UK's Modern Industrial Strategy: Clean energy and sustainability takeaways

Knight Frank

The UK government's clear focus on clean energy, grid reform, and supply chain development marks a pivotal moment for the renewables sector. The strategy is underpinned by a commitment to deliver low-carbon, affordable energy, drive innovation, and capitalise on high-potential sectors, in turn, creating significant opportunities and implications across the real estate landscape

The UK's Modern Industrial Strategy and 10-Year Infrastructure Strategy, alongside the Clean Power 30 Action Plan, provide clarity, stability, and opportunity for the renewables sector. With ambitious deployment targets, accelerated grid and planning reforms, and a focus on supply chain resilience and skills, the UK is positioning itself as a global clean energy superpower. For real estate investors, developers, occupiers, and owners, the message is clear: align with these policy priorities and act early to unlock value in a rapidly evolving market.

For the broader real estate impact, see the Invest 35 document. In this report, we examine the clean energy & sustainability factors for:

- investors and developers of renewable energy;
- physical real estate owners, investors and developers; and
- real estate occupiers.

INVESTORS AND DEVELOPERS OF RENEWABLE ENERGY

Growing the sector by removing barriers...

The government has provided a clear narrative that they want to create a clean energy economy. They note that "Electrification will be the primary route to decarbonisation, with electricity demand expected to at least double by 2050." The need for cleaner electricity and increased supply is creating opportunities across the renewables sector for developers, operators, and investors.

The government's Clean Energy Superpower Mission sets ambitious deployment targets: 43-50 GW capacity for offshore wind, 27–29 GW for onshore wind, and 45-47 GW solar by 2030, with the Clean Power 2030 Action Plan setting clear quotas by zone and technology.

While the Strategic Spatial Energy Plan (SSEP) is not due until 2026, the CP30 and grid reform process will clarify the number of 'feasible projects' in the queue and potential opportunities. This broader strategic plan will provide long-term certainty on where to focus efforts for generation alongside the Centralised Strategic Network Plan for transmission (due 2027) and Regional Energy Strategic Plans (due late 2027).

We have discussed reforming the connections process and ongoing changes that will improve timelines and processes. Additionally, changes to planning could help bring more projects to the 'ready to connect' stage by streamlining requirements and potentially reducing timelines. The strategy aims to cut the average pre-application period for major infrastructure projects from two years to 12 months by eliminating burdensome consultation requirements as part of the Nationally Significant Infrastructure Projects 'opt-in' possibilities.

Furthermore, Investment Zones and Clean Energy Clusters (with £160 million per zone) will offer tax incentives, streamlined planning, and likely increased demand.

Building supply chains...

The Strategy demonstrates a commitment to supporting the clean energy rollout through supply chain & skills development.

QUICK TAKE

Clean Energy Superpower Mission

The UK government prioritises clean energy, creating opportunities for real estate stakeholders in the renewables sector.

Electrification and efficiency

Real estate will become increasingly electric, with improved energy efficiency and EV infrastructure, enabled by innovation and digitisation.

Supply chain and skills development

Government investments in clean energy supply chains will drive innovation and create opportunities in industrial real estate.

Streamlined planning and grid

Planning and grid connection reforms will accelerate infrastructure projects, ensuring timely energy access for real estate development.

Competitive energy costs

Support for energy-intensive industries, potential reforms to pricing and growth in corporate power purchase agreements.

The £1 billion Clean Energy Supply Chain Fund (£700m additional) and Ofgem's Advanced Procurement Mechanism aim to secure early supplier capacity and reduce reliance on imports. Developing UK-based suppliers could enhance the ability to procure essential equipment, mitigating supply chain risks of delays and cost overruns.

This will create demand-pull innovation. Increased demand and deployment will be underpinned by the reforms noted and the £8.3bn invested by Great British Energy (GBE) and the National Wealth Fund in homegrown clean power, as well as the Mansion House Accord which is expected to unlock over £50 billion of private investment for UK infrastructure, including renewables. This will be met with supply chain development and support to innovate and reduce costs, creating greater economies of scale and innovation.

And providing clarity over pricing

The government has confirmed legacy arrangements for projects in the next Contract for Difference (CfD) auction round, even if zonal pricing is introduced. This reduces regulatory risk and supports investment decisions. More broadly, the Electricity Market Reforms (REMA) will be confirmed in due course, which could change investment cases given the pricing mechanisms of electricity. However, there is potential to speed up the electrification of buildings and transport given the current imbalance between electricity and gas. There may also be opportunities for different locations for development.

Finally, the government's aim to develop the Corporate Power Purchase Agreements (CPPAs) market can offer longer-term price stability and revenue, outside of CfD mechanisms, for renewable energy generators with predictable returns, de-risking projects. We explore the market and nuances in more depth here, noting that demand for CPPAs typically comes from larger corporates, which may limit additionality.

Yet, the clear signals from the commitment demonstrate a shift towards maturing the market, which, alongside increasing corporate appetite, could supercharge adoption and access. As ever, the devil will be in the detail.

PHYSICAL REAL ESTATE OWNERS, INVESTORS AND DEVELOPERS

Electric and efficient assets to be the norm

The government's decarbonisation goals highlight that electrifying real estate and transportation is essential. As electricity demand increases, it is crucial to use it efficiently to meet these targets. Therefore, real estate owners and operators must improve the energy efficiency of their assets and provide charging infrastructure.

One area this is clear is supporting the rollout of heat pumps in both domestic and non-domestic properties. Similar to renewable energy, this is underpinned by demand and supply-side policies to create demand-pull innovation. On the demand side, the £13.2 billion funding for the Warm Homes Plan will enable the rollout of heat pumps (alongside energy efficiency measures and other low-carbon technologies), aided by reduced planning red tape for installation, including size and boundary requirements, and making heat pumps and heat networks the default standard for new builds through the Future Homes and Buildings Standard further boosting demand.

For larger commercial and industrial heat pumps, heat network zoning will provide certainty on where they are expected to be deployed, driving associated investment. The Green Heat Network Fund already has a pipeline of 36 heat pump projects and is continuing to grow.

Developers and owners must ensure plans include these considerations and, where necessary, set in place plans to retrofit existing assets, which we know from our ESG Property Investor Survey is a goal for three-quarters of property investors.

Supply-side factors, combined with a focus on skills development through extending the Heat Training Grant to March 2026, could lead to cost efficiencies that reduce installation costs for asset owners, as modelled by the Climate Change Committee Seventh Budget.

Beyond heating type, digitalisation and smart data technologies will ensure that buildings operate efficiently and enable a stable energy system.

The Clean Flexibility Roadmap, to be published later this year, will outline the government, Ofgem, and NESO's ambition for a smarter, more flexible energy system, likely influencing building management systems, EV charging systems, and proptech applications within buildings (both domestic and non-domestic), ensuring they can flexibly manage demand efficiently.

And support electrified transportation

The reinforced focus of the Zero Emission Vehicle mandate, £2.6 billion capital investment to decarbonise transport from 2026-27 to 2029-30, and focus on building capacity for supply chains and autonomous vehicles will accelerate the need for vehicle charging facilities at home, work, and leisure facilities, as well as on transport nodes. EV adoption in the UK is the fastest in Europe, and on the rise particularly among corporate fleets, demonstrating the opportunity for asset owners, especially on busy transport routes, to implement a charging strategy.

Photo by Nicholas Doherty on Unsplash

Type of Space	Notes
Laboratory space	A significant subset of clean tech firms require lab facilities – a chemistry lab for testing carbon capture solvents, a bio-lab for engineering algae that absorb CO_2, or an electronics lab for prototyping energy-efficient sensors.
Workshops and industrial sites	Many clean tech innovations need more than a desk – they need physical assembly and testing space. Battery startups, for instance, need safe facilities to build and stress-test battery cells, and vertical farming startups require warehouse-like spaces to set up their growing racks.
Office and collaboration space	Some clean tech companies sit within the software, fintech, or consulting-oriented – like climate risk analysis startups or carbon accounting firms – and these fit into standard offices or coworking spaces. They may prefer to be in innovation hubs or co-locate with other like-minded companies.
Recycling facilities	Facilities for waste recovery and recycling – e.g. collection centres, materials recovery facilities (sorting/recycling plants), composting sites, waste-to-energy plants, and remanufacturing units that turn recycled inputs into new products.
Manufacturing and logistics	Space that supports manufacturing of clean tech components and advanced manufacturing. For example, electric vehicles and wind turbine components. Some may have bespoke requirements, such as accommodating automation and robotics systems.

Spaces needed to support the growing clean energy industry

With the building out of supply chains for clean energy, including measures for renewables and heat pumps, such as launching a further round of the Heat Pump Investment Accelerator Competition to provide grants to manufacturers to invest in new capacity, opportunities will arise for owners of industrial and logistics assets.

As demand strengthens, the need for supply chain companies for flexible, modern industrial and logistics space will rise, particularly in Investment Zones and Clean Energy Clusters. We discuss in more depth 'clean tech' real estate requirements, which include many of these sectors, in the Quantifying Technology in Real Estate 2025, see Table above for a summary.

The 'Driving Research and Investment in Vehicle Electrification' (DRIVE35) initiative will 'keep the UK at the forefront of zero-emission vehicle manufacturing', with the commitment of £2 billion for automotive capital and R&D funding to 2030, plus an additional £500 million for extended R&D support. They are also exploring a North East Combined Authority Electric Vehicles manufacturing cluster to boost demand for manufacturing facilities. These efforts, along with plans to create Europe's first market for self-driving vehicles, could enhance demand for industrial and logistics spaces.

And enabling energy availability for development

The government recognises that to support economic growth, timely grid connections for new homes and businesses are essential.

The plan to more than double annual grid demand connections from 2.1GW to 3.5GW by 2035 could be a game changer for enabling development. The new 'Connections Accelerator Service' and streamlined planning processes aim to reduce delays and prioritise high-value projects, potentially impacting data centres and other infrastructure projects.

The new spatial tool will highlight indicative water and electricity headroom by water resource region in England, making it easier to identify sites for development. For housebuilders, we previously identified some 15,000 homes being held up by power shortages,

TAKEAWAYS FOR REAL ESTATE OCCUPIERS

Ensure that the cost of energy is competitive on a world stage and supports the electrification process

The primary concern for occupiers in the near term is the cost of electricity. The introduction of the British Industrial Competitiveness Scheme and the British Industry Supercharger package highlights the need to rebalance the energy market, addressing the pricing discrepancy between electricity and gas to facilitate greater electricity adoption.

The British Industrial Competitiveness Scheme aims to reduce electricity costs by approximately £35-40 per megawatt-hour (MWh) until 2030, benefiting thousands of businesses. Set to launch in 2027, this scheme will impact around 7,000 electricity-intensive businesses in sectors such as automotive, aerospace, and chemicals. The British Industry Supercharger package will enhance support for the most energy-intensive industries, increasing the Network Charging Compensation scheme from 60% to 90% starting in 2026, assisting about 500 businesses.

Potential Electricity Market Reforms (REMA) could alter electricity pricing mechanisms. Currently, while electrification improves emissions, it may be costly due to pricing imbalances. However, these reforms could accelerate electricity adoption and emissions reduction pathways. Additionally, the development of the CPPA market may provide more options for procuring renewable energy directly from generators, contributing to new projects. CPPAs can help limit energy cost variability and support carbon reduction targets.

Occupiers may look to benefit from potential clustering effects within relevant industries, which could influence location decisions. Furthermore, occupiers could expect increased specification of space for real estate, shifting towards electric and efficient solutions.

OTHER AREAS OF NOTE

Nuclear – The creation of Great British Energy-Nuclear, the development of Sizewell C, and substantial funding for Small Modular Reactors (SMRs) could be transformative for the UK's energy landscape. Nuclear's ability to provide reliable, low-carbon baseload power will support the decarbonisation of the grid. The development of small modular reactors (SMRs) may offer greater flexibility for land use, especially for energy-intensive sectors like data centres. As the SMR sector develops, it could unlock new opportunities for industrial clusters and regeneration of former industrial sites, supporting both regional growth and the sustainable expansion of advanced manufacturing and digital infrastructure.

Circularity – The government's commitment to a circular economy is central to reducing waste and lowering emissions. The forthcoming Circular Economy Strategy, alongside targeted support for foundational industries such as steel, chemicals, and critical minerals, is vital for building resilient renewables supply chains. For real estate, this means increased demand for facilities that support recycling, reprocessing, and advanced manufacturing, as well as opportunities to repurpose existing assets. In addition, embodied carbon within refurbishments and new-builds may become more prominent.

MARKET VIEW

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The UK Government is grappling with three complex energy challenges at the same time: decarbonisation, high energy costs and reforming the power grid. All three require very significant investment and will take time.

The easiest and quickest option for landlords and occupiers is to embrace the opportunity of on or near site 'behind the meter or BTM' projects. These projects, whether they be renewables or efficiency-led, deliver cost savings, new income streams and reduce CO2 emissions.

It is time the real estate industry stops prevaricating and launches a BTM revolution. This would align with the emerging clarity of Government policy and makes compelling economic sense.

IN CONCLUSION

The UK's Modern Industrial Strategy prioritises clean energy, grid reform, and supply chain development, creating opportunities for real estate and renewable energy sectors. With ambitious targets, streamlined processes, and funding support, stakeholders must align with these policies to unlock value in a rapidly evolving market.

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