UK Budget sets a Data Centre Covenant: faster grid and planning for strategic sites that meet five tests

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Data centres already power everyday life in Britain, from online banking and shopping to streaming, public services and the way we work. As AI adoption grows, demand for that infrastructure will grow with it. Countries that can host and power data centres will ensure their sovereignty, strengthen economic resilience, and be better placed to capture the benefits of the digital economy, and help shape the future of AI.

We must ensure the UK is one of those countries, so that British firms and people have a say in how AI develops in the months and years ahead. We start from a position of real strength. The UK is the third largest AI market in the world after the US and China, is home to more AI start-ups than any other country in Europe and has a world-leading AI Security Institute. Through the Sovereign AI Unit, we are already backing British AI companies to build here, and at this Budget we go further for founders who choose to grow and scale their firms in the UK.

But to cement our position in the new world of AI and protect ourselves from the risks, we must not allow our use of AI data centres to be reliant almost entirely on other countries. As AI and data become integral to the NHS, defence and other critical services, the UK cannot rely entirely on infrastructure located overseas. Domestic data-centre capacity will give us greater resilience, and more options to protect our national interests if global compute supply becomes constrained.

The Government estimates that to protect our national interest, ensuring that we remain in the conversation internationally and benefit from secure access to AI models locally, will require 6 GW of AI data centre capacity by 2030.

We will only succeed in building out the compute we need if communities can see the benefits of development and if the barriers to delivery are addressed. Developers already operate within a robust regulatory framework, including planning requirements, environmental assessment and protections for local communities and natural resources. Existing rules govern issues such as water use, noise, air quality and pollution, and all data centres should meet a fair share of the costs they impose on the energy system.

This Covenant goes further to set out new tests all data centres are encouraged to meet, and which strategic data centres must meet to qualify for additional government action.

1. Lower electricity bills

Pay for their fair share of energy – covering any energy costs they create - so households, communities and other businesses do not pick up the bill. Their growth should help spread energy system costs across a larger base, reducing the share paid by households and businesses. They should also support grid resilience, flexibility and

clean power.

As renewable generation increases, new demand from AI data centres may help spread the energy system's fixed costs across more users, supporting lower electricity costs and the wider electrification of heating, transport and industry.

That growth must work for the energy system. Data centres will therefore be expected to make credible commitments for the grid capacity they request, support security of supply, investment in clean power and net zero, use resources responsibly and support an efficient, flexible, and resilient energy system.

2. Invest in improving local communities

Communities that host nationally important infrastructure should share directly in the rewards. Strategic data centres should agree a Local Benefit Plan that commits to substantial investment, developed with the local community and linked to the development's size. This can be spent on local priorities, like transport, parks and town centres.

The construction and maintenance of AI data centres will increase local employment, open opportunities for local suppliers and support investment in skills and training. But communities hosting major developments should also see clear, lasting improvements to their local area. Developers must already meet planning requirements such as Section 106 and the Community Infrastructure Levy, which fund local infrastructure needs like transport networks and other community assets. Strategic data centre developers will be required to go further, including working with the local area on a Local Benefit Plan for investment in the local community, linked to the development's size. Communities should have a meaningful say in how these benefits are designed and allocated.

3. Adhere to the highest environmental standards

Protect nature, minimise water use and publish annual energy and water consumption reports. They should also capture the heat they produce for nearby homes, schools, hospitals or businesses wherever practical, rather than letting it go to waste.

They should use energy and water efficiently, with new facilities designed to achieve a Power Usage Effectiveness of 1.3 or better and minimise demand for public water supplies by using technologies such as closed loop water systems. Additionally, developers should design projects to capture and reuse waste heat where there is a viable local user. Strategic data centres should report annually on their energy and water use, efficiency, emissions, heat reuse and participation in flexibility services, and we will strongly encourage existing operators to do the same.

4. Create jobs, apprenticeships, and drive reindustrialisation

Create local jobs and invest in paid apprenticeships and training places, supporting young people into the AI, digital and infrastructure jobs of the future. They should also prioritise UK suppliers and technologies and make a meaningful contribution to the development and deployment of British AI hardware.

Developers should create good, well-paid jobs that last beyond construction. They should recruit locally where possible and invest in apprenticeships, colleges and universities. Where roles cannot currently be filled locally, they should invest in education and training to enable more local people to access these opportunities in the future.

Data centres are expected to help build capability in strategically important supply chains. They should also partner with UK researchers and innovative companies, and provide access to compute where appropriate, to accelerate innovation and strengthen national capability. The most strategically important data centres will be expected to make a meaningful contribution to the development and deployment of British AI hardware in the UK.

5. Strengthen Britain's security

Provide secure and reliable access to compute the UK needs, including for our NHS and other public services. They should work with the relevant national technical authorities, including the National Cyber Security Centre, to enhance resilience against cyber and hybrid threats beyond baseline requirements.

Data centres should provide secure, resilient UK access to compute for critical services and national priorities. As critical national infrastructure, operators should share relevant information with government and technical agencies, meet current and future cyber resilience standards and work with the relevant national technical

authorities to strengthen security and resilience further. They should also plan with critical suppliers for foreseeable disruption and participate in government exercises to test arrangements for prioritising essential services.

These tests will be kept under review and updated as necessary to ensure that commitments remain proportionate and deliver clear value to communities and the wider UK.

In return for meeting these tests, the government will establish a new Ministerial Control Centre for considering supportive action for strategic data centres. This will be chaired by the Minister for AI, supported by the Exchequer Secretary to the Treasury and relevant ministers from the Department for Energy Security and Net Zero and other departments. It will use the power of the state to accelerate time to power and speed up the planning process for the most strategic data centres.

For sites that demonstrate sufficient strategic value, the government will:

reserve and reallocate connections. The Government will use new powers in the Planning and Infrastructure Act to prioritise strategically important demand projects, including data centres, by reserving future capacity and reallocating capacity released when other projects leave the connections queue. This will help strategically important projects, including data centres, access grid capacity more quickly, as it becomes available.

identify additional capacity. The Government will work with NESO and the network companies to identify locations where capacity may be available before 2030 and may use Planning and Infrastructure Act powers to enable strategically important data centres and other strategically important projects to access this capacity.

accelerate connections before 2030. Where there is a need to go further, the Government will use Planning and Infrastructure Act powers to facilitate transfer of pre-2030 data centre connections contracts to strategically important data centres, to secure access to power in this critical period for the development of AI.

enable access to temporary power to bridge the gap to grid connections. The Government will develop a tightly controlled framework to permit on site generation until a grid connection can be secured. This will only be available for exceptionally strategic projects, only where the measures set out above cannot secure the required capacity in time, and subject to conditions such as ensuring energy security.

The government will set out further details in due course on the definition of strategic data centres and the additional criteria such projects will be expected to meet.

In addition, the government is moving forward with wider reforms to support viable projects to build faster and with more certainty while meeting expectations to support sustainable growth, protect communities, and conserve resources. The government will:

move forward with the strategic alignment of data-centre grid connections to regional infrastructure targets beyond 2030, informed by the ALIGN spatial planning tool, to secure vital capacity while balancing the needs of the energy system and other relevant constraints including water and land.

support greater choice for developers to self-build connection infrastructure, subject to appropriate consumer and system protections;

develop ways for data centres to connect more flexibly to the system and develop backstop operational control measures that enable more data centre demand to connect while keeping the system secure;

support implementation of Ofgem’s data-centre commitment fee and queue management measures to deter speculative demand, and free up connection capacity for viable projects;

publish the draft Data Centre National Policy Statement for consultation, which sets out the decision-making framework for data centre projects seeking development consent through the Nationally Significant Infrastructure Project regime. This framework will establish a progressive vision for harnessing this investment, ensuring that data centre growth delivers clean energy, skilled jobs, and meaningful benefits for local communities in line with the tests in the Covenant;

encourage all operators to use energy and water efficiently and publish annual data on total and peak water and power use, as set out in the Written Ministerial Statement on Enabling Sustainable Data Centre Growth Through Responsible Water and Energy Use;

continue to deliver the five AI Growth Zones across England, Scotland and Wales to accelerate planning and

infrastructure delivery for AI capacity.

This Covenant sets out a clear offer: government will support faster and more certain delivery of the data centres the country needs in return for responsible development that delivers lasting benefits for communities. Together, these measures will help keep more of the benefits of AI in Britain, supported by infrastructure that serves our long-term interests.

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