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.

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UK Government

Government publishes response to consultation on proposals for hydrogen production and industrial carbon capture regulations

Department for Energy Security and Net Zero

30th October 2023

In its response to the consultation the Government confirmed its intention to proceed with the proposals largely as consulted:

- **Direction to offer to contract**: Setting out the process by which the Secretary of State may direct a counterparty to offer to contract, including the power for the Secretary of State to revoke a direction that has been issued.
- **Information publication**: Requiring a counterparty to publish each contract entered into and establish a public register containing key project information.
- **Counterparty ability to carry out its functions**: Requiring a counterparty to provide early notification to the Secretary of State if it is, or considers that it is likely to be, unable to fulfil its function.
- **Low carbon hydrogen producer eligibility**: Supporting new production facilities as well as new production capacity added to existing facilities. Projects will be required to demonstrate the ability to meet the 'live' UK Low Carbon Hydrogen Standard at the time of their application.
- **Carbon capture entity eligibility**: Supporting CO2 capture from industrial and commercial sources, including from combined heat and power and energy recovery generating stations, but excluding capture of CO2 produced from other types of power generation facility.

More info here.

Government publishes response to consultation on the UK Low Carbon Hydrogen Certification Scheme

Department for Energy Security and Net Zero

27th October 2023

The scheme, which will delivered by the Low Carbon Contracts Company (LCCC) will grant certifications to hydrogen producers that can demonstrate production emissions in line with the Low Carbon Hydrogen Standard (LCHS). In future phases of the certification scheme, government expects it will need to work towards expanding the emissions scope to address transport, storage, carriers and derivatives such as ammonia, to ensure the scheme remains fit for international trade and is in-keeping with international developments. The Government intends for the Scheme to be initially voluntary, and open to UK suppliers only, but ahead of the launch of the Scheme, the Government will set out a pathway to international alignment on both standards and certification, in line with UK commitments under the WTO.

The full Government response can be found here.

Consultation on regulatory effectiveness launched

Department for Business and Trade

17th October 2023

Following the publication of the Government's report "Smarter Regulation to Grow the Economy", a call for evidence has been launched on Smarter Regulation and the Regulatory Landscape. The call for evidence is particularly looking to identify success stories and areas for improvement on regulatory agility, proportionality, and consistency of approach. In addition to this, it seeks feedback on reform to the existing stock of regulation on the UK Statute book, both retained EU Law and wider regulations.

More info here.

UK Emissions Trading Scheme 2024 auction calendar published

Department for Energy Security and Net Zero

5th October 2023

The total number of allowances available for purchase by operators in manufacturing and power sectors in 2024 will fall to 69 million, their lowest-ever level. It is anticipated that by 2027 the total number will fall to 44 million, and 24 million by 2030. To ease the transition to a net zero cap, a proportion of allowances that went unused between 2021 and 2023 are now being allocated to auctions to be held between 2024 and 2027.

More info here.

UK Parliament

Government Response to the Climate Change Committee's 2023 Annual Progress Report published

UK Government

26th October 2023

The Government responded to the Climate Change Committee's 2023 Annual Progress Report, in which it concluded that it has successfully overshot all carbon budgets to date and lays out the actions it is taking towards delivery of Carbon Budgets 4, 5 & 6, and the UK's 2030 Nationally Determined Contribution.

More info here.

Levelling up and Regeneration Act 2023 becomes law

Department for Levelling up, Housing and Communities

26th October 2023

The Levelling-up and Regeneration Act is intended to support the government's commitment to reducing geographical disparities between different parts of the UK by spreading opportunity more equally. The act will also require the government to report annually on its progress, support the devolution of powers in England and create a framework for the delivery of green homes.

More info here, the full act can be accessed here.

Evidence session on wind and solar energy

Energy Security and Net Zero Committee

25th October 2023

As part of their inquiry "Keeping the power on: our future energy mix", the Committee heard from Ana Musat (Executive Director of Policy and Engagement at Renewable UK), Tom Quinn (Head of Analysis and Insights at the Offshore Renewable Energy Catapult), Chris Hewitt (CEO of Solar Energy UK), and Jonathan Selwyn (Managing Director of Bluefield Renewable Development).

- **2035 power decarbonisation target** – Musat stated that in order for the UK to meet its 2035 power decarbonisation target, it would need significant deployment of wind power along with short and long-term energy storage. Hewett stated that the problem to reaching the target was not the deployment of renewables but grid connection and battery storage issues.
- **2050 net zero target** – Musat stated that the UK could achieve the broader 2050 net zero target with significant private investment and a conducive environment to facilitate such investment. Hewett stated that gas-fired power stations would still be needed, accompanied by CCUS.

More info here.

Public Accounts Committee Publish Report on Innovation for Net Zero

Public Accounts Committee

19th October 2023

The Committee published a report in which it found that a lack of long-term planning by the Government is jeopardising the UK's transition to net zero by 2050. The Committee warned that too often the Government's plans for supporting the progression of net zero technologies are short-term, which deters private investment in green technologies. The Committee found that businesses are finding sources of public sector funding for such technologies to be inaccessible and difficult to navigate, whilst the lack of central coordination on net zero innovation in Government is resulting in a lack of oversight and transparency in the transition.

Full report and recommendations here.

Assessment of recent announcements and developments on net zero

Climate Change Committee

12th October 2023

This report from the Climate Change Committee (CCC), is an independent assessment of how recent policy announcements will affect plans to meet UK emissions targets. The CCC's previous progress report to Parliament in June 2023 highlighted that the UK was not on track to meet the UK's target for a 68% reduction in emissions by 2030. Since June, there have been policy developments with consequences for emissions targets, including the Prime Minister's speech on Net Zero in September. The CCC note that they did not have enough information to assess the full effects of some of the proposed policy measures.

The report noted that there has been policy progress since June, however, it also stated that recent developments have made meeting emissions targets harder. This includes:

- **On decarbonising buildings** - the delay in the ban of gas boilers to 2035 will make it more difficult to meet the government's sectoral pathway. The exemption of 20 percent of households from the fossil-fuel boiler phaseout will make Net Zero "considerably harder to achieve".
- **On Zero Emissions Vehicles (ZEV)** - delaying the fossil car phase-out date to 2035 is expected to have only a small direct impact on future emissions, due to the confirmed ZEV Mandate, which will ensure that 80 percent of new cars sold by 2030 will be zero-emission.
- **On renewable energy** – the failure to adjust the Administrative Strike Price led to the failure to award any contracts for offshore wind in Auction Round 5 (AR5). Accelerated offshore wind deployment is important for meeting emissions targets.

The report noted that there are likely to be broader implications from the Government's new messaging around Net Zero, and the framing of the PM's announcements as a loosening of near-term ambition. This risks undermining consumer confidence and the development of UK supply chains, which are important for delivery of buildings decarbonisation.

The report also stated that the CCC had updated their June assessment of Government plans by analysing policy updates where there was sufficient detail. The updated assessment found that the Government plans remain insufficient to meet UK emissions targets.

More info here.

Environmental Audit Committee (EAC): Letter to the Prime Minister regarding policy changes

Environmental Audit Committee

29th September 2023

The EAC published a letter sent from the Chair of the Committee Philip Dunne MP to the Prime Minister raising questions regarding the Prime Minister's announcement that the Government would roll back on certain Net Zero policies. The Committee raised concern about the "presentation of the debate over Net Zero measures as a binary choice between those who oppose net zero policies on the grounds of excessive costs, excessive burdens or rejection of the evidence of climate change, and those who demand change at a pace which is impractical or unaffordable". The Committee:

- Called for a revised Carbon Budget Delivery Plan in light of the changes to Government policy and the Prime Minister's assertion that international and domestic decarbonisation commitments can still be met.
- Requested information on the impact of the delay to the proposed ban on new petrol and diesel cars and how this relates to the mandate for manufacturers to increase sales of EV vehicles to 80% by 2030.
- Raised similar questions about the impact of delay to the proposed ban on the installation of oil and LPG boilers and new coal heating, and how this relates to the mandate for boiler manufacturers to increase sales of heat pumps by 2030 and the welcome increased Boiler Upgrade Scheme grant to £7,500.
- Expressed concern about recent dissolution of the Energy Efficiency Taskforce.

More info here.

Energy Security and Net Zero (ESNZ) Committee: Letter to DESNZ Secretary Claire Coutinho MP regarding policy changes

Energy Security and Net Zero Committee

28th September 2023

Energy Security and Net Zero (ESNZ) Committee: Letter to DESNZ Secretary Claire Coutinho MP – LINK

ESNZ Zero Committee Chair Angus Brendan MacNeil MP wrote to ESNZ Secretary Claire Coutinho MP with questions about the Government's net zero policy following the announcements made by the Prime Minister regarding roll back of certain Net Zero policies. The letter sets out concerns that the Prime Minister has seemingly undermined gains made by previous governments and questions whether the delays in implementing certain policies

will in fact reduce costs for consumers. The letter calls for clarity on the financial impact of the policy changes on the public and the Government's analysis of the costs and benefits of delaying net zero policies.

More info here.

Scotland

SNP conference announcements on energy transition

Scottish National Party

16th October 2023

At the SNP party conference in Aberdeen, First Minister Humza Yousaf announced a number of new initiatives, including:

Offshore wind supply chain: The Scottish Government will be using strategic investment of up to £500m to deliver the economic potential of offshore renewables project and to help create green jobs. The investment will leverage private investment in ports, manufacturing and assembly work to support major supply chain opportunities, particularly for the delivery of ScotWind projects. The investment is expected to be delivered over five years through the Scottish National Investment Bank and enterprise agencies. Further details should be available following the Draft Budget 2024-25, which will be presented to the Scottish Parliament on 19 December.

Bond market: The Scottish Government will take steps to issue its first ever bond to finance key infrastructure in Scotland. An initial work and due diligence assessment has been commissioned, with the aim of making the bonds available to the market by the end of the current parliamentary session.

More info here and here.

Legislative Consent given regarding devolved powers in UK Energy Bill

Scottish Parliament

4th October 2023

During the session of the Scottish Parliament in which the Legislative Consent Motion was passed, minister for Energy and the Environment Gillian Martin MSP welcomed the UK legislation, particularly for supporting decarbonisation of heat, regulation of heat networks, as well as further amendments on offshore wind provisions in relation to compensatory measures. Martin highlighted that the bill will see the establishment of a working group on CCUS, however, said that the bill only delivers mixed progress on CCUS and hydrogen. She added that more agreement on hydrogen standards and labelling is needed, particularly to support exports. Finally, Martin said that the bill does not go far enough, particularly criticising the UK Government for the lack of consultation on how the bill affects devolved competences.

More info here.

Wales

Welsh Government and Innovate UK reveal joint Collaborative Innovation Plan

Welsh Government

16th October 2023

Minister for the Economy, Vaughan Gething, unveiled a first-of-its-kind action plan between a devolved nation and Innovate UK setting out how Wales will build a strengthened innovation economy. The Minister was joined by the CEO of Innovate UK, Indro Mukerjee.

The plan aims to help business and organisations share ideas and use new technologies. Three areas of focus include:

- Ensuring entrepreneurs, businesses, academia, public sector and third sector in Wales have a simple, connected, visible and effective route to access innovation support mechanisms.
- Ensuring innovation stakeholders in Wales are aware of and engage with the opportunities available to them to increase the number, diversity, and positive impact of businesses innovating within Wales.
- Using data to understand the demographics of Wales' innovation community and actively seek to address inequalities in access to innovation support.

More info here.

Evidence session on Infrastructure (Wales) Bill

Climate Change, Environment, and Infrastructure Committee

28th September 2023

During the evidence session, the committee heard from representatives from the energy sector, transport sector and from environmental organisations.

Matthew Hindle, head of net zero and sustainability at Wales & West Utilities, said that the company has a core interest in hydrogen pipelines. He welcomed the bill's focus on creasing a single regime for significant infrastructure projects, highlighting that one hydrogen project currently needs a range of different consents and approvals. However, he said that the bill makes significant omission of pipelines and gas storage. As an example, he said that Wales & West Utilities have proposed a project as part of the south Wales industrial cluster for HyLine Cymru, which aims to connect low-carbon hydrogen production, particularly in Pembrokeshire, with the industrial demands around Swansea bay and Port Talbot, which would be a 130 km new-build hydrogen pipeline. He added that this sort of infrastructure isn't currently covered by the legislation.

Liz Dunn, representing Renewable UK Cymru, said that it could be helpful to have hydrogen production itself as a category, with careful considerations about the size and scale of those projects. She said that typically hydrogen projects tend to get connected to energy projects and, particularly, new renewable energy projects, and then there is a need to evaluate the infrastructure that supports those projects, whether that's pipelines or others. She said

that the bill should be about bringing those elements of a scheme together to be able to deliver the wider scheme within this regime

More info here.

Evidence session on the future of Welsh steel

Economy, Trade, and Rural Affairs Committee

28th September 2023

During the evidence session, the committee heard from the Secretary of State for Wales David Davies MP. The session followed the announcement by the UK Government of a proposed joint investment package with Tata Steel.

David Davies said that the only viable arrangement for the Tata Steel plants at Port Talbot was to move to electric arc steelmaking. He added that the use of hydrogen would not be commercially viable and highlighted evidence from the SSAB hydrogen plant in Sweden, which suggests that the technology makes steel 25% more expensive than the market place. In response to Luke Fletcher MS (PC, South Wales West) on hydrogen investment in Germany, he said that even if investment was increased, it would not provide a quick solution to the case of Tata Steel in Port Talbot. Finally, he added that Tata Steel never entered negotiations about the use of hydrogen at the site.

More info here.

Other key publications

The Second Infrastructure Assessment

National Infrastructure Commission

October 2023

The National Infrastructure Commission (NIC), which advises the Government on infrastructure, has published its Second Infrastructure Assessment, which outlines how the UK can ensure it has the infrastructure it needs over the next thirty years to achieve both economic growth and net zero. The Commission urged the Government to speed up the planning system for energy transmission projects by regularly updating planning frameworks within policy statements, conducting strategic spatial planning, sharing environmental data, and incentivising community support for such projects.

Recommendations of note include:

- **Industrial decarbonisation**: Government should ensure policy actively encourages industrial decarbonisation at the speed needed to hit its carbon budgets through a mix of carbon pricing, other incentives, regulation and shifting public procurement to low carbon products.
- **CCUS transmission**: Government should commit to the development of a carbon transmission pipeline and storage network that can transport and store at least 50MtCO2e per year by 2035. The actions needed to deliver this are:

    - Set out a vision for an initial core network by the end of 2024, including clear identification of the key sites and routes. Based on current evidence, the Commission proposes the key sites for the core network should be Grangemouth and North East Scotland, Teesside, Humberside, Merseyside, the Peak District and Southampton.
    - Support development expenditure costs for front end engineering design studies to bring projects in the core network to the point where they could apply for development consent.
    - Establish a process beyond the existing allocation rounds (track one and two) for awarding regulatory asset base contracts for the build and operation of the core network. There should be the option of awarding business model contracts to pipeline and storage projects separately.
    - Designate a system operator with a duty to efficiently manage the network and ensure network codes and governance arrangements are established in a manner fit for this purpose.
    - Set out how decisions will be taken to add additional pipeline routes or stores to the core network, including timings and the decision making criteria for awarding development expenditure in the shorter term and business model contracts at a later date.

- **Hydrogen pipeline:** Government should commit to the development of a core hydrogen pipeline network that is operating no later than 2035. The actions needed to deliver this are:
    - Set out a vision for an initial core network by the end of 2024, including clear identification of the key sites and routes. Based on current evidence, the Commission proposes the key sites for the core network should be Grangemouth and North East Scotland, Teesside, Humberside, Merseyside and South Wales.
    - Support development expenditure costs for front end engineering design studies to bring projects in the core network to the point where they could apply for development consent.
    - Expedite delivery of the planned business model for hydrogen pipeline networks which must include clarity on the process and timings for projects to receive business model support.
    - Designate a system operator with a duty to efficiently manage the network and ensure network codes and governance arrangements are established in a manner fit for this purpose.
    - Set out how decisions will be taken to add additional pipeline routes to the core network, including timings and the decision making criteria for awarding development expenditure in the shorter term and business models at a later date.
- **Energy storage** - Government should target a total of 60GW of short duration flexibility by 2035. Government should introduce policy in 2024 to enable this, ensuring all viable technologies have a route to market. Government should target establishing a minimum of eight TWh of large scale hydrogen storage to be in operation by 2035.

- **Hydrogen heating** – Government should not support the rollout of hydrogen heating. Infrastructure solely for hydrogen heating should not be eligible for support under the hydrogen transport business model and today's gas users should not be expected to pay for the conversion of natural gas infrastructure to transport hydrogen through existing price controls.
- **Independent System Operator (ISOP)** – The setup of the Independent System Operator should be completed by the end of 2024 and it should develop a strategic spatial energy plan by 2025.
- **Energy National Policy Statements (NPSs)** - By 2025, the Government should introduce legislation to make at least five yearly reviews of the Energy NPS, which should include clear tests, refer to spatial plans, and set out clear timelines and standards for consultation during the pre-application stage. Reviews should consider the appropriateness of existing and future technologies and thresholds. By July 2024, the Government should introduce a system of modular updates to the Energy NPS linked to primary or secondary legislation to ensure clarity on how future legislative change relates to the NPS.
- **Oversight of Nationally Significant Infrastructure Projects (NSIPs)** - By the end of 2023, a central coordination and oversight mechanism should be developed, reporting to the Prime Minister or the Chancellor, with measurable targets for reducing consenting times for NSIPs.

Full report here.

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