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UK MANUFACTURING NEEDS URGENT FINANCING TO REACH NET ZERO

UK manufacturing needs to be prepared to take urgent action in order to achieve net zero by 2050, according to new research undertaken by UCL, with support from HSBC UK today.

The report, [*Net Zero Manufacturing in the UK: Options and Challenges for the Biggest Emitting Sectors*](#), led by Dr Matthew Winning and Dr Catherine Willan, from the UCL Institute for Sustainable Resources, examines the importance of reducing the emission of greenhouse gases in the steel, cement and chemicals sectors.

While these energy-intensive industries are vital to the UK economy, manufacturing accounts for 12% of overall greenhouse gas emissions in the UK, with steel, cement and chemicals accounting for half of that overall figure.

With increased pressure to decarbonise fully, the UK target to bring all greenhouse gas emissions to net zero by 2050, has fundamentally altered what is required in terms of the scale and pace of change in manufacturing.

Emissions from UK manufacturing have already declined by an impressive 57% since 1990, as a result of energy intensity improvements, fuel switching, alongside changes to the structure of UK industry.

Building on this progress will require transformational changes to develop a long-term solution. Steel, cement and chemicals manufacturing is going to have to undergo significant structural change to hit the net zero targets.

To make the UK an attractive place for low carbon manufacturing, will require swift and close collaboration between Government, British business and financial services to unlock the innovation and investment needed.

With global momentum behind decarbonisation, the UK needs to establish a leadership position and become attractive for low-carbon inward investment. If decarbonisation proceeds elsewhere more quickly, the UK would find it increasingly difficult to sell its steel, cement and chemicals.

A UK industrial roadmap combined with policy implementation and investment will make the UK a magnet for low carbon investment and innovation and could lead to a revival of UK manufacturing.

Rohit Moudgil, Manufacturing Sector Head, HSBC UK, commented: “A net zero UK will still require steel, cement and chemicals, but it’s clear that there is an increasing need and demand for low-carbon products from supply chains, investors, policy makers and consumers alike.

Manufacturing has a pivotal role to play in both the UK economy and in the delivery of net zero ambitions. Achieving that requires an integrated decarbonisation strategy, research, innovation and infrastructure changes. The challenge is to put in place funding that allows these industries in the UK to invest to make the transition to net zero while remaining competitive on the global stage. HSBC UK is committed to working with all our clients to help them on their journey to net zero and we have pledged to achieve net zero from our financed portfolio by 2050 or sooner.”

There is a clear commitment to achieve this Net-Zero goal from the industries and avenues do exist to decarbonise, but the timeframe in which to align heavy industry investment cycles with the climate goals is clearly tightening. A scenario of 'Forging Ahead' offers the most responsible and promising way forward, but is not for the faint-hearted.

Dr Matthew Winning, at the University College London and lead author of the study, said: "Manufacturing will play a fundamental role in the UK's net zero transition. Moving the production of sectors such as steel, cement and chemicals away from fossil fuels and towards low-carbon and more circular processes, is an enormous but important and essential undertaking. This report details what approaches may be taken as well as discussing a number of key challenges, and the opportunity to forge ahead, by working in partnership with Government, the manufacturing sector and financial services."

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