



Department for
Energy Security
& Net Zero

Rt Hon Grant Shapps MP
Secretary of State
Department for Energy Security
& Net Zero
1 Victoria Street
London
SW1H 0ET

Troy Aharonian
Madano Partnership Ltd
2a Southwark Bridge Road
London
SE1 9HA

28 June 2023

Dear Troy,

Thank you for your letter dated 23 June regarding the hydrogen levy provisions in the Energy Bill, sent on behalf of Clare Jackson, Ruth Herbert, Stephen Phipson, Steve Elliott, Jon Prichard, Andy Prendergast, Dave Dalton, Robert Ffello, Gareth Stace, Phili Aldridge, Ged Barlow and Tony Smith. I am responding on behalf of the Prime Minister.

The Government sees low-carbon hydrogen as a critical component of our broader strategy to deliver energy security, create economic growth and contribute to our net zero target. We know that investor and developer confidence are critical to realising the potential benefits of the UK hydrogen economy, which could support over 12,000 jobs and unlock up to £11 billion in private investment by 2030.

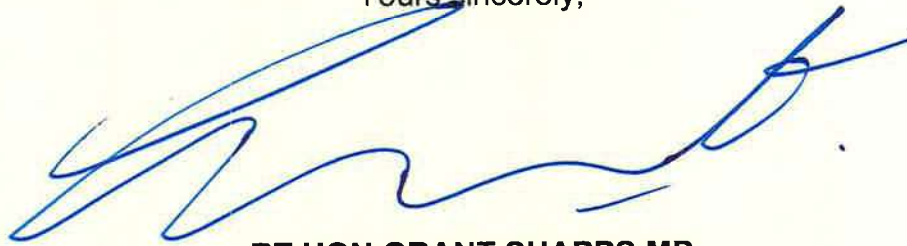
I would like to assure you that I am committed to ensuring that the Energy Bill provides a reliable and robust mechanism for long-term funding for low carbon hydrogen. Government is therefore carefully considering the concerns raised in relation to the levy provisions during passage of the Bill, including those made during the Public Bill Committee Stage.

It is worth noting that the hydrogen production business model will initially be Exchequer funded, and that the powers in the Bill also enable this Exchequer funding.

As indicated in your letter, we expect that industrial consumers will be amongst the immediate beneficiaries of low carbon hydrogen. Hydrogen can also play an important role in the wider energy system, benefitting all energy consumers and improving the UK's energy security. For example, long duration energy storage, supplied primarily by hydrogen, could provide between £13 billion and £24 billion in savings to the electricity system between 2030 and 2050. We expect that energy consumers would benefit from the greater resilience provided by such storage and could benefit from these cost reductions.

Thank you for writing to highlight your concerns. I trust this information will be helpful.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Grant Shapps', written in a cursive style.

RT HON GRANT SHAPPS MP
Secretary of State for Energy Security & Net Zero

*We remain committed
to Hydrogen as per
our published plans.*

The Rt. Hon Rishi Sunak MP
10 Downing Street
London
SW1A 2AA

23 June 2023

Ensuring hydrogen will support the UK's long-term industrial growth

Dear Prime Minister,

As a collection of trade associations and organisations, representing hundreds of organisations that employ or represent thousands of highly skilled workers across the UK's energy sectors and other industries that will rely on hydrogen for their future growth, we are writing to express our concerns over proposals being discussed in the Public Bill Committee Stage of the Energy Security Bill to remove hydrogen funding mechanisms from the legislation.

Hydrogen funding as set out in the current text of the Bill represents an investment in the UK's long-term energy security that will deliver a more efficient and integrated energy system and support tens of thousands of UK jobs, supply chains, GVA and ensure investor confidence across the energy sector.

Unfortunately, we have heard that many MPs are still considering amendments to remove this aspect of the Energy Bill. Without a clear legislative framework for funding, there is a risk that the associated investment, jobs, supply chains and GVA of this growth will go overseas.

Many industrial sectors that our associations represent including manufacturing, glassmaking, ceramic manufacturing, steelmaking, and chemicals production among others, representing thousands of UK jobs, are reliant on hydrogen to decarbonise and secure their own net zero future. Hydrogen has an important role to play in the future net zero economy, with all major modelling showing use in industry, power, and transport to varying levels.

This is an existential moment for the future of the UK's low-carbon energy systems, and for our country's global leadership in the economies of the future. Backing hydrogen and ensuring that manufacturing industries, and transport providers have access to affordable low carbon hydrogen will safeguard the future of UK industry and make the UK an attractive place to invest. However, to do this, Government and MPs must safeguard a funding mechanism for hydrogen in the Bill. Scrapping the option to have hydrogen funding in future, without providing a legislative basis for alternative funding mechanisms, risks destroying this nascent new industry before it can ever be created and support adjacent industries. The UK can lead the way into the next industrial revolution as the global economy works toward net zero, or it can be left behind as jobs and industry move overseas.

We will be forwarding this letter to MPs to seek their support for a funding mechanism in primary legislation.

Yours Sincerely,

Cc' Rt Hon Hon Grant Shapps, Secretary of State for Energy Security and Net Zero

Clare Jackson
Chief Executive, Hydrogen UK

Ruth Herbert
CEO, Carbon Capture and Storage Association

Stephen Phipson
Chief Executive, Make UK

Steve Elliott
Chief Executive, Chemical Industries Association

Jon Prichard
CEO, Mineral Products Association

Andy Prendergast
National Secretary, GMB Union

Dave Dalton
CEO, British Glass Manufacturers' Confederation

Robert Fello
Chief Executive, British Ceramic Confederation

Gareth Stace
Director General, Steel UK

Philip Aldridge
CEO, North East of England Process Industry Cluster

Ged Barlow
Chief Executive, Net Zero North West

Tony Smith
Chair, North West Hydrogen Alliance