



Infrastructure and renewables: the promises made in 2024 need to be actioned in 2025



Phil Kent, investment adviser to GCP Infrastructure Investments Ltd, discusses the outlook for the UK infrastructure sector in 2025.

“It’s a once-in-a-century opportunity to transform our economy and move toward a sustainable future. Some have described it entering an infrastructure super-cycle. Whatever you call it, for investors it means major opportunities in infrastructure assets that should begin in 2025.”

Key take-outs:

- UK base rates should fall further in the next 12 months
- Political uncertainty has eased, at least in the UK
- Promises need to be delivered – support policy and mechanisms put in place
- A huge amount of infrastructure investment is required and at a rapid pace

How is the macro environment changing as we head into 2025?

2024 was all about the macro environment. We’ve been in a period of relatively high interest rates compared with the past 10-15 years. We’ve also had political uncertainty, with most of the world coming out to vote, and much of the population voting for change.

Looking ahead to next year, what happens to interest rates is going to be really important. But in the UK at least, the political landscape is clearer. We now have a new government which has made some very positive commitments to infrastructure and





renewables, refocusing priorities on energy and the energy transition.

What does 2025 hold in store for infrastructure investing?

For me, it's vital that 2025 is about delivering on the promises that have been made in 2024. Bodies including the National Wealth Fund and GB Energy will be set up to mobilise third party capital. This needs to happen as quickly as possible. The private sector is then set to play a huge role because public funding alone won't meet the country's goals. Once enabling factors like regulatory reform and revenue support models are in place, private investors will have the stability and confidence needed to fuel this infrastructure transformation.

Is the infrastructure sector ready to meet the government's objectives?

One of Labour's flagship policies was to bring forward the date at which they plan for the electricity grid to be decarbonised to 2030 from 2035. We only have five years to make good on that – five years to make sure that every bit of electricity we use comes from low carbon sources. And it's not as simple as just building more wind or solar farms – the biggest challenges are likely to be how we deal with intermittency on the grid and how we interconnect with other markets.

There are other commitments and milestones on the way to being net zero by 2050, but the Climate Change Committee has been quite public in saying that we're not on track to meet some of those goals, particularly in the sectors that are harder to decarbonise such as heat, energy efficiency, transport, and industry. As an example, over the last five years, 225,000 heat pumps have been installed in the UK, but we need 30 million to be installed by 2050. There are 1 million electric cars on the road today – a figure that needs to rise to 34 million in the next 25 years.

Is 2025 the start of a super-cycle for UK infrastructure?

There has to be a step change. We need more investment and at a rapid pace. UK infrastructure is at a critical juncture and we need unprecedented investment to replace ageing buildings, modernise networks, and meet the decarbonisation goals. It's a massive, once-in-a-century opportunity to transform our economy and move toward a sustainable future. Some have described it entering an infrastructure super-cycle. Whatever you call it, for investors it means major opportunities in infrastructure assets that should begin in 2025.





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