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UK Proposes Updates to Scope of National Security and Investment Act Regime

Executive Summary

- **What’s new:** The UK government has proposed changes to the scope of transactions subject to national security screening under the National Security and Investment Act 2021, expanding and clarifying sensitive sectors.
- **Why it matters:** The changes affect investors in sectors such as critical minerals, semiconductors, water, AI, communications, data infrastructure, energy and others, requiring updated compliance measures and prior government approval for certain acquisitions.
- **What to do next:** Investors in these sectors should consider ensuring they understand the changes and how their filing obligations may shift post-implementation, and monitoring for comprehensive guidance and secondary legislation later in 2026.

Key Changes

On 22 July 2025, the UK government launched a consultation process in relation to the National Security and Investment Act 2021 (NSIA) (Notifiable Acquisition) (Specification of Qualifying Entities) Regulations 2021 (the Regulations), which schedule the “sensitive sectors” in which transactions are subject to national security review requirements under the NSIA.

The outcome of this consultation was published on 12 March 2026, with the government proposing a range of changes:

- **Critical minerals:** The government will add a new standalone sector (separating critical minerals from the advanced materials sector), subjecting transactions involving certain critical minerals to the NSIA. The list of minerals will align with the UK Critical Minerals Intelligence Centre’s latest assessment, covering 34 minerals.
- **Semiconductors:** The government will carve out a new standalone sector for semiconductors, broadening the scope to include advanced packaging, design and semiconductor-related devices. The government will clarify definitions (e.g., “packaging”) but retain a broad scope to avoid gaps in coverage.
- **Water:** Water and sewerage undertakings that meet certain size thresholds will be included in a new water sector.

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- **Artificial intelligence (AI):** The government will narrow the schedule to exclude routine business use of nonconsumer AI and licensed third-party AI systems. Only entities creating or modifying AI systems will be in scope, not end users. The government will also clarify the types of testing of AI systems relevant to national security.
- **Communications:** The government will amend the definition of associated facilities to include only providers with a turnover of at least £5 million. The turnover threshold for submarine cable systems and related repair/maintenance services will be removed, but the scope will be narrowed to avoid capturing low-risk small and medium-sized enterprises.
- **Critical suppliers to government:** The definition of public sector authorities will be updated and limited to 24 ministerial departments. The schedule will focus on delivery of notifiable services below SECRET level and clarify definitions, including which government bodies are in scope.
- **Data infrastructure:** The government will add third-party operated data centres and certain cloud/managed service providers. Public sector authorities will be removed from scope (and will be covered under critical suppliers to government). The government will not introduce a materiality threshold, as this might exclude small mission-critical data centres.
- **Energy:** The definition of an aggregator will align with Ofgem's, and there will be a cumulative capacity threshold of 500 megawatts (MW) (which will also apply at every 500 MW increment above this threshold). The government will also add multipurpose interconnectors.
- **Suppliers to the emergency services:** The government will add subcontractors requiring Non-Police Personnel Vetting Level 2 (NPPV2) or above to this schedule and will define subcontracting arrangement more clearly.
- **Synthetic biology:** The government will simplify this sector by making minor changes to the drafting of the exemptions regarding gene therapies and cell therapies.
- **Defence, military and dual-use:** These sectors will remain unchanged. The government stated that the defence schedule is deliberately broad to capture all transactions that could pose a threat to national security in the UK. However, the guidance will be updated to provide more clarity on subcontractors.

Next Steps: What Does This Mean for Investors?

The government is expected to implement the proposed amendments to the Regulations in secondary legislation later this year, as well as publish comprehensive guidance for all affected schedules, addressing technical definitions, scope and practical examples. The changes will provide welcome clarity and guidance on a number of sectors that the market has often found difficult to interpret. Investors in these sectors should consider ensuring they understand the changes and how their filing obligations may change post-implementation.

The consultation was launched alongside proposed technical changes, including to remove certain internal reorganisations from the scope of the regime. While the government did not comment on these in the consultation outcome, they will continue to be anticipated by the market to reduce the number of purely technical filings.