



Department for
Energy Security
& Net Zero

Lord Callanan
Parliamentary Under Secretary of
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Angus Brendan MacNeil MP
Chair of the Energy Security and Net Zero Committee
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Dear Angus,

Update on hydrogen policy development and project delivery

I am pleased to inform you that today **we are announcing the 11 electrolytic (or “green”) hydrogen projects that have been successful in the first hydrogen allocation round (HAR1)**. This announcement has been made alongside **the launch of the second hydrogen allocation round (HAR2)** and several important hydrogen policy updates.

Supporting low carbon hydrogen will be crucial for ensuring energy security and achieving net zero. It will be needed to decarbonise vital UK industrial sectors and heavy transport, as well as supporting resilience and security for our power system – and in the process could transform our industrial heartlands, unlocking over 12,000 jobs and up to £11 billion in private investment by 2030 across the UK.

HAR1 was the first of our planned annual electrolytic allocation rounds for the Hydrogen Production Business Model. The successful projects are located across 11 sites in England, Scotland and Wales and represent 125MW of hydrogen production capacity. This marks the UK as a global leader in hydrogen, representing the largest number of commercial scale electrolytic production projects announced at once anywhere in Europe. The Government is committing over £2 billion in support to these projects through 15-year contracts, and the return on investment from industry is notable:

- £413 million of private capital will be invested by the projects upfront between 2024 and 2026;
- Around 700 jobs will be created during construction; and
- We anticipate millions to be spent by ‘offtakers’, which are those businesses committing to buying the hydrogen produced, to convert their operations to

hydrogen. These include major employers and household names in consumer goods, distilleries, and heavy transport.

I am delighted that we have launched the second hydrogen allocation round, “HAR2”, today, through which we will aim to award contracts of up to 875MW, subject to affordability and value for money. This is the next step in delivering our ambition of 1GW of electrolytic hydrogen production projects being in operation or construction by 2025.

Following the recommendation in the Independent Review of Net Zero, led by former energy minister Chris Skidmore MP, today **we have also published a Hydrogen Production Delivery Roadmap which sets out how we expect the UK hydrogen production landscape to evolve to 2035.** This roadmap contains further details on our proposal for annual hydrogen allocation rounds from 2025 to 2030 and sets out our ambitions to allocate up to 1.5GW across HARs 3 and 4, subject to affordability and value for money. This clarity on future allocation rounds is what industry has been calling for and will help to bring forward long term investment into low carbon hydrogen production projects in the UK.

Hydrogen transport and storage infrastructure will be essential to the development of the UK hydrogen economy, providing the link between production and demand. **As such, today the Government has also published a Hydrogen Transport and Storage Networks Pathway, which sets out the next steps in our vision for the strategic development of UK hydrogen transport and storage infrastructure.** Alongside this, we are setting out our intentions for the first allocation rounds of the hydrogen transport and storage business models, including for these rounds to open in 2024 and to allocate support for up to two storage projects at scale and associated regional pipeline infrastructure. This is a major step forward in the delivery of the critical hydrogen infrastructure we will need and builds on the legislative powers created in the Energy Act 2023.

We are also announcing that following consultation, and based on current evidence, the Government sees potential strategic and economic value in supporting the blending of up to 20% hydrogen by volume into the GB gas distribution networks in certain scenarios. In certain circumstances, blending has the potential to stimulate an early hydrogen market through de-risking hydrogen production projects and reducing costs at a project and system level.

The Powering Up Britain: Energy Security Plan announced our intention to consult in 2023 on the need and potential design options for market intervention to support hydrogen to power. **We can today announce that this consultation has been published and is open for responses. The consultation outlines our minded-to position on intervention design of a potential ‘hydrogen to power’ business model, and proposals to enable ‘hydrogen to power’ plants to compete in the Capacity Market as soon as practical.**

The latest Hydrogen Strategy Delivery Update acts as an important milestone as we progress from ambition to delivery and outlines the government’s updated UK hydrogen economy roadmap for the coming decade. In so doing, it charts how

government is taking the steps that are crucial to build early momentum – giving industry the confidence they need to invest in and commit to hydrogen – and ultimately deliver a world leading hydrogen economy.

A handwritten signature in blue ink, reading "Martin Call" followed by a long horizontal flourish.

Lord Callanan