Response to inquiry by the Committee for Energy Security and Net Zero on Unlocking community energy at scale

13 January 2025

Summary

- Delivering the UK's clean energy mission requires decarbonising the logistics sector, as it is currently a significant user of fossil fuels. For example, domestic transport is the largest emitting sector in the UK (28% in 2022), and a significant proportion of that comes from logistics transport.
- Decarbonising logistics requires, amongst other investments, significantly increased access to energy at sites that do not currently use a large amount of energy but, in the future, will do. For example, inland logistics hubs and ports, which will likely be the location for a great deal of electric HGV charging.
- Alongside strengthening grid connections, local power generation could play a role in providing sufficient energy at such sites. However, given logistics is a vital UK industry that underpins all other sectors, public services and households, conventional grid upgrades should be preferred option as they are proven and reliable.
- The Local Power Plan, to be delivered by Great British Energy and local authorities, could be important for logistics decarbonisation. However, this will require local authorities to consider their role supporting industries of national importance in their areas, such as logistics, and not only industries that serve the local area. Providing communities with a stake as owners and/or stakeholders in locally generated energy should support this, encouraging them to regard logistics hubs as key potential customers.

About Logistics UK

Logistics UK is one of the country's largest business groups, and the only trade association which represents all of logistics. Our mission is to support, shape and stand up for safe and efficient logistics. Our membership of more than 20,000 includes global, national and regional businesses and SMEs spanning road, rail, inland waterways, sea and air as well as the customers of freight services, such as retailers and manufacturers. We deliver services, representation and thought leadership, helping members and policy makers to seize new opportunities for the sector and the economy as a whole, right across the country.

The logistics sector

Logistics underpins our economy and is fundamental to our way of life. It supplies our hospitals, schools, factories and shops with everything they need, everywhere, every day – nothing moves without it.

The efficiency of logistics and the productivity of the economy are completely intertwined. Due to this relationship, Oxford Economics found in 2023 that getting the policy and infrastructure environment right for logistics would unlock up to £8 billion a year in productivity-led growth by 2030.

However, we are not currently going in the right direction. The UK fell from 4th to 19th place in the World Bank Logistics Performance index over the past decade, largely as a result of border friction and underinvestment in transport corridors.

Logistics is a major sector in its own right. It contributes £185 billion to the economy each year (12% of UK non-financial GVA), is one of the UK's largest employers, providing good jobs with strong career progression – 2.7 million people (8% of the UK workforce) are employed in logistics roles, and its key hubs provide a catalyst for further growth and investment, helping places to thrive.

Inquiry response

Delivering the UK's clean energy mission requires decarbonising the logistics sector, as it is currently a significant user of fossil fuels. For example, domestic transport is the largest emitting sector in the UK (28% in 2022), and a significant proportion of that comes from logistics transport[1].

The logistics sector is committed to its decarbonisation. However, as a low margin sector, it is struggling with the cost of decarbonisation and the investment case is being further hampered by a lack of clarity from the government over logistics decarbonisation policy.

Logistics decarbonisation will take a variety of approaches across different transport modes and use cases, and will require a variety of investments in infrastructure and fuels. As such, a partnership approach between the logistics sector, government and energy sector is required to achieve it. We are therefore calling for a co-created logistics roadmap to net zero and the phase-out of fossil fuels to drive investment. This must be:

- Based on a full assessment of the future energy and fuel needs of road, rail, air and maritime logistics.
- Technology neutral, considering the place for electric, hydrogen and low carbon fuels, and leveraging the work already done by the Automotive Council.
- Aligned to vehicle phase out dates and other targets.

We were interested to read the government's recent response to the Climate Change Committee's (CCC) Annual Progress Report to Parliament in July 2024, included the following, which could be a significant step forward in this area:

"We will soon set out detailed plans for transforming our freight and logistics sector, helping operators benefit from improved efficiencies and consumers benefit from lower carbon goods. Our vision for freight will combine a zero-emission light and heavy goods vehicle fleet with increased rail freight capacity and zero emission vessels at sea – with improved, reliable infrastructure underpinning every element."

Q. How could the Local Power Plan to be produced by Great British Energy build upon existing community energy support schemes, such as the Community Energy Fund?

A. Decarbonising logistics requires, amongst other investments, significantly increased access to energy at sites that do not currently use a large amount of energy but, in the future, will do. For example, inland logistics hubs and ports which will likely be the location for a great deal of electric HGV charging.

This is acknowledged in the Clean Power 2030 Action Plan, which states that the distribution network needs "significant reinforcement," including "to accommodate new demand in some locations for growing infrastructure and industrial uses, such as data centres and transport hubs." Logistics UK agrees with this and is urging the Department for Energy Security and Net Zero to urgently begin detailed work on the pipeline of grid connection projects required by the logistics sector, including beyond 2030.

Time is short. According to current deadlines, all new vans sold from 2035 onwards must be zero tailpipe emission, with this applying to HGVs up to 26 tonnes from 2035 and all HGVs from 2040. These vehicles, if electric, will all need reliable charging infrastructure and this is not happening at anything like the pace required, largely due to a lack of grid infrastructure.

Alongside strengthening grid connections, local power generation could play a role in providing sufficient energy at such sites. As such, the Local Power Plan, to be delivered by Great British Energy and local authorities, could be important for logistics decarbonisation.

The Local Power Plan, if successfully delivered, will be an important step-up from community energy support schemes like the Community Energy Fund (CEF). While the CEF is a £10 million programme, the Local Power Plan is of a different order, seeking to mobilise £400 million in low-interest loans for community groups, £600 million for local and combined authorities and aiming to develop up to 20,000 small and medium-scale renewable energy projects.

However, given logistics is a vital UK industry that underpins all other sectors, public services and households, conventional grid upgrades should be preferred option as they are proven and reliable. In addition, should local power generation play a role, local authorities must recognise the national importance of industries, like logistics, in their areas. Providing communities with a stake as owners and/or stakeholders in locally generated energy should support this, encouraging them to regarded logistics hubs as key potential customers.

[1] DfT Official Statistics, Greenhouse gas emissions from transport in 2022, Published 12 December 2024

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