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THE UK HYDROGEN POLICY – INFRASTRUCTURE AND INDUSTRY CONCERNS

Mar 25, 2024

Whilst the UK's hydrogen policy was established by the Ten Point Plan in November 2020, the 2021 Hydrogen Strategy was intended to stimulate the next steps for hydrogen energy development and delivery. The strategic goals include job creation, decarbonisation, and technological leadership. In advancing these goals, the government concluded its Hydrogen Allocation Round ("HAR1") on 14 December 2023 by selecting 11 projects to receive over £2 billion in revenue support whilst on the same date also launching its second Hydrogen Allocation Round ("HAR2").

Whilst these efforts signal an active role in promoting hydrogen production and use, there is also attention given to hydrogen storage and transportation; crucial to supporting a hydrogen economy. For example, the government's hydrogen infrastructure requirements report (BEIS, 2022) estimates that by 2035, between 700 km and 26,000 km of pipeline would be needed. Comparatively, National Grid's Project Union (with the backing of the government) aims to deliver 2,000 km of hydrogen pipeline representing about 25% of the UK's current natural gas pipeline capacity. The disconnect between the desire to fund hydrogen usage without clearly considering a meaningful infrastructure plan to assist the uptake of hydrogen creates a gap which, if not addressed in time, will delay the government's 2035 ambitions. It is good to see therefore that the government aims to utilise HAR2 to address potential infrastructure vacuums, creating an opportunity for the private sector to take advantage of funding offered to step in and help build the necessary framework.

Another vision set out in the Hydrogen Strategy involves heavy national investment eventually creating a marketplace for international buyers. This is not an unrealistic vision. Indeed, the UK's physical advantages in respect of hydrogen production, such as its energy resources and pre-existing potential storage infrastructure, drive for innovation and skilled labour force, offer support to this vision. The UK's plentiful salt caverns and depleted gas fields offer long-term storage opportunities which its European counterparts do not possess, perhaps presenting an opportunity for the UK to take the lead on green hydrogen production. Meanwhile, the UK's offshore gas resources and pre-existing gas transportation infrastructure, if utilised correctly would be useful for supporting blue hydrogen usage.

However, the government's decision to maintain a broad policy framework, devoting skills, time, and funding to both green and blue hydrogen projects and adopting use cases for hydrogen across multiple industries ranging from household heating to transport and industry usage, risks a broad-brush approach, which might prevent the UK from achieving the specialist status envisioned. Arguably, heating and transport can be electrified whereas industries dependent on natural gas for manufacturing should perhaps benefit from greater share of the funding available where hydrogen provides a good potential option, and few other sustainable options are available.

Given that green hydrogen is expected by many to be utilised globally in the long-term, the UK's potential storage assets combined with a developing focused and comprehensive policy could present a serious advantage for the UK. Instead, considering an approach involving multiple types of hydrogen production and usage across every possible industry might put at risk the UK's ambition of being a key market player.

This article was written with Trainee Solicitor Rudrani Sanyal.

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