

## Written evidence submitted by SSE Group (LRS0033)

### Introduction

1. SSE plc welcomes the opportunity to give evidence to this sub-inquiry into *Levelling up: local and regional structures and the delivery of economic growth*.
2. SSE plc is a UK-listed, FTSE-100 company and provider of low-carbon energy infrastructure.
3. SSE is involved in the generation, transmission, distribution and supply of electricity and in the production, storage, distribution and supply of gas. Our purpose is to provide energy needed today while building a better world of energy for tomorrow.
4. Headquartered in Perth, SSE is a Fair Tax and Living Wage Employer and directly employs over 11,000 people across the UK and Ireland. Over 2019/20, PwC calculated that SSE's activities supported 83,040 jobs and contributed £7.7bn to the UK economy, bringing SSE's total economic contribution over the past five years to £45.2bn in the UK and Ireland.
5. Along with being one of the biggest FTSE companies headquartered outside of London, the nature of SSE's investments and operations means that the jobs it supports are often in some of the most rural areas and industrial heartlands of the UK and Ireland, across many different regions.

### Sustainable local economies

6. SSE believes that only a green economic recovery can stimulate local economies and create the much-needed green jobs at a regional level.
7. In May 2020, SSE published *A Greenprint for a cleaner, resilient recovery*<sup>1</sup> in which we provided a five-point action plan focused on stimulating growth and investment to leave a legacy of a cleaner, more resilient UK economy for the future. This included fifteen practical proposals for the UK Government to meet the twin objectives of helping the economy rebound whilst taking climate action to meet net zero targets.
8. In August 2020, SSE launched a new pilot jobs programme to help recruit people into the industry in the wake of the coronavirus crisis by teaming up with STEM Returners to support people who have taken a career break or are looking to return to the sector.
9. The energy sector was facing a skills gap before Coronavirus and now that there is real momentum to build a cleaner, more resilient recovery from the economic impact of the pandemic and reach net zero, the industry will need to recruit thousands more green jobs for the future. These are skilled, sustainable roles which will benefit various UK regions and the scheme will help SSE support people already skilled in STEM industries back into work where they are very much needed.
10. The unique nature of the energy sector means that employment and growth is not driven by London and the South East, but across the breadth of the UK. It is crucial that the UK Government continues to develop and maintain a strategy that harnesses each part of the UK and ensures that benefits are not enjoyed solely by that region but are shared across the entire country.
11. SSE believes that low-carbon investment is a win-win: providing a vital economic boost, creating skilled, sustainable jobs in all UK regions to support a just transition, improving air quality and building our resilience while also driving progress towards our climate change targets.

### Distribution networks

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<sup>1</sup> <https://www.sse.com/media/vgqbcirg/sse-a-greenprint-for-building-a-cleaner-more-resilient-economy.pdf>

12. As supported by recent comments by The Committee on Climate Change (CCC), the next price controls for the distribution companies should enable early, strategic investments in strengthening the energy networks in anticipation of new demand. This will provide an economic stimulus today that ensures infrastructure is ready to enable net zero, paid for over the lifetime of the asset, and does not require government funding.
13. In order to ensure this strategic investment represents value for money for network customers and recognises local needs, it requires robust and data-driven evidence. This 'bottom-up' approach to local network development can be achieved by putting in place Local Area Energy Plans (LAEPs). These plans are being codeveloped by network companies and local bodies with input from key stakeholders, including transport groups, consumer bodies and network users to collect data and evidence of need. This process can help build a locally driven and endorsed energy plan that reflects local needs and informs the efficient and long-term development of the distribution system.

### **CCS and hydrogen**

14. Heavy industry represented 21% of UK greenhouse gas emissions (104mtCO<sub>2</sub>e) in 2018, despite incremental reductions since 1990. To achieve net zero while retaining a thriving manufacturing economy, a step change is required to switch to electricity, low-carbon fuels, such as hydrogen, and to enable capture and storage of emissions.
15. The deployment of CCS and hydrogen in at least five clusters by 2030 would mean that, with the right support, the UK's largest industrial hubs would have access to this necessary infrastructure for low-carbon opportunities in local economies. This will enable the UK's industry to continue to operate in a Net Zero world, ensuring the retention and addition of jobs in our industrial heartlands. It also enables the UK to benefit from our natural advantages with respect to CO<sub>2</sub> storage potential and gas transportation and storage infrastructure.
16. From an energy generation perspective, developing the infrastructure necessary to transport and store CO<sub>2</sub> and Hydrogen will enable investment in low carbon thermal stations, which will in turn support a renewables-led Net Zero electricity system, whilst ensuring security of supply at an efficient cost.
17. The development of industrial clusters through the Government's Industrial Decarbonisation Challenge and funding rounds, has created a network in these areas, which can itself be used to harness confidence in the regions and drive future investment in these forward-thinking decarbonised regions.

### **Offshore wind**

18. SSE believes that there is a role for the UK Government to provide strategic support for the development of the UK offshore wind industry, which is already providing benefits to coastal communities.
19. SSE Renewables (SSER) is a committed and active contributor to the communities in which it has a presence, enabling SSER to ensure that these communities share in the economic benefits created. Since 2008, community benefit has been a central part of SSE's renewable energy portfolio with over £29m provided in community funding to projects in Argyll and Bute, Ayrshire, Dumfries and Galloway, Highlands and Islands, Moray, North Lincolnshire, Perthshire, Scottish Borders, and South Lanarkshire.
20. UK energy policy has, in recent years, been built around competitive auctions for offshore wind contracts (CfDs) that prioritise lowest prices above all else. Whilst enormously effective in driving down price, there is – despite our efforts – a legitimate

concern that insufficient UK supply chain opportunities have been exploited because often it comes at a premium cost to overseas suppliers. It is extremely challenging for a single offshore wind developer on single project to provide the contracts to suppliers which can underpin their long-term business case for investing in the UK. There is also a limit to which developers can cooperate with each other given the competitive environment in which they operate.

21. SSE believes that Government should provide the strategic support into key enabling infrastructure, such as the establishment of at least one port super hub which would help to unlock local supply chain opportunities. Government should also create the right incentives to attract investment into new manufacturing facilities such as towers, foundations, blades and inter-array cables. Other countries, such as France, are successfully doing this.
22. The ideal situation is where there is investment in technology neutral factories which manufacture orders for all suppliers rather than exclusively for just one company – to create a long-term order book.

### **Targeted regional investment – Net zero clusters**

23. Decarbonising England's, and the UK's, industrial heartlands will simultaneously support the country's transition to net zero emissions, drive local growth and deliver high value local jobs.
24. The Humber region, for example, represents the UK's largest industrial cluster based on carbon emissions, and holds a rich industrial heritage. It contributes £18bn each year to UK GVA and heavy industry makes up the majority of employment in the region. Industrial activity in the Humber includes steel manufacturing, chemicals productions, cement manufacturing and power generation, amongst others. Deploying shared decarbonisation infrastructure, pipelines and storage for captured carbon emissions or access to hydrogen for fuel switching, within such regions would enable multiple sectors to decarbonise their activities and futureproof their businesses.
25. The development of this shared infrastructure would not only unlock hundreds of millions of pounds in private investment and create jobs in its own right, but also safeguard up to 55,000 jobs in the region and create new industrial jobs.
26. SSE Thermal has teamed up with other leading businesses in the Humber region to develop a plan to transform the region into the world's first net zero cluster by 2040, and the Humber Local Enterprise Partnership has played a key role in co-ordinating cross-boundary collaboration.
27. SSE Thermal already generates power from Keadby 1 CCGT in North Lincolnshire and is constructing a new CCGT at Keadby 2, which is expected to be Europe's cleanest, most efficient CCGT when operational in 2022. Beyond this, SSE Thermal is developing its first low-carbon CCGT at Keadby 3, exploring carbon capture and storage and hydrogen technologies, which could be operational by the mid-2020s. Keadby 3 is one of the projects that is nearly shovel ready and could act as an anchor for investment in the deployment of the required shared infrastructure if the frameworks to enable this emerge in a timely manner. SSE Thermal is also involved in low carbon groupings in NE Scotland and the Isle of Grain.
28. The UK Government recently set out its aim to finalise business models, creating routes to market for CCUS and hydrogen technologies, in the next two years. It is crucial that these business models are established, alongside the necessary regulatory and legislative structures, to enable investment in regions such as the Humber.
29. Furthermore, the Government's commitment to provide £800m to support the deployment of CCUS infrastructure is welcome; we believe this funding can play a crucial role in kick-starting investment in the necessary shared decarbonisation

infrastructure. It is vital that the Government now increases its ambition. SSE is calling for support for at least five low-carbon clusters across the UK by 2030 – ultimately, all will be needed – to ensure the necessary infrastructure is delivered at pace to allow the UK to meet its binding commitment to net zero emissions by 2050 while stimulating a green recovery.

## **Renewables**

30. Government support for the establishment of renewables port super hub/s would make it more attractive for investment in new manufacturing facilities to support the offshore wind sector.
31. In turn, these hubs could attract SMEs to also locate and invest to supply these businesses, driving local growth and jobs.

## **Electricity transmission networks**

32. As part of RIIO-T2, which sets out the price control for electricity transmission networks from April 2021, the three electricity transmission owners in GB have each set out detailed business plans. SSE's Transmission business has co-created with stakeholders an ambitious business plan: *A Network for Net Zero* with a minimum £2.4 billion programme of fully costed and evidenced investments, supporting economic growth in the rural communities and regions that it serves.
33. It would deliver an electricity network with the capacity and flexibility to accommodate at least 10 GW renewable generation in the north of Scotland by 2026, aiming for 100% network reliability, and already includes £100 million in efficiency savings from innovation – at a cost to customers of £7 a year.
34. These investment plans are near shovel-ready, subject to regulatory determination, and putting these business plans into action will enable large capital investments to kickstart employment and supply chain opportunities in the green recovery, improve resilience and boost connectivity at a local, regional and national level.
35. The north of Scotland is home to some of the UK's greatest resources of renewable energy and it is vital that this potential is harnessed in the race to net zero. SSE has a significant presence in this region, from the electricity transmission and distribution networks, to hydro power, onshore and offshore wind, and Thermal assets.
36. This presence not only supports a highly-skilled workforce at the heart of net zero delivery, it also promotes supply chain opportunities in areas of significant investment. Sharing economic value with people, communities, and a local supply chain supports SSE's long-term sustainability.

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