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How energy prices impact your infrastructure investments

UK energy prices are among the highest in the world and have been high for some time. This dynamic has only been exacerbated by the invasion of Ukraine and, more recently, the US-Israeli war with Iran, with prices rising further.

For investors in UK-listed infrastructure and renewable energy investment companies, this environment is a double edged sword: it positively changes the revenue outlook but also prompts a political and regulatory response, effects inflation and impacts the way markets value these vehicles.

This article looks at what higher for longer electricity prices mean for UK listed infrastructure companies, particularly those exposed to renewables, and what that implies for investors.

Power prices: still high, still volatile

When it comes to wholesale prices, Government data show industrial electricity prices fell sharply from the 2023 peak but remain well above the levels seen before the energy crisis, with average prices for manufacturing at 16.68p/kWh in Q4 2025, only modestly down year on year*. Forward contracts for power into the second half of the decade pointed to a small but persistent upward drift as tight gas markets and investment in networks feed through**.

The wholesale price drives a large part of the Ofgem price cap (the maximum amount energy suppliers can charge for each unit of energy and standing charge if you're on a standard variable tariff).

Since the 2022 price shock, they had been drifting down. From 1 April to 30 June 2026, the cap for a typical dual fuel household paying by Direct Debit is £1,641 a year, with electricity at 24.67p/kWh on average. That's around 7% lower than in Q1 2026, but still significantly above pre 2021 norms***. However, forecasts from Cornwall Insight suggest the cap could rise again to around £1,929 in July****. The only relief for consumers is that this coincides with the summer months, when energy demand is lower.

For listed infrastructure and renewables funds, these trends matter because they influence the revenue environment and, increasingly, the political backdrop.

Revenue impact: who benefits from higher prices?

Many assets owned by UK listed renewables and infrastructure investment companies earn some part of their cashflows from selling power into the wholesale market. Elevated wholesale prices can therefore support revenue, but it's important to remember that the prices quoted above for retail and wholesale customers are not the same as the price energy generators are paid. What's more, depending on the level of subsidy and approach to hedging, renewable generators might be impacted more or less by these movements.



The picture is nuanced:

- Assets that have entered into long-dated subsidy backed revenue contracts such as contracts for difference (CfDs) or other fixed price contracts see less direct upside from high spot prices but benefit from stability and government supported cash flows.
- Assets exposed to merchant power prices (power sales at the prevailing wholesale market price) can see higher revenues when prices are strong, but also greater volatility when prices fall back.
- A mix of contracted and merchant exposure gives some listed companies the option to capture upside while maintaining a floor under cashflows.

For example, although many of the power generators held within the TM Gravis Clean Energy Income Fund fix pricing for a significant amount of their electricity production, upwards pressure on near-term energy prices resulting from the conflict in the Middle East will be captured by the likes of holding Greencoat UK Wind owing to the company's policy of retaining material levels of spot price exposure. Other companies tend to fix their merchant exposure a year-ahead. Should the flow of tankers through the Strait of Hormuz be constrained for a protracted period such that high energy prices are sustained, many companies within the portfolio will likely benefit from being able to fix pricing at higher levels for future periods.

The key point is that, in a high price environment, well-structured portfolios can still deliver attractive cash generation. That said, investors need to understand how much of a company's revenue is linked to spot prices, how much is hedged or contracted, and what assumptions managers are making about long term power prices in their valuation models.



Regulatory and political risk: the other side of the coin

Because higher energy prices are a key component of inflation, they have the potential to impact interest rate decisions. Higher energy costs also bring political pressure. The experience of the last few years shows that when consumer bills rise sharply, governments and regulators look more closely at how infrastructure and renewables assets are remunerated. Examples include retroactive changes to support schemes and windfall style interventions.



For listed investment companies, that means:

- Discounts to NAV can widen when investors fear policy risk, even if underlying assets are performing well.
- Cost of capital increases if markets demand a higher risk premium or there is an increase to the risk-free rate, making new projects and refinancings more expensive.
- Transaction markets can slow as buyers and sellers take longer to agree on valuations under changing policy assumptions, although clarity on frameworks can unlock deals once uncertainty clears.

The takeaway for investors is that elevated power prices are not a pure positive for renewable generators; they bring policy scrutiny as well as potential revenue tailwinds.

Infrastructure spend: networks and system resilience

Another consequence of high and volatile prices, and ultimately energy security, is renewed focus on the energy system itself. Ofgem has highlighted that network costs in the price cap are rising as a result of the current price control (RIIO 3), which will unlock £28bn of investment in upgrading electricity and gas grids to keep the system resilient and help stabilise bills over time. Ofgem estimate this expansion in the electricity grid will reduce bills by £50 by 2031, by reducing reliance on imported gas and reducing constraint costs ensuring power flows efficiently from where it's generated to where it's needed****. The regulator estimates network charges in the cap are increasing by about £66 a year to fund this investment*****. Ofgem argues that without this expansion bills would increase by £80*****.

For infrastructure investment companies focused on networks, storage and flexibility:

- There is a supportive long term capex pipeline as the UK upgrades grids to connect more renewables and manage peak demand.
- Regulated asset based models (RABs) are an example of an “allowed revenue” model which can provide inflation linked cashflows, and where revenues are decoupled from power price volatility.
- There is growing interest in assets that ensure grid stability and flexibility, such as batteries, which benefit indirectly from price swings.

Elevated prices, in other words, are accelerating the case for more infrastructure investment, which is positive for the underlying asset class over the medium term.





What it means for investors in listed renewables and infrastructure funds

Putting these strands together, what does the current UK power price environment mean for investors in listed infrastructure and renewables investment companies?

1. Income remains attractive, discounts remain wide

Many renewables and infrastructure companies still offer high single digit to mid-teen yields, which provide an attractive premium over gilt yields. Share price discounts to net asset value also remain wide after a difficult period for the sector. Elevated power prices support underlying cash generation, but market concerns about rates and policy have kept valuations depressed.

2. Understanding power price exposure is critical

Investors should distinguish between companies with largely contracted revenues and those heavily exposed to merchant prices. The former offer more predictability; the latter offer more direct upside and downside to power price swings.

3. Policy and regulatory risk are central to the investment case

With bills still high compared with the pre crisis norm, governments will continue to scrutinise how the costs are shared between consumers and investors. Recent policy clarity has removed some uncertainty and even sparked relief rallies in listed renewables, but the sector will remain sensitive to political signals.

4. Infrastructure is part of the solution, not just a cost

Ofgem's own analysis points to rising network investment as a necessary response to the energy crisis. Over time, better grids, storage and flexible generation should help integrate more renewables and reduce the system's exposure to gas price spikes.

For long term investors, the implication is that elevated UK power prices reinforce the structural need for renewable generation and supporting infrastructure, even as they create short term noise in share prices. Listed infrastructure and renewables companies sit at the intersection of these forces: they can benefit from robust cashflows and long term investment programmes, but they also carry regulatory and sentiment risk that needs to be carefully understood and priced.

How this links to Gravis strategies

The TM Gravis UK Infrastructure Income Fund was designed to give regular income, preserve capital and offer some inflation protection by investing in UK listed infrastructure companies, equities involved in utility scale infrastructure, REITs and fixed income. Over its first 10 years, it has navigated political risk, the pandemic and extreme volatility in energy markets while maintaining a resilient income profile, helped by the contracted nature of cashflows and a bias to operational assets. Elevated power prices, together with recent policy changes, are now a key driver of NAV movements and opportunity in parts of the portfolio. The yield is currently 6.69%*****

Similarly, the TM Gravis Clean Energy Income Fund focuses on global listed companies involved in clean energy generation, networks and storage, with an objective to deliver a regular income and preserve capital through cycles. Power price assumptions and regulatory frameworks are central to how we assess risk and value in the fund. The yield is currently 5.68%*****

As a FTSE 250 investment company, GCP Infrastructure Investments Limited lends to UK infrastructure projects with long term, often public sector backed cashflows, and has deployed close to £2 billion



across 17 infrastructure segments since IPO. Renewable energy makes up around 57% of the portfolio by value, with revenues in that sleeve typically a blend of subsidies and power price exposure.

Recent NAV updates illustrate how elevated (and changing) power price expectations, together with policy decisions, show up in practice. For example, over the past 12 months to 31 March 2026, power prices have had a -0.22% impact on GCP's NAV, while the UK government's decision to change ROC and FiT indexation from RPI to CPI had a -0.36% impact.

For investors, this is a useful case study in how a diversified infrastructure portfolio can remain focused on delivering a 7.0p target dividend under its capital preservation mandate, even as power price forecasts and subsidy regimes evolve. GCP's mix of renewable projects, PPP, social and other infrastructure means elevated power prices are only one part of the story; the Company also offers exposure to long dated, often inflation linked public sector cashflows that behave differently from merchant power.

*Source: <https://assets.publishing.service.gov.uk/media/69ca357a4a06660f085443c1/quarterly-energy-prices-march-2026.pdf>

**Source: <https://utility4business.com/blogs/uk-business-energy-price-forecast-2025>

***Source: <https://www.ofgem.gov.uk/information-consumers/energy-advice-households/energy-price-cap-explained>

****Source: <https://www.reuters.com/sustainability/boards-policy-regulation/britains-energy-price-cap-forecast-rise-about-11-cornwall-insight-says-2026-03-13/>

*****Source: <https://www.ofgem.gov.uk/press-release/ofgem-unlocks-ps28-billion-investment-maintain-safe-secure-and-resilient-energy-grid-and-upgrade-and-expand-capacity-meet-growing-demands#:~:text=Smaller%20business%20will%20see%20an.Advice%20in%20their%20original%2>

*****Source: <https://www.ofgem.gov.uk/press-release/energy-price-cap-will-fall-7-april>

*****Source: Gravis, Bloomberg, 31 March 2026, C Inc share class

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