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BRIEFING

Energy transition: What to watch under the new UK Prime Minister

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Andy Burnham became Prime Minister on 20 July 2026. With a change of Prime Minister, market participants across the energy, infrastructure and industrial sectors are reassessing the direction of travel for UK energy policy. Early indications point towards a framework that combines continued commitment to net zero, a stronger focus on economic and social outcomes, and a more interventionist approach to energy markets and infrastructure governance.

Six areas to watch

During his first week in office, the Prime Minister announced the removal of VAT from household electricity bills from October 2026 and appointed Miatta Fahnbulleh as Secretary of State for Energy Security and Net Zero – an appointment widely seen as signalling continuity in the UK's net-zero and clean energy agenda, together with a renewed emphasis on energy affordability.

Major policy decisions are expected to be announced in the Autumn Budget and the government's forthcoming 10-year national plan.

With those decisions approaching, six themes are likely to shape energy policy under the new government:

1. continued commitment to climate action and transitioning to net zero
2. positioning of the energy transition as an industrial and economic strategy
3. increased public control and regulatory intervention in essential utilities
4. a devolved approach to delivery
5. a more flexible position on domestic oil and gas production
6. role of private capital in supporting the green transition.

1. Net zero remains a core objective but "resilience" coming to the fore

Burnham has articulated support for climate action and the "green economy", emphasising that tackling climate change should not be deprioritised. This has been reinforced in more recent statements endorsing international efforts to phase down fossil fuels and asserting that there should be "no turning away from net zero".

However, his remarks also suggest that future policy will be framed less as a standalone environmental agenda and more as part of a broader economic and social strategy, aimed not only at meeting net-zero commitments but also at optimising energy resilience for the UK to support its ability to manage geopolitical volatility and future uncertainties. A big question is whether Burnham will heed business concerns to reduce the impact of green levies on business and further increase support for energy-intensive industries.

2. Energy transition as industrial strategy

Burnham has framed the energy transition as a potential driver of economic growth, job creation and regional re-industrialisation, not as a standalone environmental agenda. At COP26 in 2021, Burnham argued that "the drive to net zero is a chance to re-industrialise the north of England, this time in a clean way" and that decarbonisation was "the quickest way to level up the country".

This suggests that national policy may place increased emphasis on:

- domestic supply chains and clean energy industries
- job creation and skills development linked to net-zero delivery
- infrastructure-led economic growth.

3. Greater public control of energy

Burnham has called for "stronger public control" over essential services including energy, but his approach may encompass a range of models, from enhanced regulation and franchising structures through to selective public ownership.

For market participants, this raises the prospect of:

- changes to regulatory frameworks governing energy networks and retail markets
- evolution of ownership or operating models in parts of the value chain, potentially including new hybrid structures
- increased use of public-private delivery models
- greater state involvement in strategic infrastructure.

4. Devolution and place-based delivery

Burnham has stated that climate objectives cannot be achieved without greater empowerment of local and regional authorities. His first major speech as a leadership candidate announced a "No. 10 North" unit (the UK government's Manchester-based centre of government and northern counterpart to 10 Downing Street) to coordinate long-term economic strategy across Whitehall and local government, with greater powers for mayors and combined authorities.

A new government may therefore:

- expand devolved funding mechanisms for energy and climate projects
- increase the role of mayoral authorities and local councils
- support local energy planning and project development
- encourage community and cooperative ownership models.

5. Energy security and North Sea policy

A significant area of policy uncertainty concerns the role of domestic oil and gas. During his 2026 leadership campaign, Burnham said that he had "something of an open mind" on new North Sea drilling and noted that he has no "fixed" view on this issue. His newly appointed Energy Secretary, Miatta Fahnbulleh, has since described the government as "pragmatic" on North Sea oil and gas, confirming it will remain part of the energy mix "for the foreseeable future".

These statements suggest a flexible position on North Sea licensing, indicating a potential recalibration of policy to balance:

- net-zero commitments
- energy security considerations
- industrial competitiveness
- consumer affordability.

6. Mobilisation of private capital

The scale of investment required to meet the UK's energy security and net zero objectives means that private capital will remain indispensable, regardless of the delivery models adopted. The government cannot achieve its policy ambitions without sustained private sector participation and confidence.

Previous leaders had recognised the key role that private capital could play in the UK's energy transition and its potential to help close the green financing gap. Burnham's government will need to provide stability and a clear and competitive policy framework that gives businesses and investors the confidence to commit capital into technologies and sectors in the UK that align with net-zero and energy security ambitions over the years ahead.

Legal and regulatory areas to monitor

Against this evolving policy backdrop, a number of legal and regulatory workstreams are likely to be particularly relevant for businesses and investors:

(a) Energy market regulation and pricing reform

Potential reforms to retail energy markets – including tariff design, market pricing (including gas/electricity price decoupling), standing charges and consumer protection – may trigger changes to Ofgem's regulatory framework, pricing mechanisms and supplier obligations. This may affect revenue models, compliance obligations and contractual structures across the supply chain.

(b) Electricity networks, grid access and infrastructure delivery

Greater public involvement and increased investment in energy infrastructure may lead to adjustments in transmission and distribution regulation, grid access rules and funding frameworks. This could include new models for financing and delivering network upgrades, with implications for developers and investors.

(c) Public ownership, intervention and PPP models

The concept of "public control" may result in new forms of public-private partnerships, franchising or state participation in infrastructure assets. Market participants should monitor:

- potential legislative or regulatory changes affecting ownership structures, potential public ownership of grid operations and regional distribution
- the role of public entities in project development and operation
- procurement frameworks for strategic energy assets.

(d) Planning, permitting and project delivery

A shift towards place-based delivery and large-scale infrastructure investment may drive reform of planning and consenting regimes for energy projects, including renewables, networks and associated infrastructure. Streamlining of approvals and enhanced local authority powers may be key policy levers.

(e) Oil and gas licensing and environmental regulation

Any change in approach to North Sea oil and gas may result in updates to licensing policy, environmental assessments and fiscal terms, and carbon mitigation requirements. This remains an area of uncertainty and should be closely monitored, particularly alongside evolving climate commitments.

(f) State aid/subsidy control and investment frameworks

Expanded industrial policy and public investment in clean energy may rely on subsidy control mechanisms and state-backed support schemes, including Contracts for Difference or successor regimes. Changes in this area may affect project economics and financing structures.

(g) Local powers and devolution frameworks

Increased devolution may result in new legal competencies for local and regional authorities, including funding powers, planning responsibilities and project delivery functions. This may create both opportunities and complexity in project structuring and execution.

Outlook

A UK government under Burnham is unlikely to depart fundamentally from the UK's long-term decarbonisation trajectory. However, the emphasis of policy may shift notably towards affordability, regional delivery, industrial competitiveness and greater public-sector involvement.

For businesses and investors, the key considerations will be how these themes translate into regulatory reform, market design changes and new delivery models in practice.

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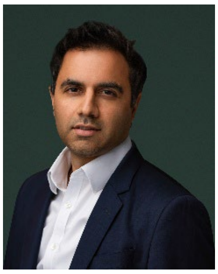

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