

Insights

MASTERING POWERED LAND TRANSACTIONS FOR UK DATA CENTRES

Oct 14, 2025

SUMMARY

This is the first in a ten-part article series on the legal strategies shaping the future of data centre development in the UK.

The UK's data centre market is entering a period of rapid expansion, set to grow from \$10.7 billion in 2024 to \$22.7 billion by 2030. This is being driven by the computational demands of artificial intelligence, the widespread shift to cloud services and the relentless rise of enterprise-level computing. The result is a highly competitive market for powered land.

For hyperscale operators, institutional investors and specialist developers, the acquisition of these sites is no longer confined to the parameters of conventional real estate. Instead, it's now a complex, high-stakes convergence of energy regulation, planning law and strategic commercial negotiation. Successfully navigating this landscape to deliver projects on time and on budget requires commercially astute legal advice to mitigate risk, unlock value and achieve market-leading outcomes.

In this article, we explore the legal, regulatory and commercial strategies that underpin successful data centre development, from planning consent and power supply agreements to ESG integration and emerging technological requirements.

SECURING COMPETITIVE ADVANTAGE THROUGH STRATEGIC DUE DILIGENCE

In the data centre asset class, due diligence involves a forensic examination of a site's technical viability, regulatory resilience and commercial defensibility. A superficial or incomplete due diligence process is the most common point of failure, capable of generating catastrophic delays, unforeseen capital expenditure and the erosion of an entire investment thesis.

Among the many risks developers face, two stand out: securing reliable grid capacity and navigating increasingly complex environmental and title requirements. Both can determine whether a project advances smoothly or unravels under pressure.

GRID CAPACITY AND CONNECTION

A data centre's operational viability depends on a secure and adequate power supply. Securing a high-capacity, reliable grid connection is therefore the single most critical factor in site selection and project delivery.

This challenge has grown sharper since the National Electricity Systems Operator (NESO) assumed stewardship of the UK's National Grid in late 2024. While this shift aims to streamline grid management, it has occurred against a backdrop of profound capacity constraints, particularly in established corridors such as West London's "Data Centre Alley." Connection queues now stretch for a decade or more, creating a level of project risk that few investors find acceptable.

Against this backdrop, effective engagement with NESO and regional Distribution Network Operators (DNOs) has become critical. Success requires not only technically robust applications but also strategic management of connection queue reforms, including the Transitional Connection Management Process (TCMP).

How we can help

Our regulatory team maintains active dialogue with these operators, providing clients with real-time intelligence on queue movements and policy changes. This is often the difference between a viable project and one that stalls. But obtaining a connection is only the beginning. The grid agreement itself is a foundational project document that dictates timelines and costs. Structured correctly, it can provide protection; neglected, it can expose developers to significant risk. Careful scrutiny of contestable and non-contestable works phased energisation and curtailment clauses allow developers to stress-test scenarios and build in safeguards. In practice, this means that temporary supply reductions will not derail a project's financial assumptions.

WANT TO KNOW MORE?

Subscribe for updates

Stay up to date on the legal strategies shaping the future of data centre development in the UK.

ENVIRONMENTAL AND TITLE FORTIFICATION

If grid security determines whether a site can operate, environmental and legal considerations decide whether it can be built at all. Both have risen sharply up the agenda in recent years as

regulators, investors and local communities demand higher standards of compliance and accountability.

The UK's commitment to Net Zero, coupled with the mandatory Biodiversity Net Gain (BNG) requirement introduced in 2024, has transformed environmental due diligence. Developers must now demonstrate that projects leave the natural environment in a measurably better state. This often requires sophisticated ecological assessments or the purchase of biodiversity units in a nascent and evolving market. Large-scale data centres also face Environmental Impact Assessments (EIAs) are now often required for large-scale data centres, which scrutinise lifecycle carbon emissions, water usage and noise pollution. Addressing these issues early is essential for securing planning consent and investor confidence. Legal clarity is equally vital. A clean and unencumbered title remains the bedrock of any successful development. Restrictive covenants, archaic easements and historic land rights can easily obstruct the placement of critical infrastructure, from cooling systems to fibre optic cabling. Effective strategies may involve negotiation, indemnity insurance, or recourse to the Upper Tribunal (Lands Chamber) to discharge restrictions. Our real estate team has repeatedly resolved such challenges, enabling clients to progress without the threat of legal deadlock.

PLANNING AND PERMITTING: A NEW STRATEGIC PARADIGM

The UK government's formal recognition of data centres as **Critical National Infrastructure (CNI)** in September 2024, followed by the summer 2025 planning reforms, has fundamentally altered the landscape for developers. These changes have created both opportunities and new complexities in the route to consent.

Developers can now bring data centres under the **Significant Infrastructure Projects (NSIP)** regime for planning consent, securing a centralised process with legally defined timelines and final decisions taken by the relevant Secretary of State. The option offers predictability, but at a price: applications must be more rigorous and heavily front-loaded, with extensive consultation before submission. The decision to opt in is therefore strategic, hinging on project scale, location, public sensitivity and the developer's appetite for certainty versus flexibility.

How we can help

We often advise clients on this choice, drawing on experience from major infrastructure projects. For schemes that remain with local planning authorities, success depends on more than technical compliance. Projects must align with the economic and environmental priorities of the National Planning Policy Framework (NPPF) and demonstrate clear community benefit. This demands a sophisticated engagement strategy, addressing concerns over noise, visual impact and energy use while emphasising job creation and digital connectivity. Well-structured Section 106 agreements, whether funding local infrastructure upgrades or digital skills programmes, can help turn opposition into support.

POWER AND SUSTAINABILITY: STRUCTURING FOR LONG-TERM SUCCESS

Planning consent is only one piece of the puzzle. Operational continuity hinges on secure, cost-effective and sustainable power supply agreements (PSAs). With energy markets volatile and tenants and investors tightening ESG demands, the design of these contracts is now central to a project's viability.

To meet these demands, modern PSAs must extend beyond fixed-price structures. Indexed models with collars and caps, often combined with hedging instruments, provide protection against wholesale market fluctuations. Agreements should also include robust protections against grid failure, clearly defined Service Level Agreements (SLAs) for uptime, and meticulously drafted force majeure provisions that reflect the realities of the modern energy market, including network constraints and regulatory interventions. Sustainability considerations further shape these agreements. Corporate Power Purchase Agreements (PPAs) that link data centres directly to new, unsubsidised renewable energy projects are increasingly sought after. Insisting on "additional" renewable sources, which provides evidence that the PPA directly funded new green capacity, offers the strongest ESG credentials and therefore enhances asset value. When integrated with on-site battery storage for grid stability and demand-side response mechanisms, these PPAs not only bolster operational resilience, but can also create secondary revenue streams through participation in ancillary services markets. In doing so, they make energy strategy a core commercial advantage rather than a regulatory compliance exercise.

THE ROAD AHEAD: AI, COMPETITION AND TECHNOLOGICAL EVOLUTION

The rise of artificial intelligence and high-performance computing is reshaping the sector at speed. Developers now seek sites with hundreds of megawatts of capacity, alongside direct-to-chip liquid cooling systems that bring fresh challenges around water rights and supporting infrastructure.

This surge in demand has intensified competition for powered land, driving aggressive bidding and the use of increasingly sophisticated acquisition strategies. These include multi-stage options, complex joint ventures and flexible land rights designed to accommodate future technological shifts. Legal strategies must now anticipate not only current requirements but the next generation of data centre design.

In this high stakes environment, the winners will be those able to look beyond immediate challenges and anticipate the future shape of an industry poised for unprecedented growth and transformation.

RELATED ARTICLES

- Financing data centre developments: Balancing risk and opportunity in a capital-intensive sector
- Structuring shell and core data centre developments: Legal strategies for scalability and flexibility

RELATED CAPABILITIES

- Data Centers & Digital Infrastructure
- Energy Transition
- ESG & Energy Transition
- Power

MEET THE TEAM



Mark Richards

London

mark.richards@bclplaw.com

[+44 \(0\) 20 3400 4603](tel:+442034004603)



Rachel Sheridan

London

rachel.sheridan@bclplaw.com

[+44 \(0\) 20 3400 3654](tel:+442034003654)



Benjamin Wheeler

London

benjamin.wheeler@bclplaw.com

[+44 \(0\) 20 3400 3407](tel:+442034003407)



Kenneth Addly

London

kenneth.addly@bclplaw.com

+44 (0) 20 3400 4846

This material is not comprehensive, is for informational purposes only, and is not legal advice. Your use or receipt of this material does not create an attorney-client relationship between us. If you require legal advice, you should consult an attorney regarding your particular circumstances. The choice of a lawyer is an important decision and should not be based solely upon advertisements. This material may be "Attorney Advertising" under the ethics and professional rules of certain jurisdictions. For advertising purposes, St. Louis, Missouri, is designated BCLP's principal office and Kathrine Dixon (kathrine.dixon@bclplaw.com) as the responsible attorney.