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UK Venture Capital Recovery and Clean Energy Reforms Point to Renewed Economic Confidence

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A new report from KPMG UK reveals promising signs of recovery in the venture capital (VC) sector alongside strategic energy reforms, signalling renewed economic confidence in Britain. The developments highlight investor optimism in UK tech and fintech, coupled with government policy shifts aimed at accelerating renewable energy deployment.

KPMG's Q2 2024 *Venture Pulse Report* shows that UK venture capital investment more than doubled quarter-on-quarter, reaching £5.4 billion (approximately $6.9 billion), up from £2.3 billion ($3 billion) in Q1. This also represents a marked increase from the £3.7 billion ($4.7 billion) recorded during the same period in 2023. London remains the driving force behind the surge, attracting over £4.1 billion ($5.3 billion) in deals, with standout investments including Wayve's £790 million ($1 billion) raise in the autonomous vehicle sector, and substantial injections into fintech firms Abound (£790 million, $999.6 million) and Monzo (£490 million, $621 million).

London-based firms accounted for around 75% of VC funding in the quarter, reaffirming the capital's status as a global tech hub. However, regional cities such as Manchester, Edinburgh, Bristol, Nottingham, and Cardiff are increasingly drawing investor interest. This shift is partly due to growing funding directed towards non-London areas and the appeal of a better quality of life for skilled workers.

The diversity of VC deal stages, from seed to late-stage, reflects the strength of the UK's start-up ecosystem. The artificial intelligence (AI) sector remains a dominant force, in line with global trends. Notably, global VC funding rose to £99 billion ($126.3 billion) in Q1 2025, bolstered by OpenAI's record-setting £31.6 billion ($40 billion) raise, which has indirectly influenced confidence in the UK's AI sector.

Nicole Lowe, Head of KPMG's Emerging Giants practice in the UK, acknowledged that while VC investment dipped to £2.7 billion ($3.4 billion) in Q3, the UK maintains its lead in Europe's venture capital landscape. Lowe pointed to potential improvements in Q4, dependent on clearer economic conditions following the US election and the UK Budget. She also highlighted signs of a reopening initial public offering (IPO) market, citing Raspberry Pi's £166 million ($211 million) IPO in June as a positive indicator.

In parallel, the UK government has introduced reforms to the *Contracts for Difference (CfD)* scheme, its flagship programme for supporting low-carbon electricity generation. The changes, announced in July, include relaxed eligibility criteria and extended contract terms designed to accelerate the rollout of renewable energy projects while controlling costs for consumers.

Wafa Jafri, Partner and Head of Energy and Natural Resources Strategy at KPMG UK, welcomed the adjustments, noting they strike a balance between investor security and affordability for households. The reforms support the government's 2030 Clean Power

Mission and follow the decision to reject zonal pricing, reinforcing the UK's commitment to a unified and competitive electricity market.

Together, the rebound in venture capital activity and the CfD reforms demonstrate resilience within the UK economy and a focus on long-term competitiveness. While geopolitical tensions and political uncertainty may still pose headwinds, these developments suggest that the UK remains well-positioned to lead in both innovation and sustainable energy. Whether these reforms and investments can be converted into sustained economic progress will depend on stable governance and consistent execution in the months ahead.