techUK

Press release

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Data centre sector could bring £44 billion to the UK economy, says techUK report

- *Growing demand for digital services means that the data centre sector is poised to grow tenfold over the next decade*
- *Growth in the industry would create an additional 40,200 jobs and £9.7 billion in added tax revenue*

LONDON, 4 November 2024: The data centre sector has the potential to become one of the fastest growing industries in the UK according to a new analysis published by technology trade association techUK today.

According to the Foundations of the Future report, commissioned by techUK and developed by Henham Strategy, data centres are currently contributing:

- **£4.7 billion** in Gross Value Added (GVA) annually to the UK economy.
- **43,500 jobs** across the UK economy.
- **£640 million** in tax revenue to the exchequer.

However, as technology continues to evolve, with significant advancements in AI and emerging technologies, the demand for data centres is set to increase at a much faster rate than it ever has before, with projections of future growth at between 10-20% a year.

The report suggests that if the UK can meet the projected growth of the data centres sector above its recent growth rate of 10% to 15% a year, this could have a transformative impact on the sector and wider UK economy by 2035, unlocking:

- **A GVA boost**: £44 billion additional GVA between 2025-35 from the construction and operation of data centres
- **An employment boost**: 40,200 additional jobs directly employed in (often high paid) data centre operational roles by the year 2035; 18,200 additional jobs directly employed in data centre construction roles over the period 2025-35
- **A tax boost:** an additional £9.7 billion in tax revenue generated by the industry.

These figures highlight the industry's immense potential to spur national and regional growth, drive innovation, and support high-quality jobs throughout the country. If this national and regional economic opportunity is to be realised, it is essential the broader data centre policy opportunities and challenges are fully understood.

Key recommendations

10 St Bride Street
London EC4A 4AD

techUK.org | **@techUK**

Media Contact
Margherita Certo
T: (+44) 07462107214
E: margherita.certo@techUK.org

The report sets out several key policy areas where government action can further enable the growth of the data centre sector and address existing challenges:

- **Energy:**
  Data centres require large amounts of energy, and the sector faces challenges in securing timely and affordable access to clean energy. techUK highlights the need for government support in improving grid connections, reforming queue processes, and enabling access to renewable energy through initiatives like Power Purchase Agreements (PPAs). Additionally, the development of on-site renewable energy sources such as geothermal or small modular reactors (SMRs) can help ensure the long-term sustainability of data centres.

- **Sustainability:**
  Despite a doubling of data centre workloads since 2015, electricity demand has remained flat due to the industry's ongoing efficiency improvements. The report recommends greater integration of data centres into district heat networks, the adoption of sustainability reporting standards, and continued focus on resource optimisation to support the sector's journey towards net-zero emissions.

- **Planning Reforms:**
  The UK's planning system needs reform to accelerate data centre development. The report calls for the introduction of a National Policy Statement for data centres, streamlined planning processes through the Nationally Significant Infrastructure Projects (NSIP) regime, and improved training for local planning authorities to ensure speedy and consistent decision-making. These changes will help ensure that data centres can be built quickly and efficiently, contributing to local and national economic growth.

- **Skills Development:**
  Data centres offer high-paying, stable jobs, but the industry faces challenges in attracting skilled workers. The report encourages reforms to the apprenticeship levy and greater promotion of career pathways in the sector. Initiatives such as the National Data Centres Academy and local partnerships with colleges are key to addressing skills shortages and fostering the next generation of talent.

- **Collaboration:**
  While the industry welcomes the role that DSIT has been playing in coordinating with other government departments, the sector would encourage further coordination to ensure any further policy developments across areas of government remain coherent and consistent in their approach. In the past, data centres were often caught by default in numerous regulations. It is therefore imperative to achieve growth objectives that various policies do not diminish these aims, and support DBT/OFI and DSIT in their efforts to promote the industry in the UK internationally and its competitiveness.

Matthew Evans, Director for Markets and COO at techUK, said:
"Data centres are the backbone of the digital economy; without them our transport, energy and wider economy couldn't function. And with continued AI advances, the importance of data centres to unlocking tech-led growth is only accelerating. Despite the critical role data centres play in supporting sustainable economic growth, their potential is far from fully realised. With the right policy support and collaboration between industry and government,

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the sector is poised to drive further innovation and enable digital transformation across all sectors of the economy across the country."

Technology Secretary, Peter Kyle said:
"Data centres are critical to powering the technology that drives our modern economy. This government has already begun to give a boost to the sector by giving them Critical National Infrastructure status which will strengthen protections against events like cyber-attacks.

"As these findings show, if government and industry work together to tackle the challenges and harness the opportunities the sector offers, we can create thousands of jobs and drive prosperity across all corners of the country. We have already seen the sector respond with over £25 billion of private investment committed in recent months."

Nick King, Managing Director at Henham Strategy said:
"The essential role that data centres play in our modern economy is underappreciated by the public and politicians alike. Not only do they unlock the vast array of technological services we all rely on every day but they're big business – bringing investment, jobs and tax revenues at both a local and national level. This report aims to shine a light on both their current impact but also their future potential. If the UK can present itself as an obvious market for international investors over the next decade, we all stand to gain."

-ENDS-

Notes to Editors

The report was commissioned by techUK and produced by Henham Strategy.

The full report can be downloaded here.

techUK Data Centres resource hub

About techUK

techUK is the technology trade association that brings together people, companies and organisations to realise the positive outcomes of what digital technology can achieve.

With over 1,000 members (the majority of which are SMEs) across the UK, techUK creates a network for innovation and collaboration across business, government and stakeholders to provide a better future for people, society, the economy and the planet.

By providing expertise and insight, we support members, partners and stakeholders as they prepare the UK for what comes next in a constantly changing world.

About Henham Strategy

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Media Contact
Margherita Certo
T: (+44) 07462107214
E: margherita.certo@techUK.org

Henham Strategy a strategic consultancy working across policy, public affairs and economics.

Henham combine rigorous research, strategic insights, unrivalled connections and decades of experience to deliver a range of policy, advocacy and communications outcomes for their clients. Henham operate across a range of different sectors with have particular specialisms in planning, energy, local growth and technology.