



## **Industrial Decarbonisation Policy News** – May 2022

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### **UK Government**

#### **Queen's Speech 2022: Industrial Decarbonisation Highlights**

##### ***HM Government***

10<sup>th</sup> May 2022

The Queen's Speech delivered by Prince Charles in place of the Queen on the 10th May, included the announcement of upcoming legislation, of particular relevance was an Energy Security Bill and a UK Infrastructure Bank Bill.

Key highlights include:

##### **Energy Security Bill**

- Introduction of business models for Carbon Capture Usage and Storage (transport and storage), Low Carbon Hydrogen and Industrial Carbon Capture.
- The appointment of Ofgem as a new regulator for heat networks.
- Support for the UK's first large-scale hydrogen heating trial.
- The establishment of a new Future System Operator, to provide strategic oversight across electricity and gas systems.

##### **UK Infrastructure Bank Bill**

- The UK infrastructure bank is intended to support low carbon investment in the UK's core infrastructure, including power, heat and transport networks.
- The bank has £22B to offer a range of tools including debt, equity and guarantees.
- The bank will focus on under-invested areas, and is intended to provide long-term policy certainty to support the growth of key nascent industries such as CCUS.

For more information, see the accompanying [lobby pack](#).

#### **BEIS announces Contracts for Difference (CfD): proposals for changes to supply chain plans and CfD delivery**

*Department for Business, Energy and Industrial Strategy*

3<sup>rd</sup> May 2022

- The government has released its response to its consultation on Contracts for Difference scheme in relation to supply chain plans, and some regulatory aspects of wider CfD policy in preparation for the next allocation round.
- Their response confirms government's decision on implementing a series of amendments to the scheme ahead of Allocation Round 5, including:
  - Requiring Supply Chain Plans from all Floating Offshore Wind projects.
  - Shortening the validity period of a Supply Chain Plan Statement of Approval from 12 months to 9 months.
  - Introducing an 'Interview with applicants' stage into the Supply Chain Plan process.
  - Raising the standard of Supply Chain Plans.
  - Creating a more precise question template.
  - Strengthening the Non-Delivery Disincentive mechanism.
  - Amending the CfD Allocation regulations to align to a change introduced for Allocation Round 4.

More information [here](#).

### **UK and Welsh governments to establish new freeport in Wales**

*Department for Levelling Up, Housing and Communities*

12<sup>th</sup> May 2022

A £26 million agreement has been reached between the UK and Welsh governments to collaborate and deliver a new freeport in Wales. The agreement will aim to bring more jobs and investment to Wales. Bidders will have to set out how the freeport will boost the local economy, support good-quality, secure jobs and transition to a net-zero economy.

More information [here](#).

### **Net Zero Hydrogen Fund Strand 1 and Strand 2 opens to applicants**

*Department for Business, Energy and Industrial Strategy*

27<sup>th</sup> May 2022

The Net Zero Hydrogen Fund (NZHF) aims to support the commercial deployment of new low carbon hydrogen production projects during the 2020s. Details on how to apply for Strand 1 and Strand 2 of the Net Zero Hydrogen fund can be found in the link below.

More information [here](#).

### **HySupply 2 competition winners announced**

*Department for Business, Energy and Industrial Strategy:*

19<sup>th</sup> May 2022

Funding has been awarded to 28 projects across the UK, including Scotland, Wales and the north of England and working across a range of different sectors and technologies through the £60m Low Carbon Hydrogen Supply 2 (HySupply 2) competition.

More information [here](#).

## **UK Offshore Wind Champion appointed**

*Department for Business, Energy and Industrial Strategy*

20<sup>th</sup> May 2022

Tim Pick, former Head of Energy, Resources and Infrastructure at law firm Freshfields Bruckhaus Deringer, has been appointed as the first UK Offshore Wind Champion. In addition, the UK Government opened the Floating Offshore Wind Manufacturing Investment Scheme to provide £160 million in government funding to boost floating offshore wind capability around the UK at sites including in Scotland and Wales.

More information [here](#).

## **Green trade crucial to economic security and net zero**

*Department for International Trade*

18<sup>th</sup> May 2022

International Trade Secretary Anne-Marie Trevelyan announced nearly £190 million of new loan guarantees to power green growth and support 350 UK jobs and the UK Green Trade & Investment Expo which will take place in October in the North East.

More information [here](#).

## **HM Treasury: Cost of Living Support**

*HM Treasury*

26<sup>th</sup> May 2022

In a statement made by the Chancellor of the Exchequer Rishi Sunak, new measures to help with the cost of living crisis were announced. This includes:

- Energy Profits Levy – Technical Note – details on the commencement of the new windfall tax, adjustments and how the tax will operate.
- Cost of Living Support Factsheet – outlines the extra £15bn of support with the cost of living that the Chancellor made available from 26 May 2022.
- Energy Profits Levy Factsheet – outlines details of the Energy Profits Levy, a new surcharge on the extraordinary profits oil and gas companies are making, which will help to fund the Cost of Living Intervention.
- Distributional Analysis – estimated impacts of the May 2022 Cost of Living Support package and February 2022 Energy Support package.

More information [here](#).

## **HMT Treasury Statement: Carbon leakage mitigations**

*HMT Treasury*

16<sup>th</sup> May 2022

The Treasury has announced its intention to consult later in the year on a range of carbon leakage mitigation options, including on whether measures such as product standards and a carbon border adjustment mechanism (CBAM) could be appropriate tools in the UK's policy mix.

More information [here](#).

### **Ministers to attend G7 Climate, Energy and Environment Ministerial in Germany to push for accelerated action on climate and the clean energy transition**

*Cabinet Office*

27<sup>th</sup> May 2022

On 26th and 27th May, COP26 President Alok Sharma, Energy Minister Greg Hands and Environment Minister Zac Goldsmith attended the meeting, which comes ahead of the G7 leaders summit taking place from 26th to 28th June in Schloss Elmau. The UK Government representatives welcomed the progress made so far but called for further action ahead of COP27 later this year.

More information [here](#).

### **New funding to help industry decarbonise**

*Department for Business, Energy and Industrial Strategy*

31<sup>st</sup> May 2022

The UK Government has announced over £31 million investment to support the industry to reduce its reliance on fossil fuels. This funding will primarily target the quarrying, mining and construction sectors in developing red diesel alternatives, while projects replacing natural gas with hydrogen in industrial processes will also be supported. In addition, winners from the first of the Carbon Capture, Usage and Storage (CCUS) Innovation 2.0 competition will receive a share of the funding to advance the CCUS technology for deployment at scale by 2030.

More information [here](#).

### **Carbon Capture, Usage and Storage (CCUS) Innovation 2.0 competition: call 2**

*Department for Business, Energy and Industrial Strategy*

31<sup>st</sup> May 2022

New guidance has been released for the second competition round, which will make £20 million in grant funding available for projects developing novel CCUS technology and processes that reduce the cost of the technology's deployment.

More information [here](#).

### **Review of next generation carbon capture technology for industrial, waste and power sectors**

*Department for Business, Energy and Industrial Strategy*

31<sup>st</sup> May 2022

The department has published a technoeconomic analysis and review of next generation CCUS technology to be deployed on UK industrial, waste and power sites between 2030 and 2035. The findings suggest that the technology needs to be tested under representative operational conditions and it should be scaled up in demonstration plants when possible.

More information [here](#).

### **Allocations for R&D budget announced**

*Department for Business, Energy and Industrial Strategy*

30<sup>th</sup> May 2022

The settlement of the £25.1 billion R&D budget has been announced, providing record-level funding across UKRI's council and major programmes. The budget includes a £16.8 billion investment for UKRI's 7 Research Councils, Research England and Innovate UK, a £2 billion investment for a new collective cross-council approach to talent initiatives and a £2.9 billion investment in infrastructure projects

More information [here](#).

### **May Ministerial Meeting on Implementation notes**

*Cabinet Office*

31<sup>st</sup> May 2022

COP26 President Alok Sharma provided a summary of the May Ministerial Meeting on Implementation, held 12-13 May in Copenhagen, with focus on accelerating the implementation of key climate commitments and pledges. Sharma said that many positive signals for low carbon technologies were highlighted, including the development of new technologies such as green hydrogen and carbon capture, utilisation and storage (CCUS).

More information [here](#).

Westminster

### **Environmental Audit Committee: Findings of Inquiry into Green Steel**

*Environmental Audit Committee*

1<sup>st</sup> June 2022

Following the culmination of a short inquiry into the decarbonisation of the UK Steel industry, the Environmental Audit Committee (EAC) [submitted a letter](#) to the BEIS Secretary, Kwasi Kwarteng outlining their findings. The Committee heard from steel sector representatives who expressed concern that Government strategy has not been sufficiently clear to drive progress in clean steel technologies, which could result in increased reliance on imports.

Additionally, witnesses highlighted the urgent need to support the sector on energy costs in order to realise power-intensive green steel technologies and to remain globally competitive.

More information [here](#).

## **Evidence session on long duration storage and hydrogen as part of the inquiry into UK energy supply and investment**

*Economic Affairs (Lords) Committee*

10<sup>th</sup> May 2022

The committee hosted two evidence sessions, with witnesses including Marco Alvera, author of *The Hydrogen Revolution* at Snam, and Matt Harper, Chief Commercial Officer, Invinity Energy Systems, in the first session and Jason Bordoff, Co-founding Dean at Columbia Climate School, in the second session. The sessions focused on the use of hydrogen and long duration storage batteries in the energy transition, the quality of market adaptations to the current crises and whether the UK's approach was working, as well as broader economic trends, including the affordability of new energy sources, dependency on Russia and China, and the EU's potential future energy cartelisation.

Full transcript from [session 1](#) and [session 2](#) is available.

## **Evidence session on hydrogen and carbon capture in Scotland**

*Scottish Affairs (Commons) Committee*

16<sup>th</sup> May 2022

The Scottish Affairs Committee held its first evidence session on hydrogen and carbon capture, utilisation and storage in Scotland, gathering evidence from witnesses including Angus McIntosh, Director of Energy Futures at SGN, David Wallace, Senior Strategy Manager at Offshore Renewable Energy Catapult, Dr Nigel Holmes, CEO at Scottish Hydrogen and Fuel Cell Association and Dr Gillian Couto-Phoenix, Programme Manager at National Manufacturing Institute Scotland.

More information [here](#).

Scotland

## **Encouraging manufacturing innovation**

*Scottish Government*

19<sup>th</sup> May 2022

A new more than £25 million Low Carbon Manufacturing Challenge Fund has been launched to reduce the carbon footprint through manufacturing and to encourage ideas to speed up adoption or development of low carbon products, services, technologies or processes. It aims to reduce emissions from an industry which supports hundreds of thousands of jobs and accounts for more than half of Scotland's exports. First Minister Nicola Sturgeon separately launched a First Minister's Award for Manufacturing Leadership, recognising businesses which champion fair work and inclusivity while investing in employee skills and helping tackle climate change.

More information [here](#).

## **First Minister calls for renewed focus on the climate emergency**

*Scottish Government*

16<sup>th</sup> May 2022

Delivering a keynote address at the Brookings Institution in Washington DC, First Minister Nicola Sturgeon called on global leaders to step up their actions to tackle the climate emergency. Ms Sturgeon also addressed concerns over energy security and called for the acceleration of renewable and low-carbon energy, highlighting the importance of ScotWind to Scotland. She also suggested that hydrogen production has the potential to become a significant industry in Scotland, both for energy security and for the transition to green jobs across the country.

More information [here](#).

## **Carbon neutral islands named**

*Scottish Government*

17<sup>th</sup> May 2022

The Scottish Government has announced six islands – Hoy, Islay, Great Cumbrae, Raasay, Barra and Yell – which will be part of a project aimed at supporting islands to become carbon neutral by 2040. A report on the project will be published in the summer and plans for net zero innovation will be developed in collaboration with key partners and communities.

More information [here](#).

## **Just Transition Fund to open on 31 May**

*Scottish Government*

24<sup>th</sup> May 2022

A new Just Transition Fund, which will support the North East and Moray regional economy in its transition to net zero, will open next week for interested organisation, businesses, communities and individuals. This ten-year £500 million fund will be available to support the creation of jobs in low carbon industries and to contribute to the region's prosperity as it transitions from oil and gas developments.

More information [here](#).

## **Transport Scotland: Zero Emission Energy for Transport Forecasts Report and Interactive tool**

*Transport Scotland*

26<sup>th</sup> May 2022

Transport Scotland have published national forecasts of renewable electricity and hydrogen needs to support the Scottish transport sector in its efforts to meet commitments to 75% reduction in greenhouse gases by 2030 and Net-Zero by 2045. The study investigated

electricity, hydrogen and combined electricity-hydrogen demand forecasts across six demand scenarios.

Alongside the report, Transport Scotland released an interactive tool to enable investigation of interactions between different scenarios and modes of transport.

More information [here](#).

### **Crown Estate Scotland: The Future Offshore Wind Scenarios (FOWS) project**

*Crown Estate Scotland*

28<sup>th</sup> April 2022

A new study on the future of offshore wind has illustrated the scale of potential of the UK seas for future deployment and is helping to understand and address how we best manage the various demands on our marine environment. The Future Offshore Wind Scenarios (FOWS) project is intended to support the future development of offshore wind by illustrating the complex factors that must be balanced within the marine environment including consideration of the cost of energy. It provides a more holistic consideration of the complex interactions concerning offshore wind deployment out to net zero than was previously available and will help to inform future decision making

More information [here](#).

### **Scottish Government: Independent Review into the Role of Incineration in the Waste Hierarchy in Scotland**

*Scottish Government*

10<sup>th</sup> May 2022

The review, chaired by Dr Colin Church (Chief Executive of the Institute of Materials, Minerals and Mining), set out to investigate progress towards waste management in Scotland, options for managing residual waste, trade-offs and opportunities to improve residual waste treatment. The report discussed CCUS in the context of waste incineration, highlighting potential issues relating to construction cost, efficiency, transport and lead time. The report concluded that "...from the evidence received so far, it seems that carbon capture alone is unlikely to be able to deliver the required level of decarbonisation of incineration in time to meet Net Zero."

More information [here](#).

Wales

### **Welsh Government: Update on freeports policy**

*Welsh Government*

12<sup>th</sup> May 2022

Following the announcement that the UK and Welsh Governments will cooperate to establish a new freeport in Wales, Minister for Economy Vaughan Gething published an update on the Welsh Government's policy on freeports. The Minister said that a freeport will only be implemented if it can be demonstrated clearly it will operate in a manner that aligns

with the Welsh Government's policies on fair work and environmental sustainability, including the commitment to Wales becoming a net-zero carbon nation. He further said that both governments remain open to the possibility of a multi-site freeport, as well as the possibility of allowing more than one freeport in Wales.

More information [here](#).

## **New Industry Wales Chair appointed**

*Welsh Government*

18<sup>th</sup> May 2022

Professor Keith Ridgway CBE, who has served as the interim Chair of Industry Wales since September 2020, has been appointed as the new Chair of Industry Wales for a three-year term from 2nd June 2022. According to the Minister for Economy Vaughan Gething, the new Chair will ensure Industry Wales continues to deliver against its remit letter and business plan in support of the Welsh Government's Programme for Government, and drive its activities in relation to manufacturing, skills, decarbonisation, automation, and localising supply chain opportunities to improve local economic activity, aligned to the vision set out in the Welsh Government's Manufacturing Action Plan.

More information [here](#).

## **Ministerial Statement on offshore marine energy**

*Welsh Government*

17<sup>th</sup> May 2022

Minister for Economy Vaughan Gething delivered a speech to members of the Senedd, providing an update on current activity within the emerging sector and outlining the Welsh Government's ambition to deliver economic benefits from the sector. He said that the government will publish a new innovation strategy later this year to reinforce the focus on emerging marine technologies, including hydrogen generation from offshore marine energy. He added that skills and workforce development are a critical area for this sector and reiterated the commitment to publish a net zero skills action plan later this year.

More information [here](#).

Other News

## **CCC: Ministers appoint new members to CCC's Adaptation Committee**

29<sup>th</sup> April 2022

Dr Ben Caldecott, Professor Nathalie Seddon and Dr Swenja Surminski will take up their roles on 1 May 2022 for a three-year term. They will lead the Adaptation Committee's work on finance, the natural environment and business respectively, continuing the work of outgoing Committee Members Ece Ozdemiroglu, Rosalyn Schofield, Professor Kate Jones and the late Professor Dame Georgina Mace. There is a three-month crossover period between new and departing members to ensure continuity.

More information [here](#).

## Calls for evidence and consultations

- Department for Business, Energy and Industrial Strategy: Consultation on Green Finance Strategy – closes 22<sup>nd</sup> June. [Link](#) to consultation.
- The Business, Energy and Industrial Strategy (BEIS) Committee: Decarbonisation of the power sector inquiry – closes 30<sup>th</sup> June. [Link](#) to consultation.
- Carbon capture, usage and storage: Dispatchable Power Agreement business model – closes at 11:45pm on 10<sup>th</sup> June. [Link](#) to consultation.
- Carbon capture, usage and storage: Industrial Carbon Capture business model – closes at 11:45pm on 10<sup>th</sup> June. [Link](#) to consultation.
- Department for Business, Energy & Industrial Strategy: Green Gas Support Scheme 2022 annual tariff review – closes at 11:45pm on 10 June. [Link](#) to consultation.
- Department for Business, Energy & Industrial Strategy: Developing the UK Emissions Trading Scheme (UK ETS) – closes at 11:45pm on 17 June 2022. [Link](#) to consultation.
- Department for Business, Energy & Industrial Strategy: Update to Green Finance Strategy: call for evidence – closes at 11:45pm on 22 June 2022. [Link](#) to consultation.
- Department for Environment, Food & Rural Affairs: Environment Act 2021: environmental targets – closes at 11:45pm on 27 June 2022. [Link](#) to consultation.
- Department for Business, Energy & Industrial Strategy: Floating Offshore Wind Manufacturing Investment Scheme: request for information – closes at 11:45pm on 15 July 2022. [Link](#) to consultation.
- Scottish Government, Local Government and Communities Directorate: Planning - permitted development rights review - phase 2: consultation – closes at 11<sup>th</sup> May [Link](#) to consultation.