



HERBERT SMITH
FREEHILLS
KRAMER

NATO LINK ISSUES PAPER

EXECUTIVE SUMMARY

Executive Summary



Objective

- 1. This Executive Summary provides a high-level overview of the key strategic, legal, regulatory, and commercial considerations associated with the proposed North Atlantic Transmission One (NATO) Link interconnector between Eastern Canada and Great Britain and other European countries bordering the North Sea. The full, comprehensive 30-page report is available exclusively to HSF’s privileged clients.



Scale & Novelty

- 2. The Project involves the development of a 4,800–5,300 km high-voltage direct current subsea transmission system connecting two distinct electricity market and regulatory frameworks. Its scale, geographic reach, and jurisdictional complexity present both development opportunity and implementation risk, requiring early and coordinated decision-making across regulatory, governmental, and sponsor stakeholders.
- 3. The Project has the potential to advance energy security, decarbonization goals, and cross-border power exchange between complementary systems. These potential benefits are accompanied by legal and regulatory challenges, particularly due to the Project’s location in international waters beyond the jurisdiction of any single national authority.
- 4. The NATO Link should be approached not as a conventional interconnector, but as a complex, cross-border infrastructure initiative requiring tailored legal, regulatory, and commercial solutions.



Key Legal and Regulatory Challenges

Route & Surveys

- 5. The Project remains at an early stage, with key parameters such as the route, landfall locations, and grid connection points yet to be finalized. Route mapping will be a key determinant of feasibility, influencing environmental risk, permitting complexity, construction cost, and long-term operability. This will require multidisciplinary analysis, including seabed surveys and early engagement with relevant authorities to ensure that technical optimisations aligns with regulatory and environmental expectations.
- 6. The cable’s passage through territorial waters, exclusive economic zones, and high seas introduces a multi-layered legal framework. While national waters are governed by domestic law, high seas segments fall under international law, particularly the United Nations Convention on the Law of the Sea (UNCLOS). This creates a distinct risk profile regarding liability, asset protection, and dispute resolution, requiring careful legal structuring and contractual allocation.



Grid Connection

- 7. Grid connection is a critical path item and will require parallel and sustained engagement in Great Britain, other European countries bordering the North Sea, and Eastern Canada. In European Countries bordering the North Sea , the Project must navigate evolving grid regimes, limited network capacity, and likely reinforcement requirements. Early coordination with the National Energy System Operator and ENTSO-E will be essential to secure viable connection points and manage timing and cost risks.
- 8. In Eastern Canada, grid access is primarily regulated at the provincial level, with federal oversight for international lines. Regulatory frameworks vary across provinces such as Québec, Newfoundland and Labrador, and Nova Scotia, reflecting vertically integrated market structures. Coordination with provincial utilities and regulators, and potentially federal authorities, will be necessary, with connection timelines that may extend over several years.



Land, Planning and Consents

- 9. Onshore development will require planning permissions and land rights in both Great Britain and Canada. In GB, the Project is likely to fall under the Development Consent Order (DCO) regime for nationally significant infrastructure, triggering extensive pre-application consultation and environmental assessment obligations.
- 10. In Canada, planning and land use approvals are governed by provincial and municipal regimes. These processes require alignment with local land use plans and, where applicable, engagement with Indigenous communities. Early identification and securing of land options agreements for converter station sites and cable routes will be important, particularly where compulsory acquisition powers are unavailable or limited.



Marine Licenses and EEZ Crossings

- 11. Marine licensing and environmental permitting will be central to the Project’s viability due to the length of the subsea route and the sensitivity of marine environments. Environmental impact assessments are expected in multiple jurisdictions and may be required at various stages, including for surveys, marine works, and onshore infrastructure. Decision makers should anticipate that environmental considerations will materially influence route selection, programme, and cost, rather than being a purely compliance-driven exercise.
- 12. The Project will also need to address interactions with existing subsea infrastructure, including telecommunications cables, pipelines, and other energy assets. Proximity and crossing agreements will be required to manage construction and operational interfaces and to allocate risk and liability between asset owners. These agreements are critical to allocate liability and manage construction and operational interfaces, and should be initiated as soon as the cable route is defined.



Environmental Matters

- 13. Given the Project’s scale and cross-jurisdictional nature, extensive Environmental Impact Assessments (EIAs) will be required in multiple jurisdictions (GB, Canada, and any other affected countries), each with its own procedural requirements and sequencing.
- 14. The timing of these EIAs varies by jurisdiction and could be as early as the marine surveying stage. Sponsors should engage environmental consultants to identify sensitive habitats and ensure mitigation and compliance strategies are built into route planning and programme development from the outset.



Corporate structuring and equity arrangements

- 15. Corporate structuring and equity arrangements will play an important role in the Project’s ability to attract capital and manage risk. While a special purpose vehicle structure is typical for infrastructure projects, the scale, duration, and international footprint of the NATO Link may require more flexible or bespoke arrangements and ownership arrangements. The chosen structure must accommodate multi-jurisdictional regulation, tax efficiency, long-term governance, and the expectations of both public and private investors.
- 16. Unbundling and ownership restrictions in both Great Britain and other European countries bordering the North Sea and Canada will constrain how the Project can be structured and who can invest in it. In Canada, provincial rules governing the separation of generation and transmission, and restrictions on third party ownership of transmission assets, may significantly influence the pool of eligible investors and operational models. Early regulatory engagement will be essential to determine whether exemptions, legislative changes, or alternative structuring solutions are required.



National Security Review

- 17. National security and foreign investment regimes in both jurisdictions add an additional layer of scrutiny for equity participation. In Great Britain, investments in energy infrastructure are subject to mandatory notification and potential review under the National Security and Investment Act, which may influence investor eligibility, transaction timing and required mitigations.
- 18. In Canada, similar powers exist under the Investment Canada Act, particularly for strategically sensitive assets, meaning that investor selection and transaction structuring must be approached with care to accommodate potential review processes and conditions.



Regulatory Regime and Revenue Model

- 19. The regulatory framework for the Project represents one of the most material uncertainties. Existing interconnector regimes, including regulated revenue support mechanisms, are not designed for an asset of this scale or for a project that is largely located outside national jurisdictions. As a result, it is likely that the Project will require a bespoke regulatory settlement, potentially involving exemptions from standard rules and the development of tailored arrangements for revenue recovery, oversight and cross-border coordination.

- 20. Differences in market design between Great Britain and other European countries bordering the North Sea and Canada further complicate the regulatory and commercial model. Great Britain and other European countries bordering the North Sea operates a liberalised wholesale market with established trading arrangements, while Canadian provincial systems are typically vertically integrated with limited scope for merchant trading. Reconciling these differences in a way that supports predictable revenues and efficient power flows will be central to the Project’s bankability.
- 21. Licensing: The Project will require interconnector licenses in GB and potentially in Canada, subject to provincial and federal regulatory frameworks. Given the Project’s unique structure and location, exemptions or bespoke licensing arrangements may be necessary to enable implementation.



Bankability and Long term revenue

- 22. The Project’s financing strategy will depend on establishing predictable and enforceable long-term revenue streams, whether through regulated mechanisms, contractual arrangements, or hybrid models.
- 23. Whether revenues are derived from regulated mechanisms, long-term contractual arrangements, or hybrid models, lenders and investors will require confidence in the stability and enforceability of cash flows over several decades. Revenue model design, regulatory status, and contractual structure are interdependent and must be developed in parallel to ensure lender and investor confidence in the Project’s financial viability.
- 24. Governmental support is likely to be a critical enabler for the Project. Given its strategic nature, an intergovernmental framework between the United Kingdom and other European countries bordering the North Sea and Canada could provide political backing, regulatory coordination, and risk mitigation. While such arrangements would not replace the need for project-level approvals, they could materially improve deliverability and investor confidence.





Construction and Procurement

- 25. Construction and procurement present challenges of scale not previously encountered in interconnector projects. The Project will require unprecedented volumes of HVDC cable and power electronics, potentially exceeding current global manufacturing capacity and influencing procurement sequencing and schedule strategy.
- 26. The works are likely to be delivered through multiple contract packages rather than a single turnkey solution, increasing the importance of interface management and risk allocation. Poor coordination between packages could lead to delay and cost escalation, making robust contractual alignment and clear programme governance a priority.
- 27. Robust contractual alignment, interface management, and risk allocation mechanisms will be essential to avoid delays and cost overruns. Insurance and contingency planning should be integrated early to manage residual risks across jurisdictions and contract packages.



Supply Chain Engagement and Risk Management

- 28. Early engagement with the supply chain, combined with a carefully structured procurement strategy, will be essential to manage cost, schedule, and technology-integration risk.
- 29. The Project's scale and timing may coincide with other large infrastructure builds, creating competition for limited manufacturing capacity (eg, HVDC cable and converter stations), which may affect pricing and delivery lead times.
- 30. Early market sounding and capacity reservation agreements will be essential to mitigate procurement bottlenecks and secure delivery windows.



Financing

- 31. Financing the Project through project finance would place it at the frontier of the market. While there is limited precedent for financing interconnectors on this basis, none approach the scale or complexity of the NATO Link, making lender engagement and alignment on risk allocation critical from an early stage.
- 32. Achieving financial close will require early and sustained engagement with lenders, clear articulation of the risk allocation, and a regulatory and contractual framework that supports predictable long-term debt service.



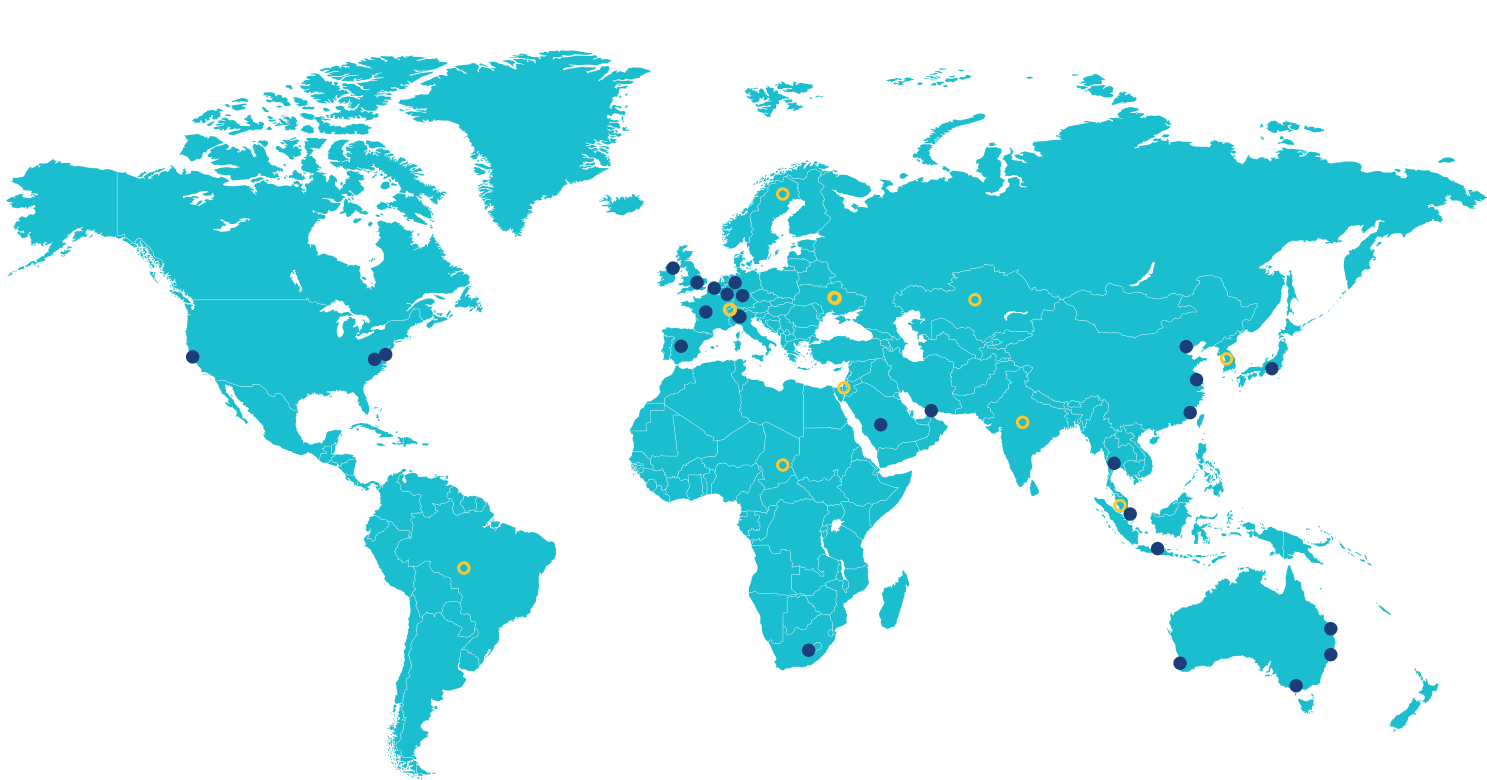
Recommended Next Steps

- 33. Convene a cross-advisor workshop (legal, technical, market, financial) to align on the Project's critical path and identify interdependencies across workstreams. This will help establish an integrated programme baseline.
- 34. Establish a formal Legal Coordination Group to oversee legal strategy, ensure consistency across jurisdictions, and coordinate regulatory engagement.
- 35. Initiate early engagement with Ofgem, NESO, the Canada Energy Regulator, key provincial regulators, and relevant government departments (eg, UK DESNZ, ENTSO-E, NRCan, and provincial ministries) to begin mapping regulatory pathways.
- 36. Commence preliminary discussions on the scope and timing of a potential UK and/or EU-Canada intergovernmental memorandum of understanding (MOU) to support regulatory alignment and de-risk permitting.
- 37. Begin market-sounding with key suppliers (eg, HVDC cable and converter manufacturers) to assess supply chain capacity and lead times.
- 38. Initiate early engagement with potential lenders and financial institutions to inform the Project's bankability strategy and financing structure.



Conclusion

- 39. NATO Link is a strategically significant infrastructure project with the potential to contribute to energy security, market integration, and decarbonization objectives across Eastern Canada and Great Britain and other European countries bordering the North Sea.
- 40. The Project presents a high degree of legal, regulatory, and financial complexity due to its scale, cross-jurisdictional footprint, and substantial presence in international waters, all of which require coordinated regulatory, commercial and technical solutions not typically encountered in conventional interconnector projects.
- 41. For decision makers, the immediate priority is to establish a clear strategic direction and delivery pathway. This includes early alignment on regulatory ambition, governmental engagement, investor positioning, and supply chain readiness, supported by governance structures capable of managing long-duration risk.
- 42. Advancing the Project in a structured and investable manner will require coordinated engagement across governments, regulators, sponsors, and advisors in Canada, Great Britain, and other European countries bordering the North Sea.



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