Low Carbon Contracts Company

CfD Investment Report 2025

Accelerating Net Zero

Contents

Executive Summary

The Contracts for Difference (CfD) scheme is designed to attract investment into renewable electricity generation by providing generators with price security and hence reducing their risk profile.

This report investigates trends in investment into CfD projects, including volumes of investment into different technologies, allocation rounds, and geographies. It finds over £77bn will have been invested into CfD projects once AR6 projects are operational.

Some case studies provide examples of how and when this investment comes forward across a CfD project's lifetime and highlighting the differences between more nascent and developed technologies.

As part of the report, we also interviewed several investors, who recognised that the GB market is a primary destination for capital due to the certainty offered by the CfD. They also identified some potential risks to future investment such as increasing capital costs, and some recommendations.

Also included in this report is an analysis of the ownership of a sample of CfD projects utilising data gathered from our Know Your Customer (KYC) process.

Purpose and Scope

- Aim: To explore investment trends across the CfD portfolio including:
    - Level of investment
    - Types of investors
    - Investor sentiment
- This report follows on from annual Investor Profile Reports since 2020 and covers projects up to and including Allocation Round 6, including investment contracts.

Methodology

This report calculates investment for each CfD project based on the average capital spend for a project of the same technology, capacity, and approximate commissioning year.

For a given project...

Investment (£) = LCOE (£/MWh) * CAPEX % * load factor * capacity (MW) * number of hours per year (hours) * technology average project lifetime (years).

The calculation uses technology and commissioning year specific Levelised Cost of Energy (LCOE) and average CAPEX cost proportion figures from DESNZ's Electricity Generation Cost Reports.

The calculation also uses data from a range of other sources including DESNZ's Digest of UK Energy Statistics, the CfD scheme register and other external reports.

Some of the key assumptions taken

- Biomass conversion and nuclear have not been included.
- Investment figures are in nominal terms.
- Zero investment is assumed for cancelled projects.

Investment Volumes

£77bn

Over £77bn of investment into CfD projects once AR6 projects are operational

£60bn

(of the £77bn) invested into offshore wind

£11bn

(of the £77bn) investment anticipated into AR6 projects

10GW

of current installed capacity

£45bn

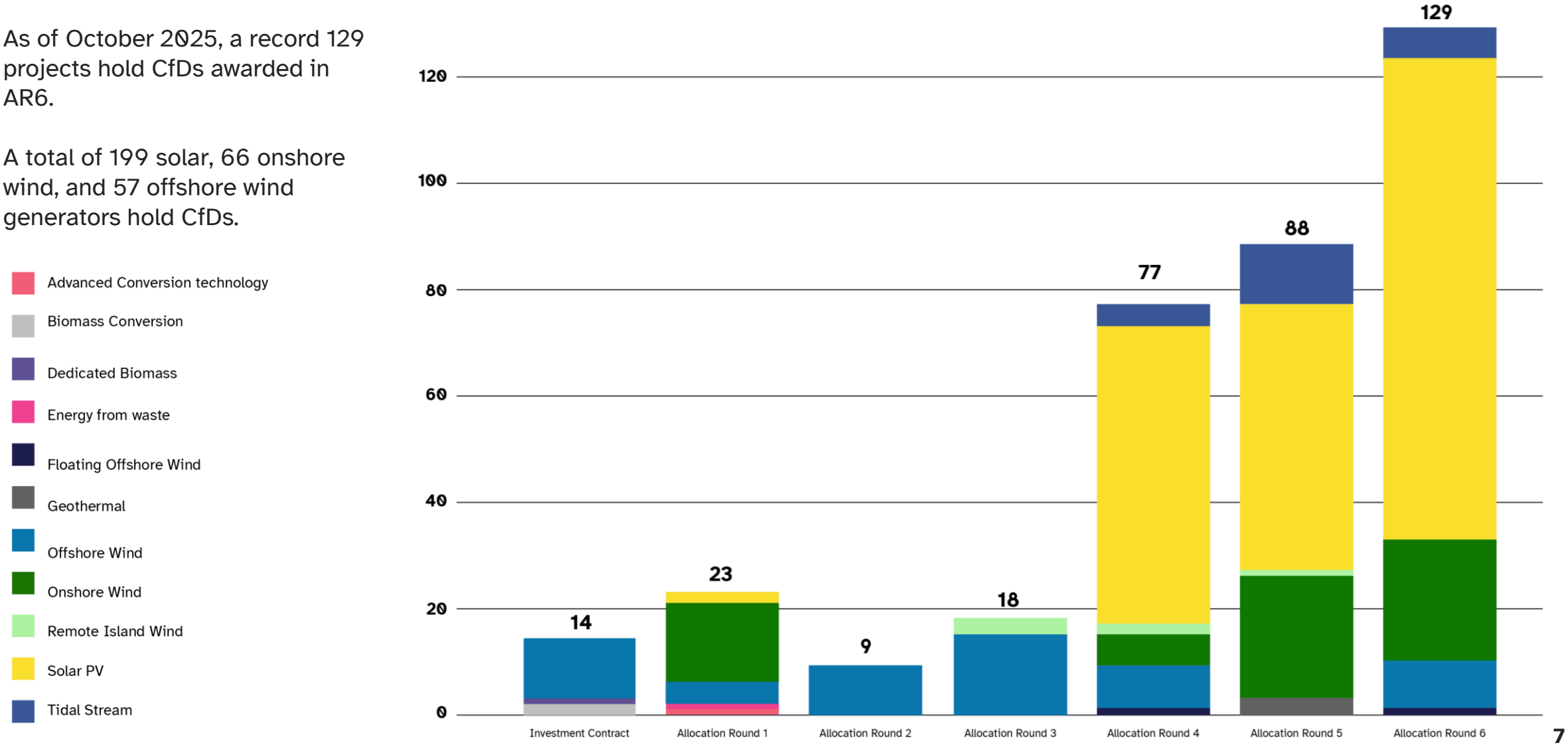
of additional investment into operating and decommissioning plants

Analysis conducted by Low Carbon Contracts Company has found that once Allocation Round Six projects are operational:

Number of Contracts by Allocation Round

As of October 2025, a record 129 projects hold CfDs awarded in AR6.

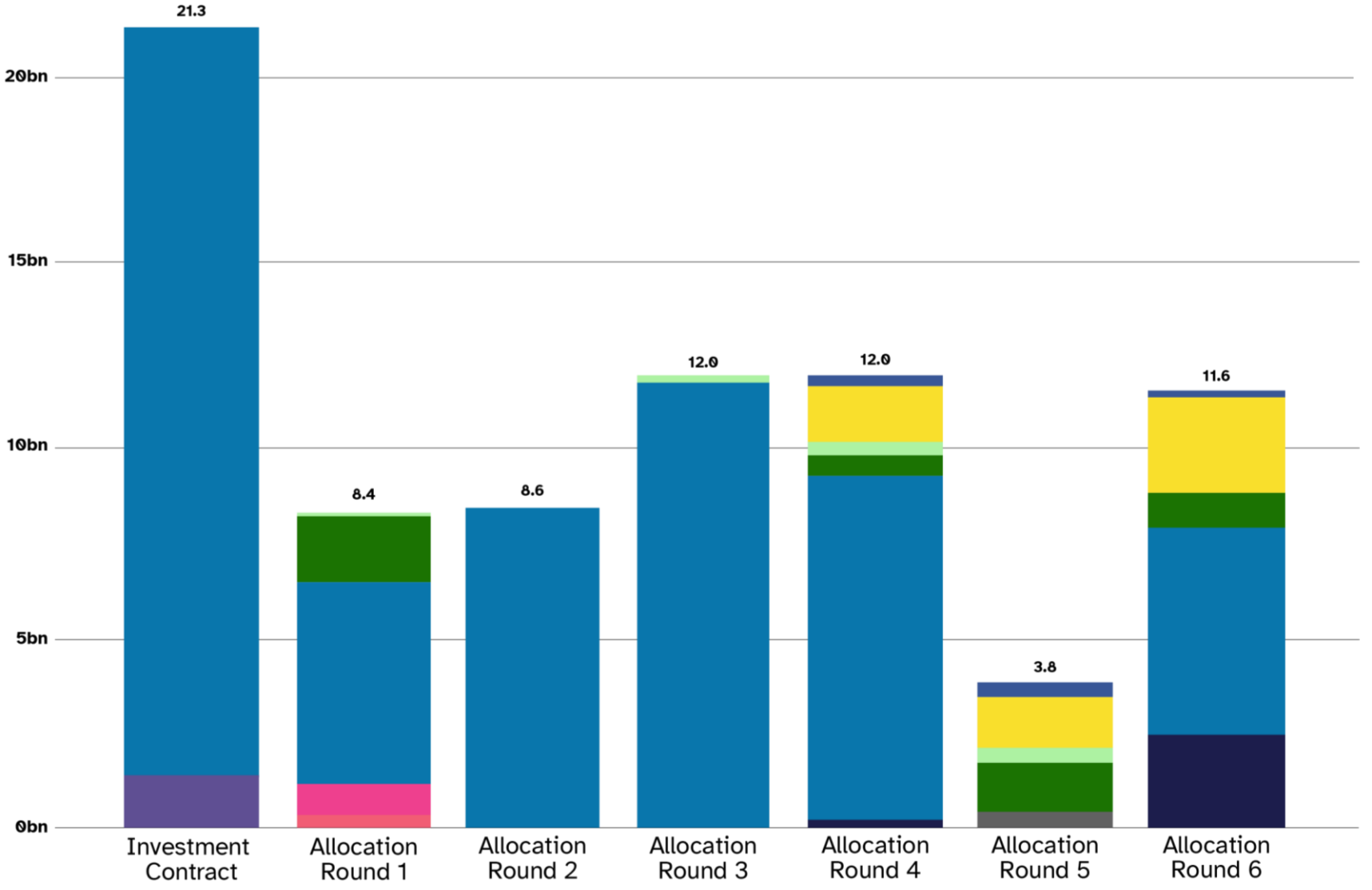
A total of 199 solar, 66 onshore wind, and 57 offshore wind generators hold CfDs.



Investment by Round (£)

AR6 will facilitate over £11 billion of investment once projects are operational, a substantial improvement on AR5, fuelled by the return of offshore wind and several floating offshore wind contracts awarded.

Large investment contracts awarded in the early stages of CfD when CAPEX was higher, contribute significantly to total investment.

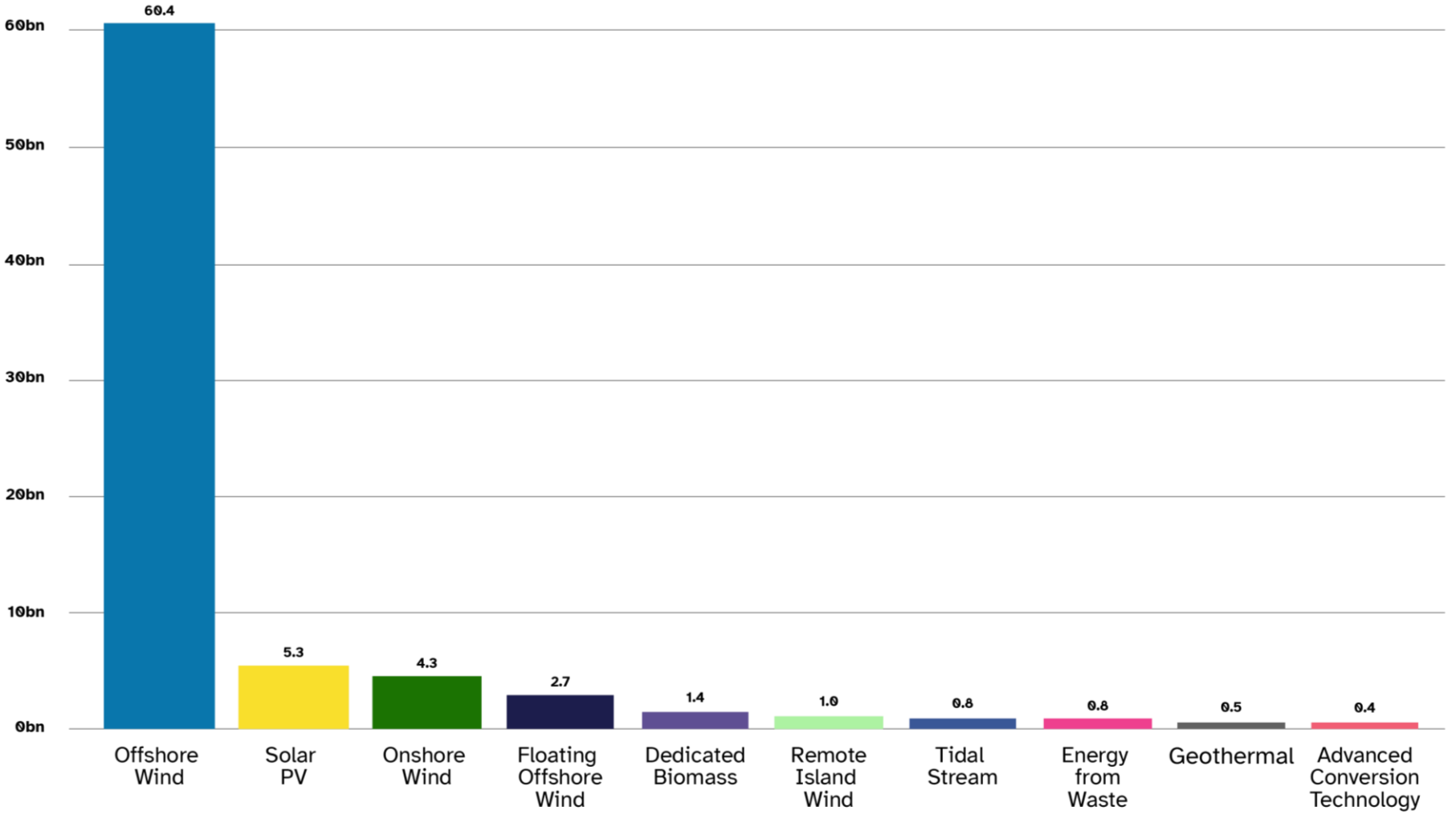


Investment by Technology (£)

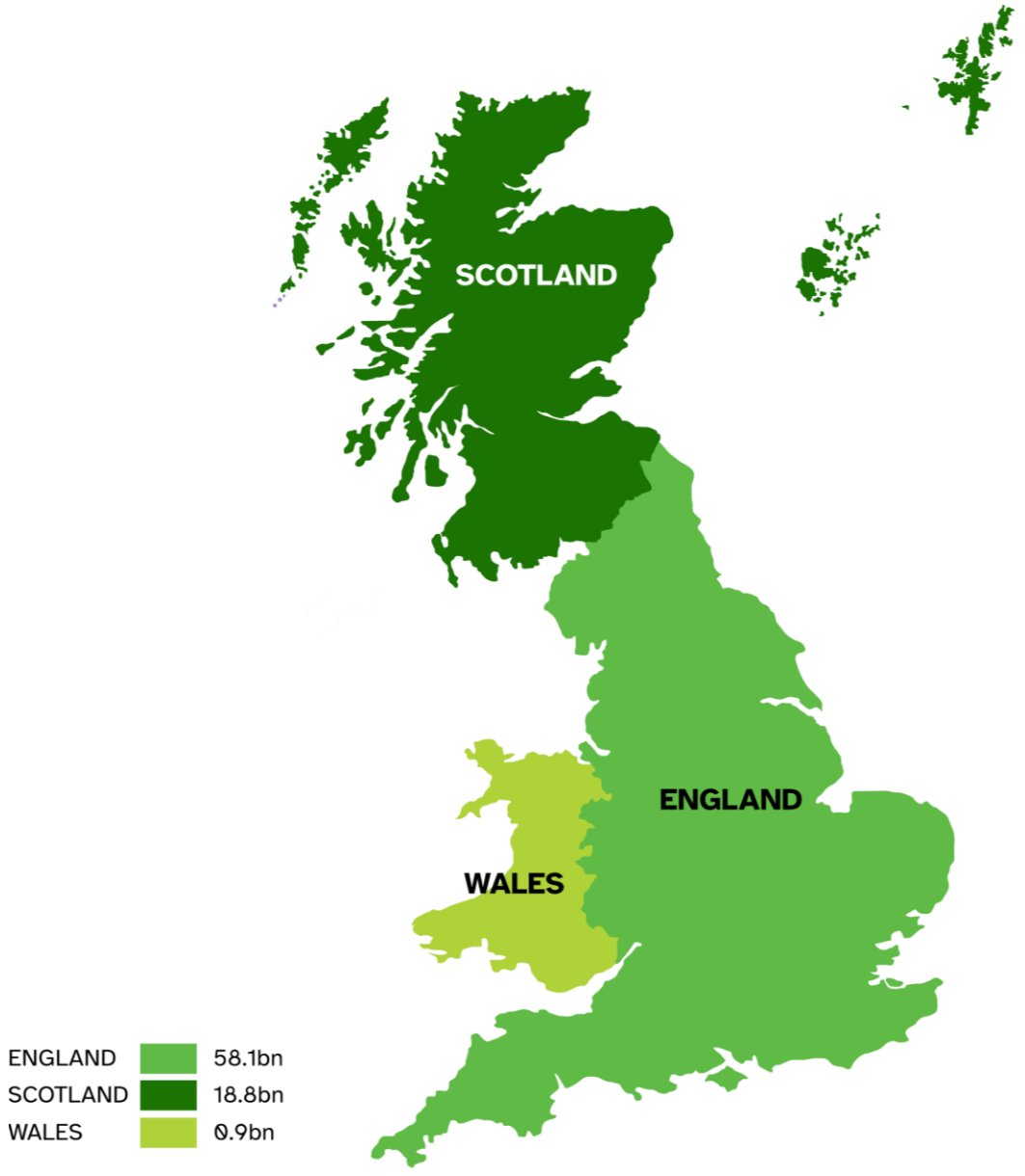
Offshore wind is a major winner from the CfD, receiving over 75% of investment.

Of all technologies, offshore wind has seen the largest decrease in Levelised Cost of Energy.

Recent allocation rounds (5 and 6) have seen success for more novel technology types such as geothermal, tidal, and floating offshore wind.



Regional Project Value

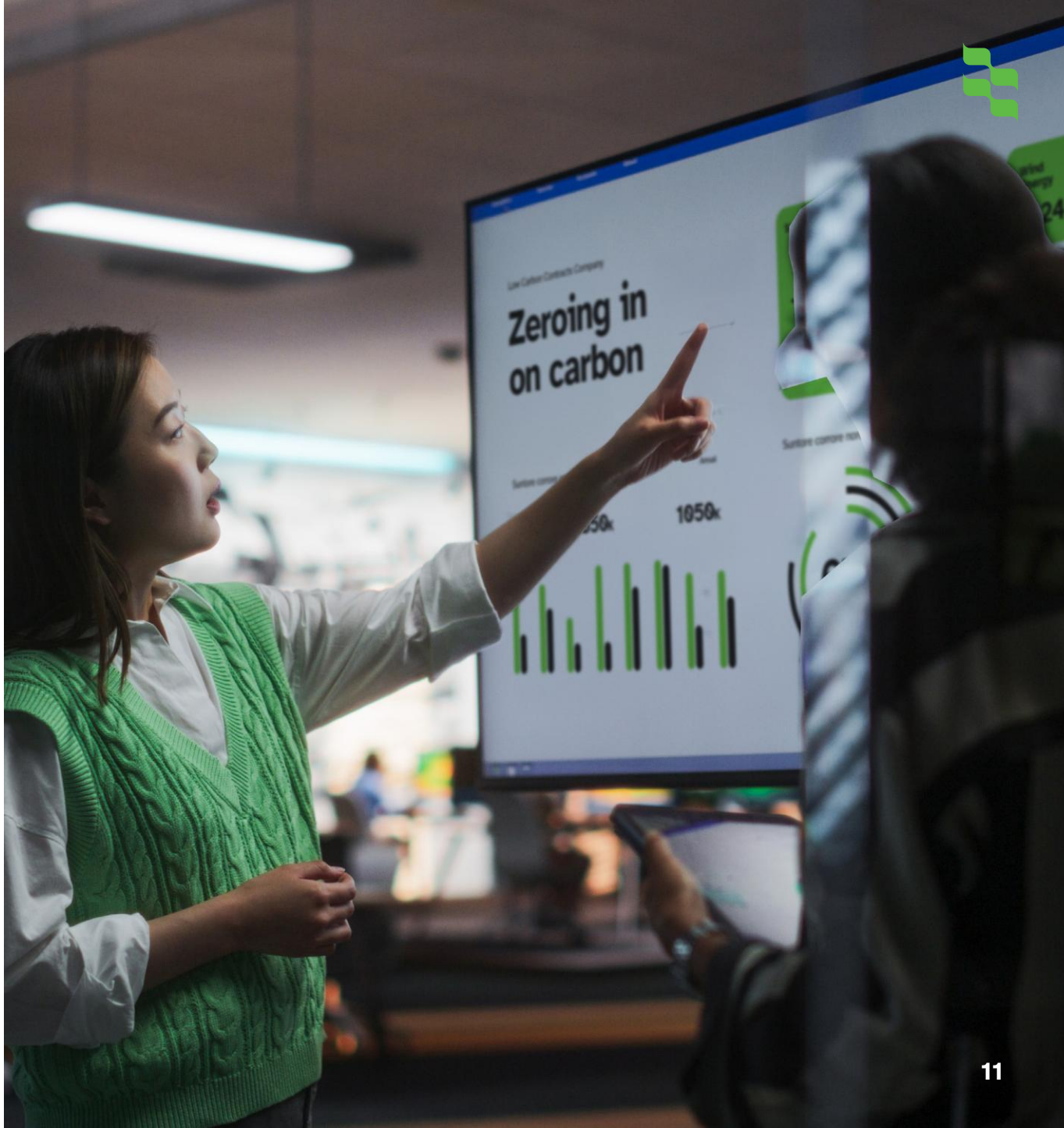


Region	£bn
Aberdeen and North East	7.9
East Midlands	4.3
East of England	19.7
Edinburgh and Lothians	3.4
Glasgow and Strathclyde	1.1
Highland and Islands	4.6
Mid and West Wales	0.1
North East England	7.5
North West England	6.2
North West Wales	0.7
Scotland South	0.7
South Central Wales	0.0
South East England	1.5
South East Wales	0.0
South West England	1.8
South West Wales	0.1
Tayside, Central and Fife	1.2
West Midlands	0.6
Yorkshire and The Humber	16.5

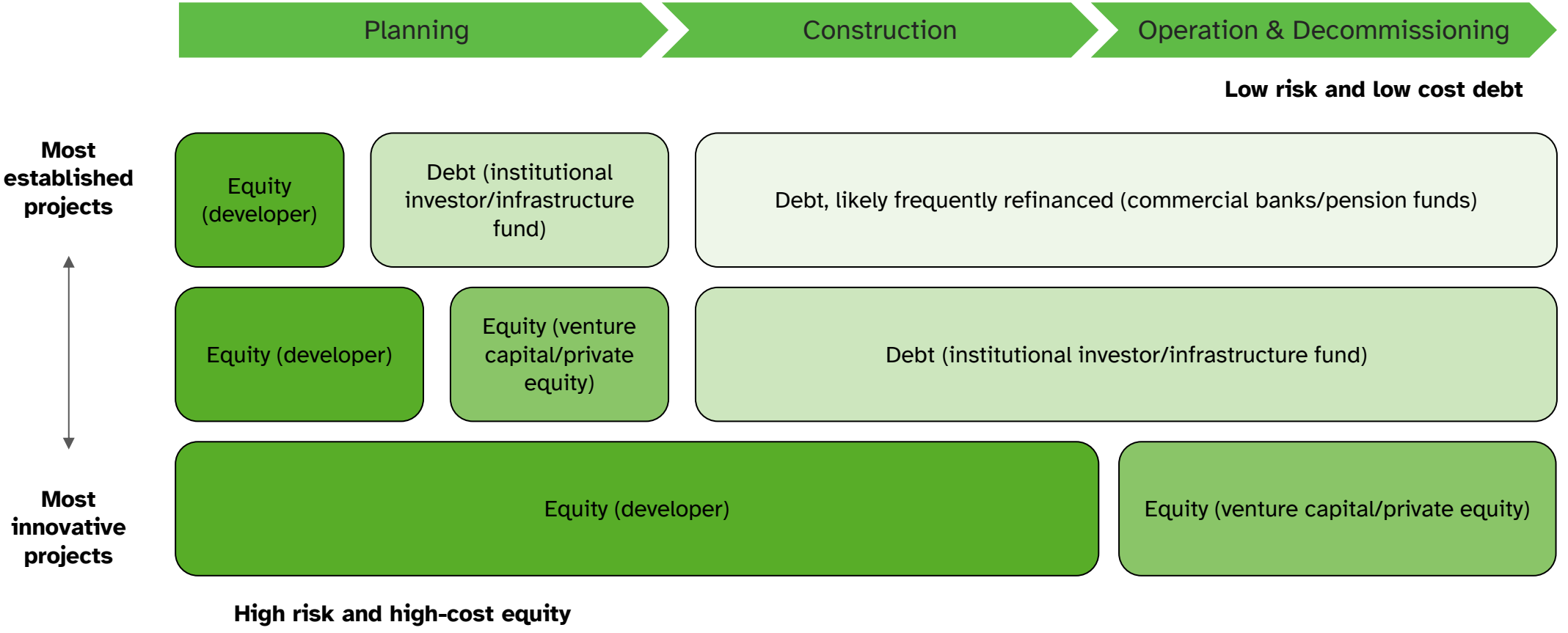
Case Studies

Some CfD projects have sufficient declared transactions to illustrate representative investment histories. This section compiles this data into case studies for one offshore wind and one tidal project.

The case studies demonstrate the difference in capital stacks between a more established and more nascent technology, and the impact that CfD award can have on a project's ability to obtain capital. They provide evidence for the investment architypes put forward in this section.

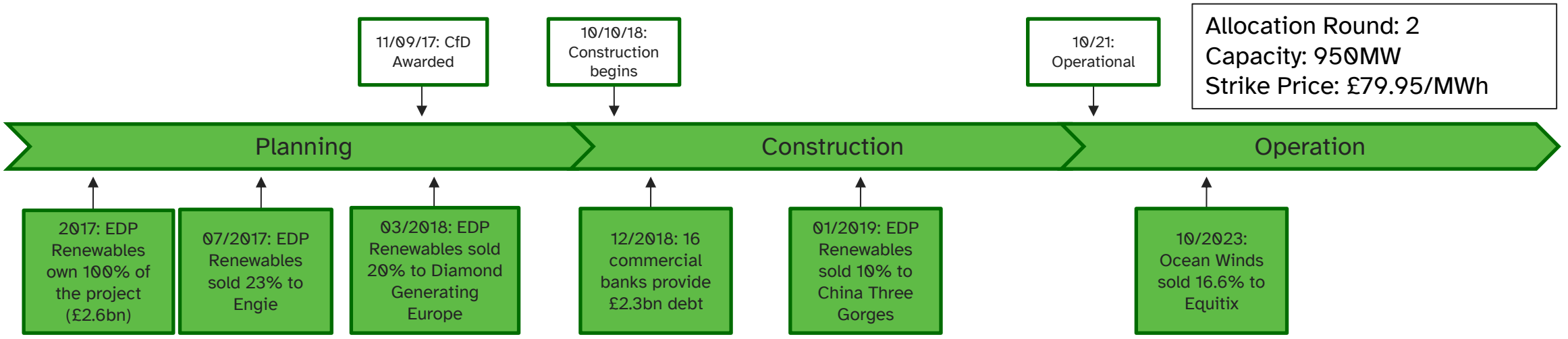


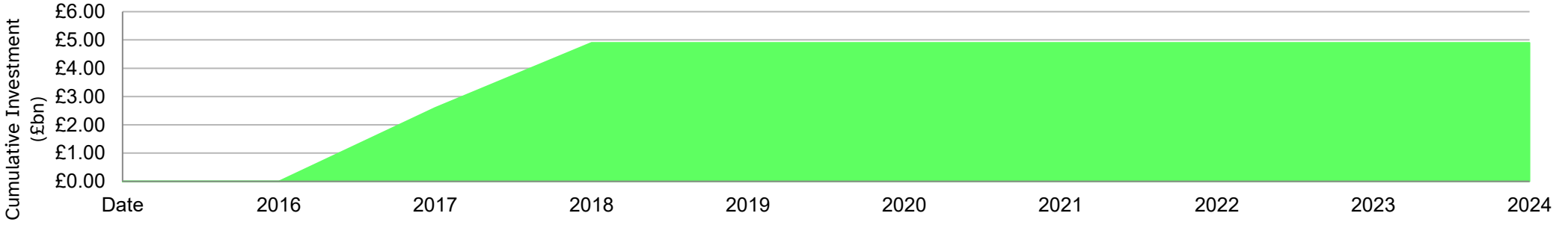
Investment Archetypes



The capital stack for energy projects evolves with technological and market maturity. Established technologies like offshore wind and solar farms attract lower-risk, lower-cost finance, primarily debt, soon after initial developer investment. These projects often secure institutional debt and equity during planning, with refinancing options available post-construction. In contrast, innovative or first-of-a-kind (FOAK) projects, such as geothermal or floating offshore wind, face higher risks and uncertain returns, making early-stage financing more expensive. They may attract equity from investors with higher risk appetites during the later planning stage and as returns become more certain through construction and operational phases, debt financing may become more readily available. The most innovative projects typically rely on developer equity throughout their lifecycle. Due to their risk profile, they often require additional support like government grants or alternative financing methods such as crowdfunding.

Case Study: Offshore Wind

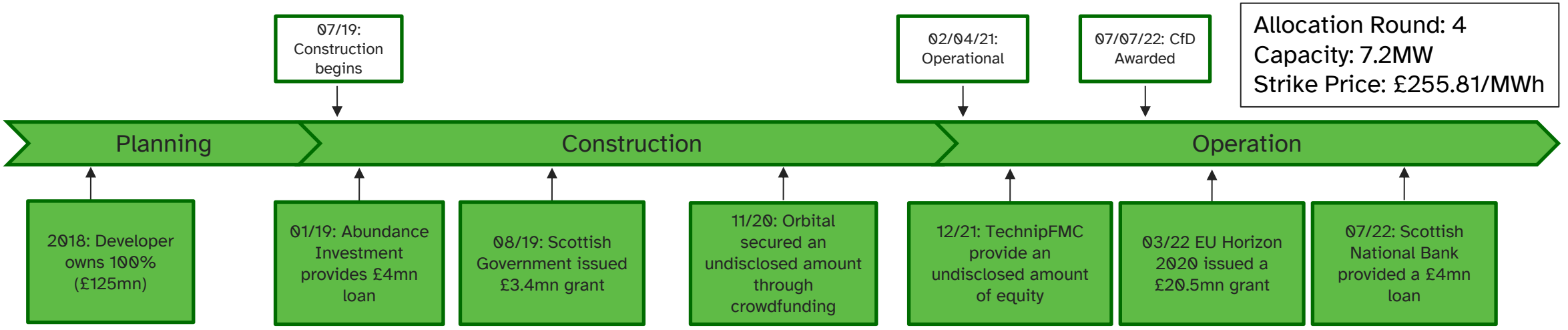




A large-scale offshore wind development represents a more mature renewable investment model characterised by strong creditworthiness and high leverage. Securing a Contract for Difference (CfD) under AR2 provided predictable long-term revenues, enabling the project to raise £2.3 billion in commercial debt from banks.

Multiple equity divestments to global investors reflect the project's liquidity and attractiveness within established portfolios. The stabilisation of revenue by the CfD enables significant debt financing for the project.

Case Study: Tidal



A tidal energy initiative exemplifies an early-stage investment model characterised by substantial public grant support and developer equity. The project secured significant funding from Government and EU sources, complemented by crowdfunding and private equity participation.
The project reached commercial operation in 2021, demonstrating viability and obtaining the Contract for Difference (CfD), which preceded the provision of a £4mn loan from the Scottish National Bank.

Investor Sentiment

In August, we interviewed representatives of several investors covering a broad spectrum of profiles including debt providers, investment funds, public sector investors, and developers.

Investors consistently view the GB market as a top destination for capital due to the stability offered by the CfD, which has led to a reduction in the cost of capital for renewable projects and supported investment through external challenges.

Investors were at least as optimistic as they were in 2024 about the renewable sector within GB, however some risks and recommendations were highlighted and are set out in this section.

Investor Risks

Investors identified a number of potential risks over the next five to ten years.

Key risks

1. Supply chain – the UK needs sufficient supply chain infrastructure such as ports and industrial capacity.

2. Capital costs – inflation and higher CAPEX costs render projects less investible to some equity investors.

3. Energy yield uncertainty will impact rates of return on investment.

Investor Recommendations

Investors identified a number of areas where investment into renewable generation could be better supported, linking to the identified risks.

Some investors also noted that the consistency of the CfD is highly valued and that changes may result in unexpected consequences.

Key areas

1. Strong support for further enabling of hybridisation and flexibility to boost revenue stability and improve risk profile.
2. Support for accelerating planning consent and grid connection to unlock capacity and capital.
3. Support for strike price indexation that is more tailored than the CPI.

Ownership analysis

As part of the Know Your Customer process, projects must submit to LCCC a breakdown of all entities that own or control, directly or indirectly, 25% (10% in some cases) or more of the project.

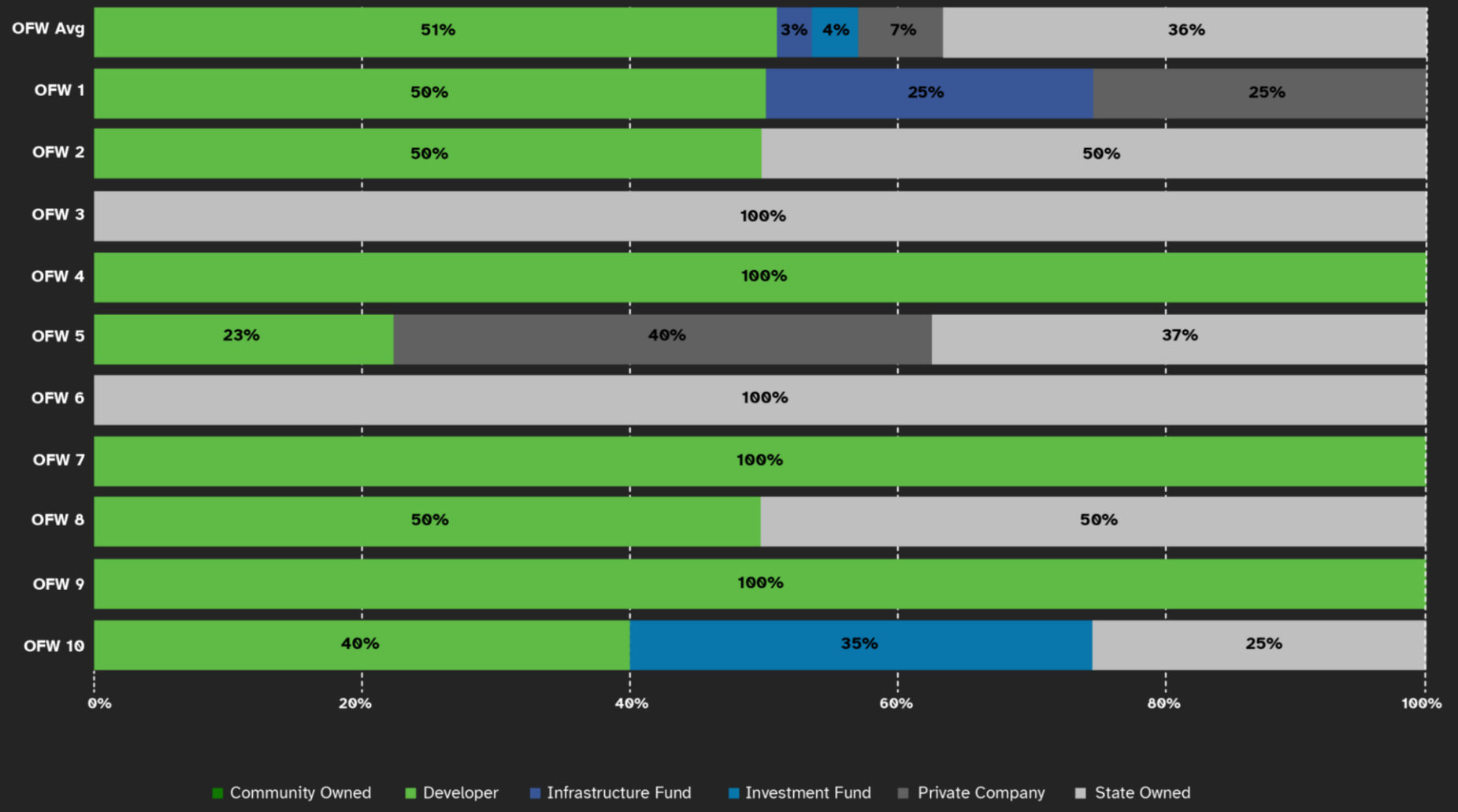
We have utilised this data to analyse the underlying ownership breakdowns of 10 onshore and offshore wind projects plus 12 solar projects, each randomly selected. Project and owner details are anonymised.

Offshore wind

Of projects sampled, 51% of ownership of offshore wind projects is held by developers and 36% by state owned entities.

Smaller stakes are also held by infrastructure and investment funds and privately held companies.

Higher CAPEX means a need for established developers and state finance often selling equity to large infrastructure or investment funds.

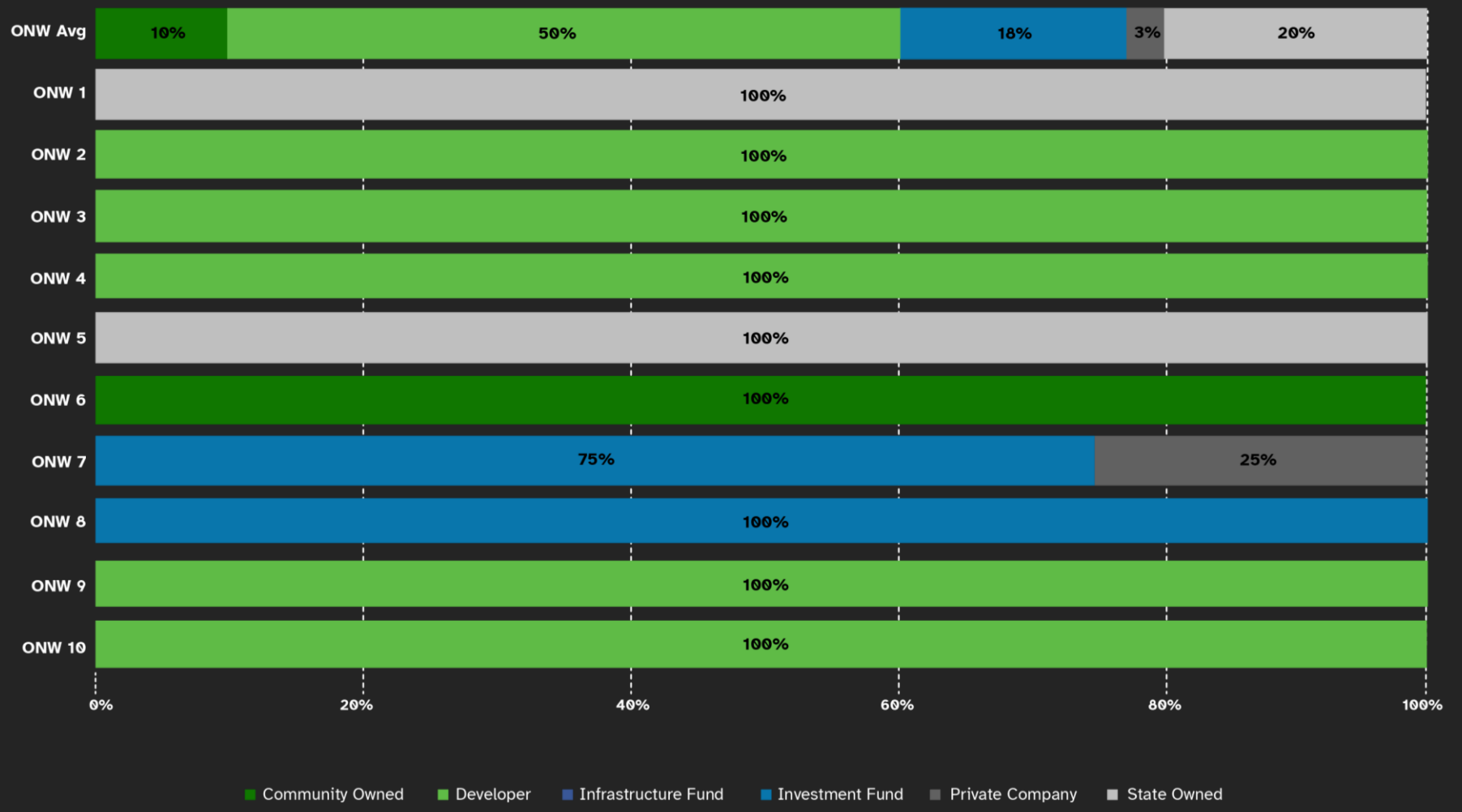


Onshore wind

Of projects sampled, 50% of ownership of onshore wind projects is held by developers and 30% by state owned entities.

Typically, higher proportions are owned by investment funds than offshore wind (18%), and 10% of ownership is community based (in the form of one full project).

Projects have often either remained 100% developer owned, or a large proportion of equity has been sold to investment funds.

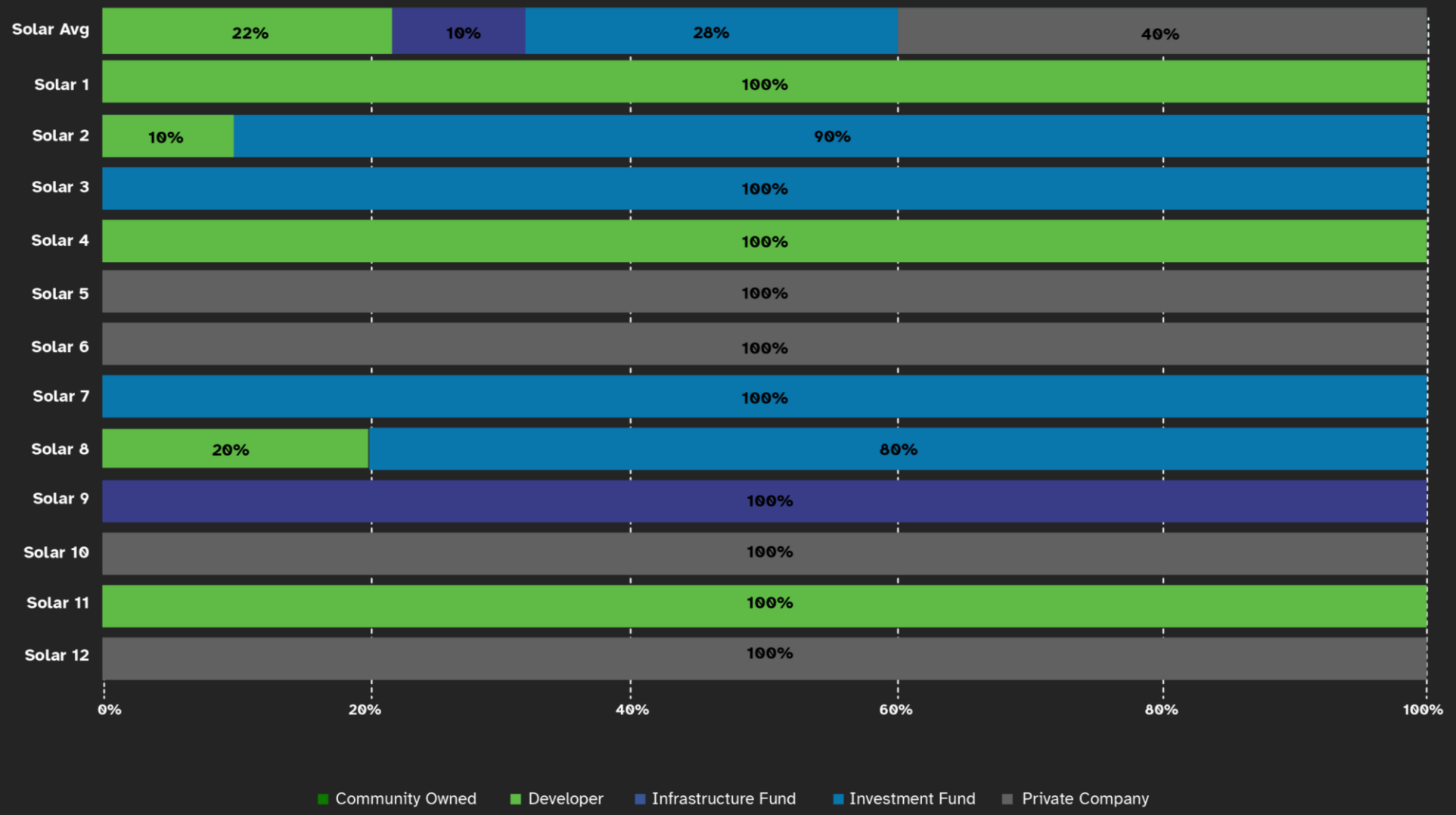


Solar

The solar projects sampled have a more varied average ownership, with 40% owned by privately held companies (the largest share of all technology types), 38% by infrastructure and investment funds, and 22% by developers.

No solar projects sampled have any state ownership.

Lower CAPEX means smaller entities including privately held companies can maintain full ownership.



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Thank you.