

To the Chris Skidmore
Net Zero Review Team

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ETG Secretariat

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By email

**Could you please reply by
email to the ETG Secretariat
at john.craven@etg.uk.com**

Dear Chris Skidmore Net Zero Review Team,

**ETG EVIDENCE TO THE CHRIS SKIDMORE NET ZERO REVIEW - FUNDAMENTAL
CONSIDERATIONS AROUND THE SUSTAINABLE ACHIEVEMENT OF NET ZERO**

The UK Emissions Trading Group's (ETG) members represent a high proportion of the businesses covered by the UK emissions trading system (UK ETS) and, until 2020, the EU Emissions Trading System (EU ETS). The sectors and businesses represented in ETG are important elements of the UK energy, manufacturing, energy-intensive industries and supporting services such as verification, participants in traded markets and a wide range of advisory functions. They all have a key role in the transformation towards the objective of a zero-carbon economy and society.

ETG members are committed to decarbonising in line with the UK ambition for net zero and would emphasise the importance of the UK ETS in achieving that and the urgent need to link with the EU ETS in order to minimise cost. In 2021 ETG formed a Net Zero Industry workgroup. Different sectors have presented their roadmaps to net zero (see Annex for a brief summary) and the opportunities and barriers associated with the various pathways. Informed by those roadmaps, we have identified the following 10 fundamental considerations around the achievement of Net Zero whilst at the same time maintaining the viability of UK industry:

1. The economy cannot grow unless industry is able to deliver, e.g. on steel, cement and polymers alongside net zero. Sustainable development of the green economy will generate jobs in manufacturing industry and in innovation technology. Government business models - Hydrogen/CCUS/Transport and Storage - are interlinked and their development needs to be co-ordinated within the same timescale.
2. Achievement of Net Zero cannot be left to the market.
3. Industry won't invest unless they can actually see that a particular technology works for them – demonstration projects and a clear infrastructure plan are urgently needed.
4. Individual sectors/sites therefore need to be able to understand if and how they can benefit from proposed infrastructure – allowing for geographic or restricted site considerations.
5. For some sectors, the majority of plants are in dispersed locations which presents challenges for: increasing grid capacity to switch from fossil fuels to electrification, accessing low carbon hydrogen, and connecting to CO₂ transport and storage networks.

6. Whatever the location of the plants, access to secure and competitively priced supplies of low carbon hydrogen in the quantity required for industrial consumption is not available yet and CO₂ pipelines and non-pipeline transport and storage are also missing.
7. All this points to the importance of the Energy Bill measures on CCUS and Hydrogen.
8. There is a need for more funding for technological demonstration projects and infrastructure development. The UK Government is on track to receive GBP 6.6 billion in UK ETS allowance auction revenues in 2022 alone and revenue of GBP 9.3bn has been raised to date. However, the level of support flowing back to industry for technological demonstration projects and infrastructure development is barely a fraction of this. Far more support is required.
9. Under the existing EU ETS, Member States are required to spend at least half of their auction revenues to support greenhouse gas emissions reductions, to deploy renewables and carbon capture and storage, and to improve energy efficiency and district heating. The UK should replicate this approach or risk being left behind.
10. Effective carbon leakage protection and resilient energy systems are necessary to support net zero and encourage industry to invest in carbon neutral solutions.

Yours sincerely,

John Craven

John Craven
Head of ETG Secretariat
- for the UK Emissions Trading Group

ANNEX

INDICATIVE TECHNICAL SOLUTIONS BEING CONSIDERED BY UK INDUSTRY TO REACH NET ZERO BY SECTOR

	Electrification	Hydrogen	CO2 usage	CO2 storage	Biofuels \ synthetic fuels	Nature based
Mineral products	✓	✓	✓ in products	✓✓	✓	✓
Steel	✓✓	✓	✓	✓✓		
Glass	✓✓	✓				
Aviation	✓				✓✓	
Food and drink	✓	✓			✓	✓
Vehicle manufacture	✓	✓			✓	
Oil and gas extraction	✓✓	✓ providing		✓✓	✓	
Fuel processing \ refining	✓	✓ providing	✓ in products	✓	✓ providing	
Paper	✓✓				✓	
Power generation	✓✓ providing	✓✓ user and provider		✓✓	✓	
Chemicals	✓	✓✓	✓	✓	✓	
Building materials (e.g. wood panels)	✓				✓✓	
Ceramics	✓	✓✓	✓	✓	✓	✓