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Dear Philip

Technological innovations and climate change inquiry: supply chain for battery electric vehicles

Thank you for your letter dated 16 July 2021 providing me with an update on the above inquiry. I agree that that this topic is of utmost importance, particularly in light of the Government's commitment to end the sale of new petrol and diesel cars and vans by 2030. I am grateful for your work to gather evidence from key stakeholders, which I have reviewed with interest, and will now respond to the specific points raised in your letter.

Industrial Strategy

Government remains fully committed to supporting the creation of an internationally competitive EV supply chain in the UK, including gigafactories for battery manufacturing. As part of the Prime Minister's 10 Point Plan for a green industrial revolution, nearly £500m of funding has been made available through the Automotive Transformation Fund (ATF) over four years to build an internationally competitive EV supply chain here in the UK. This is the first part of the up to £1 billion previously committed to these efforts.

Government is working with industry, through the ATF, to support the transition of the automotive sector. Government investment seeks to maximise this opportunity by targeting strategically important parts of the EV supply chain and focusing on where the UK has an existing comparative advantage or where there is potential to grow. The fund will be administered using a portfolio approach which will evolve over time to reflect changes in the strategic importance of different elements and ensure appropriate targeting of the available funds.

I am happy to confirm that our assessment of the priorities for the ATF support has also taken account of the amount of value added by specific components (and therefore their importance in enabling manufacturers to meet rules of origin requirements). The trade deal we have agreed with the European Union is fundamentally good for business. A deal based on zero tariffs and zero quotas means that businesses can continue to trade with the EU with confidence. It also provides an incentive for vehicle manufacturers to increase the amount of local content over time, creating an opportunity to grow the EV supply chain in the UK.

Through the ATF we are proactively engaging with potential EV supply chain investors, including battery manufacturers. In parallel we are also talking to vehicle manufacturers to ensure we maintain an up to date understanding of battery requirements and priorities for onshoring elements of the supply chain. We use this information to inform our discussions with investors, working hand in hand with local authorities and other relevant stakeholders.

In addition to the ATF, there are a number of other programmes that are crucial to supporting the transition of the automotive sector. This includes the work of the Office for Zero Emission Vehicles, assistance for R&D through the Advanced Propulsion Centre, and work to support the growth of the UK's power electronics, machines and drives supply chain through Driving the Electric Revolution.

The Government is also investing £318m in the Faraday Battery Challenge to put the UK at the global forefront of design, development, manufacturing, and recycling of electric batteries. This has included support for the UK Battery Industrialisation Centre, a unique open-access facility which was officially opened by the Prime Minister on 15 July.

Research, Development and Innovation

To achieve our goal of increasing total expenditure of R&D to 2.4% of GDP by 2027, we need to unlock business investment in innovation. On 22 July, we published the Innovation Strategy which sets out the Government's vision to make the UK a global hub for innovation by 2035, placing innovation at the centre of everything this nation does and creating the confidence for increased business investment in R&D and innovation. The Innovation Strategy recognises the UK automotive sector for its high level of investment in R&D and its role in the development of new technology.

The Innovation Strategy seeks to create the conditions for all businesses to innovate including access to skilled workers, a business-friendly regulatory environment, and access to finance, amongst others, and aims to take a broad view across the innovation ecosystem. It is focussed on the key actions to achieve our objectives, brings together existing plans and does not aim to cover every part of the system in detail.

The Strategy is the first part of our ongoing programme of work to achieve government's innovation objectives, and forms part of a wider suite of government actions to Build Back Better; the start of a long-term conversation and work programme to make the UK a global hub for innovation.

Responsible sourcing of materials

Led by BEIS, the Government is considering the most effective way to continue to deliver our strategic objectives in the area of critical minerals and raw materials. A cross-government group at senior official level is overseeing our work in this area, as we establish the best way to deliver and communicate our objectives more broadly, in the run-up to COP26 and beyond.

As we set out in our Integrated Review, published in March 2021, in addition to accelerating the transition to a zero-carbon global economy, our priorities include:

- action to diversify the UK's supply chain in critical goods, such as medical equipment and rare earth elements, through trade partnerships and collaboration;
- use of market-led strategies, such as targeted trade promotion and lowering barriers to trade, development of multilateral approaches to assess global supply chain vulnerabilities, promotion of global standards to support a greater circular economy and establish agreement to keep trade in critical goods open in times of crisis; and
- Exploration of opportunities for domestic extraction and processing of critical minerals, such as lithium, as well as their recovery, recycling and reuse to establish a viable circular economy.

The UK's approach to technology-critical minerals and metals is focused on identifying and securing the commodities required to reach net zero by 2050 along with wider objectives for economic growth and levelling up. This includes those materials required for the manufacture of batteries and magnets for EVs, as well as for renewable power generation and other applications.

Recycling

The last section in your letter covers recycling. The policy for this sits with the Department for Environment, Food and Rural Affairs (Defra). As part of the Government's December 2018 Resources and Waste Strategy, there was a commitment to review the existing approach as set out under the Batteries and Accumulators (Placing on the Market) Regulations 2008 and the Waste Batteries and Accumulators Regulations 2009. That review is underway and due to lead to a consultation at the turn of the year. Defra is considering the draft EU Batteries Regulation proposals alongside the review of the UK's domestic batteries legislation.

Once again, thank you for taking the time to write to me on this important topic. I would, of course, be happy to discuss the matter further or answer any follow up questions you might have.

Yours sincerely,



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