



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
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Your Ref
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Our Ref
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Date
13 August 2025

By Email

Dear Sirs

Re: Application by H2 Teesside Limited ("the Applicant") for an Order granting Development Consent ("DCO") for the proposed H2Teesside development ("H2T")

As you will be aware from our letters dated [27 June 2025](#) and [1 August 2025](#), we are instructed by the South Tees Group (**STG**) on this matter. We note that the Applicant has now responded to the above-mentioned letters in its [8 August 2025 submission](#), and that Secretary of State's (**SoS's**) decision on the DCO application is due by 28 August 2025.

It is clear that the important and relevant matters for that decision have substantially changed since the close of the DCO examination. To ensure that the SoS now has full clarity over the basis of STG's fundamental objections to H2T – including in view of the Applicant's 8 August submissions – the **Annex** to this letter summarises the emphatic and decisive reasons why the DCO application for H2T should be refused consent.

Yours faithfully

Partner

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Annex – compelling reasons to refuse the DCO application

The following 11 matters stand as compelling and robust reasons which justify refusal of the DCO application. It is clear that the legal tests to justify consent are not met. If consented, the adverse impacts of the DCO, as set out below, would greatly outweigh any benefits accruing from H2T. There is serious doubt over H2T ever being implemented, and it has been made clear to representatives of STG by representatives of the Applicant that any implementation would be on a substantially smaller scale. It follows that there is no compelling case in the public interest to justify the compulsory purchase powers being sought by the Applicant over vast swathes of the Teesworks site.

1. Impact of Teesside AI Growth Zone status

As noted in our letter of 1 August 2025, Teesworks is a candidate site for an AI Growth Zone, with a decision on STG's application anticipated shortly. Teesworks is the only site in the UK with sufficient available land and the power connections to be able to AI Growth Zone at scale, and so it is the UK's premier site in this respect. It is by far and away the Government's best opportunity for delivering AI-led economic growth, and STG is ahead of the game having already secured approval for a data centre (see paragraph 2) and with a prospective end user lined up (see paragraph 3).

Contrary to what the Applicant says in its submission of 8 August 2025, a decision to approve the DCO application – due to its sterilising effect on the Teesworks site – would be inherently incompatible and irreconcilable with AI Growth Zone status and the nationally significant benefits which that designation will bring to Teesside.

2. Reserved matters planning approval for data centre development

Reserved matters approval for the development of data centres at Teesworks was granted by Redcar and Cleveland Borough Council on 1 August 2025 (R/2025/0382/ESM) following a previous grant of outline planning permission (R/2020/0821/ESM). Data centres are now classified as projects of critical national importance, and confirming the DCO would therefore render the planning permission for projects of that classification unimplementable, contrary to the National Planning Policy Framework and other government policy.

For the avoidance of doubt, notwithstanding what the Applicant implies in its most recent representations to the SoS dated 8 August 2025, the data centre development for which reserved matters approval has been granted cannot co-exist in practice with H2T, not only because of physical conflict, but also because it is now clear that the consented development would, as mentioned in paragraph 5 below, fall within an "inner zone" for the purposes of Health and Safety Executive classification in relation to hazardous substances consent, the effect of which would be to preclude the development of a three storey data centre that would create some 700 jobs.

3. End user for the data centre development

The landowners at Teesworks have progressed detailed commercial discussions with a prospective occupier that is ready to take and develop the land at Teesworks in short order for data centre use. The Applicant is not able to provide a commitment that its project will ever actually proceed.



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4. Conflict with freeport policy: part of the Teesworks site is within the UK's flagship freeport

A decision to approve the DCO application would render the benefits of freeport status otiose in respect of the subject sites.

5. Sterilisation of Teesworks land

Not only would the DCO, if made, affect the part of Teesworks over which the main plant would be consented, but also large parts of the remaining site over which infrastructure connection corridors are proposed. For example:

- (a) the proximity of the H2T infrastructure to the site of the new 400KV-132KV substation contracted to be delivered by National Grid at the Teesworks site would negatively impact upon the construction and future operation of the substation. The site for the substation was chosen because of the location of existing overhead lines, but the location of H2T's hydrogen pipeline being in such close proximity to the new substation (in respect of which it should be noted detailed design is complete) would stymie construction and operation of the new substation and, as a consequence, inhibit the future the development of the wider site;
- (b) the presence of high-pressure gas mains and other infrastructure constructed elsewhere on the Teesworks site as part of the H2T project would adversely affect development such that pre-existing and planned utilities and infrastructure corridors would be sterilised, as would substantial areas of land of up to 500 metres on either side of the H2T infrastructure, which would be rendered completely unviable for use by prospective data centre developers (developers having made it clear that it is industry accepted practice not to develop AI data centres or infrastructure near to what is deemed to be high-risk third party infrastructure).

Furthermore, the Applicant has effectively now confirmed through its objections to the application for reserved matters approval referred to at 2 above that parts of the site outside the DCO Order Limits would fall within the "inner zone" for the purposes of Health and Safety Executive classification in relation to hazardous substances consent. Development of land within inner zones of the type envisaged at Teesworks would be rendered impossible.

In short, any DCO approval would result in vast swathes of the Teesworks site both inside and outside the DCO limits effectively being sterilised, either for five years with significant doubts over the powers applied for ever being implemented, or in perpetuity if the scheme is implemented.

6. Conflict with Teesworks CPO

The Teesworks site was itself acquired by STDC under a 2019 CPO. The basis for that CPO was to facilitate regeneration of Europe's largest brownfield opportunity by STG. The adverse impacts of the DCO referred to at 5 above would directly conflict with that regeneration mandate, and with the compelling case for the CPO, as confirmed just five years ago.



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7. Minimal progress in acquisition of land by agreement

Contrary to the impression it attempts to convey in its submission of 8 August 2025, the Applicant has not made satisfactory efforts to acquire land at Teesworks by agreement, with substantive discussions having effectively been in abeyance for almost six months. This is contrary to Compulsory Acquisition Guidance, which requires that authority to acquire land compulsorily should be sought only if attempts to acquire by agreement fail. Little recent attempt has been made by the Applicant to acquire land and rights by agreement. As such, for the avoidance of doubt, the Applicant has not secured any land interest at the Teesworks site and was in any event only ever in discussion in respect of an option to take a lease, with no guarantee being given that the land would ever be drawn down.

It seems that this experience of engagement with the Applicant generally is not unique to Teesworks. Indeed, significant stakeholders such as National Grid and Northumbrian Water Limited have been vocal in their criticisms of the Applicant, with the former noting that it has received “no recent engagement” in respect of issues that it has identified which would impact upon its plans to expand the Saltholme substation on the northern side of the Tees, and the latter citing significant delays in documentation being dealt with and fundamental and numerous changes to the Applicant’s plans having been proposed that are not acceptable to Northumbrian Water.

8. Funding case doubts and deficiencies

There are now significant doubts in respect of H2T’s funding for the project. See recent press articles on this subject: the fact there is now precious little evidence that the project will receive government funding support (for example, there is no reference to a funding commitment in any of the 2025 spending review, the UK Infrastructure: A 10-Year Strategy or the UK’s Modern Industrial Strategy publications), and the widely reported strategic pivot by BP (H2T’s parent) away from renewables. That being the case, there are serious questions as to whether H2T is financially viable.

Indeed, for similar reasons we understand that Kellas, the prospective operator of the only other blue hydrogen scheme of significance in the UK, has already taken the decision that blue hydrogen is no longer viable and that it will therefore not be proceeding with its own project. Against that background, it is inevitable that H2T will follow suit.

The increased land value of the Teesworks site that accrues from the data centre reserved matters approval further amplifies doubts over H2T’s financial viability. Given that H2T’s DCO funding case did not account for this increase, it is now deficient for the purposes of the DCO decision, and fails the legal test of demonstrating a reasonable prospect of securing the necessary funds to justify the grant of compulsory acquisition powers.

9. Loss of key off-taker

In addition to direct funding issues, further doubt is cast over the viability of H2T by reason of the loss of key off-takers. For example, Sabic, which had been identified as the primary off-taker, has made the decision to close its Olefins 6 (‘cracker’) plant at Wilton. It will therefore no longer have any need or use for the H2T plant and H2T has accordingly lost its primary off-taker.



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10. No sound basis for relying on case presented by H2T

It is telling that the Applicant goes as far as to say in their 8 August 2025 representations to the SoS (paragraph 1.3.5) that it has not yet even commenced detailed design work in respect of the project. In fact representatives of the Applicant have recently informed representatives of STG that they are undertaking a fundamental, wholesale, redesign and scaling back of the project. Any implementation would be on a substantially smaller scale. It follows that the Applicant – if it is ever to implement the H2T project at all – is clearly no longer intending to implement the proposals that were put before the DCO examination to justify consent for the project.

This is of grave concern to STG in the context of the compulsory acquisition powers being sought over vast swathes of its land, that will sterilise land that is otherwise ready for development by third parties by agreement. This fundamental change means that the SoS cannot rely on the case presented by the Applicant, and means that there is no compelling case in the public interest to be granted compulsory purchase powers.

11. Other unresolved representations and objections

It is noted that, in the latest round of submissions published by the Planning Inspectorate on 4 August 2025, a number of unresolved representations remain. A common theme is a failure by H2T throughout the process to adequately engage with interested parties. In particular it is noted that National Grid Electricity Transmission Plc continues to maintain a strong objection to the impact of H2T on its undertaking, with important and relevant issues seemingly unresolved. See further paragraph 7 above.