



Secretary of State for Energy Security and Net Zero
c/o John Wheadon
Head of Energy Infrastructure Planning Delivery and Innovation
Department for Energy Security and Net Zero
3-8 Whitehall Place
London
SW1A 2AW

Your Ref
EN070009
Our Ref
TGH/TGH/207930.0002
Date
27 June 2025

By Email

Dear Sirs

Re: Application by H2 Teesside Limited (“the Applicant”) for an Order granting Development Consent for the proposed H2Teesside development (“the Proposed Development”)

We write on behalf of the South Tees Group (**STG**), which is the collective name employed by Teesworks Limited, South Tees Development Corporation, South Tees Development Limited and Steel River Power Limited for the purposes of their engagement in the application process for the Proposed Development.

We refer to the Secretary of State’s (**SoS’s**) letter dated [13 June 2025](#), requesting further information in relation to the Proposed Development. Whilst recognising that the request for information was not directed to STG, this is an appropriate point in the process for STG to provide the SoS with materially new information in relation to its objections to the Proposed Development.

1. STG’s objections

To recap on STG’s objections, they are documented in STG’s closing submissions [\[REP8-078\]](#), [\[REP8-079\]](#), [\[REP8-080\]](#) and supplemented by STG’s response to the Applicant’s Deadline 8 submissions [\[REP9-032\]](#).

In summary, STG’s closing submissions reported that it objects to the Proposed Development on the basis that it will prevent STG bringing forward an infrastructure project of critical national importance at the Foundry site, for two key reasons:

- land within the Order Limits for the Proposed Development directly clashes with land required by STG for the project of critical national importance; and

Registered Office

One Bartholomew Close
London
EC1A 7BL
DX 339401 London Wall

20 Station Road
Cambridge
CB1 2JD
DX 339601 Cambridge 24

The Anchorage
34 Bridge Street
Reading, RG1 2LU
DX 146420 Reading 21

4 Grosvenor Square
Southampton,
SO15 2BE
DX 38516 Southampton 3

T +44 (0)345 222 9222 W www.broadfield-law.com



Broadfield

- the Proposed Development will require a Hazardous Substances Consent (**HSC**), and the Applicant has advised STG that it expects the resulting Health and Safety Executive (**HSE**) consultation 'inner' zone for hazardous installations to extend onto STG's retained land. This would in turn give rise to planning restrictions that would not be compatible with the project of critical national importance.

For the reasons detailed in the above-mentioned examination submissions, STG concluded that:

- a compelling case in the public interest is not made in relation to the land within the Order Limits at the Foundry site;
- the Applicant has failed to adhere to the applicable guidance in respect of compulsory acquisition ([Guidance related to procedures for the compulsory acquisition of land](#)); and
- the bringing forward of STG's competing project on the Foundry Site – before the Applicant makes an HSC application – would cause a significant impediment to the obtaining of that HSC and therefore an impediment to the delivery of the Proposed Development, since it would have to avoid STG's competing project for HSC purposes.

At the end of the examination process, STG was able to report at paragraph 2.3 of [\[REP8-078\]](#) its intention to bring forward the reserved matters approval for its infrastructure project of critical national importance, but was unable to provide further information about the nature of that infrastructure due to issues of commercial confidentiality at that time.

For completeness, STG also objected to the broad and general extent of the Applicant's proposed powers under the Order across the estate, including in relation to linear works (e.g. pipelines, streets) and has put forward protective provisions it requires to prevent unacceptable impacts, should the SoS decide to grant consent.

2. Updates on STG's proposals since the conclusion of the examination

STG is now able to confirm that its competing development of critical national importance comprises a data centre development. STG has submitted a reserved matters planning application to Redcar and Cleveland Borough Council for the data centre (reference R/2025/0382/ESM) which can be accessed at [this link](#).

The application has a target determination date of 23 September 2025. No objections have been received from statutory consultees at the time of writing, and given the application falls squarely in line with local and national planning policies, and is submitted pursuant to an outline planning permission on the land for uses including data centres (Use Class B8), STG foresees no reason why the reserved matters submission would not be approved.

Having received several offers from prospective end users of the data centre development, Teesworks is now in advanced discussions with a prospective occupier.



Broadfield

Appended to this letter is an overlay plan which compares the location of Work Nos. 1 and 1A.1 of the Proposed Development to the location of the data centre reserved matters application. The overlay plan illustrates the extent to which the proposed data centre extends into the area of land identified for the Proposed Development's Work No 1A.1 (the Phase 1 Hydrogen Unit). It will be apparent that the layout of the data centre for which reserved matters approval is sought, is incompatible with the layout of Phase 1 of the Proposed Development – in other words, they cannot co-exist on the same land.

The HSE advises against the grant of planning permission for development in its hazardous substances consultation 'inner zones' where workplaces are proposed (and are not related to the source of the hazardous substances) that either provide for 100 or more occupants in any one building *or* contain three or more occupied storeys in a building.

The reserved matters application is accompanied by a Transport Assessment which is based on assumptions that the data centre would employ approximately 700 employees. Around 300 of these would be maintenance and data centre operatives working in three shift patterns and around 400 would be office-based workers who will follow typical office working hours. The plans of the data centre buildings show offices on ground, first and third floors.

It was for this reason that STG raised concerns, outlined at paragraph 2.9 of its examination closing submissions, at a time when STG was highlighting the potential for the Proposed Development to stymie the development of STG's adjacent land to the west.

As noted above, the situation has evolved since the close of the examination, given the location of the reserved matters application on land that is also proposed for Phase 1 of the Proposed Development. But it is evident that if a DCO for the Proposed Development was made and a hazardous substances consultation 'inner zone' was then forthcoming across STG's adjacent land, any planning application STG then submitted for a data centre on that adjacent land, west of the Proposed Development, would likely attract an objection from the HSE if (as with the live data centre application proposal) that data centre also contained three occupied floors and / or more than 100 or more occupants in a building at any one time.

3. Government and policy support for data centre development

The critical importance of data centre development in the context of enabling AI and driving economic growth has been [widely reported](#), and the strength of government support for this type of development can be demonstrated as follows:

- The [National Planning Policy Framework](#) (7 February 2025) supports data centre development as follows:

"86. Planning policies should...

c) pay particular regard to facilitating development to meet the needs of a modern economy, including by identifying suitable locations for uses such as laboratories, gigafactories, data centres, digital infrastructure, freight and logistics...



Broadfield

87. Planning policies and decisions should recognise and address the specific locational requirements of different sectors. This includes making provision for:

a) clusters or networks of knowledge and data-driven, creative or high technology industries; and for new, expanded or upgraded facilities and infrastructure that are needed to support the growth of these industries (including data centres and grid connections)...

- The [AI Opportunities Action Plan](#), published by government on 13 January 2025, recognises the vital importance of data centre development as follows:

“Across government, we have already taken decisive action to support the AI sector and takedown the barriers to growth. Our transformative planning reforms will make it easier to build the data centres that are the engines of the AI age...

AI capabilities are developing at an extraordinary pace. If this continues, artificial intelligence (AI) could be the government’s single biggest lever to deliver its five missions, especially the goal of kickstarting broad-based economic growth. It is hard to imagine how we will meet the ambition for highest sustained growth in the G7 - and the countless quality-of-life benefits that flow from that - without embracing the opportunities of AI...

One of the key recommendations in the AI action plan is “Establish ‘AI Growth Zones’...to facilitate the accelerated build out of AI data centres...”

- On 10 February 2025 announced its plans for [AI Growth Zones](#), inviting [expressions of interest](#) from local and regional authorities for prospective sites. In relation to data centres the announcement stated that:

“These areas will speed up planning permission to rapidly build AI infrastructure including data centres and give them the energy connections needed to power AI innovations in areas like healthcare...

This will attract significant private investment, create local jobs and strengthen the UK’s global AI leadership - delivering opportunities for working people across the country as part of the AI Opportunities Action Plan announced less than two weeks ago. The ideal ingredients and key criteria for communities looking to host AI Growth Zones include:

- sites with large existing power connections (with a current capacity of 500+ MW) or a clear vision on how energy capacity can be increased.

- deindustrialised areas with land and infrastructure standing ready for redevelopment.

- locations close to suitable sites for major energy infrastructure such as nuclear reactors, solar stations and wind farms, or battery storage.”

- STG has applied for Teesworks to be designated as an AI Growth Zone, following active engagement with government on the initiative over recent months. Teesworks readily satisfies all of the government’s “key criteria” cited above, and is on the only site in the UK with the power



Broadfield

connections available now to host an AI Growth Zone at scale. The Tees Valley Mayor, Ben Houchen, provided the following statement for the government's [AI Growth Zones](#) document:

"It was great to be invited to visit 10 Downing Street last week to talk about the massive potential AI has to bring a huge leap forward in industries across our nation...We have everything we need to host an AI Growth Zone in our region. We have the land, we have the power and we have shown in our efforts at Teesworks how we can get huge projects moving forward at pace."

- The government's recently published [UK Infrastructure: A 10-Year Strategy](#) provides as follows in relation to data centres:

"3.38 Digital infrastructure also increasingly underpins the provision of services critical for the functioning of society, business, and government – including the operation of other infrastructure sectors. In particular, demand for data centre services is projected to surge over the next decade including for AI development and deployment. The government is committed to facilitating the development and expansion of cutting-edge, secure, and sustainable digital infrastructure that meets the needs of both the private and public sectors..."

3.41 To meet the growing need for commercial compute, as part of the modern Industrial Strategy the government is supporting the development of AI Growth Zones – new clusters of AI-focused data centres with enhanced access to energy and planning support..."

- The national significance of data centres is further evident from their designation as critical national infrastructure by the government on [12 September 2024](#), and by the government's announcement on [27 February 2025](#) to prescribe data centres as part of the nationally significant infrastructure projects regime. Similarly strong support for data centres and AI Growth Zones was made in the recently published [UK's Modern Industrial Strategy](#).

4. Increased uncertainty in respect of the Proposed Development

The above matters plainly amplify the strength of STG's objections to the Proposed Development, and the weight that STG's competing development carries in the planning balance to be determined by the SoS.

Set against this is a backdrop of increasing uncertainty as regards the Applicant's commitment to delivery of the Proposed Development:

- BP, the Applicant's parent company BP, has already announced in March 2025 cancellation of its HyGreen project, which had been included in Proposed Development's Order Limits on land which conflicted STG's data centre development, but which was removed from the Order Limits at the end of the examination. The cancellation of HyGreen has been reported to be an outcome of "strategic shift" by BP away from hydrogen, with a significant scaling back of investment expected.
- STG then highlights recent [press reports](#) that BP is now considering cancelling or significantly scaling back the Proposed Development, citing that uncertainty over demand results in a need for more government support to enable the development.



Broadfield

- There is no evidence that this government support will be forthcoming. STG notes that there was no reference to, and no apparent government funding commitment to, the Proposed Development in the [Spending Review 2025](#), the [UK Infrastructure: A 10-Year Strategy](#) and the [UK's Modern Industrial Strategy](#).
- The above serves to call into question the March 2024 Funding Statement [\[APP-025\]](#) submitted by the Applicant to justify the grant of compulsory acquisition powers for the project. Notably it stated at paragraph 4.1.3 that:

“Construction costs will be funded from a combination of equity (private financing) and public funding sources, with the exact combination dependent upon market conditions at the date construction commences”.

- STG can only conclude that this uncertainty is the reason why the land acquisition negotiations with the Applicant for the Proposed Development have stalled, with the Applicant having failed to provide the promised active engagement required by STG in order to move matters forward in relation to STG's concerns regarding HSE consultation zones in particular.
- This lack of engagement and progress is contrary to the position conveyed by the Applicant at the conclusion of the examination – e.g. at Compulsory Acquisition Hearing 2, the Applicant had stated that it and STG were in *“the final stages of negotiating an Option Agreement for the Phase 1 land”*¹. It is also contrary to the Applicant's obligations under the compulsory acquisition guidance referred to earlier in this letter.

5. Conclusion

The position remains, as noted by STG at paragraph 1.8 of [\[REP9-032\]](#), that the Applicant's planning and compulsory acquisition case has failed to adequately address and account for the existence of STG's underlying planning permission R/2020/0821/ESM for the Foundry site, and the subsequent events since the close of the examination reported in this letter.

In view of the material increase in the weight of STG's objections, set against the increasing uncertainty in the Applicant's commitment to and funding for the Proposed Development, and the likely impediment to the Applicant obtaining a hazardous substances licence, STG remains of the view that the case for Proposed Development (including a compelling case in the public interest for compulsory acquisition powers) cannot be made out, and the application should therefore be refused consent.

If consented, STG foresees a situation where extensive swathes of STG's nationally significant regeneration site are blighted by the shadow of compulsory acquisition powers for a period of five years by a project that has no prospect of coming forward, stymying other critical national infrastructure from coming forward, including a data centre.

¹ See 8.33 Summary of Applicant's Oral Submissions at CAH2 [\[REP6a-018\]](#) at page 25.



Broadfield

Yours faithfully



[Redacted]

Partner

For and on behalf of Broadfield Law UK LLP

■

[Redacted]

■

[Redacted]

■

[Redacted]

@broadfield-law.com

enc

Overlay plan: location of Work Nos. 1 and 1A.1 of the Proposed Development and the location of the data centre development