



UK Renewables: The New Investment Frontier - Allocation Round 8 (AR8) and the Opportunities for Investors



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The Contracts for Difference (CfD) scheme is the United Kingdom's principal support mechanism for new low-carbon electricity generation. Allocation Round 8 ("AR8"), the eighth national auction, closed its application window on 7 August 2026, and applicants now sit in the qualification and assessment stage ahead of the award announcement, which the National Energy System Operator (NESO) is expected to make for all technologies simultaneously between November 2026 and February 2027.

This briefing explains what an AR8 award involves, the technical and policy changes that shape the round, the opportunities it opens up for international investors, and the key legal cautions — including around post-award changes of ownership of awarded projects.

AR8 AT A GLANCE

14.7 GW — capacity contracted in the preceding round (AR7), a record across 201 projects

20 years — CfD contract term for solar, onshore wind and offshore wind projects

Gate 2 — firm grid connection agreement required for participation (Gate 1 generally excluded)

Nov 2026 – Feb 2027 — expected notification of results for all technologies

Administrative Strike Prices (ASPs): solar £75/MWh; onshore wind £92/MWh; offshore wind £113/MWh; floating offshore wind £271/MWh.

1. KEY PROVISIONS — WHAT AN AR8 AWARD MEANS

A successful bidder under AR8 is awarded a Contract for Difference with the Low Carbon Contracts Company (LCCC), the public counterparty. The CfD is a long-term, two-way contract that stabilises project revenues: it guarantees the generator a fixed "strike price" for the electricity produced, with the LCCC settling the difference when wholesale market prices fall below the strike price, and the generator paying back the difference when prices rise above it. This revenue certainty — combined with a 20-year term for solar, onshore and offshore wind — materially improves bankability and lowers financing costs, in a manner analogous to the long-term support regimes seen in other European markets, including the Italian FER-X (see comparison below).

AR8 introduces a series of structural changes to improve value for money and delivery certainty. Only projects holding a firm "Gate 2" grid connection agreement are eligible, prioritising projects that are genuinely ready to build. The Government has reserved the right to set the final budget for solar, onshore wind and fixed-bottom offshore wind after reviewing confidential bid information, and may introduce separate clearing prices for projects with particular characteristics.

Applications without a sealed bid are automatically withdrawn (removing the AR7 default-bid safety net). The main technical changes affecting project structuring are summarised below.

Surrendered Capacity — prevention of arbitrage. Any project that previously held a CfD under Allocation Rounds 1 through 7 is permanently barred from re-bidding that same capacity into future rounds. This measure is designed to prevent capacity arbitrage — the practice of returning a previously awarded CfD in order to secure a higher strike price in a subsequent, more favourable round — and to ensure the AR8 budget is directed toward genuinely new generation capacity.

Hybrid metering framework. AR8 introduces a new "hybrid metering" framework allowing generators of the same technology to share Balancing Mechanism Unit (BMU) infrastructure while recording output separately at sub-BMU level. This facilitates the flexible co-location of CfD and merchant assets on the same site, enabling more sophisticated revenue-stacking strategies for developers who wish to combine incentivised and merchant exposure.

Floating and deepwater offshore wind — new category and extended longstop. To support the emerging floating offshore wind (FLOW) sector and

account for its greater construction complexity, AR8 extends the Longstop Period for FLOW projects to 24 months and lowers the Required Installed Capacity (RIC) threshold to 85%, aligning it with fixed-bottom offshore wind. AR8 also introduces a dedicated category — "Other Deepwater Offshore Wind" (ODOW) — covering non-floating, deep-water foundation designs at a minimum depth of 50 metres, with its own administrative strike price of £271/MWh.

Grid eligibility — Gate 2 required. Projects holding only a "Gate 1" connection agreement are generally excluded from AR8 (subject to limited exceptions where they also hold a Gate 1 Connection Point and Capacity Reservation (CPCR)), while projects with a "Gate 2" agreement remain eligible. This requirement reflects the Government's intent to direct CfD support towards projects with a higher degree of grid readiness and delivery certainty, and materially affects the qualification strategy for projects in early development.

Sealed bid visibility extended. Visibility of sealed bids has been extended to cover solar, onshore wind, floating offshore wind and ODOW, improving the transparency of the auction outcome.

2. OPPORTUNITIES FOR INVESTORS

The principal opportunity lies in the **secondary market for awarded projects**. Many developers and early-stage sponsors will seek to monetise their AR8 awards promptly — typically through a share sale of the project SPV or by bringing in financial or strategic investors during the pre-financial-close and construction phase. Given the revenue visibility provided by a 20-year CfD, AR8-awarded projects are attractive acquisition targets for infrastructure funds, credit investors and project-finance lenders.

The scale of the round is significant. AR7 locked in a record 14.7 GW across 201 projects, and AR8 is expected to rank among the most important rounds for the Government's Clean Power 2030 ambition. For offshore wind, developers can access additional revenue support through the CfD Clean Industry Bonus by investing in more sustainable domestic supply chains. The addition of an extra delivery year for solar and onshore wind broadens the eligible pipeline of projects that can secure support.

3. KEY CAUTIONS AND RISKS

Milestones and delivery. An award is not a free

option. CfD contracts impose tight construction and commissioning milestones. Projects must reach their target commissioning date and deliver within the scheduled delivery years; failure to do so can result in forfeiture of the award, loss of security and financial penalties. Non-delivery may also disqualify the project from a subsequent round.

Grid connection remains the central delivery risk. Although the Gate 2 requirement improves deliverability, connection timing and cost remain material execution risks, and any change in connection terms can directly affect the project's ability to meet its CfD commitments.

Surrendered capacity exclusion and no-default-bid. Capacity previously awarded and then reduced or surrendered cannot be re-bid into a future round, and bidders who fail to submit a sealed bid are automatically withdrawn. These rules discipline bid strategy and reduce **flexibility** at the margins.

Bankability and diligence. For investors acquiring awarded projects, the quality of the bidding entity, the completeness of the permit and grid package, and the contractual chain all require careful diligence ahead of any acquisition or financing.

4. POST-AWARD OWNERSHIP CHANGES — CAN THE PROJECT BE SOLD?

Yes, in principle. Where the developer has made the application and won the CfD, ownership of the project can subsequently change — this is common practice across CfD rounds. The CfD is a contract between the successful generator (typically a project SPV) and the LCCC. Where an investor acquires the project by purchasing the **shares of the SPV**, the CfD remains in place with the same legal entity and does not need to be re-issued; the governing provisions then concern **change of control**, which the CfD Standard Terms subject to notification and/or the LCCC's consent. Where the structure instead requires the **contract itself to be transferred** to a new entity, the CfD provides for transfer/novation mechanisms again subject to the LCCC's consent, with verification of continuity of the generator's obligations.

The key takeaway for investors is that **changing ownership post-award is feasible and frequent, but not automatic**. It must be structured in accordance with the CfD Standard Terms (change of control and transfer provisions), with appropriate notices and LCCC consent, and with close attention to the milestones and securities (initial conditions precedent, target commissioning date, delivery

years). This is precisely where structuring advice adds most value — timing an acquisition or investment between award and financial close to align with the developer's objectives and the contract's requirements.

5. THE SECONDARY MARKET — WHY AR8-AWARDED PROJECTS ARE COMING TO MARKET

An AR8 award may mark not only a significant development milestone, but also a potential point of entry for investors. We expect some successful developers to consider selling, bringing in co-investors or otherwise realizing value in their projects, particularly where they do not intend to fund construction or retain the asset through operation. The scale of any resulting secondary market will depend on the outcome of the allocation round, project readiness and financing conditions.

For many projects, an AR8 award is not the end of the development journey — it is the point at which value can be realised. Following the pattern seen in earlier CfD rounds, we expect a significant proportion of AR8-awarded projects to be offered for sale, and the secondary market to be active in the period between award and financial close — for three main reasons.

First, the award de-risks the asset. A 20-year CfD stabilises the revenue stream, which is precisely what makes a development-stage project bankable and, in turn, saleable. A developer who has absorbed the development and grid risk through the auction can crystallise that value by selling to an infrastructure fund or strategic investor better placed to fund construction and long-term operation. For the developer, the award is the monetisation event; for the buyer, it is the entry point into a stable, contracted asset.

Second, many AR8 winners are not natural holders. The bidder base typically includes developers and early-stage sponsors whose business model is to originate, consent and monetise rather than to own and operate. For these sponsors, selling the project SPV — or bringing in a financial investor for the construction phase — is the planned exit, not an opportunistic one.

Third, the capital intensity of the pipeline. With record capacity awarded in recent rounds and a further large AR8 pipeline to be delivered, the construction capital required is substantial. Not every winner will have the balance sheet, or

the appetite, to carry the full project to completion. We therefore expect a healthy flow of AR8-awarded projects to be structured and offered as equity acquisitions, co-investments or project-financed transactions over the coming months — which is precisely where careful transaction structuring, and a clear understanding of the CfD transfer and change-of-control framework, becomes decisive.

Against that backdrop, the following checklist sets out the key points we recommend investors address before acquiring, financing or structuring an AR8-awarded project:

Investor checklist

- ✓ Is the project eligible for, and awarded under, AR8? Which pot and delivery year?
- ✓ Does the bidding entity hold the firm Gate 2 grid connection agreement?
- ✓ What is the status of the permits, land rights and grid package?
- ✓ Is the acquisition structured as a share sale (SPV) or a transfer/novation of the CfD?
- ✓ Will a change of control trigger LCCC consent or notification requirements?
- ✓ What milestones apply (conditions precedent, target commissioning date, delivery years)?
- ✓ What securities or deposits are at risk, and what happens on delay or forfeiture?
- ✓ Can the CfD support be combined with other subsidies or the Clean Industry Bonus?
- ✓ How is the CfD entitlement addressed in the acquisition, financing or JV agreement?

6. COMPARISON WITH THE ITALIAN FER-X REGIME

The inclusion of the Italian FER-X regime in this briefing is not an academic exercise.

We have previously written extensively on the Italian FER-X regime and the wider Italian renewables market. This briefing extends that analysis to the UK, where AR8 presents investors with a further opportunity to assess supported renewable projects. For investors active in both markets, comparing the two regimes can help identify where their common

revenue-support logic meets materially different rules on eligibility, project maturity and delivery.

First, the economic instrument is the same. Both the UK CfD regime (as updated for AR8) and the Italian FER-X Decree are structured around the same core instrument — the two-way Contract for Difference — designed to stabilise renewable revenues against wholesale price volatility. An investor who already understands one framework is therefore immediately capable of modelling the cashflows of the other, and the due-diligence disciplines (strike price, settlement mechanics, delivery milestones, deposits) largely transplant from one market to the other.

Second, the two regimes have converged in timing and ambition. Both have been refreshed in 2026 (the Definitive FER-X Decree and AR8), both target substantial capacity over a 20-year support period, and both are being promoted as delivering long-term revenue visibility and bankability. This convergence means that the same pool of developers, infrastructure funds and lenders is frequently evaluating UK and Italian assets at the same moment, and will benchmark the terms of one regime against the other when deciding where to allocate capital.

Against that backdrop, the two frameworks — while sharing the same core economic instrument — differ in a number of important respects relevant to cross-border investors:

Feature	UK AR8	Italian FER X
Support mech.	Two-way CfD	Two-way (competitive) or all-inclusive feed-in tariff (direct access)) CfD
Competitive procedure	Pay-as-bid auction	Pay-as-bid auction
Small-plant access	No direct access pathway	Direct access for plants up to 1 MW
Contract term	20 years	20 years
Grid connection requirement	Gate 2 firm connection required	Connection to the grid subject to a general technical minimum solution (STMG) and acceptance of the connection offer from the relevant network operator (Terna or the DSO)
Key eligibility filter	Surrendered capacity barred; no default bid	Preliminary qualification + financial standing (DSF)

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