NET ZERO:
CATALYSING GROWTH

2025

Presented By
Novi Growth Partners

INTRODUCTION

At Novi GP, when discussing sectors for investment with our family office backers, we often consider the global tailwinds that shape long-term growth. Today, in the first of our sector deep dives, we focus on the Net Zero transition and introduce some of the UK business sectors most likely to benefit from this powerful macro trend.

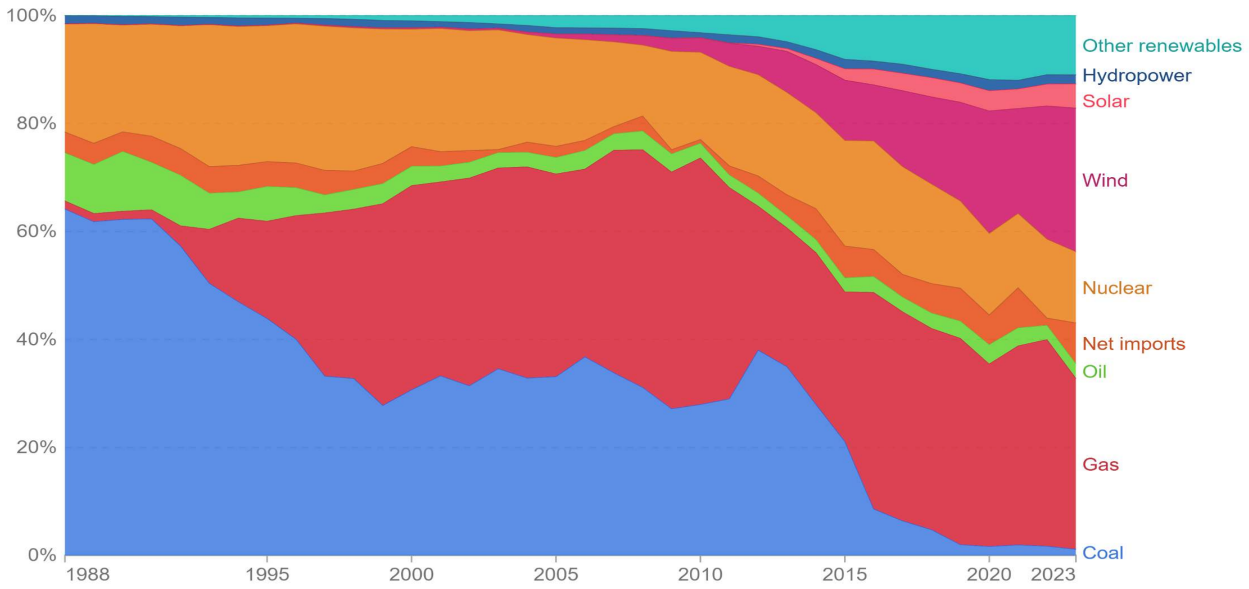
The UK's commitment to achieve net zero by 2050 will transform how energy is consumed and delivered, positioning the country as a global leader in sustainable markets. Government initiatives such as "Powering Up Britain" (DESNZ) and the Net Zero Strategy are mobilising billions of pounds of investment into clean energy, transport, and climate adaptation. While large-scale projects such as offshore wind farms and long-duration energy storage dominate the headlines, some of the most compelling growth opportunities lie in the wider ecosystem of service providers, enablers, software platforms, and light manufacturers that underpin the transition.

The Novi GP team has deep experience leading and investing into businesses that support the energy transition. This report examines the challenges of the shift to net zero and highlights three sub-industries that we believe are particularly well placed for sustained growth.

GRID MODERNISATION, ESSENTIAL BUT COMPLEX

The transition to a flexible, low-carbon grid is creating a surge of activity across the UK. National Grid ESO and DESNZ are seeking to accelerate the build-out of renewables and enable grid stability: to achieve these goals infrastructure investment needs to increase substantially, and new innovations are needed to deal with the complexity of an evolving energy mix.

Going green: electricity production in the United Kingdom



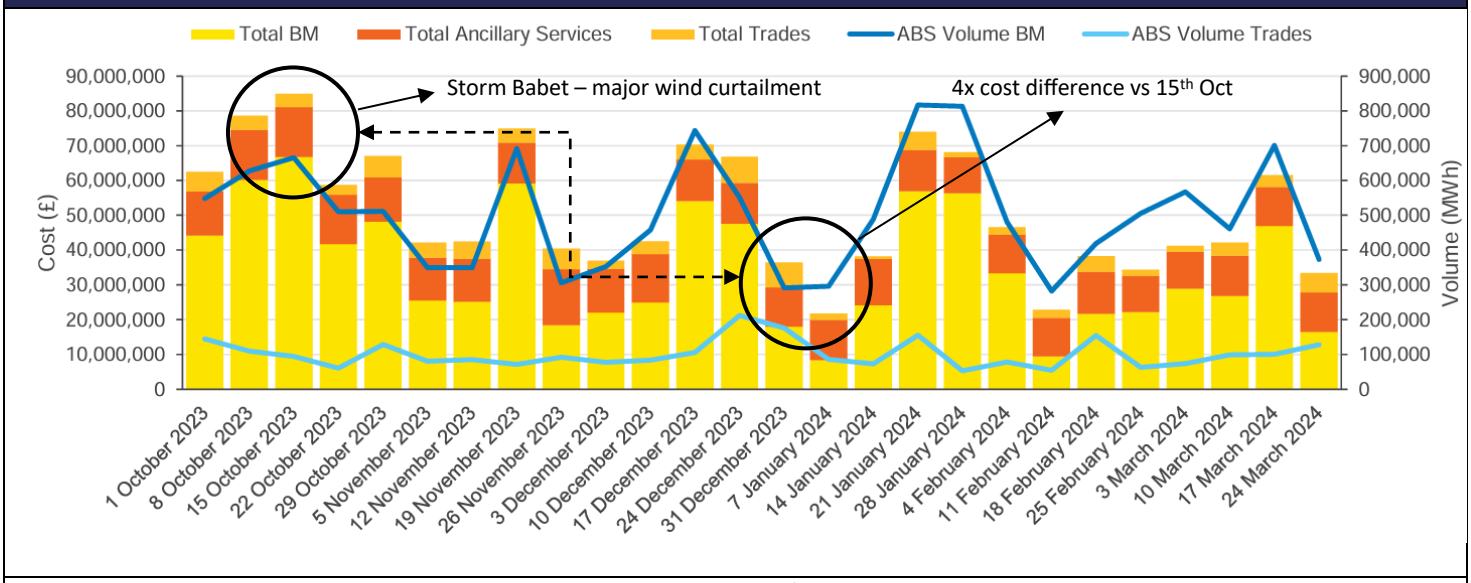
Ember (2025); Energy Institute – Statistical Review of World Energy (2024), Department for Business, Energy & Industrial Strategy of the UK (2023). Electricity generated in the UK, plus net electricity imports. Other renewables include geothermal, wave, and tidal sources.

Rising grid volatility and operational costs – often linked to growing renewable output – are bringing new urgency to the optimisation of grid operations. National Grid ESO's latest Winter Balancing Costs Report (2023/24) shows how much it costs each week over winter to keep the electricity system balanced and how much energy was involved. Periods of high renewable generation, particularly from wind, can create challenges for the electricity system when the grid cannot absorb all the power

being produced. To keep supply and demand in balance, National Grid ESO takes a range of actions - such as paying generators to reduce output, buying or selling electricity through trades, and using ancillary services like frequency response. These actions come at a cost, known as balancing costs, and in many cases involve curtailing (restricting) renewable output.

Balancing costs (shown in the bar chart below) were highest on 15th October 2023, during Storm Babet, when strong winds caused a surge in renewable generation. Naturally, balancing actions (ABS Volume BM) also peak during these periods of abnormal supply, as National Grid ESO battles with the complexity of paying generators to curtail output, preserving important grid features (e.g. frequency), and paying more flexible generators (often gas) to top-up shortfalls. The interesting feature is that costs vary substantially week-to-week, with 7th Jan 2024 4x below the peak in October 2023. This shows both the scale of the challenge and the growing need for smarter digital and service-led solutions to help the grid operate more efficiently.

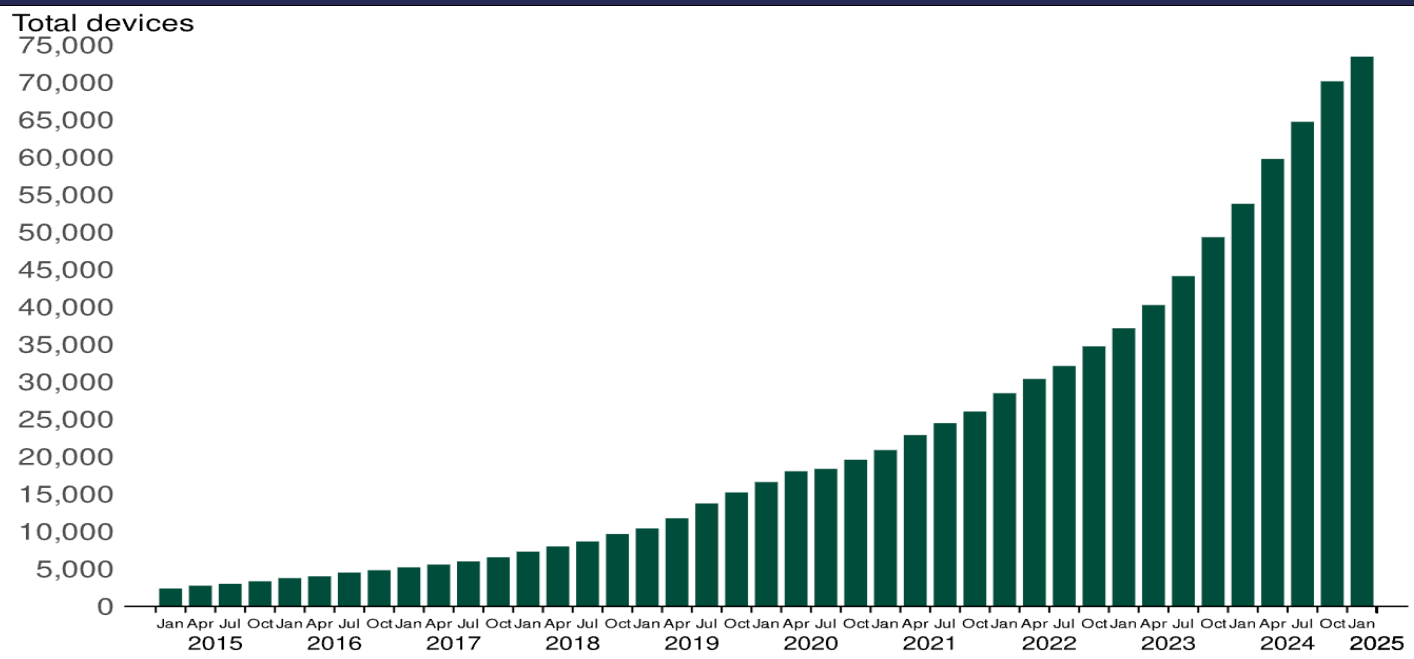
Balancing the grid: weekly cost overview



["Weekly Balancing Costs", Winter 2023/24, National Grid ESO, p. 4]

The transformational changes are equally substantial in infrastructure build-out, including other areas such as EV charging device roll out (shown below). A 37% year-on-year increase in public EV chargers reflects the growing need for scalable grid integration, install/operations software, and energy management services – especially for fleet operators, commercial premises, and B2B energy providers adapting to electric transport and variable loads.

Infrastructure build-out: public charging devices in UK since 2025



[UK Gov; Electric vehicle public charging infrastructure statistics; January 2025: UK public EV chargers have risen ~37% YoY, highlighting growth in install/operational software, grid connections, and supporting services]

The challenges associated with heightened grid complexity and the rapid build-out for electrification cannot be understated. But it also presents an exciting opportunity for product and service providers across the sector, which will likely benefit from sustained positive investment trends.

THE OPPORTUNITIES IN A CHANGING ENVIRONMENT

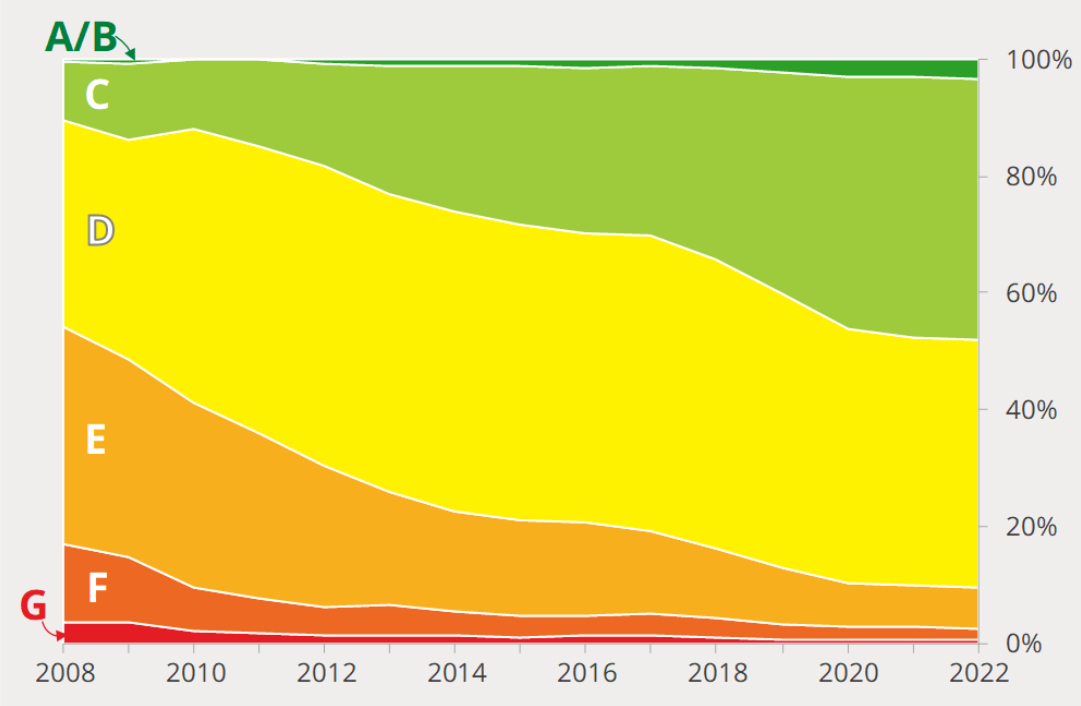
1. SOFTWARE AND DIGITAL SERVICES: THE DECARBONISATION ENGINE

Digital solutions are increasingly fundamental to the delivery of net zero, underpinning everything from asset management to compliance and customer engagement. As the pace of the energy transition accelerates, the need for robust, scalable digital tools continues to grow.

- **Grid software and data services:**
  The rapid growth of decentralised energy and electrification is accelerating investment in smart grid solutions, including Distributed Energy Resource Management Systems (DERMS), virtual power plants (VPPs), and real-time analytics platforms. These technologies are critical not just for enabling domestic renewables and storage, but also for supporting commercial-scale assets and flexible energy users. For example, National Grid ESO's Demand Flexibility Service has demonstrated the potential of digital services to engage millions of homes and businesses in managing demand.
- **Asset management and compliance software:**
  With the rise of distributed energy assets – such as solar, batteries, and EV chargers – comes a growing need for software to manage, monitor, and report on performance. This includes platforms for regulatory compliance, real-time energy data, and participation in grid flexibility markets.

- **Building energy efficiency and retrofit platforms:**
  The push to bring as many homes as possible up to EPC Band C by 2035 is a central government target. Retrofit markets – including insulation, efficient windows and doors, and low-carbon heating – are increasingly supported by digital platforms that enable project delivery, customer engagement, and energy monitoring at scale. According to Commons Library and ONS data, the share of homes at EPC Band C or above has risen from about 12% in 2010 to over 50% in 2022 – but millions of homes remain below target, signalling long-term demand for digital solutions in this space.

Increasing energy efficiency: banding of dwellings in England



[Commons Library, ONS; Figure: Proportion of homes in England and Wales at EPC Band C or higher (2010–2022)]

Innovations in digital project management, customer portals, and IoT-driven monitoring solutions are making it easier for property owners and service providers to plan, execute, and optimise retrofit projects – driving both efficiency and compliance.

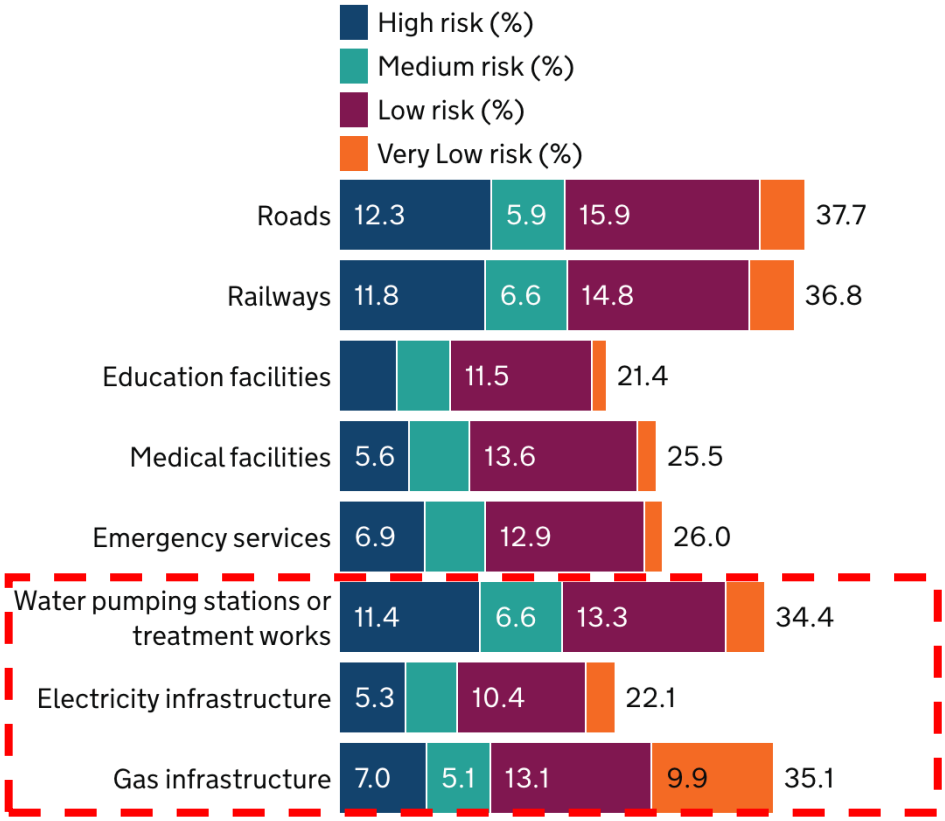
2. INFRASTRUCTURE BUILD-OUT: OPPORTUNITIES FOR SERVICE AND SUPPORT BUSINESSES

The scale of infrastructure expansion creates substantial demand for “pick and shovel” services. Tightening regulations are increasing land remediation scrutiny and climate change, particularly heightened flood risk, leads to large-scale utility infrastructure overhaul and the implementation of innovative risk mitigation solutions.

- **Land remediation and environmental services:**
  The regeneration of brownfield and contaminated sites is a prerequisite for new energy and transport projects. The UK has more than 400,000 hectares of potentially contaminated land (DEFRA, 2023). Environmental consultancies and remediation contractors provide vital expertise in site assessment, soil decontamination, and ecological restoration – services in rising demand as project volumes grow and regulations tighten.

- **Drainage and flood risk services:**
  Climate adaptation is an unavoidable reality: over 6.3 million UK properties are already at flood risk (Environment Agency, 2023), and public investment in flood defences will exceed £5.2 billion through 2027. Service providers in drainage engineering, flood modelling, and installation of sustainable drainage systems (SuDS) are seeing consistent demand growth. Interestingly, parts of the energy transition infrastructure (Water pumping stations, electricity & gas) are situated in flood risk with 35.1% of gas infrastructure at risk of flooding (7% at high risk).

Worsening flood risk: infrastructure and other public buildings exposure



[National assessment of flood and coastal erosion risk in England 2024; Table 17: Percentage of infrastructure and other public buildings in areas at flood risk from rivers, sea and surface water - present day, by level of risk: ~6.3 million properties are currently at flood risk in England, rising to ~8 million by mid-century. Infra projects make up a large portion of "at risk" properties]

The UK's infrastructure build-out is creating sustained demand for specialist support services. Environmental consultancies, remediation contractors, and drainage engineering firms stand to benefit as tightening regulations and climate pressures drive large-scale investment in resilient, future-proof infrastructure.

3. LIGHT MANUFACTURING AND SPECIALIST SUPPLIERS: MEETING NEW DEMANDS

While large-scale infrastructure projects often attract headlines, their success depends on an ecosystem of specialist suppliers and light manufacturers:

- **Manufacturers of components and installation equipment:**
  Growth in renewables, EV charging, heat pumps, and energy efficiency retrofits is driving demand for locally manufactured components – such as electrical enclosures, cabling solutions, metering devices, and modular assembly products. Light manufacturers able to supply to these sectors, particularly with a focus on quality and supply chain reliability, are seeing new opportunities as project pipelines expand.
- **Suppliers to flood resilience and adaptation projects:**
  As local authorities and infrastructure owners implement more flood defence measures, there is rising demand for products like engineered drainage systems, water management devices, and climate-adaptive construction materials – areas well suited for agile, specialist manufacturers.

TAKEAWAYS: WHAT THIS MEANS FOR UK LMM INVESTMENT AND NOVI

At Novi GP, we see the net zero transition as more than a policy goal – it's a practical, long-term driver of demand and value creation across the UK economy. Beyond the three outlined areas of growth, the insights highlighted in this report reinforce several core themes that are shaping our approach to investment in the UK lower mid-market:

- **Resilience in adjacent and enabling services:**
  Major infrastructure and policy shifts create lasting demand for a wide range of enabling services, from grid optimisation and compliance consultancy to specialist environmental contractors and retrofit solutions providers. We believe businesses operating in these niches will experience sustained growth, benefiting from the steady flow of public and private capital into the broader net zero transition.
- **Opportunities for digital and data-led platforms:**
  As the energy system, built environment, and climate adaptation efforts become more complex, the role of digital services – whether in compliance, project delivery, or asset management – will only grow. We're particularly interested in businesses that use software and data to unlock efficiencies or manage complexity for their customers.
- **Sector tailwinds informing business quality:**
  Strong policy and funding support in areas like grid flexibility, EV infrastructure, flood resilience, and energy efficiency will underpin demand for service-led and light manufacturing businesses. When evaluating acquisition opportunities, we look for those with exposure to these structural tailwinds, robust customer relationships, and the agility to adapt as regulation and technology evolve.
- **Sustainability as a source of differentiation:**
  Companies that can demonstrate real impact – whether through measurable carbon reduction, compliance outcomes, or resilience against climate risks – are likely to stand out in the LMM space. We believe this will increasingly translate into premium business quality, defensible margins, and a wider pool of potential acquirers or investors at exit.

In summary, Novi GP's approach is shaped by a clear recognition of these trends. This is one of the sectors we are continually evaluating, and we actively seek to acquire businesses that are enabling, accelerating, or supporting the net zero transition – particularly where technology, regulation, and climate adaptation intersect. Our experience tells us that insight into these market dynamics, and the discipline to apply them in evaluating acquisition opportunities, is what will continue to deliver strong outcomes for our family offices backers in the years ahead.

END

GLOSSARY

DESNZ: Department for Energy Security & Net Zero – The UK government department responsible for energy policy and the transition to net zero.

National Grid ESO: National Grid Electricity System Operator – Responsible for balancing supply and demand in the UK's electricity system.

DERMS: Distributed Energy Resource Management System – Software platforms that enable the control and optimisation of distributed energy resources (such as solar, batteries, and demand response).

VPP: Virtual Power Plant – A system that aggregates the capacities of distributed energy resources to operate as a single power plant.

EPC: Energy Performance Certificate – A UK certification that rates the energy efficiency of a property, from A (most efficient) to G (least efficient).

ONS: Office for National Statistics – The UK's largest independent producer of official statistics.

DEFRA: Department for Environment, Food & Rural Affairs – UK government department responsible for environmental protection, food production and standards, agriculture, fisheries, and rural communities.

SuDS: Sustainable Drainage Systems – Systems designed to manage surface water runoff in a sustainable way, often used in urban planning to reduce flood risk.

NaFRA: National Flood Risk Assessment – Assessment and mapping of flood risk areas in England, provided by the Environment Agency.

Ofgem: Office of Gas and Electricity Markets – The regulator for electricity and gas markets in Great Britain.

Balancing Costs: The costs incurred by National Grid ESO to keep the electricity system stable and match supply with demand, especially important with variable renewables. Balancing costs are broken down in reporting (and charts) into the following categories:

- **Total BM (Balancing Mechanism)**: The total cost associated with the Balancing Mechanism, where the ESO pays generators or consumers to increase or decrease output in real-time to maintain grid stability. This often includes payments for wind curtailment.
- **Total Ancillary Services**: The cost of essential grid services (such as frequency response, reserve, and black start) that keep the power system operating securely and reliably, especially as more renewables are integrated.
- **Total Trades**: The cost of energy bought or sold through market trades by the ESO, outside the real-time balancing mechanism, to correct imbalances or manage grid constraints.
- **ABS Volume BM (Absorbed Volume, Balancing Mechanism)**: The total volume (in MWh or GWh) of energy actions "absorbed" (i.e., curtailed or managed) through the Balancing Mechanism – frequently tied to wind curtailment.
- **ABS Volume Trades**: The total volume of energy actions "absorbed" (curtailed/managed) through market trades, reflecting how much generation was adjusted via trading activity.

Curtailment: The reduction of output from renewable energy generators (like wind farms) due to grid constraints or system balancing needs. The chart in the report visualises how much curtailment and balancing cost is being driven by these actions – broken down into the categories above.