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Dear Rachel

CLEAN STEEL FUND AND LOW CARBON HYDROGEN PRODUCTION FUND

I am pleased to write to inform you that today the Government has announced a £250m Clean Steel Fund and a £100m Low Carbon Hydrogen Production Fund.

Moving to net zero greenhouse gas emissions for the UK economy requires transformation across all sectors of the economy, including our foundation industries, and unprecedented levels of investment in green and low carbon technologies. The UK is a world leader in clean growth and in setting our legally binding target of achieving net zero emissions across the economy by 2050, we have demonstrated our commitment to maintain this position.

A vibrant steel sector is of vital importance to the UK economy. The sector employs 32,000 people and supports up to a further 40,000 jobs through its supply chains. With longstanding expertise in steel making, the UK is well positioned to demonstrate international leadership in clean steel and realise domestic growth and export opportunities in associated products and technical knowledge.

Today, the UK steel sector is a significant source of emissions contributing 15% to industrial greenhouse gas emissions. The integrated steel works at the British Steel site in Scunthorpe and the Tata Steel UK site Port Talbot are the two largest industrial sources of emissions in the UK.

We believe the time is right to provide dedicated support to our steel industry, to help put it on a pathway to decarbonisation in line with our net zero commitments. As a signal of that support, the Government has announced a £250 million Clean Steel Fund.

There are a range of different decarbonisation options for steel production: switching to lower carbon fuels, including hydrogen; industrial carbon capture; and energy and material efficiency. In order to better understand the needs of the steel sector and which pathways best meet our objectives we have issued a call for evidence alongside this announcement to inform the future design of the Fund. We will work with the steel sector and other stakeholders to develop timelines for the fund and to identify how to maximise the economic and environmental benefits of these decarbonisation options.

Recognising that availability of low carbon hydrogen at scale is a constraint to large industrial users considering fuel switching, Government has also announced a new £100 million Low Carbon Hydrogen Production Fund. The fund will support the deployment of low carbon hydrogen production capacity and encourage private sector investment.

This could enable a pathway to lower carbon steel production and support broader efforts to reduce emissions across the energy system, including transport, other industry, power and potentially heat in buildings. The Government intends to consult on the shape of the Fund during 2020 with a view to launching the Fund for bids in 2021. Together these funds will be a vital part of transforming UK industry and allow us to seize the opportunities of clean growth, which are at the heart of our modern Industrial Strategy.

I look forward to working with you and other members of the Committee on these important issues.

Kind regards



Lord Duncan of Springbank

