Energy Insights Quarterly

Q3 2026

Knight Frank's quarterly review of UK energy market trends, policy developments and investment activity

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Policy momentum and improving project activity are supporting renewed confidence in UK clean energy, even as listed renewables continue to trade at material discounts to net asset value.

TRANSACTION ACTIVITY TICKING UP

Greater policy and market visibility is translating into increased deal activity across the UK renewable energy sector. Following a softer period in 2025, when investors were awaiting the implications of planning and network connections reform, transaction volumes are beginning to recover. The reformed connections queue, announced in December 2025, and the record-setting Contracts for Difference (CfD) Allocation Round 7 (AR7) have helped improve confidence around project delivery and future cashflows, supporting this recovery. Data from Clean Energy Pipeline shows transaction activity rising this year across solar and battery energy storage systems (BESS), with BESS activity at its highest level since 2024 (Fig 1).

PUBLIC RENEWABLES DISCOUNTS WIDEN

Across 10 UK-listed renewables funds, the market-cap-weighted average discount to NAV reached 34% in Q1 2026, up from 32% and 24% in Q1 2025 and 2024 respectively (Fig 2). While higher financing costs and broader market volatility have weighed on valuations, NextEnergy Solar Fund's launch of a formal sale process highlighted the constraints persistent discounts can place on growth and capital raising. Conversely, Drax's acquisition of Bluefield Solar Income Fund at a c.9% discount to NAV suggests strategic buyers may see greater value in renewable energy assets than is currently reflected in listed market pricing.

AR8 UNDERWAY

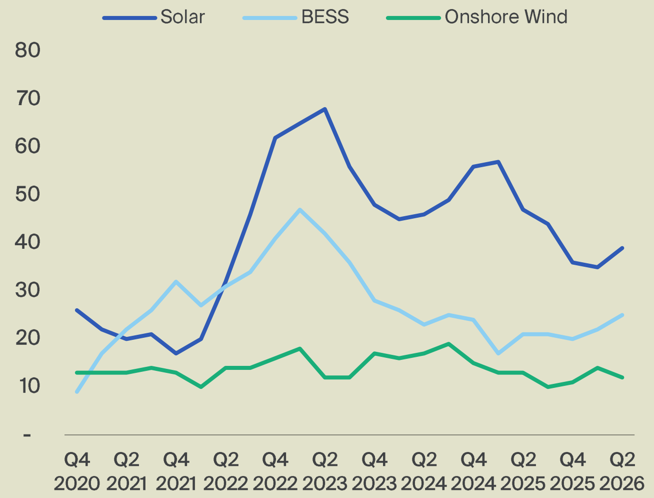
The UK government's CfD Allocation Round 8 (AR8) opened in July, earlier than previous rounds to accelerate renewable delivery. Following the success of AR7, which awarded 14.7 GW of capacity, key changes include:

- Projects must now hold either a Gate 1 CPCR* or a Gate 2 confirmation/offer.
- Greater visibility of sealed bids allows the Secretary of State to assess the full range of bids, including unsuccessful projects, before final decisions.
- Expanded flexibility to set different clearing prices within auction pots and technologies.

The new Department for Energy Security and Net Zero Secretary of State Miatta Fahnbulleh suggests policy continuity, providing welcome certainty as government takes on enhanced powers within the allocation process.

Fig 1: Project transactions recovering

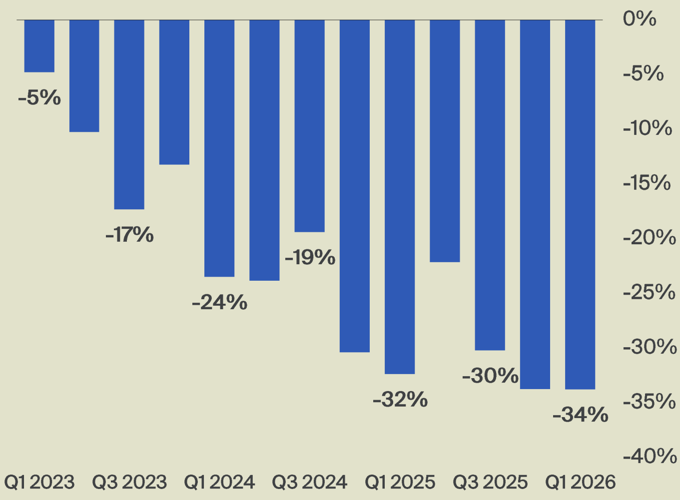
Number of project M&A transactions, annual rolling total to Q2 2026



Source: Knight Frank Insight, Clean Energy Pipeline

Fig 2: Widening discounts

Market-cap-weighted average discount to NAV across 10 UK-listed renewable energy funds



Source: Knight Frank Insight, Macrobond, Published reports

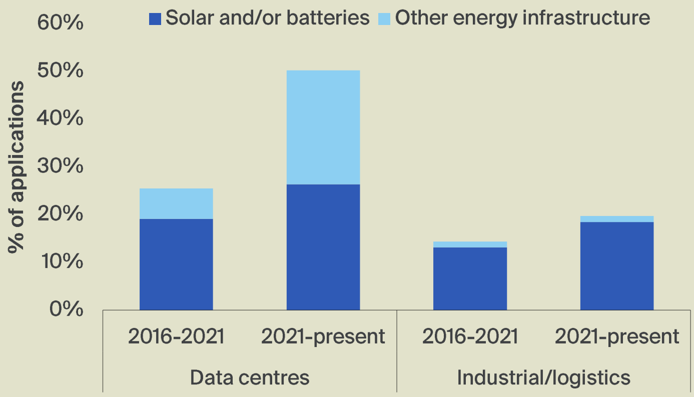
*Connection Point and Capacity Reservation: Projects with a Gate 1 CPCR have demonstrated sufficient progress to retain a queue position and may progress to Gate 2 subject to modification and further assessment.

Table 1: Following AR7's lead?
Illustrative strike price outcomes (£/MWh, 2024 prices) if discount levels seen in previous CfD auctions were repeated

Technology	ASP	Average discount AR1-7	AR7 discount
Offshore Wind	113	84	91
Onshore Wind	92	78	72
Solar PV	75	66	65

Source: Knight Frank Insight, DESNZ
These scenarios are intended to provide context only and should not be interpreted as forecasts of AR8 clearing prices.

Fig 3: Energy moving upstream
Large and mega planning applications since 2016 including plans for solar and/or batteries as well as other energy infrastructure (e.g. generators, substations, energy centres)



Source: Knight Frank Insight, Glenigan

STRIKINGLY SIMILAR

Administrative Strike Prices (ASPs) for AR8 have been maintained at AR7 levels despite a higher cost of capital environment. Table 1 presents two illustrative scenarios, including one that applies the average discount achieved across previous CfD allocation rounds, implying a strike price of around £66/MWh for solar PV. However, historical discounts to ASPs may be a less reliable guide to future outcomes than in previous auctions, as the competitive landscape could differ materially, particularly if a greater number of DCO-scale solar projects participate. In addition, AR8 introduces greater flexibility to set different clearing prices within the same technology pot based on factors such as project size and location.

POWER AND REAL ESTATE STRATEGIES

Distributed energy is increasingly appearing earlier in the development process, potentially creating opportunities for new deployment models. Analysis of large and mega planning applications suggests solar PV, battery storage and wider energy infrastructure are becoming more prominent features of data centre and industrial/logistics schemes. Among data centre developments, references to solar and/or battery infrastructure increased from around 18% of schemes submitted between 2016-2020 to 26% since 2021, while references to wider power infrastructure increased more sharply. Industrial and logistics developments show a similar, albeit less pronounced, trend, with solar remaining dominant. These planning references suggest energy requirements are increasingly being considered alongside site selection and development viability. Read more here.

POLICY WATCH

- Planning and Infrastructure Act, announced on 3 July, to scrap mandatory pre-application consultation requirements for Nationally Significant Infrastructure Projects (NSIPs) - cutting up to 12 months from the planning process.
- Minimum Energy Efficiency Standards to rise to EPC B for non-domestic private rented buildings over 1,000 sqm from 2031. This could lead to greater electrification and demand for electricity – more analysis can be found here.
- Ofgem's latest consultation on data centre demand connection applications aims to prioritise projects that demonstrate credible progress with a new proposed Data Centre Commitment Fee and queue management milestones.

MARKET VIEW

Ian Wood, Head of Infrastructure Knight Frank Capital Advisory

Growing demand from data centres, AI and the electrification of the wider economy is reshaping the UK energy investment landscape. The market is increasingly focused on projects that can provide reliable, scalable and strategically located power solutions, creating opportunities across renewable generation, storage and behind-the-meter infrastructure. With improving policy visibility and the implementation of grid connection reforms, the outlook for investment and transaction activity remains positive.

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