Department for
Business, Energy
& Industrial Strategy

Rt Hon Kwasi Kwarteng MP
Minister of State for Business, Energy and Clean Growth.

Department for Business, Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET

Rachel Reeves MP
Chair of the BEIS Select Committee
House of Commons
London
SW1A 0AA

T +44 (0) 20 7215 5000
E enquiries@beis.gov.uk
W www.gov.uk

3 April 2020

Dear Rachel,

Thank you for your letter regarding the Government's progress on carbon capture, usage and storage (CCUS) and for the Committee's continued excellent work on supporting this. I am delighted that you welcome our announcement of at least £800 million to support the deployment of CCS in at least two UK sites across the decade. This represents a significant milestone in demonstrating Government commitment for this important technology and belief that the UK can become a global leader in CCUS.

Let me firstly reassure you that even though we are facing a challenging economic climate and are doing everything we can to ensure the health and financial stability of the nation, we still remain committed to take the vital steps to reach our net zero target and lead a new green Industrial Revolution.

A key step is supporting the deployment of CCUS this decade. We share the Select Committee's view and recognition of the importance of capitalising on the benefits for local economic growth. CCUS will be essential to meeting our 2050 net zero target whilst playing a vital role in levelling up the economy – supporting the low carbon economic transformation of our industrial regions, creating new high value jobs, providing new economic opportunities for British companies and supply chains and attracting investment from all around the world.

We are continuing to develop ambitious plans to ensure that we effectively capture the range of opportunities CCUS presents in meeting our net zero target.

Your letter raised a number of queries seeking more information on the Department's CCUS objectives. I have set out responses to each of these below.

1. *How many projects is the £800 million funding for CCS intended to support, and for which aspects of CCS projects? What format will the funding be made available in?*

The Carbon Capture and Storage Infrastructure Fund will enhance long-term competitiveness of UK's industrial regions by providing at least £800 million to establish CCS in at least two UK sites, one by the mid-2020s and another by 2030. We have also announced that we will support the construction of the UK's first CCS power plant using consumer subsidies by 2030. The Fund will be developed in parallel with the continued development of business models for CCUS.

The focus of the Fund will be in providing capital support to projects that can be operational over the next decade. The aim of the Fund will be to act as a critical enabler for unlocking the decarbonisation in at least two industrial clusters across the next decade, catalysing future projects and enabling cost reductions including through a reduction in risk and the cost of financing.

We intend to engage further with potential projects, before taking decisions on how and when monies from this flexible fund will be allocated. We expect to announce further details on the Fund in at the Comprehensive Spending Review.

2. *When will the Government publish details of the £500 million promised in the Queen's Speech for decarbonising energy intensive industries?*

The Industrial Energy Transformation Fund (IETF) was set up to provide industry, including energy intensive industries, with support for energy efficiency and decarbonisation. £315 million funding for the IETF was announced at Budget 2018, while a commitment was made in our 2019 manifesto to invest £500 million to help industries move to low-carbon techniques. We expect to open the first phase of the IETF this Spring. This will provide £30 million grant funding towards energy efficiency equipment in industrial processes and engineering studies for future decarbonisation projects. The second phase of the Fund is expected to open in 2021. We are working closely with industry stakeholders to design the Fund according to their needs.

3. *When will the Government publish its Review of Delivery and Investment Frameworks for CCUS?*

As we committed to in the CCUS Action Plan, we published a consultation in July 2019 on how we can bring CCUS projects to market in the years ahead. This was an important step in order to meet our Action Plan commitment of delivering the UK's first CCUS project from the mid-2020s, given that commercial issues had been identified as the key barriers facing CCUS deployment.

We received 72 responses and they have formed an important part of our policy development. We are committed to developing and implementing new CCUS business models (in power, industry, transport and storage) as well as for hydrogen to unlock private sector investment and deployment.

We are keen to continue the detailed engagement with industry to create stable integrated investment frameworks across the CCUS chain and will be setting up new CCUS expert groups for CCUS transport and storage (T&S), power and industry. In addition, another group examining the commercial framework for low carbon hydrogen will also be established shortly. These groups will give industry a forum with government to input into the detailed design work of the new commercial frameworks needed to deploy CCUS and low carbon hydrogen in the UK.

Our intention is to respond to our consultation in the Spring. However, given the significant challenges posed by covid-19 impacts that are constantly evolving, we are keeping the situation under careful review.

4. *Will the Energy White Paper contain a decision on whether to set specific targets for carbon storage volumes by 2030 and 2035? When will the Government publish this?*

We are reviewing this recommendation in the context of the Energy White Paper. Despite the extraordinarily challenging circumstances due to COVID-19, I would like to stress that the Energy White Paper is still very much a priority for the Department, as the first major statement in energy on how we plan to deliver the energy component of our net zero commitment. We remain committed to publishing the Energy White Paper and will provide an update on this in due course.

5. *Will the Government raise its ambition to have at least one operational CCUS cluster by the mid-2020s? If not, what alternative plans do you have in place to keep the UK on track for its Net Zero target?*

As above, the CCS Infrastructure Fund is intended to enhance long-term competitiveness of UK's industrial regions by providing at least £800 million to establish CCS in at least two UK sites, one by the mid-2020s and another by 2030.

Our new CCS Infrastructure Fund, committing to invest at least £800 million, underlines our commitment to progress CCUS in the 2020s, recognising the essential role CCUS will have in helping the UK meet our 2050 net zero target.

We are currently assessing the Committee's recommendations on delivery in the 2020s and the overall targets for CCUS by 2030 and 2035 in the context of the wider climate change initiatives such as the forthcoming Energy White Paper. We will provide further announcements throughout the year, where we intend to set out our way forward on CCUS out to 2030 and beyond.

I hope you find these responses helpful and provide you with the confidence in the level of ambition set on CCUS across this Government, building on the excellent progress made so far.

This decade will be critical for CCUS; one in which the public and private sectors need to transition from planning to the operational delivery of the UK's first CCUS clusters. I am confident that we can work together successfully in partnership with industry to achieve this.

Kwasi Kwarteng

RT HON KWASI KWARTENG MP
Minister of State for Business, Energy and Clean Growth