

CIBII

Conference Series:

ROAD TO NET-ZERO

Government action needed in 2021 to deliver the Ten Point Plan for a Green Industrial Revolution

Business welcomed the government's announcement of a Ten Point Plan for a Green Industrial Revolution in November 2020, seeing it as a springboard to the significant opportunities for UK-wide investment and green jobs that a true low-carbon economy can bring. Following the meeting of the G7 and with less than five months to go until COP26 in Glasgow, the eyes of the world are on the UK, as hosts, to show climate leadership. In parallel, the business approach to the climate crisis has shifted, with now a 'race to the top' on sustainability rather than a 'race to the bottom' on standards.

However, to realise these opportunities now requires policymakers to move beyond climate ambition to climate action, urgently filling the gaps across the government's ten-point plan to unleash new waves of investment in the green recovery. The business community in turn stands ready to play its part by setting their own net-zero targets, cutting emissions from operations and respective supply chains. It is through this partnership between government and business that the UK can achieve its new target to slash emissions by 78% by 2035 and become a net-zero economy by 2050.



Progress made (2020-2021)

Action needed in 2021

Advancing Offshore Wind

Confirmation that Allocation Round 4 will have up to double the capacity to previous rounds and floating offshore wind will be considered a distinct technology from offshore wind which will compete in a new separate Pot 3.

Continuing consideration of the option of a 'soft' or flexible volume capacity cap in AR4. Confirmation that AR4 will open in December 2021.

By COP26, announce the timeframe for Leasing Round 5 while continuing work with the Offshore Renewable Energy Catapult to increase value in the UK supply chain – needed to support new Supply Chain Plan requirements in AR4.

Launch a review of the non-financial barriers to the delivery of the Government's 40GW offshore wind target.

Driving the Growth of Low Carbon Hydrogen

Confirmation that government will consult on hydrogen business models, and further details on funding mechanism expected in late 2021.

Recommitment of £240 million Net Zero Hydrogen Fund (announced in 10-Point Plan).

Announcement of £60 million Low Carbon Hydrogen Supply 2 (HYS2) Competition, following on from the Low Carbon Hydrogen Supply (HS1) competition

Publish a comprehensive hydrogen strategy **before summer recess which:**

- Confirms Hydrogen Business Models support mechanism, e.g. CfD auction with a variable cost for hydrogen production and a fixed payment to cover the CAPEX cost.
- Clarifies the role for blending and storage, and defines a meaning for "low carbon" hydrogen.
- Commits up to £1bn to hydrogen testing programmes and demonstration projects involving production, storage, and distribution.

Delivering New and Advanced Nuclear Power

Government confirms it will bring forward legislation for new nuclear financing model and to increase nuclear capacity.

Within this parliamentary session, legislate for a new financial model for new nuclear power.

Accelerating the Shift to Zero Emission Vehicles

Commitment in the 10-Point Plan to publish a delivery plan setting out key milestones to deliver all new phase out dates.

Ofgem facilitates investment by network companies of £300m into electric vehicle charge points.

Publish an electric vehicle delivery plan **by COP26** that achieves 2030 phase out of internal combustion engines. This should include a Charging Infrastructure Strategy to support market delivery across urban, rural, and remote parts of the country and takes into account the role of Ofgem in facilitating anticipatory grid investment.

By COP26, set a new ambition of delivering seven new Gigafactories by 2040 to support domestic supply chain for electric vehicles.

Commit to launch a review into fuel duty by the **end of 2021**.

Green Public Transport, Cycling and Walking

National Bus Strategy is published and announces delivery of 4,000 zero-emission buses.

Williams-Shapps Plan for rail commits Great British Railways to bring forward costed options to decarbonise the whole network to meet the government's commitment to a net-zero society as part of the 30-year strategy. This will include a comprehensive environment plan for the rail network will be published in 2022.

At the Spending Review, increase levels of capital support for purchasing Zero Emission Buses and related infrastructure in future rounds of government funding. Continue to prioritise central government funding for rail electrification programmes, as well as the development of hydrogen and other alternative fuel trains for track where electrification will not be economical.

Progress plans **over summer 2021** to support the development of a private leasing market for Zero Emission Buses at pace and scale through the National Infrastructure Bank underwriting some of the early risks in this market with a view to crowding in private finance in the longer term.

Progress made (2020-2021)

Action needed in 2021

Jet Zero

Government establishes government and industry Jet Zero Council.

Support for 2021/2022 financial year covers sustainable aviation fuel plant deployment and fuel testing, as well as commitment to consult on SAF mandates to drive SAF uptake in 2021.

UK enshrines new target to slash emissions by 78% by 2035, which includes the UK's share of international aviation and shipping emissions for the first time.

Whilst new applications to the Aerospace Technology Institute have been suspended for the 2021/2022 financial year, live projects will continue to be funded. This includes a one-year Fly Zero project examining the feasibility of zero carbon-emission aircraft technologies.

By COP 26, establish a sustainable aviation fuel industry in the UK by building upon the £15m competition support announced in the 10 Point Plan, by creating strong additional policy mechanisms on revenue support, alongside loan guarantees or finance mechanisms like Green Bonds to attract private investment.

At the Spending Review provide a positive, long-term signal for investment in aerospace technology and the development of hybrid, electric and hydrogen-powered aircraft.

Greener Buildings

Developed the Future Homes Standard and consulted on standards for non-domestic buildings.

Introduced but then withdrew the Green Homes Grant.

Committed to publishing a heat and buildings strategy in the first half of 2021.

Publish a comprehensive Heat and Buildings Strategy **before summer recess** which:

- Mandates that after 2025, where gas boilers are installed, they should be 'hydrogen ready' and ban the installation of new natural gas boilers by 2035.
- Announces the creation of a National Delivery Body tasked with leading the transition to zero carbon heat, as recommended by the CBI's Heat Commission.
- Provides clearer regulatory and fiscal incentives for improving energy efficiency and a shift to low carbon forms of heating. These should include scaling up the new Clean Heat Grant Scheme and consideration of backstop regulations which prevent sales or rentals that do not meet defined efficiency standards by a certain date.
- Reforms Winter Fuel Payments so that they are more targeted to support those most in need and improve energy efficiency in these homes.
- Creates the supportive environment necessary to enable the development of new and existing district heating as well as other low carbon heat and cooling networks.
- Considers a re-balancing of policy costs between electricity and gas to encourage take up of low-carbon heating options in the 2020s.

Investing in Carbon Capture, Usage and Storage

Government announced four low-carbon industrial clusters which set to play a key role in decarbonisation.

The publication of the Industrial Decarbonisation Strategy also confirmed CCUS funding in five key industrial locations in the UK, reaffirming governments CCUS ambition.

By COP26, confirm new business models for CCUS including a privately financed RAB model for transport and storage and a CfD-type mechanism for the power sector and heavy industry.

Confirm location of first two clusters in phase one of the planned deployment.

Progress made (2020-2021)

Action needed in 2021

Protecting our Natural Environment

Environment Bill sets out a framework for legally binding environmental targets and establishes a new independent body to hold public authorities to account on environmental law.

Also seeks to address recycling, air pollution, water supplies and biodiversity.

After COP15, lead international governments to support business quantifying their impact on nature and how to value natural assets and services. This could include advice on best practice and the development of science-based, globally recognised metrics for business.

Pass the Environment Bill **over the course of this Parliamentary session** to provide a stable, long term regulatory framework that allows business to invest with confidence.

Green Finance

Government presented a roadmap towards mandatory TCFD-disclosures until 2025, with some sections of the economy (e.g. pension schemes and premium listed companies) disclosing already in 2021.

Announced the development of the green taxonomy.

Sovereign green gilts to be issued in 2021-22.

At the G20 in Rome, seek global agreement on a set of internationally recognised reporting standards.

By COP26, consult on the UK's draft green taxonomy to establish common definitions for sustainable economic activities.

By COP26, finalise the framework for sovereign green gilts ensuring it has a social co-benefit alongside climate-related goals.

Take a leading role on internationally aligned sustainability disclosures and global principles for taxonomies and actively work with the critical policy makers such as the FSB, the IFRS Foundation, the International Platform on Sustainable Finance, and the G20 Sustainable Finance Study Group; to make sure that sustainable finance activities can be scaled up globally.

Regularly review the UK's regulatory framework on climate-related disclosures and sustainability reporting standards, for instance every 2 years, to ensure they remain at the forefront of global developments

