MPA Comprehensive Spending Review Submission

The Mineral Products Association (MPA) is the trade association for the aggregates, asphalt, cement, concrete, dimension stone, lime, mortar and silica sand industries.

The mineral products industry is the largest foundation industry in the UK extracting, processing and delivering around one million tonnes of heavy construction and industrial materials throughout the UK each and every day. This makes us the largest material flow in the economy. Our products are essential for construction and maintenance of infrastructure and housing, as well as diverse sectors such as water, agriculture, energy and food packaging.

Summary of recommendations:

- More focus on delivery of infrastructure projects
- Use a small proportion of Aggregates Levy revenue for a Community Fund and to support mineral planning
- Delay Red Diesel Rebate removal for our sector until there are alternatives available
- Refocus support from power sector to industry for net zero including CCUS

Infrastructure and housing: ambition welcome but needs real delivery

MPA welcomed the Government's increase to the capital budget and the pledge to increase spending on infrastructure as set out in the March Budget. Our members stand ready to deliver the essential materials needed for these projects, which will strengthen the recovery and support jobs in the short term and support levelling up in the longer term.

We have repeatedly called for a laser-like focus on delivery of major projects. Increased ambition is welcome, but it only matters if it is realised. Timely delivery of projects is important, both for their economic impact and for the businesses that supply their construction. As an example, the first Highways England Road Investment Strategy (RIS1) saw 37 out of 112 announced schemes either delayed or cancelled. This level of delivery was extremely disappointing to our members who invest on the basis of published plans.

This is true of both new projects and repairs and maintenance. This year's Annual Local Authority Road Maintenance survey found that local roads budgets had dropped in 2020 and the one-time catch up cost of road repairs had risen to over £11 billion, so we would welcome an increase in the local roads allocation. Predictable funding for local and Major roads networks well as the Strategic network is essential and a good use of the increased capital budget. The Government has already noted the benefits of consistent local roads funding in its response to the Transport Select Committee report in 2019:

> "a long-term consistent funding certainty for local highways maintenance is important to ensure that highway authorities can make effective decisions and to seek efficiencies through the supply chain"

To meet Government's raised ambitions, better delivery of the existing and future pipeline is essential. Commitment to the later stages of HS2 would be particularly reassuring. Further rail electrification especially the Midland Main Line, would help reduce the environmental impact of our industry as we maximise modal shift from road to rail. Recent announcements regarding stalled energy projects which are critical to our security of supply increase uncertainty and undermine confidence to invest at a time when future energy needs are important and we are transitioning to a low and ultimately net zero economy.

Beyond transport infrastructure there are a wide range of projects that should be supported to become more prominent including renewable energy, particularly tidal and heat networks.

We strongly support measures to increase construction of housing in the years ahead, as a key measure to support the UK economy. Construction is a key sector for the economy and our members and we look forward to policies supporting new starts in particular.

Aggregates Levy: Communities and planning system worth investing in

In our response to the Government's consultation on the Aggregates Levy, MPA set out compelling evidence that the environmental impact of the levy was limited and that any increase would not generate commensurately more recycling or substitution. We therefore believe the rate should not be increased on an industry that pays around £400 million per year already while making a significant contribution to the environment, a contribution recognized by Government in its response to the consultation.

MPA made two key suggestions for small but worthwhile expenditure in our submission ot the review of the Levy. Firstly, using a small proportion of the revenue for a Community Fund, which would focus on local community and nature conservation projects, and second, funding the mineral planning system adequately. In the Government's response to the review, these were left open until a fiscal event, as spending commitments. We would like to reiterate the importance of both of these suggestions ahead of the CSR.

The Community Fund would operate on a similar basis to the Landfill Tax Communities Fund, although we suggested a lower cost of around £10m or 2.6% of revenue compared to 5.8%. This would support local communities that host our industry whilst also enhancing the recognised contributions the industry has made over the last 50 years to nature and biodiversity.

Permitted reserves for minerals extraction are not being replenished at the same rate they are being depleted, with the mineral planning system part of the cause. Only 63% of sand and gravel reserves and 75% of crushed rock reserves were replenished from 2009 to 2018. We perceive the mineral planning system to be under-resourced centrally and locally, and that a small increase in funding would substantially improve performance. This would help ensure supply of the essential materials needed to achieve Government's objectives on infrastructure and housing.

Red Diesel: no alternatives, no environmental benefit, higher cost

The mineral products industry is dependent upon red diesel for most of its onsite mobile plant and delivery of its products consuming around 200 million litres per annum. The removal of the rebate would cost our industry around £100m but yield no environmental benefit as there is no alternative equipment to buy. Our members tell us the impact on confidence and profitability could lead them to reduce investment, affecting employment but also slowing the rate of renewing equipment.

Removing the rebate would raise the cost of construction materials that will be essential for various projects including HS2, RIS2, flood defences and the increased housebuilding Government is seeking, but not deliver any environmental benefit until our industry has alternative equipment to buy. Given the economic headwinds our sector and the wider economy face, removing the rebate in 2022 will damage confidence to invest, potentially limiting investment and recruitment. To strengthen the recovery and support jobs, the rebate for mineral products should stay in place until there are suitable alternatives available.

Net Zero: transitional support for industry

The Government has committed to reaching net zero by 2050. To reach the target, some decisions need to be taken now, including spending commitments, to enable business to design, plan, invest and decarbonise. Support enjoyed by the energy sector has succeeded in making renewables cost competitive with fossil fuels and should be redployed to support industry decarbonise. In our forthcoming Concrete and Cement Net Zero Road Map due to be launched in early October we will set out how our industry could go beyond net zero by removing more CO2 then we emit but this needs the right infrastructure and support framework. We are asking for Government to:

- Support the provision and use of biomass and waste biomass in industrial combustion processes to fill the gap left by the renewable heat incentive (RHI).
- Introduce a 'Beyond Net Zero Cement Support Programme' to finance a commercial scale UK cement industry waste biomass-fuelled carbon capture demonstrator.
- Set out a financial support model for the capital and operational costs of carbon capture next year so that the technology can be developed, deployed and become an investable proposition in the 2030s.
- Support for the development of CO2 utilisation markets.
- Invest in the creation of a UK CO2 transport and storage (T&S) network available to all cement producers and to underwrite the main costs and risk of T&S.
- Develop a zero carbon gas (hydrogen/biomethane) network and market at cost competitive prices.

Mineral Products Association
38-44 Gillingham Street
London SW1V 1HU

Tel 020 7963 8000
Fax 020 7963 8001

info@mineralproducts.org
www.mineralproducts.org

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