were announced on 10 February 2026. The auction procured 6.2 GW of onshore wind, solar, and tidal power.

Source: DESNZ — Energy Trends — [March 2026]; DESNZ — Clean Power 2030 metrics — [September 2025]; UK Parliament — Clean power targets — [January 2026]; UK Government — Clean Power 2030 Action Plan — [December 2024]; Cornwall Insight — Growing investor caution puts 2030 clean power target at risk — [January 2026]; E3G — The UK's Clean Power Mission: Delivering the prize — [January 2025]; NESO Data Portal; Media overview
Notes: (1) Due to changes in the approach to estimating electricity capacity and generation in the original source, figures presented in this report may from those in BDO Renewables Report 2025; (2) Latest available figures as of the date of publication; (3) The data source is DESNZ, "Energy Trends 6.1", Q4 2025 data; (4) DESNZ "Clean Power Capacity Range"; (5) New generation capacity coming online; (6) Based on modelling of Cornwall Insight and E3G.

Project financing is key to the energy transition

BDO's Financial Modelling & Assurance Services continues to support project financings of renewable energy generation and energy transition projects in the UK and across Europe. We, therefore, have insight on the projects that are ready to be built.

Whilst this report indicates that the UK is behind its 2030 targets, and has identified "bottlenecks" in the grid as affecting the development of data centres, there are plans in place to develop the electricity transmission network to better connect the often remote, renewable electricity generation sources with electricity-intensive users such as data centres.

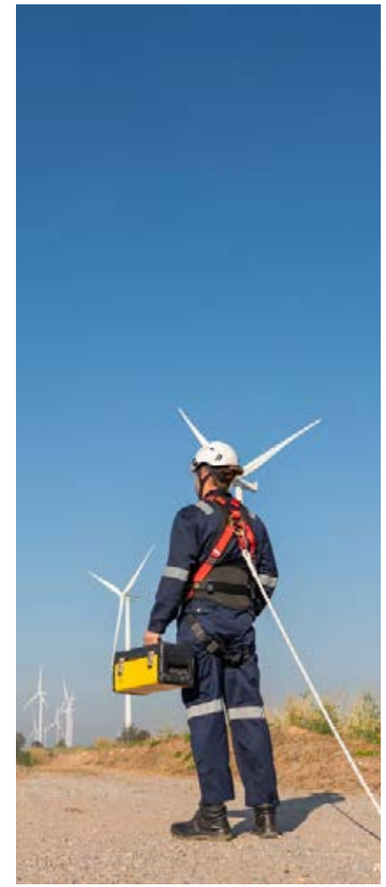
Offshore wind and solar continue to be the most commonly financed UK renewable energy generation technologies (increasingly co-located solar & BESS), but we are increasingly seeing a wider range of technologies being project financed, particularly for energy storage to manage the intermittency of generation and grid services to manage grid frequency that are essential for electrification of generation as part of the clean power 2030 targets for energy transition.

In the past year, as example of the diversity of project financings, we have undertaken the "model audit" of the financial models supporting the financing of a cryogenic liquid air long-duration energy storage ('LDES') project and the financing of synchronous condensers to provide inertia to the grid, and there are a number of pumped storage hydro projects in development in Scotland.

The extension of the contract-for-difference period from 15 years to 20 years from allocation round 7 ('AR7') onwards has improved the investment case for many projects. We are currently supporting a number of project financings for UK renewable energy projects awarded CfDs in AR7, including two large offshore windfarms, and we expected so this positive outlook to continue with AR8.

Andy Hucknall
Advisory FMAS Director

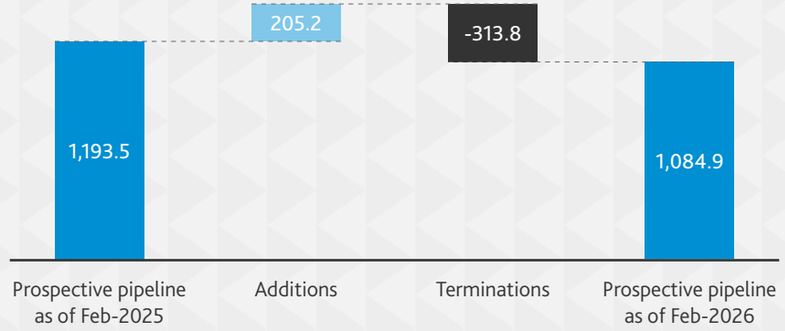
andy.hucknall@bdo.co.uk



Structural challenges in global offshore wind are putting the UK's 2030 targets at risk

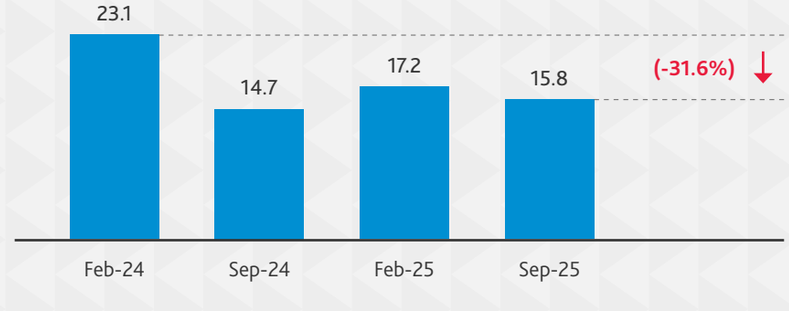
The global offshore wind sector has faced severe pressure over the past three years. Stalled site auctions, delayed final investment decisions and cancelled offtake contracts weighed on the sector throughout 2025. Competitive intensity has also weakened – there are fewer bidders per auction, higher bid prices and undersubscribed rounds. As developers become more selective, recent auction failures and project delays are exposing the gap between policy ambition and commercial feasibility. In response, some governments, including in the UK, are revising their support frameworks. For example, the Government revised AR7 CfD rules, introduced the Clean Industry Bonus to provide additional revenue support for fixed and floating offshore wind, and announced measures in January 2025 to streamline project permitting.

Global offshore wind prospective capacity, GW[1]



Global offshore wind development activity (newly announced projects, projects in construction and pre-construction stages) slowed sharply in 2025. Combined with project terminations, this drove the first-ever decline in prospective capacity of 9.1% YoY. In 2025, the number of terminated projects rose by an unprecedented 175.9% YoY. Cancellations occurred across multiple development stages, but in all cases, projects were terminated before FID. The terminations not only significantly reduce the sector's potential but are also highly wasteful. For example, in January 2025, Shell recorded a c.£790m write-off related to the Atlantic Shores project. A month later, EDF booked a further c.£770m impairment, citing the "new American political landscape."

Expected new operational UK offshore wind capacity additions over 2026-2030 forecasts, GW[2]



The UK offshore wind market reflects a broader global trend. Since 2021, offshore wind costs for materials, labour, and key components have risen by 30% to 50%, and higher interest rates have further weakened project economics and compressed margins. Suppliers, especially in turbines, foundations and installation vessels are also under pressure from low margins, uncertain demand, and long facility expansion lead times, contributing to price increases and a projected global turbine shortfall of around 2,500 units (about 40 GW) by 2040. Against this backdrop, UK capacity expectations have been revised down since early 2024 – as of September 2025, only 15.8 GW of new capacity is expected to be operating by 2030.

Source: Reuters website; Global Energy Monitor database; TGS | 4C website; Spinergie — Rationalisation in offshore wind, what it means for the market — [October 2025]; GWEC — Global Offshore Wind Report 2025 — [June 2025]; Wind Europe — Latest wind energy data for Europe — [September 2025, September 2024]; Wind Europe — Wind energy in Europe: 2024 Statistics and the outlook for 2025-2030 — [February 2025]; BCG — Offshore Wind Industry Update — [August 2025]; Wood Mackenzie — UK Energy Transition Outlook Shows 12-Point Gap on 2030 Climate Target Despite £1.5-2.1 Trillion Investment Pathway to 2060 — [February 2026]; Media overview
Notes: (1) Based on Global Energy Monitor's Global Wind Power Tracker; (2) According to Wind Europe projections.

Structural challenges in global offshore wind are putting the UK's 2030 targets at risk

Offshore wind projects suspensions & cancellations globally by root cause[1]

Developer-led suspensions and cancellations have removed about 50 GW of offshore wind projects in 2025. Inflation and higher interest rates have increased the cost of capital and pushed required strike prices above many awarded CfDs and PPAs. Other factors like grid connection constraints, strategic portfolio shifts and supply chain bottlenecks have also contributed. Politically-led cancellations also increased significantly, particularly in the USA, where a Presidential directive in early 2025 was followed by federal actions that rescinded unawarded offshore wind lease areas or issued stop-work orders.

Hornsea 4 offshore wind project

In May 2025, Ørsted discontinued the 2.4 GW Hornsea 4 project in the UK. Following its CfD award in AR6 in September 2024, the project faced rising supply chain costs, higher interest rates, and increased execution risk against the planned timeline. As a result, discontinuing Hornsea 4 in its current form is expected to cost up to £630m through break fees and write-downs.

Morgan and Mona offshore wind projects

In January 2026, EnBW discontinued the Morgan and Mona sites in the UK, each with 1.5 GW of planned capacity. Following their failure to secure CfD support in AR7, EnBW announced a £1.1bn impairment as the projects were no longer economically viable in a challenging investment environment. EnBW confirmed it has so far paid £840m in total fees for the projects and that no further payments would be made.

Some market analyses suggest that UK offshore wind delays have created an approximately 20% shortfall versus 2030 capacity targets, despite CfD reforms and a record 8.4 GW awarded in Allocation Round 7 in 2025. Unlocking the sector's full potential will require a more reliable and coordinated approach across the value chain, with developers, supply chain partners and public authorities working together to rebuild confidence and support long-term project viability both globally and in the UK.

Notes: (1) According to Spinergie database.

Upgrading grid infrastructure and securing new projects was the key focus in 2025

Our 2025 report commented on the need for improvements to the Grid to allow for the changing landscape of energy generation – there will be no transition without transmission.

In 2025, the Great Grid Upgrade advanced as projects launched in 2024 developed, and new projects begun. In 2026, seven are expected to be under construction, with a total project cost estimated at £10bn – significantly less than the estimated £40bn/annum needed.

Estimated cost of selected projects[1]

- **£4.3bn** Eastern Green Link 2
- **£0.2bn** Grain to Tilbury
- **£2.5bn** Eastern Green Link 1
- **£1.8bn** Sea Link
- **£0.7bn** Bramford to Twinstead
- **£0.bn** Pentir and Trawsfynydd
- **£0.4bn** Yorkshire GREEN

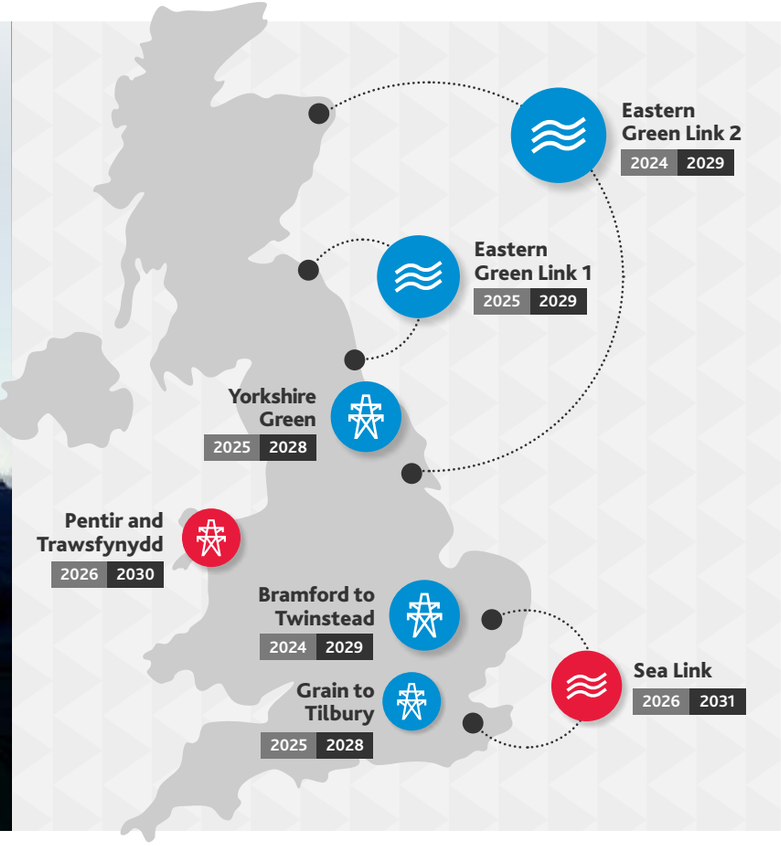
The lack of a skilled workforce remains a challenge for the UK energy transition, especially in specialist roles like overhead lineworkers, commissioning engineers and cable jointers. In August 2025, the National Grid recommended priority actions for industry, government and Ofgem to collectively build the skills for the UK energy future.

In addition, some campaigners in the UK raised concerns that the pace of upgrading is constrained by bureaucracy, and actual costs exceed initial plans due to new legal and environmental obligations and more complex scopes.

Overview of the Great Grid Upgrade projects, which are under construction or planned to start in 2026[2]

- Onshore projects
- Subsea projects
- Construction ongoing*
- Construction coming in 2026*
- Project start
- Project completion

*Circle size indicates project investment/cost



Tackling grid constraints remains a cornerstone of the Clean Power 2030 Action Plan. In December 2025, the UK's power-grid operator slashed the queue for connections to the network, allowing the most advanced generation projects to move to the front of the line. However, according to Ofgem, in February 2026 it emerged that 210 of 340 advanced projects will have their dates pushed back, despite their critical importance for meeting Clean Power targets. Although Allocation Round 7 (AR7) has contracted solid capacity to support the goal, those gains risk being lost if transmission upgrades and connections fail to keep pace.

A record number of Contracts for Difference (CfD) schemes secured projects in AR6 and AR7. The seventh allocation round in 2025 became an important milestone in the journey towards building a clean power system, but Grid investment needs to keep pace.

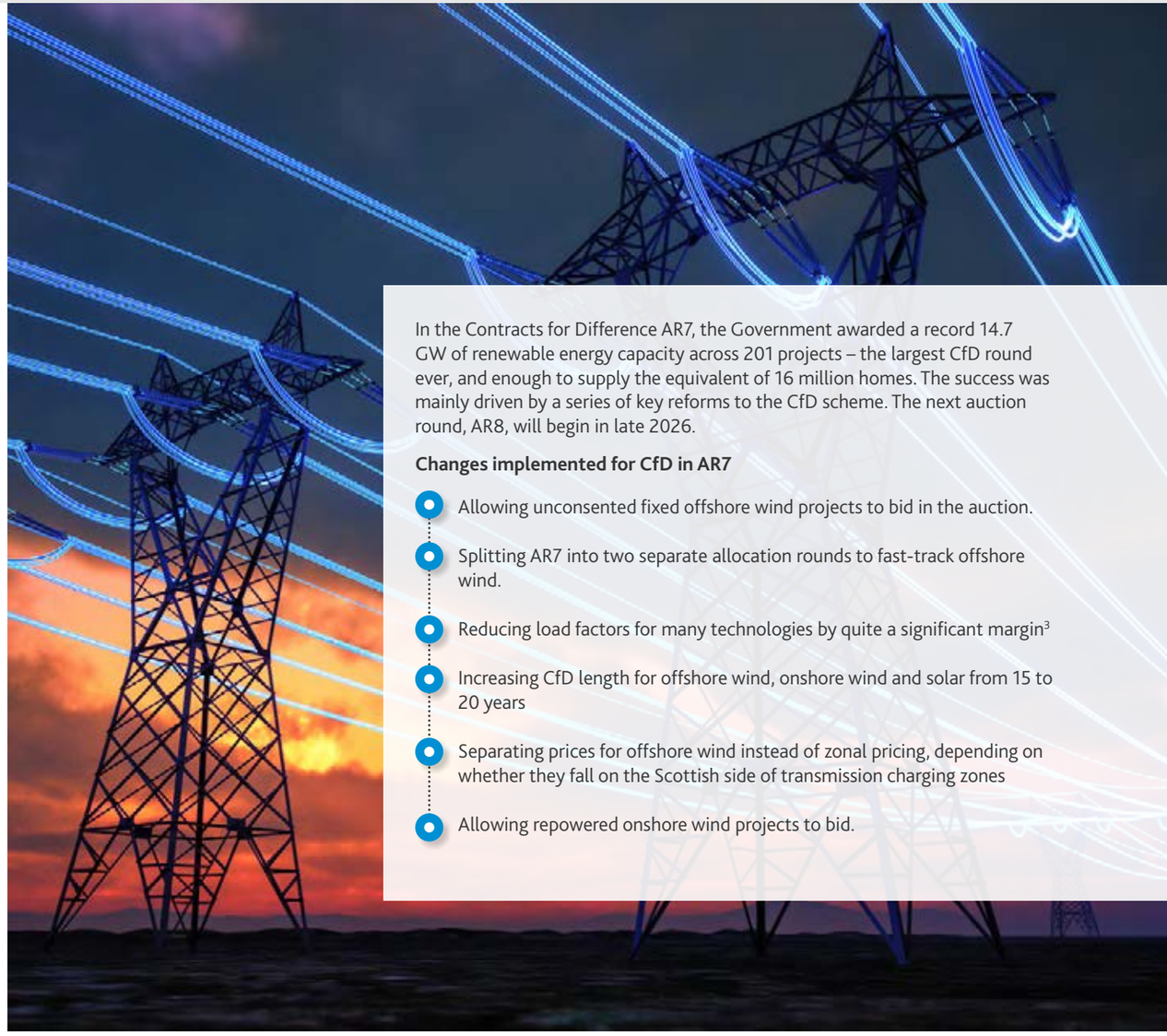
Source: National Grid website; Flint Global website; Bloomberg website; Eastern Green Link 1 website; Eastern Green Link 2 website; GOV.UK website; Ofgem website; Planning Inspectorate website; SSEN website; DESNZ — Contracts for Difference (CfD) Allocation Round 7: results — [February 2026]; National Grid — Building the skills for our energy future — [August 2025]; Media overview.
Notes: (1) Estimations based on latest available press-releases. Actual costs of construction may vary; (2) Projects are reflected on the map for illustrative purpose.

Reforms to Contracts for Differences are improving outcomes

Capacity procured in CfD Allocation Rounds 5-7

Technology	Amount, GW	Project number	Strike price (£/MWh)[1]
Offshore wind[2]	8.2 3.4 0.0	10 2 0	37.4 / 58.9 / 65.3
Offshore wind permitted reduction	0.0 1.6 0.0	0 7 0	– / 54.2 / –
Solar PV	4.9 3.3 1.9	157 93 56	47.0 / 50.1 / 46.8
Onshore wind	1.3 1.0 1.5	28 22 24	52.3 / 50.9 / 51.9
Floating offshore wind	0.2 0.4 0.0	2 1 0	116.0 / 139.9 / 155.44
Tidal	0.02 0.03 0.05	4 6 11	198.0 / 172.0 / 190.2

AR 5 | AR 6 | AR 7 | Administrative strike price if no projects were secured



In the Contracts for Difference AR7, the Government awarded a record 14.7 GW of renewable energy capacity across 201 projects – the largest CfD round ever, and enough to supply the equivalent of 16 million homes. The success was mainly driven by a series of key reforms to the CfD scheme. The next auction round, AR8, will begin in late 2026.

Changes implemented for CfD in AR7

- Allowing unconsented fixed offshore wind projects to bid in the auction.
- Splitting AR7 into two separate allocation rounds to fast-track offshore wind.
- Reducing load factors for many technologies by quite a significant margin[3]
- Increasing CfD length for offshore wind, onshore wind and solar from 15 to 20 years
- Separating prices for offshore wind instead of zonal pricing, depending on whether they fall on the Scottish side of transmission charging zones
- Allowing repowered onshore wind projects to bid.

Source: National Grid website; Flint Global website; Bloomberg website; Eastern Green Link 1 website; Eastern Green Link 2 website; GOV.UK website; Ofgem website; Planning Inspectorate website; SSEN website; DESNZ — Contracts for Difference (CfD) Allocation Round 7: results — [February 2026]; National Grid — Building the skills for our energy future — [August 2025]; Media overview.
Notes: (1) For the purpose of consistency with the prior year report, strike prices are reflected in 2012 prices; (2) Offshore Wind-Scotland is included to the broader Offshore Wind technology type; (3) With onshore wind down from 45% to 36%, and offshore wind down from 62% to 49%.

Regulatory Reforms Boost Outlook for UK Offshore Transmission Investment

The UK's Offshore Transmission Owner (OFTO) regime continues to offer one of the most attractive regulated infrastructure investment opportunities in Europe. With more than £12 billion invested to date and the need to expand the offshore wind sector, OFTOs provide long term, inflation-linked returns supported by a mature regulatory framework.

Significant activity is underway across the 2024 and 2025 OFTO tender rounds, which represent around £7 billion of new transmission assets coming to market. As of early 2026, preferred bidders for both rounds have yet to be announced, maintaining an open competitive landscape and strong investor pipeline visibility.

Regulatory reform is strengthening the investment environment. The UK Government has extended the Generator Commissioning Clause (GCC) from 18 to 27 months, reducing transfer risk and enhancing market certainty. Additional reforms are aligning tender timelines and improving exemption processes. At the same time, Ofgem is transitioning toward an OFTO-build / early-competition model for shared offshore network infrastructure, signalling larger and more complex future asset packages as offshore wind capacity scales.

With the UK targeting up to 50GW of offshore wind by 2030, at least £16 billion of additional OFTO investment is expected to be needed in the medium term. This expansion, combined with stable 25-year revenue frameworks, positions OFTOs as a core investment opportunity for investors seeking regulated, long-term, low-volatility infrastructure exposure.

During 2025, we supported clients investing in major offshore wind and other renewable energy infrastructure projects, providing tax structuring, financing model tax review and due diligence services.

Viran De Silva
Tax M&A Assoc Director

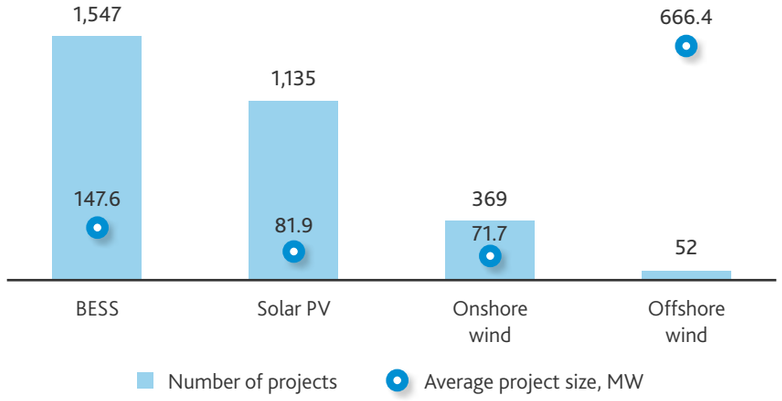
viran.desilva@bdo.co.uk

Grid reform underpins the UK's Clean Power Action Plan, boosting investor confidence

In April 2025 the UK government announced reforms to move connections from a first-come, first-served to a first ready and needed, first connected approach. This was part of the mandates under CP30.

As of mid-2025, under the legacy first-come, first-served grid connection regime, more than 5,000 renewable energy generation projects were in the connection queue, representing up to 700 GW of capacity (way more than would be needed in the UK). NESO is close to concluding its overhaul of the UK's grid connection process, removing unviable projects from the queue and prioritising those most critical to delivering clean power targets and wider industrial decarbonisation. The reform is largely seen as positive, giving more certainty for projects that will be proceeding, but the process has taken longer than hoped.

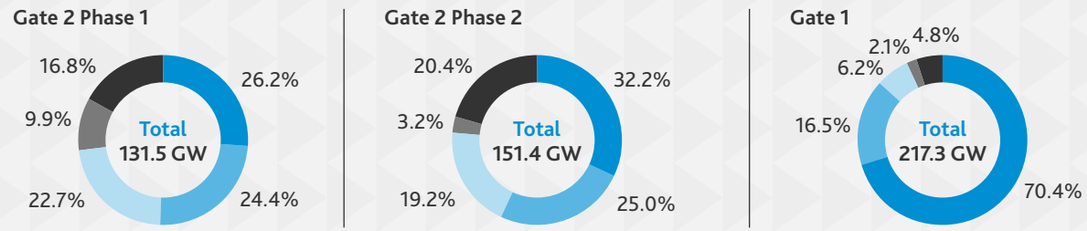
Number and average capacity of projects applied for grid connection by 2035, by key technology[1]



Overview of UK's grid connections reform

Gate	Project's description	Connection dates	Timeline of receiving transmission offers	Timeline of receiving distribution offers	Share of generation secured	TCD secured
Gate 2 Phase 1	Projects that directly support the Clean Power 2030 target and will be progressed first	By 2030	Mid-May 2026 – mid-September 2026	Mid-July 2026 – mid-November 2027	26.3%	11.8 GW
Gate 2 Phase 2	Projects positioned as essential for the system by 2035	2030 – 2035	Early September 2026 – mid-January 2027	Mid-October 2026 – mid-March 2027	30.3%	86.6 GW
Gate 1	Projects that will not proceed in this reform due to the lack of readiness or misalignment with national objectives	Not prioritised	May reapply in future application windows or if further space becomes available in the pipeline		43.4%	No

Volume of protected generation capacity by technology type



Under NESO's new prioritisation model, major electricity consumers like industrial sites, manufacturing facilities, electrified transport hubs, and data-intensive operations now have greater clarity on anticipated transmission access timelines. Around 153 GW of battery storage projects were deprioritised from the transmission queue, reflecting the rapid build-up of speculative applications driven by attractive revenue stacking and low entry barriers, with only more advanced "protected" projects securing Gate 2 offers.

Source: NESO website; Ofgem website; Aurora Utilities — Gate 2 and Beyond: Rewiring Britain's Energy Future — [December 2025]; Media overview
Notes: (1) According to NESO Existing Agreements Register, which include all projects that applied for Gate 2 in the Connections Reform process.

Grid reform underpins the UK's Clean Power Action Plan, boosting investor confidence

Selected grid reform "winners"

Bluefield Solar Income Fund — **1,340 MW**

Gate 2 Phase 1	540 MW	N/A
	120 MW	N/A
Gate 2 Phase 2	370 MW	N/A
	185 MW	N/A
Gate 1	125 MW	N/A

Orrön Energy — **2,900 MW**

Gate 2[1]	1,800 MW	3
	1,100 MW	3

RWE Renewables — **1,920 MW**

Gate 2 Phase 1	1,520 MW	2
Gate 2 Phase 2	400 MW	1

Grid[2] — **694 MW**

Gate 2 Phase 1	694 MW	5

FGEL[3] — **480 MW**

Gate 2 Phase 2	240 MW	N/A
Gate 1	240 MW	N/A

TRIG[4] — **419 MW**

Gate 2 Phase 1	232 MW	N/A
Gate 2 Phase 2	187 MW	N/A

BayWa r.e. — **56 MW**

Gate 2 Phase 2	56 MW	1

X Number of projects secured within Gate **Project type:** Solar | Battery | Onshore wind | Data centre (demand side)

As of February 2026, some companies had already announced that their projects had been included in Gate 2 or Gate 1 under the new connections process. The so-called winners include well-capitalised, delivery-proven developers, integrated utilities and generation storage demand consortia, early-stage projects in strong grid locations, or LDS[5] and flexibility leaders. For these projects, inclusion significantly strengthens their bankability. A confirmed place in the prioritised pipeline provides greater certainty over connection timing, which is critical for securing project finance, negotiating PPA[6], and locking in EPC[7] contracts. Projects that have not progressed may encounter contractual, planning or investment challenges, or consider legal recourse.

Source: NESO website; Ofgem website; Aurora Utilities — Gate 2 and Beyond: Rewiring Britain's Energy Future — [December 2025]; Media overview
Notes: (1) The specific phase has not yet been disclosed; (2) Gresham House Energy Storage Fund Plc; (3) Fosse Green Energy Limited; (4) The Renewables Infrastructure Group Limited; (5) Long-duration storage; (6) Power Purchase Agreement; (7) Engineering, procurement, and construction.

As renewables rise, ensuring project delivery while maintaining grid stability remains critical

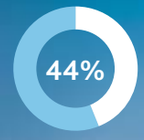
Confidence is high that NESO's new Gate 2 process will help reduce connection delays, giving real hope that long-standing grid bottlenecks may finally start to ease. Although generally the Gate 2 reforms are seen as a positive opportunity from an investment perspective — developers and financiers alike see potential for greater efficiency and predictability in the system1. At the same time, confidence in its execution will determine whether that optimism lasts – faster processes alone are not enough if connection offers carry prohibitive costs that prevent projects from proceeding.

The growing share of renewables in the grid will inevitably create stability challenges due to declining system inertia. In response, the UK is pursuing a market-driven approach to procuring inertia, addressing the growth of inverter-based resources and the decline in rotating mass as conventional power plants close.

Expected level of project readiness despite securing a grid connection offer[1]

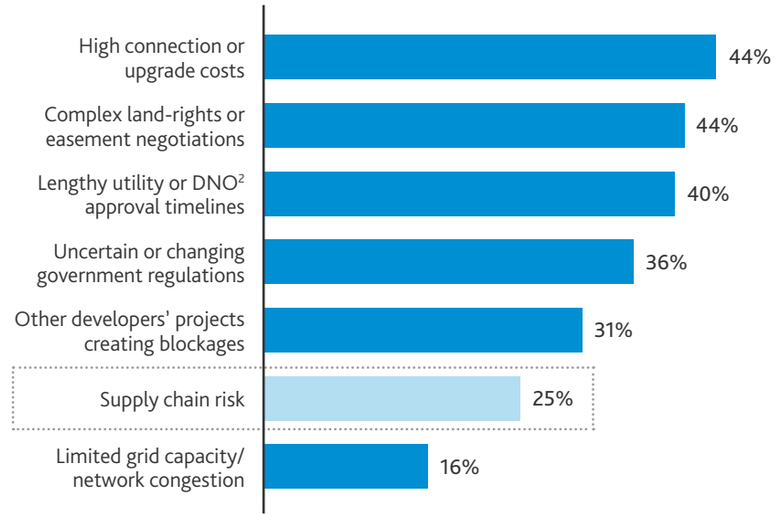
expect to build and operate all of their planned projects within the next five years

believe they will move ahead with just over half (51–75%) of their pipelines



expect to build fewer than half of their planned projects, despite securing a grid connection

Top barriers to delivery of Gate 2-secured projects[1]



Supply chain risk is set to become one of the most critical factors for the timely delivery of projects that have secured Gate 2 connection dates in the future. Even when projects are complete, the required physical infrastructure for connection to grid like transformers, switchgear, cabling, and other high-voltage equipment is often unavailable due to global shortages. Smaller developers are particularly vulnerable, as they lack the purchasing power and long-term procurement agreements.

Supply deficit

By 2025, demand for electrical T&D[3] equipment has risen sharply, up 35% to 274% since 2019[4], creating supply gaps.

Rising costs

Since 2019, transformer unit costs have surged by between 45% and 95%, depending on the type.

Longer lead times

As of Q2 2025, average lead times stretched to 128 weeks for power transformers and 44 weeks for switchgear.

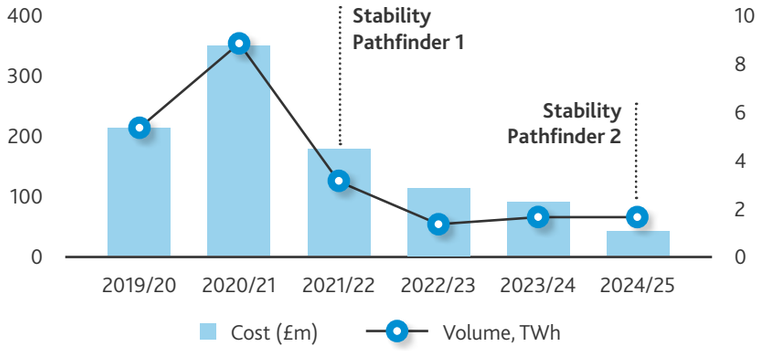
The supply chain must be treated as part of the energy system itself, not as a secondary consideration. Aligning developers, manufacturers, logistics, and finance with regulatory planning is essential. Reforms will only deliver results if the UK can secure and install critical equipment at scale, because practical delivery now matters just as much as policy reform.

Source: Wood Mackenzie website; NESO website; Ofgem website; Aurora Utilities — Gate 2 and Beyond: Rewiring Britain's Energy Future — [December 2025]; NESO — Annual Balancing Costs Report — [June 2025]; Media overview
Notes: (1) According to Aurora Utilities survey of UK-based senior decision makers, involved in the investment, build, and connection of new UK infrastructure, surveyed about their sentiment of Gate 2 reform, conducted in October 2025, n=800; (2) Distribution Network Operator; (3) Transmission & Distribution.

Lower Stability Costs Mask Emerging Delivery Gaps in Pathfinder Programme

Stability costs continued to decline following NESO interventions, after peaking in 2020/21. In 2024/25, costs dropped to £40.4m, driven by a reduction in inertia requirements (from 140 GVA.s[1] to 120 GVA.s) and delivery of Phases 1 and 2 of the Stability Network Procurement Service. At the same time, not all projects consented to across the three phases of the Stability Pathfinder are operating yet. All 12 synchronous condensers contracted under Phase 1 are now operational and providing inertia. Under Phase 2, only five of the ten projects are operational, and both completed and remaining projects have experienced or are expected to experience commissioning delays against their contracted timelines. Of the 29 projects contracted under Stability Pathfinder Phase 3 (with delivery expected in Q1–Q2 2026 vs 2025 originally), NESO and the three TI Project Cos have mutually agreed to terminate 13 contracts, disclosing no reasons publicly. NESO is currently reviewing any resulting shortfall in stability capability and may seek to procure part or all of this requirement through a future tender. As of March 2026, the remaining projects of the Phase 3 are at the development stage.

UK grid outturn[2] stability costs and volumes

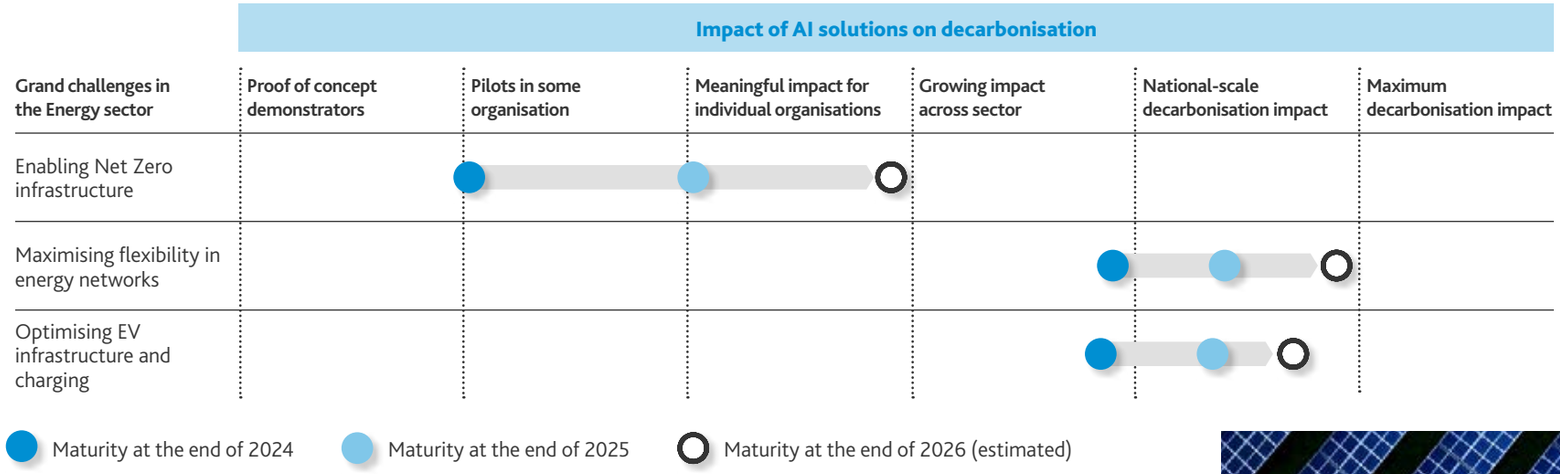


Source: Wood Mackenzie website; NESO website; Ofgem website; Aurora Utilities — Gate 2 and Beyond: Rewiring Britain's Energy Future — [December 2025]; NESO — Annual Balancing Costs Report — [June 2025]; Media overview
Notes: (1) Gigavolt-ampere-seconds; (2) Actual, realised expenditure.

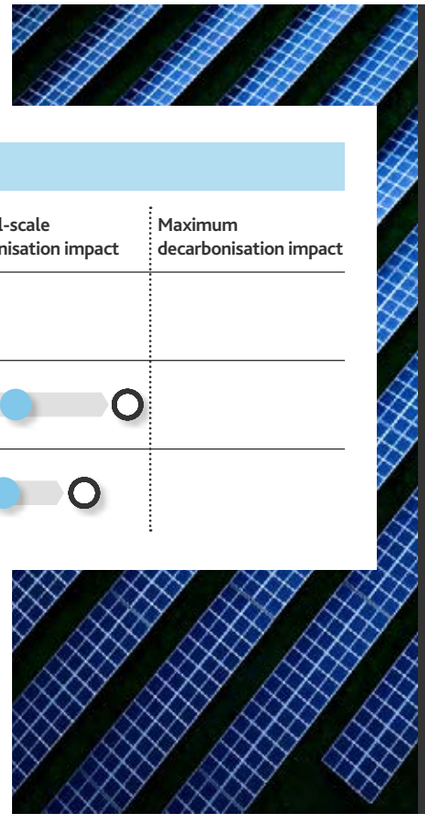
AI emerges as a vital enabler of the UK's transition to clean and efficient energy

AI is becoming integral to the UK's efforts to modernise its energy system. As renewable generation expands and pressure on grid capacity intensifies, AI offers new ways to optimise infrastructure, improve system planning, and support decarbonisation at a lower cost.

Assessment of AI-solutions progress in the UK energy system[1]



The AI for Decarbonisation's Virtual Centre of Excellence (ADViCE), established under the DESNZ's innovation portfolio identified nine decarbonisation Grand Challenges where AI could have the most impact. Three of them refer directly to the energy sector, including enabling Net Zero infrastructure, maximising flexibility in energy networks and optimising EV infrastructure and charging. 2025 saw an acceleration in the deployment of flexibility on the network, with AI playing an essential role in that. However, most of the impact comes from a using existing ML tools, rather than new AI-driven breakthroughs.



AI adoption is vital to the UK's shift to low-carbon energy system, enabling more efficient use of existing infrastructure, better strategic planning and cost-effective decarbonisation. The AI Energy Council,[2] established by DSIT and DESNZ, is steering this transition by prioritising forecasts of AI-driven energy demand, exploring grid and behind-the-meter solutions, and promoting sustainable AI practices that minimise environmental and operational risks. By coordinating research, policy and industry engagement, the Council aims to accelerate responsible adoption across the sector, address practical barriers and direct investment toward high-value applications.

Source: Digital Catapult website; Energy UK website; GOV.UK website; UK Power Networks website; AI for Decarbonisation Virtual Centre of Excellence (ADViCE) — State of AI for Decarbonisation 2025 — [January 2026]; Media overview
Notes: (1) Estimates by Artificial Intelligence for Decarbonisation Virtual Centre of Excellence; (2) The AI Energy Council explores how the government's AI ambitions can be powered with clean energy sources and promotes secure adoption of AI within the energy system. The ADViCE has been set up to develop innovative AI technologies for decarbonisation applications to support the transition to net zero across different high-emitting sectors.

Successful uses of AI in the UK energy sector

RWE

Area of application: Grid scheduling

Since 2021, D-Central has aggregated flexible energy assets into a virtual power plant and uses advanced algorithms to optimise participation across multiple electricity markets and balance renewable supply with demand.

Outcome: Higher revenues from flexible assets, improved access to short-term and reserve markets and better grid balancing as renewable generation grows.

EDF Energy

Area of application: Electricity optimisation

Since 2025, EDF has used Kraken's AI-powered platform to shift customer energy usage to periods when electricity is cleaner and cheaper, linking low-carbon devices into a virtual power plant that enables more flexible demand.

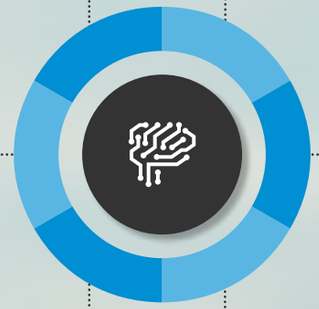
Outcome: Lower customer bills, improved grid stability, and a growing flexible capacity already exceeding 7 MW across more than 1,000 connected devices.

Gore Street

Area of application: Battery data analytics

Battery storage investor-developer Gore Street is using cloud-based AI-driven battery data analytics solutions from ACCURE to manage risk and get improved insurance terms on projects in its portfolio.

Outcome: This is thought to be the first deal of its kind in the UK to leverage an AI analytics solution to get improved insurance terms.



KPN

Area of application: Operations

Since December 2024, Microsoft Copilot has been used by UKPN to modernise energy distribution by automating administrative tasks, streamlining procurement reviews, and analysing smart-meter data to enable proactive fault detection and demand management.

Outcome: 96% adoption rate, 480% ROI, and improved reliability for 8.5 million customers.

UKPN, SSEN[1]

Area of application: Fuel poverty detection

Battery storage investor-developer Gore Street is using cloud-based AI-driven battery data analytics solutions from ACCURE to manage risk and get improved insurance terms on projects in its portfolio.

Outcome: This is thought to be the first deal of its kind in the UK to leverage an AI analytics solution to get improved insurance terms.

NESO

Area of application: Solar forecasting

In 2025, the AI forecasting service Quartz Solar was integrated into NESO's operations, halving solar forecast errors and cutting total system demand forecast error by 8%.

Outcome: Deployed in control-room balancing and dynamic reserve setting, these improvements have delivered over £30m in annual savings and reduced emissions by about 300,000 tonnes of CO_2 per year.

Source: Digital Catapult website; Energy UK website; GOV.UK website; UK Power Networks website; AI for Decarbonisation Virtual Centre of Excellence (ADViCE) — State of AI for Decarbonisation 2025 — [January 2026]; Media overview
Notes: (1) The UKPN, SSEN, and other organisations have participated in uZero's robust testing stage

Data centres and AI are driving an increase in energy consumption in the UK

Developments in AI and the need for Data centres are scaling rapidly and becoming more energy-intensive, with ultra-large facilities emerging over the past decade. Continued growth in streaming, cloud services and AI is expected to drive further capacity expansion both in the UK and globally. The UK market is developing rapidly, supported by rising demand for high-performance computing, though uncertainty remains over the share of future investment the UK can attract compared with rival countries.

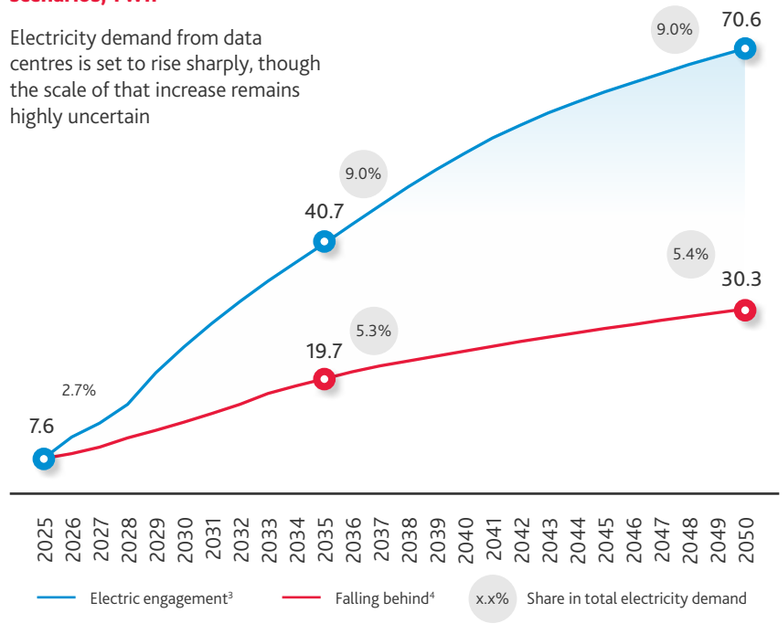
Number of data centres in the UK planning pipeline[1]

The impact of data centres

The UK Government has launched a number of AI initiatives through the AI initiative action plan and AI growth zones. This increase in data centres will create significant electricity demand. They typically use between 10x and 50x more energy per square metre than standard office buildings. According to NESO, in 2025, grid connected data centres consumed approximately 7.6 TWh of electricity – 2.7% of total demand. NESO highlights digital infrastructure expansion as a major emerging pressure on the system – by 2050, data centre consumption could approach the scale of today's entire UK industrial electricity use.

Data centres electricity consumption forecast under different NESO FES scenarios, TWh[2]

Electricity demand from data centres is set to rise sharply, though the scale of that increase remains highly uncertain



In the UK, tax support for the energy transition has tended to favour capital-intensive infrastructure rather than targeted tax credits or bespoke "green" R&D reliefs. Government policy has focused on broad-based investment measures - most notably permanent full expensing and the annual investment allowance. These regimes accelerate tax relief for qualifying plant and machinery, and are particularly valuable for projects with stable, long-term revenue profiles.

This approach is well aligned with large-scale energy infrastructure like offshore wind, where construction costs are dominated by high-value contracts for turbines, electrical equipment and cabling, and elements of the foundations. A significant proportion of this expenditure can, in principle, qualify for capital allowances, allowing relief to be offset against taxable profits relatively quickly.

However, identifying eligible costs requires care. The recent Supreme Court decision in Ørsted West of Duddon Sands (UK) Limited v HMRC confirmed a narrow interpretation of expenditure incurred "on the provision of plant". Only costs with a close and direct link to the plant ultimately provided qualify, with pre-construction studies and surveys falling outside the scope of capital allowances.

By contrast, some other jurisdictions offer more generous and targeted incentives. In the US, long-term, transferable tax credits introduced under the Inflation Reduction Act have materially improved project economics and enhanced investor confidence. That model can, however, be a double-edged sword, as heavy reliance on explicit incentives can make projects more exposed to shifts in political priorities and policy direction.

Sam Boundy
Tax
M&A Partner
sam.boundy@bdo.co.uk

Source: Gov.UK website; Oxford Economics — The UK's data centre boom: growth trends, drivers, and the rising power challenge — [December 2025]; National Grid DSO — Data Centre Impact Study — [November 2025]; DSIT — AI Opportunities Action Plan — [January 2025]; NESO — Future Energy Scenarios: Pathways to Net Zero — [July 2025]; Media overview.
Notes: (1) According to Barbour ABI construction company data; (2) According to NESO's 2025 Future Energy Scenarios: Pathways to Net Zero; (3) Net Zero 2050 is achieved primarily through rapid electrification of heat and transport; (4) Slower-paced, benchmark pathway that fails to reach Net Zero by 2050.

Grid infrastructure and connection times risk impacting UK data centre developments

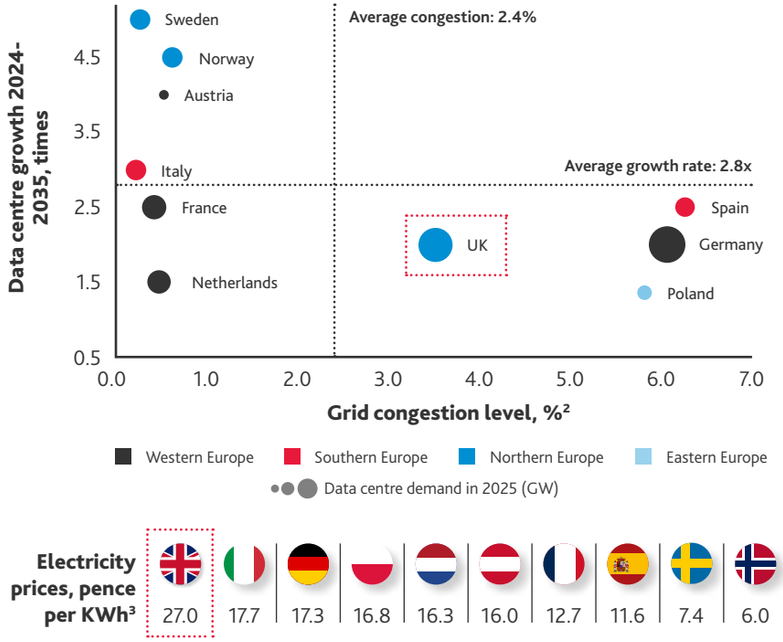
The UK's data centre governance model sits between the EU's 'regulate first' approach and the US's 'market first' model. It has adopted a principles-based framework focused on accountability, transparency and safety by design, positioning the UK as a leader in AI safety and ethics. However, more than 100 GW of large-scale demand projects, largely data centres, remain in the energy connection queue, with most expected to connect closer to 2035 rather than before 2030. As a result, access to grid infrastructure has become a decisive factor in investment decisions, often outweighing land costs, financial incentives and regulatory attractiveness.

The UK has the highest non-domestic electricity prices in Europe, and grid connection waiting times of up to five to ten years further undermine its attractiveness for data centre developers. Grid congestion exacerbates the challenge, as limited network capacity and reinforcement requirements restrict the availability of firm power. It is expected that the highest data centre growth will be outside the most congested European markets.

As of September 2025, more than 75% of UK data centre developers were considering sites abroad, primarily due to long grid connection waiting times. 36% of developers reported energy cost and pricing uncertainty, 32% cited technical issues during the connection process, and 26% were informed they could not build in their preferred location within the planned timeframe because of required energy infrastructure upgrades.[1]

Given these constraints, the pace of data centre and AI expansion in the UK may fall short of expectations, potentially leading to a decline in the country's share of global data centre capacity from 3% today to around 1.5% by 2030.[4]

Data centre growth and grid congestion rates among selected European countries



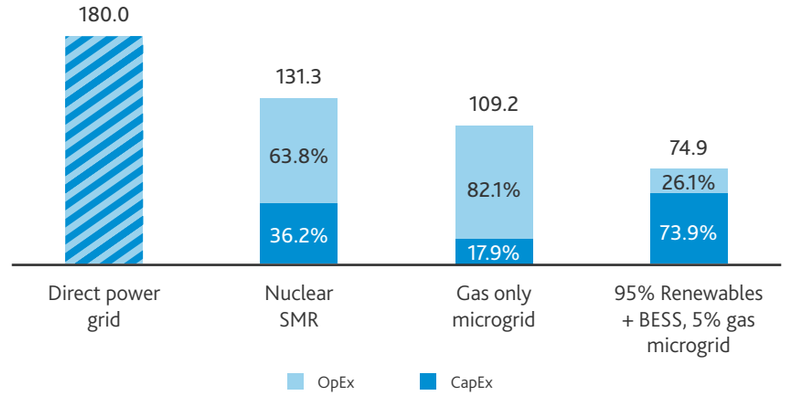
Electricity prices, pence per KWh³										
	27.0	17.7	17.3	16.8	16.3	16.0	12.7	11.6	7.4	6.0

Increasingly, operators globally are evaluating behind-the-meter solutions to mitigate connection delays and price volatility, like advanced nuclear technologies, including small modular reactors. Gas fired generation remains a lower-cost alternative to grid but creates tension with decarbonisation commitments. For example, in August 2025, five major data centre projects in the south of England formally inquired about the possibility of connecting to pipelines run by National Gas. To scale the industry capacity without compromising the Government's Clean Power ambition, co-location with renewable generation and microgrids offers a structurally attractive model, reducing exposure to retail price components and grid constraints.

Source: DESNZ website; Roadnight Taylor — Powering Great Britain's Data Centre Ambitions — [September 2025]; EMBER — Grids for data centres: ambitious grid planning can win Europe's AI race — [2025]; Centre for Net Zero — How to accelerate the UK's AI revolution — [2025]; ACER — Monitoring report — [2024-2025]Notes: (1) According to the Roadnight Taylor's survey of leading UK data centre developers, investors, and operators conducted in May 2025, n=50; (2) Congestion occurs when power flows exceed grid capacity limits, breaching thermal, voltage, or stability constraints. It is calculated as 2023-2024 average volume of remedial actions activated as a percentage of electricity demand; (3) Average electricity prices for all size categories of non-domestic consumers in January–June 2025; (4) According to McKinsey & Company analysis.

Confronted with grid bottlenecks, data centres are turning to behind-the-meter power solutions

Annual cost of different data centre electricity consumption options, £m[1]



Despite grid-connected supply being a dominant model today in the UK, research indicates that direct procurement of electricity via a 95% renewables + BESS and 5% gas microgrid (aligned with the UK's Clean Power 2030 target) can be both cost effective and reduce emissions. Potential generation sources for such configurations could include repurposed projects that did not secure a Gate 2 connection and remained stranded. This would enable the creation of new energy transition alliances between data centre operators, developers and capital providers. As of October 2025, 30% of renewables investors were actively pursuing partnerships with data centres to develop co-located generation projects like solar farms or battery storage, and 39% were considering such collaborations.[2]

To ensure round-the-clock power, data centres will need to complement solar or wind with BESS and either grid supply or on-site gas peakers (a power plant that runs during periods of high demand or to fill gaps in intermittent generation). Analysts estimate that a solar-battery-gas configuration can reduce emissions by around 67% vs a combined-cycle gas plant.

The Green Data Solar Farm co-location case

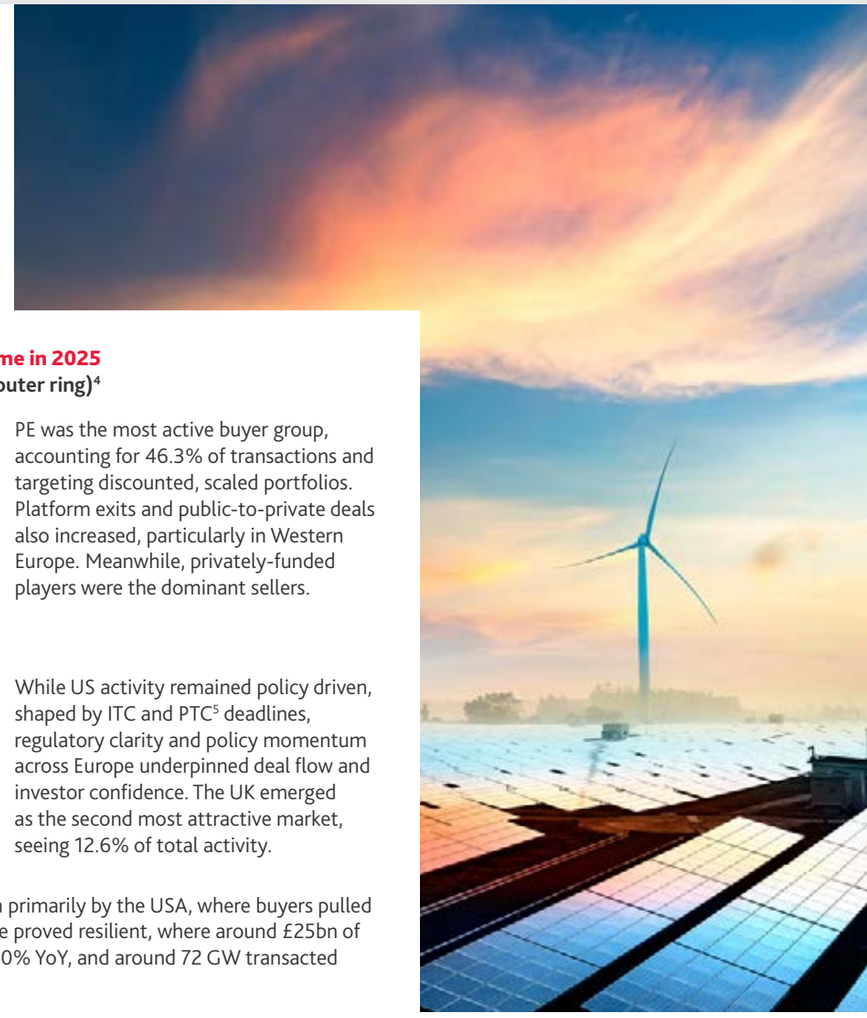
40 MW solar PV farm

35 MW total IT load

In November 2025, Downing Renewable Developments[3] announced it will develop, build, and operate a solar PV farm to supply Kao Data's colocation data centre campus in Harlow via a private wire PPA. The project will provide dedicated, long term renewable electricity, supporting Kao Data's target to reach Net Zero by 2030.

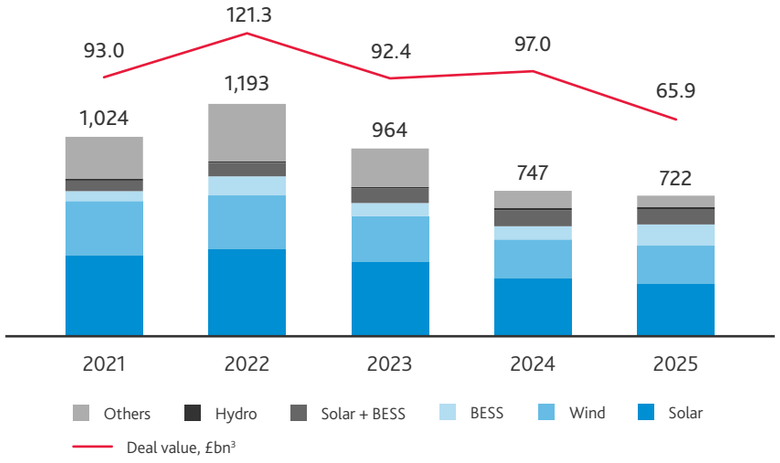
Source: DESNZ website; Roadnight Taylor — Powering Great Britain's Data Centre Ambitions — [September 2025]; EMBER — Grids for data centres: ambitious grid planning can win Europe's AI race — [2025]; Centre for Net Zero — How to accelerate the UK's AI revolution — [2025]; ACER — Monitoring report — [2024-2025]
Notes: (1) Based on Centre for Net Zero cost model of 120 MW data centre; (2) According to Aurora Utilities survey of UK-based senior decision makers of UK infrastructure, conducted in October 2025, n=800; (3) A subsidiary of Downing,

The UK reinforces its position as a leading renewables M&A hub despite a global slowdown



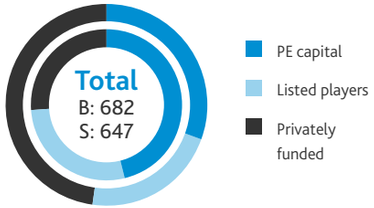
Renewables remain the most attractive investment theme for investors in the energy transition. Around 65% of global investors see solar and wind as offering the strongest return potential. Battery storage ranks second, fuelled by policy clarity and declining costs, and is clearly ahead of EV charging, nuclear, CCUS, heating systems and other technologies.[1] BESS assets are increasingly viewed as essential infrastructure rather than optional add-ons. To succeed in the current market, investors are pricing grid access, revenue resilience, and regulatory robustness alongside capacity. Delivery capability, particularly EPC[2] execution, has become a strategic signal of discipline and credibility.

Global renewable sector M&A deal value and volume



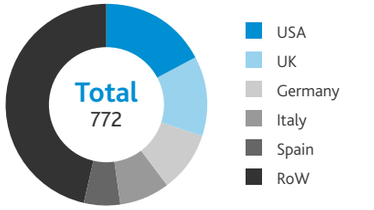
Global renewable sector M&A deal volume in 2025

By participant: buyer (inner ring) / seller (outer ring)[4]



PE was the most active buyer group, accounting for 46.3% of transactions and targeting discounted, scaled portfolios. Platform exits and public-to-private deals also increased, particularly in Western Europe. Meanwhile, privately-funded players were the dominant sellers.

By country



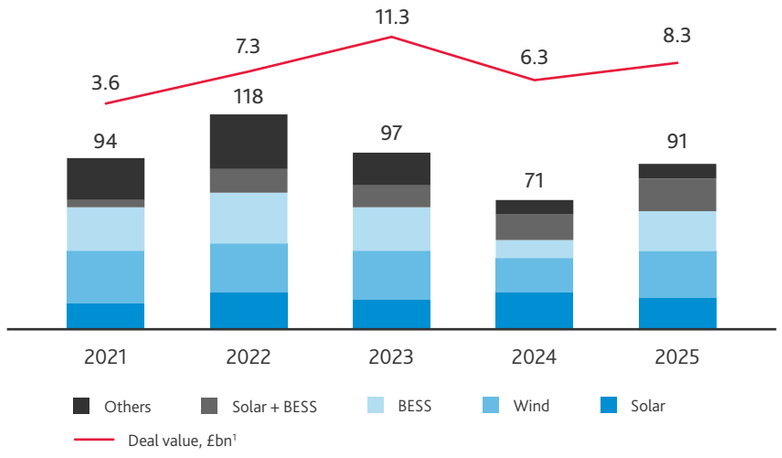
While US activity remained policy driven, shaped by ITC and PTC[5] deadlines, regulatory clarity and policy momentum across Europe underpinned deal flow and investor confidence. The UK emerged as the second most attractive market, seeing 12.6% of total activity.

In 2025, global renewable M&A activity declined in both volume and value, down 3.3% and 32.1% respectively. This contraction was driven primarily by the USA, where buyers pulled back amid OBBBA[6] uncertainty and tighter financing conditions, leading to a roughly 30% YoY drop in transaction value. In contrast, Europe proved resilient, where around £25bn of deals were completed, supported by sustained demand for system flexibility. Battery storage stood out, where deal value rose by roughly 40% YoY, and around 72 GW transacted across 73 deals.

Source: Renewables Now website; Shroders — Global Investor Insights Survey — [September 2025]; Enerdatics — The Enerdatics 2025 Renewable M&A Report — [January 2026]; Enerdatics — UK: Top 2025 Renewable Energy M&A Insights — [February 2026]; Knight Frank — Powering the future: The UK's renewable energy investment market — [September 2025]; Media overview.
Notes: (1) According to Shroders' survey of global financial professionals about the investment perspectives, conducted during April–May 2025, n=995; (2) Engineering, procurement, and construction; (3) The numbers are converted from USD to GBP due to the average exchange rates by FRED; (4) The count reflects buyer and seller participation, not unique transactions; (5) Investment Tax Credit and Production Tax Credit; (6) One Big Beautiful Bill Act is a US federal statute containing tax and spending policies that form the core of President's agenda.

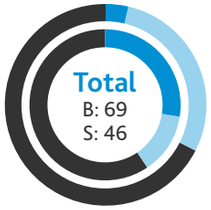
The UK reinforces its position as a leading renewables M&A hub despite a global slowdown

UK renewable sector M&A deal value and volume



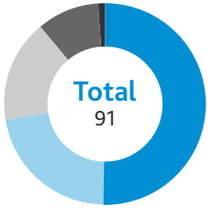
UK renewable sector M&A deal volume in 2025

By participant: buyer (inner ring) / seller (outer ring)[2,3]



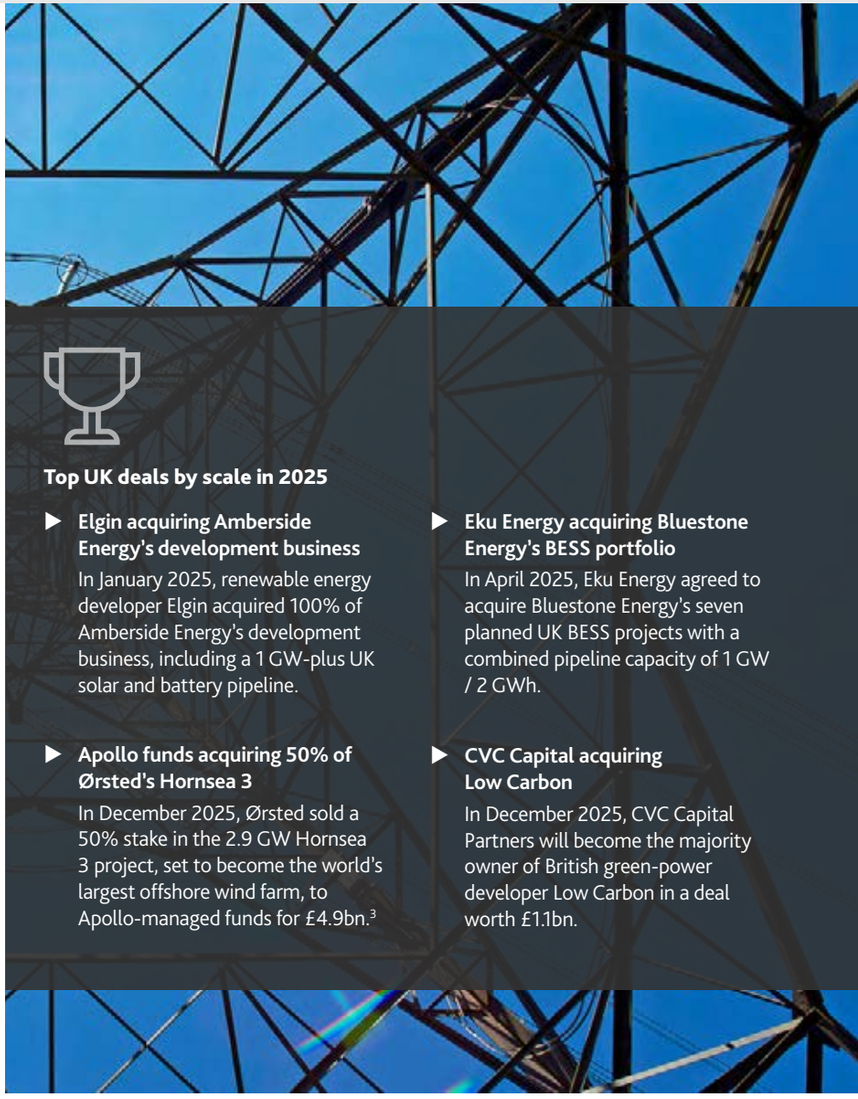
The sector is becoming increasingly appealing to institutional investors, with PE active in 29% of transactions. Listed companies, including infrastructure funds, were particularly active on the sell side, recycling capital and rotating mature assets to fund new development pipelines.

By project stage



Investors are increasingly drawn to ready-to-build projects amid rising complexity, representing 50.6% of activity. In solar, for example, the mix has shifted from 92% operational capacity on average during 2015-2019 to more than 60% now classified as ready-to-build.

The UK's ambitious net zero agenda, mature renewables pipeline, and expanding opportunities in grid flexibility and storage continue to underpin a strong investment case. In 2025, the deal count rose by 28.2% and the value increased by 31.7%, with around 13.0 GW of capacity transacted. Beyond core solar, wind and storage, activity also extended to bioenergy, grid distribution and transmission assets. Improved policy visibility, including the CP30 Action Plan, will further ease structural bottlenecks, supporting a scaling and maturing market.



Top UK deals by scale in 2025

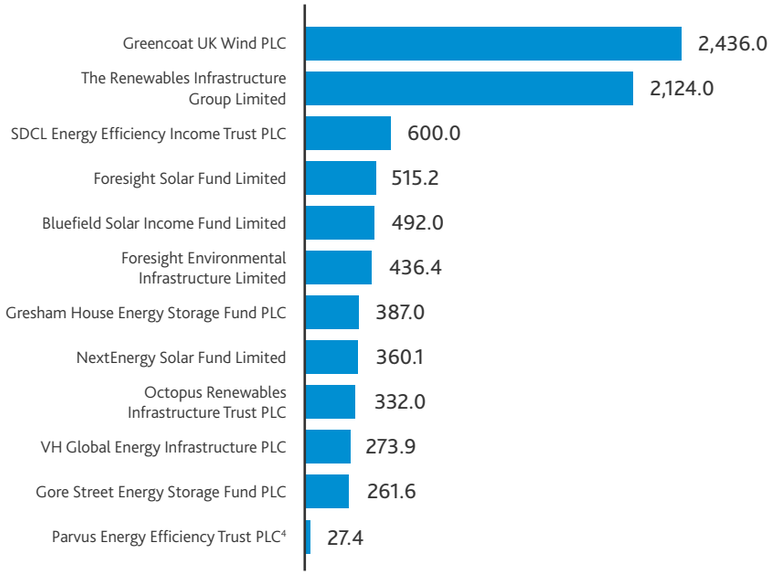
- **Elgin acquiring Amberside Energy's development business**
  In January 2025, renewable energy developer Elgin acquired 100% of Amberside Energy's development business, including a 1 GW-plus UK solar and battery pipeline.
- **Eku Energy acquiring Bluestone Energy's BESS portfolio**
  In April 2025, Eku Energy agreed to acquire Bluestone Energy's seven planned UK BESS projects with a combined pipeline capacity of 1 GW / 2 GWh.
- **Apollo funds acquiring 50% of Ørsted's Hornsea 3**
  In December 2025, Ørsted sold a 50% stake in the 2.9 GW Hornsea 3 project, set to become the world's largest offshore wind farm, to Apollo-managed funds for £4.9bn.[3]
- **CVC Capital acquiring Low Carbon**
  In December 2025, CVC Capital Partners will become the majority owner of British green-power developer Low Carbon in a deal worth £1.1bn.

Source: Renewables Now website; Shroders — Global Investor Insights Survey — [September 2025]; Enerdatics — The Enerdatics 2025 Renewable M&A Report — [January 2026]; Enerdatics — UK: Top 2025 Renewable Energy M&A Insights — [February 2026]; Knight Frank — Powering the future: The UK's renewable energy investment market — [September 2025]; Media overview.
Notes: (1) The numbers are converted from USD to GBP due to the average exchange rates by FRED; (2) Includes only transactions where buyer or seller was disclosed; (3) Private equity refers to traditional investors with shorter investment horizons and higher return targets, whereas larger infrastructure funds and listed vehicles typically pursue longer-term yield strategies and focus on operational or de-risked assets.

UK renewables funds enter a more defensive phase amid persistent NAV discounts

UK listed renewable energy infrastructure funds by market capitalisation[1,2]

Market capitalisation as of 30 September 2025, £m



	Capacity, MW[3]	NAV, £m	Discount %	Asset types	Top-3 geographies
Greencoat UK Wind PLC	1,942.0	3,066.0 (-14.8%)	-20.5%	W	
The Renewables Infrastructure Group Limited	2,503.0	2,612.0 (-14.9%)	-18.7%	S,W,B	
SDCL Energy Efficiency Income Trust PLC	239.0	950.9 (-3.3%)	-36.9%	S,O	
Foresight Solar Fund Limited	1044.0	564.5 (-11.8%)	-18.5%	S,B	
Bluefield Solar Income Fund Limited	849.5	675.0 (-10.4%)	-27.1%	S,W,B	
Foresight Environmental Infrastructure Limited	497.8	652.7 (-9.4%)	-33.1%	S,W, Bio, H	
Gresham House Energy Storage Fund PLC	1172.0	658.3 (+6%)	-41.2%	B	
NextEnergy Solar Fund Limited	938.7	510.9 (-10.7%)	-29.5%	S,B	
Octopus Renewables Infrastructure Trust PLC	797.0	523.0 (-10.2%)	-36.5%	S,W,B	
VH Global Energy Infrastructure PLC	477.7	422.4 (-4.4%)	-35.2%	S,W,B,Bio,H,O	
Gore Street Energy Storage Fund PLC	643.1	455.3 (-10.4%)	-42.5%	B	
Parvus Energy Efficiency Trust PLC[4]	5.1	40.8 (-47.3%)	-32.8%	S, W	

Asset categories: S = Solar W = Wind B = BESS Bio = Bioenergy H = Hydro O = Other

Persistent discounts

As of September 2025, the UK-listed renewables funds shown opposite had a combined market cap of more than £8.2bn versus total NAV of £11.1bn. Across the funds' UK and international investments, generation capacity amounted to c.8.8GW, with installed storage capacity of c.2.3GW. All funds we reviewed continued to trade at significant discounts, averaging 31.1%.

Macro and policy forces shaping valuations

Changes to Renewables Obligation and Feed-in Tariff indexation that became effective in April 2026 have raised concerns over the potential for further retrospective changes to support mechanisms in the future.

More recently, the government has also signalled that assets subject to the Energy Generation Levy could face a further increased tax burden unless they are moved onto long-term fixed-price arrangements - called Wholesale CfDs - as part of wider reforms aimed at reducing the linkage between electricity prices and gas markets.

Since February 2026, the Middle East conflict has driven energy price volatility and renewed inflation concerns. The Bank of England's Monetary Policy Committee has paused rate cuts since December 2025, and has not ruled out increases in the near term. A prolonged "higher for longer" environment may increase discount rates for renewables assets, offsetting some benefit of inflation-linked revenue.

Source: LSE website; Companies' websites; Companies' factsheets, interim reports and annual reports; Media overview

Notes: (1) Data are presented as of 30 September 2025 for all funds, except The Renewables Infrastructure Group Limited and Parvus Energy Efficiency Trust PLC for which data are presented as of 30 June 2025; (2) Figures in brackets indicate the year-on-year change; (3) Both operational and under development; (4) Formerly Aquila Energy Efficiency Trust PLC, focussing on energy efficiency projects, as well as solar and wind assets.

UK renewables funds enter a more defensive phase amid persistent NAV discounts

Major developments of the UK-listed renewables funds during 2025/2026

Persistent discounts and higher interest rates have driven strategic responses. Triple Point Energy Transition completed the sale of its hydro portfolio for £44.1m in January 2025 and moved into members' voluntary liquidation, with value to be returned to shareholders through the liquidation process or, failing that, a tender mechanism.

Bluefield Solar Income Fund Limited ('BSIF') launched a formal sale process in November 2025, while Next Energy Solar Fund Limited announced a strategic reset in March 2026, focusing on total returns via capital recycling and a moderated dividend. The agreed acquisition of BSIF by Drax in June 2026 further underscored the valuation disconnect between listed markets and fundamental asset values, while signalling strong strategic demand for renewables infrastructure assets.

Other yieldcos, including The Renewables Infrastructure Group Limited ('TRIG'), continued share buybacks, while broader consolidation efforts saw mixed results, with TRIG's proposed £5.3bn merger with HICL Infrastructure Plc ('HICL') abandoned in December 2025 after failing to secure sufficient support from HICL shareholders.

Pressure also intensified in other parts of the sector, with Gore Street Energy Storage Fund Plc facing activist calls in July 2025 for disposals and strategic change amid a roughly 35–40% discount to NAV and weak multi-year share price performance.Take private activity also accelerated, with Harmony Energy Income Trust and Downing Renewables & Infrastructure Trust both acquired privately, highlighting the widening valuation gap between listed and private markets and increasing pressure on public vehicles to adapt-or exit.

Listed renewables funds have traded at widening discounts to NAV since 2022, driven in part by the sharp rise in interest rates and UK gilt yields, which reduced the relative attractiveness of renewables fund investments compared to 'risk-free' gilts.

With gilts offering 4–5% yields - levels last seen around the 2007-08 financial crisis - income-focused investors have reallocated capital away from listed renewable vehicles. Policy uncertainty has added a further layer of caution, weighing on investor confidence at a point when significant private capital is required to deliver the UK's clean energy ambitions.

Despite this, the underlying investment case for the sector continues to be supported by structural and policy-driven tailwinds. While some recent policy changes have not been beneficial to the industry, government messaging points towards renewables and energy security remaining at the forefront of its priorities, as evidenced by the decision to bring forward Allocation Round 8.

Private capital remains essential to delivering the government's ambition of achieving 95% clean electricity by 2030. UK electricity demand is forecast to increase by up to 15% over the same period, driven by the electrification of transport and heating, and the increasing rollout of data centres to support the rise of AI.

We continue to engage closely with funds and major asset managers across the UK and internationally, supporting the valuation of renewable energy investments across a wide range of markets.

Adam Cuthbertson
Valuations
Director
adam.cuthbertson@bdo.co.uk

Meet the team

Caroline Hulmston
Audit Director
UK Head of Renewables
caroline.hulmston@bdo.co.uk

Marc Reinecke
Audit Partner
Global Head of Renewables
marc.reinecke@bdo.co.uk

Andy Hucknall
Advisory FMAS Director
andy.hucknall@bdo.co.uk

Stefanos Stefanidis
R&D Tax
Associate Director
stefanos.d.stefanidis@bdo.co.uk

William Isaacs
Tax R&D Manager
william.isaacs@bdo.co.uk

Konrad Langworth
Advisory CF
Assoc Director
konrad.langworth@bdo.co.uk

Viran De Silva
Tax M&A Assoc Director
viran.desilva@bdo.co.uk

Sam Boundy
Tax
M&A Partner
sam.boundy@bdo.co.uk

Lee Jefferson
Tax
M&A Partner
lee.jefferson@bdo.co.uk

Cassie Williams
Business Restructuring
Managing Director
cassie.williams@bdo.co.uk

Elizabeth Hooper
Audit Partner
FinServs – Asset mgt & Funds
elizabeth.hooper@bdo.co.uk

Ankur Malhotra
Director – Financial Services
Asset management & Funds
ankur.malhotra@bdo.co.uk

Georgie Gaunt
Director - Financial Services
Asset management & Funds
georgie.gaunt@bdo.co.uk

Ian Morgan
Advisory BSO
Director
ian.morgan@bdo.co.uk

Adam Cuthbertson
Valuations
Director
adam.cuthbertson@bdo.co.uk

Vicky Tao
Valuations
Associate Director
vicky.tao@bdo.co.uk

Andy Harris
CFID Partner
andy.harris@bdo.co.uk

FOR MORE INFORMATION:

CAROLINE HULMSTON
UK Head of Renewables
caroline.hulmston@bdo.co.uk

www.bdo.co.uk

26-04-4365