

KICKSTARTING A NEW ERA OF CLEAN INDUSTRY

10 PRIORITIES ENDORSED BY BUSINESS, CIVIL SOCIETY, AND ACADEMIA

This briefing outlines short- and long-term priorities for the new government to grow clean industries in the UK, from steel and cement to vehicle and electronic manufacturing. Together they produce 14% of UK emissions and must decarbonise to reduce their climate impact, while retaining their competitiveness to seize the opportunity of growing green markets. These recommendations have been endorsed by 19 organisations across industry, academia, and civil society. Please see a full list of signatories below.

Context

Industry and manufacturing are crucial to the UK economy, providing 9.3% of UK GVA, employing hundreds of thousands across the UK, and enabling clean energy, transport, and infrastructure. However, they are often carbon-intensive and under fierce international competition. A transition to supplying the green economy is needed for their commercial future.

Electrification, hydrogen, CCUS, innovation, and resource and energy efficiency will drive emissions reductions. However, a lack of industrial strategy has created uncertainty, hindering investment. Countries such as the US with the Inflation Reduction Act and EU with the Green Deal Industrial Plan, are realising the benefits, leaving the UK behind.

The priority for the new government is establishing an environment conducive to investment in the low carbon technologies of tomorrow. The following actions would put UK industry and manufacturing back on track for a prosperous, low carbon future.

Immediate Priorities

1. Set out an ambitious green industrial strategy that includes a plan for the decarbonisation of energy-intensive industry and manufacturing. To deliver long-term, sustainable growth, the strategy should support nascent, high growth industries, while taking a cross-economy approach to establish co-benefits in different sectors. This involves aligning industrial decarbonisation with policy and economic priorities such as power decarbonisation and growth in cleantech. This can help to achieve energy security while delivering a game-

changing shift towards clean manufacturing. Sectoral pathways should be delivered in collaboration with industry, unions, and independent experts to ensure infrastructure is built at the right place, time, and cost.

2. Commission a supply chain and skills capacity assessment to identify the UK's capability gaps and competitive strengths. Industrial processes are needed to produce goods from electric vehicles to wind turbines, but the role UK industry plays in the supply chain is unclear, as are the opportunities, barriers, and enablers for growth. In its first 100 days, the new Government should commission a study on the UK's skills and supply chain capacity gap and how to address it. This would inform where policy and financial support from the industrial strategy and National Wealth Fund should be targeted. It would also support workers exiting high-carbon sectors by identifying pathways to new work.

3. Establish a roadmap for industrial electrification that sets out immediate-, medium-, and long-term actions to tackle high electricity prices, capex support and access to grid connections. Electrification is a priority for industrial decarbonisation; however, UK electricity prices are far above those in competitor nations, damaging competitiveness, slowing electrification, and even causing some businesses to shutter operations. Short-term measures need to mitigate these impacts now, with medium- and long-term measures structurally lowering power costs, especially for large scale users.

Short term (first 100 days):

- **Expand the British Industry Supercharger.** 60% exemptions to network charges should be increased to 90% and expanded to a wider range of businesses: saving industry ~£21/MWh, at a cost of 38–63p on monthly household bills.
- **Shift policy and network costs away from electricity bills.** 12% of electricity bills are made up of levies, versus 2.8% of gas bills. To make electrification more competitive, levies should be moved to gas bills or general taxation. The new government should announce its intention to rebalance levies in the first 100 days, implementing the policy in the first year.

Medium term (first year):

- **Reduce wholesale electricity prices through the Review of Electricity Market Arrangements.** This process should prevent gas from having an oversized impact on the cost of clean power.
- **Consult and develop longer term solutions for industrial electrification.** The new government should work with industry to identify, assess, and develop available options, including an electrification business model, carbon contracts for difference, and a government-backed PPAs.

Long term (first term):

- **Expand the Strategic Spatial Energy Plan (SSEP) to provide clarity on the location and timing of power, hydrogen, and CCUS infrastructure.** Working with the National Energy System Operator (NESO), the SSEP should map supply and demand across these technologies to create certainty for generators and off-takers and speed up investment in decarbonisation.

Wider system interventions, such as home heating decarbonisation, will also be important to free up clean energy supply for use in industry.

4. Continue the current programme of reforms to UK carbon pricing. This includes implementing an effective and fair carbon border adjustment mechanism to mitigate the risk of carbon leakage (while phasing out free allowances) and ensuring the Emission Trading Scheme sends an adequate price signal to incentivise investment in decarbonisation. The new government should also use the review of the Trade and Cooperation Agreement to link the UK and EU carbon pricing regimes.

5. Maintain the momentum of CCUS and hydrogen development by continuing with the UK's initial cluster projects. The UK's CCUS and hydrogen sectors show signs of growth and investment potential, but uncertainty on price, supply, and storage hinder investment. The new government can unleash the pipeline of projects by identifying the next wave of projects and clarifying how, when, and by whom they will be funded. This requires clarity on the role of carbon take-back obligations and the incentive mechanism to boost private financing of CCUS, and earlier deployment of funds from the Net Zero Hydrogen Fund to support clean hydrogen production. Efforts to roll-out hydrogen and CCUS in industry should target residual emissions and operations that cannot be electrified.

6. Consolidate and simplify innovation and resource and energy efficiency funding, with the aim of scaling-up decarbonisation solutions. Numerous funding pots to commercialise new low-carbon technologies, fuels,

and processes already exist, but are often small, narrowly defined, and difficult to access. To speed up the deployment of existing funds and catalyse private co-investment, the system should be simplified. Government should also seek to replicate successful funding models, such as Glass Futures – using central and local government funding and expertise to unlock private finance, while capitalising on existing industrial supply chains and centres of academic excellence.

Looking Beyond the Immediate Term

7. Implement policies to accelerate the growth of markets for low emissions industrial products. To encourage investment in low carbon production, businesses need certainty of demand. The new government should harness its purchasing power by implementing green public procurement criteria that limit the embodied carbon in products and materials purchased for public projects. In addition, the government should establish mandatory low carbon product standards that limit the lifecycle emissions of products sold on the UK market – beginning with carbon reporting requirements for complex sectors. Together these measures will create demand for the best-in-class products, while establishing a floor that limits the climate impact of industrial goods consumed in the UK.

8. Create a comprehensive plan for the decarbonisation of dispersed industrial sites. Dispersed sites make up >50% of industrial emissions and provide thousands of good jobs in some of the poorest areas of the UK. However, unlike clustered sites, they often lack access to decarbonisation solutions, and have received less attention from policymakers. A strategy to accelerate decarbonisation at these sites is needed, prioritising electrification, with CCUS and hydrogen where needed.

9. Set out a low carbon skills strategy to provide stability across the curriculum, private sector, and wider policy environment to drive a skills revolution and just transition in industry. The new government should also move forward with the Green Jobs Plan and ensure public funding comes with conditions on fair pay, collective bargaining, and safe conditions for workers.

10. Implement a new Resources and Waste Strategy to maximise the reuse and remanufacture of materials like scrap steel and packaging and deliver a truly circular economy. This should expand recycling infrastructure, accelerate resource and energy efficiency improvements, boost incentives for waste management companies to supply materials to UK industries instead of exporting them, and reflect the full economic and environmental benefits of secondary materials.



Associated British Ports



Aldersgate Group



AVEVA



Buro Happold



Cambridge Institute for Sustainability Leadership



Cemex



Clean Air Taskforce



Cranfield University



E3G



Food and Drink Federation



Green Alliance



Industrial Decarbonisation Research and Innovation Centre



Institute for Environmental Management and Assessment



Lucideon



Michelin



National Grid



Ramboll



Suez



Willmott Dixon