Department for Business, Energy & Industrial Strategy

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Darren Jones

Chair, Business, Energy and Industrial Strategy Committee
House of Commons
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Dear Darren

Publication of the Net Zero Strategy

Today we are publishing the *Net Zero Strategy*, which sets out our vision for how we will transform our economy and society to be cleaner, greener, and more innovative as we strive to achieve net zero by 2050.

We have achieved a lot already, decarbonising faster than any other G7 country with a 44% reduction in emissions between 1990-2019, while growing the economy by 78%. But we know we must go further and act now on climate change.

In doing so we must embrace the opportunities of the new green industrial revolution, getting a head start which will generate jobs and attract investment across the UK to level up Britain and build back better.

The *Net Zero Strategy* builds on the Prime Minister's *Ten Point Plan,* and other key publications and sets out a clear path for the changes we need to secure our energy, create jobs and new industries, and end our contribution to climate change.

Throughout we have and will be guided by the following principles:

- We will work with the grain of consumer choice: no one will be required to rip out their existing boiler or scrap their current car.

- We will ensure the biggest polluters pay the most for the transition through fair carbon pricing once current gas price spikes subside.

- We will ensure that the most vulnerable are protected through Government support in the form of energy bill discounts, energy efficiency upgrades, and more.

- We will work with businesses to continue delivering deep cost reductions in low carbon tech through support for the latest state of the art kit to bring down costs for consumers and deliver benefits for businesses.

We recognise that this is not just an environmental transition but an economic one. So the Strategy sets a clear direction for businesses, giving them the certainty they need to invest, grow, and make UK home to new ambitious projects. It will:

- Level up our country supporting 190,000 green jobs in the mid-2020s and around 440,000 jobs across net zero sectors in 2030.

- Build a secure, home-grown energy sector which ends our dependency on volatile foreign gas prices, which will help protect consumers and businesses.

- Leverage up to £90 billion of private investment by 2030, levelling-up our former industrial heartlands. This will build on the investment secured through the Prime Minister's *Ten Point Plan* for example Siemens Gamesa investing £186 million to expand offshore wind blade manufacturing in Hull; Nissan and Envision will invest £1 billion to create an electric vehicle manufacturing hub and Gigafactory in the North East.

- Take a credible approach to cutting our climate emissions, keeping us on track to meet our carbon reduction targets, including our Nationally Determined Contribution (68% reduction by 2030) and Carbon Budget 6 (78% by 2035).

Our Strategy gives businesses and industries the certainty they need to invest, grow, and put the UK at the forefront of innovation that will help tackle climate change. It shows how government is working with them to bring down the costs of key technologies to give the UK a competitive edge. It explains how we will use public finance to leverage the private investment we need to pull through technologies and infrastructure from innovation to market.

Buildings are responsible for around 30% of our national emissions but more importantly decarbonising our homes provides with an unparalleled opportunity for job creation and innovation. That is why our *Heat and Buildings Strategy,* also published today, will signal a step change in improving the energy efficiency of our buildings and how we heat them, supporting 240,000 green skilled jobs by 2035 and delivering £6 billion additional GVA by 2030.

From 2035, all new heating systems installed in UK homes will either use low-carbon technologies, such as electric heat pumps, or will support new technologies like hydrogen-ready boilers, where we are confident we can supply clean, green fuel.

Under plans, no-one will be forced to remove their existing fossil fuel boilers, but with industry confident that electric heat pumps will be as cheap to buy and run as gas-fired appliances by 2030, homeowners will be able to easily make these choices when the time comes to replace their old boiler.

To encourage consumers to install low-carbon alternatives in the meantime, a new £450 million three-year Boiler Upgrade Scheme will see households offered grants of £5,000 for low-carbon heating systems. The scheme will open in April 2022.

To ensure electric heat pumps will be no more expensive to run than gas boilers, ministers want to reduce the price of electricity by shifting levies away from electricity bills over the next decade. A call for evidence is expected to be published with decisions made in Spring 2022. Implementation would happen over many years.

Alongside the *Net Zero Strategy* and *Heat and Buildings Strategy*, we are publishing: a response to the Climate Change Committee's *Progress in Reducing Emissions* annual progress report, meeting our statutory duty under the Climate Change Act; and the Net Zero Review, an analytical report that explores the key issues as the UK decarbonises.

I will place copies of the *Phasing Out Fossil Fuel Heating Systems in Businesses and Public Buildings off the Gas Grid consultation*, *Phasing Out Fossil Fuel Heating in Homes off the Gas Grid consultation*, *Market Mechanism for Low-Carbon Heat consultation*, and the Government response to the *'Future Support for Low Carbon Heat' consultation: Boiler Upgrade Scheme (BUS)* in the Libraries of the House.

Yours ever,

Rt Hon Greg Hands MP
MINISTER OF STATE FOR ENERGY, CLEAN GROWTH AND CLIMATE CHANGE

Annex A: Headline Announcements

Power:

- Commitment to decarbonise the UK's electricity system by 2035, by building a secure, home-grown energy sector that is not reliant on fossil fuels and exposure to volatile global wholesale energy prices. It brings forward by 15 years the government's commitment to a fully decarbonised power system by 2050, set out in the Energy White Paper, and builds on the Prime Minister's *Ten Point Plan for a Green Industrial Revolution* to secure a future clean electricity supply, that's generated in the UK, for the UK
- Deployment of smart technologies such as energy storage and flexible heating systems could save up to £10 billion per year by 2050
- Supporting the deployment of CCUS through the £1 billion CCS Infrastructure Fund. Following Phase 1 of the Cluster Sequencing process, the Hynet and East Coast Clusters have been confirmed as Track 1 clusters.

Industry:

- An Industrial Decarbonisation and Hydrogen Revenue Support (IDHRS) scheme to fund our new industrial carbon capture business model, and hydrogen business model
- Future-proofing industrial sectors, and the communities they employ through the £315 million Industrial Energy Transformation Fund

Heat and Buildings:

- A new £450 million three-year Boiler Upgrade Scheme will see households offered grants of up to £5,000 for low-carbon heating systems
- A new £60 million Heat Pump Ready programme that will provide funding for pioneering heat pump technologies and will support the government's target of 600,000 installations a year by 2028
- £65 million funding for the Flexibility Innovation Programme which will deliver funding for a range of innovation projects that will help manage increased demands on the UK's electricity system in a green future
- Further funding for the Social Housing Decarbonisation Scheme and Home Upgrade Grants £800 million and £950 million respectively
- Further funding of £1.425 billion for Public Sector Decarbonisation, as set out in our manifesto
- Funding for Heat Network Transformation Fund Programme, totalling £338 million, including at least £270 million for the Green Heat Network Fund

Transport:

- A zero emission vehicle mandate to improve consumer choice and ensure we maximise the economic benefit from this transition by giving a clear signal to investors. This will deliver on our 2030 commitment to end the sale of new petrol and diesel cars, and 2035 commitment that all cars must be fully zero emissions capable.
- Build a globally competitive UK zero emission vehicle supply chain – we are allocating a further £350 million of our up to £1 billion Automotive Transformation Fund to support the electrification of UK vehicles and their supply chains
- Become a leader in zero-emission flight, kick-starting commercialisation of UK sustainable aviation fuels (SAF). Our ambition is to enable delivery of 10 per cent SAF by 2030 and we will be supporting UK industry with a £180m funding to support the development of SAF plants

Natural Resources:

- We will boost the existing £640 million Nature for Climate Fund with a further £124 million of new money, ensuring total spend of more than £750 million by 2025 on peat restoration, woodland creation and management – above and beyond what was promised in the manifesto. This will enable more opportunities for farmers and landowners to support Net Zero through land use change.
- Restoring approximately 280,000 hectares of peat in England by 2050 and trebling woodland creation rates in England, contributing to the UK's overall target of increasing planting rates to 30,000 hectares per year by the end of the Parliament.

- To support our commitment to explore options for the near elimination of biodegradable municipal waste to landfill from 2028, we are bringing forward £295 million of capital funding which will allow local authorities in England to prepare to implement free separate food waste collections for all households from 2025

Innovation for net zero

- A £1.5 billion net zero Innovation portfolio focussing on the best ideas and technologies to decarbonise our homes, industries, and power, with projects already launched across areas such as energy storage and flexibility, renewables and hydrogen