

Written Evidence submitted by Tees Valley Combined Authority.

Tees Valley Combined Authority is a Mayoral Combined Authority driving economic growth and job creation across Tees Valley.

We are a partnership of Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees local authorities, working with the Local Enterprise Partnership, wider business community and other partners to make local decisions that support the growth of our economy. Under our devolution deal, we have taken on responsibilities previously held by Whitehall including transport, infrastructure, skills, business investment, housing, culture and tourism.

We are also responsible for the development of the Tees Valley Local Industrial Strategy.

We are submitting evidence to this inquiry on the basis of our experience of working towards securing funding for decarbonising the Tees Valley industrial cluster since the earliest days of the Industrial Strategy Challenge Fund funding in early 2018.

The Tees Valley is recognised as one of the large industrial clusters critical to the meaningful decarbonisation of the UK economy in line with current government net zero targets, with annual CO₂ emissions of some 8.8 megatons.

We are already pursuing an ambitious path that is seeing our local economy transition to become a global leader in clean energy, low carbon and Hydrogen. We also have globally recognised innovation expertise, globally significant chemicals and processing sector and existing industrial infrastructure such as pipelines, undersea storage and access to offshore wind energy to lead the nation in the rapid deployment of industrial decarbonisation technology.

The explicit aim of the Industrial Strategy Challenge Fund is to deliver the Grand Challenges set out in the national Industrial Strategy – including “supporting the development low carbon technologies for clean growth” under the Clean Growth challenge.

This national mission has been recently reiterated and reinforced by both the Energy White Paper – which also states that carbon capture will play “a key role in the levelling up agenda” – and the Prime Minister’s 10 Point Plan for a Green Industrial Revolution, which commits the UK to “becoming a world-leader in technology to capture and store harmful emissions away from the atmosphere, with a target to remove 10 megatons of carbon dioxide by 2030”.

Our locally agreed Local Industrial Strategy sets out to make the Tees Valley the UK’s first net zero industrial cluster by 2040 through the deployment of advanced decarbonising technologies.

It is worthy of highlighting that the decarbonisation of the Tees Valley industrial cluster alone would achieve the overwhelming majority of the Prime Minister’s 10 megaton target.

We believe the core proposition of our Local Industrial Strategy is well aligned with the national Industrial Strategy and supporting Challenge Fund, in particular the Clean Energy Grand Challenge. However so far, only limited funding has been allocated towards meeting this challenge. We are keen to work with Government to target national resources that can maximise the achievement of local and national ambitions for decarbonisation.

Our message is clear.

The committee on Climate Change has described industrial decarbonisation as “a necessity, not an option”.

The government - in its Industrial Strategy, Energy White Paper and 10-point plan for Green Industrial Revolution – is seeking to rapidly advance industrial decarbonisation in the United Kingdom.

The Tees Valley is uniquely placed to lead this industrial decarbonisation, which forms a central part of our plans to create well paid, high skilled jobs as part of the wider economic regeneration of the region.

The Industrial Strategy Challenge Fund and complementary funding streams have the potential to accelerate and enable these economically and environmentally vital ambitions.

We are grateful for the opportunity to submit evidence to this inquiry.

Management and delivery of the Industrial Strategy Challenge Fund: The Tees Valley experience

Whilst UKRI’s approach for funding in the university sector and of higher risk innovation activity has proven effective, it has not always been compatible with the aspirations of the Industrial Strategy Challenge Fund.

The Tees Valley has submitted three successful and sequential bids relating to industrial decarbonisation for funding from the ISCF.

These bids commenced in early 2018, however meaningful work on the project has yet to commence due to the on-going process associated with managing the funds.

We believe there are positive lessons from other national funds, with reduced administrative processes that could increase the effectiveness of ISCF in delivering project outputs. Through the second in the ‘series of UKRI competitions’ the Tees Valley cluster secured circa £50K of funding to support a ‘stage 2 bid’. However, to date no funding has been allocated to the delivery of projects on the ground, as capacity has been used to manage engagement with the administrative process.

The Tees Valley submitted a bid into the earliest stage of this competition for a ‘National Hydrogen Technology Centre’ which was successful and became one 10 of proposed projects brought together by UKRI into the design the current Industrial Decarbonisation Challenge.

During both the inception and development stage the messaging from government was clear - the aim of this Challenge was to make significant investment in large-scale game-changing

projects of high impact. This development was carried out very openly through a number of workshops and wider consultations through which it became clear that the proposed 'initial' form of the challenge was attractive to industry, the industrial research community and the industrial clusters – but less attractive to academia.

Indeed, UKRI officials repeatedly heard from a number of large multinationals that innovation funding was of a secondary order of importance when compared to the establishment of a suitable economic environment for business and the surety of its continuance in the decarbonisation field (in the broadest sense).

Since this advice was given in 2018, the funding offered through the ISCF has been progressively disaggregated into a number of small and very prescriptive competitions – the opposite of what UKRI initially identified as the approach to be taken.

Our experience of these small-scale competitions has also proven frustrating to our ambitions of delivering a net zero industrial cluster on Teesside.

Inflexibility of the process has also been challenging to the delivery of our ambitions for decarbonisation, for example regarding the need to remove industrial emitters from our proposed Tees Valley cluster plan, despite their relevance at local level.

We have also experienced additional requirements and dimensions placed on a project that were not within the initial bid scope – and for which no additional budget was available to accommodate. Some of the feedback received will lead to project improvements which is valued; however, these late additions have caused increases in costs and resource requirements.

UKRI's specialty lies in supporting the development of new Intellectual Property – but this is not the purpose of this challenge within the wider Industrial Strategy Challenge Fund. It is our view that the need for ISCF to fit in with and operate within the framework designed for the former purpose limits the value and impact of the Fund.

We are also concerned that the current process does not support collaborative activity across clusters– in fact the competitive nature of the funding and the approach taken by and supporting messaging from UKRI actively discourages collaboration and networking between the industrial clusters.

Not only does this inhibit innovative project development through partnership working and de-risking through shared learning, it has had the effect of requiring critical modelling tools to be developed independently across six projects. In similar fashion, national and international supply chain and export activities are again to be developed multiple times by multiple bodies.

In separate submissions to government consultations and parliamentary inquiries, the Tees Valley Combined Authority has made a case that delivering on national and regional priorities does not have to require new investment, but simply more strategic and focused use of existing funds, for example:

- Flexible capital investments, as already implemented with the Transforming Cities Fund, where autonomy is granted to regions to identify and fast-track the delivery of infrastructural investment priorities.
- Regional devolution of R&D funding or BEIS innovation funds, again allowing regions to fast-track major local opportunities to deliver economically and environmentally significant projects.
- A devolved approach to the UK Shared Prosperity Fund.

We feel that more streamlined approaches can best align funding with national economic and environmental needs and government ambitions for the levelling up of the regions.

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