

TheCityUK

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Bridging the infrastructure funding gap:

Attracting private capital to deliver the UK infrastructure strategy and exporting innovative financing solutions



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Executive summary

The UK government has laid strong foundations for the acceleration of private investment in infrastructure. This has included efforts to streamline and accelerate regulatory processes to speed up project delivery, and engage with an expanding scope of investment support and risk mitigation models. The UK Government's 10 Year Infrastructure Strategy, which was published in June 2025, puts investment at its core and adopts a 'pro-business' approach aimed at reducing barriers to investing in the UK.

Alongside streamlining initiatives, such as the Planning and Infrastructure Act 2025 and electricity grid connection reform, innovative financing and sophisticated risk mitigation strategies are being developed and deployed to accelerate investment of private capital. The UK's widely used models - Public-Private Partnerships (PPPs), the Regulated Asset Base (RAB) model, and pricing and revenue support, including Contracts for Difference (CfDs) - offer proven, tailored solutions to manage construction, operational and demand risks. They provide revenue certainty that has successfully attracted private finance to significant undertakings such as the Thames Tideway Tunnel, Sizewell C, and numerous offshore wind farms. Dedicated government bodies, including the National Infrastructure and Service Transformation Authority (NISTA), the National Wealth Fund (NWF), Great British Energy (GBE), and the Office for Investment (OfI), can play a core role in mobilising capital and supporting strategic infrastructure development.

While the UK is already a highly attractive jurisdiction for investment in major projects, it nevertheless faces a significant challenge in securing private capital essential for its ambitious infrastructure agenda. With available public funding falling significantly short of the estimated £1.7trn – £1.96trn infrastructure funding goals through to 2040, the resulting gap requires approximately £345bn in private capital over the coming decade. This critical need exists in a globally competitive environment, as other nations pursue their own strategies to attract capital for infrastructure development. Closing this gap would yield substantial economic benefits, with evidence suggesting that public investment in infrastructure has an average fiscal multiplier of about 1.5 in the medium term (two to five years).¹

As recognised by the government, and notwithstanding its commitments and strategies to address the challenges, attracting this vital private investment faces a series of obstacles:

- Investors seek long-term policy and regulatory predictability, a consistency often lacking for projects designed to span multiple decades.
- Overly complex regulatory frameworks for major projects can inflate transaction costs and cause delays, reducing the UK's attractiveness.
- Project timelines can be jeopardised by slow planning and consent processes. Compounding these issues are inconsistencies across government departments and a shortage of public sector expertise in complex project finance, procurement and contract management.

This report aims to address two distinct, yet linked, primary objectives. Firstly, how to attract private capital at scale to fund infrastructure development in the UK using targeted financial and regulatory planning and innovation. Secondly, how to export this industry-driven innovation and expertise globally.

Attracting private capital to UK infrastructure projects

Further decisive action is required to optimise private sector engagement in major projects. The government must continue and expand its commitment to fundamental 'settings' that solidify the UK's position as an investable destination.

To foster an environment to attract investment from private capital, the government needs to provide:

- **Stable and predictable regulatory frameworks for major projects, which minimise unnecessary complexity and are developed early so investors know what they are 'buying into'.**
- **Continued targeted strategic government support to unlock nationally significant projects.**
- **Predictable long-term revenue streams, hedged against inflation.**
- **Clearer ministerial responsibility and accountability for infrastructure and major project delivery.**

Further detail on these recommendations is set out on page 14.

Exporting UK expertise to the world

A concerted, collaborative effort between policymakers and the private sector, embracing these recommendations, is essential to bridging the domestic funding gap. This would also powerfully reinforce the UK's leadership in shaping the future of global infrastructure. The UK's status as a global financial, legal and risk management hub, coupled with world-class engineering expertise and a proven track record in delivering megaprojects, is central to this position.² These capabilities provide the UK an opportunity to export expertise globally, particularly to emerging and developed economies seeking advanced solutions.

To implement this objective, the UK should:

- **Ensure that the government's industrial, trade and infrastructure strategies are mutually reinforcing.**
- **Establish joint public-private working groups to tailor Team UK pitches for individual markets and major global projects.**

Further detail on these recommendations is set out on page 19.

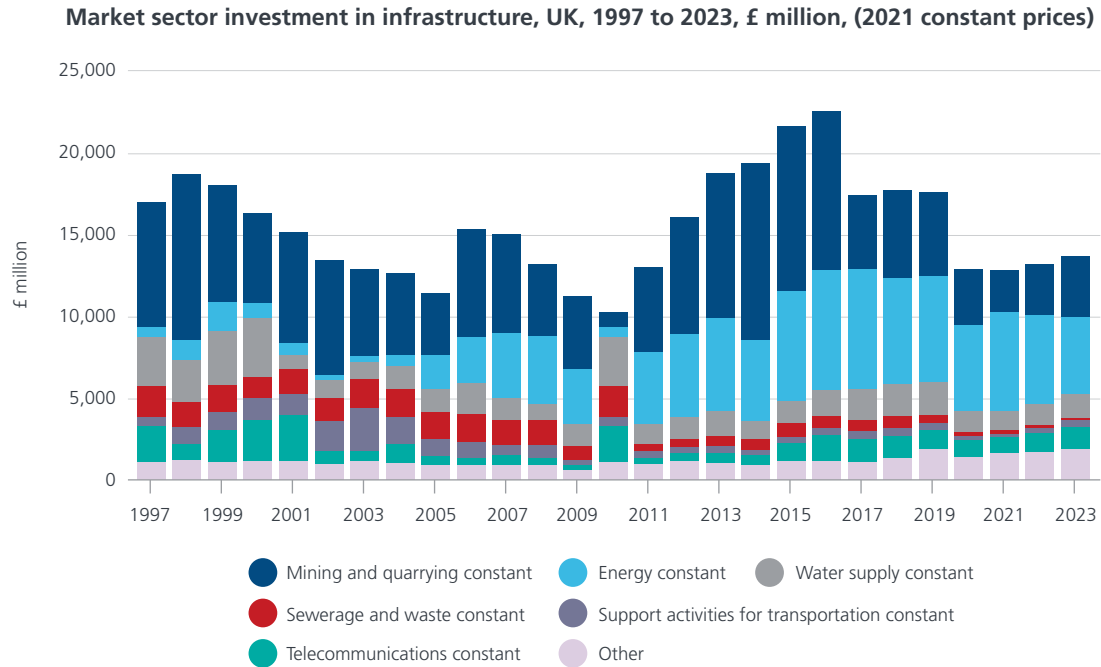
Introduction

Investment in modern infrastructure is a primary driver of economic growth and productivity, which sharpens a nation's competitive edge in the global marketplace. Economic analyses consistently reveal the powerful multiplier effect of infrastructure spending, generating broader economic benefits, substantially contributing to GDP growth, fostering new industries and creating sustainable employment opportunities across various sectors. A comprehensive analysis by the Global Infrastructure Hub, found that public investment in infrastructure has an average fiscal multiplier of about 1.5 in the medium term (two to five years).³

Additionally, the positive ramifications extend far beyond immediate economic gains, permeating long-term societal wellbeing by improving quality of life through enhanced connectivity, reliable access to essential services such as healthcare and education, and a cleaner, healthier environment.

Figure 1: Infrastructure in the UK: investment and net stocks

Source: Office for National Statistics



Recent data shows a meaningful uptick in infrastructure investment in the UK, with total market-sector infrastructure investment at £13.8bn in 2023 (up 3.9% from 2022) and general government investment at £26bn in 2022 (up 9.6% from 2021).⁴

Infrastructure is vital to national security. The resilience of the UK's energy grids, communication networks, transport links and water systems is a core strategic issue, particularly given the rise in state-sponsored cyber-attacks and geopolitical instability. The National Cyber Security Centre has issued warnings about threats to critical infrastructure, handling a record number of incidents in the last year.⁵ Investment in these areas is therefore essential not just for efficiency, but to ensure continuity, particularly in times of crisis or heightened geopolitical tension.

At the same time, the UK is competing in a global market to attract private capital for infrastructure investment. This competition has intensified, with major economies launching ambitious industrial strategies and initiatives. Such initiatives include the EU's Global Gateway, a global infrastructure strategy designed to mobilise up to €300bn for infrastructure in emerging markets between 2021 and 2027⁶ and Australia's 'Future Made in Australia', a 2024 initiative worth AUD\$22.7bn to attract private investment in renewable energy and other sectors through tax incentives.⁷ The overarching macro trends shaping this global competition - including rapid technological advancements, evolving geopolitical dynamics and the accelerating global transition towards a green economy - further underscore this pressing urgency for the UK to continuously refine and enhance its value proposition to private capital.

The 10 Year Infrastructure Strategy

The UK government has set an ambitious infrastructure agenda through its 'UK Infrastructure: A 10 Year Strategy' (the 10 Year Infrastructure Strategy)⁸ and its wider Industrial Strategy, initially outlined in the Invest 2035 green paper. The 10 Year Infrastructure Strategy puts investment at its core and adopts a 'pro business' approach aimed at reducing barriers to investing in the UK. It is backed by at least £725bn of government funding for infrastructure over the next decade. Delivering these ambitions will require sustained, large scale capital deployment into energy, transport, digital, water and social infrastructure that cannot be met by public funding alone.⁹

In July 2025, National Infrastructure and Service Transformation Authority (NISTA) launched the Infrastructure Pipeline tool, an interactive tool to offer investors and businesses regular updates on planned infrastructure projects. The Infrastructure Pipeline was updated in March 2026 which details 734 planned public and private sector projects covering £718bn of private and public sector investment over the next decade.^{10,11} The planned investments will be split across a range of sectors: energy (£366bn); transport (£115bn); health and social care (£79bn); and water and wastewater (£64bn).¹²

Key investment areas include:

- **Digital connectivity:** Continuing investment in high-speed internet via Project Gigabit, which aims to achieve 99% UK premises coverage by 2032. The 10 Year Infrastructure Strategy also targets the rollout of standalone 5G to all populated areas by 2030 through commercial investment, citing analysis that 5G adoption could add up to £37bn in Gross Value Added by 2035. Both are critical enablers for fostering innovation and significantly enhancing productivity across all sectors.

- **Transport upgrades:** A focus on maintaining and improving existing networks, with £24bn allocated to National Highways and local authorities for roads between 2026 and 2030. Major projects are also proceeding, including £2.5bn of funding to deliver East West Rail to enable the Oxford-Cambridge corridor, continued delivery of HS2 from Euston to Birmingham, and funding for the Lower Thames Crossing. The government is also supporting a third runway at Heathrow. These investments are essential for facilitating international trade, improving regional connectivity and supporting national economic integration.
- **Energy security and decarbonisation:** Diversifying energy sources, investing heavily in advanced energy storage solutions, and robustly strengthening grid resilience are crucial to ensuring a secure and affordable energy supply, particularly within an increasingly volatile geopolitical landscape. The initiatives include delivering the Clean Power Action Plan, which includes aims for up to 50GW of offshore wind and 47GW of solar by 2030. This also includes investment in new nuclear, such as Sizewell C and one of Europe's first Small Modular Reactor programmes and developing the UK's first regional hydrogen transport and storage network. The UK, Scottish and Welsh governments jointly commissioned National Energy System Operator (NESO) to produce the Strategic Spatial Energy Plan, to be published in early 2027, expected to outline the quantities of generation and storage infrastructure "necessary to meet the needs of the system from 2030 to 2050".¹³
- **Water and wastewater investment:** Upgrading ageing water infrastructure is crucial for building resilience, safeguarding public health and ensuring long-term water security. The 10 Year Infrastructure Strategy notes a commitment from water companies to quadruple investment over the next five years to deliver £104bn of total expenditure through the 2024 Price Review, which will fund the development of nine new reservoirs and upgrades to over 1,700 wastewater treatment works. The government has also since announced major reforms seeking to improve regulation governing the UK water sector, including the abolition of Ofwat (to be replaced with a new single water regulator for the sector), following on from the Independent Water Commission's recommendations.¹⁴

While the UK's status as a leading international financial centre provides a competitive advantage, the 10 Year Infrastructure Strategy itself acknowledges that the sheer scale of investment required is staggering. It states that a "significant increase in private investment is needed to complement and maximise the value of the extensive public investment underway." Estimates cited in the 10 Year Infrastructure Strategy suggest that £40bn to £50bn per annum of private investment will be required just for economically regulated sectors during the 2030s. More widely, EY estimates that, partly due to increased defence spending, the UK faces an infrastructure funding shortfall, leaving "between £1.7trn and £1.96trn worth of the UK's capital project pipeline through to 2040 unfunded".¹⁵

Closing this funding gap is therefore a central challenge that necessitates a collaborative effort between the public and private sectors.

Additionally, delivering this pipeline will depend critically on the availability of a suitably skilled workforce across government, industry and supply chains. Industry analysis suggests that up to approximately 250,000 additional construction and infrastructure workers may be needed by 2028.¹⁶



The role of government in delivering infrastructure

The government supports the delivery of infrastructure in a number of ways across the entire project lifecycle. That support varies significantly based on sector, project risk profile, and strategic national importance and acts as a crucial counterpart to private investors (see Appendix 1 for an overview of government bodies supporting UK infrastructure investment). Not all projects will need the suite of support as outlined below but in general, the government's support can involve:

- Legal and policy framework:** The government establishes the overarching legislative and regulatory framework that governs infrastructure development. Its decisions set the long-term direction for development. It has recently focused on providing policy strategy for infrastructure, through the 10 Year Infrastructure Strategy (detailed above), developed government support models for various energy technologies and sought to cut red tape through the Planning and Infrastructure Act 2025. Where government can cultivate cross-party support for policy and legal solutions, it can provide stability in the foundations on which many infrastructure development and investment decisions will be made. In support of delivering the 10 Year Infrastructure Strategy, the government has also refocused the Government Major Projects Portfolio, now managed and overseen by NISTA, reducing it from over 200 projects to around 80 of the most complex, high risk and strategically significant projects, so that expert central support and scrutiny are concentrated on the most nationally significant, highest impact schemes.¹⁷
- Regulating:** In support of its role as policy and law developer, the government - through its departments and independent 'watchdogs' - oversees a number of aspects of key infrastructure sectors where investment is needed. Sectoral regulators, in particular, oversee implementation of core policy and monitor delivery against policy and licences. For example, sectoral regulators are key to oversight of the energy, water, rail, telecoms and aviation sectors. Regulators are more frequently being empowered to intervene to deliver reform. For example, Ofgem and NESO are tasked with delivering once-in-a-generation electricity connection reform, designed to recalibrate the existing queue to connect the grid and provide a more rigorous framework for connections moving forwards to support the government's Clean Power 2030 Plan.¹⁸ As a recent example, the government is taking decisive steps towards more effective regulation for nuclear power projects by accepting the recommendations of the Fingleton review, with a view to reinvigorating Britain's nuclear sector, including through streamlining regulation.¹⁹
- Establishing revenue support and predictable financing structures:** The UK has been a leader in establishing specific revenue support mechanisms to support the financing of capital projects. These models support infrastructure development and continue to be an integral part of attracting private investment. Models like CfDs (and previously the Renewables Obligation Certificates regime) and the Capacity Market, which ensures electricity supply security by providing a payment for reliable sources of capacity, or the RAB model for utilities provide the revenue certainty and predictable income streams that are highly attractive to institutional investors, particularly in sectors otherwise susceptible to variable market revenues. These structures are covered in more detail in Appendix 2.

- **Investing:** Beyond regulatory oversight, the government may also engage in direct investment, particularly for projects considered too risky or capital-intensive for the private sector alone, or those with significant strategic national benefits that extend beyond commercial returns.
- **Lending to infrastructure projects:** The government supports infrastructure projects by lending money such as through the National Wealth Fund (NWF). Refocused and rebranded from the UK Infrastructure Bank in October 2024, the NWF is a public finance institution sponsored by HM Treasury, operating at arm's length. Its approach builds on the UK's earlier experience with the Green Investment Bank, which successfully crowded in private capital, particularly in renewables, helping to unlock and scale investment in sectors that initially struggled to attract sufficient market financing.²⁰ The NWF's primary purpose is to mobilise strategically private capital for clean energy, industrial transformation, and to foster long-term regional growth across the UK.
- **Providing other financial support:** Supporting domestic infrastructure can also involve investment to strengthen international supply chains. UK Export Finance (UKEF) provides essential guarantees, loans and insurance for the purpose of mitigating financial and political risks for private firms and banks.

The role of private capital in the delivery of infrastructure

Given the significant funding requirements to meet the UK's ambitious infrastructure agenda, public funding alone will be insufficient. Government budgets, constrained by competing demands from vital public services and international obligations, cannot alone meet the needs of capital-intensive, long-term infrastructure projects. An estimated £345bn of private capital may be needed to supplement public funding over the next 10 years.²¹ Reliance on public finance will lead to chronic underinvestment, project delays, or risks an unsustainable escalation of national debt.

Therefore, private capital is critical to infrastructure delivery. As of March 2024, for example, there were 665 Private Finance Initiative (PFI) contracts with a capital value of £50bn (79% of the value relating to social infrastructure and 21% concerning economic infrastructure) in the UK.²² Private capital investment has been notable with investments into mega projects in a range of sectors: offshore wind, nuclear power, ports, water, road and rail, among others.

Private sector involvement can bring many advantages:

- **Scale:** The levels of capital within private investors which can be deployed for investment are not constrained by the same pressures facing public finances and can be more readily scalable to meet the needs of large, capital-intensive projects.
- **Efficiency and innovation:** Strong incentives encourage private entities to operate with an acute focus on efficiency, innovation, and timely project delivery. This drive can lead to more innovative solutions compared to approaches that are solely public sector-led.

- **Risk transfer:** The ability to transfer certain project risks from the public balance sheet to private investors. By carefully allocating risks to the party best equipped and incentivised to manage them, overall project costs can be optimised, and taxpayer exposure can be reduced. See the 'Risk Mitigation and Allocation' section on page 11 for a more detailed breakdown.
- **Access to specialist expertise:** Private sector involvement can bring specialist technical skills and sector-specific knowhow that may not be readily available within the public sector. This can assist with improving delivery of projects through commercial and technical expertise. For example, the UK insurance market has significant expertise in risk-management, including in energy infrastructure to support large scale, innovative and novel projects.

In short, private capital can act as a powerful force multiplier to enable the UK to deliver a greater volume of infrastructure projects, at higher quality and with increased speed, than would be feasible through public funding alone.

Against this backdrop, this report aims to address two distinct, yet linked, primary objectives:

1. Attracting private capital at scale to fund infrastructure development in the UK using targeted financial and regulatory planning and innovation:

This section will explore how the UK can build intelligently upon its existing strengths to proactively meet the complex investment challenges of the future. Our analysis is focused on larger infrastructure projects, where the national government has a more direct role. However, many of our observations and recommendations could be adjusted to enable private capital support for financing and delivery of regional development, given there is considerable demand for regional and local infrastructure.

2. Exporting this industry-driven innovation and expertise globally:

This report highlights the added benefit of a robust domestic infrastructure strategy, which also creates a highly valuable and readily exportable commodity in the form of specialised expertise and proven financing solutions.

By addressing these two objectives, this report aims to present a strategic and actionable roadmap for the UK to successfully bridge its domestic infrastructure funding gap and, to cement its position as a global leader in both infrastructure financing and development.

Attracting private capital to UK infrastructure projects

Baseline setting from government to attract private capital

The delivery of the UK's infrastructure strategy is contingent on its ability to attract significant private capital. Doing this successfully depends on a series of fundamental settings that government must provide to make the UK an investable, competitive destination. At their core, these are: regulatory and policy predictability; simplified and proportionate regulatory requirements for entry and execution; and a capable, well-resourced public sector.

1. Stable and predictable regulatory and policy environment: Inconsistent, long-term policy and unstable regulatory frameworks create significant uncertainty for stakeholders in respect of projects designed to span decades. Investors need assurance that policy will remain consistent over a project's multi-decade lifecycle. This can be achieved through durable and/or cross-party consensus on national priorities; transparent and consistently applied regulatory regimes for pricing and returns; and the use of independent bodies like NISTA to depoliticise planning. This requirement requires several components:

- **Long-term government commitment and cross-party consensus:** Frequent fluctuations or abrupt shifts in policy often introduce significant uncertainty, which can deter investors. A durable, cross-party consensus on national infrastructure priorities, the form of delivery support (if any) and a consistent understanding of the fundamental role of private capital can provide the requisite stability.
- **Predictable regulatory regimes:** These must be transparent and consistently applied from early on in project planning, providing clarity on revenue models (e.g. regulated returns, availability payments), acceptable rates of return (commensurate with risk), and robust mechanisms for efficient dispute resolution. This predictability is essential for investors to accurately model long-term returns over the decades-long project life and mitigates the perceived risk of arbitrary rule changes. In line with well-established principles of good regulation, changes should be applied on a forward-looking basis and seek to avoid retrospective alterations to stated regulatory positions.
- **Roles of independent bodies:** Independent bodies (e.g. NISTA) play a crucial role in providing continuity. They help to depoliticise the inherently long-term process of infrastructure planning, offering impartial assessments of national needs, strategic priorities, and ongoing project progress. The recommendations from such bodies are valuable in guiding long-term policy development and building robust investor confidence.





2. Simplified and proportionate regulatory requirements (entry and execution): Even with a stable policy framework, the way government manages the entry into the regulatory system can have a decisive impact on investment appetite and timing. There are several components:

- **Regulatory hurdles for investment:** While essential for maintaining market integrity, regulatory hurdles must be proportionate, efficiently administered, and clearly communicated to potential investors. Onerous processes in navigating complex sectoral regulations (for instance, in economically regulated sectors with price control arrangements in place), and regulatory hurdles in investing into a business in areas such as merger control and foreign direct investment screening, can create unnecessary delays, inflate transaction costs, and ultimately make the UK a less attractive investment destination compared to jurisdictions that offer more streamlined pathways. For example, TheCityUK and Freshfields have previously called for a re-examination of the UK's National Security and Investment Act 2021 (NS&I Act), making the following policy recommendations:²³
 - Increase transparency and dialogue so that fewer notifications enter the system through clearer sector definitions, publication of non-confidential decisions and guidance on scope, and a structured pre-notification process.
 - Limit the scope of transactions covered through exemptions for internal reorganisations (which the government has now announced it will implement), confining the regime to transactions with a significant UK nexus and introducing a de minimis threshold to exclude small, low-risk investments.
 - Introduce fast-track or post-closing procedures to streamline the system for investments in sectors other than the most sensitive, improving efficiency without compromising national security.
 - Amend non-compliance effects to improve regulatory predictability by making non-notified transactions voidable rather than automatically void and removing criminal sanctions for non-compliance.

In March 2026, the government announced that it will be including water as a mandatory sector for the NS&I Act regime, but said that it will seek to ensure the guidance is clear on the scope to align with the powers of other regulators to avoid duplicative regulatory reviews.²⁴

- **Timely implementation and streamlining planning/other consents:** Slow planning approvals and lengthy and duplicative consent procedures impede project timelines and predictability, negatively impacting investor confidence. The Planning and Infrastructure Act 2025 has removed the statutory requirement to consult as part of the pre-application stage for Nationally Significant Infrastructure Project applications, which is expected to reduce approval times by an average of 12 months.²⁵ The government has committed to further reforms in light of the Fingleton review in the nuclear sector,²⁶ with reforms in this area likely to deliver benefits to other sectors of infrastructure. The UK government must continue to demonstrate a commitment to streamlining these processes, improving timely and decisive decision-making, and providing clear, accelerated pathways for project progression.

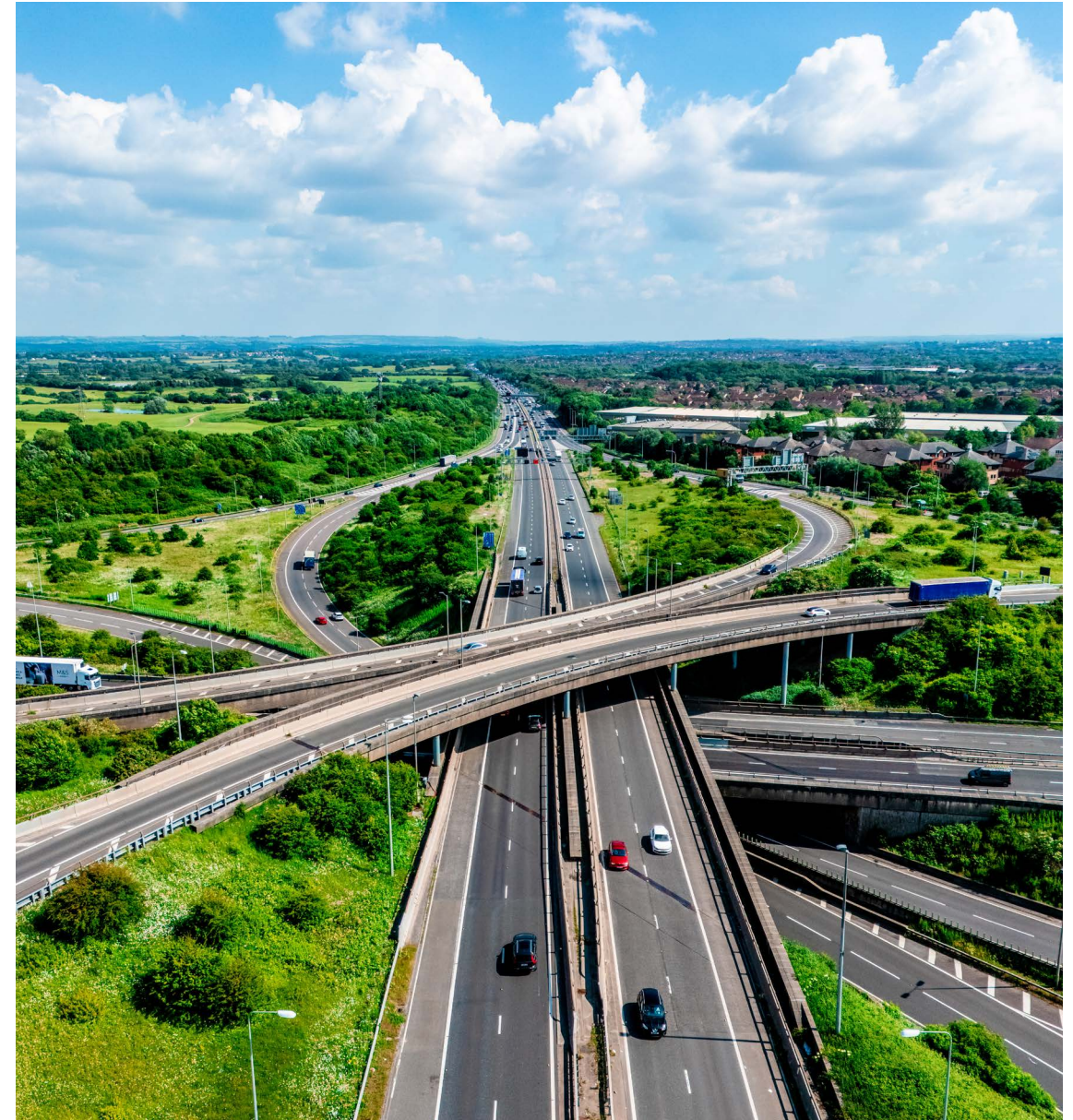
3. Consistency and capacity of public sector stakeholders: The government will grapple with many challenges in their role supporting infrastructure but two core issues involve: consistency across government bodies in delivering policy and capacity.

A key challenge arises when various government departments and agencies are fragmented, stretched across a range of complex projects, without sufficient access to the technical and commercial resources necessary to fulfil their roles as efficiently as possible. Issues with coordination of timing, policy and approach across departments can inadvertently introduce policy risk and undermine investor confidence. It is therefore central to efficient delivery that the government works to ensure that all its agencies and departments deliver against consistent, overarching national infrastructure objectives and timelines, fostering a ‘whole-of-government’ approach. This integrated approach to strategy is vital to leveraging public sector intervention effectively, avoiding creating new hurdles for investment, and supporting faster and less duplicative decision making.

Further, effective government engagement requires robust public sector capability and capacity. Limited access to the skill sets required to implement and manage complex project finance, procurement, and contract management remain a recognised constraint. UK procurement processes are constrained by limited resourcing on the public sector side and need stronger commercial capability to support projects. The Institute for Government, while noting positive steps to build commercial capability, reported insufficient commercial skills and ability to understand project risk.²⁷ The House of Commons Committee of Public Accounts has similarly found that departments (and the broader economy) lack the skills and capacity to deliver infrastructure projects that match ambition.²⁸ Therefore investment in public sector expertise is a strategic enabler for successfully attracting and managing private capital.

The announcement in the government’s 10 Year Infrastructure Strategy to create a Strategic Investment Opportunities Unit (SIOU) is therefore welcome. A concept initially proposed by TheCityUK, the SIOU has the potential to play a crucial role in transforming the UK’s investment landscape.²⁹ By partnering with key stakeholders, including mayors, devolved nations, government departments, and public organisations, it will help identify, shape, and support strategic projects that have the potential to draw in private capital investment. To ensure that investment opportunities are effectively aligned with investor demand and better communicated to relevant institutional investors, the unit will leverage private sector expertise to help ensure that the needs of possible investors are built into the earliest stages of any projects it supports.

In this regard, the SIOU can fulfil two key functions. First, simplifying the process of connecting investment with projects by standardising processes and information to create a national ‘one stop shop’ for investors to review opportunities. Second, using private sector expertise to build capacity within government, especially in the increasingly critical combined authorities, to equip them to package and present major projects in a way that most effectively appeals to the needs of investors and those whose money they look after.



Risk mitigation and allocation

Despite progress by government on measures that support the acceleration of infrastructure investment, hurdles to private investment remain. In particular, effective and transparent risk management and allocation are fundamental to managing project returns for private capital. Sophisticated investors seek to thoroughly understand, accurately quantify and secure the prudent mitigation of risks. Crucially, they aim to allocate these risks to the party best equipped to manage them efficiently and cost effectively.

Major projects are exposed to a range of risks - spanning construction and operations, technological performance, supply and demand, political and social licence, regulatory compliance and credit strength - all of which can affect returns. In practice, these risks can be managed and mitigated through several different and potentially overlapping mechanisms, with the key tools available to government to assist in this as follows:

- **The nature of government as a stakeholder and counterparty:** In the structuring of any project – but particularly those which are exceptionally complex, novel and/or capital intensive – investor confidence can be buoyed significantly by government taking a direct commercial and/or policy interest in its success. Where government has demonstrable ‘skin in the game’, and where policy support is solid, government can instil confidence by showing an outward incentive to draw on the range of solutions that only it can bring to the table. The government is also constrained by a predictable and well-established set of public law principles, which help mitigate certain project risks. Taken together, these characteristics can make projects become more attractive investments to private capital, especially those involving first-of-a-kind technologies of immense strategic national importance or which are large-scale and capital intensive.
- **Ability to take on risks:** A key facet of government involvement in projects is that a government counterparty can be particularly well placed and reliable for taking on certain risks. For example, the creation of the Nuclear Decommissioning Authority to act as decommissioner and waste offtaker of last resort in the nuclear sector, guaranteeing a waste disposal route over decades of operation, could not be achieved under private law. This was key to unblocking new nuclear projects, with government having the covenant strength to contract and perform this role.
- **Regulation and public law:** Government can and does overcome myriad risks through legislation and regulation where there is no other solution. Having a government counterparty also enables access to public law rights and judicial review, providing layers of governance protections, transparency and remedies that are not available from private counterparties.
- **Government guarantees and credit enhancements:** For projects with high strategic national value, or those facing specific market failures that deter private capital, targeted government guarantees or credit enhancements, can be an extremely effective and economically efficient way for government to facilitate otherwise unfeasible private lending to private developers. Guarantees might protect lenders from specific risks that may otherwise render a project unbackable, such as demand fluctuations, political instability, or certain construction completion risks. Credit enhancements could take the form of subordinated debt,

direct equity injections from public institutions, or loan guarantees. These interventions significantly reduce the overall risk profile for private investors, often enabling projects to achieve financial close that would otherwise be unfinanceable and, importantly, lowering the cost of capital. Examples include UKEF guarantees for international projects, government-backed debt for nationally significant infrastructure, and contingent finance cover for high impact/low likelihood risk scenarios.

- **Effective risk-sharing frameworks:** Beyond explicit guarantees, robust and well drafted contractual, regulatory and public policy frameworks are essential to clearly delineate responsibilities, obligations and allocate various risks between public and private partners. This can involve legal agreements that specify how a broad spectrum of risks will be managed, mitigated and ultimately absorbed by the most appropriate party, including but not limited to design and engineering risks, construction schedule and cost risks, operational performance risks, technology obsolescence risks, demand volume risks, and political or regulatory change risks.

Insurers also play a critical role in unlocking capital for new projects. Data centres are a recent example where insurers are helping to unlock capital for critical IT infrastructure. This is particularly helpful where insurers are engaged from an early stage to advise on risk mitigation measures that should be put in place, (including management of natural catastrophe risks). The overarching objective is to avoid disproportionately burdening any single party and instead to create a balanced, equitable risk-reward profile that is attractive to private investors while protecting public interests. For example, it would typically be most appropriate for the public sector to bear the risk of political or regulatory change, given its ability to drive public policy and prevent change to legal frameworks impacting infrastructure projects. Conversely, risks that are most efficiently managed through competitive market tension may sit more effectively with private sector stakeholders.

- **Addressing construction, operational, demand and supply risks:**
 - **Construction risks:** These include potential for delays, cost overruns and technical failures during the project build phase. Mitigation strategies involve robust project management oversight, detailed and comprehensive engineering design upfront, and the use of fixed-price, lump-sum contracts (where appropriate and feasible) with experienced and reputable contractors who bear the majority of these risks. The precise approach to construction risk will depend on contract strategy for the specific asset, with varying availability of a ‘full-wrap’ engineering, procurement, and construction (EPC) contract insulating from construction risk. When private and public capital collide, this is a risk likely to sit with the private sector – for example, under the CfD model, developers take responsibility for constructing the project.
 - **Operational risks:** These relate to performance failures, unexpected maintenance costs, or disruptions during the operational phase of the asset, which can directly impact revenue streams and service delivery. These are typically managed through performance-based contracts with clear key performance indicators, associated penalties for underperformance, and incentives for superior performance, coupled with robust, proactive asset management and maintenance plans. Again, this is likely to be borne by the

private sector, epitomised by the PFI model of paying the project company on a performance basis with deductions when performance is below agreed levels.

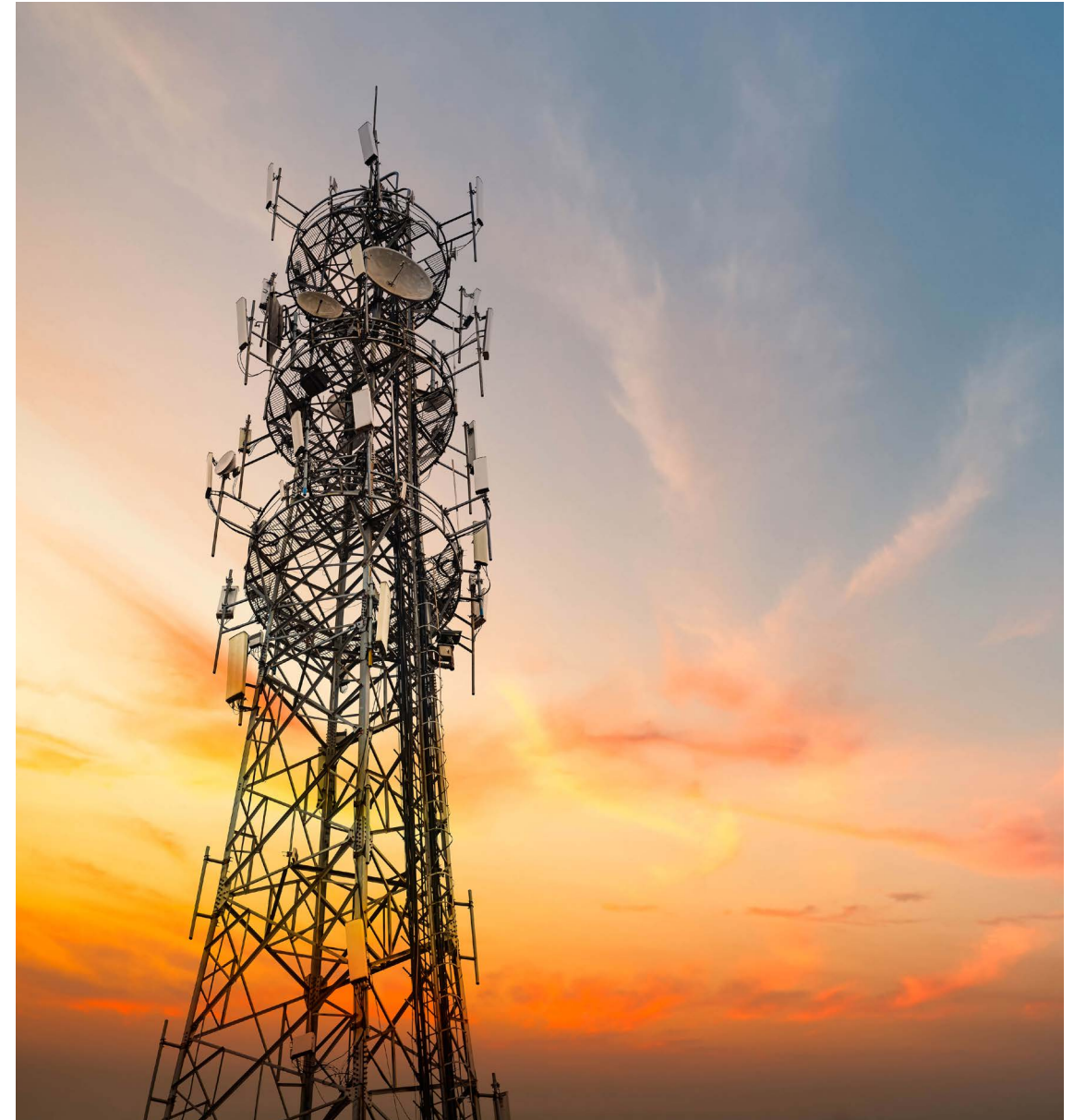
- **Demand risks:** For user-pays infrastructure (e.g. toll roads, airports, some energy projects), uncertainty regarding future demand volumes can be a significant hurdle for investors. Mitigation can involve accurate and independently verified market forecasting, public sector provision of minimum revenue guarantees (as is provided through the CfD strike price and allowed revenue under the RAB model), or the implementation of 'shadow toll' mechanisms (where the public sector pays the operator based on actual usage, thus absorbing some demand risk). The Capacity Market has also offered support in this area by incentivising investment in reliable generation capacity by allowing the market to set a price for providing capacity through competitive auctions - this has been a key driver for the Battery Energy Storage System industry, as the technology is well-placed to provide capacity.
- **Supply risks:** Infrastructure supply chains are also complex, and government plays a key role in facilitating smooth operation of supply chains. For example, government is currently delivering courageous and long overdue reforms through NESO to ensure the timely supply of grid connections.
- **Role of development banks and public investment vehicles in UK:** Public financial institutions and various investment vehicles play an instrumental role in the UK's infrastructure landscape, particularly in de-risking nascent sectors, strategically mobilising private capital for nationally significant projects, and directly addressing specific market failures where purely commercial finance may hesitate.

Internationally, the most effective models combine scale, clarity of purpose and close partnership with the private sector. For example, KfW in Germany manages assets of around €560bn, operating as an integrated national development bank that blends policy delivery with market discipline. In comparison, the largest public financial institutions in the UK all have less than £30bn, illustrating the more fragmented and sub-scale nature of the UK system. Larger, more consolidated institutions are better able to attract specialist expertise, invest flexibly across sectors, and align capital with national priorities.

Role of innovative financing and regulatory structures in delivering major infrastructure projects

Taking into account the above mitigation, revenue certainty risk remains a focus for private investment. However, the UK possesses a strong history of pioneering and refining innovative financing and regulatory models for infrastructure, with use of models such as Public-Private Partnerships (PPPs) (including PFIs), the RAB and the CfDs being key to attracting private capital for large-scale infrastructure projects.

The PPP/PFI models inherently exemplify significant risk transfer, with the private sector typically assuming construction cost overruns and operational performance risks. The PPP model was historically used to great effect in the UK, and although there has been a prevailing public perception in recent years that this model does not adequately protect the public purse leading to its withdrawal, it has been used successfully in other jurisdictions.



For example, Turkey is making use of the PPP model, seeing some of the highest values of PPP infrastructure deals and private infrastructure investment in the world.³⁰ The UK government is currently revisiting the use of PPP model, with the Autumn Budget in November 2025 highlighting plans to deliver new Neighbourhood Health Centres, including through a new model of PPPs, building on lessons from the past. The Budget also notes that privately financed projects and programmes, including PPPs, will be considered for projects relating to decarbonisation of the public sector estate.³¹

More recently in the UK, there has been refinement of the RAB model for new contexts, attracting great investment despite its complexity. RAB models, when used for mega projects, strategically shift construction risk away from equity investors and towards consumers (through regulated charges) by allowing returns during the construction phase, thereby de-risking early-stage investment. In particular, the Thames Tideway Tunnel ‘super sewer’ project in London was delivered broadly “on time and close to budget”,³² successfully utilising an ‘Allowed Revenue’ model, which permits the private infrastructure provider to charge customers specifically to recover costs and earn a regulated return on its investment. In February 2026, DEFRA published a policy paper proposing to expand the model more generally in water infrastructure (not just sewage).³³

We have also seen the RAB model used in the TRI-Model for Carbon Capture, Utilisation and Storage (CCUS) transport and storage, whereby transport and storage companies are granted an Economic Licence and regulated by Ofgem to provide transport and storage services for CO₂, and can charge customers an ‘Allowed Revenue’ which includes a reasonable return on their capital investment.

Most recently, the UK government specifically legislated for the application of a RAB model to finance new nuclear power projects, including Sizewell C, which is now in its construction phase. In contrast, the Hinkley Point C new build nuclear power station (which Sizewell C is replicating) has a CfD in place instead, guaranteeing a specific strike price for a period of 35 years. In the broader nuclear space, we note that the UK government recently committed to implementing widespread regulatory reforms aimed at reducing risks of delay and spiralling costs in the development of nuclear projects.³⁴ Government is also continuing to work with insurers to ensure that sufficient insurance cover is available for nuclear related risks.

The UK government pioneered the CfD mechanism for low-carbon electricity generation as a central component of its Electricity Market Reform initiative, with significant global influence. This followed years of helpful market intervention through Renewables Obligation Certificates (ROCs), under which to which electricity suppliers had an obligation to source a proportion of electricity supplied to customers from renewable sources, and could satisfy this obligation by submitting Renewable Obligation Certificates (tradable commodities with no fixed price, issued to generators who have generated from renewable sources) or paying a penalty, or a mix of the two. CfDs, and their predecessor ROCs, have been extraordinarily successful in catalysing massive investment in offshore wind farms across the UK. The most recent CfD allocation round, AR 7, awarded a record 8.4 GW to offshore wind projects. Given successes in the UK, other states such as Denmark and Germany are identifying aspects of the UK approach in their upcoming auctions. CfDs explicitly mitigate market price risk for energy generators, providing revenue certainty.

The CfD model has recently been further iterated, with the Dispatchable Power Agreement (DPA) business model for CCUS, used for the East Coast Cluster in Teesside and based on the proven CfD scheme.³⁵ The DPA model adjusts the traditional CfD model to provide support through a dual-pronged approach to mitigate market risk: (1) an availability payment, designed to incentivise availability of low carbon dispatchable capacity, mitigating against variable availability of renewable generation; and (2) a variable payment, similar to a CfD strike price, accounting for the additional cost of generation compared to an unabated reference plant.

Each specific business model is intrinsically linked to and comes with its own carefully considered risk allocation strategy, which must be continuously optimised for prevailing market conditions and project specifics. Appendix 2 sets out the key characteristics, advantages and challenges with the PPP, RAB and CfD models, relevant to attracting private capital investment.



Recommendations to attract private capital

The UK finds itself at a critical juncture, needing to close its substantial domestic infrastructure funding gap through sustained investment in modern, resilient and sustainable infrastructure.

To foster an environment for attracting investment from private capital, the government needs to support:

1. Stable and predictable regulatory frameworks for major projects, which are developed early so investors know what they are 'buying into' and minimise unnecessary complexity

- a. Government should establish policies that provide as much upfront certainty and clarity as possible regarding sector support and intended investment structures. This requires durable cross-party consensus on national priorities and a consistent understanding of private capital's fundamental role. Transparent and consistently applied regulatory regimes are essential for clarity on revenue models, acceptable and competitive rates of return, and robust dispute resolution mechanisms, allowing investors to accurately model long-term returns and mitigate the risk of arbitrary rule changes.
- b. The replication or adaptation of proven delivery models, such as CfD, the RAB model and DPC, are crucial to drive investor confidence and accelerate delivery. The UK has a distinguished history of pioneering and refining these innovative models, which have been successful in attracting private capital by mitigating market price risk (e.g. CfDs, which replaced the Renewables Obligation Certificates regime) or reducing exposure to construction risk (e.g. RAB). These models enable lower-cost financing and improved return visibility for investors.
- c. While historically used to great effect in the UK, PPPs including PFIs have faced scrutiny as they are perceived as not effectively protecting the public purse, leading to a reduction in their use. However, as the model remains successfully deployed internationally, reconsidering PPP models to support a range of sectors, building on past lessons, is warranted.
- d. As part of the revitalised³⁶ national Infrastructure Pipeline tool, the government should provide a clear roadmap for investors outlining the regulatory models available for investing in major infrastructure projects in the UK and key points of contact within government and relevant sectoral regulators responsible for overseeing delivery, helping to reduce perceptions of regulatory complexity within the investor community. In doing so, the government can build on helpful guidance already developed by HM Treasury³⁷ and the UK Regulators Network (UKRN)³⁸, as well as in certain sectors, such as Ofwat's investor guidance for the water sector (in relation to DPC and Specified Infrastructure Project Regulations³⁹) It can also draw from initiatives in other sectors, such as the financial services concierge service⁴⁰, where targeted guidance and assistance from a public-private advisory committee is helping to support investors. In particular, the government should consider supplementing the existing 'Investor Guide' within the Infrastructure Pipeline tool's dashboard with this guidance.



- e. More generally, we also recommend that national Infrastructure Pipeline tool should be updated more regularly than the current six monthly update cycle, include more information and enable comparisons across projects, allowing investors to browse opportunities like a digital marketplace.

2. Continued targeted strategic government support to unlock nationally significant projects

- a. Government support for infrastructure delivery varies significantly based on sector, project risk profile and strategic national importance. Not all projects will require revenue support; government's role can involve policy setting, regulating, direct investment, or lending.
- b. The NWF plays a crucial catalytic role in de-risking nascent sectors, mobilising private capital for nationally significant projects and addressing market inadequacies where commercial finance may be hesitant. This targeted support is particularly vital for projects with high strategic national value, where government guarantees or credit enhancements can significantly reduce risk and lower the cost of capital.
- c. Looking ahead, the UK should build on the strengths of its existing public finance institutions while pursuing a gradual simplification of public investment vehicles creating a more integrated system that uses targeted public capital to de-risk projects, send strong investment signals and unlock private capital at scale for long-term growth.

3. Predictable long-term revenue streams, hedged against inflation

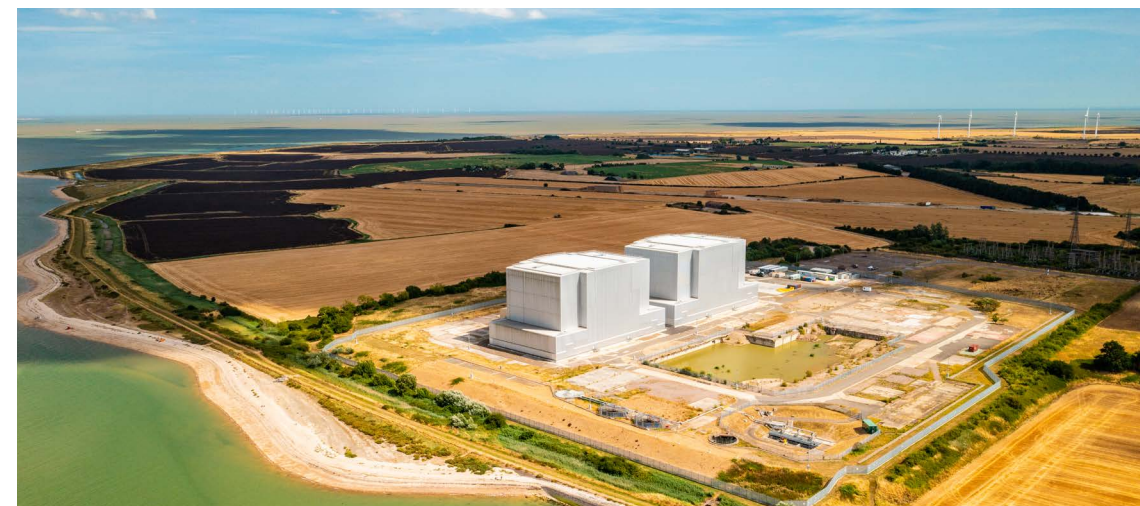
- a. Models like CfDs for low carbon energy and the RAB model for utilities have been integral in delivering the predictable income streams that are highly attractive to institutional investors, particularly in sectors otherwise exposed to variable market revenues. The government should continue to commit to supporting long-term revenue streams and actively pursue opportunities to extend these support models, to signal market confidence and facilitate continued private investment.

4. Clearer ministerial responsibility and accountability for infrastructure and major project delivery

- a. The government has established and reformed core organisations such as the NISTA, NWF, Great British Energy (GBE) and the OfI to support infrastructure delivery. These organisations have key roles to play in mitigating fragmentation and inconsistency across government departments. An integrated, 'whole-of-government' approach is vital - with clearer ministerial responsibility for promoting infrastructure investment uniting all relevant government organisations and departments - for faster decision-making and effective public sector intervention. This should also include closer alignment and coordination across the UK's public finance institutions, building on NWF's recently articulated 'no wrong door' approach, to ensure greater continuity and more effective hand-offs between departments and delivery bodies as projects progress through the investment lifecycle.

- b. Government investment in the development of its own people is crucial, particularly in strengthening commercial and technical capability and capacity to enhance the performance of the government as a counterparty and stakeholder. Skill shortages in complex project and commercial finance, procurement, and contract management within the public sector are recognised constraints. Reports from the Institute for Government and the House of Commons Committee of Public Accounts highlight insufficient commercial skills and an inability to understand risk within departments. In this context, the SIOU has a key role to play in strengthening the government's commercial and technical capability by embedding private sector expertise, improving project preparation, and building the skills needed to originate and manage investor-ready infrastructure propositions. With the recent Fingleton review⁴¹ identifying civil service culture and conservatism as an impediment to nuclear project development, a culture of emboldening people to use their skills for bold decision-making needs to be nurtured.
- c. Beyond public sector capability, the government should use the workforce data (including expertise and roles) collected for the Infrastructure Pipeline tool to develop a strategy to ensure that the workforce is available and trained, helping to close the skills gap and support project delivery.

These elements must be underpinned by a stable and predictable regulatory and policy environment, which is the cornerstone for attracting long-term capital for infrastructure. This requires a long-term government commitment and cross-party consensus (or structural and legal protections that cannot be undone) on national priorities to prevent frequent fluctuations or abrupt shifts in policy direction, which introduce significant uncertainty and deter investors. Building on the framework provided by the government's 10 Year Infrastructure Strategy and similar policy documents which have cross-party support are essential to provide the requisite stability and foster robust investor confidence.





Exporting UK expertise to the world: the benefit to supporting domestic infrastructure investment

The UK's unique strengths in infrastructure development

Supporting the UK's delivery of infrastructure mega projects allows the UK to export its expertise to the world. The UK's demonstrated experience in successfully attracting, structuring and deploying private capital for its domestic infrastructure agenda positions it well to enhance its standing as a prominent global exporter of this expertise.

Legal and financial expertise - leverage London as a global financial hub for infrastructure finance and sophisticated legal frameworks and advisory services

The UK is a world-class financial hub, unmatched in the sheer breadth, depth, and sophistication of its capital markets, particularly for the intricate world of complex finance. This vibrant ecosystem comprises a dense network of:

- **Leading financial institutions** which command large pools of capital and possess extensive, multi-decade experience in the structuring, underwriting, and management of large-scale infrastructure projects across diverse geographies and sectors.
- **Sophisticated legal frameworks and advisory services:** English law is universally recognised and widely adopted as a preferred governing law for international commercial contracts, providing an invaluable layer of comfort and legal certainty to international investors and project sponsors (as well as lenders), reducing perceived risk. London is home to a concentration of world-class law firms, leading financial advisors, the world's leading commercial (re)insurance hub, highly specialised technical consultants, and expert accountants. This advisory capacity is crucial for successfully navigating the extraordinary complexities of international projects.

Engineering, design, and project management capabilities - reputable firms and academic institutions, experience of mega projects

The UK maintains contemporary excellence in the fields of engineering, design, and project management. This is a sector where British innovation has consistently led the way.

- **Reputable firms:** British engineering and construction firms, alongside the numerous international counterparts that have chosen to establish significant operations in the UK, are globally renowned for their outstanding technical prowess, innovative approaches, and a proven ability to deliver highly complex

projects successfully. They boast a formidable track record across a diverse range of sectors, including advanced transport infrastructure, critical energy systems, water management, and sophisticated urban development initiatives. These firms frequently operate at the cutting edge of engineering science and sustainable construction practices.

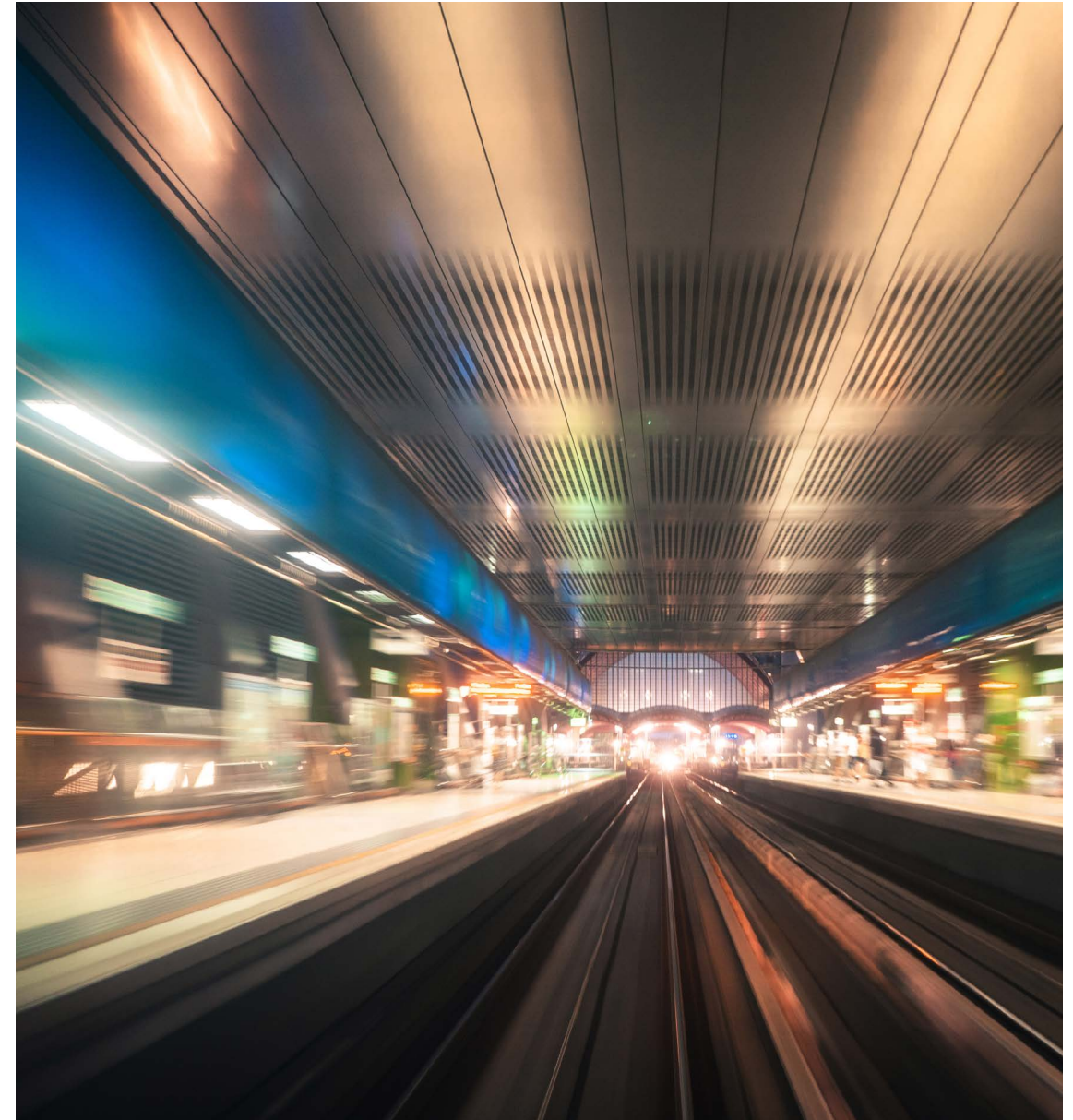
- **Experience of mega projects:** The UK has successfully delivered, and continues to competently manage, a diverse portfolio of truly global-scale infrastructure projects. These include:
 - The multi-billion-pound Crossrail project (Elizabeth Line) in London, which has been core in enhancing socio-economic growth along its corridor.
 - The innovative and record-speed development of the London 2012 Olympic facilities, a significant urban regeneration project. Directing the UK's best skills at this time-sensitive project reaped rewards. While there is uncertainty and a lack of vision on sustainability and green innovation in other global markets, the UK has a serious opportunity to lock down investment from global investors. This advantage of the UK on the global stage may be short lived, making now the time to repeat the lessons learned from the London 2012 Olympics, to act quickly on delivery.
 - The construction of vast offshore wind farms that lead the world in capacity, such as Hornsea 2, which provides a total capacity of 1.32 GW off the Yorkshire coast and enough energy to power over 1.4 million homes.
 - The development of new generation nuclear power stations, including Hinkley Point C and Sizewell C.

This direct, first-hand experience in the meticulous planning, complex financing, demanding construction, and long-term operation of 'mega projects' provides invaluable lessons, transferable best practices, and demonstrative capability that are highly exportable. This experience encompasses not just the technical aspects of building, but also the intricate art of multi-stakeholder management, navigating complex regulatory landscapes, and mastering the sophisticated financial structuring required for such colossal ventures.

Innovation in decarbonisation and digital infrastructure

The UK has emerged demonstrably as a global frontrunner in both the development and comprehensive deployment of sustainable and digital infrastructure solutions including:

- **Renewable energy (e.g. offshore wind):** The UK is a world leader in deployed offshore wind capacity and associated technology. Its deep expertise in offshore wind project development, complex grid connection solutions, efficient operations and maintenance regimes for large-scale wind farms, and specialist manufacturing capabilities are all highly exportable and sought after. The establishment of GBE presents a significant opportunity to deepen UK renewable energy supply chain capabilities, supporting domestic manufacturing and skills development, and anchoring industrial capability in the UK, in ways that reinforce the UK's ability to export renewable energy expertise globally.



- **Development of smart city solutions and digital infrastructure:** UK cities are at the cutting edge of integrating advanced digital technologies to significantly enhance urban living quality, optimise resource management, and improve the efficiency of service delivery. For example, there is expertise in critical areas such as Internet of Things network deployment, intelligent transport systems, and the creation of 'digital twins' for complex urban environments. Furthermore, the UK's leadership in deploying advanced digital connectivity infrastructure (e.g. pervasive fibre broadband networks and 5G mobile networks) offers valuable lessons, proven methodologies, and robust technological solutions that are directly transferable to other nations.

Roles of Export Credit Agencies (ECAs)

Numerous countries worldwide effectively utilise state-backed investment vehicles (e.g. dedicated development banks, sovereign wealth funds, national infrastructure banks) to strategically catalyse private investment in infrastructure. Notable examples include the Canada Infrastructure Bank, the European Investment Bank, and national infrastructure banks in Australia and Germany. Learning from their respective successes, best practices, and inherent challenges - particularly in adeptly balancing commercial returns with overarching public policy objectives - is crucial for continuously optimising the UK's own approach to public sector financial intervention.

- **UKEF:** As the UK's official export credit agency, UKEF plays a critical role in supporting UK exporters and facilitating international project finance. Its core mandate is to assist UK companies in winning, fulfilling, and getting paid for export contracts, and crucially, to support overseas infrastructure projects that incorporate significant UK goods and services. UKEF provides a diverse range of financial products, including direct loans, loan guarantees, and credit insurance to banks and buyers, thereby substantially reducing the risk of non-payment or project failure for UK businesses. This helps UK-led projects put forward more competitive proposals on the international stage and actively supports the participation of UK companies in global infrastructure development.
- **Other ECAs:** While UKEF is the pre-eminent UK entity, collaboration with other ECAs from co-financing countries is a common and effective practice in large-scale international projects, helping to spread risk and mobilise diverse funding sources.

Identifying global opportunities for exporting UK expertise on how to attract private capital to fund large-scale infrastructure development

The global demand for infrastructure development is immense and geographically diverse, presenting significant and varied opportunities for the UK to strategically export its unique blend of expertise. These opportunities manifest in a range of distinct, yet interconnected, forms:

- **Advisory services and technical assistance:** including consultancy for project structuring, legal advice, financial modelling; building capacity for foreign governments and developers; and exporting UK-developed technology and project management skills (e.g. in the nuclear sector).

- **Direct investment and partnerships:** UK firms participating in overseas infrastructure projects, joint ventures and strategic alliances.
- **Role of government support and diplomacy,** for example, UKEF providing guarantees, loans, and insurance; promoting UK standards and best practices internationally through diplomatic channels, targeted trade missions, and active participation in influential international fora and multilateral organisations.

The ASEAN Power Grid (APG), for example, is a flagship regional initiative to connect Southeast Asia's power systems, requiring an estimated US \$764bn investment in generation and transmission infrastructure.⁴² UK-based financial and related professional services firms see multi-sectoral opportunities to participate in helping to navigate and align the complex financial coordination and regulatory frameworks necessary for the project's success. To deliver on the ambition of the project, significant private sector funding will be needed, requiring changes to regulations and policies in many markets.

Opportunities exist from engineering and architecture, to insurance, investment management services, advisory services and finance. This extends beyond the current work supporting local energy regulators and offers excellent export opportunities, while profiling the UK as a trusted and neutral source of expertise in these fields which would have ongoing benefits for UK companies in individual ASEAN markets. The scale of the APG project means that UK government support and coordination with multilateral agencies and development finance institutions will be essential, both in terms of advocacy and funding support to draw the industry together and develop a coordinated engagement plan reaching across different parts of the value chain.

The global demand for infrastructure is profoundly diverse in its nature and geographical distribution, offering distinct types of opportunities for the UK's expertise, whether in emerging markets and developing economies (EMDEs) or developed markets.

- **EMDEs** are characterised by immense infrastructure deficits, frequently coupled with rapid population growth, accelerating urbanisation, and increasing industrialisation. They require not only foundational infrastructure (e.g. basic power generation, clean water supply, efficient transport networks) but also a strong demand for innovative sustainable and resilient solutions. The aim is to avoid locking into carbon-intensive pathways and to effectively adapt to the acute impacts of climate change. UK expertise in innovative financing (e.g. intelligently adapting PPPs to specific local contexts), cutting-edge climate-resilient design, and advanced green energy solutions (e.g. microgrids, decentralised renewables) is highly relevant and highly valued here. The primary challenge in these markets often lies in balancing perceived risk and potential return, which is precisely where the strategic support of UKEF and similar agencies becomes particularly important.

- **Developed markets** offer significant opportunities in highly specialised, niche, and high-value areas. These markets often present lower risk profiles compared to EMDEs but demand highly specialised, innovative, and technologically advanced solutions, playing directly into the UK's core strengths and competitive advantages. Potential areas include:
 - **Advanced digital infrastructure:** Investing in next-generation fibre networks, widespread 5G rollouts, sophisticated smart city platforms, secure data centres, and edge computing infrastructure.
 - **Green energy transitions:** Projects related to the development of hydrogen infrastructure, substantial expansion of offshore wind capacity, modernisation and digitisation of national grids, and advanced energy storage solutions.
 - **Collaborative projects:** Engaging in joint ventures on large-scale research and development initiatives, or participating in complex cross-border infrastructure projects (e.g. international electricity interconnectors, high-speed rail links) where UK expertise can be seamlessly integrated with that of other advanced economies, pooling resources and knowledge for mutual benefit.



Recommendations to position the UK's strengths globally

Enabling UK-based firms to secure global infrastructure contracts not only generates export revenues, but it also drives investment in local skills, innovation, and production capabilities. London's unparalleled role as an international financial centre, coupled with the nation's deep pool of world-class professional services talent and an established track record of innovation in both finance and engineering, collectively creates a compelling value proposition to take to EMDEs or developed markets.

In order to position itself to export this expertise globally to economies seeking advanced solutions, the UK should:

1. Ensure that the government's industrial, trade and infrastructure strategies are mutually reinforcing

- The 10 Year Infrastructure Strategy and the establishment of new public bodies to support the development of UK infrastructure must also be viewed as an investment in boosting export capabilities. For example, GBE's investment mandate presents a significant opportunity to deepen UK renewable energy supply chain capabilities in ways that reinforce the UK's ability to export renewable energy expertise globally. Equally, UK infrastructure exports help to deepen and sustain resilient domestic supply chains.
- Closer coordination is essential to leverage these institutions' different expertise, individually and collectively, to best support investment in priority policy areas and maximise the UK's export potential in them.

2. Establish joint public-private working groups to tailor 'Team UK' pitches for individual markets and major global projects

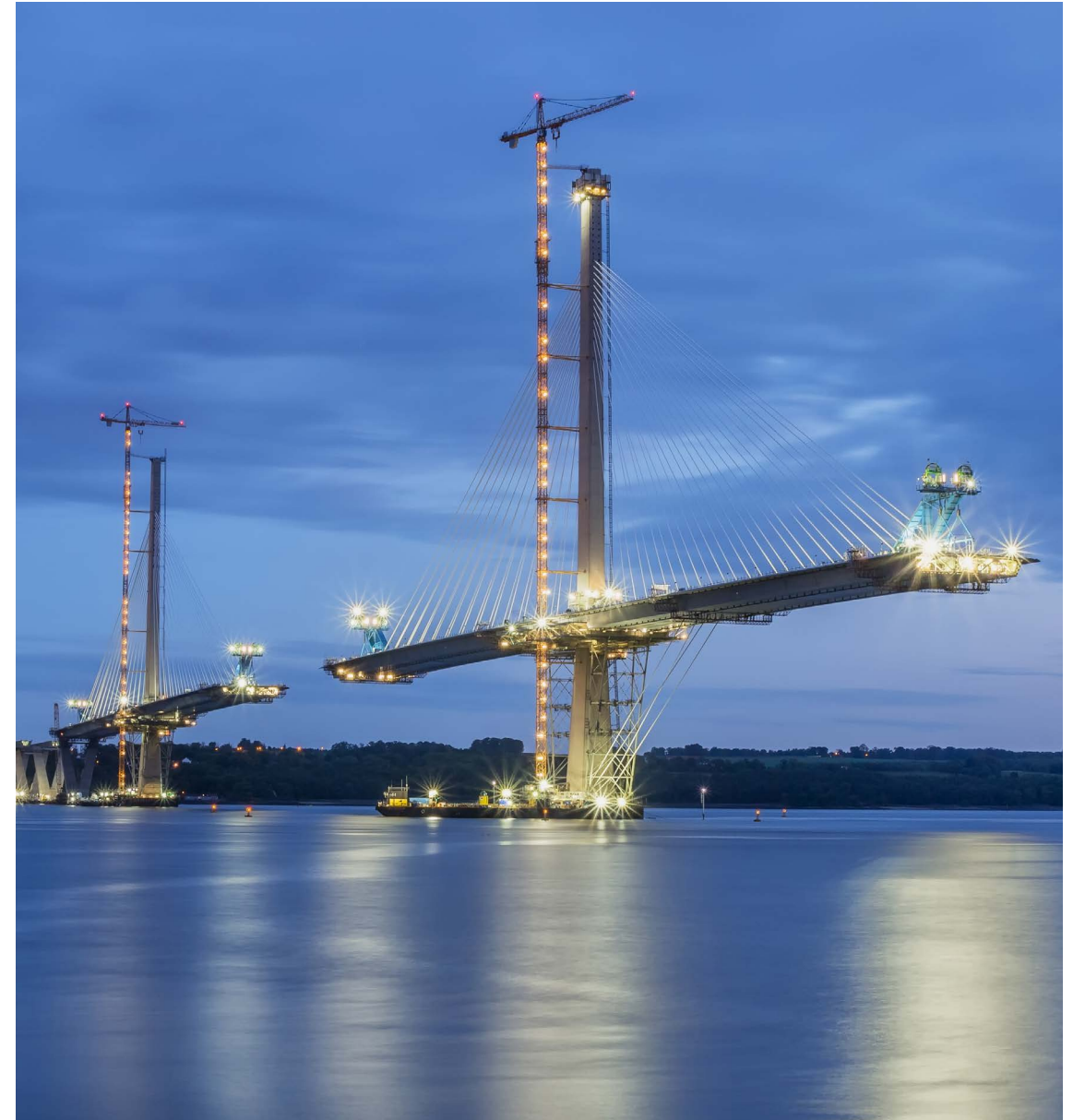
- These efforts should prioritise rapidly expanding markets and develop tailored packages that showcase what UK capabilities can offer in each market. These pitches should represent the full breadth of the financial and professional services industry's strengths, including professional services capabilities which are critical to bolstering the investability of developing economies by strengthening legal, regulatory and procurement regimes.
- This work should be used by UK Embassies and High Commissions in key markets to support UK companies by building relationships and identifying and creating opportunities for major commercial infrastructure partnerships.

By mutually embracing and rigorously implementing these recommendations, the UK can not only bridge its domestic infrastructure funding gap with greater efficiency and innovation but also profoundly amplify its influence as a global leader in innovative infrastructure finance and development. With this in mind, the UK can also firmly reinforce its pre-eminent position on the world stage.

Conclusion

The powerful synergies between a robust domestic strategy and an outward-looking, proactive exports agenda will collectively ensure that the UK's comprehensive infrastructure vision delivers sustained economic growth and enhances national resilience. The time for decisive and collaborative action is now, transforming ambition into tangible, transformative progress.

The UK's strengths lie in legal, financial, technical, and innovative sustainable and digital infrastructure solutions, which collectively offer significant global opportunities for advisory services, direct investment, and strategic partnerships, particularly in emerging and developing economies.



Appendix 1: Government bodies supporting UK infrastructure

To support the government’s ambitious infrastructure agenda, in addition to HM Treasury and key relevant government departments (including Department for Business and Trade, Department for Transport, Department for Energy Security and Net Zero, and Department for Environment, Food and Rural Affairs), there are a growing number of government bodies in charge of overseeing this programme, including:

Government body	Function
National Infrastructure and Service Transformation Authority (NISTA)	<p>A joint HM Treasury and Cabinet Office unit launched in April 2025. It is tasked with integrating infrastructure strategy and delivery to bridge that gap and benefits from direct ministerial oversight. It supports the delivery of critical infrastructure and service transformation, defence and digital projects. It was formed by the combination of the National Infrastructure Commission which assessed the government’s progress on infrastructure plans and the Infrastructure and Projects Authority which supported the delivery of major infrastructure.</p> <p>Key actions: It developed the 10 Year Infrastructure Strategy and the Infrastructure Pipeline tool which launched in July 2025 (see above).</p>
National Wealth Fund (NWF)	<p>The NWF is a public financial institution launched in October 2024 tasked with investing public capital to support the government’s growth and clean energy missions and crowd in private capital to UK infrastructure and productive assets.⁴³</p> <p>Key actions: NWF has £27.8bn available and some examples of its support include:</p> <ul style="list-style-type: none"> • £25m in equity support for the Pentland Floating Offshore Wind Farm in Scotland (November 2025).⁴⁴ • £36.6bn term loan to finance the construction of Sizewell C (July 2025).⁴⁵ • £50m commitment to Wessex Internet (June 2025⁴⁶ and expanded its existing debt facility to CityFibre (July 2025)⁴⁷ to support broadband rollout. • £165m to support Highview Power in constructing the first commercial-scale liquid air energy storage plant in the UK, an asset crucial for enabling a stable electricity system and strengthening the grid.⁴⁸

Government body	Function
Great British Energy (GBE)	<p>New publicly owned clean-energy company which will develop, invest in, build and operate clean-energy assets.</p> <p>Key actions: It will invest £8.3bn over the parliament in clean power (together with GBE – Nuclear). Its first projects include £180m for solar panels and £300m to support domestic offshore wind supply chain.⁴⁹ Between now and 2030, GBE will deliver £15bn of mobilised private finance.</p>
Office for Investment (OfI)	<p>Expanded central government office that provides end-to-end support to large and sovereign investors helping shape strategic investment projects, including infrastructure.</p> <p>Key actions: Establishing a Strategic Investment Opportunities Unit (SIOU) (funded in the Spending Review 2025) to partner with key places (e.g. Mayoral Strategic Authorities) and government departments on investor ready projects, drawing on private sector specialists and unblocking delivery issues. Works closely with NISTA to identify priority infrastructure projects with investment potential and promote them to investors.</p>

These bodies are also supported by a range of specialist taskforces and consultative groups. For instance, the government has established the British Infrastructure Taskforce⁵⁰ which involves government working with business to design policy that will unlock private investment, including by building business confidence in UK infrastructure investments, and involves membership of some of the UK’s biggest financial companies.

Appendix 2: Key characteristics, advantages and challenges of innovative financing and regulatory structures

Key characteristics	Pros for attracting private investment	Challenges	Examples
PPP/PFI – PPPs (i.e. public-private partnerships, which can take a range of forms), including their specific manifestation as PFIs (i.e. private finance initiatives, being the most common form of PPP in the UK, where the private sector finances, builds and operates the asset, and the public sector pays the project company on a performance basis)			
<ul style="list-style-type: none"> • Between a public sector agency and a private sector entity. • Typically long-term, often spanning 25 to 30 years or more. • Significant risk transfer to the private sector - private sector typically undertakes the comprehensive design, construction, financing, and operation of infrastructure assets, assuming a substantial portion of the project risk. • Projects are defined by output-based specifications. • Private financing is mobilised against the security of future public sector payments – private sector receives a predictable stream of payments from the public sector over the agreed contractual term. • Models integrate the entire project lifecycle, from initial design through to construction and long-term operation. 	<ul style="list-style-type: none"> • Highly stable, long-term revenue stream once the asset becomes operational, thereby offering significant investor certainty. • Enable efficient risk allocation, with risks primarily borne by the party best equipped to manage them. • Encourage innovation in design, construction methodologies, and operational practices aimed at minimising whole-life costs. 	<ul style="list-style-type: none"> • Perceived lack of transparency in some early deals, the inherent complexity and associated high transaction costs involved in structuring and negotiating such contracts, and public perception issues regarding ‘private profit from public services’. • Potential for inflexibility within long-term contracts, inherent difficulties in accurately assessing value for money over long-time horizons, and instances where the government ultimately retained an implicit demand risk. • Challenges around hand-back and maintenance of the asset at the end of the term, with risk of dispute and liabilities. 	<p>Historically, the UK implemented numerous PFI projects across the health sector, education, and defence. PFI contracts have delivered more than 700 infrastructure projects in the UK.⁵¹ While the classic PFI model has been largely phased out in the UK, internationally, similar models are widely and successfully deployed.</p>

Key characteristics	Pros for attracting private investment	Challenges	Examples
RAB model			
<ul style="list-style-type: none"> • Establishes a regulated charge on consumer bills (or other regulated income streams) – the independent sector regulator sets the allowed revenues for the asset owner, which are designed to cover both operating costs and provide a fair return on the capital invested in the asset base over its economic life. • Significantly reduces direct construction risk for equity investors by allowing them to earn a return on their capital even during the construction phase. • Typically employed for very large, essential infrastructure assets, particularly in utility sectors and strategically important, high-cost projects (e.g. new nuclear power) - designed to finance large-scale, capital-intensive infrastructure projects that might otherwise struggle to attract private finance due to the significant construction risk. 	<ul style="list-style-type: none"> • Exceptionally high degree of revenue predictability and stability, substantially de-risking the investment proposition over decades. • Regulated revenue stream enables projects to secure lower-cost, investment-grade debt financing, significantly reducing the overall weighted average cost of capital (WACC) and making projects more financially viable. • Equity investors can begin earning a return during the extended construction phase, rather than having to wait until the project is fully completed and operational, dramatically improving IRR • Often complemented by targeted government support (e.g. direct equity investments, loan guarantees), further derisking projects, particularly for ‘first-of-a-kind’ technologies or those of immense strategic national importance, rendering them more palatable to private capital. 	<ul style="list-style-type: none"> • Direct financial burden of project on consumers, which can be politically sensitive. • Needs a highly sophisticated, expert, and independent regulatory body to function. • Risk of future regulatory interference or changes in regulatory policy can also be a concern for investors. • Furthermore, the design and implementation of RAB models, particularly for novel applications, can be inherently complex for all parties (the sponsor, advisers, government etc.). 	<p>The RAB model has been successfully applied in the UK for utility networks for several decades. More recently, its application has been innovatively adapted for specific mega-projects:</p> <ul style="list-style-type: none"> • Thames Tideway Tunnel. • Sizewell C Nuclear Power Plant. • CCUS transport and storage. <p>In sectors where RAB models are used (such as the water sector), they have also made use of the Direct Procurement for Customers (DPC) model. This is Ofwat’s model for discrete water projects where the water company competitively tenders the design, build, finance (and often operation/maintenance) to a third party with projects risks allocated between them. Costs are recovered from customers through the water company’s charges.⁵²</p>

Key characteristics	Pros for attracting private investment	Challenges	Examples
CfD (Contract for Difference)			
<ul style="list-style-type: none"> Private law contract typically established between an electricity generator (e.g. a renewable energy developer) and a government-owned counterparty. Provides revenue stability to generators by guaranteeing a 'strike price', thereby shielding them from the inherent volatility of wholesale electricity prices, crucial for attracting capital. Financial costs ultimately borne by electricity consumers, typically through charges integrated into their energy bills. 	<ul style="list-style-type: none"> Eliminate direct exposure to volatility of wholesale electricity prices, profoundly de-risking the revenue stream for generators. The guaranteed strike price enables far more accurate and confident financial modelling and forecasting of returns, so debt providers can lend at lower rates and equity investors have clearer return visibility, reducing cost of capital. Government reviews the terms of the CfD used each allocation round, making changes to respond to market demands. In the most recent allocation round, AR7, key changes were made: <ol style="list-style-type: none"> The budget for fixed-bottom offshore wind was increased to £1.79bn allowing higher strike prices to be agreed with bidders. Increased CfD term length for various technologies to 20 years (up from 15 years under AR6) providing longer term revenue certainty. Floating off-shore wind was given its own allocation 'pot' separate from fixed bottom offshore wind. 	<ul style="list-style-type: none"> Potential impact on consumer bills if market prices consistently remain substantially below the strike price for extended periods. For projects with significant capex and long construction periods, a CfD is difficult as the benefit of revenue certainty is not available until operating. 	<ul style="list-style-type: none"> Various allocation auction rounds have awarded CfDs to a variety of technologies. In AR 7, CfDs were awarded to a range of renewable projects: 8.4GW in offshore wind (including floating offshore wind), 4.9 GW solar and 1.3 GW onshore wind. Hinkley Point C. DRAX biomass power.

Endnotes

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