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2025 PREDICTIONS ENERGY TRANSITION

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01

More focus on nuclear energy (including Small Modular Reactors (SMRs))

The global outlook for the nuclear sector is more positive than ever, as countries are working to achieve their net-zero commitments, ensure energy security and respond to significant growth in electricity demand driven by data centres and AI. A number of countries have recently unveiled strategies to increase their nuclear capacity, and others are considering introducing nuclear power into their energy mix for the first time. Several Big Tech companies have announced deals to support nuclear energy projects, including SMRs. Leading global financial institutions have pledged their support for nuclear power.



There is now greater global recognition that nuclear energy must play a key role in achieving net zero. The nuclear sector has traditionally faced more issues than other power generation sectors, with higher costs of capital (reflecting in part, long and uncertain construction periods, cost overruns and delays) as well as complex licensing and regulatory approval processes. However, things are visibly shifting. Some of the world's biggest banks have pledged their support for nuclear power as part of the goal to triple nuclear capacity by 2050 and there is a visible shift in the opinion of institutional investors and the ESG investment community. This is, to some extent, due to the ability of SMRs to mitigate some of these perceived challenges and to facilitate a quicker and cheaper way of deploying nuclear power. However, many challenges remain. In order to realize the true potential of nuclear power, we need to see regulators taking a co-ordinated and harmonised approach to approving reactor designs, and governments need to show long-term commitment by facilitating clear routes to market for nuclear projects."

Tania Arora, Nuclear Sector Group Lead, London

02

Regulators will work to ensure that clean technology projects can develop faster

Renewables, clean hydrogen, carbon capture and storage, and sustainable fuels are at the forefront of the energy transition. Despite significant developments in the regulatory frameworks supporting these technologies, the deployment of clean energy projects has been far from uniform across technologies and countries. Last year brought into focus the issues that need to be addressed by governments to ensure that clean technology projects can be developed faster. We are starting to see a number of governments around the globe focusing on these issues and looking for solutions (although it is not clear whether the US will follow suit).



Despite the uncertainty the US is facing post-election, the global outlook for clean energy technologies remains very positive. We have seen state support packages on an unprecedented scale, the willingness of the private sector to invest in the right kind of projects and many success stories across all regions. However, these projects are not developing fast enough. Project developers face a number of issues, including delays in accessing available state support (often attributed to bureaucracy), being held up by permitting and approvals delays, and struggling to get connected to the grid. The good news is that there appears to be a genuine willingness on the part of regulators in a number of jurisdictions to address these issues, which we hope will translate into a faster development timeline for projects."

Jose Moran, North America Energy & Infrastructure Group Lead, Chicago

03

More focus on both oil and gas as transition fuels

2024 was both a successful and challenging year for energy transition. While a record high level of clean energy came online globally and we saw a large number of other clean energy projects being developed (including hydrogen, CCUS and sustainable fuels), there is now a universal recognition that the build-out of clean energy technologies has not been fast enough to meet growing global energy demand. That, combined with many countries' focus on energy security, led to more focus (including among some policymakers) on not only natural gas but also oil as transition fuels. We expect that demand for transition fuels will remain strong in 2025.



The balance between energy security and decarbonization is very delicate in light of the recent geopolitical developments. While many countries are working to decrease their reliance on oil and gas, the market is very active and is likely to remain so until all currently available clean energy technologies are deployed at scale."

Philip Thomson, EMEA Energy & Infrastructure Group Lead, London

04

Decarbonization efforts will continue being a driver in global trade wars

From 2026, the EU carbon border adjustment mechanism (CBAM) will impose a carbon price on the import of certain goods (including cement, iron, steel, aluminum, fertilizers, hydrogen and electricity) produced outside the EU based on the GHG emissions associated with their production, ultimately aiming to avoid so-called "carbon leakage." The UK government recently reaffirmed its commitment to launching the UK CBAM in 2027, and the Australian government is considering whether to introduce a version of CBAM. Large trading partners of CBAM jurisdictions could introduce countermeasures.

Critical minerals continue to play a key role in the energy transition. Governments and clean technology companies are competing to secure supply of critical minerals. Over the past year, we saw a large number of export controls, import tariffs and foreign investment restrictions being imposed, alongside trade partnerships being forged across a number of jurisdictions in this context.

Last year in the US, we also saw a sharp rise in the levies on clean energy imports from China (including solar parts and electric vehicles) and, with the new Trump administration, this trend is expected to be on the rise.



Increasingly complex geopolitics, combined with countries' efforts to reach their net-zero goals, are likely to lead to increased export controls and import tariffs. These will impact the entire energy transition supply chain, including materials, components and technology."

Richard Blunt, Global Chair Energy & Infrastructure Group, London

Growth in global carbon markets

Following the decisions adopted at COP29 in Baku, it is anticipated that there will be increased investment into emission reduction and removal projects, particularly in developing countries, and scaling up of international carbon markets. Momentously, decisions were adopted at COP29 relating to Article 6.2 (the accounting framework for the bilateral trading of internationally transferred mitigation outcomes (ITMOs) between countries) and Article 6.4 (the centralized UNFCCC crediting mechanism for mitigation activities now called the Paris Agreement Crediting Mechanism (PACM)). These decisions mean that the rules governing Article 6 are now finally complete and that work can focus on implementation, including the development and approval of crediting methodologies, which is needed before trading under the PACM can begin. Integrity, transparency and greenwashing will be areas of focus, just as these issues continue to be in the voluntary carbon markets.



The completion of the Article 6 Rulebook is significant as it has taken nine years to reach this milestone. Many market participants, including myself, are looking forward to the scaling up of carbon markets and increased investment. The possibility that bilateral trading of ITMOs under Article 6.2 can act as the long-term revenue solution for private finance to emission reduction and removal projects is particularly exciting. In the longer term, we will be watching whether compliance carbon markets will accept Article 6 credits as meeting the necessary integrity requirements."

Andrew Hedges, Global Chair Climate Change Group, London

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