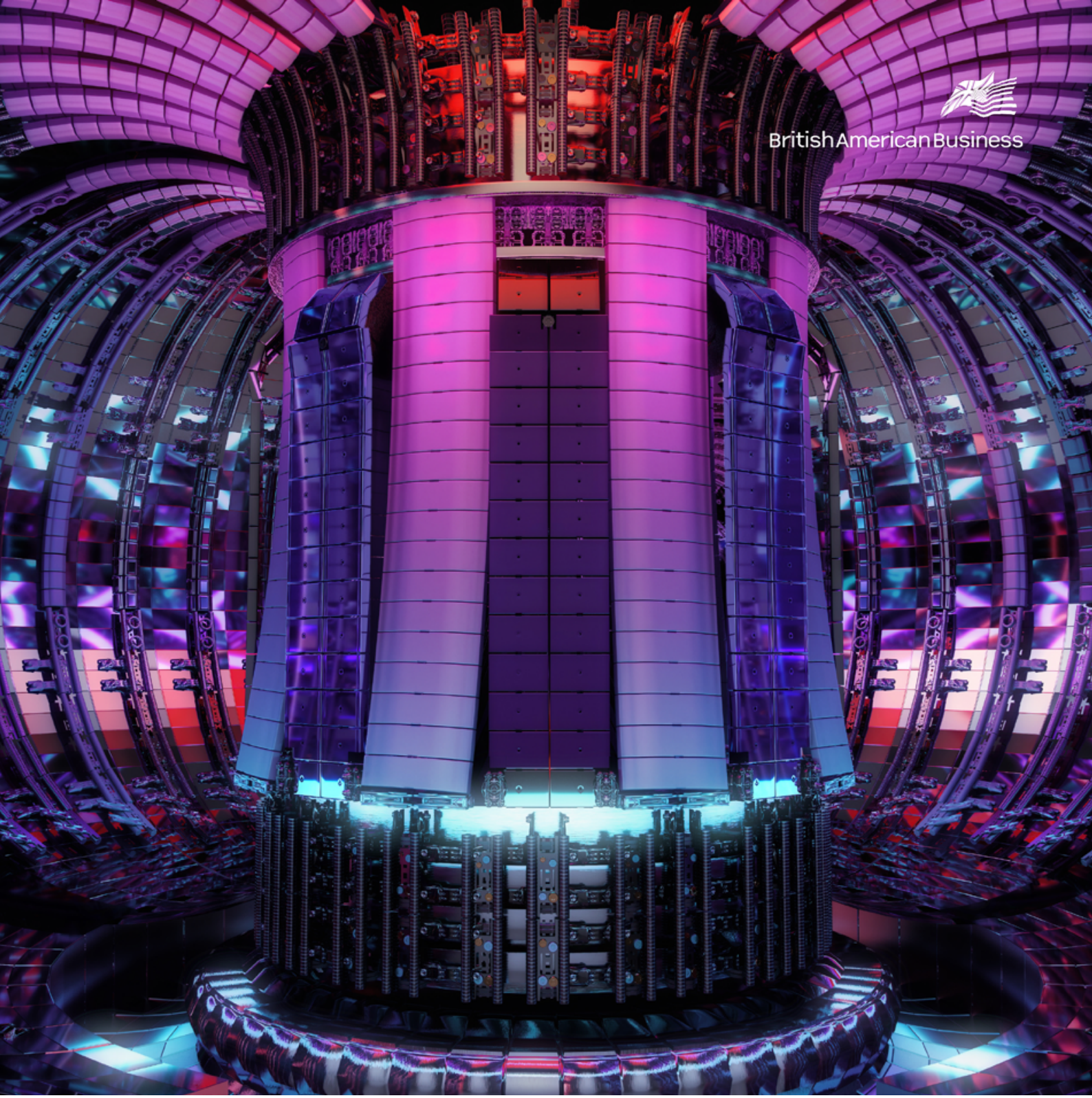

Policy Paper

The US-UK Energy Landscape

Tactical Opportunities for Cooperation Amidst Strategic Divergence

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Daniel Hurley, Manager, Policy, BritishAmerican Business

Emanuel Adam, Chief Trade and Policy Officer, BritishAmerican Business

Executive Summary

Amid heightened geopolitical risk and a renewed focus on energy affordability, security, and resilience, this BAB policy paper examines the current US - UK energy landscape and identifies tactical opportunities for cooperation amidst strategic divergence. It argues that, while the two countries are pursuing distinct energy strategies shaped by domestic priorities, these approaches are not inherently conflicting. Instead, they create a new foundation for deeper, mutually beneficial cooperation aimed at strengthening long-term energy systems and supporting economic growth on both sides of the Atlantic.

The UK's strategy is centered on accelerating the clean energy transition, underpinned by its statutory commitment to achieving a fully clean power system by 2030 and net zero emissions by 2050. This includes major investments in renewable energy, nuclear, hydrogen, carbon capture, and grid infrastructure, alongside institutional reforms such as the creation of Great British Energy and efforts to fast-track project delivery. Faced with particularly high industrial electricity prices, grid constraints, financing gaps, and supply chain limitations, which risk undermining competitiveness and slowing investment, the UK has vowed to accelerate the transition from fossil fuels to renewables and nuclear.

In contrast, the US is pursuing an "energy dominance" agenda focused on maximizing domestic production of oil, gas, liquified natural gas (LNG), and critical minerals, while also supporting nuclear and emerging technologies. This approach has driven record production levels and expanded LNG exports, strengthening the US position as a global energy supplier. However, it has also increased exposure to global market dynamics, contributing to rising domestic energy costs in some sectors and reinforcing the need for a more diversified energy mix.

Despite these differences in the approaches taken in both the UK and the US, this paper identifies three core areas where enhanced US–UK collaboration can deliver tangible opportunities for transatlantic investment. First, **market diversification** is essential to improving resilience and reducing long-term costs. Joint leadership in nuclear energy alongside coordinated investment in sustainable aviation fuel (SAF) and fusion can accelerate commercialization and create scalable transatlantic supply chains. Second, **transmission and grid infrastructure** must expand rapidly to meet rising electricity demand driven by electrification, AI and data center infrastructure, and advanced manufacturing. Coordinated planning, shared technical expertise, and joint investment in supply chains for critical components such as transformers and cables are key to overcoming current bottlenecks. Third, **pricing and market design reforms** are needed to address volatility and improve investment signals, particularly in the UK where reliance on gas-linked pricing continues to expose consumers and industry to external shocks.

Building on existing agreements in critical minerals, nuclear cooperation, and advanced energy technologies can unlock significant bilateral investment and innovation. By aligning regulatory frameworks, de-risking investment, and supporting diversified energy systems, both countries can enhance energy security, reduce costs, and position themselves as global leaders in the future energy economy. The paper also notes that the degree of future cooperation and energy priorities for both countries will depend, however, on the political makeup of both governments and electoral considerations leading up to future elections in both the US and UK.

Introduction

The conflict in the Middle East has not only heightened geopolitical risk but has also brought issues of energy affordability, security, and resilience sharply back to the forefront of global policy debates. As governments—including those of the United States and the United Kingdom—grapple with rising oil and gas prices driven by the vulnerability of global energy supply chains and the close interdependence between regional instability and international trade, urgent questions arise about how to future-proof energy security for advanced economies.

The challenge of achieving energy security has been prominent in both the UK and US for many years. Even prior to the latest conflict, the arrival of new governments in both countries prompted renewed debate over how best to balance energy security, affordability, and long-term resilience, often through differing policy approaches on energy policy.

In the UK, there have been efforts to rectify the issue of energy affordability for businesses and consumers. Significant policy changes have begun to support the diversification of the UK energy sector, with a key aim of improving national security positioning and securing a long-term, domestically sourced energy supply. Coinciding with this is the UK's pursuit of a clean energy transition, outlined in the current government's manifesto commitments in 2024. Over the last two years of the current UK government, major developments have occurred across each sector alongside the creation of Great British Energy and a "Mission Control" taskforce to fast-track grid upgrades and project delivery. Most recently, the UK has vowed to accelerate the transition from fossil fuels to renewables and nuclear power.

Though BAB welcomed the focus on advanced energy technologies, concerns have been raised by business about the achievability of the UK's 2030 and 2050 targets and the associated costs for both industry and consumers that come with meeting these targets. There have been calls for the UK government to consider a more measured approach to energy policy that prioritizes affordability for both business and consumers and supports long-term energy security. Such an approach would not mean abandoning efforts to reduce emissions and boost renewable energy use, but would add balance by not abandoning traditional energy sources—such as oil and gas—to avoid increasing industrial energy costs and support energy security in both the near- and long-term.

Across the Atlantic, the US energy market sees a different mandate to boost economic growth and energy security through the development and use of LNG, oil, coal, hydropower, biofuels, critical minerals and nuclear power. The Trump administration's energy policy is to become energy dominant, including through removing legal and regulatory barriers to developing and using these energy sources by expanding access, rolling back environmental regulations, and accelerating infrastructure and permitting approvals.

Boosting LNG exports is a key priority, with exports up 22% in 2025 as the administration focused on promoting demand abroad. The administration is also focused on expanding domestic oil production to reduce dependency on foreign oil, with oil production hitting an all-time high of 13.6 million barrels per day in

2025.[1] Critical mineral extraction is also being prioritized to secure domestic supply chains of minerals that are essential for defense, technology, energy and other key sectors of the economy.

The administration's energy policy has had notable success in delivering record oil and gas production, massive growth in LNG exports, and a strengthened US position as global energy leader. However, while gasoline prices have lowered on average—prior to the conflict in the Middle East—natural gas and electricity costs have increased partly due to stronger international LNG demand which increased US price exposure to international gas markets, impacting costs for industry and consumers. Additionally, while domestic oil and gas production has reached record levels, the conflict in the Middle East has demonstrated the need for diversified energy sources in both the US and UK particularly across the power and transportation sectors. Finally, concerns have been raised by the renewable energy sector that the administration's de-prioritization of offshore wind, solar, and other renewable energy sources is diverting investment to other countries and reducing the number of power generating projects that will come online.

In its 2026 Policy Agenda, BAB indicates that businesses welcome the US' support of traditional energy sources without abandoning new technologies and low-carbon energy sources to ensure energy security and affordability through diversification. Diversifying energy supply, particularly at a time when energy demand is rising to power the rapid growth of AI, data centers and manufacturing of energy-intensive industries being reshored, is key to reducing industrial energy costs that will provide business with the confidence to launch and expand operations in the United States.

In recent years, the US and UK have significantly deepened their collaboration on energy, developing a joint agenda that advances policy alignment while creating tangible opportunities for business. BAB has been part of these efforts, ensuring that there is early consultation and active participation from industry.

In this paper, we argue that despite the different approaches taken to make affordable and accessible energy part of a domestic growth agenda, the US and UK's energy policy priorities should not be seen as a point of friction. In fact, the paper seeks to explore areas that offer an opportunity for future strategic complementarity, and therefore a new joint agenda for action. Both countries' administrations are pursuing energy policies that have the potential to leverage strong investment opportunities into each economy, based on their geographical advantages, by focusing on developing diversified domestic energy and infrastructure supply chains, reducing reliance on imports and enhancing energy security.

Recent US- UK agreements, such as the UK-US MoU on critical minerals; expert strategic agreement on the development of a transport package for High Asay Low Enriched Uranium (HALEU), which formalizes collaboration on technical expertise, regulatory compliance, and fuel handling standards; incorporation of civil nuclear energy in the Technology Prosperity Deal (TPD) which recognizes the need for financial support for modernized infrastructure to support technology innovations on both sides of the corridor; and signing of the Atlantic Partnership for Advanced Nuclear Energy to support the building of new power plants, provide a strong foundation for energy collaboration of all types that can drive growth and reduce import costs in the long-term. They also support high-skilled jobs for the workforce across all regions of the US and UK, in collaboration with US and UK businesses across the corridor—a core mandate for both

1 U.S. Energy Information Administration, EIA adjusts forecast for U.S. oil production as producers set a record in July 2025

current governments. Furthermore, these agreements serve as an important benchmark for a future energy cooperation agenda between the US and the UK.

In this context, building on BAB's 2026 Policy Agenda, this paper proposes and highlights three major areas that should be part of the current US - UK energy cooperation agenda. Focusing on these areas will offer potential for greater transatlantic cooperation that will encourage sector innovation to improve energy affordability and reliance for businesses in both the US and UK.

1. Market diversification
2. The development of frameworks to accelerate transmission network deployment
3. Pricing and market design

It should be noted that the degree of future cooperation and energy priorities for both countries will depend, however, on the political makeup of both governments and electoral considerations leading up to future elections in both the US and UK that could change the direction of travel for both countries' energy policies.

Market Diversification

As both the US and UK governments increasingly prioritize energy security by supporting domestic supply chains, market diversification of energy is key to unlocking this. Advanced low-carbon energy solutions are becoming cheaper every day because of investments by additional global players like China and India. By being an early mover and adopter of innovative energy solutions and supporting the diversification of energy sources, the US and UK can remain competitive markets for investment, become more energy independent, and reduce future energy costs for industry and individual consumers. Both countries can play a leading role setting international benchmarks for market diversification given this is a central component of their energy policy agendas and there being prime opportunities to complement each other's energy diversification.

Nuclear

Nuclear power is a critical pillar to a diversified and resilient energy system. Civil nuclear provides firm, dispatchable baseload generation that can operate independently from weather conditions and global gas markets. Succinct permitting and deployment of Small Modular Reactors (SMRs) and Advanced Modular Reactors (AMRs) is necessary to reduce potential volatility of energy pricing as several legacy plans are decommissioned and electricity demand rises with the electrification of transport, heating, and industry, and the exponential growth in power-intensive AI infrastructure. On the regulatory front, the US and UK should therefore prioritize execution of the goals set forth in the 2025 agreement between the UK Office of Nuclear Regulation and the US Nuclear Regulatory Commission to:

1. Cut duplication and fast-track decisions in reactor and site licensing
2. Share the regulatory load between countries
3. Accelerate second-jurisdiction reviews
4. Progress technologies that are ready to enter the regulatory process in the United Kingdom and/or the United States

Outside of regulation, the US and UK should pursue key recommendations BAB outlined prior to the signing of the Atlantic Partnership for Advanced Nuclear Energy in September 2025:

1. Partnership on the establishment of secure fuel supply
2. Partnership on the establishment of supply chains
3. Increased focus on workforce and skills supply
4. Promoting long-term US-UK policy frameworks

Further information can be found in our statement of support here.

In addition to deepening cooperation on the Atlantic Partnership, both countries should follow through on opportunities for collaboration on civil nuclear energy agreed to in the Technology Prosperity Deal.6 This includes streamlining and accelerating licensing between the US Nuclear Regulatory Commission, UK Office for Nuclear Regulation, and UK Environmental Agency, targeting reactor design reviews within two years, site licensing within one year, and accelerating site permitting,

SAF

A good example of an energy source ripe for collaboration is in the scaling up of SAF with investment certainty and standards. SAF has a fast-growing market and an abundance of investment opportunities across its supply chain.

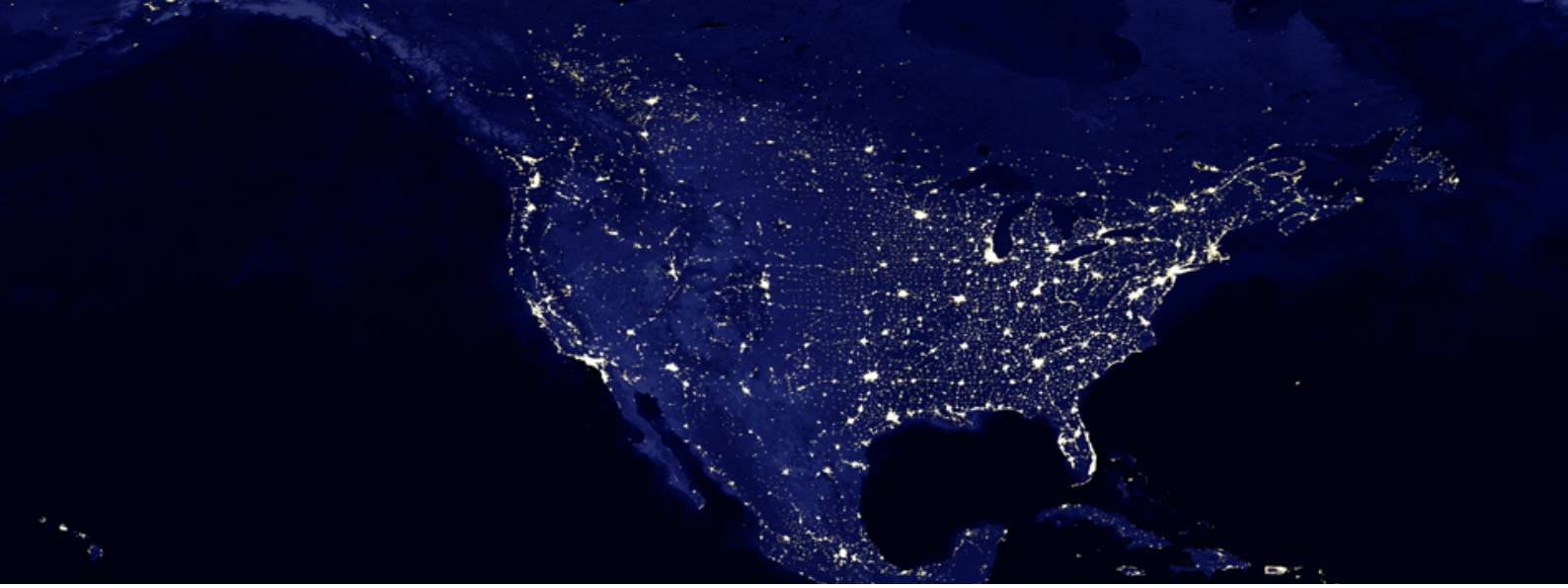
Both the US and UK have taken action to grow their SAF markets. This includes the UK introducing a SAF blending mandate in 2025 requiring SAF to account for 2% of jet fuel by 2025 with this rising to 22% by 2040, providing investors with a clear demand signal. The UK's launching of the Advanced Fuels Fund providing grants to support SAF production projects, and ongoing design of a revenue certainty mechanism for UK SAF production, are positive ways to provide financial backing to support industry investment. The US government has similarly focused on financial incentives, such as through tax credits for SAF production under the Inflation Reduction Act.

Many steps have been taken to ensure commercial viability for SAF. SAF infrastructure must be available at international airports in both the US and UK. Therefore, greater support for US and UK incentive frameworks, such as revenue certainty mechanisms, offtake models, book-and-claim systems, and fast-tracked power-to-liquid (PtL) permitting is needed for its successful expansion. Additionally, increasing alignment on SAF feedstock policies, certifications and lifecycle emission accounting frameworks would provide clarity and consistency for investors, reducing market constraints between the two countries. Both governments should take a proactive approach in engaging with stakeholders that have an interest in investing in SAF within the aviation sector and beyond.

Fusion

Fusion energy is a critical energy source to support de-carbonization efforts and provide long-term energy security through virtually limitless baseload electricity. In the US, the government is providing funding to support private sector deployment of fusion energy, in addition to reducing regulatory hurdles to fusion development by creating a dedicated regulatory framework to develop fusion machines that reduces licensing barriers, accelerates deployment, and increases investor certainty. In the UK, the government has committed over £2.5 billion from 2025–2030 to build a domestic fusion industry with the goal of being the first country with a commercial market model for fusion energy. The UK's central effort is the Spherical Tokamak for Energy Production (STEP) program which aims to deliver a fully integrated fusion power plant prototype. However, high upfront capital costs, uncertainty about licensing timelines, and a limited market for commercial fusion currently are holding industry investment back in both countries.

Both governments should provide support to de-risk industry investment through loan guarantees for capital investments, tax credits, long-term power purchase agreements, and setting clear timelines and processes for licensing.



The Development of Frameworks to Accelerate Transmission Network Deployment

As the US and UK accelerate digitalization, demand for firm, baseload power is increasing, requiring expanded transmission capacity to support a more complex and interconnected grid.

The rapid expansion of AI cloud computing is a primary driver of this demand growth; AI infrastructure operated by companies such as CoreWeave requires reliable, uninterrupted power at scale. In the UK, the last 15 years have seen a trend of smaller electricity providers spread across all regions, contrasting from the early 2000s and before, where domestic electricity was provided by a small number of locations. Additionally, with the development of regional innovation hubs, the UK is seeing a more equal population spread geographically, outside of London and the South East. The privatization and rise in opportunity for businesses to invest in energy projects is advantageous and supports economic growth targets. However, the speed and alignment of permitting and planning is increasingly important. Given the rapid demand for increased grid capacity due to the UK's pursuit of a stronger, diversified domestic energy market, US businesses also have a role to play with their expertise in transmission technology.

Across the Atlantic, the US is undertaking several efforts to accelerate transmission network deployment. This includes the Federal Energy Regulatory Commission issuing a rule that requires electric transmission providers to adopt forward-looking, scenario-based planning over decades to strengthen grid reliability.[2] The Department of Energy (DOE)'s "Speed to Power" initiative is also an important tool by identifying and advancing large-scale transmission and generation projects to rapidly expand grid capacity while removing infrastructure bottlenecks that federal authorities and funding programs could address.[3] In March 2026, DOE announced an approximately $1.9 billion funding opportunity to accelerate urgently needed upgrades to the nation's power grid, providing a prime opportunity for business investment. Together, these and other actions demonstrate how the administration is focused on grid expansion and modernization to increase energy supply and security.

Recommendations

As a diverse range of grid infrastructure projects are invested in across the US and UK, both governments must continue to support the development of frameworks to accelerate transmission network deployment. The US and UK can support each other on this by sharing planning methodologies or collaborating on supporting supply chains for transformers, cables, and skilled workforces that remain bottlenecks. Both governments should also develop grid connection frameworks for large-scale digital infrastructure, including data centers and AI compute facilities, which represents a rapidly growing and strategically significant category of electricity demand. Moreover, the US should leverage the expertise of UK businesses in high-

2 Federal Energy Regulatory Commission, FERC Strengthens Order No. 1920 with Expanded State Provisions

3 U.S. Department of Energy, Speed to Power

voltage direct current technology, such as through incentivizing research and development projects and manufacturing in the US, to increase supply of transmission technology and strengthen domestic supply chains.

Digital grid solutions to support the flexibility of energy infrastructure have the potential to play a pivotal role in enhancing transmission network deployment in the US and UK, as discussed in the last US-UK Strategic Energy Dialogue Industry sessions.

Pricing & Market Design

With electricity costs consistently increasing over the last fifteen years, successive UK governments have supported price caps and relief schemes for electricity prices to shield households and industry from volatile pricing in global markets. During the same period, total electricity generation has sharply fallen from its 2005 peak of ~398TWh to ~274TWh in 2024. Importantly, the simultaneous maximum load met by major UK power producers (the highest level of generation required at any one moment) has also declined.

This reduction reflects multiple structural changes. These changes include improved energy efficiency across homes and industry, the growth of distributed and renewable generation, and an increase in the use of interconnectors that smooth peak demand. As a result, the UK now relies more heavily on gas-fired generation during periods of system stress. As these peak-period gas prices are set by international LNG markets and European wholesale hubs, the UK remains exposed to external price shocks.

The US government has put an emphasis on reducing the regulatory burden on energy producers while increasing domestic production of oil, gas, coal and nuclear energy to reduce energy costs and strengthen energy security. Actions have included boosting processing of export permit applications for LNG projects, the Environmental Protection Agency cutting rules to limit oil and gas methane emissions to reduce compliance costs for energy producers, and fast-tracking deployment of advanced nuclear reactor technologies. Boosting nuclear energy supply provides a prime opportunity to unlock UK investment in small modular reactor deployment, which is being accelerated through the Atlantic Partnership for Advanced Nuclear Energy.

Recommendations

There is a wide understanding that to strengthen energy security and reduce dependence on gas imports, the UK needs more reliable back-up capacity. This creates a strategic opening for US investment in firm generation sources such as nuclear power, as well as long-term LNG supply partnerships that are less tied to European pricing dynamics. Tied to this is the UK's limited capacity for large-scale and long-duration energy storage. Innovation in battery storage is rapidly developing and provides a strong avenue for renewable energy storage, demonstrated by the US investing in new battery energy storage capacity. However, this cannot yet replace the firm capacity of gas during peak demand times or prolonged periods of low wind. Further support for innovation of long-duration storage solutions will help maintain grid stability and energy pricing.

In the US, even while increased LNG and oil production may help reduce energy prices, increasing grid capacity to meet rising energy demands remains key and provides an opportunity to leverage UK investment in grid modernization technology. Additionally, growing revenue from LNG should be used to support diverse energy sources nationwide to ensure that positive impacts are seen across all states.

Conclusion

There is a strong opportunity for bilateral investment between the US and UK as both countries reform their energy landscape. The opportunity lies in providing incentives for capital investments and R&D, streamlining regulations to fast-track energy infrastructure projects, and diversifying energy supply so that both countries can complement each other's energy needs. US LNG offers a transitional bridge for UK energy security and reducing reliance on volatile global markets, while both governments' efforts to advance SAF, nuclear and fusion energy provide ample opportunities for collaboration and transatlantic investment.

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