



NATIONAL SECURITY AND INVESTMENT ACT 2021:

TWO AND A HALF YEARS ON

The UK's National Security and Investment Act 2021 (the Act) entered into force on 4 January 2022. We published a briefing in January 2023 examining the impact of the Act one year on from its entry into force.¹ In this briefing, we review the impact of the Act around two and a half years on from its entry into force, examine further decisions made under the Act to date, and outline the implications for transactions.

¹ HFW. *National Security and Investment Act 2021 One Year On*. Available at: [HFW | National Security and Investment Act 2021 One Year ...](#)

How does the Act work?

The Act gave the Department for Business, Energy and Industrial Strategy (**BEIS**) – which has now been split into the Department for Business and Trade (**DBT**), the Department for Energy Security and Net Zero (**DESNZ**) and the Department for Science, Innovation and Technology (**DSIT**) – expansive powers to review investments in order to protect the UK's national security.² In 17 critical sectors of the UK economy, notification and prior clearance of certain transactions are mandatory.³ We published a briefing in June 2021 looking at how the Act works in detail.⁴

When former UK Prime Minister Rishi Sunak announced the UK Government's decision to restructure BEIS, on 8 February 2023, the Investment Security Unit (**ISU**), the unit responsible for operating the UK's investment screening regime under the Act, was moved from BEIS to sit within the Cabinet Office. This shift aimed to give the Prime Minister's Office more oversight over the operation of the UK's investment screening regime. As part of this reorganisation, ultimate responsibility for ensuring regulatory compliance under the Act shifted from the Secretary of State for BEIS to the newly created Secretary of State in the Cabinet Office. Under the UK's new Labour Government, this duty has shifted to the Chancellor of the Duchy of Lancaster (the **Chancellor**).

In summary, the Chancellor can "call-in" acquisitions or investments for detailed review if the Chancellor reasonably suspects that they may pose a risk to national security.⁵ There is also a notification system, whereby

certain proposed investments in the 17 critical sectors must be notified for prior clearance to the ISU.⁶

Since the Act has entered into force, the Chancellor and previous Secretaries of State have made a total of 25 final orders, under which acquisitions which were called in for review were either blocked or ordered to be reversed, or allowed to proceed subject to conditions.⁷

Before imposing a prohibition, or conditions to the clearance of a transaction, the Chancellor must be satisfied on the balance of probabilities that there is a risk to national security. The Chancellor will consider the acquirer's affiliations to hostile parties or countries, rather than the existence of a relationship with particular foreign states in principle or its nationality.

What acquisitions has the UK Government blocked?

In our January 2023 briefing we set out in detail the transactions that the Secretary of State had, at that time, blocked or required to be reversed.

There were five in total:

- The acquisition of certain IP by Beijing Infinite Vision Technology Company Ltd from the University of Manchester (blocked on 20 July 2022);⁸
- The acquisition by Super Orange HK Holding of Pulsic (blocked on 17 August 2022);⁹
- The acquisition by Nexperia BV of 86% of shares in Nexperia Newport Limited (formerly Newport Wafer Fab) (blocked on 16 November 2022);¹⁰

- The acquisition of HiLight Research Limited by SiLight (Shanghai) Semiconductor Limited (blocked on 19 December 2022);¹¹
- The acquisition of Upp Corporation Ltd by LIT FM Holdings UK Ltd (blocked on 19 December 2022).¹²

Notably, four of these blocked transactions involved investors related to China operating in the technology sector. The Act came into force at a time when the UK Government was increasingly concerned about national security threats posed by China. It was therefore anticipated that the Act would chiefly be used to prevent the acquisition of British-developed technology, particularly that which could be repurposed for potentially hostile purposes, by certain Chinese companies (e.g. those with State connections).

The final prohibition decision above was the only one then not to involve a Chinese investor. The acquirer, LIT FM Holdings UK Ltd, was owned by LetterOne Holdings S.A., an investment company whose owners included sanctioned Russian oligarchs, Mikhail Fridman and Pyotr Aven.

Since our January 2023 briefing, neither the Chancellor nor previous Secretaries of State have issued any further prohibition decisions. It is unclear as yet whether this represents a change of approach on the enforcement side, or whether companies have been avoiding entering into transactions that they anticipate would be blocked under the Act.

2 Cabinet Office. *National Security and Investment Act 2021*. Available at: [National Security and Investment Act 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101442/national-security-and-investment-act-2021.pdf)

3 The 17 sensitive sectors are transport (ports, harbours, terminals, airports, air traffic control), energy, defence, military and dual-use, data infrastructure, advanced materials, advanced robotics, artificial intelligence, civil nuclear, communications, computing hardware, critical suppliers to government, cryptographic authentication, quantum technologies, satellite and space technology, suppliers to the emergency services and synthetic biology.

4 HFW. *National Security and Investment Act 2021*. Available at: [HFW | National Security and Investment Act 2021 | Nationa...](https://www.hfw.com/insights/publications/national-security-and-investment-act-2021/)

5 Section 1 National Security and Investment Act 2021. Available at: [National Security and Investment Act 2021 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2021/1/section/1)

6 Section 14 National Security and Investment Act 2021. Available at: [National Security and Investment Act 2021 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2021/1/section/14)

7 Cabinet Office. *Notices of final orders under the National Security and Investment Act 2021*. Available at: [Notices of final orders under the National Security and Investment Act 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101442/notices-of-final-orders-under-the-national-security-and-investment-act-2021.pdf)

8 Department for BEIS. *Acquisition of know-how related to SCAMP-5 and SCAMP-7 vision sensing technology: notices of final order and variation of final order*. Available at: [Acquisition of know-how related to SCAMP-5 and SCAMP-7 vision sensing technology: notices of final order and variation of final order - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101442/acquisition-of-know-how-related-to-scamp-5-and-scamp-7-vision-sensing-technology-notices-of-final-order-and-variation-of-final-order.pdf)

9 Department for BEIS. *Acquisition of Pulsic Ltd by Super Orange HK Holding Ltd: notice of final order*. Available at: [Acquisition of Pulsic Ltd by Super Orange HK Holding Ltd: notice of final order - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101442/acquisition-of-pulsic-ltd-by-super-orange-hk-holding-ltd-notice-of-final-order.pdf)

10 Department for BEIS. *Acquisition of Newport Wafer Fab by Nexperia BV: notice of final order*. Available at: [Acquisition of Newport Wafer Fab by Nexperia BV: notice of final order - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101442/acquisition-of-newport-wafer-fab-by-nexperia-bv-notice-of-final-order.pdf)

11 Department for BEIS. *Acquisition of HiLight Research Limited by SiLight (Shanghai) Semiconductors Limited: notice of final order*. Available at: [Acquisition of HiLight Research Limited by SiLight \(Shanghai\) Semiconductors Limited: notice of final order - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101442/acquisition-of-hilight-research-limited-by-silight-shanghai-semiconductors-limited-notice-of-final-order.pdf)

12 Department for BEIS. *Acquisition of Upp Corporation Ltd by LIT FM Holdings UK Ltd: notice of final order*. Available at: [Acquisition of Upp Corporation Ltd by LIT FM Holdings UK Ltd: notice of final order - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101442/acquisition-of-upp-corporation-ltd-by-lit-fm-holdings-uk-ltd-notice-of-final-order.pdf)

“Since our January 2023 briefing, the Chancellor and former Secretary of State in the Cabinet Office have imposed conditions on eleven transactions (three in 2023 and eight in 2024 to date, in addition to nine transactions in 2022 as described in our January 2023 briefing).”

What conditions have been imposed on other acquisitions?

Since our January 2023 briefing, the Chancellor and former Secretary of State in the Cabinet Office (the **Secretary of State**) have imposed conditions on eleven transactions (three in 2023 and eight in 2024 to date, in addition to nine transactions in 2022 as described in our January 2023 briefing).¹³

As was the case for transactions on which conditions were imposed in 2022, these acquisitions were broad in scope, with acquirers operating in a variety of jurisdictions (e.g. the US, Canada, China¹⁴, France, Russia and the UAE) across various industries (e.g. energy, telecommunications, fire safety, imaging systems, oil and gas, radiation detectors and semiconductors).¹⁵

We describe each of these transactions below.

Stellex Capital Management/ David Brown Santasalo

On 22 February 2023, the Secretary of State imposed conditions on the proposed acquisition of David Brown Santasalo S.à.r.l (DBS), a company specialising in engineered

mechanical power transmissions, by Stellex Capital Management LLC (Stellex), a US private equity firm, via its wholly owned subsidiary, Gear Bidco S.à.r.l.

DBS is a global business delivering engineered industrial gear systems and services, manufactured for critical industrial applications including mining and minerals, fibre and paper, power generation, cement, oil and gas, and defence.

Stellex noted that the acquisition would bring: “*global delivery of gear manufacturing and service expertise within a broad range of critical service sectors, and with many long-term relationships*”.¹⁶

It was considered that a risk to the UK’s national security and defence capabilities would arise if DBS’ UK facility:

- were to be relocated outside of the UK, and/or
- were to reduce its production capability.

The Secretary of State’s order had the effect of “*requiring Gear Bidco S.à.r.l. to maintain continuity of supply in respect of critical Ministry*

of Defence programmes and ensures that the capability necessary to maintain that continuity of supply is retained in the UK”.¹⁷ These conditions continue the theme of ensuring that key security and defence capabilities remain in the UK.

Voyis Imaging Incorporated/ University of Southampton

On 8 June 2023, the Secretary of State imposed conditions on the proposed acquisition of unidentified assets belonging to the University of Southampton by Voyis Imaging Incorporated (Voyis), a Canadian company that designs and produces underwater laser scanners and imaging systems. The assets were not specified in the Secretary of State’s order but are thought to be linked to underwater imaging technology, given the sectors in which Voyis specialises. It is noteworthy that acquisitions of assets as opposed to certain proposed acquisitions of shares in companies in the 17 mandatory sectors are not mandatorily notifiable to the Cabinet Office (formerly BEIS) under the Act, and the UK Government guidance indicates that it would only very rarely intervene in an acquisition of assets.¹⁸

¹³ HFW. *National Security and Investment Act 2021 One Year On*. Available at: [HFW | National Security and Investment Act 2021 One Year ...](#)

¹⁴ Including Hong Kong.

¹⁵ Cabinet Office. *Notices of final orders under the National Security and Investment Act 2021*. Available at: [Notices of final orders under the National Security and Investment Act 2021 - GOV.UK \(www.gov.uk\)](#)

¹⁶ DBSantasalo. *Stellex Capital Management LLC announce completion of acquisition of David Brown Santasalo*. Available at: [Stellex Capital Management LLC announce completion of acquisition of David Brown Santasalo. \(dbsantasalo.com\)](#)

¹⁷ Cabinet Office. *Acquisition of David Brown Santasalo SARL by Stellex Capital Management LLC via its wholly owned subsidiary, Gear Bidco SARL: notice of final order*. Available at: [Acquisition of David Brown Santasalo SARL by Stellex Capital Management LLC via its wholly owned subsidiary, Gear Bidco SARL: notice of final order - GOV.UK \(www.gov.uk\)](#)

¹⁸ Cabinet Office. *National Security and Investment Act 2021: Statement for the purposes of section 3*. Available at: [National Security and Investment Act 2021: Statement for the purposes of section 3 - GOV.UK \(www.gov.uk\)](#)

It was considered that a risk to national security would arise from this acquisition as a result of “*potential military uplift to foreign states*” through gaining access to the assets.

The Secretary of State’s order had the effect of requiring Voyis to:

- carry out due diligence checks on all new customers wanting to purchase the assets; and
- report to the UK Government details of all new customers of the assets on an annual basis.¹⁹

EDF Energy Holdings/GE Oil & Gas Marine & Industrial & GE Steam Power

On 7 August 2023, the Secretary of State imposed conditions on the proposed acquisition of GE Oil & Gas Marine & Industrial UK Ltd and GE Steam Power Ltd, UK companies specialising in power and renewable energy, by EDF Energy Holdings Ltd, the French multinational electric utility company, via its wholly owned subsidiary, GEAST UK Ltd. The agreement was signed in November 2022, and although the Competition and Markets Authority (CMA) initially approved the transaction in May 2023 under competition law, the Cabinet Office called it in for review due to national security concerns.

It was considered that a risk to national security would arise because of the “*critical national security and defence capabilities relating to naval propulsion systems*” which are delivered through the target companies.

The final order required the parties to:

- meet physical and information security requirements;
- implement governance arrangements to protect sensitive information;
- place a UK Government-appointed board observer on the board of GEAST UK Ltd and allow the observer to observe meetings of the boards of the target companies;

- establish a steering committee of the GEAST UK Ltd board to provide oversight of compliance with security requirements and protection of sensitive information; and
- maintain capacity and capability for critical Ministry of Defence programmes in the UK.

The final order also included a provision that, in circumstances where the final order is “*breached in a manner serious enough to jeopardise the fulfilment of critical Ministry of Defence programmes*”, the Secretary of State has the power to “*step in and take operational control of and/or takeover (sic) the relevant business or part of the business*” necessary for the fulfilment of those Ministry of Defence programmes.²⁰

Emirates Telecommunications Group/Vodafone Group

On 21 January 2024, the Secretary of State imposed conditions on the proposed transfer of rights and interests to Emirates Telecommunications Group Company PJSC (known as “e&”), a United Arab Emirates-based telecommunications service provider, under a Strategic Relationship Agreement with Vodafone Group plc (Vodafone), the British multinational telecommunications company.

Under the Strategic Relationship Agreement:

- the e& chief executive, Hatem Dowidar, would join the Vodafone board;
- e&, which is 60% owned by the UAE government, could increase its stake in Vodafone to just under 25%; and
- e& would be granted the opportunity to add another executive to the Vodafone board if its ownership exceeded 20%.

It was considered that a risk to national security would arise in relation to Vodafone’s role in:

- supporting the UK Government’s domestic and international initiatives in the telecommunications sector;
- contributing towards ensuring UK cyber security;
- acting as a strategic supplier of services to many parts of the UK’s central government, including services provided to UK Government departments which support national security.

The final order required the parties to:

- meet certain notification requirements for any alteration to the terms, or termination of, the Strategic Relationship Agreement;
- meet certain requirements relating to Vodafone’s board composition, board committee membership, and board committee functions;
- establish a National Security Committee to oversee sensitive work that Vodafone and its group perform which has an impact on or is for the national security of the UK.²¹

TransDigm Inc/Iceman Holdco Inc

On 28 February 2024, the Secretary of State imposed conditions on the proposed acquisition of US-based Iceman Holdco Inc (and its UK subsidiaries including TMD Holdings Limited, CPI TMD Technologies Limited, and TMD Technologies Limited) by TransDigm Inc, a US-based aerospace and defence company.

CPI TMD Technologies Limited had secured funding from the UK Government to develop a high-precision, quantum-enabled, positioning, navigation and timing system which would operate without using signals from satellites in space. It was considered that a risk to national security would arise from the transaction for the “*continued effective operation of critical national infrastructure*”.

¹⁹ Cabinet Office. *Acquisition of assets belonging to the University of Southampton by Voyis Imaging Inc: notice of final order*. Available at: [Acquisition of assets belonging to the University of Southampton by Voyis Imaging Inc: notice of final order - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118444/acquisition-of-assets-belonging-to-the-university-of-southampton-by-voyis-imaging-inc-notice-of-final-order.pdf)

²⁰ Cabinet Office. *Acquisition of GE Oil & Gas Marine & Industrial UK Ltd and GE Steam Power Ltd by EDF Energy Holdings Ltd via its wholly owned subsidiary, GEAST UK Ltd: notice of Final Order*. Available at: [Acquisition of GE Oil & Gas Marine & Industrial UK Ltd and GE Steam Power Ltd by EDF Energy Holdings Ltd via its wholly owned subsidiary, GEAST UK Ltd: notice of Final Order - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118444/acquisition-of-ge-oil-&-gas-marine-&-industrial-uk-ltd-and-ge-steam-power-ltd-by-edf-energy-holdings-ltd-via-its-wholly-owned-subsi-dary-geast-uk-ltd-notice-of-final-order.pdf)

²¹ Cabinet Office. *The rights and interests conferred to Emirates Telecommunications Group Company PJSC under the Strategic Relationship Agreement with Vodafone Group PLC*. Available at: [The rights and interests conferred to Emirates Telecommunications Group Company PJSC under the Strategic Relationship Agreement with Vodafone Group PLC - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118444/the-rights-and-interests-conferred-to-emirates-telecommunications-group-company-pjsc-under-the-strategic-relationship-agreement-with-vodafone-group-plc.pdf)

“On 29 February 2024, the Secretary of State imposed conditions on the proposed acquisition of Neptune 6 Ltd, a semiconductor manufacturer and ultimate owner of the ‘Newport site’ in Wales, by Vishay Intertechnology Inc, a US-based technology company specialising in manufacturing semiconductors, and its subsidiary, Siliconix Inc.”

The final order required TransDigm Inc and Iceman Holdco Inc (along with its UK subsidiaries) to “keep CPI TMD’s research, development and manufacturing capabilities in relation to atomic clocks in the UK”.²²

Vishay Intertechnology Inc/ Siliconix Inc/Neptune 6 Ltd

On 29 February 2024, the Secretary of State imposed conditions on the proposed acquisition of Neptune 6 Ltd, a semiconductor manufacturer and ultimate owner of the ‘Newport site’ in Wales, by Vishay Intertechnology Inc, a US-based technology company specialising in manufacturing semiconductors, and its subsidiary, Siliconix Inc.

It was considered that a risk to national security would arise should “sensitive intellectual property, expertise and/or other sensitive information relating to compound semiconductor design, research and development or manufacturing at the Newport site, including their dual use applications, become accessible to third parties”.

The final order imposed the condition that Vishay, Siliconix, or their subsidiaries must “inform the Secretary of State in advance of

completing any agreement to sell, transfer, grant a lease or licence to any third party which allows that third party to use any part of the Newport site”.²³ This demonstrates the UK Government’s priority of protecting semiconductor technology, as previously shown in several of the prohibited transactions outlined above.²⁴

Hutchison 3G UK Holdings Limited/Vodafone Limited

On 9 May 2024, the Secretary of State imposed conditions on the proposed merger between Hutchison 3G UK Holdings Limited (indirectly wholly-owned by CK Hutchison Holdings Limited (CK Hutchison) which is registered in the Cayman Islands but based in Hong Kong) and Vodafone Limited (Vodafone), the British multinational telecommunications company. The proposed combined business (MergeCo) would be 51% owned by Vodafone and 49% owned by CK Hutchison.

It was considered that a risk to national security would arise in relation to:

- Vodafone’s role as a strategic supplier of services to many parts of the UK Government;

- the security of UK networks and data, including cyber, personnel and physical security, resulting from the process of merging two large, complex organisations and their respective staffing, policies, processes and networks.

The final order required the parties to:

- establish a National Security Committee within MergeCo to oversee sensitive work that Vodafone and MergeCo undertake which has an impact on or is for the national security of the UK. This committee will be required to provide regular updates and information to the UK Government;
- establish a technical group within the National Security Committee which will monitor a specified list of topics relating to cyber, physical and personnel security. This committee will be required to provide regular updates and information to the UK Government;
- ensure that MergeCo’s network migration planning is subject to review by an external, UK Government-approved auditor; and

²² Cabinet Office. *Acquisition of Iceman Holdco, Inc., by TransDigm Inc.: notice of final order*. Available at: [Acquisition of Iceman Holdco, Inc., by TransDigm Inc.: notice of final order - GOV.UK \(www.gov.uk\)](#)

²³ Cabinet Office. *Acquisition of Neptune 6 Ltd by Siliconix Inc: notice of final order*. Available at: [Acquisition of Neptune 6 Ltd by Siliconix Inc: notice of final order - GOV.UK \(www.gov.uk\)](#)

²⁴ Both the acquisition by Nexperia BV of shares in Nexperia Newport Limited (formerly Newport Wafer Fab), and the acquisition of HiLight Research Limited by SiLight (Shanghai) Semiconductor Limited, involved semiconductor technology.

- put in place specified arrangements for the governance of MergeCo.²⁵

Intelligent Safety Electronics Pte Ltd/FireAngel Safety Technology Group Plc

On 16 May 2024, the Secretary of State imposed conditions on the proposed acquisition of FireAngel Safety Technology Group Plc (FireAngel Group), a UK-based manufacturer of smoke detectors, carbon monoxide detectors and other home safety devices, by Intelligent Safety Electronics Pte Ltd, a wholly-owned subsidiary of China-based high-tech fire safety product manufacturer Siterwell Electronics Co Ltd.

The Secretary of State considered that measures were necessary to mitigate any risks to national security regarding:

- the potential for access to data;
- changes in control over the supply chain of internet-enabled products.

The final order required the parties to:

- meet certain requirements on corporate governance, including UK Security Vetting clearance for certain members of the Executive Committee and Board of Directors;
- appoint a Chief Information Security Officer with UK Security Vetting clearance who will have oversight of requirements relating to infrastructure, data handling, access to IT systems and software and firmware updates;
- implement visitor protocols for visitors and seconded employees to FireAngel Group sites; and
- meet certain requirements relating to the design of internet-enabled products, including the continued screening of samples by an accredited testing authority.²⁶

University of Liverpool/ Pinggao Group Ltd

On 20 June 2024, the Secretary of State imposed conditions on the proposed joint venture between the University of Liverpool and Pinggao Group Limited, a China-based transmission and transformation equipment manufacturer. The aim of the joint venture is to establish the 'Pinggao-Liverpool European Institute of Advanced Energy Technology'. The proposed Institute would conduct collaborative research in energy and power technologies, including research in renewable energy, power switching technology, reducing greenhouse gas emissions produced from the electrical grid and electrical and thermal energy storage technology.

The Secretary of State considered that measures were necessary to mitigate any risks to national security regarding the location of the proposed Institute, which could facilitate access to the University of Liverpool's wider research and intellectual property that is developed and held by the University of Liverpool outside of the proposed Institute, and which could have implications for the UK's national security.

The Secretary of State approved the establishment of the Pinggao-Liverpool European Institute of Advanced Energy Technology, subject to the following conditions:

- the University of Liverpool establishes an Insider Threat Stakeholder Group (ITSG) with responsibility for: ensuring wider research and intellectual property held by the University of Liverpool is sufficiently protected; and implementing and overseeing policies and processes for the Institute's personnel for additional research bids, physical access, access to business systems, visitor protocols, and specified procurement requests;

- the University of Liverpool appoints a Chair of the ITSG with UK Security Vetting clearance who will have oversight and responsibility for the ITSG; and
- the Terms of Reference for the ITSG are approved by the Secretary of State before the Institute can be established.²⁷

Exosens UK Limited/ Centronic Limited

On 25 July 2024, the Chancellor imposed conditions on the proposed acquisition of Centronic Limited, a UK-based manufacturer of radiation detectors, by Exosens UK Limited, a subsidiary of French photonics technology company Exosens SAS.

The Chancellor considered that measures were necessary to mitigate any risks to national security in relation to the potential impact to the UK's defence capabilities if Centronic Limited's UK facility were to be relocated outside of the UK.

The Chancellor approved the acquisition on the condition that Centronic's site and its capability pertaining to current and future UK Defence contracts remain in the UK.²⁸

BASF/Harbour Energy plc

On 30 July 2024, the Chancellor imposed conditions on the proposed acquisition of 46.5% of Harbour Energy plc, an oil and gas company based in Edinburgh, Scotland, by BASF Handels- und Exportgesellschaft mit beschränkter Haftung (BASF), a Germany-based company active in the wholesale distribution of chemicals and allied products.

This acquisition is the result of a business combination agreement entered into by Harbour Energy plc, BASF and LetterOne Holdings S.A (LetterOne) to transfer Wintershall DEA assets to Harbour Energy plc in exchange for cash and equity in Harbour Energy plc to Wintershall DEA's shareholders,

25 Cabinet Office. *Merger between Hutchison 3G UK Holdings Limited and Vodafone Limited: notice of final order*. Available at: [Merger between Hutchison 3G UK Holdings Limited and Vodafone Limited: notice of final order - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/124842/merger-between-hutchison-3g-uk-holdings-limited-and-vodafone-limited-notice-of-final-order.pdf)

26 Cabinet Office. *Acquisition of FireAngel Safety Technology Group Plc by Intelligent Safety Electronics Pte Ltd: notice of final order*. Available at: [Acquisition of FireAngel Safety Technology Group Plc by Intelligent Safety Electronics Pte Ltd: notice of final order - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/124842/acquisition-of-fireangel-safety-technology-group-plc-by-intelligent-safety-electronics-pte-ltd-notice-of-final-order.pdf)

27 Cabinet Office. *Joint venture between the University of Liverpool and Pinggao Group Ltd to establish the Pinggao-Liverpool European Institute for Advanced Energy Technology: notice of Final Order*. Available at: [Joint venture between the University of Liverpool and Pinggao Group Ltd to establish the Pinggao-Liverpool European Institute for Advanced Energy Technology: notice of Final Order - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/124842/joint-venture-between-the-university-of-liverpool-and-pinggao-group-ltd-to-establish-the-pinggao-liverpool-european-institute-for-advanced-energy-technology-notice-of-final-order.pdf)

28 Cabinet Office. *Acquisition of 100% of issued share capital of Centronic Limited by Exosens UK Limited*. Available at: [Acquisition of 100% of issued share capital of Centronic Limited by Exosens UK Limited - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/124842/acquisition-of-100-of-issued-share-capital-of-centronic-limited-by-exosens-uk-limited.pdf)

BASF and LetterOne. LetterOne, previously the subject of a prohibition decision under the Act mentioned above, is an investment company whose owners included sanctioned Russian oligarchs, Mikhail Fridman and Pyotr Aven.²⁹

The Chancellor considered that measures were necessary to mitigate any risks to national security in relation to interruption of Harbour Energy's UK continental shelf operations, by Russia or affiliated entities, which would impact the gas supply to UK customers.

The Chancellor approved the acquisition subject to a requirement on Harbour Energy plc to give the Chancellor notice in advance of either or both of:

- any share conversion after which LetterOne would own 10% or more of the Ordinary Shares in Harbour Energy plc; or
- the appointment of a Harbour Energy plc board member by LetterOne.³⁰

HFW comments

First, although the large majority of transactions blocked to date under the Act involved investors related to China, it should be noted that only three of the eleven transactions on which conditions were imposed in 2023 and 2024 so far have had a Chinese nexus (with others involving US, Canadian, French, Russian and UAE investors). Many anticipated that Chinese investors would be the main targets of the Act, and while there is clearly still a focus on China, attention is also turning elsewhere around the globe.

Secondly, it is notable, as previously stated, that neither the Chancellor nor previous Secretaries of State have issued a prohibition notice under the Act since December 2022. Whether this represents a change in UK Government strategy, or a change in investors' risk appetite, will remain to be seen. It should also be noted that the UK's new Labour Government may take a different approach to the Act than its Conservative predecessors; early press reports suggest that Labour's emphasis on national and economic security could see them scrutinising – and potentially prohibiting – transactions under the Act on a more regular basis.³¹ The Cabinet Office will publish the 2023/2024 annual report in relation to the Act later this year which may shed further light on its policy.

Thirdly, the range of conditions that the Chancellor and previous Secretaries of State have been willing to impose on companies is very wide-ranging, with requirements variously imposed to: (i) maintain continuity of supply to certain UK Government departments;³² (ii) carry out due diligence checks;³³ (iii) protect sensitive information;³⁴ (iv) appoint UK Government-approved board observers;³⁵ (v) establish steering committees to provide oversight of compliance with security requirements and protection of sensitive information;³⁶ (vi) allow the Secretary of State to step in and take operational control of a business;³⁷ (vii) establish notification and reporting obligations;³⁸ (viii) keep the UK Government informed of changes to a contract;³⁹ (ix) appoint

UK Government-approved auditors;⁴⁰ (x) implement visitor and seconded employee protocols;⁴¹ (xi) establish an Insider Threat Stakeholder Group (ITSG);⁴² (xii) notify the UK Government in advance of certain companies increasing their shareholding in a target or appointing a target board member;⁴³ and (xiii) keep key security and defence capabilities in the UK.⁴⁴

Finally, companies proposing to make acquisitions that are likely to fall under the scope of the Act, and their target companies and businesses, should be aware of the UK Government's powers to block, have reversed or impose broad and stringent conditions on their transactions, and to impose heavy penalties for non-compliance. Appropriate time should be built into transaction timetables to reflect the need for potential notifications and negotiations with the UK Government.

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²⁹ Department for BEIS. *Acquisition of Upp Corporation Ltd by LIT FM Holdings UK Ltd: notice of final order*. Available at: [Acquisition of Upp Corporation Ltd by LIT FM Holdings UK Ltd: notice of final order - GOV.UK \(www.gov.uk\)](#)

³⁰ Cabinet Office. *Acquisition of 46.5% of Harbour Energy plc by BASF Handels- und Exportgesellschaft mit beschränkter Haftung: notice of a final order*. Available at: [Acquisition of 46.5% of Harbour Energy plc by BASF Handels- und Exportgesellschaft mit beschränkter Haftung: notice of a final order - GOV.UK \(www.gov.uk\)](#)

³¹ PaRR. *Labour win more likely to have effect on UK FDI screening than competition policy – lawyers*. Available at: [Labour win more likely to have effect on UK FDI screening than competition policy – lawyers | PaRR \(parr-global.com\)](#)

³² Stellex Capital Management/David Brown Santasalo

³³ Voyis Imaging Incorporated/University of Southampton

³⁴ EDF Energy Holdings/GE Oil & Gas Marine & Industrial & GE Steam Power

³⁵ Ibid.

³⁶ Ibid.

³⁷ Ibid.

³⁸ Emirates Telecommunications Group/Vodafone Group

³⁹ Ibid.

⁴⁰ Hutchison 3G UK Holdings Limited/Vodafone Limited

⁴¹ Intelligent Safety Electronics Pte Ltd/FireAngel Safety Technology Group Plc

⁴² University of Liverpool/Pinggao Group Ltd

⁴³ BASF/Harbour Energy plc

⁴⁴ TransDigm Inc/Iceman Holdco Inc; Stellex Capital Management/David Brown Santasalo; EDF Energy Holdings/GE Oil & Gas Marine & Industrial & GE Steam Power; Exosens UK Limited/Centronic Limited

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