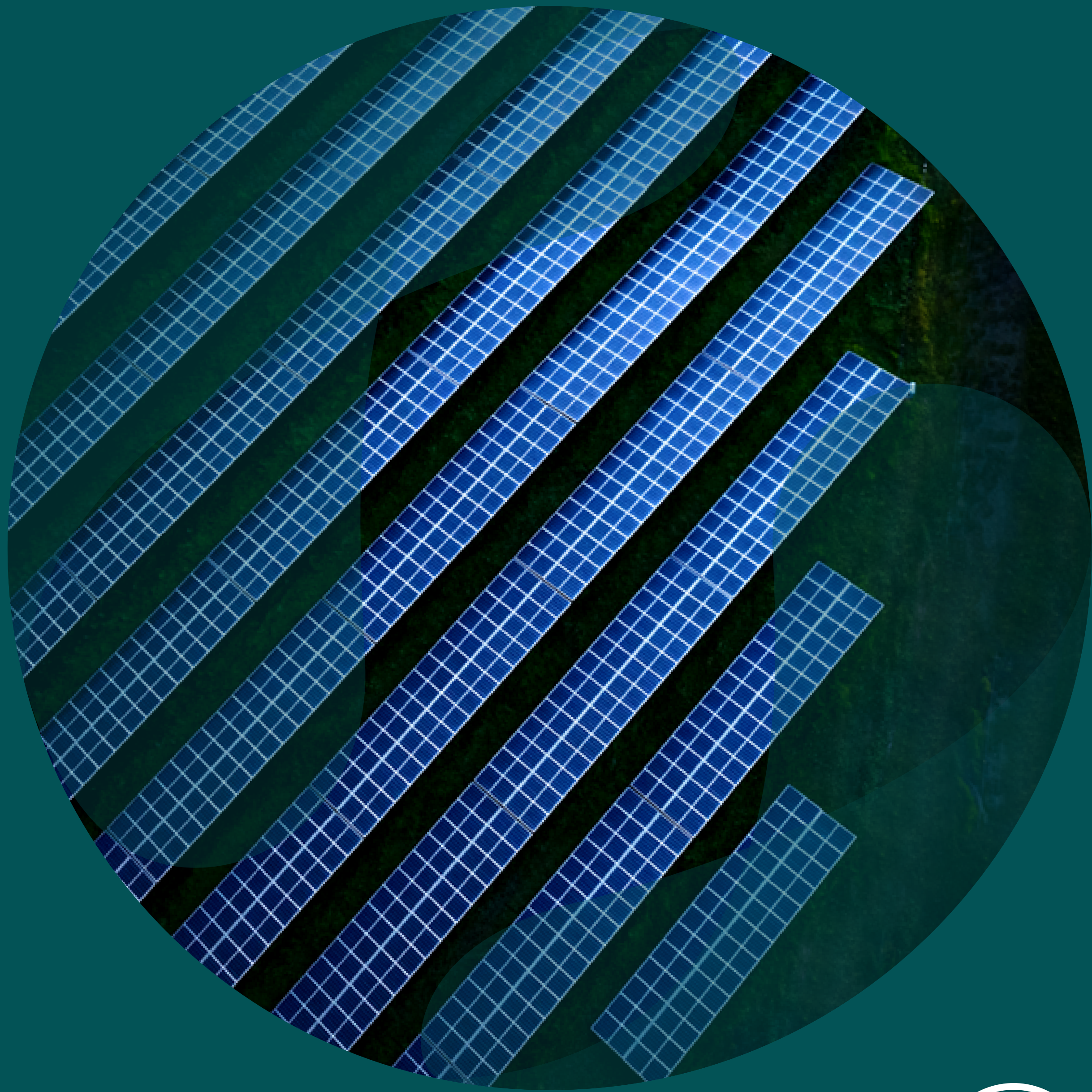

Future Energy M&A Market Monitor 2025

For what comes next

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Contents

Overview

2024 was a milestone year for clean energy in the UK, with over half (51%) of the country's electricity coming from renewable energy for four consecutive quarters, for the very first time. This trend is only set to continue in 2025.

A change in government brought with it ambitious targets to double onshore wind, triple solar power, and quadruple offshore wind by 2030. This, alongside the lifting of a de facto ban on onshore wind development and much anticipated grid reform getting underway, meant that the UK's future energy sector remained resilient with M&A activity levels as strong as ever. The UK's clean energy generation market is still seen as a 'safe bet' and investor appetite remains high, maintaining a competitive marketplace for assets and opportunities.

The secondary M&A market for operational wind and solar generation assets remains buoyant as expected.

2024 saw the following trends:

1. Continued appetite for consented or ready-to-build solar projects, battery projects, co-located assets and onshore wind projects in Scotland and Wales. Increased challenges around certainty of revenue streams for stand-alone battery storage projects saw a dip in interest in this technology from some market players.
2. A more challenging, but broadly still seller-friendly market with high levels of competition and a continued uptake of warranty and indemnity insurance.
3. Evolving project features including larger capacity sizes, more transmission connected projects, and longer connection dates. Future proofing land agreements and planning to encompass future technologies and longer project life is becoming more common, as is the number of projects being co-located.
4. Grid reform uncertainties appear to have impacted M&A activity for standalone greenfield projects (where acquirers are reluctant to assume risk until the path forward is clear) but have not materially affected consented or ready-to-build projects. Joint venture investment in portfolios including greenfield projects continues.
5. While activity has remained high there has been a trend towards longer transaction timelines. This is largely due to acquirers' increased caution given the squeeze on margins and impact of grid reform which has required more due diligence and assurances from the Distribution Network Operators (**DNOs**) on grid costs, missed grid milestone payments and revised connection timelines.
6. Acquirers looking to transact earlier by either taking planning/judicial review risk or signing transactions at an earlier stage with completion (or put option agreements) conditional on planning.
7. A steady, albeit cautious, appetite for joint venture arrangements, particularly between investors and developers for large-scale portfolios with increasing amounts of capital committed.
8. Increased interest in the UK market from overseas investors, contributing to a competitive landscape.

2025 is expected to be an active year for M&A:

- Resolution of the uncertainties created by grid reform will likely make a number of winners in that process very attractive.
- The launch of the first ever cap and floor scheme for long-duration electricity storage (**LDES**) coupled with continued investment in hydrogen, could attract more investors to these mainstream technologies and EV.
- 2024 saw a 21.4% uplift in EV car sales from the previous year, alongside the proposed re-establishment of the ban on pure petrol and diesel cars by 2030 – this could re-focus investment interest in EV charging infrastructure.
- ESG and sustainability is still high up on the boardroom agenda, with growing demand for "green energy" from both large corporates and the public sector creating a larger market.
- Institutional investors' continued appetite for renewable generation assets is driving additional funding into the market, creating demand and competition for the best assets.

About the report

In our second specialist Future Energy M&A Market Monitor, we look at key trends in the negotiation of the acquisition and disposal of future energy projects over the past two years (1 April 2023 to 31 March 2025).

Our analysis is based on data from 58 M&A transactions* completed by our Future Energy Corporate team working in England and Scotland, and reflects broader trends in the Future Energy M&A market.

We focus on the following areas:

- Parties & completion arrangements
- Pricing mechanisms
- Liability
- Seller limitations on liability
- National Security and Investment Act 2021
- Grid sharing
- Support mechanisms
- Joint ventures or third-party process
- Looking to the future

* Note: asset purchases of project rights have not been included in the data.

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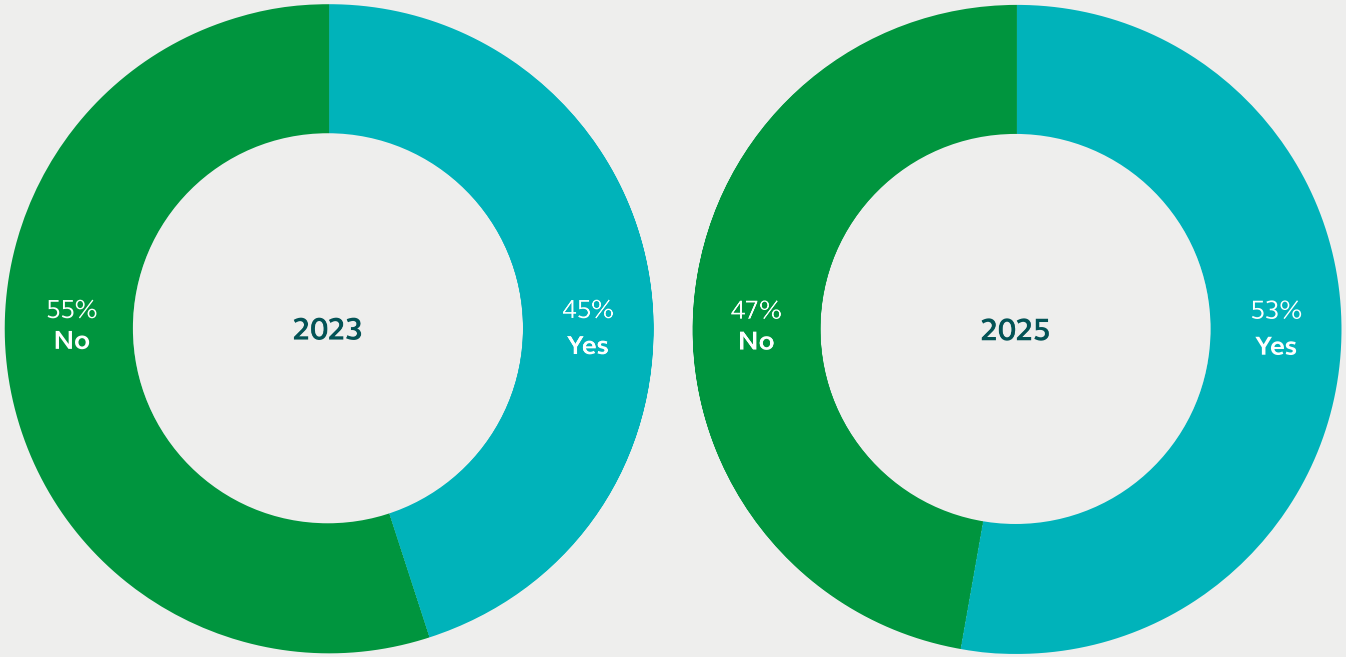
Parties & completion arrangements

Did the deal involve an investment fund as acquirer or JV investor?



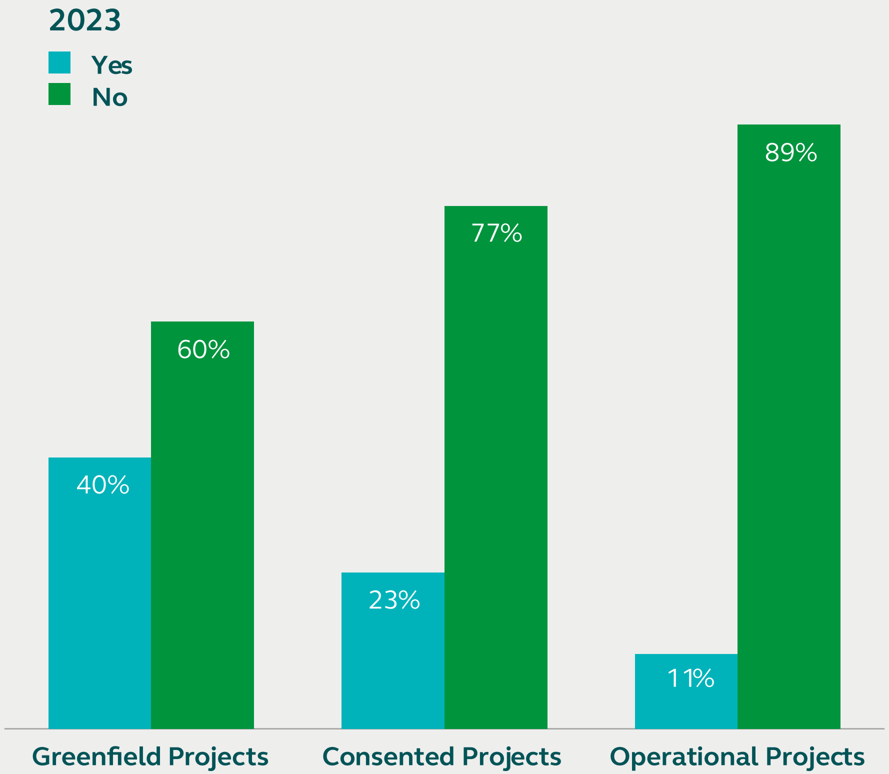
The past two years saw an 8% increase in deals where the acquirer was an investment fund.

UK clean energy generation projects continue to be very attractive to investment funds. They continue to acquire operational assets but there is a growing preference for acquiring assets or portfolios of assets at a much earlier stage to take on construction risk.

Funds are continuing to build in-house development teams or enter into joint venture arrangements with established developers to be able to participate in projects earlier and take on development risk for higher overall returns.

Non-fund acquirers include well-funded developers, traditional EPC contractors, vertically integrated entities, utilities, IPPs and energy companies. We also saw continued activity from businesses not traditionally involved in this sector who are pursuing ESG initiatives.

Was there a gap between exchange and completion?



Throughout the period covered by this report we saw most greenfield M&A activity take place through joint venture investments, which explains the reduction in gaps between exchange and completion for these projects. The historically high levels of activity we have seen in standalone greenfield projects has been limited in 2024, largely due to grid reform uncertainties. Acquirers have been hesitant to take risks until the way forward on grid becomes clearer.

Historically, projects that had been consented but not yet cleared the judicial review period (thereby classed as greenfield for the purposes of this report) would likely have been subject to a split exchange and completion pending clearance of the judicial review period. However, we have seen an uptick in the use of judicial review insurance, removing the need for a split exchange and completion.

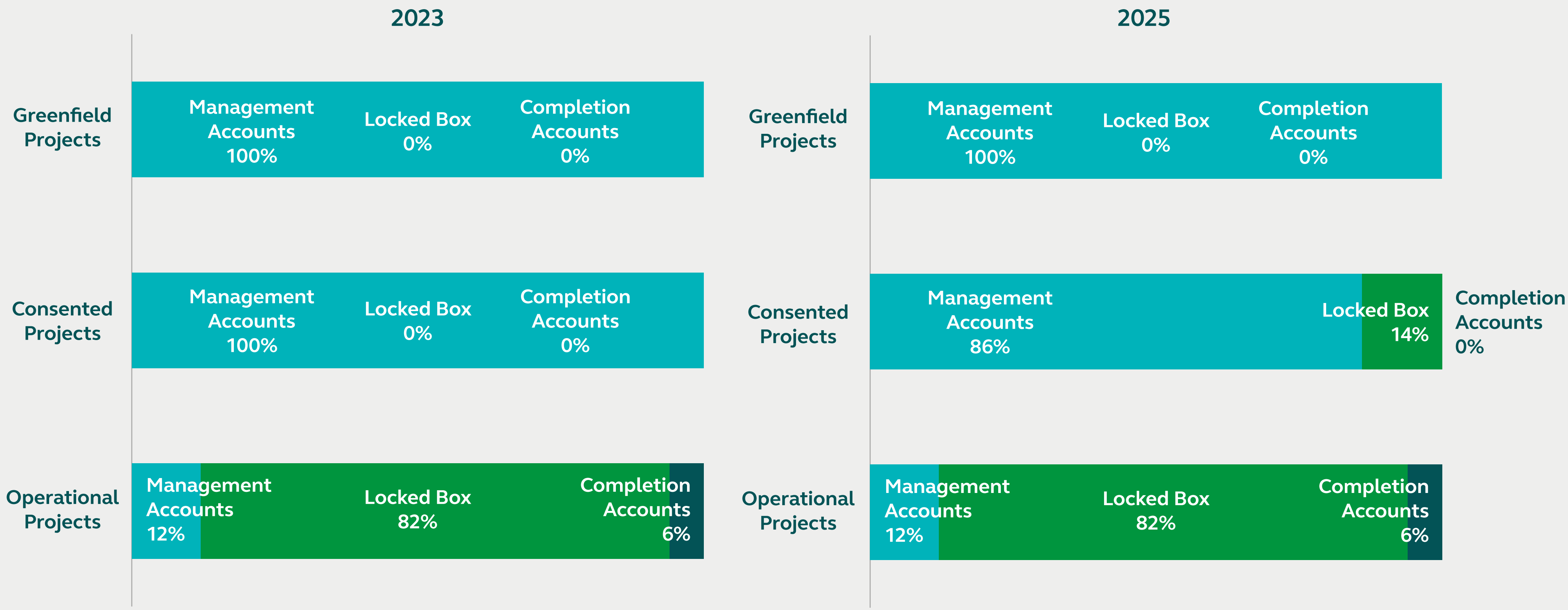
Where projects are at consented stage, it is not unusual to have a gap between exchange and completion. Conditions tend to be around the discharge of certain (riskier) pre-commencement planning conditions (e.g. satisfactory archaeological studies) or the project reaching ready-to-build status (e.g. securing any final easements or receiving third-party consents).

Operational projects usually involve a simultaneous signing and completion.

> “Where projects are at consented stage, it is not unusual to have a gap...

Pricing mechanisms

Pricing mechanisms – what was used?

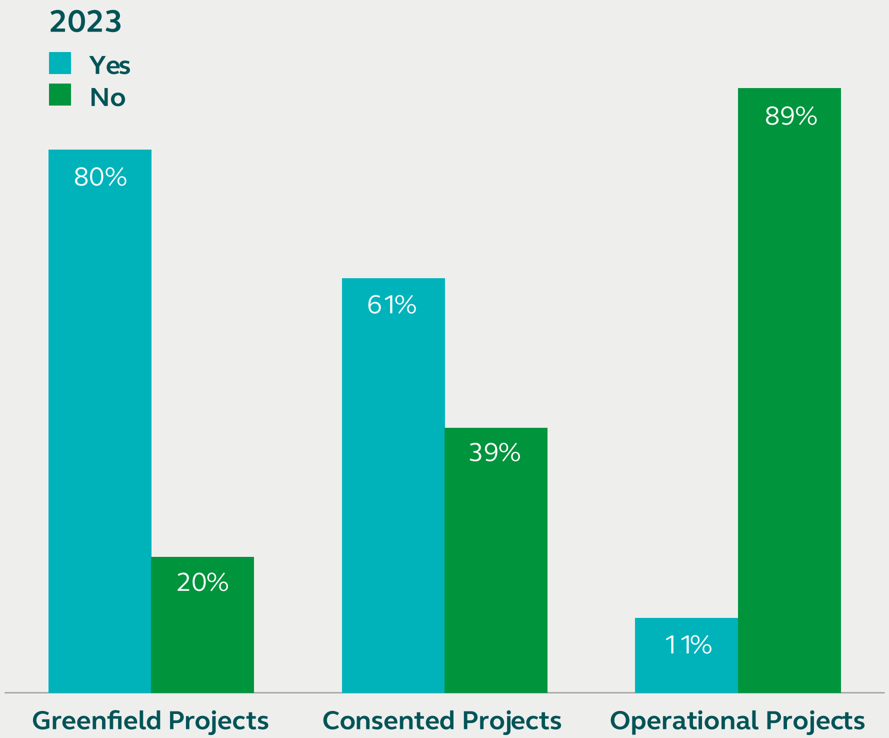


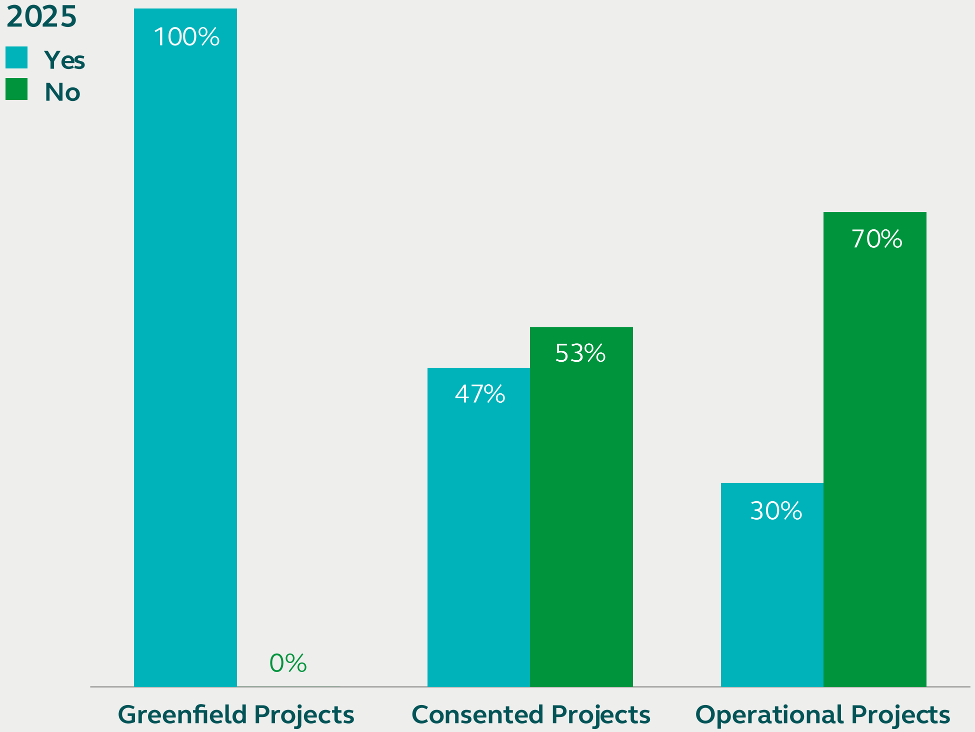
There are three different types of pricing mechanisms prevalent in the market: management accounts, completion accounts and locked box.

Given greenfield and consented projects are not trading and generating revenue, the pricing mechanism here is, unsurprisingly, management accounts. These are typically straightforward given the limited assets and liabilities of the relevant project SPV and are usually drawn up a business day or two before completion. However, we have seen a 14% increase in locked box usage for consented projects, partly due to the stretch in timeline. In many cases, SPVs are starting to carry out some pre-construction activities to ensure the original construction and connection timeline can be met.

> “We have seen a 14% increase in locked box usage for consented projects...

Deferred consideration – was there any?





The conditions for deferred consideration on greenfield projects largely mirror completion conditions, so that the majority of the consideration is held back until planning is achieved and the judicial review period has expired.

On consented projects, smaller elements of deferred consideration may be held back until construction starts so that the seller takes some of the residual development risk around discharge of pre-commencement conditions, and (more rarely) pending commercial operations and final installed capacity.

The latter is less rare where the seller has some residual role in the project (e.g. providing construction management services).

We have also seen an increase in deferred consideration (both for greenfield and consented) linked to final grid costs, and to securing a CfD and the relevant price. Perhaps surprisingly, there has been a decrease in instances of deferred consideration on consented projects, but this correlates with a marked increase in conditional share purchase agreements for those projects, which effectively "defer" the completion consideration to a later date and subject to the relevant conditions being met.

Deferred consideration on operational projects is uncommon and tends to be linked to snagging items or rectification issues identified in due diligence which are not significant enough to delay the transaction. The increase over the past two years is indicative of a more cautious approach by buyers, and the age of the portfolios (as revenue supported by various subsidies nears its end).

Liability

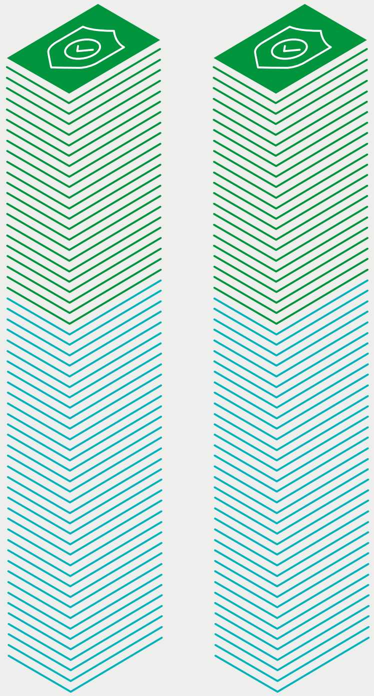
Liability – was W&I insurance used?

2023

Number of deals including W&I is

37/60

(62%)



2025

Number of deals including W&I is

35/58

(60%)

Note: All the W&I policies obtained on our 2023 and 2025 transactions were buy-side W&I policies.

The number of deals including warranty and indemnity insurance (W&I) is 35 out of 58 (60%).

The use of W&I on transactions continues to be commonplace. Under the vast majority of W&I deals, the seller's liability for breach of warranty (including fundamental warranties) and under the tax covenant is capped at £1.

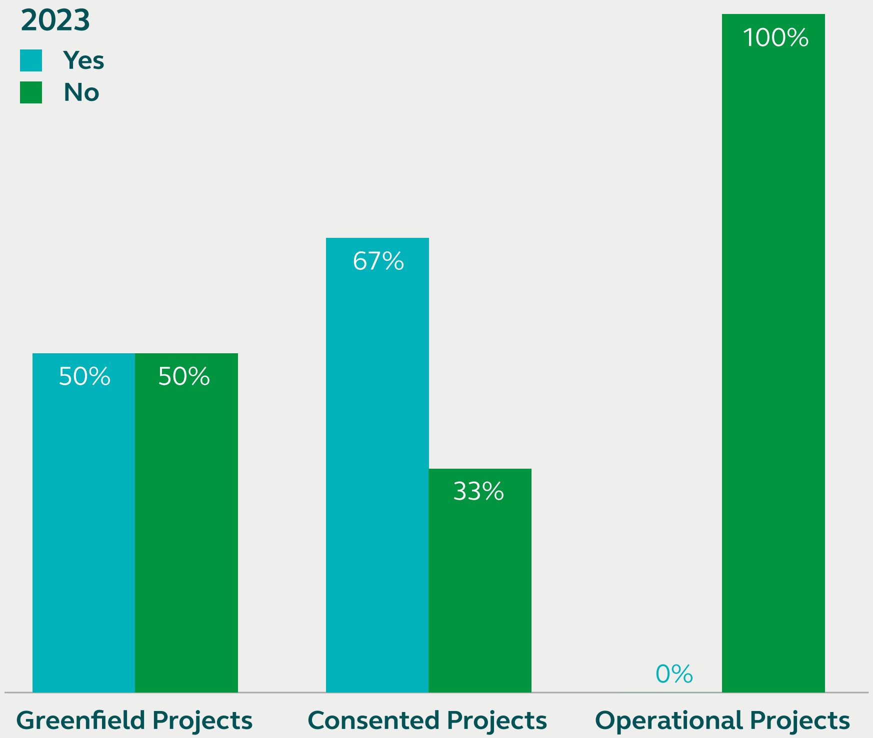
The W&I market continues to be very competitive and so incepting a policy is quicker than before (around 3 weeks in total), although engaging a broker as early as possible is still advisable.

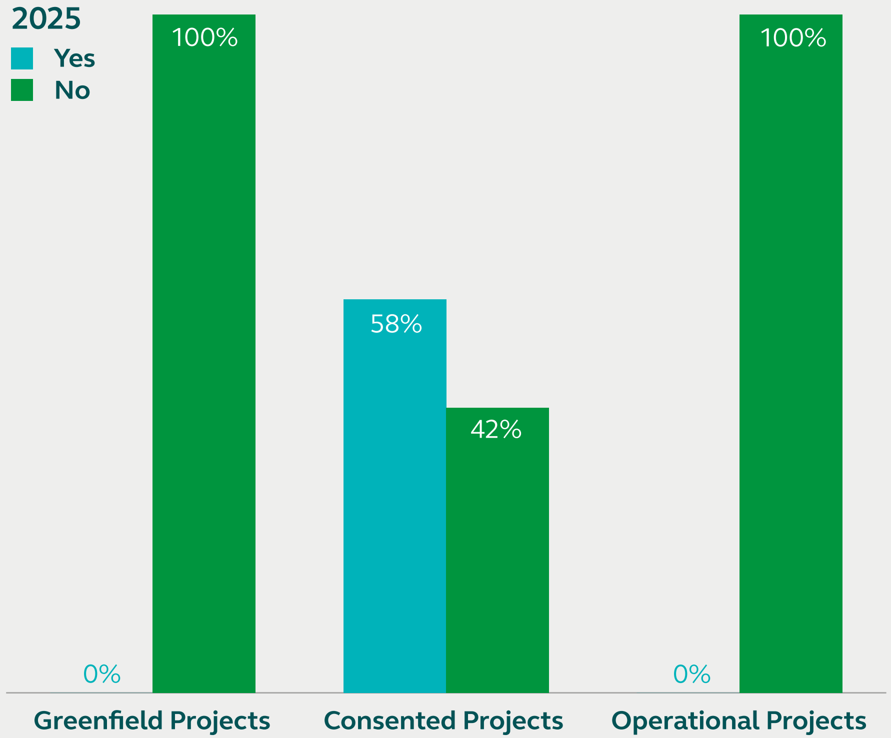
Given the competitive nature of the W&I market, there is also a continued opportunity to negotiate the policy terms, and we have seen policies cover known risks (traditionally excluded), or include optional enhancements (knowledge/materiality scrape, a removal of general disclosure of the data room) within the same premium or at a reduced additional premium.

The requirement for external tax/financial due diligence and the extent of underwriters' questions seems to have softened. Policy premiums are linked to the amount of coverage but, generally, seem to be in the region of 0.8–0.9% of cover. The level of coverage required will be driven by the buyer's risk appetite but where a portfolio is being acquired, it is unlikely that the buyer will seek full purchase price coverage.

New W&I market entrants are using AI to offer cost effective policies, which are particularly attractive for deals sub £3m, where the minimum premium may make a traditional W&I policy less cost effective.

Liability – was the data room generally disclosed?





Note: we have only included transactions which did not have W&I insurance.

Extensive due diligence is usually undertaken on the project/target entity. While general disclosure of the data room tends to come down to the bargaining strength of the parties, general disclosure of the data room is usually acceptable on greenfield and consented projects given the limited volume of documentation expected.

However, for operational projects or multi-project portfolios with extensive documentation, it is reasonable for buyers to insist on specific disclosures by sellers.

On transactions where W&I insurance is taken out, general disclosure of the data room under the share purchase agreement or seller's disclosure letter becomes a moot point because either:

- the W&I policy will deem the data room to be generally disclosed regardless of what the share purchase agreement/disclosure letter says; or
- where a buyer seeks a policy enhancement so that the data room is not deemed generally disclosed, this overrides any such general disclosure under the share purchase agreement/disclosure letter.

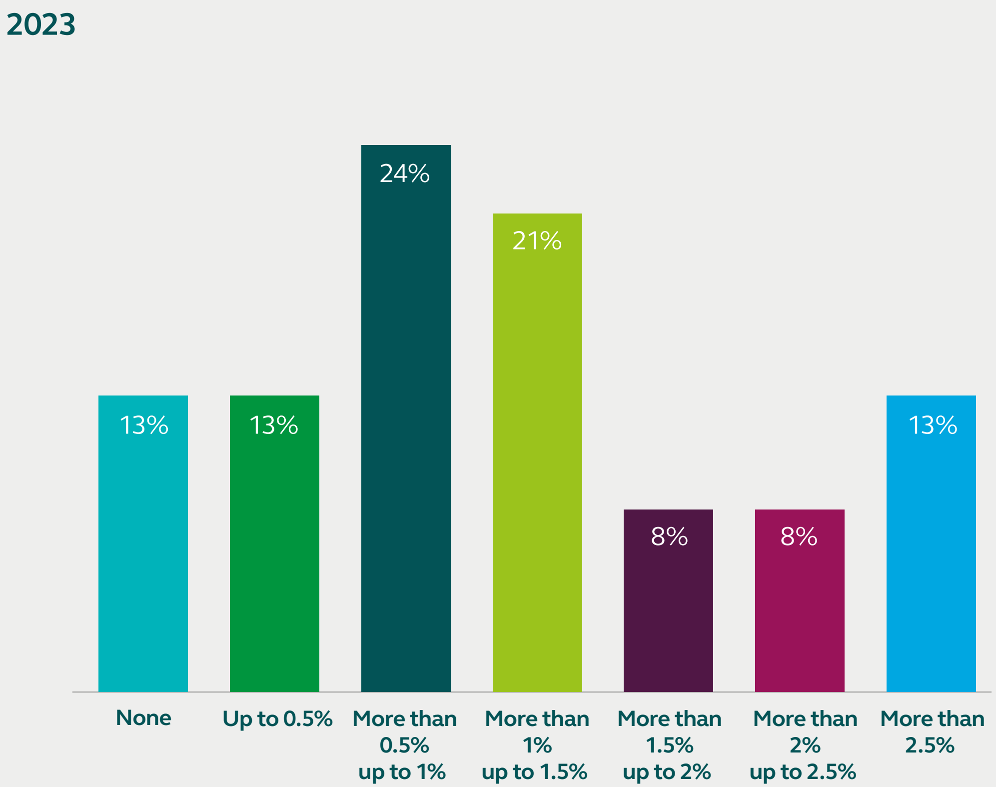
In either case, the W&I provider will, of course, still need to be satisfied that a reasonable due diligence and disclosure exercise has been carried out.

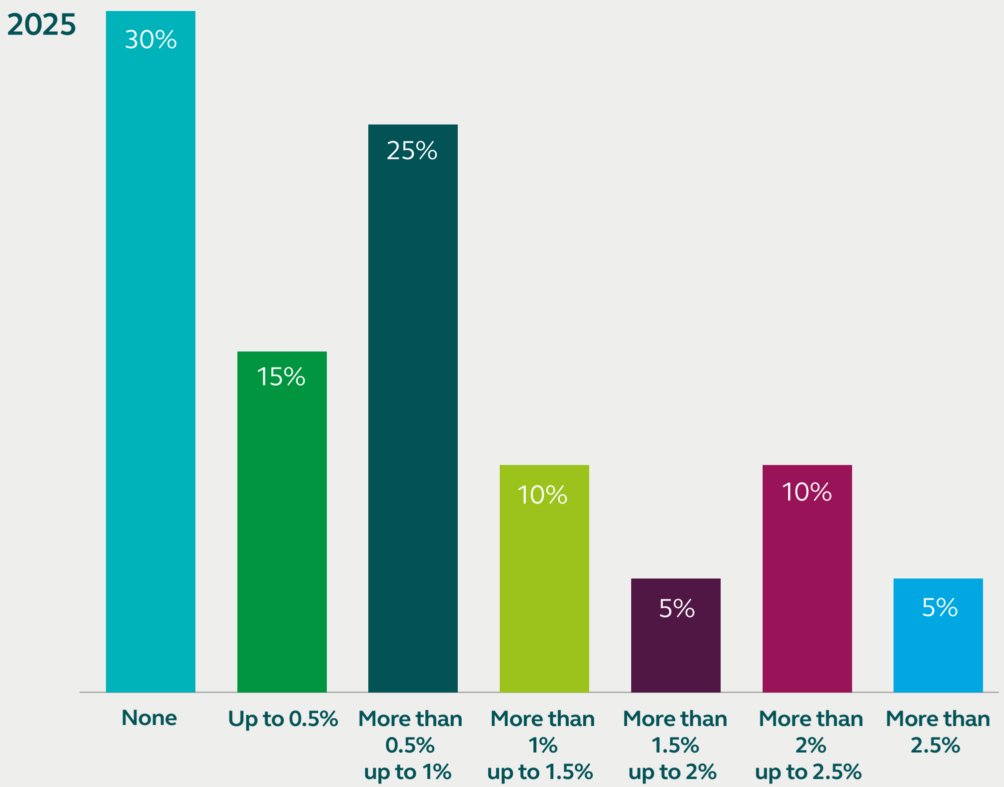
> "...for portfolios... it is reasonable for buyers to insist on specific disclosures...

Seller limitations on liability

Liability – aggregate claims threshold/de minimis

Liability – aggregate claims threshold/basket (% of deal value)





Note: we have only included transactions which did not have W&I insurance.

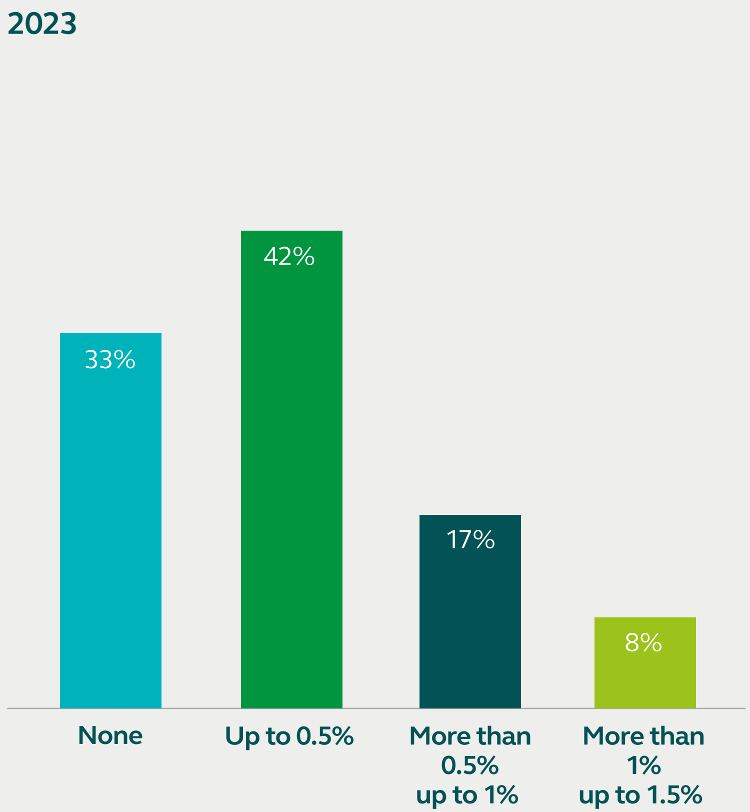
The limitations we tend to see on future energy transactions are reflective of the wider M&A market.

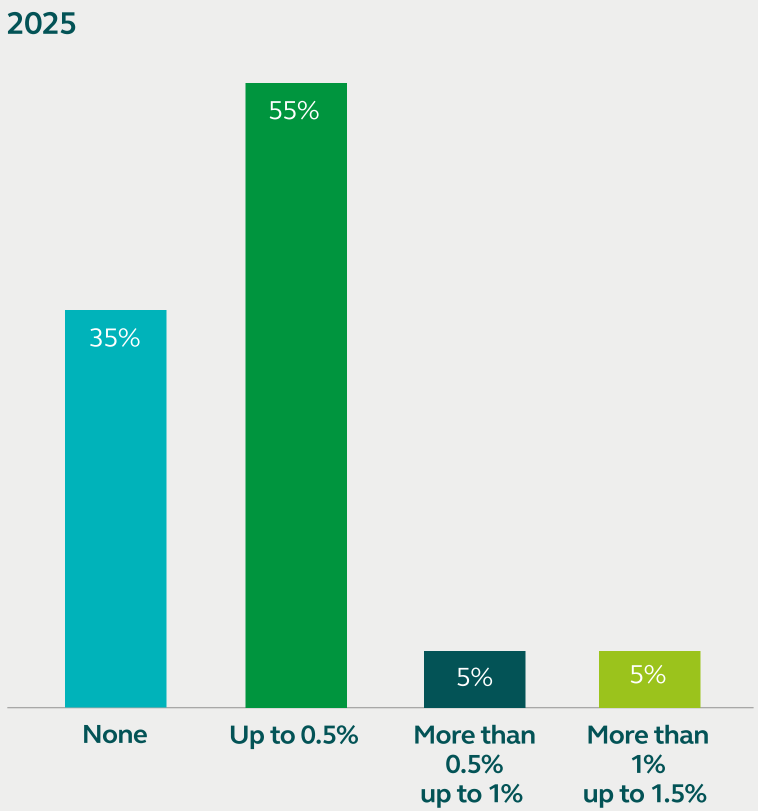
As would be expected, under transactions without W&I, a seller will seek to include a de minimis and a basket on claims.

In the majority of cases a de minimis of up to 0.5% of the deal value is standard (as per graph above) and most baskets are agreed at up to 1.5% of the deal value (as per graph on the following page).

Liability – aggregate claims threshold/de minimis

Liability – aggregate claims de minimis (% of deal value)

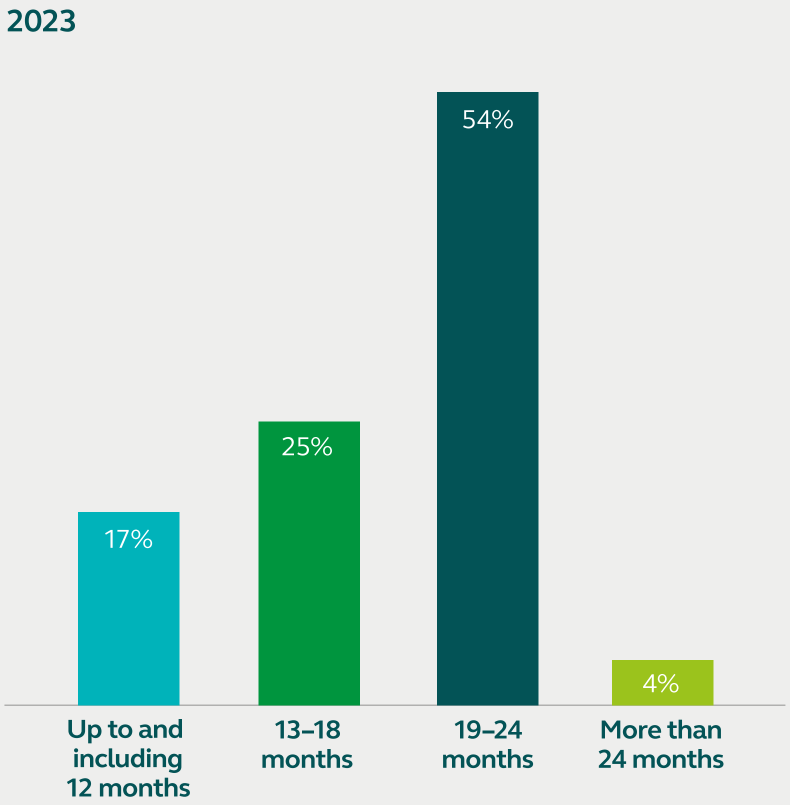


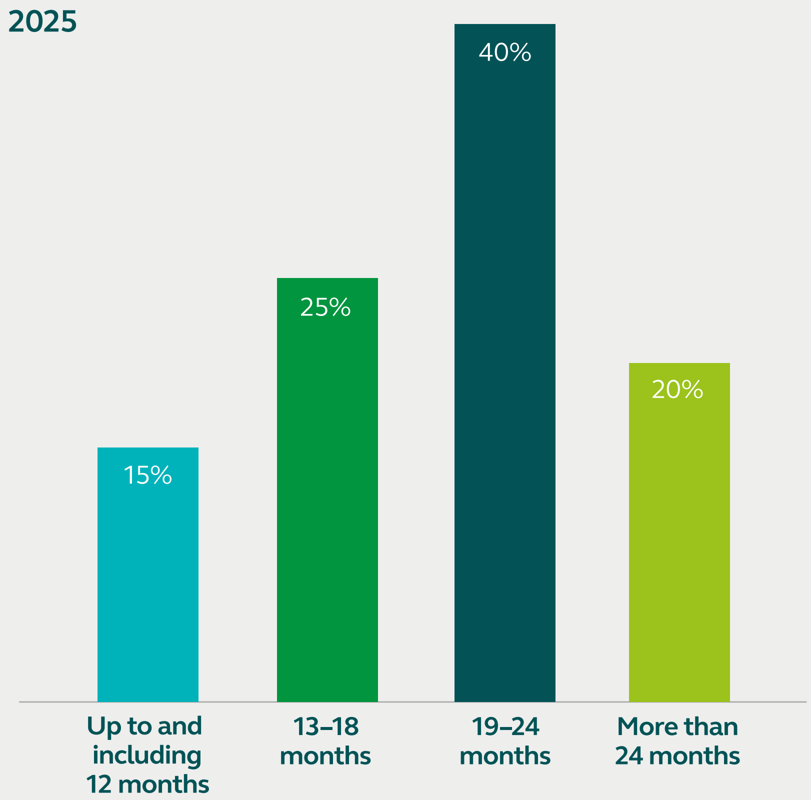


Note: we have only included transactions which did not have W&I insurance.

Liability – limitation periods

Liability – limitation period for non-tax warranty claims



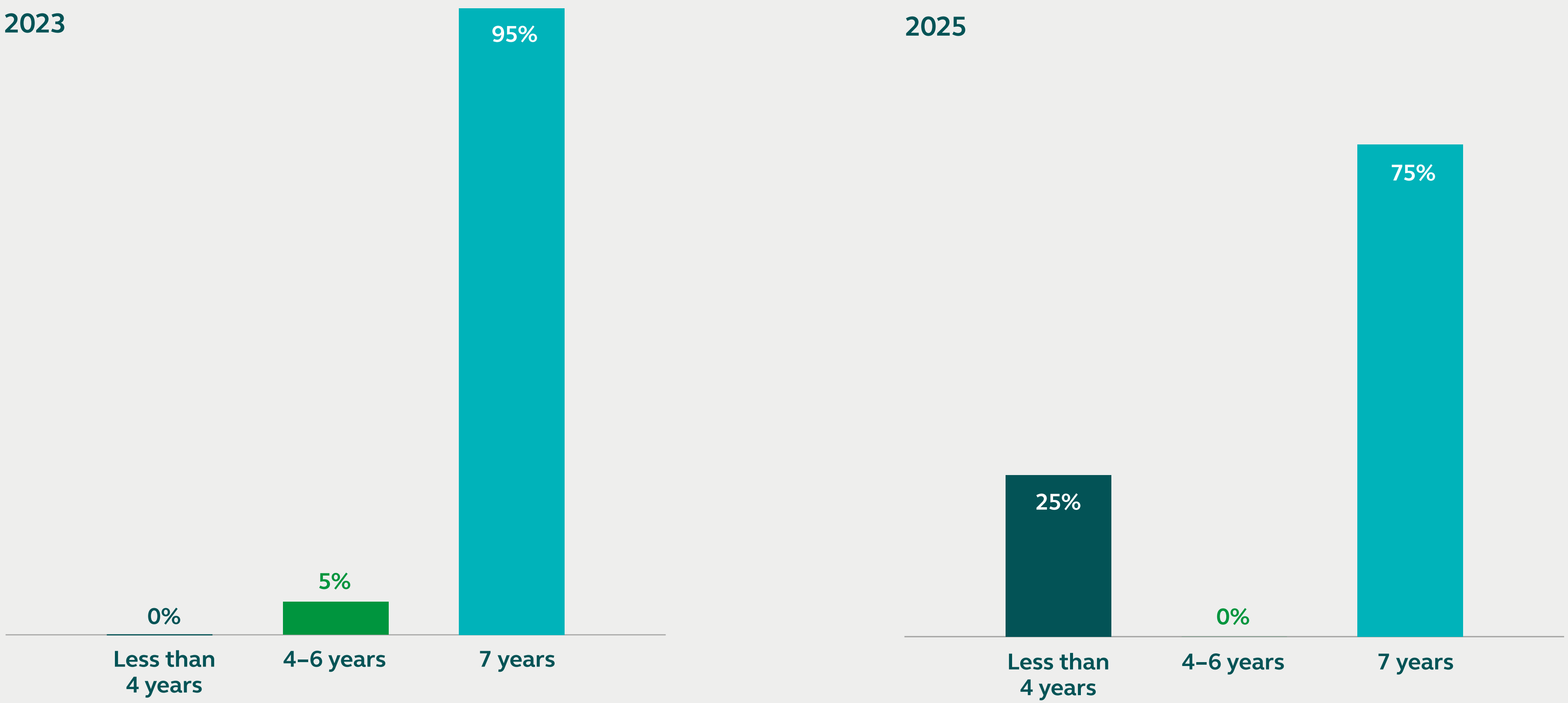


Note: we have only included transactions which did not have W&I insurance.

Claim periods for general warranties tend to be two years or less but it is not unusual to see extended claim periods for fundamental warranties, sometimes mirroring the claim period for tax claims.

Buyers usually want a claim period of at least one full accounting period, particularly for operational and trading projects. We have seen a marked increase in general warranty periods of longer than two years. This may be indicative of a slightly more cautious approach being taken by buyers, suggesting that the dial may be slightly turning from an overly seller-friendly market.

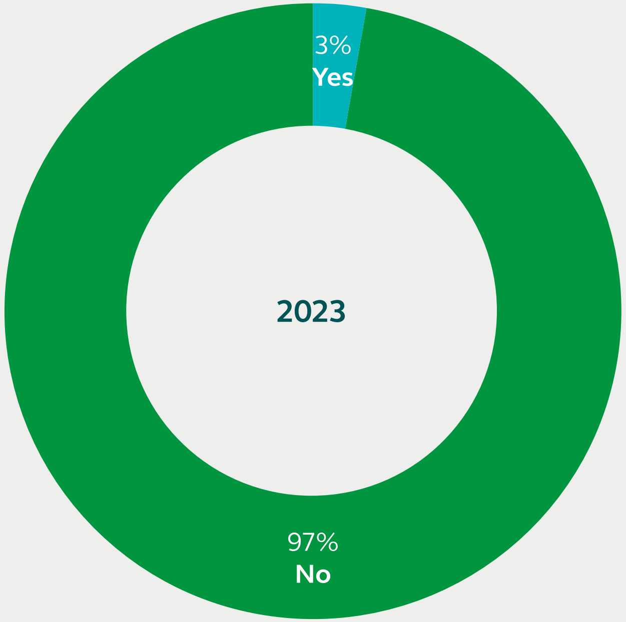
Liability/limitation period for tax warranty claims

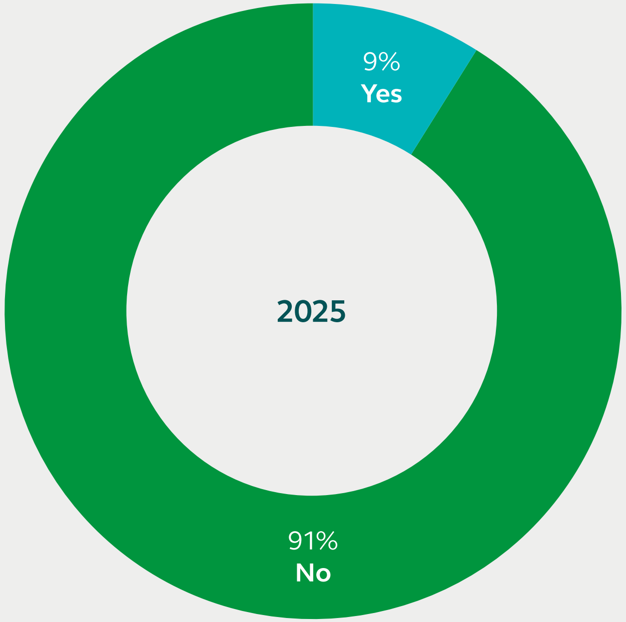


Seven years is the most popular limitation for tax claims given HMRC can look back six full accounting periods.

National Security and Investment Act 2021

NSIA – a significant consideration





> It is important to do an assessment early on in a transaction to determine whether a mandatory notification is required, or a voluntary notification may be desirable.

The National Security and Investment Act 2021 (**NSIA**) captures a wide range of transactions and focuses on entities and assets which operate in 17 'sensitive sectors'.

As Energy is one of the sectors, NISA requirements should be considered on each future energy transaction. A detailed summary of trigger events is beyond the scope of this report, but particular care should be paid where the target entity is a transmission, distribution or interconnector licence holder (or would need to be a licence holder if not for an exemption); involves an operational project of at least 100MW; or where the buying group holds generation assets or aggregates at least 1GW (inclusive of the target entity).

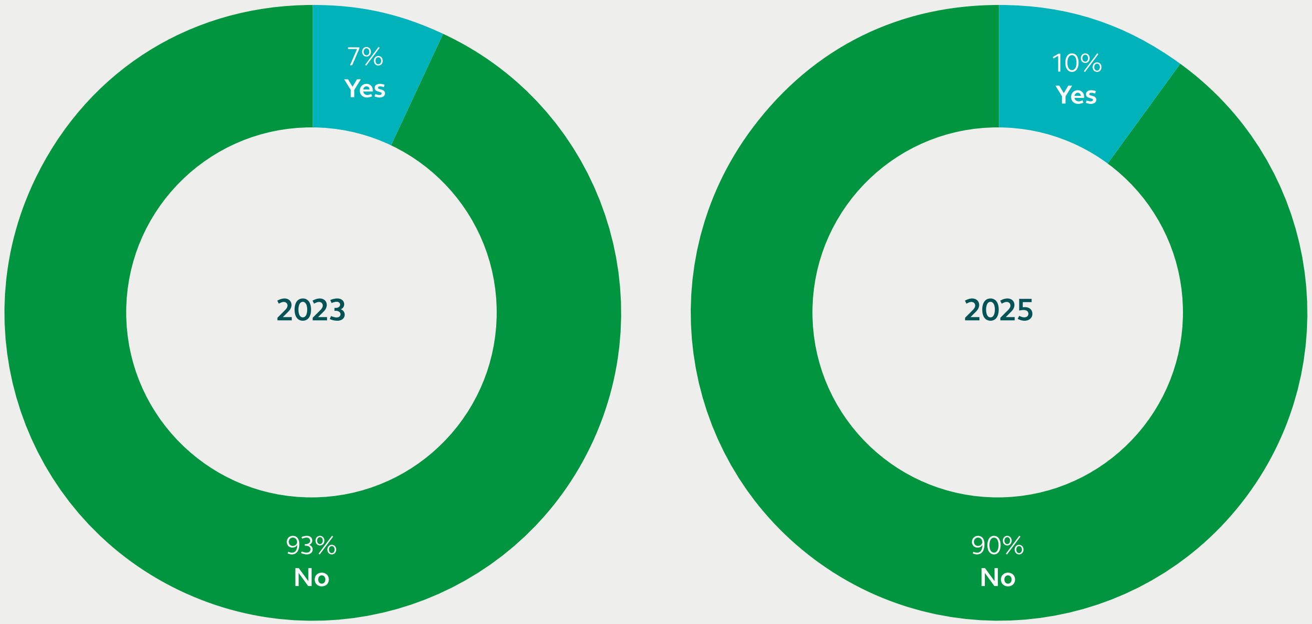
Where transactions are caught by the regime (either via a voluntary or mandatory notification) we are finding that the Investment Security Unit (**ISU**) which reviews the clearance applications is typically taking the full review period to which it is entitled to respond and make its assessment. This should be factored into transaction timetables. We are seeing the approval period often being dealt with as part of a split exchange and completion with the parties agreeing to the terms of the transaction subject to confirmation from the ISU that the clearance has been given (or given with acceptable conditions). It is also not unusual for the share purchase agreement to be negotiated before an NSIA application is made, and only entered into once clearance is received (to avoid the more complex mechanics of a split exchange and completion), especially where the risk of clearance not being granted and/or transaction risk are low.

We have seen the number of transactions captured by the NSIA triple in the past two years. This is likely because (i) more acquirers are holding over 1GW of generational capacity in Great Britain; (ii) projects are getting larger and more target entities hold generation licences; (iii) internal governance requirements are prompting more players in the market to make voluntary notifications; and (iv) there is an increasing number of overseas players entering the UK market where notifications would be prudent.

It is important to do an assessment early on in a transaction to determine whether a mandatory notification is required, or a voluntary notification may be desirable. TLT has a dedicated NSIA team available to provide support and assistance.

Grid sharing

Deals including grid sharing arrangements



Whilst grid sharing arrangements remain a feature on only a minority of transactions, we expect this to become an increasing trend in light of grid constraints and the increasing need to utilise all spare grid capacity as well as a growing number of co-located assets.

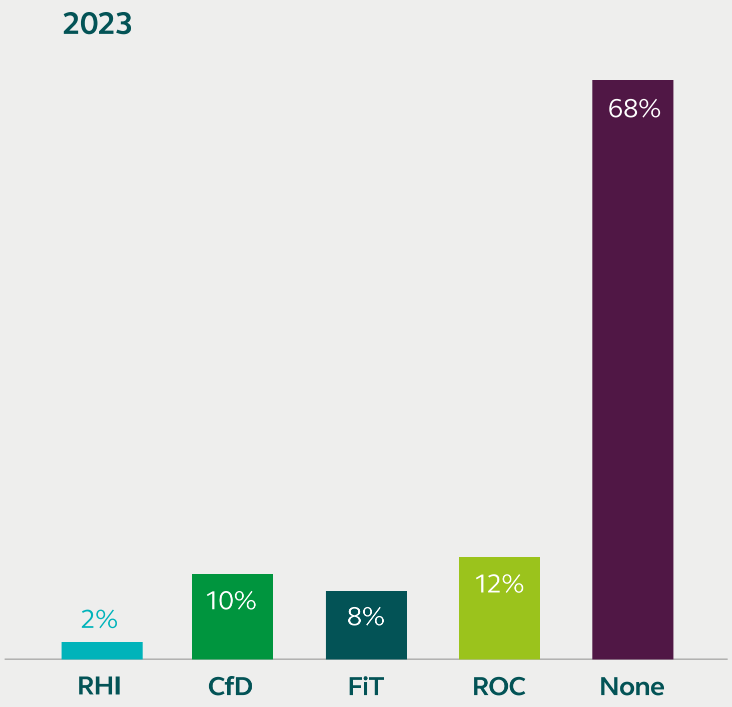
Grid sharing arrangements need to be carefully thought through to mitigate risk to the sharing parties, maintain bankability and future-proof any future exit arrangements. TLT is experienced in grid sharing arrangements and how best to structure such projects, and is advising a number of developers with grid sharing arrangements between different projects held by different SPVs in order to ensure bankability, especially where there is a timing gap in the stage of development of the projects.

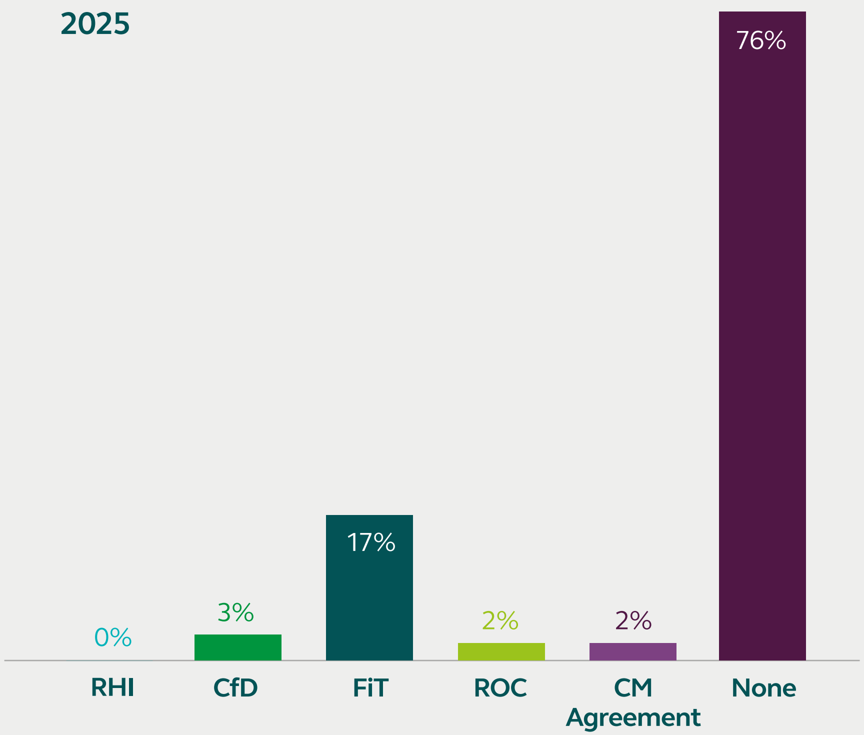
We have also advised a number of lenders and acquirers in carrying out extensive due diligence on projects sharing grid rights.

> Grid sharing arrangements need to be carefully thought through to mitigate risk to the sharing parties...

Support mechanisms

Use of Support Mechanisms





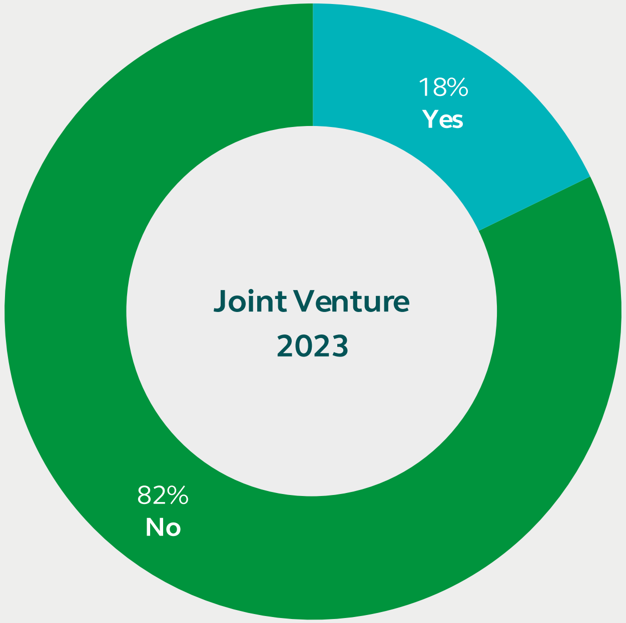
As expected, the majority of transactions have involved projects that do not attract any form of support mechanism. The market for onshore wind, solar and battery storage has matured enough that projects are developed on a subsidy/ support free basis as a matter of course.

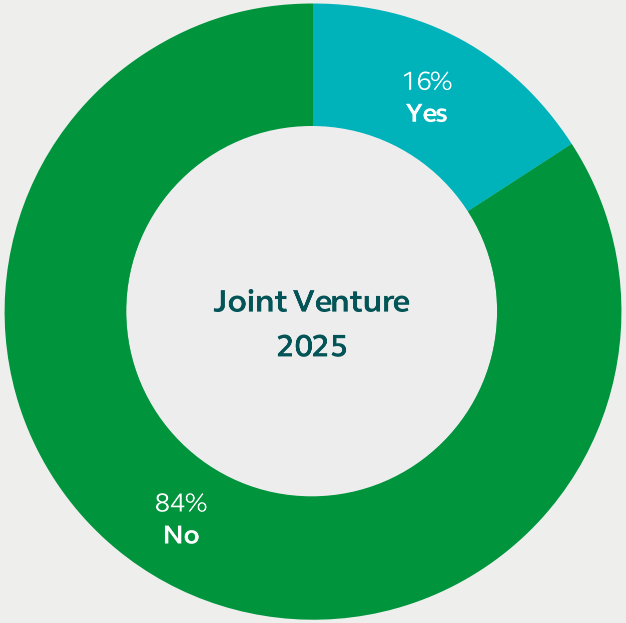
There will continue to be ROC and FiT projects coming to market as investment periods mature and assets are sold. Projects that attract a subsidy are still viewed favourably and there is no shortage of buyers for such assets.

Projects benefiting from a CfD continue to be attractive, but those projects are still a minority, and many projects are sold without a CfD, with a CfD being secured at a later stage.

Joint ventures or third-party process

Joint venture or third-party process?





A still significant, but decreasing, proportion of the transactions we worked on over the past two years involved a joint venture which would most likely be an investor-developer joint venture.

Given the competitive nature of the market, investors are continuing to use joint venture structures to gain a form of exclusivity with reputable developers and secure a conveyer belt of projects. Developers are also benefitting from joint venture structures given the more secure funding line and are capitalising on the competitive tension in the market by securing more favourable joint venture terms. For example, developers are retaining a higher equity stake, are demanding returns earlier than traditionally seen and are seeking more rights in terms of control, options to co-fund and early exits.

Some operators are however reconsidering the strategic value of JVs, and whether they are delivering the goals they were set up to achieve. This has resulted in a slight decrease of JV acquirers in 2024 particularly.

> "...developers are retaining a higher equity stake, are demanding returns earlier than traditionally seen..."

Looking to the future

Grid reform is viewed as a much needed and positive step to achieving the objectives of Clean Power 2030, but at the same time lack of clarity around how TMO4+ will work in practice is causing some uncertainty in the market. There has not been a wholesale slowdown but a more cautious approach to M&A activity, which is likely to only be temporary.

With Gate 2 criteria now determined we expect the market to ramp up, particularly with increased interest from institutional investment in generation assets, and rising interest from overseas investors. Appetite for the more mainstream technologies (wind, solar and battery) remains strong, albeit pricing on battery has dropped significantly from the heady heights seen in 2023.

The market is expected to continue to be a seller/developer's market with high competition for mainstream assets coming to the market. Investors will continue to identify good quality developers to team up with to secure large project pipelines or to diversify into other technologies through platform acquisitions or joint venture arrangements.

Rising development costs are also driving the trend for co-located (solar and battery storage) DCO scale projects. It was expected that a high percentage of these would be "hold-and-build" with a potential sale once operational, however, we are seeing a number come to market (or plan to come to market) following DCO approval. The buyer-pool for a DCO project is, however, much more limited given the scale of investment and resource needed to take DCO projects through construction.

Alongside Clean Power 2030, increased use of AI and the development of large-scale data centres is driving the need for increased renewable generation to power these projects, known as the so-called "AI 2030". We are seeing an increasing number of developers pivoting activity to purpose-built co-located solar and battery storage projects which will solely provide power via a corporate PPA or on a private wire basis to new data centres. With guaranteed revenue streams, these will be attractive assets for investors – either on a pure investment basis or as a part of a joint venture.

EV charging is another potential untapped market for investors and while making an investment case has proved challenging due to the revenue gap, this could be changing. 2024 saw a 21.4% uplift in EV car sales from the previous year, alongside the proposed reestablishment of the ban on pure petrol and diesel cars by 2030 which could be enough to bridge that gap and re-focus investment interest in EV charging infrastructure,

There are also potential joint venture opportunities as organisations who have been more focused on traditional energy seek to decarbonise their business model and look to the development of green infrastructure.

There are significant changes happening within the sector which are underpinned by political appetite to achieve Clean Power 2030 and policy being implemented to support this. While there is still some way to go, there is a lot to play for and it is easy to see that 2025 (and into 2026) is going to be another stellar year for investors in the future energy sector.

Recent deals

Dalmore Capital

Advising Dalmore Capital on its acquisition of a portfolio of nine 'run of river' hydropower sites located in Scotland from Triple Point Energy Transition plc for £44.1m – likely to be the largest hydro deal in the UK this year.

Field

Advising Field on several battery acquisitions including its 800MWh Field Hartmoor project from Clearstone and its acquisition of the 200MWh Holmston and Drum Farm battery energy storage sites.

Thrive Renewables

Advising Thrive Renewables on a £75m equity and debt development investment with solar energy provider, Eden Sustainable. The partnership will fund a pipeline of new rooftop and ground mounted solar projects.

One Planet Developments

Advising One Planet Developments on the disposal of a 90MW battery storage portfolio (projects in Stafford and Aberdeen) to Pulse Clean Energy Limited. Building on the recent purchase of 72MW in Manchester and a portfolio of nine existing generation sites across the UK.

Low Carbon

Advising Low Carbon on its joint venture with Agrivert to develop, build and operate a portfolio of world class utility scale biogas and biomethane projects across Europe by 2030.

Innova

Advising Innova on the sale of Stokeford Solar Farm to a fund managed by Schroders Greencoat. The site has been developed by an Innova-led joint venture with partner Will Bond, landowner of Stokeford Farm. It's one of the few shared solar-wind grid connections at utility scale in England. The 28.5MW site was energised in October 2024.

Fair Play Clean Energy Ltd

Advising Fair Play Clean Energy Ltd, Thrive Renewables' joint venture with TopCashback, in acquiring the rights to build a 57MW Whitelaw Brae wind farm in the Scottish Borders, located 15km north of Moffat and 3km south of Tweedsmuir. The company's largest project to date, once operational the wind farm will generate 149.400 MWh of clean electricity annually.

Lightsource bp

Advising Lightsource bp on sale of its largest UK solar project and co-located energy storage project to Schroders Greencoat. Tiln Farm is a 49.9MW solar project co-located with 25MW energy storage and provider power to Forterra via a long-term PPA. This was one of few operational co-located projects to have come to market in the UK.

ILI Pump Storage Hydro PLC (ILI)

Advising ILI Pump Storage Hydro PLC (ILI), on the completion of the sale of the Red John Pumped Storage Hydro scheme to Statkraft – Europe's largest producer of renewable power. The Red John Pumped Storage Hydro Project will be one of the first new PSH schemes to be built in the UK in over 40 years and is expected to save over 45 million tonnes of CO_2 in its lifetime.

Downing

Advising Downing on its acquisition of a portfolio of c.4,200 solar PV residential installations from Foresight for approximately £26m. The 13.8MW portfolio, located across England and Wales, is forecasted to generate a total of c.12 GWh per year. The portfolio will benefit from 100% fixed revenues from feed-in-tariffs.

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