

UK Hydrogen and Fuel Cell Association

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Dear Colleague,

Review of the scheme to provide relief to energy intensive industries for a proportion of the indirect costs of funding renewable electricity policies

I am writing on behalf of the UK Hydrogen and Fuel Cell Association (UK HFCA) and in response to your current consultation support for Energy Intensive Industries.

The UK HFCA is the leading pan-UK trade body in the hydrogen energy sector, with a Mission to support the growth of our members and the sector, and to ensure that the right policy framework is in place. Our 100 plus member companies represent over 200,000 employees globally, with combined revenues over £400 billion, and cover the entire value chain from raw material sourcing, to supply chain and components, financing, professional services, B2B and consumer facing solutions.

Hydrogen will play a substantial role in all aspects of energy, and can make an important contribution to the decarbonisation of energy intensive industries, an area of significant importance to the UK's Net Zero transition. It will be critically important, therefore, that the electricity relief exemption is optimised for the production of electrolytic hydrogen that is competitive with that produced by EU member states or other nations internationally.

This response from the UK HFCA covers the following two questions individually:

- 1. What benefits does the electricity relief exemption scheme provide to energy intensive industries including, how the scheme addresses the issue of carbon leakage for you?*
- 5. Is the 85% level of exemption sufficient to meet the objectives of this scheme for your business or sector? If not, please provide supporting evidence to demonstrate why not.*

Question 1: What benefits does the electricity relief exemption scheme provide to energy intensive industries including, how the scheme addresses the issue of carbon leakage for you?

As electrolytic hydrogen production is, in principle, eligible for the Energy Intensive Industries exemption, the UK HFCA response here is aimed at ensuring the UK has competitive electricity prices

for electrolytic hydrogen production when compared to the EU. Without this, there is the risk of putting UK electrolytic hydrogen projects at a competitive disadvantage relative to European counterparts, or others without environmental regulation similar to that of the UK. With competitive energy prices, UK industry may be encouraged to decarbonise at an earlier stage; conversely without support, UK businesses may delay decarbonisation as a means of retaining competitive advantage internationally. Furthermore, on the supply side, early decarbonisation of industry through the utilisation of hydrogen will give an additional boost to home grown electrolytic hydrogen production projects – thereby contributing to economic growth and mitigating the risk of UK businesses being pushed to import from EU nations or other.

If this situation is left unmanaged, the result could be carbon leakage as project owner / operators target locations with competitive electricity prices – which may be located in countries with less stringent regulations compared to the UK.

Question 5: Is the 85% level of exemption sufficient to meet the objectives of this scheme for your business or sector? If not, please provide supporting evidence to demonstrate why not.

We have three points to make on question 5:

- The UK HFCA welcomes the inclusion of electrolytic hydrogen production in the exemption of RO, FIT and CfD costs. We recommend that the level of the exemption be extended from 85% to 100%, which will bring the UK in line with its European counterparts. Ensuring that the UK retains its industrial capacity while the nation strives for Net Zero is critical for across-the-board levelling up in this country. Under-supporting Energy Intensive Industries today risks UK industry becoming less competitive and falling behind on their decarbonisation journey as the Net Zero transition moves forward.
- In relation to the 100% exemption, the consultation highlights the risk of disincentivising business from investing in energy efficiency measures to lower their energy bills. We recommend that support for energy efficiency be pursued alongside this exemption.
- With the right policy frameworks in place, encouraging energy intensive users to fuel switch to electrolytic hydrogen will help to accelerate the growth of the UK hydrogen industry which can compete internationally.

The UK HFCA would welcome the opportunity to discuss our recommendations further.

Kind Regards,



Celia Greaves
CEO