

Infrastructure and energy initiatives in the UK are seemingly subject to regular revision and re-prioritisation. Boris Johnson's Ten Point Plan for a Green Industrial Revolution and his bold statements for infrastructure and transport now seem a long time ago. Some of the recent factors influencing policy are well known: COVID-19, the Russia/Ukraine conflict, the energy and cost of living crisis, and a change of government personnel. Nevertheless, it is a challenge to stay up to date.



Following the most recent government statement in this area, Kwasi Kwarteng's "Growth Plan 2022", here is a summary of the key points, all falling under the government's headline mission: to achieve sustainable economic growth, at a trend rate of 2.5%:

Energy prices – The government is bringing forward a package of measures to reduce and manage energy prices for both domestic and business consumers. For wholesale gas and electricity market participants, a £40 billion Energy Markets Financing Scheme, jointly run by the Treasury and the Bank of England, will provide liquidity. Gas and electricity producers are to be given the opportunity to negotiate long-term contracts with a newly established Energy Supply Taskforce, expected to be modelled on the current Contracts for Difference scheme, which currently provides support for new low-carbon power projects. Also promised in the Growth Plan is another bout of electricity market reform, in this case to bring an end to gas-fired plant setting prices for the sector.

Oil and gas/carbon capture – Linked to the energy price market interventions, the government is shortly to announce a new oil and gas licensing round. Interestingly, on the same day the Growth Plan was published, the government also announced the market response to the UK's first licensing round for offshore carbon capture licences (following on from the recent announcement of a list of 20 projects awarded Track 2 status under the Cluster Sequencing Programme for carbon capture and storage).

Fracking – The government has announced an end to the "pause" on extracting reserves of shale gas, so-called "fracking". Although much of this nascent industry has disbanded, those companies with historical operations will be looking to rebuild their teams and experience.

Investment zones – The concept of investment zones featuring low tax incentives has been trailed by this government to date, but as freeports. This new initiative is separate but "complementary". Investment zones are intended to drive growth and unlock housing by featuring measures such as lower taxes (such as business rates) and tax incentives/reliefs, accelerated planning and consent timetables, and the involvement of influential local stakeholders such as Mayoral Combined Authorities. The Growth Plan document lists 38 areas that may have the potential to become an investment zone, and we are told that a "rapid expression of interest process" will be seen. The government is said to be in "early discussions" with this group.

Planning reform – The UK's planning system is said to be too slow and fragmented, delaying important infrastructure schemes and undermining investors and public confidence. Thus, the government proposes to bring forward planning reform measures aimed at reducing admin and accelerating the planning process. Sector-specific reforms will be seen for onshore wind, roads and telecoms, as well as for the regime for Nationally Significant Infrastructure.

Accelerated infrastructure – The last edition of the National Infrastructure and Construction Pipeline was published in September 2021. We are not, it seems, to see an update of the pipeline, but the government has selected 138 projects that are to be accelerated so that the vast majority can start construction by the end of 2023 (and so presumably can be said to be "shovel ready"). Acceleration is generally to be by way of planning and regulatory consent reform – if the 2023 objective is to be achieved, our view is that potentially radical changes will need to be made. The 138 projects are listed in Annex B of the Growth Plan. Notably, over half of the projects listed are roads projects, which may be thought to be more straightforward to procure and deliver, whereas many in the sector will perhaps be looking for more detail on the more complex rail and local transport projects and the major energy projects (including nuclear, hydrogen, carbon capture, oil and gas, and offshore wind).

- **Hydrogen** – Bids for the first round of government support for electrolytic hydrogen projects are due by 12 October.
- **Net Zero 2050** – Although the Growth Plan acknowledges the UK's 2050 net zero carbon emissions commitment, many will see the announcement of a review of how that commitment can be achieved “while maximising economic growth and investment, supporting energy security, and minimising the costs borne by businesses and consumers” as potentially diluting the government’s net zero ambitions, in favour of short-term economic growth. Chris Skidmore MP, who is chairing the review, is due to report its findings within three months.
- **Energy Security Bill** – Also disappointing for some is the progress of the Energy Security Bill, which has been suspended, triggering uncertainty about if and how the new regulatory framework required for government support to both hydrogen and carbon capture and storage projects will be passed into law.
- **Private capital/private finance** – As we have come to expect, several references are made to the ambition to remove barriers to the participation of private capital and increasing private sector investment. But there are no references to new models of private financing, which we expect will be needed if the government’s infrastructure ambitions are to be met. Nor are there references to the National Infrastructure Commission or the Infrastructure and Projects Authority, which may seem strange given their stated roles in UK infrastructure matters.
- **UK Infrastructure Bank** – There are also no references to the Infrastructure Bank and its mission of financing economic infrastructure and seeking to crowd in private capital. Nevertheless, we are expecting an important role for the bank in the coming years.
- **Levelling up** – Not long ago a notable part of government communication, the term “levelling up” now features only three times in the Growth Plan (and two of those are to name the “Department of Levelling Up, Housing and Communities”). Round two of applications to the Levelling Up Fund closed in the summer and we await news of any further rounds. “Build Back Better” is not mentioned at all.

Contacts



Nick Helm
Partner, Manchester, UK
T +44 161 830 5360
E nick.helm@squirepb.com



Trevor Ingle
Partner, London, UK
T +44 20 7655 1514
E trevor.ingle@squirepb.com



Christopher Thomson
Partner, London, UK
T +44 20 7655 1660
E christopher.thomson@squirepb.com



Anita Lloyd
Director, Birmingham, UK
T +44 121 222 3504
M +44 7545 935764
E anita.lloyd@squirepb.com



Paul Brennan
Consultant, Birmingham, UK
T +44 121 222 3315
E paul.brennan@squirepb.com

