

Insights

TICKETS PLEASE! OPPORTUNITIES FOR DECARBONISING THE TRANSPORT SECTOR FOR INFRASTRUCTURE INVESTORS

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The UK Government launched its Transport Decarbonisation Plan – A Better, Greener Britain on 14 July 2021.

This 220 page report details the UK Government's bold ambitions for:

(1) Decarbonising all forms of transport

- Road Sector – Decarbonising all road transport by 2040
- Rail Sector – All diesel-only trains to be removed from the UK rail network by 2040 and the overall rail network to be net zero by 2050
- Maritime/Shipping Sector – Net zero UK maritime sector by 2050
- Aviation Sector – Net zero emissions for Aviation by 2050
- Active Travel – Half of all journeys by means of active transport – cycling or walking by 2050

(2) Commitments to multi-modal decarbonisation and key enablers

- Freight & Logistics Sector – Delivering zero emission freight and logistics sector
- Delivering decarbonisation through places
- Maximising the benefits of sustainable low carbon fuels
- Developing a Hydrogen Strategy for its role in a decarbonised transport sector
- More choice, better efficient transport
- Supporting R&D as a decarbonisation enabler

That is, by any standards, an ambitious list of objectives – a mixture of new funding, policy, legislation, regulation and incentives.

Those infrastructure investors looking for inspiration for their investment pipeline need look no further than the Transportation Decarbonisation Plan as this not only shows the scale of ambition and opportunity in the UK, but signals a shift that will create similar (if not bigger) opportunities across Europe, Asia and North America with the rest of the global following thereafter.

As infrastructure investors develop their investment thesis for the next five, 10 and 15 year horizon – the opportunity to deploy medium-term to long-term patient capital to support the decarbonisation of transport is an obvious one whether it is through deploying capital on fleet upgrades, technology, physical associated infrastructure or “fuel”/energy storage/generation and distribution. The spectrum of risk/return for potential investment opportunities across this sector is vast.

The volume of capex spend in this shift to zero emission transport is staggering and will not be done overnight, there will also be winners and losers in terms of the technology ultimately adopted to deliver these changes – it is very likely some of the technological solutions have yet to be invented at the time of writing, let alone commercialised to scale. Technological obsolescence risk will clearly be a hurdle for infrastructure investors to consider and we anticipate that the Government can play a role in the early stages of many of these opportunities.

Balancing these impressive ambitions will be against that of the post pandemic recovery, the need to balance many competing forces such as customer/passenger affordability, convenience, customer equity and choice.

The private sector, through the infrastructure investor community, has an enormous opportunity to deploy its expertise, innovation and capital to help deliver real solutions on these UK (and likely, global) ambitions – decarbonisation of transport is, in our view, the ultimate public-private partnership model.

We hope to help many of our infrastructure clients capitalise on this vast opportunity for their investors looking for ESG compatible investments.

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MEET THE TEAM



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