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Insights

UPDATED ENERGY NPS: IMPACTS ON PLANNING, FINANCING AND TRANSACTIONS

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SUMMARY

Updates to the National Planning Policy on Energy for new energy infrastructure projects – reflecting the Government’s current energy priorities - came into force on 6 January 2026. This policy provides the strategic decision-making framework for energy NSIPs covered by it and is likely to be of significant interest to stakeholders in the sector.

In 2025 we highlighted the consultation on, and finalisation of, detailed amendments to the Overarching National Policy Statement (NPS) for energy (EN-1) and the NPSs for renewable energy infrastructure (EN-3) and electricity networks infrastructure (EN-5) (see here). On 6 January 2026, the Government officially designated revised versions of EN-1, EN-3 and EN-5. These revisions align national planning policy with the Government's current priorities for decarbonisation and grid modernisation, which is likely to bring helpful clarity for developers, investors and financiers seeking development consent for energy infrastructure projects.

CRITICAL NATIONAL PRIORITY

The policy framework establishes a presumption in favour of granting development consent for energy NSIPs, which is likely to provide a more predictable baseline that materially reduces perceived policy volatility for capital providers. For nationally significant low-carbon infrastructure - designated a "Critical National Priority" - outside the scope of HRA and MCZ requirements, the urgent need to achieve energy objectives, together with national security, economic, commercial and net zero benefits, is now "likely to" (rather than "in general") outweigh residual impacts not capable of being mitigated "in all but the most exceptional circumstances[1]". This policy architecture is likely to support lower risk premia and more competitive weighted average cost of capital assumptions for qualifying projects, while providing investors and financiers with greater confidence in consent probability at the underwriting stage.

PACE OF DELIVERY AND PROPORTIONALITY

Other changes place a stronger emphasis on the urgency for rapid deployment and pace of delivery of critical energy infrastructure, stressing the need for proportionality and focus at all stages of DCO project preparation, examination and decision making in order to meet Clean Energy targets. For transaction parties, this will likely signal shorter decision uncertainty windows and support tighter timetable assumptions in financial models.

STRATEGIC NETWORK PLANNING

A more strategic and holistic approach to the planning of energy transmission infrastructure is adopted through the endorsement of the forthcoming Centralised Strategic Network Plan (expected to be published in 2027) and future versions of this Plan. Provided transmission projects are brought forward within the parameters defined in the CSNP, re-consideration of the strategic issues it has settled can be avoided every time a project is consulted or examined. This is likely to assist in accelerating consenting times and support grid upgrades.

Importantly for stakeholders, where a project is assessed and justified through the CSNP, the Secretary of State will take the need for that project as having been established. This recognition should reduce perceived system-integration risk for network-linked investments and may support stronger debt capacity for qualifying assets. It will be interesting to track whether split consenting arrangements for coordinated offshore transmission - where transmission can be consented separately via section 35 directions – will introduce interface risk in the development of those assets.

KEY POLICY CHANGES

Picking out a few specific policy changes, the following are worth highlighting:

- **Sustainable development:** With the addition of a new paragraph (2.5.3 in EN-1) which clarifies that the principle of sustainable development (which energy infrastructure must contribute to) now supports deployment of energy infrastructure in areas with the 'local environmental capacity' to enable those developments.
- **Onshore power:** EN-1 and EN-3 now provides policy support and guidance for onshore wind infrastructure and the assessment principles, reflecting the amendment to the Planning Act 2008 that reintroduced onshore wind generation above 100MW into the NSIP regime.
- **Energy from Waste:** Though still within scope of the Energy NPS, EfW projects will no longer benefit from CNP policy as they do not meet the definition of a clean power technology in the Clean Power 2030 Action Plan (EN-1 paragraph 4.2.17). This has direct implications for the revenue stack and risk profile of EfW assets in M&A and refinancing contexts.

- **Low carbon hydrogen:** Hydrogen projects now benefit from clearer policy support, with a new paragraph in EN-1 (paragraph 3.3.49) that identifies this technology as essential and a crucial part of our future energy systems, including for blending (up to 20%) into gas distribution networks. New business models being implemented for hydrogen-to-power and CO2 transport and storage will, we predict, create bankable pathways for emerging technologies and will influence deal structuring and offtake risk allocation.

- **Overhead electricity lines:** The strong starting presumption for OHLs continues in EN-5, but the scope for alternatives (e.g. undergrounding) is now framed by the CSNP and may be recommended if it best meets strategic principles and performs optimally.

- **Electricity Transmission Design Principles:** EN-5 endorses and requires developers of electricity networks infrastructure to have regard to the ETDP (when published), providing guidance on onshore and offshore transmission technology design, in addition to the Holford and Horlock rules.

REVENUE FRAMEWORKS AND MARKET SIGNALS

Underpinning these planning reforms, EN-1 anchors a market-based approach to energy infrastructure delivery, with Contracts for Difference remaining the central mechanism for low-carbon generation. The Capacity Market continues as the primary tool for security of supply, with emissions limits now steering participation towards low-carbon flexibility. Critically, EN-1 states that value-for-money assessment occurs through these market frameworks rather than at the development consent stage, implying that auction-based and regulated revenue models will continue to drive price discovery and debt sizing.

TRANSITIONAL ARRANGEMENTS

The new NPS documents will apply to relevant DCO applications yet to be made or not yet accepted for examination. For applications already accepted for examination before publication, the 2024 versions will guide decision making. However, the Secretary of State could well have regard to the newer versions as important and relevant considerations in the decision-making process, giving them significant weight.

COMMENT

Whilst there will inevitably be nuances in the way some policies are worded which may be debated at examinations, official designation of the 2025 revised versions on 6 January 2026 brings welcome clarity that cannot be underestimated for those seeking development consent for energy infrastructure projects. The presumption in favour of consent, substantial weight accorded to need, and CNP designation for low-carbon assets that now aligns with other strands of Government's energy policy, principally the Clean Power 2030 Action Plan, collectively elevate policy stability and outcome visibility at the consent stage - signals that should support investor confidence and competitive financing terms across the sector.

From a transaction perspective; financiers can ascribe lower policy and consent-denial probability in base cases for in-scope low-carbon NSIPs; investors can underwrite shorter decision uncertainty windows; and sellers can position assets against the policy-endorsed need case to expand sponsor and lender universes. With the introduction of new provisions in the Planning and Infrastructure Act 2025 subjecting these policies to mandatory review within the next five years, it is hoped that past challenges in navigating outdated policy will be mitigated to some extent.

[1] Paragraph 3.3.63

RELATED CAPABILITIES

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- Infrastructure

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