

Industrial Decarbonisation Policy News – October 2022

Please find a round-up of October's key policy developments across the UK and devolved administrations below. To sign-up to this newsletter, please email us at policy@idric.org.

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UK Government

New and reaffirmed ministerial appointments

Following the appointment of Rishi Sunak as Britain's next Prime Minister, the following ministerial appointments were made:

- Jeremy Hunt has been reappointed as Chancellor of the Exchequer.
- Therese has been appointed as Secretary of State for Environment, Food and Rural Affairs (Defra)
- Grant Shapps has been appointed Secretary of State for Business, Energy and Industrial Strategy (BEIS).
- George Freeman has been appointed as Minister for Science, Research and Innovation.
- Nusrat Ghani has been reappointed as Minister for Science and Investment Security.
- Graham Stuart has been reappointed as Minister for Climate.

First ever Islands Forum agrees next steps on net zero

Department for Levelling Up, Housing and Communities / Cabinet Office

29th September 2022

The Forum, which took place at the Orkney Research & Innovation Campus, focused on the opportunities for islands around net zero and was attended by council leaders and chief executives representing all eligible island communities from across the UK. It agreed next steps to improve cooperation on net zero, with next meeting set for six months' time.

More information [here](#).

Location of first fusion energy plant selected

Department for Business, Energy and Industrial Strategy

3rd October 2022

West Burton power station site in Nottinghamshire has been selected as the home for 'STEP' (Spherical Tokamak for Energy Production), the UK's prototype fusion energy plant which aims to be built by 2040. The UK government is providing £220 million of funding for the first phase of STEP, which will see the UK Atomic Energy Authority produce a concept design by 2024.

More information [here](#).

Industrial Hydrogen Accelerator Programme - successful projects

Department for Business, Energy and Industrial Strategy

10th October 2022

The Industrial Hydrogen Accelerator (IHA) competition supports projects generating evidence on end-to-end industrial fuel switching to hydrogen. It will cover the full technology chain, from hydrogen generation and delivery infrastructure through to industrial end-use, including the integration of the components in a single project. Nine projects have been named as successful for Stream 2A and have been awarded a combined sum for £2.95 million.

More information [here](#).

New National Science and Technology Council established

Cabinet Office

12th October 2022

The government has announced the creation of a new National Science and Technology Council, tasked with driving an ambitious UK science and technology strategy, designed to drive economic growth, prosperity and security. The Council will be chaired by the Chancellor, with the Cabinet Office Minister acting as Deputy Chair, although no further details on its composition or remit have been announced at this stage.

More information [here](#).

Reform of business subsidy control system after EU-exit

Department for Business, Energy and Industrial Strategy

20th October 2022

BEIS announced a new system to regulate state subsidies to businesses which will replace EU regulation, following earlier stakeholder consultation. According to a BEIS press release, the new system aims to reduce complexity in the approval process and will increase flexibility for devolved administrations and local authorities in providing subsidies tailored to local needs.

Read the press release [here](#).

Fiscal statement pushed back

HM Treasury

26th October 2022

The fiscal statement which had originally been planned to take place on 31st October will now be delayed. In its place, a full Autumn Statement will be held on 17th November.

More information [here](#).

UK Parliament

Behaviour change report published

Environment and Climate Change Committee

12th October 2022

The Lords Select Committee has published the report “In our hands: behaviour change for climate and environmental goals”, which warns that the government's current approach to enabling behaviour change will result in the UK failing to meet its net zero and environment targets. After hearing testimony from 146 organisations – including public, private, and civil society groups – the Environment and Climate Change Committee concluded the Government’s current approach “is inadequate to meet the scale of the challenge”.

The full report can be read [here](#) and full press release is available [here](#).

Research & development policy one-off session

Science and Technology (Commons) Committee

12th October 2022

In an evidence session with newly appointed Minister for Science and Investment Security Nusrat Ghani, the committee heard the Minister’s plans for R&D policy, which are aimed at promotion of economic growth in the UK. It is currently unclear whether the Minister’s stated plans will be retained under Rishi Sunak.

Video footage from the session is available [here](#).

Evidence session on developing workforce skills for a strong economy

Public Accounts (Commons) Committee

17th October 2022

During the session, the role of green skills in enabling the net zero transition was discussed, as well as the work of green jobs taskforce and green jobs delivery group.

More information [here](#).

Ten Point Plan for Climate and Nature published

Environment APPG

18th October 2022

The plan by the All-Party Parliamentary Group on the Environment recommends a series of policy priorities for the Government for the next 12 months, focusing on particularly pressing areas for this year, or where there is an opportunity to build on existing pledges. Notably, it calls on the Government to recommit to the net zero by 2050 target. The ten points are:

- Create a net zero devolution deal
- Expand the Energy Company Obligation to improve home energy efficiency
- Set up an Office for Carbon Removal to regulate offsetting
- Strengthen funding to decarbonise agriculture and restore nature
- Cut VAT on public electric vehicle charging from 20 percent to 5 percent
- Introduce ambitious nature restoration targets under the Environment Act
- Give BEIS a statutory duty to purchase zero carbon flexible and firm power
- Triple the floating offshore wind target, from 5GW by 2030 to 15GW by 2035
- Restore 30 percent of UK saltmarshes and seagrass meadows by 2030

- Expand the Treasury super-deduction to cover skills and non-physical capital

More information [here](#).

Scotland

Report on energy transition expected by end of year

Scottish Government

4th October 2022

In answer to a written question by Mark Ruskell MSP (Green, Mid Scotland and Fife), Cabinet Secretary for Net Zero, Energy and Transport, Michael Matheson said the Scottish Government is committed to undertake an in-depth analysis to better understand our energy requirements as we transition to net zero. Work is underway and analysis will include a detailed assessment of oil and gas production in Scotland; a study of energy demand; and assessment of the just transition implications of the energy transition. This report is expected by the end of 2022.

More information [here](#).

Scottish Budget to be published on 15th December

Scottish Government

6th October 2022

The 2023-24 Scottish Budget will be published on 15th December 2022, Deputy First Minister John Swinney has confirmed following agreement between the Scottish Government and the Scottish Parliament's Finance and Public Administration Committee (FPAC). In a letter to FPAC, Mr Swinney highlighted that the Scottish Fiscal Commission requires at least 10 weeks to prepare spending forecasts and said the "uncertainty and volatility of UK Government's plans" means the Budget may need to be revisited if there are implications for this period.

More information [here](#).

Just Transition Fund awards announced

Scottish Government

10th October 2022

A total of 22 projects across North East Scotland and Moray will receive a share of over £50 million in funding, including investments in: research and innovation; new green skills training facilities; pilots for emerging energy technologies and projects that will get businesses ready for the supply chain opportunities to come from the energy sector's transition to net zero. The awards are the first from the Scottish Government's flagship Just Transition Fund, which is investing £500 million over ten years in the North East and Moray to support the region's transition away from fossil fuels and towards a low-carbon economy.

More information [here](#).

Economic paper for an independent Scotland published

Scottish Government

17th October 2022

The latest policy paper in the Building a New Scotland series sets out how the Scottish Government would operate economic policy in an independent Scotland, including its macroeconomic framework, currency, supporting institutions and trade. Notably, the paper suggests that Scottish Government would place Scotland's renewable energy resources at the bedrock of the new independent economy. This would include nurturing industries such as hydrogen and carbon capture and storage. Hydrogen is highlighted as Scotland's potential greatest industrial opportunity since oil and gas, creating or protecting up to 300,000 jobs.

The Scottish Government would accelerate the development of a major new industry by investing in hydrogen production, transportation and storage. The paper acknowledges that the sector is not yet fully established, but it is expected in the long term to provide a renewable source of energy, both for domestic and, crucially, export markets. A paper on energy in the Building a New Scotland series is expected in the following weeks.

More information [here](#).

Wales

Ministerial Statement: Regional Economic Development

Welsh Government

4th October 2022

Minister for Economy Vaughan Gething outlined to the Senedd the Welsh Government's vision for regional investment to support jobs and growth in communities across Wales. He highlighted that work across all regions is wedded to the collective goal of securing investment in the industries of the future, which will fuel better-paid, skilled jobs. This includes the generation of low-carbon electricity.

Additionally, he highlighted the agreement between the UK and Welsh government to deliver a freeport programme in Wales, which is aimed towards the delivery of sustainable, economic and social benefits to the nation.

He also highlighted the need to protect industry and voiced concerns about the distributive implications of the Government's fiscal statement and the effect on disadvantaged regions in Wales.

More information [here](#).

Wales-Ireland Forum to discuss cost of living and renewable energy

Welsh Government

13th October 2022

First Minister of Wales Mark Drakeford met Ireland's Foreign Affairs Minister Simon Coveney at the second meeting of the Wales-Ireland Forum. The 2-day event in Dublin and Cork included discussions on the cost-of-living crisis with ministers sharing their approaches to providing support. Climate change and renewable energy will also feature prominently in the talks. Offshore wind is seen by both governments as a significant opportunity to improve energy security.

More information [here](#).

Significant threat to economic growth in Wales unless grid constraints are resolved

Welsh Affairs (Commons) Committee

21st October 2022

The Committee publishes its latest report, focused on renewable energy potential in Wales, as well as green jobs and skills needed to reach net zero. While the report focuses on the need to carry out further grid reform, the report draws on evidence from Chris Williams (Industry Wales) to highlight that the challenges faced by manufacturing industries as they move to decarbonise their operations.

More information [here](#).

Publicly-owned renewable energy developer announced

Welsh Government

25th October 2022

The Minister for Climate Change, Julie James, has announced a state-owned energy developer in response to energy insecurity, the cost-of-living crisis and the increasing threats posed by the climate and nature emergencies.

More information [here](#).

Other News

Climate Change Committee advice on net zero compatible UK Emissions Trading Scheme (UK ETS)

11th October 2022

In a recent letter, Lord Deben, Chairman of the Climate Change Committee, outlined advice to Climate Minister Graham Stuart for updating the UK Emissions Trading Scheme in line with the UK's Net Zero targets. The letter advises in particular on the free allocation of allowances and sectors such as shipping, waste, engineered greenhouse gas removals and biological removals, making recommendations for incentivising decarbonisation, removing distortions and reducing adverse effects and risks such as carbon leakage.

The letter can be read [here](#).

Climate Change Committee scrutinises voluntary carbon offsetting

13th October 2022

Reviewing evidence on voluntary carbon markets in a recent report, the CCC also warns that low-quality carbon offsets are increasingly used by businesses to distract from insufficient efforts to reduce carbon emissions, particularly in sectors which are not considered hard-to-abate. Global carbon markets have tripled in size since 2019, but a large share of offsets is low-quality due to a lack of strong governance. While global efforts to improve the governance of the voluntary carbon markets are underway, the CCC sees an important role for UK policy makers to provide more support for direct emissions reductions and increase requirements for reporting for businesses. This should include clearer definitions – 'net-zero' businesses should be reserved for those reducing their emissions directly, with an 'offset zero' label for those relying on offsetting. The CCC also urges the government

to advance in its development of a 'Net Zero Transition Plan Standard' which was announced during last year's COP26 in Glasgow and would mandate large businesses in high-emission sectors to publish net-zero transition plans from 2023.

Download the report [here](#).

First trials to inject hydrogen at gas plant

25th October 2022

Edie reports that Centrica is planning to inject hydrogen into its gas plant in Brigg, North Lincolnshire as an industry first to explore the role of hydrogen in energy production. The trials in partnership with hydrogen producer HiiROC and supported by the Net Zero Technology Centre will include a blend of up to 3% hydrogen used from autumn 2023. As a gas-peaking plant, Brigg is only being turned on at times of high demand or low output from renewables. Subject to satisfactory performance and emissions, this will incrementally increase to 20% hydrogen in the plant, and potentially 100% if feasible. The hydrogen generated by HiiROC will involve splitting natural gas through plasma electrolysis into hydrogen and carbon black, referred to as "emerald hydrogen".

More info [here](#).

UN gives stark warning on global emissions trajectory

27th October 2022

In their 2022 Emissions Gap report, the UN warned that policies in place will only limit temperature rise to 2.8°C by the end of this century, far exceeding the Paris Agreement goals of well below 2°C, and preferably 1.5°C. The report highlighted that updated pledges at COP27 will make a negligible difference to 2030 emissions, and that further emissions reductions of 30% and 45% will be required to limit warming to 1.5°C and 2°C, respectively.

In addition to giving recommendations by actor group (e.g. government, sub-national government, Businesses, investors etc.), the report outlines key transformations needed to bring the industry sector to a Paris-compatible pathway, including:

- Electrify industry
- Reduce demand for and decrease carbon intensity of global cement and steel production
- Grow and integrate green hydrogen production capacity
- Accelerate and scale up material and energy efficiency
- Promote circular material flow

More info [here](#).

Reopening of biggest UK gas storage with potential for hydrogen storage

28th October 2022

The Guardian reports that Centrica is re-opening the UK's biggest gas storage site ahead of concerns over gas shortages this winter. The Rough gas storage facility in the North Sea was closed in 2017 for financial reasons and is now to be brought back to 20% of its capacity initially. In the long run, Centrica is considering the site as a potential hydrogen store to support industrial decarbonisation and a net zero electricity system.

More info [here](#).

Sunak considers extending windfall tax to low-carbon electricity generators

31st October 2022

The Financial Times reports that prime minister Rishi Sunak is considering extending an energy profits levy on oil and gas producers, introduced in May, to low-carbon electricity generators. This would replace a planned revenue cap on low-carbon electricity generators which was introduced by Liz Truss as one of her last acts in office, with supporting legislation just passed by parliament last week. The level of the cap has yet to be determined, but the trade body Energy UK voiced concerns that this might end up being more punitive than the windfall tax to oil and gas producers.

More info [here](#).

Report: Global carbon capture tech capacity must scale 120-fold by 2050

31st October 2022

A new McKinsey report highlights that the global capacity of CCUS technologies will need to grow at least 60 if not 120 times by 2050 compared to today's pipeline of projects for countries to achieve their net-zero commitments. Scaling up of CCUS at this rate is needed to help decarbonise 45 percent of remaining emissions in the industry sector but will also require an investment of \$130bn annually, through to 2050. The report discusses five key challenges to be tackled including 1) uneven and uncertain policy, 2) the lack of well-established revenue streams, 3) large and unproven projects, 4) cost benefits of scaled projects coming with coordination complexity involved, and 5) controversial public perception.

The report explores how industry can generate revenues and move beyond a subsidy-only business model, including through increasing consumer willingness to pay for lower-carbon-intensity products, valuation of CO₂ as a feedstock and voluntary carbon markets. Policies such as tax credits or carbon pricing and regulatory measures such as product standards and carbon border taxes are discussed as key measures to help scale the sector in line with Net Zero targets.

Download the report [here](#).

UKERC Report - After Brexit: Scenarios for Clean and Secure Energy in a New World

October 2022

While Brexit is likely to increase divergence between UK and EU energy and climate change policy, there are also key areas where continued or renewed cooperation will be likely. A highly pertinent report by the UK Energy Research Centre takes stock and outlines three scenarios for UK policy and the UK's relationship with the EU until 2035.

Download the report [here](#).

ESC Report - Carbon Accounting in Industry: Learning from the South Wales Industrial Cluster

October 2022

Drawing on insights from industry stakeholders in South Wales, Energy Systems Catapult (ESC) have published a report reviewing options for policymakers to support a more consistent and coherent approach to carbon accounting in industry. The report proposes to simplify and strengthen the methodologies used by industry in measuring and reporting emissions, supported by a digital exchange platform and regulatory oversight.

Download the report [here](#).