

# How much do politics affect UK energy?

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The UK finds itself at a political impasse this week, waiting for clarity on exactly who will lead the country in the coming months.

Following a snap election which was previously expected to deliver a majority Conservative Party victory, Prime Minister Theresa May's party lost its majority on 8 June 2017, ending up with 318 seats, 12 down from before the vote, compared to 261 for the Labour Party, which gained 29 seats.

Ahead of a (delayed) Queen's Speech and opening of parliament on 21 June, May is fighting to stay in power and Labour leader Jeremy Corbyn wants to gather enough support to form a minority Labour-led government.

In the immediate aftermath, *IJGlobal* reported on [concerns that the wider UK infrastructure market would suffer from the uncertainty](#) created by a hung parliament.

But for the UK energy sector specifically, a quick *IJGlobal* straw poll of market players this week suggests that the energy sector may be more immune to the effects of political upheaval than the wider infrastructure industry in general.

The head of a London-based international fund manager told *IJGlobal* that compared to other European countries, the UK is still seen as a safe investment bet. "With the exception of the Scandinavian countries and Germany, the UK is still seen as one of the most advanced and regulated markets for energy investment in Europe. Especially if you compare the international market perception of the UK compared to say, southern European jurisdictions, we score pretty well."

A banker working within a major advisory practice across energy and infrastructure thought investors are unlikely to stop investing in the UK, if only to not miss out on the deal flow it represents. "There's still tonnes of investors out there and not enough opportunities," he said.

And if the UK continues to experience a prolonged period of political upheaval and uncertainty? "Everyone's prepared to price that risk in, if they perceive it [the UK political situation] to be a risk," he continued.

"What would really change things would be if Corbyn were to be elected and a re-nationalisation of public services was to begin," another lender said.

The UK also still has a modest forward order book for energy. While there is not a vast pipeline of greenfield energy projects vying for finance, fresh investment opportunities are starting to come through.

The results of the UK's second Contract for Difference auctions are expected in the autumn: once these state-backed price contracts are awarded, a fresh batch of energy developments with long-term, regulated returns will be looking to raise debt.

Batteries have also become a potential target for investment. The UK's National Grid has just launched a consultation on the best way to structure the fledgling market for balancing services, like battery storage. This month, Danish energy

giant [DONG Energy announced plans to install a 2MW battery](#) at its 90MW Burbo Bank offshore wind farm off the UK coast - the combined wind-battery system will deliver frequency response services to the UK's National Grid.

If it proves a success, DONG wants to do more of this work in the UK. "With eight existing offshore wind farms in the UK and another four under construction, we expect to leverage further technology improvements," Ole Kjems Sørensen, senior vice president of DONG's asset management division, said.

One law firm told *IJGlobal* it is advising on an upcoming financing of a megawatt-scale portfolio of battery storage projects in the UK, and anticipates more of this type of project financing to come to market.

"We're also seeing a big uptick in activity in funds interested in British battery projects," the lawyer said. But while the fund manager *IJGlobal* canvassed agreed, he cautioned: "there's a lot of time and effort being put in, but it's not manifesting itself in transactions yet."

A partner at another international law firm said they expect a steady trickle of upstream oil and gas sales for the rest of 2017 and beyond, as majors look to shed mature assets and purely financial investors look for acquisition opportunities. "I just don't think the elections have had much of an impact," he said. "The only area of the UK energy industry likely to suffer is international power interconnectors, because of the impact of Brexit on the pound and the fact these projects will rely on merchant risk."

For now, as the UK awaits the start of formal European Union exit talks, which have been delayed, and clarity on just who will be leading the country going forward, it seems like there's still activity – and appetite – for its energy market.

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