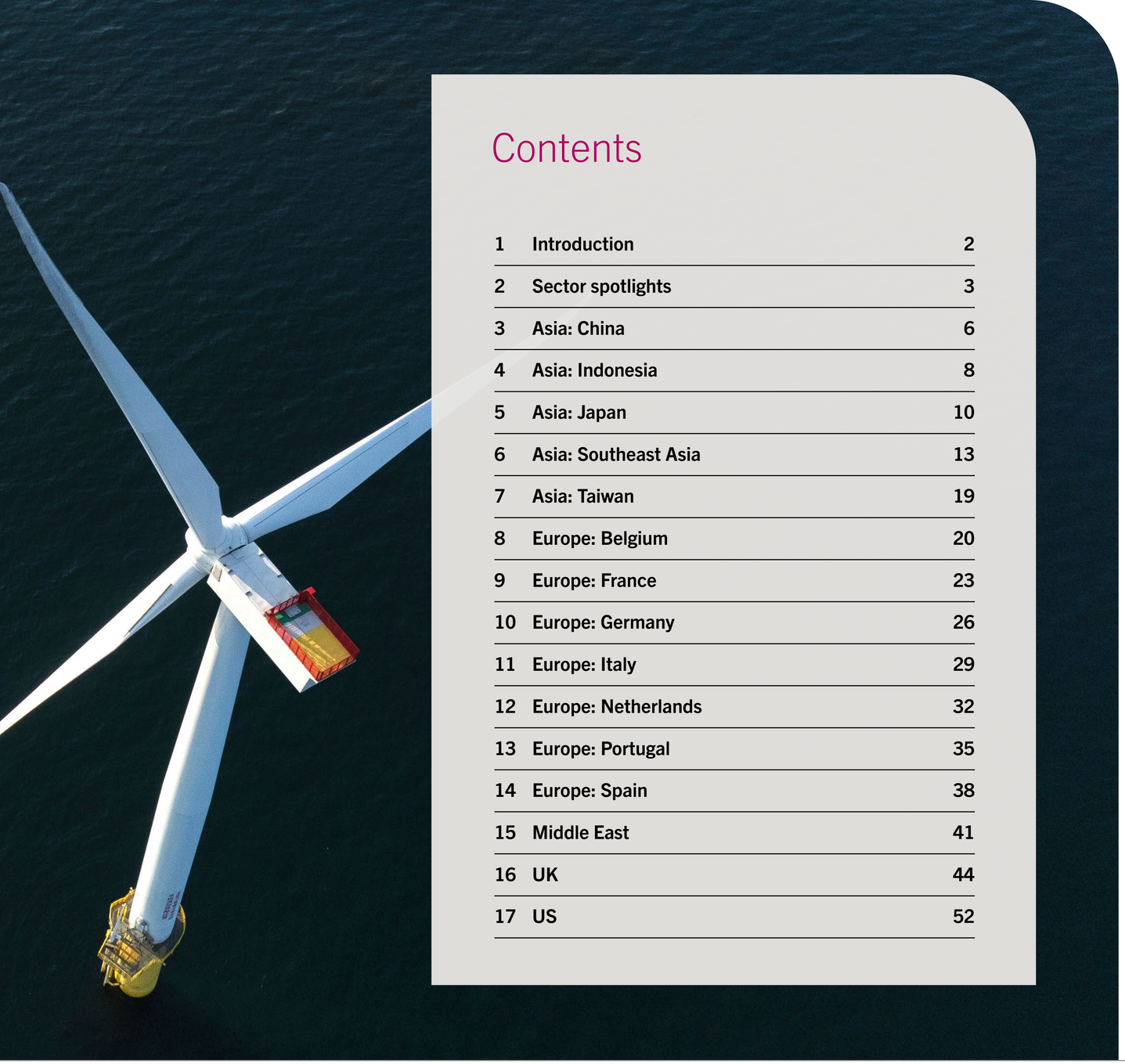
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Energy & Infrastructure Legal Outlook 2026





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Introduction

Energy transition is continuing at pace across the globe. The transition is not linear, however, and the focus on energy for governments around the world is increasingly seen through the lens of energy security and affordability before emissions reduction.

The International Energy Agency's World Energy Outlook published at the end of 2025 highlights the complex backdrop against which energy policy makers are determining the future of global energy systems and, therefore, the environment in which developers, investors, traders and funders are operating. The energy transition is now more mature, despite geographical unevenness and rapid growth in some sectors being met with stagnation in others. Challenges in the supply chain and grid capacity remain key but the rise of innovative financing structures and the liquidity of private capital markets in response to greater policy certainty and maturing technology mean the transition continues.

With the projected increase in demand for energy clear, two sectors in particular stand out as having a crucial role to play in meeting that demand: renewables and nuclear.

This report explores the latest developments in key markets across the globe across all sectors of the energy transition, highlighting the legal and regulatory changes to look out for in 2026 and beyond.

Read our Sector Spotlights for a quick global overview of each sector or deep-dive into our country-by-country analysis of key legal and regulatory developments.

Sector spotlights

Spotlight: Offshore wind

Offshore wind continues to be a cornerstone of renewable energy deployment globally, though in many places the sector is still emerging from a period of significant challenge as governments determine whether and how to support its continued growth amidst cost and grid integration challenges.

Market conditions for the sector have deteriorated in Japan and the Netherlands, with rising costs from inflation, interest rate increases and supply chain bottlenecks severely impacting project economics and forcing delays or cancellations of planned tenders. Governments are responding, however, with enhanced support mechanisms designed to restore investor confidence and protect developers from cost escalation risks.

The UK's seventh renewable auction round delivered a record-breaking result, securing 8.4GW of offshore wind capacity and demonstrating the sector's broader competitive strength and attractiveness for investors. The Hamburg Declaration, signed in January 2026 by the nations bordering the North Sea, is further backing for the sector as the collective ambition to realise the North Sea as a global clean energy hub through offshore renewable energy generation, strong interconnection and the use of hydrogen as complementary energy carrier looks ahead to concrete plans for implementation.

Floating offshore wind technology continues to advance, with regulatory frameworks being developed to enable deployment in deeper waters and exclusive economic zones, though implementation timelines remain uncertain in some markets.

Despite near-term headwinds, the long-term opportunity remains compelling, with many governments maintaining ambitious capacity targets and recognising offshore wind as essential to achieving clean power and net zero objectives.

Spotlight: Nuclear

Nuclear power is experiencing a decisive resurgence across multiple jurisdictions as governments recognise its critical role in providing firm, baseload generation to complement intermittent renewable sources and meet growing electricity demand. Historic political and public opposition is largely being overcome, with many countries reversing phase-out policies, extending the operational life of existing plants and committing to new build programmes.

Small modular reactors are emerging as a key technology, attracting significant investment and government support, particularly for applications in heavy industry, hydrogen production and powering energy-hungry data centres.

Reform of nuclear regulatory frameworks is a common theme, with governments streamlining approval processes, simplifying siting requirements and reducing legal challenge risk to facilitate faster deployment. The sector is also seeing innovative financing structures, including regulated asset base models in the UK and substantial private capital investment, signalling renewed confidence in nuclear as an essential component of the energy transition and a pathway to energy security and decarbonisation.

Spotlight: CCUS

Carbon capture, utilisation and storage is gaining ground globally as a critical technology for decarbonising hard-to-abate sectors, with regulatory frameworks maturing and commercial-scale deployment accelerating across multiple jurisdictions.

The UK has successfully financed its first wave of transport, storage and capture projects under a first-of-a-kind regulatory framework and is now consulting on transitioning towards independent, market-led operations. Other jurisdictions are considering innovative financing structures to support the sector, each designed to bridge the gap to commercial viability, whilst revenue models are evolving to combine storage service fees with potential carbon credit mechanisms.

Cross-border partnerships are emerging, with governments recognising that CCUS infrastructure is essential to achieving net zero targets in sectors where electrification is not feasible. Indonesia, in particular, has positioned itself as a potential regional hub with vast offshore storage capacity, while Japan's CCUS sector faces a critical juncture with advanced projects approaching final investment decision deadlines. In Southeast Asia, Malaysia is establishing a legal framework for the sector, whilst Singapore has signed memorandums of understanding with Malaysia and Indonesia, signalling the region's growing importance in developing CCUS infrastructure.

Spotlight: Oil and gas

The oil and gas sector is undergoing strategic repositioning as private capital rotates across the energy value chain, with energy transition now serving as an organising principle rather than a constraint to hydrocarbon investment. Private capital investors are increasingly allocating to oil and gas assets that offer yield, inflation protection and cash generation, whilst supply discipline, portfolio rationalisation by majors and public market constraints are creating a recurring deal pipeline in upstream and midstream assets, particularly production, pipelines, storage and liquefied natural gas, often backed by long-term offtake and inflation-linked tariffs.

Sponsors are favouring value extraction strategies, roll-ups of mature basins and midstream infrastructure that can evolve to support future energy systems, including hydrogen.

In the Middle East, hydrocarbons remain critical to regional success, with major operators continuing to develop the sector whilst seeking to decarbonise and obtain efficiency improvements, including expansions in LNG capacity driven by rapidly growing global demand and the position of natural gas as a transition fuel.

The UK oil and gas sector is anticipating a lower oil price environment, prompting consolidation and diversification as larger operators reduce exposure, though the sector remains attractive for many investors given increasing energy demand.

Across jurisdictions, the oil and gas sector is leveraging existing expertise to inform development of CCUS capabilities and projects for production of clean ammonia, hydrogen and sustainable fuels.

Spotlight: Hydrogen

Hydrogen remains a key component of industrial decarbonisation strategies globally as the sector transitions from policy development to commercial deployment. Infrastructure development is advancing, with regional hydrogen pipeline networks being designed to connect industrial hubs and support early-stage projects.

In Europe's emerging hydrogen economy, regulatory frameworks are maturing to accommodate renewable and low carbon hydrogen, with updated gas system regulations clarifying licensing requirements, quality standards for grid injection and establishing guarantees of origin. India's National Green Hydrogen Mission targets 5 million metric tons of annual production capacity by 2030, with India expected to lead global capacity additions for green ammonia.

The UK is set to launch allocation rounds for its Hydrogen Transport Business Model and Hydrogen Storage Business Model early in 2026.

Use cases are being reinforced by policy measures including carbon border adjustment mechanisms and renewable fuel mandates, particularly for hard-to-electrify sectors such as heavy industry, aviation and transport.

Spotlight: Grids

Grid infrastructure expansion remains a critical priority for many governments as they seek to accommodate growing demand for transmission capacity to integrate renewables and meet the demands of increasing electrification. Investment requirements are substantial, with the Netherlands anticipating annual grid investment of up to €9bn, rising to €18bn by 2040, whilst France's transmission system operator has identified unprecedented investment volumes needed through the 2030s. In some places, grid operators are also adapting their remuneration frameworks, with new methodologies being developed to provide greater certainty on investment cost recovery to support the unprecedented capital deployment required. Cross-border grid integration is also advancing with significant initiatives in development to facilitate cross-border electricity trade in Southeast Asia and government support for new interconnector projects in Europe and elsewhere.

Grid congestion remains a significant barrier to the energy transition, with extended connection timelines prompting regulatory innovation. The UK has fundamentally reformed its grid connection process to prioritise projects that are both "ready" and "needed", bringing much-needed clarity to the market and productivity to the connections process.

Spotlight: SAF

Sustainable aviation fuel is transitioning in the UK and EU from niche to compliance-driven demand, with mandates creating regulatory momentum for deployment which is anticipated to continue into 2026. The principal challenges remain feedstock availability, scaling of production technologies and the cost differential with respect to conventional jet fuel.

For investors, bankability hinges on solid feedstock strategies, durable offtake contracts, compliance with sustainability criteria and, in some cases, complementary support at national or EU level.

Spotlight: BESS

Battery energy storage systems are rapidly deploying across multiple jurisdictions, driven by the need for grid flexibility, renewable integration and system balancing. The sector is maturing, with successful project financings demonstrating bankability in markets with diverse revenue stacking opportunities.

Regulatory frameworks are evolving to facilitate deployment, with Belgium offering a 10-year transmission tariff exemption for BESS commissioned after July 2018, Italy's MACSE scheme awarding 15-year fixed annual premiums through competitive auctions and the Netherlands seeing sophisticated revenue stacking and alternative transport rights contribute positively to the business case.

The UK continues to lead in grid-scale BESS capacity, with growth remaining market-driven without dedicated revenue support.

Permitting processes are being streamlined, with Italy establishing clear authorisation pathways and exemptions from environmental procedures for stand-alone systems, whilst Spain has simplified their regime by exempting hybridised facilities from environmental impact assessment and halving processing periods.

For long duration electricity storage, the UK's introduction of a cap and floor mechanism under the Planning and Infrastructure Act 2025 represents a significant milestone, with Ofgem expected to publish a list of winning projects in Spring 2026.

Challenges persist for the sector, however, including regulatory uncertainty around frequent changes to market rules, grid congestion extending connection timelines and supply chain risks from price volatile materials like lithium and nickel.

Spotlight: Data centres

The unprecedented global growth of data centres creates both significant opportunities and substantial challenges for grid capacity and energy systems. Many governments are developing tailored regulatory frameworks and streamlined processes in order to secure a competitive edge in attracting data centre investment. Belgium and the Gulf, for example, are both rapidly positioning as global digital hubs, with data centre investment accelerating and driving parallel growth in the power and infrastructure sectors.

Nonetheless, 2026 presents a fundamental infrastructure paradox for many countries: whilst capital for data centre investment is abundant, the physical capacity to absorb it is severely constrained. The terms on which large data centre campuses are connected to public electricity infrastructure will be a strategic issue around the globe in 2026, both for developers and for network operators.

Co-location of battery storage, or other generation assets, with data centres is creating compelling commercial synergies for some but infrastructure and sustainability considerations are under scrutiny as lenders increasingly require alignment with national net zero targets.

Data centres, and digital infrastructure more broadly, are emerging as a focus for private capital, with such assets now seen as essential, long duration infrastructure offering contracted yield, inflation protection and resilient cashflows. Investors are targeting platforms that combine resilient power, high capacity connectivity and scalable land banks, with particular emphasis on power dense, AI ready campuses in constrained markets.

As traditional telecoms and technology owners pursue balance sheet optimisation and carve outs, a recurring pipeline of platform sales, sale and leasebacks and joint ventures is developing across digital infrastructure, typically underpinned by long-term offtake and inflation linked pricing. This is drawing in both infrastructure and private equity sponsors, who are converging around digital platforms that can support cloud, AI and edge workloads at scale.



Asia: China

Looking ahead: energy security, energy transition and technological self-reliance

China's energy landscape in 2026 is defined by the 15th Five-Year Plan's clear roadmap for 2026-2030. Clean energy is accelerating its dominant position as the country pursues comprehensive construction of new power systems, continued digitalisation and intelligence improvements and a shift in international co-operation towards full industry chain competition. The coal and oil sectors are entering a phase of volume contraction and intensified competition, while solar, wind and natural gas are becoming the main incremental sources of energy demand, contributing 29%, 28% and 25% respectively to total energy consumption growth.

Solar and wind power: transition to competitive pricing

The regulatory landscape for solar and wind power has fundamentally shifted. Pursuant to the Notice on Deepening Market-Based Reform of New Energy Grid Tariffs and Promoting High-Quality Development of New Energy issued by the National Development and Reform Commission (NDRC) and National Energy Administration (NEA), all new solar and wind power plants must now participate in the wholesale electricity market, with prices determined by market forces through spot and medium to long-term trading mechanisms. This represents a departure from the previous feed-in tariff regime. For developers and investors, this significantly increases uncertainty around revenue with new projects facing full market-based competitive bidding.

Renewable energy consumption: quality over quantity

China's approach to renewable energy is evolving from "large-scale development driven by cost reduction" towards "high-quality development supported by reliable replacement." Guidance on Promoting New Energy Consumption and Dispatch issued by the NDRC and NEA sets out systematic requirements across the entire chain from development to consumption, dispatch and market entry.

During the 15th Five-Year Plan period, both renewable and traditional energy sectors will emphasise improving supply quality and consumption efficiency, with renewable energy expansion slowing whilst backward capacity in traditional energy is accelerated out.

Pilot programmes for new power systems signal the evolution of solar and wind power plants towards "system-friendly power stations" and "virtual power plants" (Notice on Organising the First Batch of Pilot Work for New Power System Construction and Guidance on Promoting Integrated and Synergistic Development of New Energy issued by the NEA). These programmes cover seven major areas including grid-forming technology, system-friendly solar and wind power stations, intelligent microgrids, computing-power co-ordination, virtual power plants, large-scale high-proportion renewable energy transmission, and next-generation coal power, providing a policy testing ground for technological and business model innovation.

Energy storage: large-scale BESS

China is targeting new energy storage installed capacity of approximately 180 million kWh by 2027; four times current capacity. The Action Plan for Large-Scale Construction of New Energy Storage (2025-2027) and Action Plan for High-Quality Development of New Energy Storage Manufacturing Industry set clear three-year installation and application targets, releasing medium-term investment opportunities for battery energy storage systems (BESS) with an emphasis on "large-scale and multi-scenario applications."

During the 15th Five-Year Plan period, the storage market in China will be dominated by lithium battery storage with multiple technological pathways coexisting.

China is targeting new energy storage capacity of 180 million kWh by 2027—four times current levels—with emphasis on large-scale deployment and multi-scenario applications.



Asia: China

Distributed photovoltaic power and direct green power supply

Distributed energy is becoming an important feature of China's energy and power development, accelerating under policy guidance and technological progress. A new distributed solar PV development and construction management framework has replaced the 2013 interim measures, implementing category-based management and detailed requirements for grid connection modes, filing, construction and compliant operation, with a clear transition timeline.

A new Notice on Orderly Promoting the Development of Green Power Direct Connection and Notice on Improving Price Mechanisms to Promote Local Consumption of New Energy Generation issued by the NDRC and NEA provides a clear legal framework for the principle "source-grid-load direct connection and local consumption" which is serving as the basis for development of data centre and industrial park load projects paired with renewable generation. The guidance clarifies provincial co-ordination, criteria for eligible participants, that grid enterprises may not bear dedicated line investment costs, that surplus power can be sold to the grid, and addresses wheeling charges and fund surcharges.

AI meets energy infrastructure

Top-level guidance on advancing AI and energy development issued by the NDRC and NEA aims to systematically embed artificial intelligence throughout the entire energy chain. AI technologies, including large models, intelligent sensing, intelligent dispatch and predictive maintenance, will enhance power system security and flexibility, optimise traditional fossil fuel development and clean utilisation, and provide intelligent support for new business models such as virtual power plants, vehicle-grid interaction, green hydrogen and zero-carbon industrial parks.

Targets have been set for 2027 and 2030, including the development of multiple industry-specific large models, hundreds of typical application scenarios and a technical standards system. The government is strengthening foundational capabilities in data, computing power, models and standards and accelerating the formation of an "AI and Energy" innovation ecosystem through pilot demonstrations, funding support and talent development.



Asia: Indonesia

Indonesia's carbon capture landscape is entering an exciting new phase. The country is positioning itself as a potential regional CCUS hub, leveraging its vast geological storage capacity and implementing progressive regulatory frameworks to attract investment and support decarbonisation objectives.

CCS/CCUS – a strategic opportunity

Indonesia has the largest sedimentary basin in Southeast Asia, with studies suggesting the country could store very large volumes of CO2 in deep saline aquifers and depleted oil and gas fields. Research estimates that CCS could reduce emissions by up to four gigatonnes of CO2 equivalent per year, underscoring the technology's critical role in the country's decarbonisation pathway.

The transition to net zero is central to Indonesia's policy agenda. The government's ambition for Indonesia to become a regional CCS/CCUS hub creates significant opportunities for the region with Indonesia looking to receive and store CO2 from other countries in Asia with limited storage capacity, including Japan, South Korea and Singapore.

A new Presidential Regulation establishes the principal framework for CCS/CCUS activities in Indonesia. CCS/CCUS is expected to play a key role in hard-to-abate sectors, including:

- upstream oil and gas and refineries
- coal and gas fired power plants
- energy intensive industries such as cement, steel and chemicals

Industry stakeholders will be keen to monitor the regulatory framework, which continues to evolve, particularly in relation to carbon crediting from emitter countries and the mechanism by which emission reductions will benefit Indonesia.

Implementation models

The Presidential Regulation provides two principal models for CCS/CCUS project development.

Model 1: CCS/CCUS as part of upstream oil and gas operations

The first model envisages CCS/CCUS operations within an oil and gas working area as part of petroleum operations under an existing production sharing contract (PSC). Under this model:

- CCS/CCUS can be integrated into existing upstream operations where PSC terms permit.
- Where the PSC does not cover CCS/CCUS, amendment and government approval is required (through the upstream regulator or the Aceh agency, as applicable).
- Contractors may use depleted reservoirs or suitable saline aquifers within their working area for CO2 storage, subject to technical and safety requirements.

This model integrates CCS/CCUS into existing upstream project structures and contractual frameworks.

Standalone licence-based CCS/CCUS

The regulation introduces Carbon Storage Licence Areas (*Wilayah Izin Penyimpanan Karbon or WIPK*), enabling CCUS operations to be located in open areas, mining licence areas or oil and gas PSC working areas. Where a WIPK overlaps with an existing oil and gas or mining area, the storage licence holder must co-operate with the existing title holder on subsurface data and, where appropriate, use of surface facilities.

Participation in WIPK tenders is open to Indonesian companies and foreign entities with a permanent establishment in Indonesia. For certain tenders, entities must also be included on the list of pre-qualified companies maintained by the Ministry of Energy and Mineral Resources (MEMR).

As at the date of publication, there is no specific foreign ownership cap applicable to CCS/CCUS activities carried out under CCS exploration licences, storage operation licences or transportation licences.

Monetisation and revenue models

CCS/CCUS for emissions from upstream oil and gas operations

Where captured and stored CO2 originates from upstream oil and gas activities, the contractor may recover costs for CCS/CCUS facilities where permitted under the PSC and applicable cost recovery rules. Revenue may also be generated from the sale of carbon



Asia: Indonesia

credits or other recognised emission reduction units once the national carbon trading and carbon pricing framework is fully operational.

For CCS/CCUS to achieve commercial viability, Indonesia will need to implement its planned "cap, trade and tax" scheme across sectors such as the oil and gas industry and large industrial emitters. The ability to sell verified emission reductions will be critical to supporting project economics.

CCS/CCUS for industrial CO2 emissions

Where CO2 originates from other industrial sources (such as power plants, cement, steel or chemicals), monetisation will primarily be through fees for injection and long-term storage services. Although commercial terms are agreed between the storage licence holder and the CO2 emitter (or the party delivering the CO2), the agreed storage fee and economic assumptions must be submitted to MEMR for approval before the storage services agreement is executed.

The fee submitted to MEMR must exclude transportation costs. Transportation includes carbon processing, though where the storage licence holder owns the transportation assets, capital and maintenance costs are excluded for this purpose. MEMR will consider several factors in its assessment, including the need to secure sufficient storage capacity for domestic emitters.

Following MEMR approval of the proposed terms, the parties may execute the storage services agreement. A royalty on storage fees will be payable to the state at a rate to be determined in future regulations. Over time, opportunities may arise to combine storage service fees with revenue from carbon credits or other market-based mechanisms, depending on the evolution of Indonesia's carbon market.

A growing project pipeline

Indonesia has a growing pipeline of CCS/CCUS projects, with approximately 15 projects in the study or preparation stage at the time of writing. Several of these are expected to become operational by 2030, with many located in areas operated by Pertamina.

The government has approved plans of development which integrate CCS/CCUS into a number of key oil and gas projects, including:

> the Tangguh CCUS project (operated by BP)

> the Abadi LNG project (operated by INPEX)

> the Sakakemang project (operated by Repsol)

These early projects represent important test cases that will shape how the regulatory framework is implemented in practice and how commercial models for CCS/CCUS evolve in Indonesia. For sponsors, contractors and investors, understanding these developments is essential to navigating the next phase of Indonesia's CCUS market.



Asia: Japan

Japan's energy and infrastructure sectors experienced transformative developments in 2025, characterised by substantial capital deployment, regulatory evolution and persistent execution challenges. The Data Centre and Digital Infrastructure market attracted unprecedented investment of ¥3.9trn ($26bn) from hyperscalers yet faces severe infrastructure constraints from power grid saturation and construction labour shortages.

The battery energy storage system (BESS) sector advanced a multi gigawatt pipeline driven by renewable integration imperatives, with the April 2025 Fire Service Act amendments providing critical regulatory clarity for lithium-ion installations.

Offshore wind progressed with over 1GW awarded in Round 3 auctions, though supply chain bottlenecks and rising costs continue to challenge the government's 10GW by 2030 target.

The carbon capture, utilisation and storage (CCUS) market is reaching a pivotal juncture with the CCS Business Act's full enforcement in May 2026, whilst nine Advanced CCS Projects face a March 2027 final investment decision deadline against a backdrop of evolving cross-border partnerships and anticipated government support frameworks.

Data centres

Japan's data centre market experienced unprecedented capital inflows in 2025, with over ¥3.9trn ($26bn) committed by global hyperscalers including AWS (¥ 2.26trn ($15.1bn) through 2027), Microsoft (¥435bn ($2.9bn)) and Google (¥150bn($1bn)), marking one of the largest annual foreign direct investments into Japan's digital sector in history. Investment on this scale has been driven by the convergence of generative AI adoption, government-mandated cloud migration under the Digital Agency's directives and corporate efforts to address Japan's longstanding "digital deficit".

Nonetheless, 2026 presents a fundamental infrastructure paradox: whilst capital is abundant, the physical capacity to absorb it is severely constrained. The Tokyo metropolitan area has hit a hard infrastructure wall, with power grid saturation extending high-voltage connection timelines to between five and 10 years in primary clusters such as Inzai and Mitaka. Construction labour shortages, exacerbated by the 2024 labour reform laws, have inflated costs (by 40-50% according to some estimates) and extended delivery schedules to 24 to 36 months.

Consequently, the market is undergoing structural decentralisation at a pace dictated by physics rather than preference, with a "Triple-Region Strategy" emerging:

- Latency-critical applications remain constrained in Tokyo.
- Business continuity workloads shift to Osaka (where power connection timelines are three to five years versus Tokyo's five to 10 years).
- Power-Hungry AI training models migrate to renewable-rich Hokkaido and Kyushu, supported by the government's GX subsidies (¥40bn ($267m) allocated for FY2026).

A further regulatory watershed arrives in April 2026 with the enforcement of revised Energy Conservation Act standards imposing strict power usage effectiveness (PUE) mandates. PUE is a measure of the total energy consumption of a data centre facility divided by the energy consumption of its IT equipment. The revised Act requires data centres to have a PUE of 1.4 by 2030 (with future tightening to 1.3 for all new builds from 2029), creating a "compliance cliff" for legacy enterprise facilities and accelerating forced migration to compliant hyperscale colocation or public cloud.



Asia: Japan

BESS

Japan's BESS market is expected to be very active in 2026, driven by increasing lender confidence in the sector. A key theme is the combination of storage with the transition of solar projects from the feed-in tariff (FIT) to the feed-in premium (FIP) regime, where colocation of BESS with existing and new solar sites is now a core strategy for managing merchant exposure, reducing curtailment and optimising capture prices.

Co-located and hybrid solar-plus-storage projects are, therefore, a central focus for developers, with BESS used to arbitrage prices, reduce curtailment risk and enhance balancing capabilities. At the same time, standalone BESS projects providing capacity, balancing and ancillary services are emerging as a distinct asset class, particularly in regions facing congestion and renewable curtailment such as Kyushu.

Offtake trends are evolving quickly. In 2025, market participants showed strong interest in the first round of Long-Term Decarbonization Power Source Auction (LTDA) resulting in 27 projects with approximately 1.4GW of capacity, an increase of more than 30% on the 2024 results. Competition has, however, intensified and pricing has tightened, limiting availability for new projects. The tolling model is bankable (and has already been banked) and remains an important structure for some counterparties, although the accounting treatment remains a concern and it is not expanding as the dominant offtake solution. In parallel, a notable development is that battery projects, including standalone and co-located assets, are increasingly banked even on a largely merchant or arbitrage basis.

Changes in law and regulations (including the LTDA rules and the rules of the Electric Power Reserve Exchange (EPRX)) remain a concern for investor confidence. Regulatory adjustments are perceived as more frequent than in renewable energy policies and other spaces, increasing uncertainty around long-term price formation and the sustainability of arbitrage revenues. This is particularly relevant for merchant-heavy and co-located projects and may influence required returns, hedging strategies and contract tenors.

Overall, 2026 is likely to see strong growth in the BESS market, but the pace and profile of investment will depend on government policies.

A turning point for offshore wind in Japan

2025 was a critical turning point for Japan's offshore wind sector. The Mitsubishi Corporation-led consortium finally withdrew from its Round 1 projects (1.76GW), citing spiralling costs and inflation that rendered their 2021 bids unviable.

The government's response was swift. In November 2025, the Ministry of Economy, Trade and Industry (METI) unveiled a suite of relief measures designed to protect Round 2 and 3 developers from a similar fate. The most impactful change is the proposal to allow offshore wind projects to participate in Japan's LTDA which provides a guaranteed revenue to cover fixed costs and extension of the base case occupancy period. As a result of these changes, bidding for Round 4 projects has been delayed (but is expected to take place during 2026) and METI is also contemplating the retender of Round 1 projects with the overhauled auction rules to prioritise execution certainty over low prices (although the exact measures and incentive have not yet been made public).

There have also been strategic developments for floating offshore wind projects. In June 2025, the Diet passed an amendment to allow offshore wind development in the Exclusive Economic Zone (EEZ), moving beyond the territorial waters. The government is creating a two-stage auction regime (initial sea area auctions followed by feed-in premium auctions) to manage the uncertainty regarding development risks. In particular, this approach allows developers to first secure provisional permits for broader sea areas and then conduct essential stakeholder co-ordination with fishermen and detailed surveys before submitting final plans and competing on price. This reduces the risk of speculative or unrealistic bids based on incomplete information about actual site conditions and stakeholder requirements.

The offshore industry vision was also updated in August 2025, setting a target of 15GW of floating wind (out of an overall target of 30 to 45GW for the offshore wind sector as a whole) by 2040, coupled with a domestic content target of 65%. Meeting these targets remains very challenging given that Japan currently has under 300MW of installed offshore wind capacity with under 20MW of that being floating wind.

CCUS

Japan's CCUS sector reached a critical inflection point in 2025, transitioning from demonstration to commercial-scale deployment. The legal foundation was established by the CCS Business Act, the initial phases of which were implemented in 2025 with full enforcement in May 2026, at which point all storage and pipeline operations will require commercial licensing.

In February 2025, METI designated the offshore area near Tomakomai City, Hokkaido, as the nation's first Specified Area, triggering the inaugural public tender for commercial storage rights and enabling JAPEX to commence exploratory drilling in November 2025. Concurrently, Japan's Green Transformation Emissions Trading Scheme (GX-ETS), the nation's carbon emissions trading framework, is set to transition to mandatory compliance from 1 April 2026, requiring companies emitting over 100,000 tonnes of CO2 annually to surrender allowances, covering approximately 60% of national emissions across power, steel, chemical and domestic aviation sectors.

The government has selected nine Advanced CCS Projects encompassing both domestic storage hubs (such as Metropolitan Area CCS in Tokyo Bay and Tohoku West Coast CCS) and cross-border initiatives targeting 6-12Mtpa storage capacity by 2030, scaling to 120 to 240Mtpa by 2050. These projects face a hard deadline: final investment decisions must be reached by March 2027, with JOGMEC indicating it will not open new calls for

Asia: Japan

advanced projects, effectively closing the door for this cycle. Approximately 40% of these advanced projects plan to ship CO2 overseas for storage, reflecting Japan's limited domestic geological capacity.

This reliance on overseas storage necessitates robust cross-border partnerships to address Japan's limited domestic geological capacity. To this end, Japan signed a Memorandum of Cooperation with Malaysia in November 2025 to facilitate cross-border CCS and harmonise regulations, with similar agreements concluded with Indonesia and Vietnam.

The outlook for 2026 is therefore one of regulatory crystallisation and commercial acceleration. Government support frameworks, expected to be finalised by mid-2026, will provide price gap support similar to hydrogen subsidies (although amounts are not yet known), covering the entire CCS value chain. The CCS Business Act introduces two investor-critical mechanisms: "Storage Rights" treated as real property capable of being mortgaged to secure project finance, and a clear liability exit whereby post-closure reservoir management transfers to JOGMEC once operators have contributed to a reserve fund. Companies in industrial clusters should secure offtake agreements with designated hubs now, as capacity is finite and the window for government-backed project participation has effectively closed.

The outlook for CCUS in Japan in 2026 is one of regulatory crystallisation and commercial acceleration.



Asia: Southeast Asia

Regional regulatory highlights

Regional power grids

The ASEAN Power Grid (APG), aims to interconnect the national electricity systems of the various ASEAN countries in order to enhance energy security, affordability and sustainable integration of renewables.

The Asian Development Bank (ADB) and the World Bank Group have launched a new financing initiative to support the APG, which aims to connect the region's electricity networks and strengthen energy co-operation by 2045. The APG focuses not only on regional cross-border connectors but also addresses the critical need for domestic grid network upgrades and the development of subsea power cables. An estimated $764bn is required to develop the transmission infrastructure and the additional power-generation capacity needed to accommodate high levels of variable renewable energy adoption, as identified in the ASEAN Interconnection Masterplan Study (AIMS) III. ADB and the World Bank Group will offer a full suite of financial instruments, together with technical assistance for project preparation and capacity building. Both institutions will offer not only financing from their own balance sheets but also look to catalyse funding from other financiers, including the private sector. Achieving a fully integrated grid by 2045 will require unprecedented political will, financing and co-operation. Beyond the large sums of capital investment required, the ASEAN nations would need to harmonise policies and regulatory frameworks, look beyond national interests and rivalries, create a region-wide market for energy trading and maintain strong political will for decades.

The Lao PDR-Thailand-Malaysia-Singapore Power Integration Project

This project marks the first multilateral cross-border electricity trade involving four ASEAN countries. The first phase of the project, which launched in June 2022, saw up to 100MW of hydropower exported from Lao PDR to Singapore through Thailand and Malaysia via existing interconnectors. The second phase of the project will see electricity trading double to a maximum of 200MW by way of multidirectional power trade, with additional supply coming from Malaysia.

Malaysia's CRESS

Malaysia's Corporate Renewable Energy Supply Scheme (CRESS) is a framework that enables direct corporate procurement of renewable energy via open grid access, reshaping how solar and battery storage projects are financed, deployed and scaled across the country. CRESS has continued to develop since its 2024 introduction, supported by revised guidelines issued in March 2025 that widened eligibility to all existing and new electricity consumers and allowed Green Consumers to contract with multiple renewable energy developers. These updates increased regulatory clarity around participation, grid access and contractual structures, and standardised the treatment of system access charges (SAC).

Following these changes, market participation has expanded, with approximately 1.3GW of green energy supply agreements contracted under CRESS since launch, including several large bilateral arrangements for hyperscale data centres. This reflects growing demand for corporate renewable power and signals increased utilisation of open-access procurement channels.

In mid-2025, the Malaysian government lowered the SAC, cutting the firm rate from 25sen/kWh to 20sen/kWh and the non-firm rate from 45sen/kWh to 40sen/kWh. These rates will remain unchanged for three years under the Incentive-Based Regulation period. The aim of these changes was to bring down overall costs and make renewable electricity prices more competitive.

These regulatory adjustments, combined with rising corporate offtake, support continued scaling of large-scale solar and battery storage projects in Malaysia and contribute to Malaysia's longer-term target of reaching 70% renewable energy capacity by 2050.

Regulatory adjustments and rising corporate offtake support growth of Mayalsia's large-scale solar and battery projects.



Asia: Southeast Asia

Data centres

Asia is seeing strong demand for data centres generally although each country faces unique constraints. Mature markets like Singapore are prioritising quality over quantity by focusing on sustainability. Malaysia has been seeing sustained strong demand and is also benefitting from spillover investors originally looking to invest in Singapore. On the other hand, certain developing markets, while benefitting from low labour, land and electricity costs, struggle with water and energy reliability constraints.

Singapore

Singapore's data centre outlook is strong, with significant investment and growth expected (reaching over $5.6bn by 2030), fuelled by AI, cloud and digital transformation, coupled with Singapore's attractiveness as an investment destination due to its stability, connectivity (subsea cables) and business-friendly environment. The Singapore government's focus is on "green growth", resulting in stricter energy-efficiency, renewable-energy sourcing and cooling-system innovation obligations. Further, Singapore faces land and power constraints together with rising construction costs. These have resulted in a dual-location strategy with, for example, Malaysia, for data centre expansion, focusing on high-value AI/critical workloads.

Singapore's Data Centre-Call for Application (DC-CFA) awarded 80MW in its first round in 2023, signalling a measured approach to balancing digital economy growth with energy security. Investors can look forward to the 200MW DC-CFA2 launched in December 2025. The focus remains on the use of green energy to realise the broader goals of sustainable development with very specific requirements in this respect (eg, BCA-IMDA Green Mark for Data Centres 2024 Platinum certification, power usage effectiveness (PUE) (a measure of total data centre energy consumption) of at least 1.25 (at 100% IT load) and 50% powered by eligible green energy pathways).

Malaysia

Valued at $4.04bn in 2024, the Malaysian data centre market is projected to exceed $13.5bn by 2030. Johor has emerged as Malaysia's leading data centre investment hub with 42 projects worth RM 164.45bn ($39.08bn) approved as of the second quarter of 2025 projected to contribute up to 78.6% of the country's operational IT capacity.

What makes Malaysia so attractive can be attributed to (i) government support by way of fiscal incentives, (ii) proximity to regional demand (in particular Singapore during its moratorium on data centres between 2019 and 2022 and post-moratorium, given land, cost and power constraints in Singapore), (iii) favourable cost conditions (ie, land, construction and capacity costs) and (iv) mature infrastructure.

The data centre boom has, however, begun to slow due to (i) limited power grid capacity, (ii) water resource constraints with investors in Johor being asked to postpone water-cooled expansion projects for at least 18 months as the government grapples with drought and mounting pressure on the state's water supplies, and (iii) pressure from the US to not allow Chinese firms to use the region as a backdoor to access US-made AI chips that are under export controls.

The Philippines

The Philippine data centre market was valued at $633m in 2024 and is expected to grow at a compound annual growth rate (CAGR) of 20.89% to reach $1.97bn by 2030. The attraction of the Philippines market comes from: (i) government support by way of regulatory changes, fiscal incentives and digital infrastructure development, (ii) high mobile penetration and hence high demand on digital infrastructure, (iii) business cloud integration, (iv) tier-2 and tier-3 cities offering cost efficiencies, reliable energy and skilled talent, and (v) strategic location on major submarine cable routes and the Cyber Corridor (an initiative by the government of the Philippines aimed at creating interconnected centres for technology-related services across the country), which enhances regional connectivity, redundancy and edge infrastructure across ASEAN. While the Philippines offers strong growth potential for data centres, regulatory restrictions on foreign ownership, infrastructure constraints, high electricity costs and inconsistent power supply outside of the metropolitan core pose considerable challenges for data centres in the Philippines.

India

In India, data centre capacity is projected to surge 77% by 2027 to reach 1.8GW and $25 to 30bn expected to be spent on capacity expansion by 2030. There is government support in the form of favourable policies, incentives and infrastructure development attracting data centre development while also a focus by government on sustainability by encouraging or requiring use of renewable power. The data centre sector in India also benefits from low costs given abundant land space and low electricity cost, not to mention a developed tech talent pool.

Further, there is significant demand for data centre capacity in India which is driven by massive growth in internet and mobile use, the push by government towards data localisation and rapid adoption of AI. This increased data demand, however, places stress on the country's already constrained water and energy sources, with developers exploring captive solar/wind projects, group captive structures and behind-the-meter BESS to manage demand and grid reliability.

Asia: Southeast Asia

Offshore wind

Southeast Asia's offshore wind pipeline

The bright spot of activity in the offshore wind sector for Southeast Asia has been in the Philippines, where investment optimism has been buoyed by strong support from government through not just favourable policies but also continued sustained engagement with the offshore wind industry.

Elsewhere in Southeast Asia, Singapore and Malaysia, together with Vietnam, are collaborating on a 2GW offshore wind project in Vietnam, the first phase of which aims to deliver renewable energy from Vietnam to Malaysia (700MW) and Singapore (1.3GW) by 2034, thereby advancing the broader ASEAN Power Grid vision.

The Philippines

The Philippines has over 178GW of technical offshore wind capacity, making it a strategic energy source for the country. Strong favourable government support through the easing of foreign ownership restrictions, financial incentives and streamlined processes has supported the rapid development of the Philippines offshore wind sector, with the Department of Energy launching in June 2025 the fifth round of auctions (GEA-5) under the Green Energy Auction Programme (GEAP), focused exclusively on fixed-bottom offshore wind technology with an installation target of 3.3GW between 2028 to 2030. The updated terms of reference for the auction were published in November 2025 following engagement by the regulators and various stakeholders in the offshore wind industry on their feedback on the initial version of the terms of reference. This includes, for example, updates to address concerns on port availability and delays due to other infrastructure limitations and a pre-bid evaluation stage to help assess the ability of potential bidders to deliver.

In December 2025, the Energy Regulatory Commission approved a preliminary ceiling price for the auction at P10.3859 per kilowatt-hour which is the highest ever in the GEAP and reflects the recognition by the regulators that the tariff has to be of an adequate level to encourage investment in this sector.

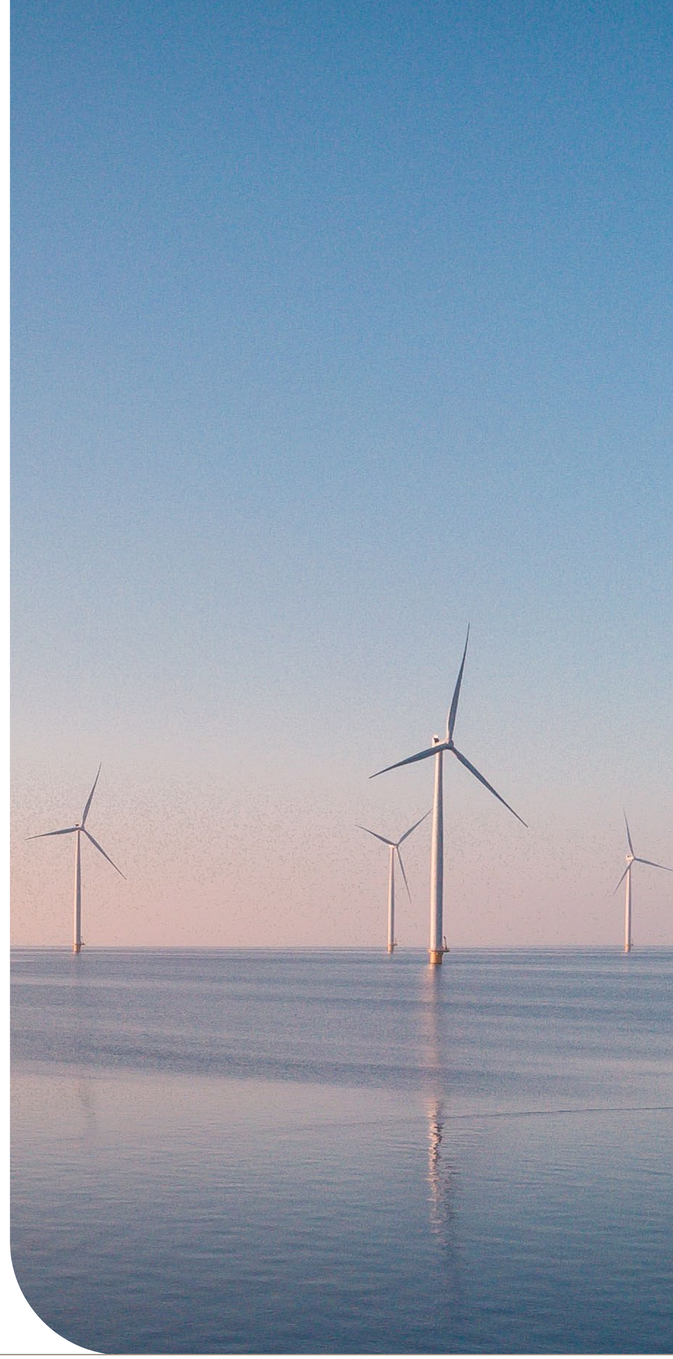
Given that GEA-5 is the first auction relating to offshore wind in the Philippines, the success of this auction will potentially be a bellwether for the growth of the offshore wind sector in the Philippines. That said, significant investment in both port and grid infrastructure in the Philippines is still required in order for the offshore wind sector to reach its full potential.

> Strong favourable government support through the easing of foreign ownership restrictions, financial incentives and streamlined processes has supported the rapid development of the Philippines offshore wind sector.

Low carbon hydrogen/Ammonia and CCS: economics remain challenging

There is sustained focus in Southeast Asia and India on the potential for low carbon solutions such as low carbon hydrogen/ammonia and carbon capture and storage (CCS) to facilitate the energy transition in Asia. In the case of low carbon hydrogen/ammonia, however, the relatively higher cost of low carbon hydrogen/ammonia, unregulated carbon markets, high initial capital expenditure, regulatory uncertainty and underdeveloped infrastructure such as storage and port facilities remain key obstacles to the commercial scalability of low carbon hydrogen/ammonia as a sustainable energy source. Integration of low carbon hydrogen/ammonia into various sectors, particularly transportation, remains uncertain given the investments required to achieve economies of scale which is reflective of the broader global trend. Advancements in technology and international and cross-industry collaborations driving production efficiency are key to making low carbon hydrogen/ammonia a major component of the South and Southeast Asia's energy mix in the coming years.

With regards to CCS, 2025 saw the enactment of the Carbon Capture, Utilisation and Storage Act in Malaysia to establish a legal framework for the capture, transportation, utilisation and permanent storage of carbon dioxide. This is intended to catalyse the development of the CCS industry in Malaysia and to support the positioning of Malaysia as a regional CCS hub. Cross-border CCS continues to be seen by



Asia: Southeast Asia

Singapore as a key lever towards decarbonisation, with Singapore signing memorandums of understanding with both Malaysia and Indonesia on cross-border CCS, with a view to further developing this into a government-to-government agreement in relation to carbon dioxide transportation and storage.

Singapore

Singapore's key use cases for low carbon hydrogen and ammonia other than the decarbonising of power generation are in the maritime sector (to meet the International Maritime Organisation's 2030 decarbonisation targets), the aviation sector and other heavy industries. From 2026, town gas in residential and commercial pipelines in Singapore (currently a mix of hydrogen and methane) could include a percentage of green hydrogen.

In addition, a consortium led by Keppel was appointed in October 2025 to conduct studies to provide a low- or zero-carbon ammonia solution on Jurong Island for power generation and bunkering.

Singapore has made substantial headway in developing the infrastructure required for its key use cases for low carbon hydrogen/ammonia, including:

- **Infrastructure readiness**: Tuas Port has completed the first simultaneous methanol bunkering and cargo operation and the Maritime and Port Authority (MPA) has declared the port ready for commercial-scale methanol bunkering. This allows operators to invest in storage and bunkering assets based on demonstrated operational capability – even as regulatory requirements continue to evolve – rather than waiting for future pilots to validate technical feasibility.
- **Digital integration and efficiency**: The same digital backbone that supports conventional fuels now extends to green fuels. Since April 2025, all suppliers are required to issue electronic bunker delivery notes, allowing real-time data transfer to the MPA, shortening bunkering time by up to three hours and reducing documentation errors by more than 80%. These enhance asset utilisation and cash-flow cycles for fuel suppliers and for investors, create opportunities in digital verification, emissions-tracking and compliance platforms that will become essential as global shippers integrate environmental performance into chartering and finance decisions.
- **Ammonia conversion advantage**: By repurposing existing infrastructure, new capital expenditure can be reduced by 30%-40%, allowing terminal operators and infrastructure funds to scale faster while maintaining safety standards.

The significantly higher cost of green ammonia relative to fossil fuel-based marine shipping fuels remains a key impediment to greater deployment.

Malaysia

Malaysia's hydrogen generation market generated approximately $1.9bn in revenue in 2024 and is expected to exceed $2.5bn by 2030, growing at a CAGR of 4.8% from 2025 to 2030. Ammonia production remains the dominant hydrogen-consuming segment in Malaysia, accounting for a significant share of the country's industrial hydrogen use and contributing materially to Southeast Asia's overall hydrogen demand, second only to Indonesia. Malaysia's near-term focus (up to 2030) is on transitioning from grey hydrogen to blue hydrogen for hard-to-abate sectors like ammonia production. The long-term goal is to focus on cost-competitive green hydrogen and green ammonia by improving technology and efficiency to enable exports to other countries in the region eg, Japan, South Korea, and Singapore.

The country is developing several large-scale integrated projects and hydrogen hubs, particularly in Sarawak and Terengganu, which leverage existing industrial infrastructure and renewable energy potential. Sabah and Sarawak are emerging as hotspots for pilot-scale green ammonia facilities due to abundant hydropower reserves and favourable regulatory environments. It is also looking to integrate ammonia bunkering facilities at key ports such as Port Klang and Tanjung Pelepas. Domestic energy giants and emerging clean-tech firms are racing to establish early-mover advantages, focusing on strategic partnerships, R&D, and vertical integration across the ammonia value chain.

Key opportunities lie in expanding technology integration, digital platforms, sustainable solutions and cross-industry and cross-border collaborations. As is the case globally, the key challenges to adoption are high initial capital expenditure and underdeveloped infrastructure, including electrolyser deployment, storage and port handling facilities, which is deterring rapid scalability. The lack of standardised permitting procedures, fragmented regulatory oversight and limited fiscal incentives have also slowed large-scale project execution.

The Philippines

The Department of Energy is actively considering the adoption of hydrogen and ammonia in national energy policies and has created a "Hydrogen and Fusion Energy Roadmap". Key regions in this market include Metro Manila, Cebu and Davao. Metro Manila is a priority due to its high industrial activity and population density, which drives energy demand. Cebu and Davao are also key due to their strategic locations and ongoing investments in renewable energy projects, making them attractive for hydrogen generation initiatives. In late 2025, the government unveiled several hydrogen service contracts for exploration, including a competitive bid for native (natural) hydrogen in the Zambales region, where significant natural seepage has been discovered. The country is further undertaking feasibility studies and pilot projects specifically to assess the viability of hydrogen use across key applications (including power generation, transportation and industrial fuel switching) rather than focusing solely on hydrogen production. The potential for the deployment of hydrogen fuel cells in public transportation is significant, with the government planning to introduce 1,000 hydrogen-powered buses in future. This initiative could create a market worth approximately PHP15bn ($300m), fostering innovation and attracting further investment in hydrogen technologies.

Asia: Southeast Asia

The Philippines, however, has very limited existing infrastructure for the transport and storage of hydrogen and ammonia and building this out will require significant investment. Attracting the necessary investment will require robust fiscal and non-fiscal incentives to de-risk projects and the establishment and development of local supply chains.

India

Launched in 2023, India's National Green Hydrogen Mission (NGHM) set a target of 5MMT of green hydrogen production capacity annually by 2030, with potential for expansion to over 10MMT, thereby positioning green ammonia as a key derivative for export and industrial use. The green ammonia market is projected to reach over $6.8bn by 2030, growing at a compound annual growth rate of 125.8% from 2023 to 2030. India is expected to lead global capacity additions for green ammonia by 2025. Over 90% of India's current ammonia demand is for fertilizer production, which provides a large, immediate market for the transition to green ammonia.

Due to low-cost solar and wind power, India aims to be the world's lowest-cost producer of green hydrogen and green ammonia. Recent auctions have achieved record-low prices, narrowing the gap with conventional "grey" ammonia or other sources of renewable energy. Electrolyser system costs are declining, reducing capital expenditure by more than 60%. India's manufacturers aim to further lower costs through domestic manufacturing and partnerships with Chinese suppliers, enhancing project economics. India's low production costs position it as a potential major exporter to, for example, Japan, South Korea and parts of Europe. There is also a strong focus on developing export corridors in states like Gujarat, Tamil Nadu and Odisha that combine renewable energy resources with port access.

In order to unlock its full green hydrogen production capacity, India will need to develop the necessary domestic and export infrastructure, including pipelines, storage and carriers, which requires significant investment and co-ordinated planning. Further, while India's green hydrogen and green ammonia certification framework is less stringent than the EU's thus reducing compliance costs significantly, aligning with stricter international certification standards would expand its export options.

Another key challenge is demand with regards to securing a reliable bulk buyer for green hydrogen although there are examples in the market of such offtakers being secured. Projects may struggle to achieve financial close without a reliable offtaker, most of whom are cautious about the prospects of such projects, given the high initial capital costs in developing the relevant infrastructure.

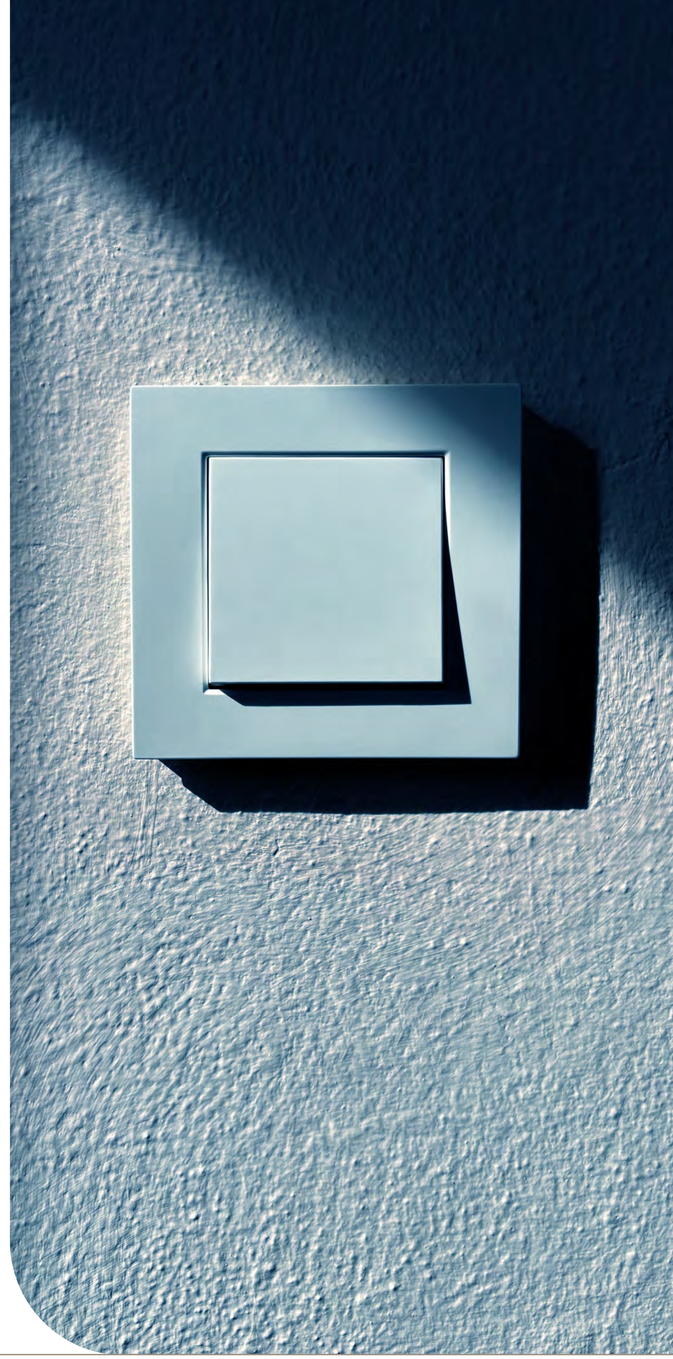
India is expected to lead global capacity additions for green ammonia by 2025.

BESS

Renewable integration

Across Asia, battery energy storage systems (BESS) are playing an increasingly pivotal role in ensuring grid stability in the face of the rising deployment of renewable energy. As is the case elsewhere, grid access is often lagging behind technological advancements, as policymakers race to establish standards and guidelines that ensure safe and effective integration of BESS into national grids.

As is seen in more mature markets like Singapore and Malaysia, once the regulatory landscape catches up and the market evolves, attention tends to shift toward fostering innovation, such as exploring new battery chemistries or underground installations and implementing stricter environmental safeguards, including robust protocols for battery recycling and end-of-life management. This progression sets a blueprint for other Asian countries as they seek to capitalise on their abundant renewable resources while maintaining grid stability and environmental responsibility.



Asia: Southeast Asia

Singapore

Singapore has the largest operational battery storage facility (200MW/285MWh) in Southeast Asia. Given the very limited sources of renewable energy in Singapore, the Energy Market Authority (EMA) of Singapore has been piloting and scaling BESS for grid support, frequency regulation and reserve, complementing Singapore's efforts to maximise solar adoption through the use of BESS to address the intermittent nature of solar power.

BESS is being integrated into the nation's wholesale electricity market to mitigate the intermittency caused by the deployment of solar power, as well as reduce peak demand. The EMA is targeting at least 200MWh of energy storage, with the shift towards renewables. The EMA is also establishing a 'regulatory sandbox' for virtual power plants (VPPs) to test the technical and operational capabilities of VPPs in providing (consolidated) energy and ancillary services to Singapore's electricity grid over a period of two years. Given various constraints such as limited availability of land and raw materials, Singapore has also placed emphasis on innovative energy storage solutions, from installing BESS underground to free up land, to exploring other types of battery.

Malaysia

There is likewise significant interest in BESS in Malaysia. Forecasts predict a CAGR of around 5.28%, growing from $700m to over $950m by 2028. This demand is driven by data centre growth, need for grid stability, renewable integration and supportive government policies (eg, the National Energy Transition Roadmap). In particular, solar power accounts for 92% of Malaysia's total renewable energy installed capacity energy. As solar power production fluctuates throughout the day and with peak demand climbing 1.6% per year, the costs of system upgrades may reach RM41.96bn by the end of the decade. The deployment of BESS would help maintain grid stability and accordingly the Malaysian government plans to require future large-scale solar (LSS) projects to include battery energy storage systems. We can also expect rising utility-scale projects, grid firming and commercial adoption with respect to BESS.

To support the adoption of BESS, Malaysia will need specific BESS-related grid codes, clearer supporting regulatory frameworks for market participation and better supply chain and technical/commercial risk management. The Malaysian government is also tightening environmental safeguards for battery deployment by requiring EPC providers to detail dismantling, decommissioning, disposal and recycling procedures in accordance with local laws.

The Philippines

In the Philippines, there is growing demand for BESS to provide grid stability, particularly with the focus in the Philippines on developing the offshore wind sector. The Philippines already has over 1GW of BESS online, ahead of many of its neighbours. Despite the high demand and relatively competitive cost of deployment, the continued growth of BESS deployment in the Philippines faces several challenges, in particular regulatory uncertainty in the form of complicated approval processes, regulatory ambiguities around fire safety and cybersecurity and volatile market rules, transmission limitations, currency risks and susceptibility to natural disasters.

Notably, in the Philippines, grid connection can only be applied for after project completion, which will need to be taken into consideration by potential asset owners. The Philippines also recognises BESS as an independent asset and through a liberalised wholesale electricity spot market, BESS operators could have access to multiple revenue streams, including ancillary services and electricity trading. There are also increased opportunities for direct contracting BESS projects contracted with utilities and grid operators, especially in areas with weaker grids and islands, with a trend towards structured contracts that ensure stable revenue.

India

Since 2022, India has auctioned approximately 12.8GW of BESS capacity, with 9GW offered by May 2025 alone, for both hybrid and standalone applications. The BESS market size in India is projected to hit over $30bn by 2030 with significant capacity targets (eg, 1,840GW by 2047). Favourable government policies and incentives, such as the regulatory advisory issued by the Ministry of Power and Central Electricity Authority mandating the co-location of a minimum two-hour BESS with new solar projects and the requirement for entities like distribution utilities to store energy (such requirement to gradually increase from 1% in 2023-24 to 4% by 2029-30), falling battery costs (40% drop in turnkey BESS costs in 2024 from 2023) and rising price spreads in power markets make standalone BESS highly profitable and opportunities are abound in large-scale projects, local manufacturing and grid technology.

With expectations of falling battery prices, however, prices of BESS have been dropping significantly in recent capacity auctions. Further, the signing of the PPA with a distribution utility as offtaker often gets delayed as the offtakers expect further price reductions in a rapidly evolving competitive market. An estimated 40 to 55GW of renewable energy projects in India are delayed as they struggle to find reliable offtakers. Additionally, while high import duties on batteries promote domestic manufacturing, local production has not been able to scale sufficiently to meet demand.

Asia: Taiwan

Asia has seen sustained growth in offshore wind which is expected to continue throughout 2026 with the latest round of capacity allocations in Taiwan, Korea and the Philippines. India and Vietnam are also targeting offshore wind as part of their renewable energy mix and have announced regulatory support programmes.

Offshore wind in Taiwan

Taiwan has continued to see a steady increase in installed wind capacity, with more than 4GW of the 5GW+ fixed bottom capacity allocated in Zonal Development Round 1 and Round 2 having reached commercial operations by the end of 2025. The remainder are expected to complete during 2026.

Following the success of Rounds 1 and 2, the government allocated approximately 2.3GW and 2.7GW of new capacity through Zonal Development Round 3 Phases 1 and 2, to be commissioned prior to 2030. Part of this capacity was, however, subsequently revoked as a result of projects failing to meet government milestones. This follows criticism from developers and legal challenge from the EU on the mandatory localisation requirements introduced in Round 3 which impacted project economics and compounded macro challenges for the sector.

The government announced in January 2026 that 3.6GW of capacity will be allocated in Round 3 Phase 3 during 2026, with the maximum capacity for each developer increased to 1GW. Mandatory localisation requirements have also been removed and other incentives are expected to be introduced including:

- A government backstop on offtake at a non-zero floor price.
- Prioritisation for developers with a strong track record and project execution capability.
- Extension to the sales period for early completion.

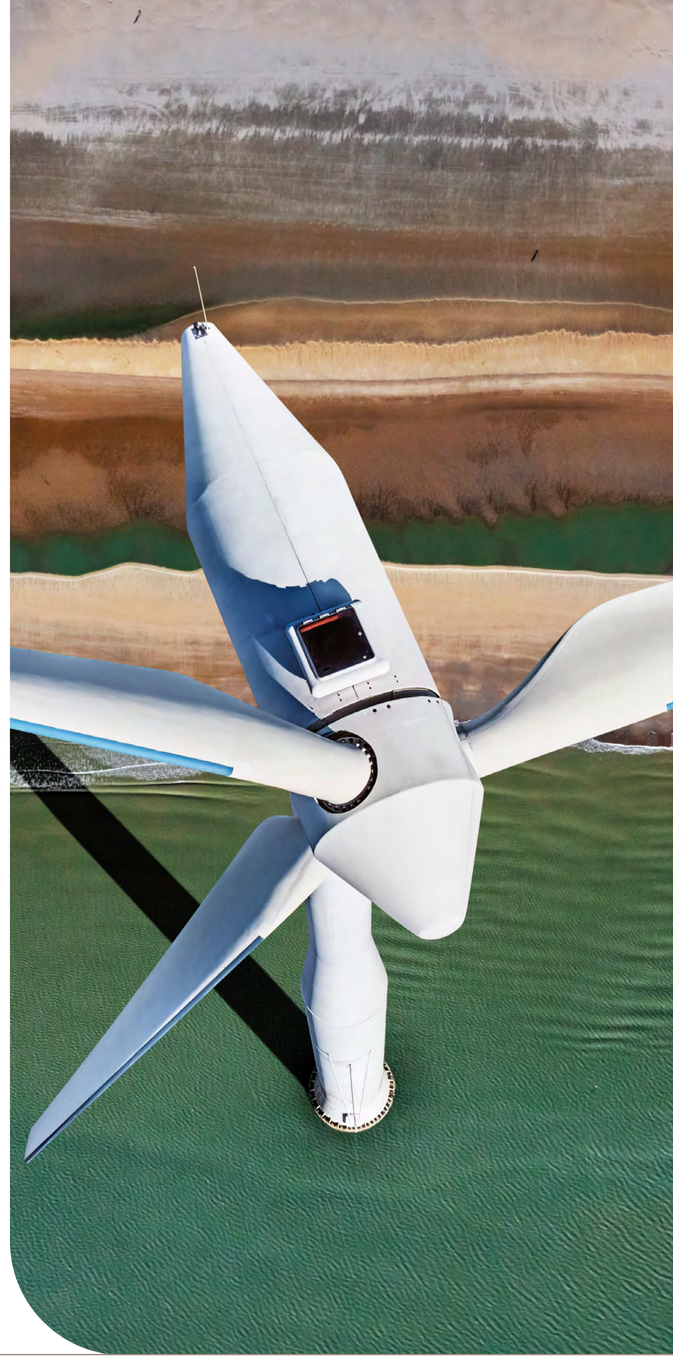
While the draft tender rules for Phase 3 remain under review, these features will be seen as a positive development for developers and investors looking to reinvigorate the market.

Separate tenders for floating offshore wind projects and revoked capacity from Round 3 Phases 1 and 2 remain under discussion, with no concrete plans announced by government at the time of writing.

Other key developments to watch out for in Taiwan in 2026

We anticipate an expansion of corporate offtake solutions and offtakers in 2026, including as a result of the government's offtaker credit guarantee scheme and retail offtake programme. The first PPAs with retail offtaker Taiwan Smart Electricity & Energy (TSEE) have already been announced for Round 3 projects.

The ongoing evolution of financing structures and terms will reflect the move to multiple corporate offtake, retail offtake and other market dynamics, including efforts to broaden the sources of debt finance for projects. This includes refinancing of de-risked projects, which will also serve to release debt liquidity for new greenfield projects.



Europe: Belgium

Belgium's energy landscape is entering an exciting new phase. The country's energy framework combines federal responsibilities for security of supply, nuclear energy, offshore wind and transmission with regional competences for onshore renewables, energy efficiency and distribution. Recent EU legislative initiatives like the Clean Industrial Deal, including its Affordable Energy Action Plan and ongoing legislative proposals like the European Grids Package are driving further evolution of Belgium's regulatory framework.

Security of supply remains a cornerstone of Belgian energy policy, particularly given the country's historic dependence on imported energy. At the same time, Belgium is placing renewed focus on nuclear energy whilst supporting the development of renewable generation capacities. This dual approach creates significant opportunities for investors, developers and corporate energy users across multiple technologies.

Nuclear – a strategic cornerstone

Belgium has made a historic policy reversal: in May 2025, the 2003 nuclear phase-out law was partially abolished and renamed the "Law concerning nuclear energy for industrial electricity production". The prohibition on establishing new nuclear power plants and the fixed closure dates have been removed, meaning the operational life of existing plants can now be further extended.

Under the current framework, only Tihange 3 and Doel 4 are still active albeit scheduled for closure in 2035, but the government is actively considering a further extension that would postpone their closure to 2045. Nuclear power currently represents around 34% of Belgium's total electricity production over 2025.

The December 2023 agreement between ENGIE and the Belgian government provides for a 10-year extension of Doel 4 and Tihange 3 from November 2025, with upgrade and maintenance spread between 2025 and 2028, a split of risk and cost for nuclear waste storage with ENGIE's maximum invoice capped at €15bn and 50/50 state participation in a financing vehicle funding the necessary investments.

This framework provides long-term certainty for Belgium's baseload power supply, supporting industrial competitiveness and grid stability. The government's coalition agreement leaves open the possibility of a 20-year extension, subject to further negotiations with ENGIE or another nuclear developer. The ban on construction of new nuclear reactors has been lifted, demonstrating Belgium's intention to keep nuclear energy as a key component of its electricity generation mix.

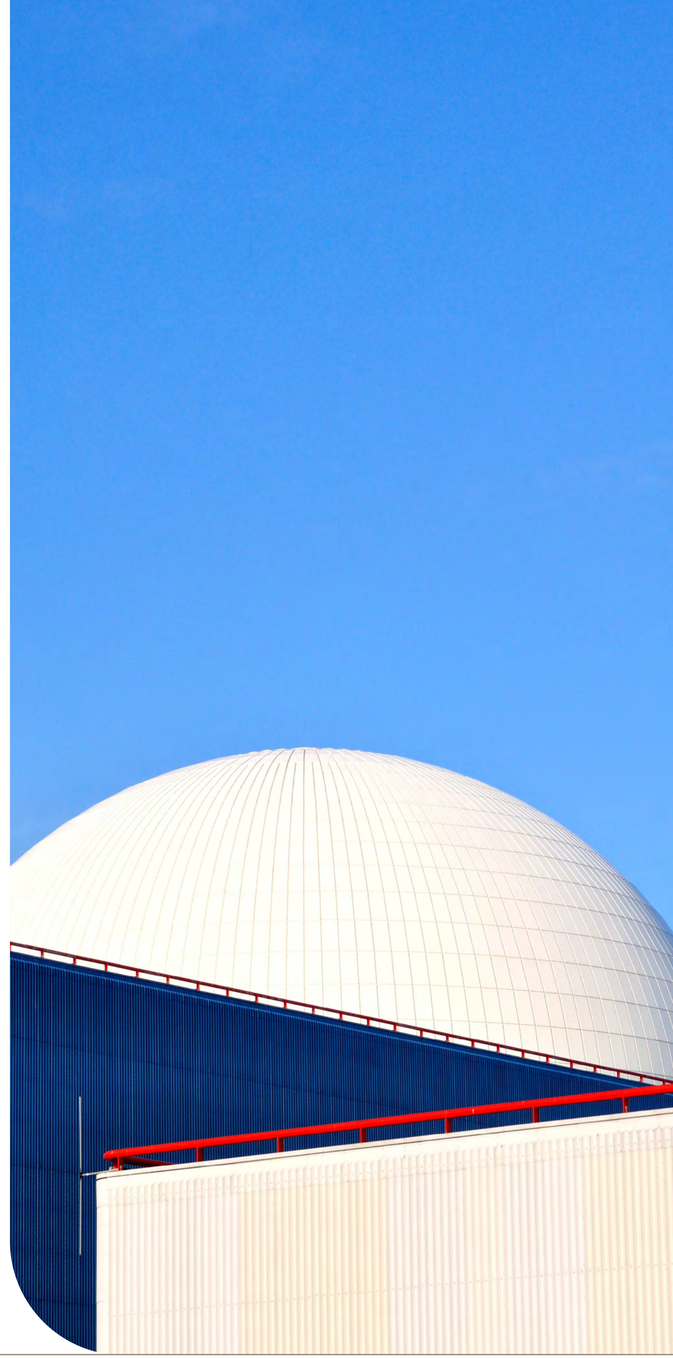
For energy-intensive industries and corporate offtakers, this creates opportunities for stable, long-term power purchase strategies. The nuclear life extension reduces reliance on gas-fired generation and imports whilst supporting Belgium's decarbonisation objectives. Supply chain participants should monitor developments on potential further extensions and new nuclear capacity programmes, including small modular reactors (SMRs).

> Belgium's nuclear reversal transforms two decades of phase-out policy into a forward-looking framework that keeps nuclear at the heart of the country's energy mix through at least 2035, with potential extension to 2045.

Data centres – managing unprecedented demand

Belgium is emerging as a strategic data centre hub, with the colocation market projected to grow from 103MW in 2024 to over 261MW by 2029 – a compound annual growth rate of 20.5%. Total IT capacity currently stands at 400MW, split between corporate data centres (149MW), colocation facilities (103MW) and hyperscalers (143MW), with over 60% concentrated in the Brussels metropolitan area.

Belgium is positioning itself as an attractive alternative to saturated Tier 1 European hubs, benefitting from strategic location, connectivity infrastructure and competitive energy costs. This growth is driving



Europe: Belgium

significant investment in grid infrastructure and creating opportunities for complementary projects including battery storage and on-site renewable generation.

The amendment to the Belgian Federal Commission for Electricity and Gas Regulation (CREG) April 2025 code of conduct enables the transmission system operator, Elia, to allocate flexible connection capacity, providing a pathway to grid access in capacity-constrained areas where traditional permanent connections are unavailable. Flexible connections include defined curtailment parameters and energy ceilings set out explicitly in connection agreements, allowing projects to proceed whilst grid reinforcement continues.

For data centre developers and operators, early engagement with Elia on connection timelines and capacity availability is essential. Connection strategies should consider on-site generation or battery storage to manage potential curtailment periods and provide additional revenue streams through grid services.

Permitting requirements span federal and regional levels, with environmental compliance and building permits determined by project location. Developers should engage early with relevant authorities to navigate the regulatory framework efficiently and align project timelines with grid infrastructure development.

The data centre boom is also catalysing broader energy transition investments. Co-location of BESS with data centres creates synergies for grid management, backup power and participation in ancillary services markets, whilst on-site renewable generation can support sustainability objectives and reduce grid dependency.

Belgium's colocation data centre market is projected to grow from 103MW in 2024 to over 261MW by 2029 – a 20.5% annual growth rate.

Battery energy storage systems (BESS): revenue stacking and bankability

Belgium's BESS market is expanding rapidly, supported by strong policy incentives and diverse revenue opportunities. Storage facilities play an increasingly central role in grid flexibility, renewable integration and security of supply under Belgium's evolving energy mix.

BESS projects benefit from a favourable regulatory framework. Installations commissioned after July 2018 receive a 10 year exemption from most transmission grid charges, with discussions underway to potentially extend this incentive beyond 2027. Large energy storage facilities (of 25MW or more) require a federal storage permit from the Minister of Energy, providing regulatory clarity for project development.

Revenue opportunities are substantial and diversified. Belgium's technology-neutral capacity remuneration mechanism (CRM) provides fixed annual payments per megawatt through regular competitive tenders, creating stable contracted income alongside market revenues. BESS operators can stack multiple revenue streams including wholesale arbitrage (capitalising on price volatility), ancillary services to Elia (Frequency Containment Reserve and frequency restoration reserves) and congestion management compensation.

Many operators partner with specialist optimisation providers to maximise returns across these revenue streams, with contractual arrangements tailored to project-specific strategies. The combination of tariff exemptions, CRM contracts and market-based revenues creates an attractive investment proposition.

Projects must secure grid connection and access contracts with the TSO and comply with technical requirements under the Code of Conduct and Technical Regulations, which implement relevant EU network codes. Regional environmental and planning permits apply based on project location, with requirements varying between Flanders, Wallonia and Brussels.

BESS projects benefit from a 10 year transmission tariff exemption (potentially extending beyond 2027) and can stack multiple revenue streams: CRM capacity payments, wholesale arbitrage, ancillary services (FCR/ frequency restoration) and congestion management compensation.

Offshore wind: competitive tenders and infrastructure build-out

Belgium plans to add 3.15-3.5GW of offshore wind capacity in the Princess Elisabeth Zone (PEZ), divided into three lots: 700MW for lot 1, and 1,255-1,400MW each for lots 2 and 3. Following postponement in July 2025 to address legal uncertainties and refine the financial framework, the lot 1 tender is now scheduled to launch by end of Q1 2026.

The framework centres on two-way contracts for difference (CfD) providing revenue certainty, with projects connecting offshore to Elia's extended Modular Offshore Grid (MOG II) via a single export cable to shore. Elia must compensate developers if MOG II is delayed or unavailable, though the energy island's costs now significantly exceed initial projections, creating delivery uncertainty.

Onshore, two critical grid reinforcements (see below) are essential to transmit power inland but face permitting delays and public opposition. Elia estimates completion no earlier than 2030 which could impact offshore wind commissioning timelines.

The first PEZ tender is expected in Q1 2026. Whilst the previous draft framework featured a two-way CfD with PPA opt-out flexibility and citizen participation scoring, the final tender terms remain to be confirmed. Developers should monitor the revised framework closely as it takes shape in early 2026.

Europe: Belgium

Grid reinforcement and flexible connections

Belgium is investing significantly in grid infrastructure to support renewable integration, nuclear life extensions and growing demand from data centres and industrial electrification. CREG's April 2025 code of conduct amendment introduces flexible connection capacity, enabling projects to secure grid access in capacity-constrained areas where traditional permanent connections are unavailable.

The flexible connection framework provides defined curtailment envelopes with explicit terms in connection agreements, creating new pathways to market for projects that would otherwise face lengthy delays. Similar frameworks are being developed in Flanders and already exist in Wallonia, providing regional options for developers.

Elia updates its 10-year network development plan every four years, aligned with EU-wide planning and subject to CREG approval. Network investments are compensated through regulated tariffs, with the current tariff period running until 31 December 2027, providing regulatory certainty for grid users.

Two major onshore reinforcements, *Ventilus (Flanders)* and *Boucle du Hainaut (Wallonia)*, are progressing through permitting, with completion targeted for 2030 or beyond. These projects are essential for transmitting offshore wind power inland and supporting broader grid capacity expansion.

For developers, early engagement with Elia on connection terms is essential. Flexible connection agreements should explicitly address curtailment caps, energy ceilings, compensation terms and notice periods. Projects dependent on *Ventilus or Boucle du Hainaut* should model timeline scenarios and explore interim grid solutions with the TSO.

The flexible connection framework enables projects to proceed in capacity-constrained areas.



Europe: France

France enters 2026 with strong political and regulatory momentum. Budget debates, the upcoming update of the country's multi-year electricity programme (*Programmation pluriannuelle de l'énergie* (PPE3)) and a dense legislative pipeline all shape the environment in which energy and infrastructure investors operate. At the same time, long planned reforms such as the end of the regulated access to historical nuclear electricity (ARENH) regime, a new capacity mechanism and the launch of major hydrogen support schemes are now taking effect.

Against this backdrop, market participants will need to navigate evolving regulation and policy while continuing to deliver their project pipeline.

Budget discussions in early 2026 to finalise the 2026 Finance Law will be important for the overall competitiveness of the French power mix.

Future energy demand and the evolving energy mix

As elsewhere, electricity demand in France is expected to rise steadily through the 2030s, driven by electrification of transport, low carbon industrial processes and building heating.

The latest scenarios of the French transmission system operator, RTE, (including *Futurs énergétiques* 2050 and *Vision réseau* 2050) indicate that, between 2026 and 2030, France's grid must be significantly reinforced to better integrate renewables, electrification, offshore wind and future hydrogen uses, while maintaining security of supply. Key challenges include accelerating permitting processes and securing social acceptance, managing congestion and variability, and delivering unprecedented investment volumes.

France's long term strategy still rests on the dual pillars of nuclear and renewables, with flexible gas fired and storage assets providing system stability.

Nuclear and the transition to a post ARENH world

January 2026 marks the end of the ARENH regime, which for 15 years allowed suppliers and consumers to access large volumes of nuclear power at a regulated price of €42/MWh. From 1 January 2026:

- Electricity suppliers and large consumers previously benefitting from ARENH volumes will procure on the market or develop their own production assets and EDF will sell all its generation at wholesale prices,
- A new mechanism (the *versement nucléaire universel* (VNU)) introduced by the 2025 Finance Law, is designed to capture part of the additional revenues generated by EDF from the sale of electricity originating from historic nuclear generation in periods of high market prices and redistribute them to consumers through electricity suppliers.

The market expects the draft decrees putting the final touches to the implementation of these mechanisms to be published in the first half of the year.

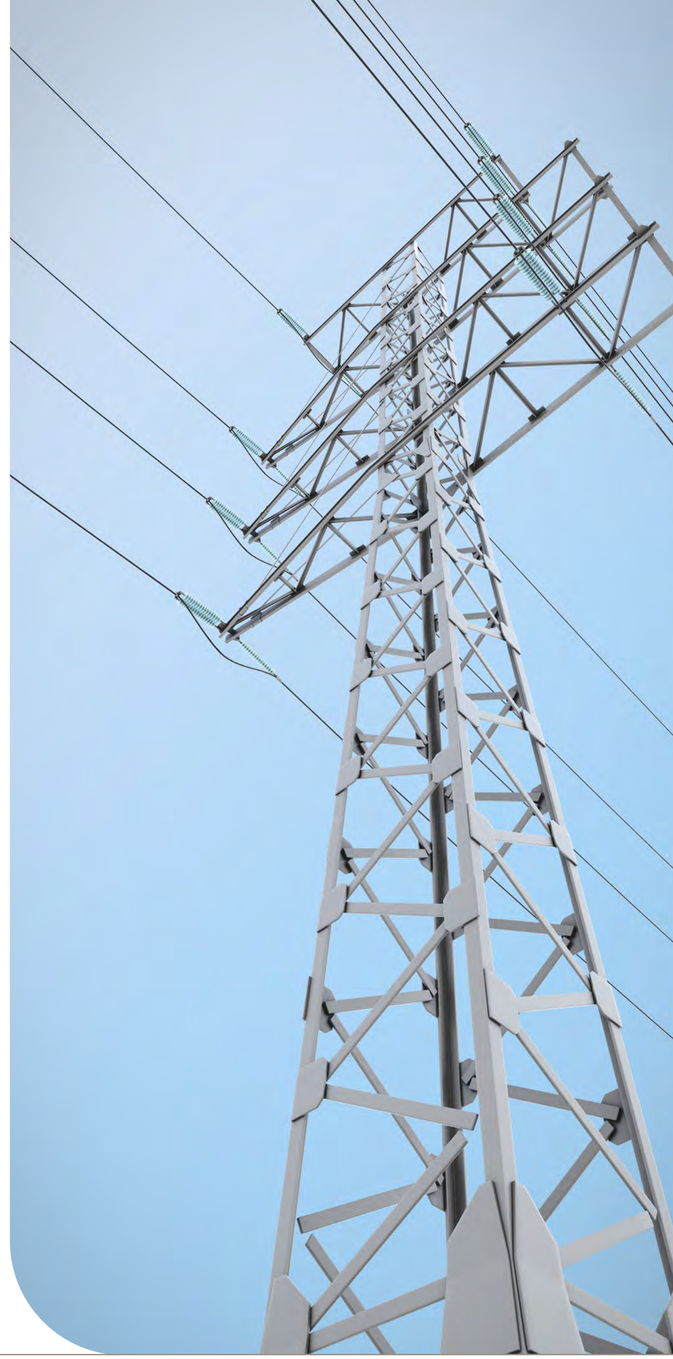
Building out the electricity grid in France

France must connect growing volumes of renewables, integrate new loads and maintain high grid reliability.

At the end of 2025, the *Direction générale des entreprises* (DGE) published a guidance document for local authorities, landowners and project developers seeking to establish or expand data centres in France. This initiative supports the government's strategy to strengthen digital sovereignty and enhance France's attractiveness as a data hosting hub, by clarifying the regulatory framework and administrative procedures applicable to data centre projects.

The rapid growth of data centres is significantly increasing pressure on grid connection capacity. The terms on which large data centre campuses are connected to the public electricity distribution network will be a strategic issue in 2026, both for developers and for network operators.

Storage is being integrated into existing connection standards and tariff structures as new flexibility is built into France's energy system. In July 2025, the French



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energy regulator (CRE) published updated standard network access and connection agreements which reflect this development.

The new French capacity mechanism, now approved by the European Commission, is expected to enter into force around November 2026 and to remain in place for 10 years. The scheme will provide the long term remuneration for flexible assets such as batteries which is crucial to unlock financing for storage and other capacity resources.

Offshore wind in France

Offshore wind in France is at a turning point. While all of the first commercial scale offshore wind projects will soon be commissioned, the lack of a clear auction calendar for future projects is creating uncertainty. Indeed, no new offshore wind tender periods have been formally launched pending the publication of the PPE3. As a result:

- The tenth offshore wind tender (AO10), expected to represent around 8-10GW, has not yet been formally launched. Industry stakeholders have warned that further delay could jeopardise the supply chain and associated industrial capacity.
- Publication of tender documentation is still awaited for the ninth tender (AO9), focused on extensions to already awarded floating offshore assets The market widely expects the French government to address these delays as a priority in 2026.

A draft law to secure the continuous development of offshore wind, in particular the next AO10 tender, and which is also intended to provide greater legal and planning certainty for offshore projects is awaiting examination in Parliament at the time of writing.

Hydrogen in France

Hydrogen remains key to French industrial decarbonisation plans. A significant milestone for 2026 is the launch of the first national tender dedicated to renewable or low carbon hydrogen production, for which the Ministry of Finance recently published the core documentation.

This tender will provide subsidies of up to €4 per kg of hydrogen, with the first projects expected to be awarded in 2026. This tender will secure a first wave of flagship projects and hubs, combining electrolysers, dedicated or contracted renewable power and industrial offtakers. Use cases are expected to be reinforced by the EU-level Carbon Border Adjustment Mechanism (CBAM).

Carbon capture, utilisation and storage (CCUS)

CCUS is emerging as an option for hard to abate sectors such as cement and chemicals. France participates in broader European efforts to develop cross border CO2 transport and storage value chains.

France has also launched a dedicated support scheme for large industrial decarbonisation projects, including CCUS, through dedicated call for tenders. The first such call for tenders (the 2024 major industrial decarbonisation projects tender, or GPID tender) was launched in December 2024 and winners are expected to be confirmed imminently.

The outcome of AO GPID 2024 will be an important signal for the roll out of the first CCUS projects in France and will influence the design of the next GPID scheme planned for 2026.

E-fuels and SAF

E-fuels and SAF are transitioning from niche to compliance driven demand, both under EU level mandates and national decarbonisation plans.

France is both a potential production hub for SAF and a key market given its strong aerospace industry and large air traffic base.

In 2026, airlines and fuel suppliers will be actively seeking long term offtake arrangements to meet rising blending obligations. The principal challenges that remain include feedstock availability, scaling of production technologies and the cost gap with respect to conventional jet fuel. The broader fiscal context, including debates on energy related taxation, may also influence the relative competitiveness of SAF.

For investors, bankability hinges on solid feedstock strategies, durable offtake contracts, compliance with EU sustainability criteria and, in some cases, complementary support at national or EU level.

Hydroelectricity

The French government is looking to reform the legal framework applicable to hydropower dams and concessions, with a view to resolving a long standing dispute with the European Commission over the lack of competitive tendering for expired concessions.

The planned reform, expected to be discussed in Parliament in 2026, may amend the traditional concession model and introduce an authorisation based regime for certain installations, in order to align more closely with European Union competition law requirements. The outcome of this process will be key for future renewal and award processes for hydropower assets in France and will be closely monitored by incumbent operators and potential new entrants.

In parallel, the PPE3 is expected to confirm hydropower as a core component of the national energy mix. A draft issued in 2025 proposed revised installed capacity targets for hydropower, with a potential increase to around 26.3GW by 2030 and up to 28.7GW by 2035.

Digital infra and space based telecommunications

Data centres and AI-related investments will continue to be a focus of 2026, with a large volume of additional capacity in development.

Space based telecommunications continue to gain importance as part of France's digital and strategic infrastructure. The country combines established national capabilities with participation in European satellite constellations and commercial satellite ventures.

In 2026, the focus will be on (i) next generation broadband constellations, often in low earth orbit, (ii)

Europe: France

secure governmental communication capabilities and (iii) satellite back up for terrestrial networks and critical infrastructure.

Regulatory frameworks are evolving around spectrum allocation, orbital debris mitigation and security requirements. Investors remain attracted to the sector while being mindful of technology and launch risk as well as the highly competitive dynamics of satellite constellations. Public private partnerships and hybrid financing structures are likely to remain the dominant model.

Private capital and financing for greenfield energy projects

Greenfield energy and infrastructure projects in France continue to attract significant interest from lenders, infrastructure funds and industrial sponsors.

Key positive developments include:

- the end of ARENH, the introduction of the universal nuclear payment (VNU) (on both of which see above) and the new capacity mechanism, each of which provide greater clarity on long term market design and risk allocation.
- the first large scale hydrogen tender, the biogas certificate system and the ongoing energy saving certificates (CEE) scheme which create concrete revenue frameworks for new, low carbon assets.
- EU level initiatives, including CBAM and the networks package, reinforce the case for domestic low carbon investment and stronger interconnections.

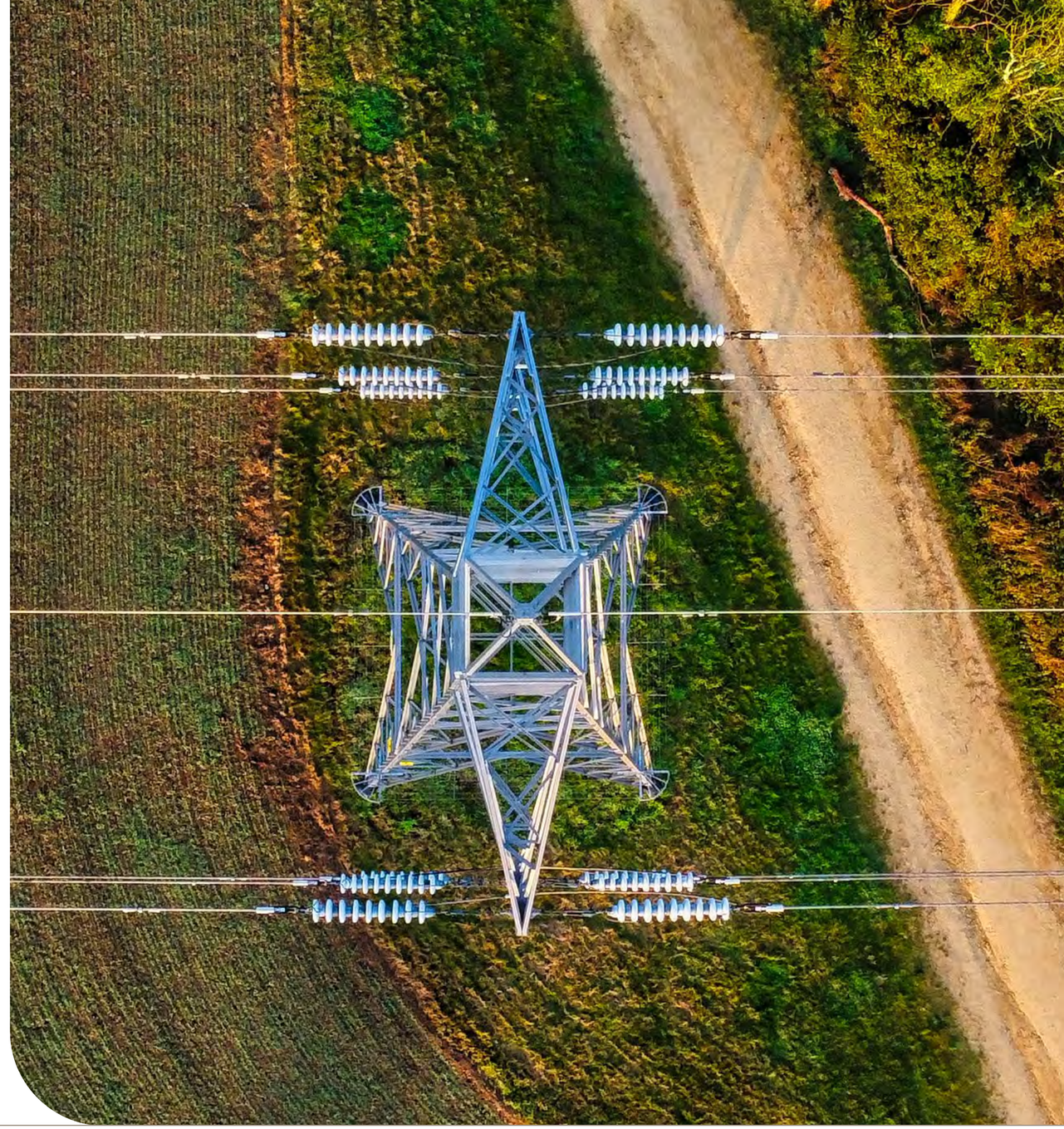
As in other areas, traditional contracted renewables project finance is evolving towards more sophisticated hybrid solutions, combining:

- bank debt and institutional tranches, sometimes in portfolio level facilities.
- mezzanine and holdco debt.
- participation by infrastructure funds and other financial sponsors alongside industrial players.

In parallel, the government has launched a high profile mission to review the public support models for renewables, with the aim of making them more effective and sustainable. Its recommendations, expected towards the end of Q1 2026, are likely to influence the design of future auctions and support schemes.

For sponsors and lenders, 2026 will be a year of active engagement with policymakers and regulators. Those able to anticipate regulatory shifts, structure robust risk sharing mechanisms and adapt capital structures to a more complex support landscape will be well positioned to deploy capital at scale in France's dynamic energy and infrastructure sectors.

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Europe: Germany

The new coalition agreement

On 23 February 2025, early elections were held in Germany. This brought many legislative projects that had been prepared under the coalition between the Social Democrats (SPD), Greens and Liberal Democrats (FDP) to an abrupt halt.

In its coalition agreement, the new government of conservatives (CDU/CSU) and SPD focused on affordability and increasing efficiency in the existing system, initially excluding financial feasibility and regulatory feasibility, for example, against the background of EU law. The pace of legislative activity, however, did not pick up until the end of 2025. This contrasted with the consistently high level of activity of the Federal Network Agency (*Bundesnetzagentur*, BNetzA), whose task it is to revamp the rules which govern the financing of grid operators and the methodology for calculating grid fees.

Read more

The energy and climate politics of the German coalition agreement: Having the cake and eating it, too?

Power plant strategy

In 2026, the tenders already envisaged by the previous government for up to 12GW of power plant capacity (capable of providing electricity on demand and, unlike solar or wind installations, not reliant on weather conditions) are set to commence. The German government has announced that 10GW are earmarked for power plants capable of longer run-times, like gas-fired power plants, which must be operational by 2031. Gas-fired power plants must be designed to be hydrogen-ready from the outset. A further 2GW are to be put out to tender in a technology-neutral manner, so other flexibility options such as battery storage systems can also be considered. Further tenders starting in 2027 will focus on decarbonising the existing power plant fleet, for example, by using carbon contracts for difference.

While the coalition agreement still spoke of 20GW of new gas-fired power plants, the federal government has now come very close to the concept already prepared by the previous government. Approval from the EU Commission under state aid law remains outstanding, however. There is also no national draft law that would regulate the tenders in detail.

German emissions trading scheme

Since 2021, a national CO2 price has been in place in Germany, borne by fuel distributors for the transport and heating sector. The auctioning of CO2 certificates will begin in 2026 in a price corridor of €55 to 60 per ton. In 2027, a transition to the EU emissions trading system for buildings and road transport (EU ETS2) was to take place but has now been postponed. In order to avoid price jumps in the transition to the EU ETS2, it is currently being discussed whether the free auction of German CO2 certificates, planned for 2027, should continue to take place in a price corridor.

Energy prices

A central goal of the federal government is to reduce energy prices. To this end, the federal government has taken various measures that affect various price components of the electricity price in particular.

- The costs of the transmission system operators (TSOs), used as the basis for calculating transmission grid charges, will be reduced by a state subsidy of €6.5bn in 2026.
- The abolition of the gas storage levy introduced in 2022, which replaces the costs of any state-initiated filling of gas storages to ensure gas supply, will cost the state a further €3.4bn from 2026.
- Companies in the manufacturing industry will continue to have to pay electricity tax only at the minimum rate of 0.05ct./kWh provided for by EU law. The limitation of this relief, which had been in force since the beginning of 2024, to 31 December 2025 has been removed.
- The long-discussed industrial electricity price is also slowly taking shape, although not in the form of a general reduction to 5 ct./kWh, as has often been slated. Rather, companies will be able to apply for aid closely aligned with the requirements of the Clean Industrial Deal State Aid Framework (CISAF) introduced by the EU Commission in June 2025 limiting the aid to companies from sectors listed in Annex 1 of the Guidelines on State aid for climate, environmental protection and energy (CEEAG). Eligible companies will be able to claim a discount of



Europe: Germany

up to 50% of the average wholesale electricity price for up to 50% of their annual electricity purchases, with the reduced price for eligible consumption not falling below €50/MWh. In return, they will be obliged to invest 50% of the aid received in new or modernised installations that will make a measurable contribution to reducing the cost of the electricity system without increasing the consumption of fossil fuels.

Furthermore, companies must note that they cannot make use of the industrial electricity price if they already benefit from the (recently amended) EU electricity price compensation for certain electricity volumes. This form of state aid is intended to compensate for the indirect costs of electricity procurement caused by the CO2 price.

Hydrogen

An initial flurry of activity around hydrogen projects in Germany has eased. At the same time, however, construction of the core hydrogen grid is falling into place, with the first pipes having been filled in 2025.

In order to further nurture the still nascent hydrogen market, Germany has launched a second round of Hydrogen Purchase Auctions under the H2Global mechanism while the EU is launching a third round of tenders for hydrogen production under the European Hydrogen Bank with a volume of €1.3bn.

BNetzA has added more detail to the regulatory regime, most recently publishing the KOSMO determination with discounts and multipliers for grid fees, which supplements the already existing determinations WANDA introducing a uniform ramp-up tariff and WaKandA, which specifies various types of capacity products for the hydrogen transport grid. In preparation for the first capacity marketing rounds announced for 2026, a model contract for the reservation of hydrogen capacities has been published.

The upcoming reform of the rules on the greenhouse gas reduction quota (GHG quota) could further boost demand for renewable hydrogen products in Germany. The GHG quota obliges suppliers of transport fuels to reduce overall GHG emissions of their fuel mix. A minimum quota will be introduced for renewable fuels of non-biological origin (RFNBO), starting from 0.5% in 2028 to 1.2% in 2030 and finally up to 8% from 2040.

At the end of 2025, the federal government presented a draft bill for the implementation of the EU hydrogen and decarbonised gas market package, which is intended to supplement the Energy Industry Act (Energiewirtschaftsgesetz, EnWG) with rules for hydrogen supply and low carbon gases, including with regard to grid development planning, grid access, unbundling and certification of hydrogen grid and terminal operators. In the future, suppliers will also have to indicate the energy source mix for gas and hydrogen.

Read more

H2Global Update: German Hintco Prepares First Resale and Second Import Tender for Renewable Hydrogen

Carbon capture and storage

For the first time, carbon capture and storage (CCS) is permitted on a commercial scale in Germany in certain areas of the North Sea. In addition, the German Federal States can opt in to allow onshore storage within their territories. Operators of CO2-pipelines and storage (once they exist) are, however, not allowed to accept CO2 from coal combustion from German plants subject to the EU ETS.

Read more

Unlocking a new era? Germany's new legal framework for commercial-scale CCS and CCU

Grid operators and grid fees

BNetzA has made progress in revamping the rules for the refinancing of grid operators and grid charges as required according to an ECJ ruling demanding greater independence of BNetzA decision making.

In 2025 BNetzA completed significant parts of the reform of the cost regulation of gas TSOs and gas and electricity DSOs. For these grid operators, the familiar form of incentive regulation will essentially remain.

In contrast, electricity TSOs will be remunerated using a planned/actual cost comparison method as, with a view to the investments to be made by the TSOs in the coming years, BNetzA considers the share of costs subject to an efficiency benchmarking too low to justify such a process.

Before the introduction of the new rules in 2028/2029, BNetzA still needs to determine the equity interest rate applicable to all grid operators, which is reflected in the weighted average cost of capital (WACC) model. This delay is also in the interest of the grid operators, on the basis that the later the interest rate is set, the less impact the past low interest rates will have.

In May 2025, BNetzA also started the so-called AgNeS process for the revision of the grid fee system. The main aim is to better adapt the system of grid charges to the new reality of many decentralised power producers and to better reward grid-friendly behaviour. The future treatment of power producers and storage systems is currently still expressly open. In order to smooth the transfer to the new system, BNetzA plans to keep certain features of the current grid fee system, such as the privileges of industrial customers, until the end of 2028.

Europe: Germany

Renewables

There were few legislative changes in 2025 in the field of renewable energy. In February 2025, the so-called “Solar Peak Act”, initiated by the previous government, came into force, which, among other things, opened up the possibility of shared grid connections and flexible grid connection agreements, thus facilitating the connection of different generators, including electricity storage systems, behind the same grid connection point.

Given that state aid approval for the subsidy of renewable energy plants expires in 2026, the legislator must draw up a new subsidy regime in 2026 and co-ordinate it with the EU Commission. As, according to Art. 19 of the EU Electricity Regulation, new plants may in future only be subsidised via bilateral contracts for difference or equivalent systems if direct price support is to be provided, the existing system of the unilaterally paid market premium to solar and wind farms cannot continue to exist.

New renewable energy projects with planned commissioning from 2027 therefore face some unknowns which are also having an impact on the power purchase agreement (PPA). Market participants are exercising caution when concluding new PPAs in view of the uncertainty about the subsidy regime and the unclear impact of other measures, such as the planned industrial electricity price.

Read more

Future of Battery Energy Storage Systems (BESS) UK & Europe Report



Europe: Italy

Italy's data centre boom: navigating the regulatory landscape

Market opportunity and regulatory framework

The data centre sector in Italy is experiencing exponential growth, driven by the country's strategic position as a Mediterranean connectivity hub.

Italy currently lacks a comprehensive national regulatory framework specifically designed for data centres, though the introduction of some streamlining legislation is set to change this (see below). In the interim, their development in Italy is governed by three principal requirements: (i) planning compliance, potentially requiring a strategic environmental assessment (SEA); (ii) environmental compliance, including environmental impact assessment (EIA) for project authorisation and integrated environmental authorisation for operations (AUA); and (iii) administrative streamlining to coordinate the various authorisations required by different public authorities.

Lombardy's pioneering framework

Pending national legislation, the Lombardy region has introduced comprehensive guidelines (the Lombardy Guidelines) permitting data centres in productive or office-designated areas and incentivising brownfield development. The Lombardy Guidelines assign a key decision-making role to provinces (including the Metropolitan City of Milan) in the assessment process.

The Single Procedure: streamlining the future legislative framework for data centres

The pending "New Energy Decree" (Draft Energy Decree), which is awaiting Council of Ministers' approval, introduces a single procedure (the Single Procedure) consolidating all required assessments and authorisations for data centre construction and expansion. The draft legislation sets out that:

- The Ministry of Environment (the Ministry) will be the competent authority for data centres with a capacity of above 300MW and will retain responsibility for EIA Procedure; Regions, or Autonomous Provinces, will hold competency for data centres of up to 300MW capacity.
- The process under the Single Procedure must be completed within 10 months, (extendable by up to three months in exceptional cases); this represents a halving of the current timeline for EIA procedures.
- Projects of strategic interest and grid connections of national interest are eligible for a special regime under Law Decree No. 104/2023 which provides for appointment of a single commissioner responsible for all required authorisations.

Although timing for approval of the Draft Energy Decree is uncertain at the time of writing, it is expected in the first half of the year.

BESS: regulatory framework and revenue opportunities

The permitting landscape

Legislative Decree No. 190/2024 (the Renewables Decree) establishes the authorisation framework for stand-alone battery energy storage systems (BESS), with three distinct pathways available:

- A standard, single authorisation (*autorizzazione unica*) permit covering all necessary approvals. Regions have oversight over stand-alone systems of up to 200MW and systems serving plants of up to 300MW; the Ministry is competent for assets above these thresholds.
- The streamlined Simplified Authorisation Process (PAS) route is available for specific project types, such as stand-alone systems of any size located within existing industrial plants. Where no additional consent is needed, PAS is tacitly granted unless refused within 30 days.
- No building authorisation is required for stand-alone systems of up to 10MW.

BESS plants are generally exempt from environmental procedures (for example, the environmental impact assessment) unless ancillary works trigger those requirements.



Europe: Italy

Revenue stacking: how BESS projects generate income

BESS projects in Italy combine revenues from public support mechanisms, such as the capacity market and the new *meccanismo di approvvigionamento di capacità di stoccaggio elettrico* (MACSE), with market-based income from energy arbitrage and ancillary services.

MACSE: the new storage procurement mechanism

MACSE awards long-term contracts exclusively to new build storage systems through competitive auctions run by the Italian national transmission grid operator, Terna. The scheme runs until 31 December 2033, targeting 71GWh of capacity and over 9GW of power. Auction winners receive a fixed annual premium (pay-as-bid) paid monthly for 15 years and indexed to ISTAT consumer price index and operating expenses. In return, operators pay Terna a variable monthly amount when offer prices diverge from ARERA-calculated strike prices.

Market results and outlook

The first MACSE auction, held on 30 September 2025, demonstrated a strong market appetite. Terna awarded 10GWh of lithium-ion BESS capacity, with bids exceeding the tendered volume by more than four times. All awarded plants are expected to be operational by 2028. In 2026, Terna plans to launch two new capacity market auctions for delivery years 2029 and 2030, subject to Ministry agreement, alongside further competitive procedures for generation plants and storage systems.

Offshore wind

Market momentum and 2030 targets

Italy's national energy and climate strategy document, *Piano Nazionale Integrato per l'Energia e per il Clima* (PNIEC), sets a 2.1GW offshore wind target by 2030. The Italian government is developing a supportive regulatory framework for offshore wind centred on streamlined permitting and two-way contracts for difference (CfDs) delivered through regular auctions. Early-stage projects totalling approximately 115GW have been announced.

Navigating the authorisation process

The Ministry issues a single authorisation consolidating the public concession for sea area use and environmental impact assessment into one unified procedure. On 11 March 2025, the Ministry published detailed guidance setting out the procedural steps and minimum information requirements. National maritime spatial plans are identifying suitable sea areas for development, though further implementing regulations are still awaited.

FER2 auctions: the incentive framework

The 2024 *Ministero dell'Ambiente e della Sicurezza Energetica*, or FER2 Decree, establishes a new auction-based incentive scheme for already authorised projects of at least 300kW. Despite a total offshore wind allocation of 3.8GW, the sector is excluded from initial auctions under the FER2 Decree and the implementing regulation to allow its participation remains absent.

To access the scheme, projects must have definitively accepted the grid operator's interconnection proposal, obtained the relevant authorisation and complied with FER2 Decree requirements. For successful projects, support takes the form of a "due tariff" awarded through pay-as-bid auctions, with bidders required to offer at least a 2% discount on the reference tariff of €185/MWh for offshore wind. Successful projects receive the Due Tariff for 25 years from commercial operation, with inflation indexation, but must achieve operation within 60 months of award. GSE, Italy's energy services operator, administers the auctions within the overall 3,800MW offshore quota.

Without detailed regulations and a clear auction timetable, offshore wind projects in particular have stalled, despite substantial investments already committed. Accelerating administrative processes and launching the FER2 auctions already agreed with the European Commission are essential to unlock the pipeline.

Biomethane in Italy: navigating a changing regulatory landscape

A strategic opportunity in transition

The PNIEC sets an ambitious target of 5.7 billion cubic metres of annual biomethane capacity by 2030. Biomethane plants follow size-based authorisation procedures: PAS for plants up to 500 standard cubic metres per hour (managed by the Ministry); and the Single Authorisation, for plants above this threshold.

The last auction under the 2022 Decree issued by the Minister of Environment was held in January 2025; no further auctions are expected. Plants must start operation within 18 months of auction result publication (although a nine-month extension is possible, subject to a tariff reduction). A National Recovery and Resilience Plan (PNRR) grant, of up to 40% of CAPEX which was designed to support post-pandemic recovery and structural reforms, only applies if the plant begins operation by 30 June 2026.

Europe: Italy

Biomethane incentives to come

Renewable Energy Directive III (RED III) transposition: the draft Legislative Decree will revise the incentive framework and introduce new targets requiring renewable fuels of non-biological origin to reach at least 42% of hydrogen use in industry by 2030 and 60% by 2035.

- Post-PNRR incentives: GSE is planning new incentives for biogas to take effect after 30 June 2026, designed to help Italy meet the 2030 PNIEC target.
- PNRR extension: the European Commission has approved Italy's revised PNRR, reallocating investments for biomethane from agricultural waste and organic residues. A forthcoming Law Decree will extend the completion deadline for PNRR projects, including biomethane facilities, from 30 June 2026 to 2029, supported through a dedicated "facility" fund managed by GSE.
- Energy Release 2.0: this new mechanism promotes renewable electricity capacity, including biomethane, for energy-intensive users. GSE supplies energy to qualifying companies for 36 months; in return, companies must build renewable plants and return energy to GSE over 20 years.

Renewable energy sector: navigating the new framework

New consolidated law for renewables and suitable areas

The Renewables Decree reorganises all administrative regimes for renewable energy plants. Under Legislative Decree No. 199/2021, Regions must identify "suitable areas" for renewables. Pending this, some sites, such as remediation sites, are automatically considered suitable.

Suitable areas and transition 5.0: the evolving framework

Recent case law clarified that Regions cannot exceed the national framework and must as a minimum include the *ex-lege* suitable areas. Law Decree no. 175/2025: (i) requires regional rules on suitable areas to ensure PNIEC capacity targets are met, (ii) updates rules for ground-mounted photovoltaic installations on agricultural land, and (iii) establishes a general framework for mainland suitable areas.

This latter provision (i) lists categories automatically considered suitable (including existing plants under upgrade); (ii) sets limits and exceptions for photovoltaic installations on agricultural land with special rules for agrivoltaics; and (iii) obliges Regions to identify further suitable areas within 120 days, prioritising industrial and degraded sites whilst limiting agricultural use. Regions must now revise their implementing regulations accordingly.

Transitional FER X: bridging to the new regime

The FER X Decree, in force from 30 December 2024, supports renewable development up to 31 December 2025, aiming to incentivise 10GW of photovoltaic capacity through reverse auctions. GSE has issued operational rules governing both registers and auctions.

Participation requires: (i) accepted grid interconnection solution and registration with the grid operator; (ii) construction operation; (iii) compliance with FER X Decree; and (iv) participation in the balancing and dispatching market, where applicable.

Two pathways exist: direct access (after work commencement notice) for plants up to 1MW; and competitive bidding through GSE for plants above 1MW. The Award Price is granted for 20 years and is indexed to inflation, with full indexation before entry into operation and partial indexation thereafter.

FER Z Decree

The Ministry launched a consultation (open until 19 December 2025) on the new FER Z decree, expected to replace FER X from 2026. FER Z represents a fundamental shift: it is based on "standard decarbonisation contracts" between GSE and operators selected through auctions.

Incentives will no longer be granted to single plants alone but to operators offering an hourly production profile (baseload or peak) built from portfolios of plants registered with GSE. Plants will be linked to tradeable certificates used by bidders to assemble the required profiles. Compared with FER X, FER Z offers locational signals, eliminates technology-specific quotas and introduces simpler two-way contracts for difference referenced to standard profiles.

Public guarantees on private PPAs

Ministerial Decree No. 152 of 20 June 2025 guides GME in creating an organised long-term market (MPPA) for renewable energy and sets conditions for GSE to act as "last-resort guarantor" for PPAs concluded on this platform. If the buyer under a PPA traded on MPPA defaults, GSE steps in as last-resort buyer for the remaining term, ensuring continuity.

Europe: Netherlands

The energy and climate transition in the Netherlands is ongoing. The target is to reduce greenhouse gas emissions within five years by 55% compared to 1990 levels. The overarching long-term goal is climate neutrality by 2050. A robust, independent, resilient, sustainable and affordable energy system is key to making the energy transition happen. In the Netherlands, renewables count for more than 54% of electricity production. Reliance on natural gas in the electricity mix has decreased significantly since 2022.

New legislation in 2026, most notably the Energy Act (*Energiewet*) and the Collective Heat Act (*Wet collectieve warmte*) entered into force on 1 January 2026. The Energy Act will result in material changes to the existing legal framework for the gas and electricity sector. It marks the replacement of the current Gas Act and Electricity Act by a modern and updated market regulation framework for electricity and gas. A significant change resulting from the Collective Heat Act will be that heat supply facilities will be majority-owned by public shareholders. Provinces and municipalities will have a leading role in developing heat generation assets.

Grid congestion

Grid congestion is a serious threat to furthering the energy transition, affecting both producers feeding into the grid (*invoedingscongestie*) and businesses and consumers off-taking electricity from the grid (*afnamecongestie*). The social economic costs of grid congestion are estimated to be between €10bn and €40bn annually. In 2027, the Netherlands Authority for Consumers and Markets (*Autoriteit Consument en Markt*) (ACM), the Dutch regulator for the energy markets, will introduce new regulatory methods to give grid operators more certainty on reimbursement of investment costs.

This development has been welcomed by the market as the expansion and reinforcement of the grid requires an annual investment of up to €9bn and will increase towards €18bn in 2040.

Governmental action has been taken on grid congestion matters. In line with the National Action Programme Grid Congestion (*Landelijk Actieprogramma Netcongestie*) stakeholders discussed and have introduced measures to reduce grid congestion. Expedited construction and expansion of the grid will be key, alongside greater transparency and efficiency in its use. The introduction of alternative transport rights, a societal prioritisation framework and group transport agreements are just a few solutions introduced by the ACM to alleviate grid use at peak times.

In the Netherlands, investments in the grid are passed on to businesses and households by means of grid tariffs. As grid tariffs are expected to continue to rise, governmental action is necessary to flatten these increases and to keep total electricity costs for society under control.

Battery energy storage systems

Battery energy storage systems (BESS) have a crucial role in providing flexibility in the energy system and managing the variability of intermittent renewable energy sources. Installed battery capacity was below 50MWh at the end of 2021 but had increased to 2.9GWh at the end of 2025. The deployment of large-scale batteries is accelerating. It is expected that such large battery systems (namely BESS in excess of 100MWh) will contribute to growth of 15GWh of installed capacity in 2027.

Grid congestion still presents a barrier to timely grid access and adequate transport capacity for BESS developers. This, along with high transport tariffs and lengthy permitting processes, has affected BESS deployment until recently. The BESS market has, however, seen an uptick in investments as a result of M&A activity and new participants entering the market, demonstrating that the market matured in recent years. Moreover, successful project financings of BESS assets, the introduction of alternative transport rights (such as



Europe: Netherlands

timebound transport rights (*tijdsduurgebonden transportrechten*)), capacity management contracts (*capaciteitsstuiringscontracten*) and sophisticated revenue stacking has contributed positively to the BESS business case in the Netherlands.

The BESS market in the Netherlands has matured in recent years.

Read more

Future of Battery Energy Storage Systems (BESS) UK & Europe Report

Offshore wind

Offshore wind will remain the cornerstone of renewables capacity in the Netherlands in the coming decade. The ultimate goal is to have installed offshore wind capacity of up to 30 to 40GW in 2040. Offshore wind should then account for 50% of the electricity consumption in the Netherlands. In the past years, as in other North Sea bordering countries, the Netherlands has seen market conditions deteriorating. The business case for developing offshore wind has been severely hit by rising financing, material and labour costs, as well as interest rate increases. Moreover, supply chain bottlenecks and the demand for (renewable) electricity is lagging behind expectations. Consequently, tenders for 2GW of capacity planned for 2025 were postponed.

The only tender put to public in 2025, offshore wind plot *Nederwiek I-A* with a capacity of 1GW, failed with none of the offshore wind developers having put forward any offers.

In the coming years, government support is inevitable for continuing offshore wind development. This has been acknowledged by the Dutch government which has launched an Action Plan Offshore Wind (*Actieplan windenergie op zee*). Key features of such support are (i) subsidies of €1bn for the two tenders of 1GW each in 2026, (ii) the introduction of two-way contracts for difference (CfD) for offshore wind from 2027 onwards, and (iii) flexibility on the roll-out of offshore wind in accordance with the road map.

The subsidy mechanism will be temporary and will only apply to the two tenders of 1GW each planned for 2026. The introduction of CfDs in 2027 has been long-anticipated by the offshore wind industry in the Netherlands. Given the nature of a CfD is to provide price security, the continued roll-out of offshore wind and sufficient installed capacity should be safeguarded for when renewable energy demand picks up.

When it comes to stimulating electricity demand, opportunities particularly lie in the electrification of industry. Offshore wind and green molecules produced with offshore wind-powered electrolysation are expected to play a crucial role in this.

Read more

Offshore wind in Europe

Nuclear

The nuclear renaissance has also reached Dutch shores. Nuclear power's renewed importance is evident through the extension of the operational life of the Borssele nuclear power plant beyond 2033. In addition, the Dutch government intends to build two to four nuclear power plants before 2040.

The Dutch Ministry of Climate and Green Growth incorporated the *Nucleaire Energie Organisatie Nederland B.V.* in 2025, which is further evidence of the nuclear renaissance. It acknowledges that the Dutch government will absorb costs associated with the preparation, construction and decommissioning of large-scale nuclear power plants.

In addition, small modular reactors (SMRs) are considered both as an electricity generation asset and as a source for (high temperature) heat for heavy industry or hydrogen production, contributing to the decarbonisation of heavy industry, regional industries or standalone industry sectors. International developments in Canada and the UK are monitored closely.

In line with its SMR strategy published in Q4 2025, regardless of size and/or capacity, the Dutch government will take control of the first SMR project in the Netherlands. This allows it to potentially address any bottlenecks at an early stage and subsequent SMR projects can benefit from lessons learned.

Incentives

The Netherlands operates a variety of incentive schemes promoting renewables generation and reducing CO2 emissions. These incentive schemes are recurring, such as the SDE++ incentive scheme (*Stimuleringsregeling Duurzame Energieproductie en Klimaattransitie)* (SDE++)), or type and product specific, such as the subsidy scheme for large-scale hydrogen production using an electrolyser (*Subsidieregeling grootschalige productie volledig hernieuwbare waterstof via elektrolyse (OWE)*). Other incentives take the form of investment subsidies and operational subsidies.

The SDE++ and its predecessors have been a cornerstone in fulfilling the climate policy ambitions of the Netherlands. The record levels of renewables generation from wind, both offshore and onshore, and PV solar are testament to its success. In recent years, this incentive scheme enabled the development of clean technologies and decarbonisation processes such as those relating to heat, molecules and carbon capture and storage (CCS).

The SDE++ is an operating premium feed-in tariff subsidy granted per ton of avoided CO2 emissions. It incentivises both renewables generation and other CO2-reduction technologies in respect of projects to be operated in the Netherlands. The budget remains stable at €8bn for the coming years. Whilst the EU Electricity Market Design requires Member States to use CfDs as mechanisms for direct price support with effect from 2027, new large-scale onshore wind and solar projects will no longer benefit from the SDE++.

Europe: Netherlands

CCUS, interconnections and hydrogen

Achieving the CO2 reduction targets in the Netherlands set for 2030 requires development of infrastructure for CO2 capture, transport and storage. This technology is also essential for reaching climate neutrality in 2050. Porthos, the first large scale CCS project aiming to store CO2 in offshore depleted gas fields, is now under construction with the aim of becoming operational in 2026. The Porthos project will store about 37 Mtonnes of CO2, which is about 2.5 Mtonnes of CO2 per year for 15 years.

Other significant CCS projects currently under development are Project Aramis (CO2 storage in the North Sea as well) and CO2Next (CO2 terminal at the Maasvlakte). These projects have obtained necessary permits and are currently awaiting final investment decisions. In addition, once built, the Delta Rhine Corridor (DRC) will, in addition to hydrogen, transport CO2 on a large scale.

The Netherlands electricity network is well interconnected with neighbouring countries such as Germany, Denmark, Belgium, the UK and Norway. Further steps are underway to increase the interconnection with the UK through the development of the LionLink interconnector with a capacity of 2GW. In particular, LionLink will benefit from the different time zones and energy mixes of the Netherlands and the UK, thus absorbing electricity production peaks and troughs.

The hydrogen backbone currently under development consists of a pipeline network connecting the industries near the coast of the Netherlands in Zeeland, Rotterdam, Den Helder, Groningen with the industrial area of Chemelot in the province of Limburg. Import of green hydrogen will play a key role in the coming years to establish a hydrogen market and adjacent hydrogen value chain. Also, the production of green hydrogen through electrolysis of offshore wind is envisaged still for the coming decade. Hydrogen ambitions have, however, been scaled back. A target of 8GW of electrolysis capacity in 2032 was recently recalibrated to 3 to 4GW by 2035. Lower ambitions in the field of electrolysis capacity stem from evolving market conditions and low demand developments from the industrial sector. It is now anticipated that (green) hydrogen will primarily come ashore via coastal towns through offshore wind, or through import, following which it can be transported within the Netherlands via the existing natural gas network and ultimately also to Belgium and Germany. This network is expected to be completed by 2033.



Europe: Portugal

From generation to optimisation: how BESS is reshaping Portugal's power market

In a fast-growing renewables market, storage is rapidly becoming one of Portugal's most attractive energy investment opportunities. Since early 2022, Portuguese law has treated battery projects with the same status as power plants, thereby facilitating storage investments capable of generating revenue from multiple streams concurrently.

Developers can sell electricity through the Iberian wholesale market, lock in revenues through bilateral power purchase agreements and earn additional income by providing grid support services such as frequency regulation and capacity markets (still to be developed).

The licensing process requires a grid connection title (depending on the structure of the project) and energy and construction permitting, with simplified procedures available for smaller projects below 1MW.

Whilst the commercial opportunity is significant, investors should carefully assess supply chain risks, as batteries depend on materials like lithium and nickel that face price volatility and are predominantly manufactured overseas. The business case also depends on managing revenue uncertainty from fluctuating electricity prices and evolving market rules.

Despite these challenges, Portugal offers financial support to CapEx through the Recovery and Resilience Plan and Portugal 2030 program, which allocates approximately $3.1bn to green transition projects.

Banks across Iberia have increased their appetite for financing battery projects on a project finance basis, particularly where development is advanced and subsidies secured. The key to success lies in partnering with experienced operators who can optimise returns across energy trading, grid services and capacity markets, whilst ensuring robust supply contracts and an understanding of the long-term decommissioning obligations. Investors need to consider current municipal compensation requirements.

On the offtaker side, the emergence of hyperscale data centres in Portugal may reshape battery storage economics, as these facilities require uninterrupted power supply and have strong sustainability goals. Co-locating battery storage with data centres creates compelling commercial synergies: batteries provide backup power and grid resilience that data centre operators value highly, whilst the predictable baseload consumption anchors battery revenue streams and improves project bankability.

Battery projects can generate revenue from wholesale trading, bilateral contracts and grid services simultaneously whilst accessing billions in EU and national green transition funding.

Read more

Future of Battery Energy Storage Systems (BESS) UK & Europe 2025

The rise of the "new greenfield": unlocking value through overequipment, repowering and hybridisation

In a grid scarcity landscape, owners of renewable energy assets often achieve better returns through "new greenfield" add-ons, rather than developing new projects from scratch. Portuguese authorities actively encourage three strategies that maximise value for existing infrastructure:

- "Overequipment" allows the installation of more generation capacity than the grid connection permits (subject to a 20% maximum threshold), managing output within limits whilst dramatically increasing production during off-peak periods.
- Repowering replaces ageing wind turbines with modern equipment that can deliver more (and more efficient) output from the same site, benefitting from simplified licensing that recognises improving existing infrastructure rather than building something new.
- Hybridisation combines different technologies, typically solar and wind, but also storage, at a single location, to optimise grid use and produce a steadier power supply year-round.



Europe: Portugal

These approaches avoid the time and cost of securing new sites, navigating fresh environmental assessments and building new grid connections. The commercial rationale is compelling: by leveraging already controlled assets, the development risk is lowered and existing licences are often retained rather than starting the permitting process afresh. Asset owners are encouraged to find ways to optimise performance, verify that existing agreements allow for adding extra equipment and assess whether the land secured accommodates the new technology. The key is to identify which strategy, or mix of strategies, delivers the best risk-adjusted returns for the specific assets and market circumstances.

Ageing power plants can triple output whilst benefitting from simplified licensing, often delivering better returns than greenfield development.

Hydrogen and renewable gases

Portugal is positioning itself as a strategic player in Europe's emerging hydrogen economy, pioneering in the H2 strategy with new regulations creating clear pathways for investment whilst requiring existing gas infrastructure operators to adapt.

The gas system has been updated to accommodate renewable gases alongside traditional natural gas, clarifying licensing requirements and establishing quality standards for grid injection. This creates opportunities for renewable energy developers experiencing curtailment to redirect excess power into hydrogen production. Industrial consumers can access low carbon energy for difficult-to-decarbonize tasks and gas infrastructure owners can adapt existing assets for hydrogen transport.

The main business opportunity centres on first-mover advantage: early projects aligned with EU hydrogen strategy priorities can access substantial public funding. Industrial operators are analysing whether adopting hydrogen is commercially viable, especially for energy-intensive operations or renewable assets that often face curtailment. Developers are encouraged to explore co-location opportunities to form integrated energy hubs, which can help diversify income sources and increase asset use. Success requires securing long-term offtake agreements early, ensuring compliance with changing sustainability certifications that impact market access and monitoring support schemes.

New hydrogen regulations create first-mover advantages for projects aligning with EU priorities unlocking substantial public funding and streamlined approvals.

Read more

Getting Hy? Portugal

The growing role of biogas and related gases

Biogas and biomethane are emerging as commercially attractive opportunities, particularly for agricultural businesses and waste operators who can monetise organic waste whilst generating renewable energy.

Portugal has implemented EU directives creating guarantees of origin for biomethane and establishing injection rights into the gas network, with new support schemes specifically targeting agricultural projects.

In 2025, the Portuguese government established a dedicated co-ordination group for the Biomethane Action Plan 2024-2040, signalling its long-term commitment and intention to introduce new support schemes. The network regulations were revised to address the practical requirements for safely managing mixed gas flows.

The business model presents a strong value proposition: revenue is generated through energy sales, guarantees of origin, waste treatment fees and potentially carbon credits, resulting in multiple income streams from a single operation. Energy companies can diversify their portfolios and fulfil renewable gas obligations, while industrial consumers can secure renewable gas supplies to support their decarbonisation objectives.

The key commercial considerations are feedstock availability and sustainability compliance, which determine eligibility for support mechanisms. Grid injection capacity may become constrained as the sector grows, making early connection agreements valuable. Investors should assess whether direct sales, grid injection or captive consumption offers optimal returns for their circumstances, considering both revenue potential and capital requirements.

The sector enjoys increasingly robust policy backing because renewable energy production and agricultural waste management both offer environmental advantages, leading to a positive investment climate for well-organised projects.

Offshore wind: opportunity amid uncertainty

Offshore wind represents Portugal's most significant long-term opportunity for renewable development; however, regulatory ambiguity poses challenges for near-term investment decisions.

The Portuguese government has announced ambitious targets and the Portuguese coast offers excellent technical potential for floating projects. The detailed framework governing auctions, grid connections and seabed licensing remains under development. The delays to the first auction postponed the plans of developers who have invested in preliminary studies. The message for investors is clear: prepare in advance by developing technical skills, selecting the best sites and forming strategic partnerships to gain an edge when regulations are set. Participation in pilot projects or demonstration initiatives can provide valuable experience and connections.

The long-term opportunity is strong. Industry stakeholders should stay informed on regulations, participate in consultations and maintain financial

Europe: Portugal

discipline until frameworks are set. Once regulations are final, the sector will move quickly, benefitting those who prepared without overextending.

Offshore wind framework expected in 2025. Stakeholders should prepare now through partnerships and site identification until auction rules are confirmed.

Read more

Offshore wind in Europe

Beyond the headline reforms: other significant legislative novelties

Electric mobility

Portugal's energy sector is experiencing its most significant regulatory transformation in years, creating both opportunities and compliance obligations across multiple areas. The new electric mobility regime removes obstacles to charging infrastructure, mandates that all public chargers accept payment without contracts and lets operators independently manage energy sourcing via markets, agreements or on-site renewables. This liberalisation offers business opportunities for charging infrastructure investors, property owners and renewable energy developers integrating charging with solar or wind projects.

Bidirectional charging is now formally recognised, allowing vehicle batteries to provide grid services and generate additional revenue streams. The regime expands beyond cars to cover heavy vehicles and vessels, broadening the addressable market. Operators must prepare for universal access requirements by January 2027, whilst new regulations will enable economic valorisation of CO2 emissions avoided through renewable charging.

Grid management and its EU alignment

The new grid management manual transitions Portugal to 15-minute settlement periods aligned with European markets and introduces participation in continental balancing platforms, affecting how all market participants trade and manage positions.



Europe: Spain

Reinforcement of the electrical system: approval of Royal Decree 997/2025

Following the critical blackout incident of 28 April 2025, the Spanish government adopted Royal Decree 997/2025 on 6 November 2025, one of the key regulatory milestones of the year. The Royal Decree introduced urgent measures to reinforce the stability and resilience of the electricity sector. Its primary objective is to address systemic risks, strengthen grid resilience and ensure continuity of supply under extreme conditions.

The Royal Decree reinforces the obligations of system participants by introducing stabilisation mechanisms, rules for responding to voltage fluctuations and specific requirements for power injection by generation facilities. The new framework also simplifies the permitting regime for storage by exempting hybridised facilities from environmental impact assessment where the storage component is located on previously assessed land and by halving processing periods for substantive permits.

The regulatory framework for Spain's capacity mechanism remains under development and has not yet received final approval

In December 2024, the Ministry for the Ecological Transition and the Demographic Challenge (MITECO) opened a public consultation on a draft Ministerial Order establishing a capacity mechanism for the Spanish electricity system. This proposed framework aims to guarantee security of supply whilst providing investment signals to facilitate the integration of storage technologies and other solutions offering firmness and flexibility, including demand-side management, thereby supporting the transition towards a decarbonised economy. The design of the mechanism would allow owners of generation facilities, storage systems and demand-side resources to receive remuneration for contributing to grid stability through electricity injection or consumption reduction at the system operator's request. The capacity market would operate through technologically neutral auctions and will be subject to the prerequisites for its establishment set out in the Value of Lost Load and Reliability Standard under Regulation (EU) 2019/943 made by the Ministry on 7 July 2025.

Next steps for this new market include the publication of the final text, State Aid authorisation from the European Commission and development of the Ministerial Order and operating procedure. The final regulations are expected to be approved during 2026.

Spain moves forward with new energy and sustainability rules for data centres

The Spanish government is finalising a new Royal Decree on energy efficiency and sustainability for data centres. The draft is at an advanced stage. The public consultation closed on 15 September 2025 and only the opinion of the Council of State (Consejo de Estado) remains before it can be approved by the Council of Ministers.

The Royal Decree introduces a reporting obligation for a set of indicators designed to steer the roll-out of data centres towards projects that maximise positive local impacts while minimising associated negative externalities.

In particular, it requires the reporting of energy and sustainability indicators, including: (i) the land area occupied by the data centre; (ii) its energy consumption and the origin of that energy (including the extent to which it comes from renewable sources); (iii) the contribution of the data centre to the resilience of the electricity system; (iv) water consumption (both overall and, specifically, consumption of potable water); (v) the type of refrigerants used; and (vi) other indicators relating to the efficient use of different resources.

In addition, the Royal Decree requires the reporting of socio-economic impact data for each project, including jobs created and the contribution of data centres to the local and national economy.



Europe: Spain

Update of the remuneration regime for renewable installations under the specific remuneration scheme and promotion of storage

Royal Decree 917/2025 updates the remuneration framework for renewable energy, cogeneration and waste installations under the specific remuneration regime (RECORE) while introducing measures to ease the deployment of energy storage solutions, addressing challenges such as negative prices and the need to integrate storage technologies without creating regulatory barriers.

The decree includes mechanisms to:

- Prevent stored energy from distorting remuneration calculations in hybridised installations.
- Adjust the treatment of negative prices so that energy produced during periods when the daily market price is negative for six or more consecutive hours will not count towards equivalent operating hours.
- Ensure that energy curtailed due to technical restrictions is counted towards equivalent operating hours.
- Limit adjustments for failure to meet minimum operating hours to investment remuneration only from 1 January 2026.
- Allow creditor balances to be offset against receivables from other installations held by the same owner.

Spain accelerates green hydrogen production with its first national auction and strategic deployment

In the first half of 2025, MITECO allocated €126.4m through Spain's first national hydrogen auction under the "Auctions as a Service" (AaaS) mechanism, awarding two projects, *Orange.Bat in Onda (Castellón)* for €82.5m and *eM Numancia in Garray (Soria)* for €43.9m.

New remuneration methodology for electricity distribution and transmission activities and new financial remuneration rate for the period 2026–2031

In December 2025, the CNMC (Spain's National Markets and Competition Commission) published a new regulation (Circular 8/2025) establishing the new methodology for calculating the remuneration of electricity distribution and transport activities.

Regarding the distribution activity, the CNMC announced a move towards a "TOTEX" model (which combines capital expenditure and investment with operating and maintenance costs) and introduced an "economic sustainability" mechanism under which part of the remuneration is linked to the effective connection of capacity. The model will apply on a transitional basis in 2026-2028 and in full in 2029-2031.

A new circular has been approved for the transition period, amending the previous framework and setting the unit investment, operation and maintenance values to be used in calculating transmission remuneration.

Additionally, the CNMC approved the new financial remuneration rate for electricity networks in Spain, setting it at 6.58% for the period 2026-2031, an increase of 100 basis points from the previous rate of 5.58%. This rate applies to transmission, system operation and distribution activities, and will remain in effect for six years.

In the gas sector, the remuneration methodology for gas networks, as well as the applicable financial remuneration rate, will be further detailed during 2026.

Extension of nuclear power plant operations: Spain's energy policy decision on Almaraz in 2026

The future of Spain's nuclear power fleet has been formally defined since 2019, when the electricity companies and Enresa (the national radioactive waste management company) agreed on a phased closure schedule between 2027 and 2035. However, in 2025, Iberdrola, Endesa and Naturgy formally requested to extend the operating life of the Almaraz nuclear power plant in Extremadura until 2030, a decision that will effectively shape Spanish energy policy for the next decade.

The Nuclear Safety Council has set February 2026 as the deadline for Almaraz to submit the necessary documentation to evaluate the request for modification of the operating licence, with a deadline of 1 September 2027 to submit its opinion to the ministry. The decision on Almaraz will determine the future of other nuclear power plants, particularly the Catalan plants *Ascó* and *Vandellós*, whose closure is scheduled for 2029 and 2030 respectively. 2026, therefore, marks a turning point when the debate on nuclear energy in Spain will translate into concrete decisions.

At the political level, the current central government is opposed to extending the operating life of nuclear plants, while the main opposition party is in favour. With the next general election due by 2027 at the latest, there is significant uncertainty over the future role of nuclear energy in Spain. This debate has intensified following the recent blackout (that took place on 28 April 2025), which has reinforced perceptions that nuclear generation contributes to system stability and security of supply.

2026 marks a turning point when the debate on nuclear energy in Spain will translate into concrete decisions.

Europe: Spain

Demand node auctions: new mechanism to allocate grid access capacity

The government expects to resolve in short order the first demand access auction for the electricity grid, launched in July 2025, which covers eight strategic nodes of the transmission network across six autonomous regions and makes available a total capacity of 3,681MW for industrial and energy projects. This mechanism is designed to address the sharp increase in grid access requests from new industries, data centres, renewable hydrogen production plants and electrification projects.

The central criterion for allocation will be the reduction of greenhouse gas emissions, prioritising projects that contribute most clearly to decarbonisation, together with the volume of committed investment and the expected date for starting energy consumption. The government is already working on a new call that will include around 20 additional nodes with a view to 2026.



Middle East

The Middle East energy and infrastructure landscape continues to enjoy transformative momentum, driven by ambitious diversification and development strategies aimed at reducing oil dependency and positioning nations across the region as global hubs for innovation and commerce. As a result, the region is witnessing an unprecedented convergence of renewable energy deployment, expansion of digital infrastructure and manufacturing localisation alongside the continued evolution of the ever-important hydrocarbon sector. In this context, we are seeing regional global players (including international private credit) seeking to establish themselves in the region.

Commitment to the energy transition and energy demand

The region's commitment to the energy transition is underscored by the volume and nature of successfully closed projects and ongoing procurements across the solar, onshore wind and latterly, battery storage and offshore wind sectors.

Saudi Power Procurement Company (SPPC) is procuring 4.5GW of solar and wind power as part of its sixth round of competitively tendered renewables projects, having launched 43.2GW of renewable energy capacity in total (including 5.3GW in its recently announced seventh round). The 1.5GW Dawadmi wind project, which was awarded as part of round six, has set a new world record for the lowest cost of electricity generated by wind power. The Saudi Arabian government is targeting the tender of 20GW of renewables capacity each year whilst the Emirates Water and Electricity Company (EWEC) has a construction target of an average of 1.4GW of solar PV annually between 2027 and 2037 as well as increases to wind capacity.

Meanwhile, battery storage is increasingly being incorporated as part of the rollout of renewables in the region, as either standalone projects or co-located with other technologies, structured in line with other regional IPPs to enhance bankability. Examples include SPPC's first standalone battery energy storage round, Dubai Electricity and Water Authority's (DEWA) inclusion of a sizeable 1400MW, 6-hour battery storage component as part of its procurement of phase seven of the Mohammed Bin Rashid Al Maktoum Solar Park, EWEC's 400MW BESS IPP and Nama Power's first utility-scale solar and battery storage project in Oman.

Additionally, we are watching with interest to see whether initial announcements in relation to offshore wind will lead to tangible outcomes in the coming years.

Notwithstanding the major growth in renewables, there is a general acknowledgement in the region that renewables alone are insufficient to address the growing energy demand, driven by population growth and the region's economic diversification agenda.

Furthermore, gas-fired baseload capacity is essential to balance the intermittency associated with renewable power, with procurers developing both greenfield and brownfield gas-fired power stations, which includes the reconfiguration of older IWPPs into IPPs at the end of the initial concession period. Increasingly, gas-fired power station projects also provide for carbon-capture/decarbonisation solutions within the initial documentation and design criteria. Overall, more than 20GW of IPPs are under tender across the GCC across both renewable and traditional power sources, providing a stable flow of projects in the tried-and-tested power sector for developers, lenders and investors.

Procurers are developing both greenfield and brownfield gas-fired power stations, including the reconfiguration of older IWPPs into IPPs.



Middle East

Data centres and digital transformation

The Gulf is rapidly positioning itself as a global digital hub, with data centre investment accelerating and driving parallel growth in power and infrastructure sectors. According to PwC, regional capacity grew from approximately 300MW in 2019 to nearly 1GW by 2025 and is forecast to triple by 2030, driven by cloud adoption, AI workloads and demand for high-density infrastructure. Major global cloud providers are expanding their GCC footprint, spurring new builds and strategic investments.

Across the region, landmark initiatives are redefining the Gulf's role in global digital infrastructure. In Abu Dhabu, the Stargate AI Campus, developed by Khazna Data Centers (Khazna), is set to deliver 5GW of AI compute capacity, underscoring the UAE's ambition to anchor next-generation AI ecosystems within its borders. Partners include OpenAI, Oracle, NVIDIA, Cisco, and SoftBank.

In Saudi Arabia, Humain, a subsidiary of the Public Investment Fund, is collaborating with NVIDIA to build AI factories and up to 500MW of data centre capacity and with AirTrunk to develop a $3bn hyperscale campus. These efforts are reinforced by the U.S. Saudi Strategic AI Partnership, which includes the export of advanced GPUs to Saudi Arabia, a $50bn Saudi investment in semiconductors and AI infrastructure and commitments from U.S. technology firms to expand into the Kingdom.

Financing appetite is also strong; Khazna recently secured $2.6bn from regional lenders to fund its UAE and regional pipeline - one of the largest data centre financings in MENA to date.

Together, these developments signal a profound shift as the Gulf emerges as a global hub for AI and hyperscale computing.

To support this transformation, we are seeing fundamental changes in how data centres are developed, contracted and regulated across the Gulf:

- **Contracting models are evolving:** Developers are moving away from short-term, multi-tenant arrangements toward longer-term capacity commitments with hyperscalers and government-backed digital enterprises. These structures provide greater certainty and are increasingly supported by regional governments seeking to anchor strategic digital infrastructure.
- **Capital structures are adapting:** The scale and complexity of AI-driven facilities are prompting a shift from traditional corporate funding to more sophisticated financing approaches, including ring-fenced structures and hybrid models. While not yet widespread, these trends signal growing lender comfort with data centres as an asset class.
- **Procurement practices are tightening:** We are seeing greater reliance on bankable, lump-sum turnkey EPC contracts, replacing fragmented shell-and-core plus fit-out models. This reflects a push for cost certainty and risk allocation aligned with international best practice.
- **Regulatory frameworks are being tailored:** Saudi Arabia's Cloud Computing Special Economic Zone and the proposed Global AI Hub Law illustrate how jurisdictions are creating bespoke environments to attract global players, including provisions for foreign legal frameworks and data residency flexibility.
- **Infrastructure and sustainability are under scrutiny:** Data centres are high-intensity consumers of power and water, making grid interconnection, renewable sourcing and water stewardship critical legal and commercial considerations. Lenders increasingly require alignment with national net zero targets embedding ESG compliance into financing and permitting processes.

Landmark initiatives are redefining the Gulf's role in global digital infrastructure.

Manufacturing localisation

Alongside the surge in data centre and digital infrastructure investment, Middle East nations are accelerating manufacturing localisation strategies and seeking to attract foreign direct investment into strategic sectors. Governments are leveraging special economic zones and developing industrial clusters to create ecosystems where vertical integration delivers competitive advantage.

This policy push is translating into major transactions, often through joint ventures between combinations of state-backed entities and international partners. In Saudi Arabia, the Public Investment Fund's Renewable Energy Localization Company (RELC) has signed joint ventures with global leaders to onshore clean-energy manufacturing, aimed at achieving 75% localisation of renewables components by 2030. Oman's Duqm SEZ is emerging as a green-industrial hub and the Ruwais Industrial City in the UAE continues to expand and reinforce the UAE's ambition to localise petrochemicals and advanced materials.

These developments underscore a clear trend of manufacturing localisation being hardwired into industrial policy and driving investment. The legal implications are significant, from structuring JV agreements and technology transfer provisions to navigating incentives within regulatory regimes and ensuring compliance with localisation mandates.

A strategic pivot in Saudi Arabia

In preparation for Expo 2030 and the 2034 FIFA World Cup, the Kingdom has pivoted towards delivering the essential infrastructure required to support both mega-events and long-term urban growth, accelerating investment in high-speed rail, metro and road networks, water and wastewater treatment, power transmission, logistics/transportation hubs, entertainment, schools and hospitals. Riyadh alone is co-ordinating over 7,000 infrastructure projects, including the landmark Riyadh–Doha high-speed rail corridor which will connect major cities and facilitate the movement of millions of visitors and residents.

Middle East

This pivot reflects a recognition that world-class events and sustainable urbanisation require robust networks of transport, utilities and social infrastructure. Recent contracts for major power transmission upgrades, large-scale water purification and sewage treatment plants, and the development of multimodal logistics zones underscore the Kingdom's commitment to building the foundational assets needed for economic diversification and population growth.

As Saudi Arabia moves from vision to execution, the legal landscape is evolving in tandem. Project delivery models, procurement frameworks and regulatory oversight are being adapted to ensure timely completion and operational excellence across these critical sectors. For sponsors, contractors and investors, understanding this shift is essential to navigating the next phase of the Kingdom's infrastructure transformation.

Evolution of the hydrocarbon sector

Notwithstanding the diversification agenda of Gulf nations, the hydrocarbon sector remains critical to the success of the region and will remain so in the short and longer terms. Major oil and gas companies in the region have publicly stated their intentions to continue to develop the sector, whilst seeking to decarbonise alongside obtaining efficiency improvements as it evolves to meet the demands of the next century.

Particular trends include:

- expansions in LNG capacity, driven by rapidly growing global demand, the position of natural gas as a transition fuel in the global energy mix and comparative ease in transporting. Qatar Energy's North Field expansion will almost double Qatar's LNG output at a cost of $40bn whilst Abu Dhabi National Oil Company's (ADNOC) greenfield terminal in Ruwais will more than double ADNOC's LNG output;
- downstream gas and LNG processing projects, to enhance processing capacity as upstream production increases whilst also ensuring the region benefits from vertical integration and export opportunities for valuable hydrocarbon derivatives;
- refinery upgrades, such as those to Bapco Energies' Sitra refinery permitting it to run on heavier, cheaper crude whilst also producing higher value and cleaner products for export;
- monetisation of utility-type assets including oil and gas pipelines, with private credit institutions particularly active in this space, leveraging their relationships to access multiple investor bases to achieve competitive pricing and optimal capital structures; and
- the leveraging of existing expertise to inform the development of carbon capture, utilisation and storage capabilities and projects for the production and use or export of clean ammonia, hydrogen and sustainable fuels.



UK

The UK's clean energy landscape in 2026 is defined by ambitious infrastructure development and evolving market frameworks. Central to this is the build out of the national electricity grid, with the Planning and Infrastructure Act 2025 streamlining delivery timelines and reforming connections processes. Clarity on spatial planning to map the future energy system through to 2050 has been delayed but the approach to regional network infrastructure for CCUS and hydrogen is advancing while the broader CCUS regulatory framework is looking to move towards independent, market-led operation. The evolution of key support mechanisms continues, with the CfD scheme and regulated asset-based models adapting to facilitate the scale of growth needed for clean power targets. The record-breaking success of the seventh renewables auction round at the beginning of the year has been a boon for the UK's offshore wind sector and kept the government's target of 95% clean power generation by 2030 alive. Next year's auction round will be similarly crucial to securing sufficient renewable capacity. The Capacity Market is also evolving to encourage deployment of low carbon and flexible assets, while new support for long duration electricity storage and continued growth in BESS are increasing system flexibility. Nuclear power is coming into a new golden age, with Sizewell C reaching financial close and regulatory reform on the horizon.

Across all sectors, investors and lenders are increasingly focused on best-in-class opportunities, placing heightened emphasis on stable regulatory frameworks, policy clarity and proven track records. The National Wealth Fund and Great British Energy have been tasked to catalyse private investment, as the UK seeks to position itself at the forefront of the global energy transition.

Across all sectors, investors and lenders are increasingly focused on best-in-class opportunities, placing heightened emphasis on stable regulatory frameworks, policy clarity and proven track records.

Grid build out, infrastructure planning and pricing reform

Build out of the national electricity grid continues to be an issue of key focus for the government, developers and investors in clean energy in the UK, as it is globally. The mismatch between energy infrastructure capacity and projected electricity demand is a critical issue for a renewables-based energy system and the UK's ability to capitalise on energy transition progress so far. This is coming under increasing pressure with the increasing build out of data centres. The wide-ranging Planning and Infrastructure Act, which received Royal Assent on 18 December 2025, sought to address these challenges with planning reforms to streamline grid build delivery timelines and reform the connections process.

In the second half of 2025, the National Energy System Operator (NESO) has focused on implementing this fundamental reform of the grid connections queue. The connections process is now aligned with the government's Clean Power 2030 Action Plan (CP30) prioritising generation and interconnection projects for connection to the transmission system which are both "ready" and "needed" (as opposed to the previous "first come, first served" approach to connections). The publication of the revised connections queue in December 2025, setting out which projects have a confirmed connection date (Gate 2 offers) and which have an indicative connection date (Gate 1 offers), has brought much needed clarity.

With the new procedure now in place, adjustments are being made to other processes to reflect the reformed approach to the queue. For example, applicants to AR8 will need to be in receipt of a Gate 2 offer to be eligible for CfD support.



The next step for grid planning will come in the form of NESO's much-anticipated Strategic Spatial Energy Plan (SSEP), which will set out the spatial blueprint for the future UK energy system, mapping potential locations, quantities and types of electricity and hydrogen generation and storage infrastructure between 2030 and 2050. Publication of the SSEP has been delayed to allow incorporation of revised energy generation cost data. A draft will be published in early 2027, with the final plan delivered in Autumn 2027. The related the Centralised Strategic Network Plan and accompanying Regional Energy Strategic Plans will now be delivered at the end of 2028.

While the delayed publication of the SSEP is intended to ensure the transparency and credibility of the final plan, the extended period of uncertainty may have an influence on investment decisions for clean energy projects given the impact the SSEP will have on planning, connections, subsidy support and network charges. The publication of the final Review of Electricity Market Arrangements in July 2025 saw the government decide against a significant shift to zonal pricing for the electricity market and instead conclude that tolerating the inefficiencies of a reformed national pricing system would deliver a more efficient, flexible and sustainable energy system. A package of reforms to improve the effectiveness of the national pricing model will need to be implemented, however, with the outcome of the SSEP being the key to how reformed pricing will work.

Read more

Britain's wholesale electricity pricing to be reformed

Nuclear – a new golden age?

Financial close and commencement of revenue flows on the £38bn Sizewell C project was a significant milestone in the resurgence of nuclear power in the UK. Sizewell C is the first nuclear project to be supported by the innovative regulated asset base model, which Linklaters helped the UK government design and develop. Increased appetite for investment in UK nuclear is further demonstrated by Apollo's £4.5bn investment into the Hinkley Point C project.

Nuclear power has decisively re-entered the energy landscape. Having overcome some of the historic political and public opposition, it is now recognised as a crucial firm, baseload generator as the UK seeks to modernise the energy mix, strengthen energy security and ensure reliable low carbon electricity supplies to support climate ambitions.

In 2026, the government is set to implement the recommendations made by the Nuclear Regulator Taskforce which has set out blueprint for a "radical reset" of the UK's nuclear regulatory system. The Taskforce's final report includes measures to unify regulation and regulatory oversight, simplify siting of nuclear projects and reduce legal challenge risk, all with the aim of facilitating the roll-out of more new nuclear projects. The detail of how the recommendations will be implemented, and which will be prioritised, remain to be seen over the coming year but government has accepted the "principal" of each recommendation in the report and a full implementation plan is expected in early 2026.

Nuclear power as an option for powering energy-hungry data centres has contributed to its resurgence. Data centres can use nuclear power by co-locating data centres with existing operation nuclear power stations, re-starting operations of existing plant or using small modular reactors (SMRs).

SMR technology is still in the early stages of development for civilian use, but anticipated use of SMRs by data centres continues to fuel investor interest. The International Energy Agency predicts the global SMR market will reach nearly £500bn by 2050. In the UK, 2025 saw Rolls-Royce SMR selected as the preferred bidder to partner with Great British Energy – Nuclear to develop SMRs following a government pledge to put £2.5bn into a development programme. We anticipate technology companies challenging some of the traditional ways of developing and financing nuclear projects over coming years with capital pooling and financing of development at a corporate level already being explored.

Maximising existing nuclear assets is also on the agenda. Recognising some plants can operate safely beyond their originally anticipated life expectancy, government is currently consulting on legislative amendments to enable CfDs to incentivise life extensions where feasible and safe. Potential candidates for this support include AGRs due to come offline by 2030 and Sizewell B due to be decommissioned in 2035.

Read more

Linklaters advises the UK Government on all aspects of £38bn Sizewell C nuclear plant, reaching financial close; UK Nuclear Regulatory Reform: Taskforce Recommendations and Implications for Investors; Powering data centres – from atoms to bytes

Record-breaking offshore wind procurement and the future of the CfD

The framework for the UK's contract for difference (CfD) scheme is evolving as it adapts to innovation in technology and seeks to facilitate the scale and pace of growth needed to achieve the government's 2030 clean power and 2040 net zero targets.

The results of the seventh CfD auction round (AR7) in January 2026 delivered the biggest single procurement of offshore wind energy in British and European history, according to government figures. 8.4GW of offshore wind capacity was secured at a strike price of just below an average of £91/MWh for fixed-bottom projects and £216/MWh for floating projects, in each case indexed over the 20-year life of the contract. The success of AR7 represents a hugely positive

milestone for the UK's offshore wind industry, which is rejuvenating. With three times the secured capacity eligible to enter AR7, the sector has also demonstrated its competitive strength and attractiveness for investors.

As the primary means by which the UK secures clean power and with the government aiming for 95% clean power generation by 2030, AR7, and AR8 which will follow in 2027, are crucial to securing sufficient renewable capacity. Although four out of the 12 winning projects are due for delivery in 2030/31, with the rest due prior to the 2030 deadline, the 2030 goal remains achievable.

Looking ahead to AR8, the government is consulting on proposals to shore up investor confidence as the CfD adapts to increasingly large and complex clean energy projects. Along with improvements to the efficiency of the scheme, the proposals include enabling hybrid metering for single technology generators, greater flexibility for incorporation of merchant arrangements, inclusion of innovative deepwater offshore wind technology and alignment with the reformed grid connection process to require applicants to hold Gate 2 connection offers (see above for more on grid reform).

While government has previously stated that it is considering how the CfD could better support projects that include offshore hybrid assets (OHAs), none of the AR8 consultation proposals suggest that the technical or policy development has reached the point where OHA inclusion in the CfD can yet be addressed. OHAs, previously known as multipurpose interconnectors, are transmission assets which connect the onshore transmission networks of two different countries to each other and to offshore wind farms. With two OHA pilots in development, supported by the existing interconnector cap and floor mechanism, the potential that OHAs bring to connect clusters of offshore wind farms to cross-border onshore transmission systems means that further development of the policy and regulatory framework is expected over coming years to support these assets.

The government response to feedback on the AR8 proposals will be published in stages, with further consultation on specific details likely during this year.

For operating projects receiving revenue from the sale of renewables obligation certificates, the government's approach to the proposed replacement of the scheme buy-out price index of RPI with CPI is anticipated to be confirmed in time for implementation of changes prior to the start of the scheme year on 1 April 2026.

Read more

Linklaters advises on financing of one of the world's largest offshore wind farms; What's next for the UK's CfD? Looking ahead to AR8

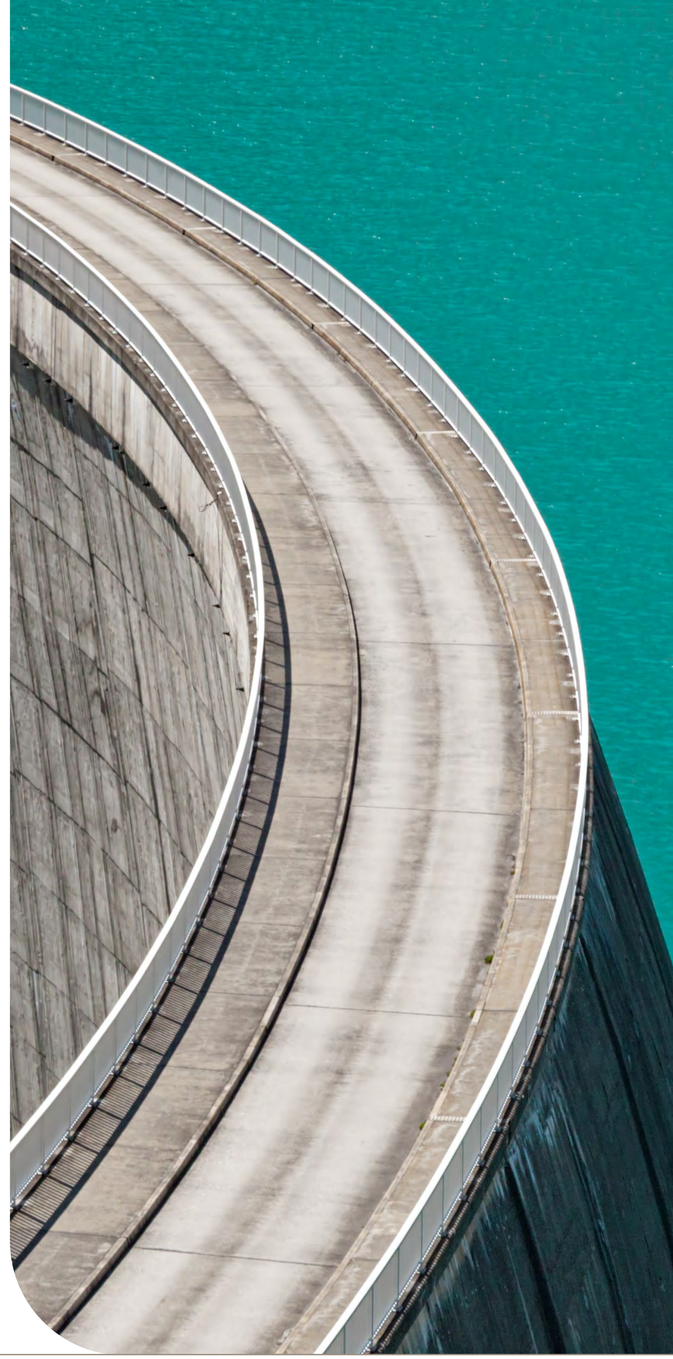
Increasing flexibility: an exciting year ahead for LDES and continued growth for BESS

LDES

The Planning and Infrastructure Act amended the Electricity Act 1989 in December 2025 to introduce a new cap and floor support mechanism for long duration electricity storage (LDES). The scheme is similar to the electricity interconnector cap and floor regime, but will include modifications to ensure it works effectively for LDES deployment. The cap allows recovery of invested capital (debt and equity) and provides a fair return on investment if the assets are operating well in the market. The cap is flexible (a "soft" cap), meaning that if revenues exceed the cap, the extra revenue is shared between the project and the consumer. The floor allows recovery of invested capital (debt and equity) and provides a return similar to the cost of debt for both equity and debt investors.

Linklaters has been at the heart of several cap and floor projects, advising sponsors on both the Greenlink and NeuConnect interconnector project, the first two (and so far, only) projects to be privately financed using the cap and floor regime.

LDES assets, such as pumped hydro, compressed and liquid air energy storage and certain types of battery capable of generating electricity at full capacity for eight hours continuously, are critical to the government's clean power targets as well as to energy security, lower energy bills and the success of a renewables-based energy system.



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In Spring 2026, Ofgem will publish an initial decision list of LDES projects from the shortlist of 77 representing a combined discharge capacity of 28.7GW, with final decisions and cap and floor awards expected in the Summer.

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BESS

The UK is a leader in the deployment of grid scale battery energy storage systems (BESS) capacity. The growth of BESS has been market driven, without the need for a dedicated revenue support mechanism. It is the potential to access diverse revenue streams (covering wholesale electricity markets, ancillary services and private contracts), supported by stable regulatory frameworks, which has been a crucial facilitator for the industry. Although the go-live of the new Slow Reserve service has been delayed due to challenges around implementation and desire to avoid operational shift during the winter months, the new service will go live by 31 March 2026, providing further certainty to short-duration BESS assets well positioned to provide such services.

Read more

Future of Battery Energy Storage Systems (BESS) UK & Europe Report; Super-batteries – a look at Ofgem's new cap and floor regime

Capacity market

The UK's capacity market (CM) is evolving to encourage deployment of a broader mix of technologies, including low carbon and flexible assets with the government response to feedback on two key consultations awaited.

The primary purpose of the capacity market is to ensure security of electricity supply. For capacity providers, who are currently prohibited from receiving any other form of government subsidy, the fixed monthly payments are a stable, long-term and often crucial revenue stream. Investment in the diverse range of assets supported by the CM, ranging from gas-fired power to storage and demand-side response, is facilitated by the scheme.

The government is reviewing feedback on proposed changes to the CM for Prequalification 2026. These proposals include (i) the introduction of a second, higher price cap to secure new build dispatchable capacity, (ii) allowing battery assets to self-nominate their connection capacity to mitigate the risk of degradation resulting in later failed performance tests, and (iii) the introduction of sustainability criteria for biogenic generation assets. A further consultation considers proposals designed to (i) enable generators participating in the CM to transition to alternative schemes (such as the CfD) without losing CM payments until the alternative support begins, (ii) incorporate LDES assets benefiting from cap and floor support, (iii) strengthen protection against non-delivery by CM participants, and (iv) encourage participation by new build dispatchable generators with higher price caps.

If implemented, the proposed changes would be effected by amendments to the Capacity Market Rules and the Electricity Capacity Regulations 2014 and would typically be implemented in advance of the following Delivery Year (which runs from 1 October to 30 September the following calendar year).

The increased flexibility proposed to the CM and, in particular, the greater optionality for assets benefitting from other support schemes will be welcomed, along with further proposed improvements which are intended to simplify administration and strengthen delivery of the scheme.

CCUS

CCUS continues to be a dynamic and growing market. In the UK, the first-of-a-kind regulatory framework enabled the debt financing of the Liverpool Bay transport and storage project, the Northern Endurance transport and storage project, the Net Zero Teesside power CCS project and the Protos energy from waste CCS project in 2025, on which Linklaters advised.

The government is now looking to develop the regulatory framework further with a package of consultations launched in 2025 that aim to support the UK CCUS market to become self-sustaining. These consultations form part of a broader strategy to address inconsistencies in the CCUS regulatory framework and to facilitate the transition from government-supported infrastructure to a market-led approach. Proposals put forward are designed to ensure the framework for access to CO2 infrastructure is conducive to a competitive market and determine a strategy for CO2 network expansion. In addition, the consultations look ahead to the removal of government support for transport and storage, potential unbundling of transport and storage (to facilitate non-pipeline transportation) and seek views on the continued suitability of the regulated asset base model for storage as the CCUS market evolves.

Responses and further consultation on specific proposals are anticipated in early 2026 as government seeks to build on the success of CCUS in the UK.

Increased regulatory co-operation between the UK and EU on CCUS and other new energy technologies is likely to continue to accelerate the deployment of carbon capture solutions. While some regulatory barriers to a fully functioning cross-border CO2 storage and transfer market remain, there is now strong political backing for a more closely aligned UK/EU approach to the carbon markets.

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CCUS consultations

1. Access to infrastructure

Changes are likely needed to the Storage of Carbon Dioxide (Access to Infrastructure) Regulations 2011 which, being reflective of EU legislation and pre-dating the Transport and Storage Regulatory Investment (TRI) model established under the Energy Act 2023, are inconsistent with the CCUS Network Code. For example, whilst the Regulations require transparency over volumes and technical specifications of CO2, they do not provide for compliance with specifications or quality control provisions as envisaged by the Code. There are three options to address this: (i) amending the Regulations to provide for the TRI model, (ii) producing new regulations which provide clarity between the two routes to access CO2 infrastructure and remove duplicative provisions, or (iii) repealing the Regulations in full and relying on the licence and Code to set out obligations and procedures regarding access to CO2 infrastructure. The consultation also seeks views on resolving conflicts in dispute resolution processes, noting that the Regulations and the Code establish conflicting processes which could lead to different decisions in any one case. Further issues addressed include the process for access requests prior to infrastructure construction, given the Regulations' approach conflicts with the TRI model's mechanism for network expansion and cost recovery, and cross-border access rights.

2. Future network strategy

A Call for Evidence sought views on barriers to progression of CO2 network development and the support, incentives and policy developments needed for future removal of the Revenue Support Agreement and Government Support Package currently forming part of the CCUS TRI model. It also explores what changes can be made to the Code and capacity products to enhance network utilisation and decrease reliance on external financial support mechanisms. A significant focus is placed on "unbundling" - separating the CO2 transport and storage value chain into distinct, potentially independently operated and owned entities - with respondents asked to consider two unbundled operator models.

3. Next steps for CO2 storage

In a further Call for Evidence, government sought views on whether the current regulated asset base (RAB) economic model will continue to best protect the interests of users, consumers, developers, investors and taxpayers as the CCUS market transitions towards greater self-sustainability. The government anticipates that the future CCUS market may be characterised by increased demand for CO2 storage, greater user choice through diverse transport options (including non-pipeline transport), enhanced confidence in CCUS technology and potential unbundling of transport and storage services into separate networks, with large numbers of CO2 storage sites required. The government is also investigating the potential for competitive offshore CO2 storage markets whilst acknowledging that high-cost barriers to entry may limit competition. Moving away from the RAB model may require storage developers to include higher contingencies to manage revenue shortfall risks, potentially resulting in higher fees for users.

4. Non-pipeline transport

Much thought and consideration is being given to whether and how government could support non-pipeline transport of CO2 in the UK. A long-anticipated consultation was published as this report went to press. Linklaters has been involved in early work for industry in potential non-pipeline transportation regulatory solutions.

Read more

Linklaters advises Eni on first-of-its-kind carbon capture and storage transportation network project in the UK; Linklaters advises on the financing of UK's first full-scale carbon capture facility integrated with a waste-to-energy plant; Linklaters advises on the UK's first carbon capture and storage projects



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Hydrogen

2026 is set to be a significant year for the UK hydrogen market with the industry anticipating publication of the delayed update to the Hydrogen Strategy, the launch of the Hydrogen to Power (H2P) business model and the opening of allocation rounds for each of the transport and storage business models.

With projects from the first hydrogen allocation round set to commit over £400m of private capital investment between 2024 and 2026[1], future investors and developers await clarity on the scope of the role which hydrogen is expected to play in the clean energy system and the UK's route to net zero. CCUS-enabled and electrolytic hydrogen production and H2P plants are seen as crucial enablers of a renewables-based energy system; government is aiming to enable deployment from early next decade. An important Market Engagement document will be published in Q1 2026 setting out the details of eligibility, assessment criteria and timeline for the H2P business model with a Commercial Update expected in Q2 confirming details of the payment structure.

The current focus, however, is on delivery of the first regional hydrogen pipelines to support industrial hubs. Over £500m of government support has been confirmed for hydrogen infrastructure and the first regional networks are slated to be operational in 2031. The government is aiming to open the first allocation rounds for the Hydrogen Transport Business Model (HTBM) and Hydrogen Storage Business Model (HSBM) early in 2026 and take final investment decisions during this Parliament. The HTBM is being developed as a regulated asset base model alongside an additional government support mechanism while the HSBM is likely to be structured as a revenue cap and floor mechanism. Further detail on the commercial structure of the business models is anticipated alongside the publication of the Hydrogen Strategy.

Following confirmation of successful HAR2 projects in 2026, further details about the approach to HAR3 and HAR4 are also likely to be published, with the focus on supporting end uses such as low carbon hydrogen for dispatchable power and hard-to-electrify industrial and transport sectors. Alignment of the later allocation rounds with the development of regional infrastructure will also be important.

The response to a consultation on 100% hydrogen pipelines confirms that the transport and shipper licence structures under the Gas Act 1986 will be maintained, with supply licensing exempted for early-stage hydrogen networks.

The development of more interconnected hydrogen networks in future will be dependent on the pace of hydrogen offtake which all stakeholders in the hydrogen industry will be watching closely.

A year of consolidation for hydrocarbons exploration and production?

As the UK oil and gas sector anticipates a lower oil price environment, key market participants are seeking to focus on scale, consolidate and find ways to ease logistical constraints.

The UK policy picture for the sector is becoming clearer; the government sees oil and gas production in the North Sea declining over time, prompting consolidation and diversification as a number of larger operators reduce their exposure to the UK. With increasing demand for energy, however, driven in particular by data centre expansion, the sector remains an attractive investment opportunity for many. The North Sea Plan published in November 2025 confirmed that existing oil and gas fields will be managed for the entirety of their lifespan while no new exploration licences will be issued. The government will now focus on the critical task of transitioning North Sea skills and jobs to the clean energy sector.

In 2026, the government will legislate for the new Oil and Gas Price Mechanism (OGPM), the permanent revenue-based tax (at a rate of 35%) on upstream oil and gas companies operating in the UK or UK Continental Shelf. Although the OPGM is intended to only apply during periods of high prices (which may be seen as a response to criticism levelled at the Energy Profits Levy (EPL)), the new mechanism is not scheduled to replace the EPL until 1 April 2030 (or earlier if the EPL is repealed before its expiry in March 2030). The OGPM thresholds will be set separately for oil and gas taking into account historical prices, long-term price assumptions and the costs associated with investment in oil and gas production. The 2026 to 2027 rates will be $90 per barrel for oil and 90p per therm for gas. Projected thresholds for following financial years have been published by Treasury and will be indexed to CPI.

Oil and gas market participants are seeking to focus on scale, consolidate and find ways to ease logistical constraints.

Carbon markets

The UK's carbon markets are undergoing a period of expansion and transition. Collaboration on emissions trading between the UK and EU is expected to continue in 2026 with the relationship having shifted significantly in 2025 following the publication of a Common Understanding for EU and UK carbon markets. Formal negotiations are now underway to link the UK and EU emissions trading schemes (ETS). With confidence growing in the technical feasibility, despite challenges around administrative complexity and cost, there is potential for an integrated system to be operational by

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2029. To implement the linkage in the UK, legislative changes would be needed to the framework for auctioning of emissions allowances and provisions of the Finance Act 2020 which established the UK scheme.

Meanwhile, 2026 will see the UK ETS expand to include the domestic maritime sector and transition toward the second allocation period which will begin in 2027.

During 2026, the government will legislate for the introduction of the UK's carbon border adjustment mechanism (CBAM) from 1 January 2027 pursuant to the Finance (No. 2) Bill 2024-26. The UK's CBAM design follows several rounds of consultation on the detailed policy and implementation. Its introduction will ensure highly-traded, carbon intensive goods imported into the UK are made subject to a carbon price that is comparable to what would have been payable had they been produced in the UK. CBAM has been welcomed by the CCUS and hydrogen industries in the UK as a tool for supporting investment in low carbon technology and protecting the UK manufacturers from unfair competition. The UK chemicals and refining sectors have been vocal about the need for full inclusion in the scheme given the competitive disadvantages of carbon costs under the UK's ETS. CBAM will initially apply to direct emissions in specific imported "CBAM goods" from the aluminium, cement, fertiliser, hydrogen and iron and steel sectors, given those sectors are at high risk of carbon leakage. It remains to be seen whether the UK will track the EU in suspending application of CBAM to fertilisers. The inclusion of indirect emissions has been delayed until 2029 at the earliest. Proposed mutual UK/EU CBAM exemptions, if effected, would help improve trade and investment flows across the jurisdictions and keep down administrative costs for industry.

SAF

2025 saw the introduction of the UK's SAF Mandate, which required suppliers to blend a prescribed minimum share of SAF into the UK jet fuel mix, starting at 2% in 2025 and rising to 10% by 2030 and 22% by 2040. A separate, additional sub-mandate was introduced for power-to-liquid (PtL) fuels beginning in 2028 (0.2%), rising to 3.5% by 2040. In addition to the SAF Mandate, the government introduced a revenue certainty mechanism (RCM) in the form of a Guaranteed Support Price (GSP) contract, modelled closely on the UK's successful Contracts for Difference (CfD) and proposed to be funded by a variable levy on aviation fuel suppliers. If the market price of SAF is below the guaranteed strike price, the government counterparty will make a top-up payment up to the difference. If the strike price is below the market price, the producer will pay back the difference to the government counterparty. Indicative heads of terms and details of the approach to contract allocation were published for consultation in January 2026 and will be subject to further development in due course.

Similarly, in the EU, the ReFuelEU Aviation Initiative, which entered into force in 2025, mandated that all jet fuel suppliers blend a certain proportion of SAF into the jet fuel they deliver to EU airports by target dates. The mandate required 2% of the fuel made available at EU airports to be SAF from 2025, rising to 6% in 2030, 20% in 2035 and gradually up to 70% in 2050. There is a separate sub-cap for PtL fuels (1.2% by 2030, rising to 35% by 2050).

It remains to be seen how the above mandates will perform in practice in 2026, as the number of new SAF projects to achieve a final investment decision (FID) as well as the total volume of SAF being produced is assessed against the mandated requirement. Preliminary data from the IATA shows that SAF production growth in 2026 is projected at 2.4Mt, representing only 0.8% of total jet fuel consumption with almost all of the SAF being in the form of HEFA (hydroprocessed esters and fatty acid fuels). Similarly, the UK national average blending rate was below the 2% requirement in 2025, and a surge in the SAF price in the final weeks of 2025 signals demand on the spot market to avoid a shortfall. To meet mandated 2030 demand targets, an estimated 5.8Mt of additional capacity must secure FID in 2026.

Energy transition financing outlook

Investment and lending

Opportunities for investment in and funding of clean power projects are expected to remain abundant in 2026 as the energy transition continues.

In the UK, the successful financing in 2025 of the Sizewell C nuclear power plant, Protos CCS project, Liverpool Bay CCS project and East Anglia THREE offshore wind project (on each of which Linklaters



UK

advised) demonstrates that there is continued and strong appetite in both the debt and equity markets to support well-structured projects.

Trends have shifted slightly, however, with energy transition investors and lenders looking for “best in class”, high quality opportunities. This more targeted approach places heightened focus on stable regulatory frameworks, policy clarity, proven sponsor track record and project-specific diligence. Developers are responding with a greater openness to risk sharing with the right partners while also looking to capital to share risk. An expansion of products in the insurance market also has an important part to play to facilitate financing.

On the M&A side, consolidation in renewable businesses has increased, shoring up access to capital at the top level. Liquidity for funding clean energy acquisitions remains high, particularly where a strong picture can be demonstrated in respect of the broader business to back up diligence of specific project assets.

National Wealth Fund and Great British Energy

To support funding of clean energy projects in the UK, the National Wealth Fund (NWF), the government’s policy bank, has been capitalised with £27.8bn to catalyse private investment in capital intensive projects with priority sectors including clean energy. At least £5.8bn will be committed to ports, hydrogen, carbon capture, gigafactories and green steel. It is also exploring opportunities to invest in SMR development. NWF’s expanded mandate, which includes provision of early-stage development support, is intended to catalyse further growth.

Clarity on the objectives of the government-owned Great British Energy (GBE) was provided in September 2025 by the publication of the Statement of Strategic Priorities pursuant to section 5 of the Great British Energy Act 2025. GBE has been funded with £8.3bn over the course of this Parliament to invest in, develop, build and operate clean energy projects. Its Strategic Plan, published in December, outlined priorities over the coming five years, including energy generation and storage and the mobilisation of private finance.

GBE CORE OBJECTIVES

1. To drive clean energy deployment across the whole of the UK, as a strategic developer, investor and owner of clean energy projects
2. Ensuring the country benefits from the clean energy transition by increasing public ownership of clean energy assets and supporting jobs and economic growth

GBE - Statement of Strategic Priorities



US

2025 came with various changes to the US energy landscape primarily driven by the new presidential administration and the growth of data centres. These key developments, along with their anticipated impact during 2026, are summarised below.

Passage and implications of the One Big Beautiful Bill Act in the energy sector

The One Big Beautiful Bill Act (OBBB), signed into law on 4 July 2025, significantly modifies clean energy tax incentives from the Inflation Reduction Act (IRA) and expands traditional and new energy sources into 2026 and beyond.

One key feature of the OBBB is the "sunsetting" of wind and solar energy incentives. The 45Y Production Tax Credit (PTC) and 48E Investment Tax Credit (ITC) from the IRA will only be available to new wind and solar facilities that either begin construction by 5 July 2026 or are placed in service by 31 December 2027. For other covered facilities, the OBBB modifies phase-out of credits to begin in 2032 and be fully eliminated in 2036.

The OBBB also introduced new, stricter requirements disqualifying entities with certain ties to "foreign entities of concern", to go into effect in January 2026. The race towards January 2026 has led to a tightening of equipment supply chains and increases to project costs. This, in combination with the cut-off dates to maintain the PTC and ITC, has pushed developers to secure as many materials as possible to break ground by July, with costs increasing due to increased demand in materials and labour. This has created a need for additional, short-term cash infusions from private capital sources to bridge the gap, which is expected to continue into 2026.

Credits for geothermal, batteries, nuclear and other clean firm electricity sources do not phase out until 2032. The OBBB also emphasises nuclear by preserving the US Department of Energy's (DOE) loan programme and providing funding for small modular reactors (SMRs). It also reverts to pre-IRA royalty rates for onshore oil and gas and reinstates noncompetitive onshore and offshore leasing. The OBBB is favourable to the oil and gas industry, with an expansion in projects, especially liquefied natural gas (LNG), expected in 2026.

Growth of data centres

In response to the US data centre market's recent significant growth, policymakers launched initiatives to expedite data centre projects' approval and interconnection processes. 2026 will likely see continued implementation of these policies.

Increasing data centre capacity

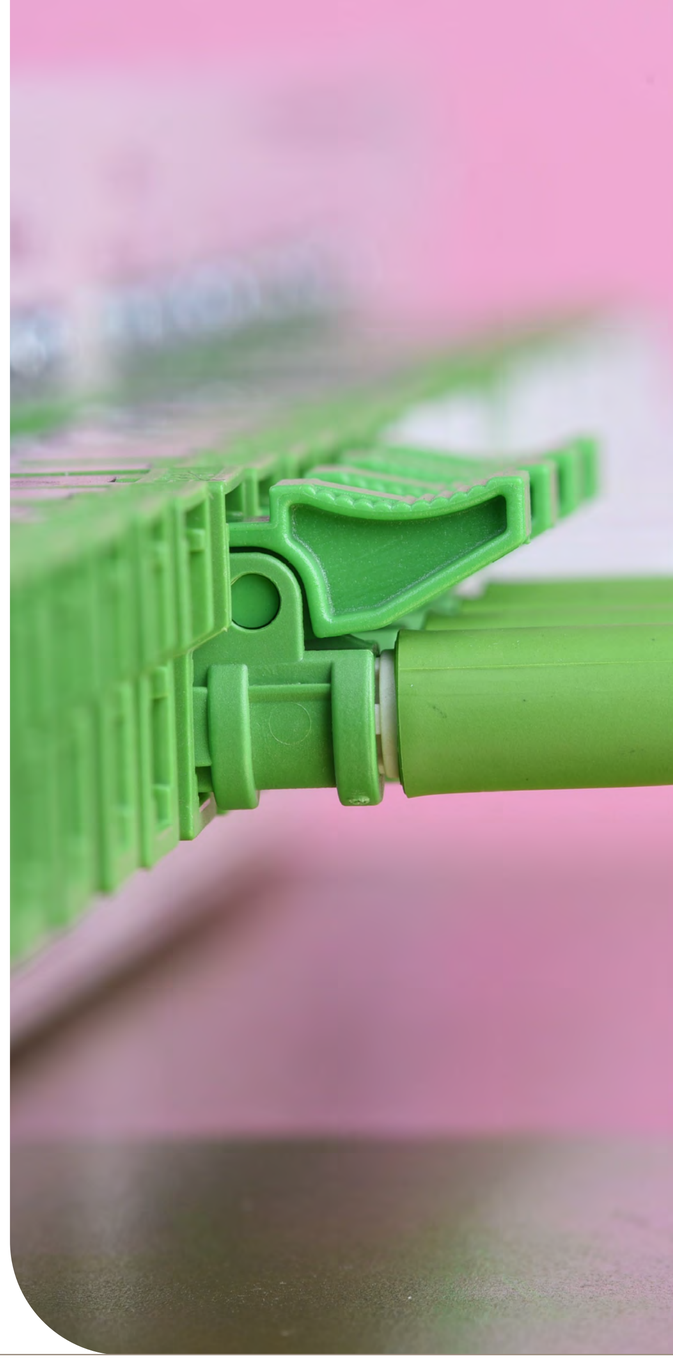
On 23 July 2025, President Trump issued an executive order (Executive Order 14318) titled "Accelerating Federal Permitting of Data Center Infrastructure" directing federal agencies to provide financial support to artificial intelligence (AI) data centre projects and identify/create exclusions from environmental reviews to fast-track projects. It also directs US Environmental Protection Agency to expedite permitting and identify "Brownfield Sites" and "Superfund Sites" for projects. Into 2026, the executive order will likely continue to facilitate data centre capacity.

On the state level, lawmakers considered hundreds of data centre-related bills in 2025. Key themes were grid impact studies, water usage regulations and tax incentive reforms. While data centre legislation will likely remain a focus for state lawmakers in 2026, attracting investment and building capacity must be balanced with the resulting strain on energy grids and protecting consumers from higher energy costs.

Interconnection and co-location

A significant constraint on data centre buildout is navigating the process for interconnection and securing sufficient power supply. There has also been interest in co-locating data centres with electric generation but this has been hindered by the need for clear rules applicable to this type of arrangement.

On 18 December 2025, the Federal Energy Regulatory Commission (FERC) issued an order directing PJM Interconnection, L.L.C. (PJM) to better accommodate and potentially expedite large loads like data centres co-located with generators, including establishing new transmission services that may better suit their expected operations. Additional procedures are expected in 2026 to implement these changes in the mid-Atlantic region of PJM.



DOE also proposed that FERC initiate rulemaking to accelerate interconnecting large loads of 20MW or more. The DOE Secretary's 23 October 2025 letter and advanced notice of proposed rulemaking (ANOPR) assert that FERC has jurisdiction over large load interconnection – an area FERC has historically not exercised jurisdiction over – and establish standardized procedures, including for co-located facilities. The DOE Secretary requested that FERC take final action by 30 April 2026.

Changes to federal energy policy priorities

2025 saw significant changes to energy policy priorities in the federal government separate from OBBB, primarily reviving carbon-intensive and nuclear energy and scaling back offshore wind energy. 2026 will likely see these trends continue.

Reviving carbon-intensive and nuclear energy

On 20 January 2025, President Trump issued an executive order (Executive Order 14154) titled "Unleashing American Energy" (the Energy Order) to encourage certain domestic energy, specifically natural gas, coal, hydropower, biofuels, critical mineral and nuclear. Among other things, the Energy Order reduces regulatory burdens and expedites/simplifies federal permitting for these energy projects signalling the Trump administration's push towards traditional, carbon-intensive energy sources.

Additionally, the Trump administration has prioritised making more territories available for carbon-intensive energy development. On 20 November 2025, the US Department of the Interior (DOI) announced plans for oil and gas drilling across nearly 1.3 billion acres of US coastal waters, comprised of 34 lease sales. On 10 December 2025, BOEM conducted Lease Sale Big Beautiful Gulf 1, the first mandatory offshore oil and gas lease sale required under OBBB.

Nuclear energy has also been a focus of the Trump administration to meet the projected energy demands from increasing grid electrification and growing AI/tech industries. On 23 May 2025, President Trump issued four executive orders on nuclear energy, focusing on streamlining/deregulating processes in the Nuclear Regulatory Commission (NRC), limiting NRC's oversight and strengthening the nuclear fuel supply chain. Additionally, on 28 October 2025, the Trump administration finalised a partnership with private industry to deploy at least $80bn of nuclear reactors and signed an agreement for Japan to fund up to $100bn for SMRs.

Scaling back offshore wind energy

On 20 January 2025, President Trump issued a Memorandum entitled "Temporary Withdrawal of All Areas on the Outer Continental Shelf from Offshore Wind Leasing and Review of the Federal Government's Leasing and Permitting Practices for Wind Projects" (the Wind Memo). Among other things, the Wind Memo withdraws all areas of the US Outer Continental Shelf from new offshore wind leasing and prohibits the issuance of new or renewed approvals, rights of way, permits, leases or loans for onshore or offshore wind projects. The Wind Memo has had a profound effect on the US offshore wind industry.

Various projects face scrutiny as BOEM has attempted to rescind previous approvals and issue stop work orders on certain projects. The US Department of Transportation (DOT) has cancelled hundreds of millions of dollars in funding for offshore wind and port development. Additionally, on 22 December 2025, DOI announced an immediate pause of leases and BOEM issued 90-day stop-work orders for the only five utility-scale projects currently under active construction in the US.

Litigation with the Trump administration is ongoing, centred around the Wind Memo and several federal agency actions have commenced since. Most recently, on 8 December 2025, a federal district court judge struck down most of the Wind Memo as "arbitrary and capricious". Such litigation will undoubtedly continue into 2026.

Changes to federal environmental reviews and permitting

In the wake of various significant developments in 2025, it is expected that federal permitting and environmental review processes will be significantly reshaped in 2026.

19 February 2025 CEQ Memorandum

On 19 February 2025, as directed by the Energy Order, the White House Council for Environmental Quality (CEQ) issued a memorandum to all federal agencies to revise their National Environmental Policy Act (NEPA) implementing procedures to prioritise efficiency and certainty. Federal agencies were given one year to complete this revision process, although whether this deadline remains is unclear: the February memo was superseded by a CEQ memo issued on 29 September 2025 which contains no timeline. Federal agencies will likely issue new NEPA procedures in 2026 accordingly. Some federal agencies have already begun this process, including the Department of Defense, DOI, DOT, and DOE.

Seven County Infrastructure Coalition v. Eagle County

On 29 May 2025, the US Supreme Court issued its ruling on *Seven County Infrastructure Coalition v. Eagle County*. It unanimously held that federal agencies must be afforded "substantial deference" by federal courts on questions of NEPA compliance. The court stressed that NEPA is a "purely procedural statute" that does not require federal agencies "to weigh environmental consequences in any particular way." The CEQ September memo mentioned above highlights this ruling as authorisation for the NEPA implementation reform called for by the memo. Federal agencies will likely receive judicial deference on NEPA compliance in 2026.

US

SPEED Act

On 18 December 2025, the Standardizing Permitting and Expediting Economic Development (SPEED) Act, H.R. 4776, was passed by the House by a 221-196 vote. Among other things, it proposes to significantly reform NEPA by limiting the scope of what federal agencies must review when assessing an action's environmental impact, providing new deadlines to the environmental review process and limiting federal agencies' abilities to withdraw completed environmental documents. It also codifies Eagle County by directing federal courts to afford "substantial deference" to federal agency NEPA-related decisions. While the SPEED Act must still pass the Senate, it signals that federal permitting reform is an area of focus for lawmakers in 2026.

Federal permitting and environmental review processes will be significantly reshaped in 2026.



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