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# What are some of the key challenges faced in the hydrogen industry and can Labour overcome them?

## Introduction

On 18 July 2024, the UK's Climate Change Committee's report was presented to the UK Parliament. The report concluded that:

- now only six years away, the UK is not on track to hit its 2030 target<sup>1</sup>;
- the new Government will have to act fast to hit the country's commitment; and
- the previous Government gave "inconsistent messages on its commitment to the actions needed to reach Net Zero, with cancellations of, and delays and exemptions to, important policies".

Against that reality check, Labour's mission to make the UK a clean energy superpower is genuinely exciting and welcomed.

Particularly encouraging for those in the hydrogen sector is that hydrogen is a central element of the energy superpower.

In this article, we delve into some of the key obstacles that the hydrogen industry faces and explore whether Labour's proposed strategies have the potential to navigate through these complexities and accelerate the UK's journey towards net zero emissions.

## Cost/finance – more expensive than higher carbon alternatives, against the backdrop of looming net zero targets

A key challenge for the industry is the cost and speed of rolling out hydrogen at the scale at which is required in order to support the achievement of net zero targets.

Financing large-scale hydrogen projects requires a significant upfront investment. Further, the development, production, transportation and storage of

hydrogen is more expensive than other higher carbon alternatives.

A way to overcome this challenge is through government subsidies.

Labour have said that it will '*invest in carbon capture and storage and hydrogen and ensure we have the long-term energy storage our country needs*'.

Labour will establish a National Wealth Fund, capitalised with £7.3 billion and which will leverage private investment.

Labour will allocate £500 million of the National Wealth Fund to support the manufacturing of green hydrogen.

Labour will also allocate £1 billion of the National Wealth Fund to accelerate the deployment of carbon capture – this will be critical for the development of the blue hydrogen sector.

The government and private investment into the industry will provide much needed support. It is not clear, however, whether Labour's financial commitments are in addition to the £2 billion support programme for green and blue hydrogen and carbon capture and storage put forward by the Conservative government. Labour have also not yet commented on how they might continue with the Hydrogen Allocation Rounds.

## Planning and regulation

The planning and regulatory framework can be complex and time-consuming for any infrastructure project, hydrogen included.

Projects can face significant delays and costs due to environmental impact assessments, public consultations, and opposition from local communities.

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<sup>1</sup> The UK has committed to reduce emissions in 2030 by 68% compared to 1990 levels.

Labour have recognised that the current planning regime acts as a "major brake on economic growth". The King's Speech included a Planning and Infrastructure Bill which committed to making improvements to the local planning system by "modernising" planning committees and increasing their capacity. It has also been promised to "streamline" the delivery process for critical infrastructure, including accelerating upgrades to the national grid and boosting renewable energy.

The government have further committed to simplifying the consenting process for major infrastructure projects and enable relevant National Policy Statements to come forward, establishing a review process that provides the opportunity for them to be updated every five years, giving increased certainty to developers.

What that looks like in practical terms, including local objections to major schemes, remains to be seen.

### Conclusion

In conclusion, the hydrogen industry stands at a critical juncture, with the potential to significantly contribute to the UK's net zero ambitions. However, the road ahead is fraught with financial, planning, and regulatory challenges that must be addressed with strategic foresight and robust investment. Labour's commitment to investing in the industry and modernising the planning framework is a promising step towards overcoming these barriers. Yet, questions linger about the specifics of their plans and the adequacy of their financial pledges. As the industry continues to watch these developments unfold, the ultimate test will be in the practical execution of these policies and their impact on the ground. Only time will tell if Labour can indeed turn the tide and lead the hydrogen industry to a sustainable and economically viable future.

The first notable juncture could be the results everyone has been waiting for since last year, namely how many hydrogen projects will have successfully negotiated the first allocation under the Hydrogen Business Model.

Ultimately, especially given the recent hydrogen developments in other countries, we agree with the Hydrogen UK chief executive Clare Jackson's statement last month when she stated "We're at a critical juncture and must be reaffirming investor confidence in order to drive the inward investment".

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