



# HMG 10 Point Plan for a Green Industrial Revolution

## What To Expect

### Key Messages

These will need to be reviewed after the plan comes out - but these are holding messages we would like to suggest:

1. The government's 10 point plan is a good start but more action and investment will be needed to get the UK on track to net-zero and to provide the leadership needed ahead of the COP 26 climate summit the UK is hosting next year.
2. The commitment to a 2030 phase out target for new cars is a game changer and will help spark an electric car revolution. (Add other major wins).
3. A full strategic plan is now needed to get to net-zero, which must include a plan on how the transition will be financed.
4. There are other actions which the Government must support which are essential for credible climate leadership and to maximise the economic and jobs benefits of a green recovery. This includes putting green recovery at the heart of the Spending Review next week, ending fossil fuel finance overseas and replacing it with clean energy support, a Net Zero Rule to filter Treasury spending, legislation to align UK financial institutions with the net-zero, increasing financial support for the most vulnerable abroad in the face of a climate emergency and greater action and investment to restore natural ecosystems.

## Introduction

On Wednesday 18<sup>th</sup> November, the Government is expected to launch its 10 Point Plan on climate action.

The Climate Coalition sets out below the ten themes that are likely to feature, based on media speculation, a brief assessment of what might be announced and what we want under these themes. We have detailed positions on some themes as TCC but not on others where members are not campaigning together – on the latter these assessments represent the views of the author only, not the alliance and are written to provide a helpful steer if needed. The Climate Coalition will update this document once the 10 Point Plan has been published. To remind yourselves of our TCC Ten Point Plan, go [here](#).

## Context

Pressure has been growing this year on the Government to make major announcements to get the UK on track to its net-zero target. This is the least the Government must do to have any credibility as a climate change leader ahead of COP 26 in 2021. It also needs to make significant progress ahead of the climate change Ambition Summit set for 12<sup>th</sup> December, that the UK is hosting. Of course we want the Government to go beyond its legal obligations. We need policies and investment that put us on course for playing our fair part in ensuring global heating does not exceed 1.5C.

The Government and even the Prime Minister have made some bold speeches and statements this year on the need for a green recovery and a '*green industrial revolution*' but so far little new money and few new policies have been announced. As a result, the UK is still not on track to meet its 4<sup>th</sup> and 5<sup>th</sup> carbon budgets, which were set under the old 80% emissions reduction target by 2050, let alone the new net-zero target for 2050.

All this could be about to change. The Prime Minister has confirmed that this week he will set out a 10 Point Plan for a green industrial revolution. This plan will differ from the TCC plan in some significant ways. It will not include the UK NDC, which is due to be announced on 12<sup>th</sup> December. It will also not include major international commitments on nature and climate finance which are an important part of our plan.

The Government plan will focus mostly on industrial climate action. This is not an area where our alliance focuses its policy work and we don't have any industrial asks in our plan, although we recognise this sector is important. The plan is also likely to include major commitments on nuclear power, which is not a solution supported by TCC.

There are likely to be however some exciting announcements which speak to our priorities. We should strongly welcome these to show support for ambitious action where it is most needed.

# The Ten Point Plan – Expected Themes & Possible Announcements

## Point 1 – Buildings – Heat and Energy Efficiency

The built environment represents 18% of our emissions and progress is essential to put the UK on track for zero emissions. The government made a commitment in its 2019 manifesto to spend £9.2 billion on building energy efficiency over ten years. TCC is calling for this level of investment during this Parliament alone as well as £5.6 billion during this Parliament for heat pump deployment. Our campaign was given a boost by the announcement this summer of £3 billion for green stimulus building energy efficiency and heat pump deployment up until April 2021. We are looking for Government to keep up this rate of investment.

The Spending Review is next week (25<sup>th</sup> November) and will be only a one year review. So the question is whether the Ten Point plan will set out a commitment to large scale, multi-year funding for energy efficiency and heat pumps which goes beyond that one year. Business badly needs confidence of a longer term public investment programme in order to invest.

**What are we expecting?** Additional capital funding for at least one year – from 2021 to 2022, to be confirmed again in the Spending Review next year. New policies in support. Look out for announcements on the Social Housing Decarbonisation Fund, the Home Upgrade Grant and the Heat Network Transformation Fund. Also look out for the position on the Future Homes Standard for new buildings. This is meant to be introduced in 2025, but will they bring it forward? Also look out for funding to help towns and cities to decarbonise their buildings faster.

**What do we want?** Government to confirm £9.2 billion for energy efficiency funding this Parliament (£6.3 additional to that announced this summer) and £5.6 billion for heat pumps (note that if they extend the Green Homes Grant, then funding for both can be merged under this grant scheme).

## Point 2: Offshore Wind

This has already been announced in the PM's party conference speech. The Government has committed to achieve 40GW of capacity in offshore wind by 2030, of which 1GW is floating. He has also committed to double capacity commissioned under the Contracts for Difference auction in 2021.

This is a very welcome step up in ambition. A recent letter to the PM from NGO's has called on him to ensure this welcome expansion is done sustainably and that new spatial planning regulations are introduced to protect our seas.

The Government may not say anything on either on-shore wind (the cheapest source of renewable power) or solar, two of the most important technologies for achieving net-zero. They also need fiscal and policy support to fulfil their potential .

**What are we expecting:** Re-announcement of 40GW target.

**What do we want:** We support the 40GW announcement. The Government must guarantee that an additional 20GW of offshore wind will be contracted through a regular pipeline of auctions over the next 4 years. We want commitment to spatial planning to ensure all off-shore wind development is sustainable. In addition we want strong support for on-shore wind, community energy and solar to maximise their potential, with access for solar and on-shore wind to the power auctions in 2021.

### **Point 3: UK electricity system - Networks and Storage**

As the UK moves to electrify its vehicle fleet and heating systems, there are concerns of the impact this extra load will have on the UK's existing electricity systems. The network needs to be expanded significantly strengthened. Flexibility and storage will be key for ensuring demand can be met through renewable sources, with upgrades to networks and storage required to achieve this.

**What are we expecting?** New investment is likely to be announced to support connection to offshore wind farms, greater storage and policies to support development of a smarter electricity system.

**What do we want?** Significant new investment for inter-connection, storage and smart energy.

### **Point 4: Delivering New and Advanced Nuclear**

The 10 Point Plan is likely to make major announcements on nuclear power. On power, TCC supports sustainable renewables, including interconnection, storage and flexibility storage to deal with intermittency issues. Many are concerned that that nuclear power is potentially dangerous and is not economic, with the costs of renewables plunging whilst cost of nuclear remains high. Nuclear also does not solve intermittency because it is base load that cannot easily be increased or decreased at short notice.

**What are we expecting?** The Government may announce major funding to contribute to a public-private partnership for a new set of nuclear reactors at Sizewell, as well as significant investment for Rolls Royce to develop Small Modular Reactors. This could be one of the biggest spending pledges in the Ten Point Plan.

**What do we want?** No nuclear, with investment used instead to support renewables, inter-connection, storage and smart energy systems.

## **Point 5: Investing in Carbon Capture Usage and Storage (CCUS)**

The Conservatives pledged £80m for CCUS in their manifesto in 2019. The Committee on Climate Change has called for a CCUS cluster to be set up by the mid-2020's to help decarbonise heavy industry. There are big questions over the value of investment in CCS attached to fossil fuel plants when this will still result in some fugitive emissions and money might be better invested in completely decarbonising these industrial processes, potentially with green hydrogen.

**What are we expecting?** Possible target for CCUS by 2030 and investment for first CCUS cluster in north of England by mid 2020's.

## **Point 6: Hydrogen**

Hydrogen has become one of the most talked about energy themes of 2020, with ministers making numerous statements in support of developing hydrogen as an energy source. This comes off the back of a major commitment the European Commission and France and Germany have already made to develop green hydrogen. TCC has concerns about blue hydrogen (hydrogen created by reforming fossil fuel with CCS) because of fugitive emissions which means it is not net-zero compatible if done at a large scale. It could also be used a way by the fossil fuel industry to keep the fossil fuel industry alive, locking in fossil fuel infrastructure. Green hydrogen, generated from renewables via electrolysis, is a better bet but it will likely take 10 years to generate at scale and also has significant limitations. It is approximately 4-5 times less efficient than using renewable power directly because you have to convert power to a gas and back into power. So that means its most cost effective applications are likely to be in heavy industry and as a way to store excess renewable power.

**What are we expecting?** A big push on hydrogen. This is likely to include a target for hydrogen production by 2030, investment in hydrogen generating plants and possibly a target for increasing hydrogen mix in the gas grid. The scale of investment could be significant.

**What do we want?** Green hydrogen only and for it to be focused on hard to decarbonise areas such as heavy industry, eg steel and cement and possibly some heavy transport applications. We do NOT want it to be used for home heating as we think this would be economically inefficient and costly. Heat pumps and heat networks are a better, more efficient solution, even if they come with their own challenges.

## **Point 7: Innovation**

This is a Government that loves innovation and we can expect to see more support for net-zero R&D.

**What are we expecting?** More funding - Key areas where funding could be concentrated include zero carbon heating solutions, construction, nuclear, hydrogen and transport. Also look out for a more funding for fusion development, an area where the UK has a lot of expertise but which always seems to be a long way off.

**What do we want?** We want innovation funding focused on areas where rapid improvement is needed on solutions which are sustainable and feasible and can benefit the most people. This includes building fabric, storage, heat pumps and smart energy solutions.

## **Point 8 – Transport**

The transport sector is now the sector with the highest level of emissions in the UK – 24% in 2019. Emissions have flat-lined for many years and to get on track to net-zero, urgent action is required to help shift people out of cars on to public transport, increase walking & cycling & to speed up the transition to electric vehicles substantially. The current target for banning fossil fuel vehicles is 2040 although it is no secret that the Government has been intending to bring this forward for a long time.

**What are we expecting?:** This is the big one, already trailed in the media – a 2030 target to ban the sale of new Internal Combustion Engine (ICE) vehicles and a 2035 target to ban hybrids. It would also send out a very positive signal internationally ahead of COP 26, with the UK adopting one of the most ambitious targets for banning ICE vehicles. Speculation of this announcement in the media last weekend has already attracted criticism from some right wing media (Daily Telegraph) and it is important that we strongly welcome this decision to ban ICE vehicles by 2030. We would prefer hybrid vehicles to also be banned by this date but it still marks major progress. And it is possible that electric vehicles will be so advanced by 2030 that the sale of hybrids after this date will not make financial or practical sense.

**What do we want?:** We want the Government to announce the phase out of new fossil fuel cars and vans by 2030 and significantly increase investment in walking & cycling infrastructure, public transport provision and the electrification of buses and trains.

## **Point 9: Green Financing**

The Conservative Government has made it a priority for the UK to lead the world in green finance. Green finance is another one of its priorities ahead of COP 26. The Chancellor made a number of announcements last week. This included mandatory TCFD (reporting on the risk of climate change to business investments) by 2025 and the introduction of Green Sovereign Bonds. Mandatory TCFD was an ask in our Green Recovery Plan and this decision is world leading. However, it does not go far enough because it only requires large business and investors to consider risk, it doesn't require them to take any action. TCC is calling for new

legislation to require all financial institutions in the UK to implement strategies that align with the Paris Agreement on climate change.

A Green Sovereign Bond is to be welcomed and although its value is largely cosmetic, it could be used to help capitalise a new green public bank and sends a strong signal internationally that the UK Government backs green finance solutions.

**What are we expecting?** Beyond the announcements made last week on TCFD and the Green Sovereign Bond, the big one to watch out for is news of a new public infrastructure bank, with a net-zero mission. This would mark a really significant breakthrough, **IF** it is a proper bank and if its going to be properly capitalised with billions to help drive a green recovery. Note that the Government did have a Green Investment Bank (the first of its kind in the world) which many NGO's campaigned for but it was sold off in 2016 despite being very successful.

**What do we want?** In addition to legislation for financial institutions to align with Paris, TCC is also calling for a Net Zero Test, to filter all Treasury spending decisions; a Climate Finance Plan, so the Treasury sets out exactly how it intends to finance the net-zero transition; and a Climate Infrastructure Bank to accelerate and leverage private funding into the net-zero transition. A Climate Bank would be a big win.

## **Point 10 – Natural Environment**

The restoration of natural habitats is one of TCC's priorities. The Government made limited funding commitments last summer and TCC members are waiting for the announcement of a much higher level of funding support.

**What are we expecting?** This week some more funding was announced - £40 million of investment in the Green Recovery Challenge Fund to be given to charities and partners to help restore natural habitats in England. Enquiries suggest that £20m is new money and £20m is channelled from an underspend. 10 landscape recovery projects are also due to be announced and new national parks will be created. TCC members will be looking for a much higher rate of investment than has been announced so far.

**What do we want?** In our submission to the spending review, TCC asks for nature included asking for £1.2 billion/ year to enable delivery of the Nature Recovery Network and nature-based solutions for climate change and £500 million / year to support a National Nature Service. See our [Ten Point Plan](#) for more detail on our other nature asks.