

The IDRIC Policy News Update provides a monthly summary of key policy developments relevant to industrial decarbonisation at UK level and in the devolved administrations. Please sign-up [here](#) to receive future editions per email.

Contact: IDRIC Policy Team [policy@idric.org](mailto:policy@idric.org)

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### UK Government

#### Update to Low Carbon Hydrogen Standard and emissions calculator published

*Department for Energy Security and Net Zero*

21<sup>st</sup> December 2023

The Government published its second review of the Low Carbon Hydrogen Standard, which sets a maximum threshold for the amount of greenhouse gas emissions allowed in the production process for hydrogen to be considered 'low carbon hydrogen'.

Alongside this update, the Government has also published an accompanying hydrogen emissions calculator.

More info [here](#).

#### Update on the design of Greenhouse Gas Removal (GGR) business models and indicative heads of terms

*Department for Energy Security and Net Zero*

20<sup>th</sup> December 2023

The Government has published a design update for GGR and power BECCS business models to support ambitions to deploy at least 5 MtCO<sub>2</sub>/year of engineered removals by 2030, potentially scaling to 23 MtCO<sub>2</sub>/year by 2035 and 75-81 MtCO<sub>2</sub>/year by 2050.

The GGR business models will follow a CfD model with a contract length of 15 years, aimed at addressing the gap between the cost of removal and the achieved sales price of negative emissions credits on voluntary or compliance markets. A "Price Discovery Incentive" will be included to incentivise developers to seek the highest sales price possible for negative emissions credits. The Government intends to define the MRV methodology that will underpin the business model.

Following on from the Government's response to the power [BECCS business model consultation](#) in March, the published update provided further details on contract length and reference prices.

The government intends to continue to develop the design of GGR and Power BECCS business models, and will publish further details in due course.

More info [here](#).

## **Government publishes Carbon Capture, Usage and Storage A Vision to Establish a Competitive Market**

*Department for Energy Security and Net Zero*

18<sup>th</sup> December 2023

In response to the recommendation from the Independent Review of Net Zero earlier this year, the UK Government published a vision document for Carbon Capture, Usage and Storage (CCUS). This new document pulls together the Government's plans for CCUS in the UK, including the development of a self-sustaining commercial carbon capture market. The document envisages the roles of government and industry evolving over time, through the following three phases:

1. Market creation: Getting to 20 to 30 MTPA CO<sub>2</sub> by 2030.
2. Market transition: The emergence of a commercial and competitive market.
3. A self-sustaining CCUS market: Meeting net zero by 2050.

The document outlines specific measures the Government will take forward in 2024, including:

- Consulting on the design of an enhanced competitive allocation process for capture contracts.
- Launching a call for evidence on how government envisages non-pipeline transport to be delivered in the UK.
- Conducting a review of the current regulations regarding third-party access to infrastructure.
- Working with industry and wider stakeholders to consider the strategic direction for CO<sub>2</sub> transport networks, including developing an understanding of the degree of strategic co-ordination needed and the role of the FSO.
- Working with stakeholders to develop policies to secure sufficient subsurface storage capacity.
- Working with stakeholders to explore what actions may be required to enable a new commercial framework to support international imports.
- Engaging with industry to consider the role of Carbon Capture and Usage within the CCUS framework, where CO<sub>2</sub> is permanently abated via non-geological storage.
- Publishing a Green Jobs Plan – a roadmap to deliver a skilled and sufficiently sized workforce.
- Establishing an industry working group on the identification and timely adoption of cost reduction opportunities.

More info [here](#).

## **Government publishes response to consultation on addressing carbon leakage risk to support decarbonisation**

*Department for Energy Security and Net Zero*

18<sup>th</sup> December 2023

The Government has published its response to its consultation on potential carbon leakage policy measures which ran earlier this year. The publication summarises the Government's minded-to positions on a range of policy measures, including a Carbon Border Adjustment Mechanism (CBAM), Mandatory Product Standards (MPS), embodied emissions reporting and further demand-side policy measures.

Government announcements and minded-to positions included:

- An intention to implement a CBAM by 2027, applied to imported goods from the aluminium, cement, ceramics, fertiliser, glass, hydrogen, iron and steel sectors. The CBAM will cover scope 1 and 2 emissions, as well as embedded emissions in select precursor products.
- The government will continue to explore whether there is a role for Mandatory Product Standards (MPS) from the late 2020s but does not intend to implement MPS for any specific sector at this point.
- The government will seek to work with industry to establish a system of voluntary product standards to benchmark the carbon content of selected industrial products. The scope and operation of which will be subject to further technical engagement and will build on existing international and sector-led initiatives.
- The government will continue to explore options for voluntary product labelling as a potential additional measure.
- The government will continue to develop an emissions reporting framework to underpin new carbon leakage policies, maximising the use of existing data. This will be subject to further technical consultation in 2024.
- The government will keep options open on the delivery of digital tools that could allow for the collection of embodied emissions data, and will consult further in 2024.

More info [here](#).

## **First statutory review of the UK Emissions Trading Scheme published**

*UK ETS Authority*

18<sup>th</sup> December 2023

The document published by the UK ETS Authority, a joint governance body made up of representatives from UK and all three Devolved Governments, reviews the first years of operation of the scheme. It offers recommendations to enhance the scheme, by expanding its coverage and making technical amendments to its operation. It recommends to:

- Pursue plans for scope expansion.
- Continue policy development of the existing scheme.
- Implement further operational improvements.
- Progress with the second phase of scheme evaluation.

The Review draws on information collected as part of an independent external evaluation of the scheme, which the Authority has also [published](#).

More info [here](#).

## **Policy paper on long-term pathway for the UK Emissions Trading Scheme published**

*Department for Energy Security and Net Zero*

18<sup>th</sup> December 2023

In response to a recommendation in the “Mission Zero”, the Independent Review of Net Zero published earlier this year, the UK ETS Authority has published a policy paper setting out steps the government intends to take to develop a long term pathway for the UK ETS. In the paper, the UK ETS Authority confirmed their intention to legislate for the UK ETS to continue until at least 2050, and to extend the next phase of the UK ETS to align with the dates of UK Carbon Budgets. The paper also outlined an intention to include methane and nitrous oxide emissions from upstream oil and gas within the scheme, to review the definition of safety flaring, and to continue exploring expansion of the scheme to more sectors of the economy.

Additionally, the paper highlighted further upcoming consultations on UK ETS development, including on:

- Interaction between the UK ETS and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).
- UK ETS expansion to cover waste, maritime, and the inclusion of GGRs.
- Developing a regulatory framework for integrating non-pipeline transport for Carbon Capture, Usage and Storage (CCUS).
- Implementing sustainability criteria for biomass.

More info [here](#).

## **Consultation on the development of UK Emissions Trading Scheme markets policies launched**

*Department for Energy Security and Net Zero*

18<sup>th</sup> December 2023

The UK ETS Authority is reviewing ETS markets policy to ensure that it remains fit for purpose and is effective in managing the risks faced by an established and maturing scheme.

This consultation seeks views on:

- Whether the Authority has identified the most significant risks to effective market functioning.
- The suitability of different policy options to address the risks identified.
- How individual market stability policies should be designed to most effectively address market risks while minimising intervention and disruption in the market.

The consultation closes on 11<sup>th</sup> March 2024.

More info [here](#).

### **Consultation on proposals to alter free allocation methodology under the UK Emissions Trading Scheme launched**

*Department for Energy Security and Net Zero*

18<sup>th</sup> December 2023

The UK ETS Authority is seeking views on proposals to alter the free allocation methodology for the stationary sectors to better target those most at risk of carbon leakage and ensure that free allocations are fairly distributed.

This will broadly focus on 4 key areas:

- How to account for emissions and activity.
- Benchmarks.
- The carbon leakage list.
- Additional factors that could be introduced to free allocation methodology.

The consultation closes on 11<sup>th</sup> March 2024.

More info [here](#).

### **Government makes a series of major hydrogen announcements**

*Department for Energy Security and Net Zero*

14<sup>th</sup> December 2023

- [Hydrogen Allocation Round 1 \(HAR1\)](#): The UK Government announced the first 11 green hydrogen production projects to receive business model support, backed by £2 billion in government funding over the next 15 years. In return, the successful projects will invest over £400 million in the next 3 years, estimated to deliver 125MW of new hydrogen and 700 jobs.
- [Hydrogen Allocation Round 2 \(HAR2\)](#) opens for applications for business model support, which will remain open until 19<sup>th</sup> April 2024.
- [Hydrogen Blending](#): On 14<sup>th</sup> December the Government announced its intention to support blending of up to 20% hydrogen by volume into GB gas distribution networks.
- [Hydrogen to power support](#): The Government has opened a consultation to seek views on proposals to support the deployment of power generation from via hydrogen.
- [Hydrogen transport and storage networks pathway published](#): The new document follows a consultation on hydrogen transport and storage (T&S) infrastructure. It sets out the next steps in the government's vision for the strategic development of hydrogen T&S in the UK and the role of the Future System Operator in strategic infrastructure planning. The report highlights that the location of production currently planned in the UK to 2030 provides a clear indication of where early infrastructure could hold strategic value in the near term, and that opportunities to develop hydrogen storage at scale to these timescales are limited to onshore locations with suitable geology for salt caverns.

- [Hydrogen Strategy Delivery Update published](#): The update sets out progress made by the Government in supporting the UK hydrogen market, including an update on support for fuel switching, and commitments to begin the CCUS cluster sequencing Track 1 expansion “shortly”.
- [Hydrogen Production Delivery Roadmap published](#): The Roadmap has been published in response to a recommendation by Chris Skidmore MP in the “Mission Zero” Independent Review of Net Zero. It sets out the Government’s intentions for the development of the UK hydrogen production landscape towards 2035. The report includes ambitions and timelines for CCUS-enabled hydrogen through the cluster sequencing process, ambitions and timelines for future hydrogen allocation rounds (HAR) for electrolytic production, and states an intention to review deployment trajectory in 2025 once learnings from early projects are known.

## UK Government announcements at COP28

*Department for Energy Security and Net Zero*

8<sup>th</sup> December 2023

- The Government announced £1.6 billion for international climate finance projects over the course of COP28 aimed at stopping and reversing deforestation, protecting the natural environment and accelerating the global transition to clean and renewable energy. ([LINK](#))
- The Government announced £100 million of UK funding will help climate-vulnerable populations adapt to climate change. ([LINK](#))
- The Government signed the Green Public Procurement Pledge for steel, cement, and concrete. ([LINK](#))
- The Government signed the UK-led Clean Energy Transition Partnership to move international public support away from unabated fossil fuels and towards clean energy. ([LINK](#))
- The Government announced £140 million to support developing countries deliver net zero while extending access to affordable energy and growing their economies. ([LINK](#)) The package includes:
  - £80 million through the UK Partnering for Accelerated Climate Transitions (PACT).
  - £40 million via the Transforming Energy Access (TEA) platform to demonstrate energy access technologies in low-income countries.
  - £4 million to support universal access to affordable and reliable clean energy in Africa.

## Horizon Europe and Copernicus deal officially signed

*Department for Science, Innovation and Technology*

8<sup>th</sup> December 2023

The UK’s association to the Horizon and Copernicus programmes was officially sealed on 4 December. UK Researchers, academics, and businesses can now bid for a share of the more than £80 billion available through the two programmes, with calls for the 2024 Work Programme already open. More info [here](#).

## UK Parliament

### The Business and Trade Committee launches inquiry into industrial policy

*Business and Trade Committee*

18<sup>th</sup> December 2023

The Commons Business and Trade Committee has launched a programme of work to scrutinise the UK Government's approach to industrial policy, which will examine how industrial policy can be used to build on the UK's strengths and competitive advantages, enhance economic security and help the UK reach Net Zero by 2050.

The inquiry is kicking off with a [call for evidence](#).

More info [here](#).

## Scotland

### Scottish Budget 2024/25

*Scottish Government*

19<sup>th</sup> December 2023

The Scottish Government delivered its budget for 2024/25 which centred on increasing income tax for middle and higher earners to sustain public services. There were no major announcements on net zero. The budget includes a high-level carbon assessment, which aims to estimate of the consumption-based carbon emissions associated with planned budget expenditure.

More info [here](#).

### Scottish Government announcements at COP28

*Scottish Government*

8<sup>th</sup> December 2023

- The Scottish Government pledged £2m contribution to the \$650m Loss and Damage Fund ([LINK](#)).
- The Scottish Government confirmed funding for two initiatives to invest in clean energy in Malawi, Zambia and Rwanda. This includes £324,900 for solar energy installation at 15 children's operating theatres in the countries and £250,000 to enable financing of mini-grids to increase access to electricity in Zambia and help accelerate access to clean cooking methods in Rwanda ([LINK](#)). The Scottish Government will also provide £1 million to fund to support communities in Malawi to deal with the impacts of climate-induced loss and damage ([LINK](#)).
- At the official opening of the Heriot-Watt University campus in Dubai, First Minister Humza Yousaf said that businesses and industry will have a key role to play in the transition to net zero and highlighted Scotland as an important investment destination for global businesses ([LINK](#)).

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