Tracxn

UK Climate Tech

A Funding and Ecosystem Analysis

TRACXN WRAP

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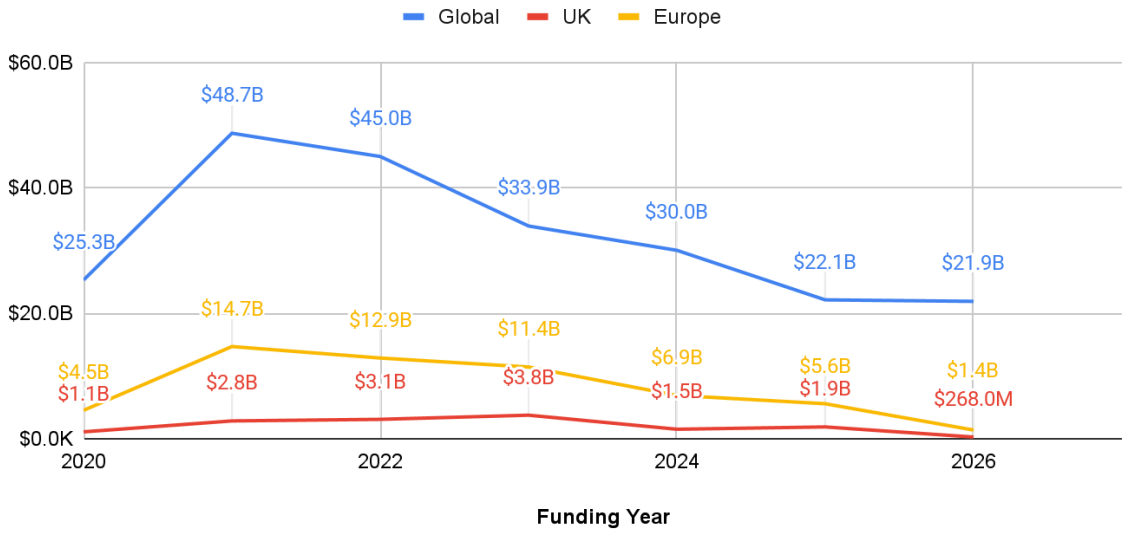
UK Climate Tech at a Crossroads: A Funding and Ecosystem Analysis

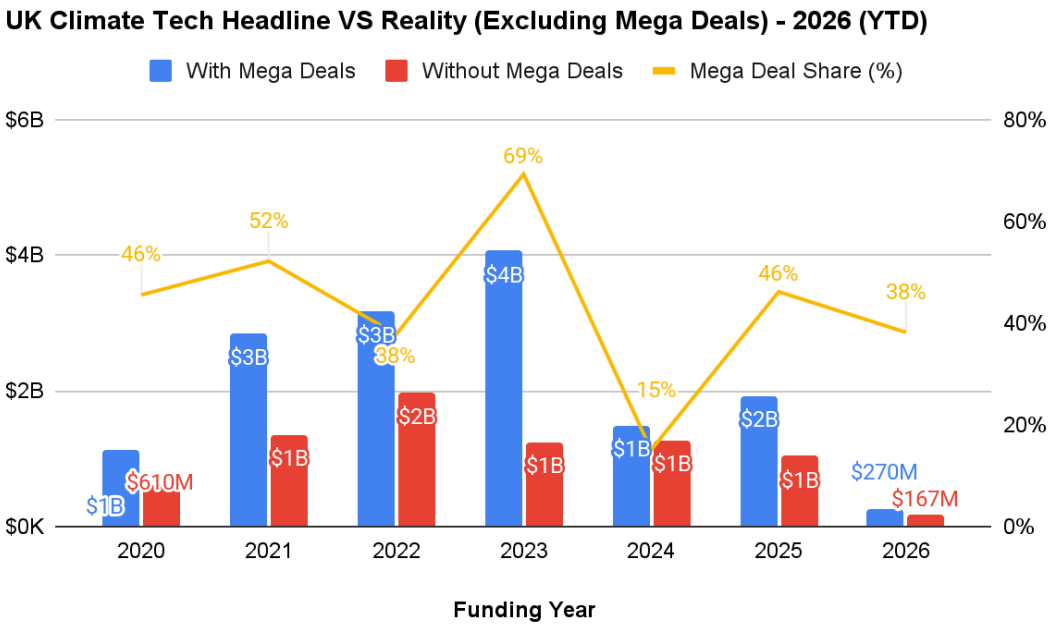
Global climate tech funding peaked at $48.7B in 2021 and declined to $22.1B in 2025. YTD 2026 funding stands at $21.9B through mid-April — a run-rate that, if sustained, would materially exceed 2025 and suggest directional recovery rather than further decline. Caveat: early-year data is highly skewed by deal timing and should not be annualised directly. The UK tells a sharper story: funding fell from $3.8B in 2023 to $1.9B in 2025, and stands at just $268M in 2026 YTD.

Climate Tech Funding Global VS Europe VS UK (2026 YTD)



Source: Tracxn

The headline numbers, however, mask a deeper structural reality. Strip out the mega-deals, and UK climate tech base funding has been flat at ~$1B since 2021. The 2023 “peak” of $3.8B was 69% mega-deals. The real ecosystem peak was 2022, with $2B deployed across 310 rounds. 2024 — In 2024, mega-deals accounted for just 15% of total funding, suggesting broader-based ecosystem activity.



Source: Tracxn

Year	Median Amount	Average Funding
2026	$3M	$8M
2025	$5M	$11M
2024	$3M	$8M
2023	$1M	$6M
2022	$2M	$8M
2021	$2M	$5M
2020	$968K	$3M

UK Climate Tech Median Amount and Average Funding Trend (2020–2026)
Source: Tracxn

Excluding mega-deals, the median UK climate tech round has held between $1M and $3M since 2020, with the average settling at $5–8M. The median has grown from $968K in 2020 to $3M in 2024, reflecting steady maturation. However, the ecosystem has not yet broken through to sustained scale. Four factors contribute: a financing gap at the £10–25M stage where public capital is limited, the capital-intensive nature of hardware-heavy climate tech which extends the path to returns, a late-stage pipeline that remains thin relative to early-stage activity, and grid connection delays that can stall deployment even for fully funded projects.

The Sectoral view of climate tech

According to Tracxn data, the sectors that have attracted the most climate tech funding are:

Sectors	Total Funding
Smart Grid	$3.4B
Air Pollution Management Tech	$1.5B
Renewable Energy Tech	$1.3B
Energy Efficiency Tech	$1.2B
Solid Waste Management Tech	$730M

UK Climate Tech Top Sector Funding Trend (2020–2026)
Source: Tracxn

Smart grids — essential infrastructure for the UK's electrification — rank first with $3.4B. In December 2025, Ofgem approved over £28B of investment in energy infrastructure to support clean power targets. However, grid connection delays remain a significant constraint — NESO has warned it cannot meet deadlines for 210 of 340 protected energy projects due to connect by 2027.

These sectoral trends are reflected in the top three companies by total funding: Octopus Energy ($2.0B), Zenobē ($1.4B), and Fidra Energy ($603M). Octopus Energy is a leading British renewable energy supplier known for its smart electricity tariffs. Zenobē specialises in fleet electrification and grid-scale battery storage, helping cities transition to electric buses. Fidra Energy, founded in 2024 and headquartered in Edinburgh, develops large-scale Battery Energy Storage Systems (BESS) designed to stabilise UK and European electricity grids. Together, they represent the infrastructure, power supply, and hardware required for a zero-emission future.

The data points to a growing economic appetite for clean energy — one that is expanding beyond environmental necessity into a driver of economic growth.

Demand levers

Three forces are positioned to convert this economic appetite into scaled demand.

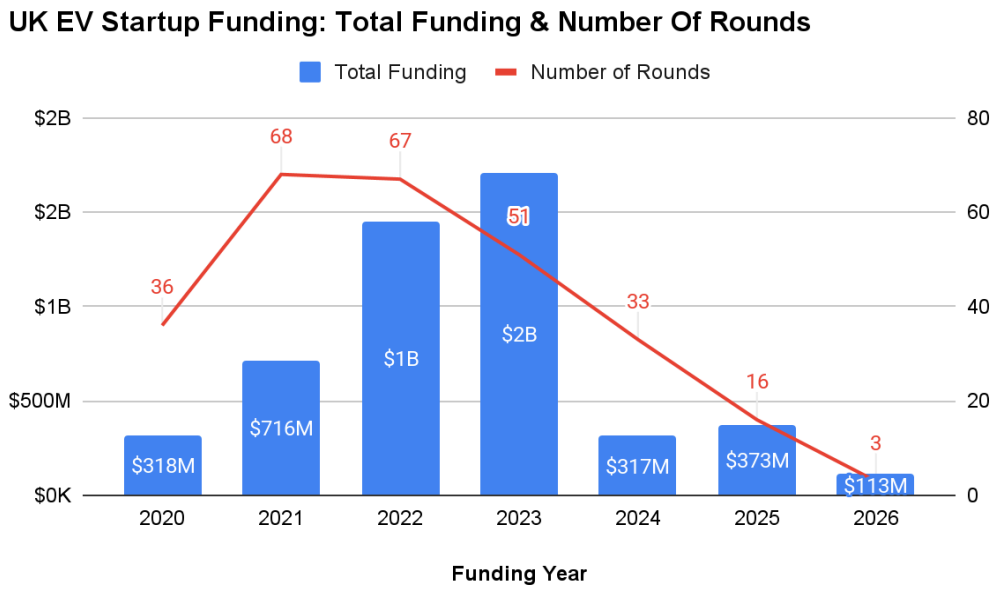
The AI boom: AI data centres need power. For the UK to become a sovereign AI hub, that demand must be met. Hyperscalers — Google, Meta, Amazon — are backing nuclear and renewables. AI-related funding hit $4.6B in Q1 2026 alone, with Nscale, a neocloud, raising $2.0B.

Big Tech is reshaping nuclear funding: Meta, Amazon and Google now back TerraPower, Oklo, X-energy and Kairos Power. Oracle and Bloom Energy expanded their partnership in April 2026 to secure up to 2.8 GW of fuel cell capacity to power Oracle's AI-driven data centres.

By contrast, OpenAI paused its UK Stargate data centre project, citing high energy prices and regulatory friction — underscoring the urgent need for clean energy if the UK is to realise its ambition of becoming a global headquarters for AI.

Strategic competitive positioning: Climate tech is one of the strongest defensive moats against AI disruption. HALO investments — high-value assets with long-term outlooks — offer distinctive advantages that AI automation cannot easily replicate. Private capital is well-suited to early-stage and scale-up financing where longer payback profiles and higher technology risk make public markets less receptive.

Electric vehicle market acceleration: US-Iran tensions are driving a dual surge in oil/gas and EVs. Chinese EV exports surged 140%. China controls nearly 70% of global EV batteries and holds substantial UK market share. UK electric car sales reached an all-time high in March 2026, with 86,120 registrations. Chinese brands' market share rose above 10%. UK EV startup funding, however, is in decline:



Source: Tracxn

What policies would drive the supply

Energy security through diversification: The Russia-Ukraine conflict was an early warning. US-Iran tensions are now defining the energy landscape of the 2020s. Climate tech serves as both a deterrent against and an immunity from energy shocks.

Sustained government incentives in climate tech: The current energy crisis must not redirect climate tech funding towards fossil fuels. China's targeted EV subsidies drove a surge in domestic sales — the model works. The UK government's recent £380M grant to Tata's Somerset battery factory to supply Jaguar Land Rover is the right signal.

Addressing the talent shortage challenge: The UK faces a critical shortage of engineers for electrification and grid expansion. Northvolt, once Europe's premier EV battery hope, filed for bankruptcy in part due to talent gaps. Two solutions exist: higher birth rates (no near-term impact) or immigration of skilled talent (the only viable option). While politically sensitive, supportive immigration policy is the single fastest lever to close the engineering gap.

Even with the right policies in place, three systemic risks could slow momentum.

Potential barriers to climate tech growth:

We identify three principal risks to climate tech growth in the UK.

AI market correction risk: AI has emerged as one of the most significant demand drivers for climate tech in the current market. Hyperscalers are investing heavily in data centres and power sources. According to the IEA's Energy and AI Base Case, global data centre electricity consumption is projected to more than double from ~415 TWh in 2024 to ~945 TWh by 2030, growing at ~15% annually and reaching just under 3% of global electricity consumption.. A significant AI contraction would cascade across the sector and the broader economy.

Immigration policy constraints: Adequate funding and technology exist. The binding constraint is people. As outlined above, the UK's talent shortage is acute — and the second most-funded sector, smart grids, is precisely where the engineering gap is widest. Without supportive immigration policies to attract and retain skilled workers, climate tech cannot scale.

Grid infrastructure bottleneck: Even where funding and talent are available, physical grid capacity is a binding constraint. NESO cannot meet deadlines for 210 of 340 protected projects due to connect by 2027. Without grid access, funded projects cannot deploy.

On the eve of Earth Day, climate tech is being discussed with more emphasis on the economics of it rather than the emission or net-zero benefits. That is the structural shift we expect to define 2026.

References

All startup data-related information including company numbers and funding that have been referenced in this report has been sourced from the Tracxn platform.

All figures represent equity-based funding only; debt-related instruments, loans, and credit facilities are excluded from these totals.

For the purposes of this report, Mega-Deals are defined as high-value transactions with a total consideration surpassing $100M

All company, funding, and ecosystem data considered in this report is based on information available up to April 16, 2026, unless otherwise specified.

Certain financial figures, percentages, and aggregates presented in this report have been rounded for analytical clarity and presentation consistency. As a result, individual line items may not sum precisely to reported totals, and percentage distributions may not equal exactly 100%.

Sources:

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3) Reuters: Big Tech backs next-gen nuclear power
4) OpenAI is hitting pause on its U.K. data center plan
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