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# UK Autumn Budget 2024: A Snapshot of Infrastructure and Energy Transition Initiatives

On 30 October 2024, UK Chancellor of the Exchequer Rachel Reeves presented the new Labour Government's highly anticipated *Autumn Budget 2024* (the "**Budget**") to Parliament.

Infrastructure investment sits at the heart of the Government's Budget plans. At the strategic level, two out of the seven pillars of the Government's new much-publicised UK "growth mission" are focused on infrastructure ("Investment, Infrastructure and Planning") and the energy transition ("Net Zero"), while the Government also indicated that further longer-term strategic thinking on the infrastructure front is currently underway, with a 10-year UK infrastructure strategy paper to be published in late spring 2025. Additionally, the Budget also includes funding for a range of new initiatives, tax incentives and projects that will affect the landscape of infrastructure investment in the UK for years to come.

In this client memorandum, we provide a brief overview of the key policy decisions in the Budget which infrastructure investors, managers and advisers should be aware of heading into 2025.

## A New Infrastructure Investment Landscape

The Budget includes a number of macro-level changes to the UK's infrastructure policy and strategy. From a funding perspective, the most significant of these changes is the Government's commitment to increase public capital investment by over £100 billion over the next five years. This investment will be focused on social infrastructure, transport and energy transition initiatives and includes a £13 billion increase in capital investment for the 2025-26 fiscal year, taking total Government capital investment for 2025-26 to £131 billion. This follows the recent International Investment Summit on 14 October 2024, where the Government unveiled £63 billion in new and recent private sector investment into the UK, including £6.3 billion worth of private investment into new UK data centres.

Key initiatives as part of the Government's overall infrastructure investment policy include:

- **A new long-term plan:** A 10-year infrastructure strategy for the UK will be published in "*late spring*" 2025, outlining the Government's long-term approach to infrastructure investment and development. We expect a second wave of UK infrastructure announcements to be set out in that paper.
- **A new national infrastructure peak body:** Planned to be operational by spring 2025 – to coincide with the release of the new 10-year strategy – the National Infrastructure and Service Transformation Authority ("NISTA") will combine the current functions of the National Infrastructure Commission and the Infrastructure and Projects Authority. The NISTA will be charged with implementing the Government's infrastructure strategy and will play an active role in supporting major projects, including validating business cases before HM Treasury funding approval.

- **A makeover for the UK's state infrastructure investor:** The UK Infrastructure Bank ("UKIB"), the UK's state infrastructure investor, has been rebranded to the National Wealth Fund ("NWF") and will benefit from £5.8bn of additional funding over the next five years, taking its total capitalisation to £27.8 billion (the remaining £22 billion inherited from the UKIB). The NWF will target a public-to-private investment ratio of 1:3, potentially unlocking more than £70 billion of private investment into the UK's clean energy and growth industries. In keeping with the change of name, the NWF will be given additional powers to make investments across a wider array of sectors "*beyond just infrastructure investment*" to support the Government's growth strategy, however, the £5.8 billion of additional funding will focus on initiatives in the following five sectors: green hydrogen, carbon capture, ports, gigafactories and green steel. The NWF will notionally have a higher risk appetite compared to the UKIB and greater flexibility to structure transactions through use of different financing tools across the capital structure (including loans, first loss and mezzanine debt, guarantees and equity investments).
- **A more streamlined national and local planning approval process:** An additional £5 million has been allocated to streamline and improve the planning permissions and approval process for major infrastructure projects that fall within the definition of "Nationally Significant Infrastructure Projects" under the UK's *Planning Act 2008* (these are generally larger scale infrastructure that involve energy, transport, water, waste-water and/or waste), while a further £46 million has been allocated to boost capacity and capability in local planning authorities.

## Energy Transition and "Net Zero" Initiatives

The Budget emphasises the need for the transition to clean energy and the development of renewable energy sources. The Government's key initiatives to drive the energy transition in the UK include:

- **Establishing Great British Energy ("GBE"):** The Government plans to launch GBE, a publicly owned clean-energy company which will own, manage and operate clean power projects. The Budget includes an initial investment of £125 million in 2025-26, with £25 million earmarked for the establishment and set-up of GBE at its new headquarters in Aberdeen, and £100 million in capital funding for new project development. It is intended that GBE's investment activity will be undertaken by the NWF (see above).
- **Kickstarter funding for carbon capture/storage and hydrogen projects:** The Budget includes £3.9 billion in 2025-26 for carbon capture, use and storage ("CCUS") "Track-1" priority projects to decarbonise industry and support flexible power generation. The funding will also go to electrolytic hydrogen production contracts with 11 green hydrogen producers. The Government also plans to leverage £8 billion of inbound private investment in CCUS initiatives.
- **Developing the Sizewell C nuclear power station:** The Budget includes £2.7 billion in 2025-26 for the continued development of Sizewell C, a planned 3.2-gigawatt power station in Suffolk generating low-carbon electricity for around six million homes. A final investment decision on whether to proceed with the project is expected in late spring 2025. The Budget also confirms that the equity and debt raise process for Sizewell C will be finalised around the same time.
- **Making homes more energy efficient:** The Budget includes £1 billion in 2025-26 for the Government's "Warm Homes Plan" aimed at making homes "*cheaper to run*", including by improving insulation and rolling out solar and heat pumps. This forms part of a total commitment of £3.4 billion from 2025-26 to 2027-28 for the Warm Homes Plan, which also includes funding for growing the UK's heat pump manufacturing supply chains and the Boiler Upgrade Scheme, an initiative aimed at swapping out old boilers for new, energy-efficient ones. Further funding announcements with respect to the Warm Homes Plan are expected as part of the 10-year infrastructure strategy paper.
- **Improving the UK's port infrastructure:** The Budget confirms the Government will provide £134 million to support the delivery of port infrastructure to help facilitate the development of floating offshore wind farms.

- **Other energy transition and net zero initiatives include:**

- The Government has launched the Public Sector Decarbonisation Scheme which will aid decarbonisation across the UK. The Scheme will provide over £1 billion in funding from 2025-26 to 2027-28 to local energy schemes to decarbonise the public estate.
- To support the decarbonisation of existing private firms, £163 million has been allocated to the Industrial Energy Transformation Fund over 2025-26 to 2027-28.
- The Budget confirms a number of taxation and subsidy measures aimed at targeting decarbonisation, including increasing the Energy Profits Levy on fossil fuel companies from 35% to 38% and removing the investment allowance (other than for spend on decarbonisation expenditure). The Energy Profits Levy has also been extended to March 2030. Furthermore, the Government has also introduced tax relief for payments made into a Decommissioning Fund in relation to oil and gas assets transferred for use in Carbon Capture Usage and Storage.
- The Government has committed to the phasing out of new cars that rely on internal combustion engines by 2030 and that from 2035 all new cars and vans sold in the UK will be zero emission vehicles. This, in addition to the clean energy transport initiatives mentioned below, will aid decarbonisation across the country.

## Transport Initiatives

The Budget outlines a number of significant funding commitments to improve transport connectivity across the UK. Key initiatives as part of the Government's infrastructure investment policy include:

- **HS2 to Euston:** The Budget expressly confirms the Government's commitment of "*funding to tunnel from Old Oak Common to Euston to ensure HS2 trains terminate in central London*", although the amount of such funding has not been disclosed. We expect further announcements on public-private sector partnerships for the development of the Euston Station area to follow.
- **East West Rail:** Consultation for the next stage of development of the East West Rail project – which will ultimately connect Oxford, Milton Keynes and Cambridge – will be launched by the Secretary of State for Transport on 14 November 2024.
- **Progressing northern rail projects:** The Budget commits to various regional rail initiatives, including:
  - committing to the upgrade and electrification of the entire Transpennine Route between York and Manchester via Leeds and Huddersfield (the amount of any additional funding has not been disclosed);
  - progressing planning and design works to support delivery of Northern Powerhouse Rail, a new and upgraded rail network connecting major cities in England's north, with further details to be provided "*in due course*"; and
  - increasing funding by £200 million (to £1.3 billion) for urban transport schemes through City Region Sustainable Transport Settlements, for projects such as Liverpool's Baltic Railway Station, the renewal of Sheffield's Supertram system and the continued development of West Yorkshire Mass Transit.
- **Roads maintenance:** An additional £500 million will be allocated to maintain and renew roads in 2025-26 (with total roads maintenance and funding of £1.6 billion). The Government will also progress key strategic road schemes such as the A47 and A57.

- **Low-emissions vehicles:** Funding has been committed to various initiatives to promote low-emission transport use, including:
  - more than £200 million in 2025-26 to accelerate the rollout of EV charging infrastructure;
  - £120 million in 2025-26 to support the purchase of new electric vans through the plug-in vehicle grant and to support the manufacture of wheelchair-accessible electric vehicles; and
  - extending the Advanced Fuels Fund for another year, which provides grants to support new and innovative producers of Sustainable Aviation Fuel.
- **Upgrades to cycling and walking paths:** An additional £100 million will be allocated in 2025-26 for cycling and walking infrastructure, which will support local authorities' efforts to upgrade pavements, paths and cycling arrangements.

### Digital and Telecommunications Initiatives

Significant investments are being made in the digital infrastructure space. Some of the key initiatives include:

- **Improving broadband and mobile connections in rural and remote areas:** More than £500 million has been committed in 2025-26 to Project Gigabit and the Shared Rural Network. Project Gigabit is aimed at providing fast and reliable connections to rural and regional homes and businesses that are not included in suppliers' plans. The Shared Rural Network is a collaboration between the Government and the UK's four mobile network operators – EE, Three, VMO2 and Vodafone – to upgrade existing mobile broadband networks and work together on developing shared infrastructure and new sites to service remote and rural parts of the UK.
- **New grid connection process:** The Budget recognises the need for the UK to accelerate the roll out and upgrade of grid connections and build out of electricity network infrastructure to incentivise private investment in clean energy and data centres. As an initial step, the Budget confirms that the Government is working with the National Energy System Operator and Ofgem to develop a new grid connection process, with the aims of ensuring new infrastructure projects are connected in a timely manner and providing more certainty for energy stakeholders. We expect further announcements in this space will follow in coming months.

### Social Infrastructure Initiatives

The Government is making significant capital investments in social and health infrastructure to improve public services and support economic growth. Key social infrastructure initiatives from the Budget include:

- **NHS capital investment:** An additional £3.1 billion has been allocated for NHS capital investments in 2025-26, including around £1.5 billion in additional funding for new surgical hubs and diagnostic scanners and over £1 billion to remove dangerous reinforced autoclaved aerated concrete and make inroads into the existing backlog of critical maintenance, repairs and upgrades across the NHS estate. This brings overall NHS capital investment to £13.6 billion for 2025-26.
- **Schools capital investment:** An additional £550 million will be allocated to the schools rebuilding programme in 2025-26, bringing total programme funding to £1.4 billion. In addition, over £2 billion has been allocated for school maintenance in 2025-26. Total capital investment in schools for 2025-26 is £6.7 billion, a 19% increase from 2024-25.
- **Expansion and upgrades of UK prisons:** The Budget allocates £2.3 billion to prison upgrades and expansion across 2024-25 to 2025-26 to create more prison beds and reduce overcrowding.

- **The virtues of a pint in the pub:** Finally, in a symbolic nod to the importance of the local pub to communities, the Government has committed to reducing the duty payable on draught products by 1.7% from February 2025, which should result in the duty on an average strength pint of draught beer being reduced by a whole penny!

### What's Next?

The next major infrastructure milestone for the Government is the release of the 10-year infrastructure strategy in late spring 2025, as part of "Phase 2" of the Government's spending review. Given this is only 6 months away, we expect that the Government will generally hold fire on announcing further significant infrastructure initiatives until the lead up to the launch of that paper (where we expect there to be a major focus on incentivising and encouraging infrastructure investment from the UK's pensions sector). The Paul, Weiss team will continue to monitor and provide updates on the Government's approach to infrastructure investment as and when new initiatives and projects are announced.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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