

The Energy Bill: Hydrogen UK response to the Call for Evidence

About Us

HUK, formerly the Hydrogen Taskforce, is the UK's leading trade association in the hydrogen sector.

HUK represents organisations across hydrogen production, transportation, storage, and end user interests, acting as a unified voice for the role of hydrogen in the UK. Our aim is to enable the UK to become a world leader in the application and service of hydrogen, to deliver excellence throughout the supply chain and create a globally attractive export.

The Opportunity of the Energy Bill

- The Energy Bill is crucial to unlocking private investment and growth. Investment decisions are of course commercially sensitive, but we have canvassed our membership and we believe that more than £1.1bn of potential investment in the UK hydrogen sector is dependent on the Energy Bill. Anecdotally, members have told us of board-level concern over investment decisions in the UK market, and of formal reviews taking place where companies are now considering investing in the United States or EU, rather than the UK, given their clear support for hydrogen's potential, particularly following the passage of the Inflation Reduction Act in the US and the EU's announcement of a €3 billion hydrogen bank. The Energy Bill as envisaged should alleviate some of this concern, so we want to ensure that the Bill makes the most of the opportunity hydrogen and other green technologies represent.
- In our view, it is essential that the Bill is passed as fast as is possible.

Hydrogen Production Business Model

- The provisions in the Bill which establish a Hydrogen Production Business Model are essential to the industry. We hope that the Bill is passed in a swift manner to see the implementation of the Business Model as soon as possible.

Proposed Amendments

- Currently, the definition of a low carbon hydrogen producer is based on the “opinion of the Secretary of State” of the day. **Hydrogen UK would encourage the creation of a formal framework, such as the Low Carbon Hydrogen Standard, imposed as a method for determining low carbon hydrogen** as opposed to qualitative analysis at the discretion of the Secretary of State.
 - Hydrogen UK is proposing that Hydrogen production - section 61 (8) of the Bill is amended as follows:
 - “low carbon hydrogen producer” means a person who carries on (or is to carry on) activities of producing hydrogen that meets the UK Low Carbon Hydrogen Standard.
- **Carbon capture - section 63 (8):** The definition of a “carbon capture entity” should be amended to include the capturing of pre-combustion and/or industrial emissions.
 - Hydrogen UK is proposing that this section of the Bill is amended as follows:

- “carbon capture entity” means a person who carries on (or is to carry on) activities of capturing carbon dioxide (or any substance consisting primarily of carbon dioxide) that has been produced by commercial or industrial activities, with a view to the storage of carbon dioxide, *including capturing pre-combustion of industrial emissions*; “storage”, in relation to carbon dioxide, means any storage with a view to the permanent containment of carbon dioxide.

The Hydrogen Levy

- It is imperative that Hydrogen Production, and Hydrogen Transport & Storage, Business Models are secured with an appropriate funding envelope post-2025.
- We would like to see the Bill create the legal provisions for a Levy but allow the means of funding for Hydrogen Business Models to be determined through consultation, in a manner which remains flexible. This is important because hydrogen is a rapidly evolving sector, and it is not yet clear what the optimum long-term approach for funding the Hydrogen Business Models will be. Given the infrequency of primary legislation, it is important that the provisions made within the Bill are flexible and account for the possible future requirements. **We are therefore supportive of the Government approach whereby the details of the Levy are not determined through the Bill, but rather through a later, separate process.**
- The method for how the Hydrogen Production, and Transport & Storage, Business Models will be funded is still to be determined, with the main options identified including:
 - The Hydrogen Levy
 - Carbon pricing / UK ETS
 - General taxation
 - Mixture of approaches

It is our understanding that the Levy is the only one of these funding mechanisms which requires primary legislation. Funding through the UK ETS would not require a change to the Climate Change Act 2008, and therefore no primary legislation is needed.

Hydrogen Transport & Storage Infrastructure

- **We strongly support the amendments put forward by the Government regarding Hydrogen Transport & Storage Infrastructure.**
- Recognising the long lead-times faced by these projects, the Bill must be followed-up with interim measures which allow developers to make FIDs over the next 12 months.
- With lead times of 7-8 years, government targets for hydrogen storage will not be met unless we provide investors with the certainty that allows them to make FIDs well-ahead of the 2025 implementation date for the Business Model.
- Furthermore, we support Amendment Gov 59, which allows funding from a Hydrogen Levy to be diverted towards Transport & Storage projects.

The Hydrogen Grid Conversion Trials

- The Hydrogen Grid Conversion Trials are a necessary step in exploring hydrogen as part of the future heating mix.
- **We support the existing contents of the Bill within Chapter 2.**

Low-Carbon Heating

- We support Amendment 90, which ensures the Secretary of State provides a plan for low-carbon heating in homes in which it is unfeasible to have a heat pump (e.g. large, rural and off-grid homes). Hydrogen offers one of the only viable low-carbon domestic heating solutions for these homes, and we call on the Government to recognise this.

Proposed Amendments

- **Low-carbon heat schemes - section 104 (4):** the definition of “fossil fuel” is insufficiently clear and does not enable some low carbon heating solutions to be supported such as the burning of hydrogen.
 - Hydrogen UK is proposing that the word unabated is added to (f) so it reads:
 - (f) any **unabated** substance produced directly or indirectly from a substance mentioned in paragraphs (a) to (e).

Independent System Operator and Planner (the ISOP)

Proposed Amendments

- **Designation - section 120:** Hydrogen UK would propose that this section includes a note that the Secretary of State should always seek to designate people as the ISOP from a variety of backgrounds to give a balanced view of the energy industry, including both gas and electricity.
 - Hydrogen UK is proposing that a clause be added to this section of the Bill is as follows:
 - *The Secretary of State should designate a qualified person with varied background and experience in the energy industry.*

Code Governance

Proposed Amendments

- **Part 4, section 28 (2):** Hydrogen UK would amend the wording of this Part to add a mechanism that guarantees ongoing discussion between Ofgem and industry to ensure suitable industry representation.
 - Hydrogen UK is proposing that the Bill is amended as follows:
 - *“The UK energy industry must be included as part of any consultation process.”*