

KEY TAKEAWAYS FROM THE NEW UK BATTERY STRATEGY

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The UK Government has recently published its new UK Battery Strategy (the “Strategy”), which sets out its vision for the UK to have a globally competitive battery supply chain by 2030, to help support economic prosperity and the net zero transition.

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The Strategy sets out the government's current and planned activities to support its strategic objectives, as well as establishing a framework and priorities for future work with industry. It also highlights the scale of the opportunity that batteries represent, for example, by 2040, nearly 200 GWh of capacity will be required to satisfy UK battery demand for cars, commercial vehicles, heavy goods vehicles, buses and grid storage.

The Strategy is based around a “**Design-Build-Sustain**” approach, which is

summarised below:

DESIGN

The government will seek to leverage the UK's research and innovation base to develop the ‘*batteries of the future*’ by focussing on the following:

- **Innovation:** the Strategy outlines the government's plan to support innovation across the value chain, including by (i) investing £2bn of new capital and R&D funding for zero emissions vehicles, batteries and their supply chains for five years to 2030; (ii) investing £50m in UK development facilities, such as the UK Battery Industrialisation Centre; (iii) investing £11m in competition winners developing technologies across the battery value chain; and (iv) exploring opportunities to promote the establishment of R&D centres in the UK;
- **Access to Financing:** the government aims to incentivise battery investment through government-backed finance programmes that are predictable and sustained, for example through the British Business Bank (“BBB”), UK Infrastructure Bank (“UKIB”) and UK Export Finance (“UKEF”); and
- **Battery Safety:** the Strategy commits to maintaining stringent safety and product standards in industrial-scale batteries, for example through collaboration across government departments and the engagement of the British Standards Institution (“BSI”) with the battery manufacturing industry in the UK.

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BUILD

The government plans to develop the battery sector to secure a resilient UK supply and remove barriers to investment through the following:

- **Supply Chains:** support will continue to be provided to firms developing domestic mining capabilities, including through the Automotive Transformation Fund. The government also seeks to strengthen the resilience of global critical mineral supply chains and, to date, has signed international critical mineral agreements with seven countries (Australia, Canada, Japan, Kazakhstan, Saudi Arabia, South Africa and Zambia);
- **International Collaboration:** the UK will continue to build strategic partnerships to enable technology transfer and cooperation on supply chains and innovation – the Strategy cites a number of existing bilateral partnerships with the USA, Canada, Japan and Norway. Free Trade Agreements will also be key in reducing barriers and deepening trade relations;
- **Energy Prices and Grid Connections:** given the energy intensive nature of battery manufacturing, competitive and sustainable energy prices are key to the development of the battery sector. The Strategy highlights a number of steps the Government is taking to address this, including through various financial relief schemes. On grid connection, feedback from industry has noted that long lead times to access the grid represents a barrier to investment. The government recently published its Connections Action Plan (jointly with Ofgem) to provide actions to reduce project delays in connecting to the transmission network and further measures to acceleration connection timescales are detailed in the Strategy; and
- **Planning and Permitting:** The Strategy notes that potential investors in battery projects perceive the planning and permitting processes to be onerous and risky. To address this, the government is seeking to implement a number of planning and permitting reform actions to benefit the emerging battery sector – for example, it has recently announced a £24m Planning Delivery Skills Fund to help local planning authorities clear backlogs and ensure they have the requisite skills to respond to developments.

SUSTAIN

The government plans to support a sustainable battery sector, supported by proportionate regulations that drive investment across the supply chain through the following:

- **Skills:** the Strategy notes that upskilling across the UK battery supply chain will be essential to satisfy increased demand; in particular, there is an urgent need to increase workforce capability and capacity for the expansion of cell manufacturing;
- **Green Trade:** trade in batteries (including their materials, components and waste products) will increase substantially over the next decade. The Report cites the importance of collaborating with international partners to align on environmental standards and remove barriers to trade (with current work ongoing through the WTO and G7 Climate Club); and

"There is a lot of work to be done to ensure that the UK remains competitive in this field."

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- **Circular Economy:** scaling up the UK recycling industry will enable a battery's economic value to be kept within the UK and reusing and repurposing batteries can significantly extend their useful life and support supply chains for other products. A number of other nations are rapidly expanding their recycling capacities (most notably China) and regulatory changes are being implemented in the EU to establish mandatory minimum levels of recycled content for batteries sold within its borders. The Strategy highlights various government initiatives to support R&D in the field of battery recycling.

Overall, the Strategy sets out a framework to support the developing battery sector in the UK, but given the scale of the opportunity and the rapid projected increase in battery demand over the next few decades, there is a lot of work to be done to ensure that the UK remains competitive in this field.

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