Response to the UK Government's 'Invest 2035' Consultation

Submitted by: French Chamber of Commerce in Great Britain

Submitted on: 19.11.2024

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Executive Summary

The French Chamber of Commerce of Great Britain welcomes the opportunity to contribute to the UK Government's "Invest 2035" consultation on industrial strategy. This response emphasizes the value of international partnerships, particularly with France, to support key growth-driving sectors, including clean energy, advanced manufacturing, digital technology, and defence. Given that France is the UK's fourth-largest trading partner, accounting for 6.0% of total UK trade, the French border is critical for the movement of goods and people, underscoring the deep economic relationship between the two nations. Leveraging the unique strengths of the UK-France relationship can accelerate innovation, enhance economic resilience, and support regional development across the UK.

Our recommendations focus on removing regulatory barriers, creating cross-border infrastructure, and aligning standards to support Net Zero goals and strengthen the UK's position as a global leader in clean energy and digital technology. By prioritizing joint initiatives in hydrogen, AI, and cybersecurity, and addressing the need for streamlined planning, skills mobility, and infrastructure investment, the UK can build a resilient, innovative industrial base that aligns with its long-term growth objectives.

Introduction

The French Chamber of Commerce of Great Britain is a leading organization dedicated to supporting French businesses in the UK and fostering Franco-British economic partnerships. The Chamber represents over 350 businesses across diverse sectors. For a full list of our members, please visit our website. In this response, we draw on insights from recent bilateral initiatives, such as the UK-France Business Forum, and two policy reports on Clean Growth and Mobility included in appendices. Although we support the various key sectors mentioned in the Green Paper, we are unable to comment on all of them at this time. Consequently, we have focused our response on the questions and sectors that are most relevant to our position.

Response to Consultation Questions

Question 1: How should the UK government identify the most important subsectors for delivering our objectives?

The UK government should prioritize subsectors that align with its national priorities by offering high potential for sustainable growth, technological advancement, and economic resilience. These subsectors should provide a competitive advantage on the global stage, contributing significantly to economic prosperity. Key areas include:

- **Clean Energy:** Hydrogen, offshore wind, and biomethane are essential for the UK's Net Zero objectives and energy security.
- **Digital Technology:** AI, cybersecurity, and cross-border technology solutions are critical for digital transformation and infrastructure protection.
- **Advanced Manufacturing:** Aerospace and advanced manufacturing are core to the UK's high-value manufacturing sector and can drive innovation in low-carbon technologies.

Focusing on these areas, particularly through UK-France collaborations, will create high-value jobs, enhance productivity, and support long-term resilience in the UK economy.

Question 4: What are the most important subsectors and technologies that the UK government should focus on and why?

The UK government should focus on subsectors and technologies that align with its long-term strategic goals, including economic resilience, sustainability and global competitiveness. The most important subsectors for the UK government to prioritize include:

Clean Energy

- **Hydrogen:** Hydrogen is an essential component of the clean energy transition, particularly for sectors where electrification is less viable, such as heavy industry and transport. Hydrogen also presents significant decarbonization potential for energy storage, contributing to grid stability and flexibility.
- **Offshore Wind:** Offshore wind is a reliable, high-capacity renewable energy source. The UK and France are both leaders in offshore wind development, making this sector a prime area for collaboration.
- **Biomethane:** Biomethane offers a renewable alternative to natural gas, especially valuable in hard-to-electrify sectors. By capturing methane from organic waste, biomethane production can contribute to a circular economy and reduce greenhouse gas emissions.

Advanced Manufacturing

- **Aerospace and Automotive:** Advanced manufacturing technologies, especially those supporting low-carbon and circular economy goals, should be a priority. France's established expertise in industrial innovation can complement the UK's strengths in sectors like aerospace and automotive manufacturing.

Digital Technology

- **Artificial Intelligence (AI):** AI represents a transformative technology for nearly all sectors, enhancing efficiencies in energy, manufacturing, healthcare, and beyond.
- **Cross-Border Technology Solutions:** Collaborating on digital border technology and pre-registration systems will streamline trade and mobility.
- **Cybersecurity**: As digital transformation advances, robust cybersecurity is crucial for protecting infrastructure, intellectual property, data and individual rights. The UK and France share cybersecurity challenges, particularly in relation to critical infrastructure and can do more to collaborate.

Question 5: What are the UK's strengths and capabilities in these subsectors?

The UK's strengths in each priority subsector include:

Clean Energy

- **Hydrogen Production:** The UK has established significant momentum in hydrogen production and infrastructure development, with projects such as Tees Green Hydrogen, which aims to supply low-carbon hydrogen to industrial clusters in the Northeast. The UK Hydrogen Strategy provides a supportive policy framework, encouraging both public and private sector investment in hydrogen technology. This strategic direction complements France's hydrogen expertise and reinforces the potential for collaborative projects, such as hydrogen storage and pipeline infrastructure.
- **Offshore Wind:** The UK leads Europe in offshore wind capacity, with projects like Dogger Bank projected to be the world's largest offshore wind farm. The country's extensive coastal wind resources, combined with favourable maritime conditions and substantial investment in wind technology, position the UK as a leader in offshore wind innovation. Joint UK-France investments in offshore wind could amplify these capabilities, providing clean energy to regional markets while enhancing energy resilience

- **Biomethane Production**: The UK has an established infrastructure for biomethane production through waste-to-energy projects, as seen in initiatives like the Severn Trent Green Gas Project, which captures methane from wastewater treatment. With France's experience in agricultural waste conversion, a UK-France collaboration in biomethane could increase biogas output and reduce greenhouse gas emissions.

Advanced Manufacturing

- **Aerospace and Automotive:** The UK has robust capabilities in high-value manufacturing, particularly in aerospace and automotive sectors. UK firms like Rolls-Royce and BAE Systems are global leaders in aerospace engineering and defence, driving technological advancements in lightweight materials, fuel efficiency, and low-emission engines. Through partnerships with French companies, there is strong potential to innovate further in green aviation and sustainable automotive manufacturing.
- **Innovation Hubs:** The UK has a well-established network of research institutions and innovation hubs that support sustainable manufacturing initiatives, including the High Value Manufacturing Catapult. These centres foster R&D in low-carbon manufacturing processes, automation, and circular economy practices. France's established role in European industrial innovation could complement these strengths, creating a collaborative framework for green manufacturing in both countries.

Digital Technology

- **AI and Cybersecurity:** The UK is recognized as a European leader in AI research and application, with centres of excellence such as the Alan Turing Institute. The government's National AI Strategy is aligned with industrial goals, promoting AI integration across sectors like finance, healthcare, and manufacturing. Collaboration with France, which has its own AI initiatives and advanced regulatory approaches and shares similar goals as part of its national strategy, would strengthen both countries' positions in responsible AI innovation and governance. The upcoming AI Action Summit offers a platform for establishing leadership in ethical AI standards and technological advancement.
- **Cross-Border Technology Solutions:** France and the UK share a critical border for trade and mobility. Collaborative projects between the UK and France, particularly in digital border technology and automated pre-registration systems would further streamline transport between the two countries. This is essential to maintaining fluidity in cross-border trade and mobility, particularly as France's Entry-Exit System (EES) and the UK's Electronic Travel Authority (ETA) are rolled out.

- **Cybersecurity:** The UK has a robust cybersecurity infrastructure, supported by institutions like the National Cyber Security Centre (NCSC) and a mature digital economy. This capability is crucial for securing critical infrastructure and protecting data in a digitally connected industrial landscape. France, with a strong focus on cybersecurity in the EU, is a natural partner for the UK in creating secure digital ecosystems across both countries. Joint efforts in cybersecurity standards and solutions would enhance both nations' resilience and reinforce trust in digital transformation efforts.

Question 6: What are the key enablers and barriers to growth in these subsectors and how could the UK government address them?

The UK can promote growth in these subsectors by strengthening bilateral collaboration with France in R&D funding, regulatory alignment, infrastructure investment, and talent mobility. Addressing barriers through joint initiatives, such as shared infrastructure projects and innovation funds, will maximize the impact of the UK's industrial strategy and foster a sustainable, competitive industrial environment.

Barriers

- **High Costs and Funding Gaps:** Clean energy and advanced manufacturing projects require significant capital.
- **Regulatory Complexity:** Simplified regulatory processes would streamline project approvals and attract investment, especially in energy and digital sectors.
- **Infrastructure Gaps:** Investment in hydrogen refuelling stations and data centres would enhance sectoral growth.
- **Skills and Talent Shortages**: The shortage of specialized expertise, such as engineers for hydrogen technology or data scientists for AI development, increases recruitment costs and slows innovation.

Enablers

- **R&D Funding:** Joint UK-France R&D funds, especially for hydrogen, would support early-stage technologies and lower costs.
- **Regulatory Alignment:** Harmonizing regulatory standards for clean energy and digital technology would reduce compliance costs and enable smoother cross-border projects.
- **Infrastructure Development:** Targeted investment in clean energy infrastructure, such as hydrogen storage and refuelling networks would support sectoral growth.
- **Talent Mobility Programs:** Establishing bilateral talent mobility schemes with France, along with streamlined visa processes for highly skilled workers, would address skills shortages, enhance workforce diversity, and improve productivity.

Question 7: What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

The UK faces sector-specific investment barriers that range from high capital requirements and regulatory complexities to talent shortages and infrastructure limitations. Key investment barriers include:

- **High Initial Costs:** Clean energy and manufacturing projects require large capital investments. Incentivizing long-term investment through tax reliefs and grants would mitigate these costs.
- **Regulatory Complexity:** Inconsistent regulations, especially for cross-border projects, increase compliance costs and delays. Harmonizing regulations with France would address these challenges.
- **Skill Shortages:** Shortages in AI, engineering, and cybersecurity hinder growth. Simplified visa processes for skilled professionals and bilateral talent exchanges would help bridge the gap.

More detailed evidence of investment barriers in detailed in the Clean Growth and Mobility Reports attached in Appendices.

Question 8: Where you identified barriers in response to Question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?

The government should establish a talent mobility program with France, similar to the Volontariat International en Entreprise (VIE) program, to allow young professionals and recent graduates to gain experience in growth-driving sectors across both countries. Such a program would facilitate the exchange of technical skills in areas like AI, hydrogen, and aerospace, building a pool of professionals with experience in advanced technologies.

This program would help address skill shortages by giving UK and French businesses access to a broader pool of skilled workers and by creating opportunities for young professionals to gain sector-specific experience. It would also encourage knowledge sharing and strengthen the UK-France economic relationship by creating a workforce familiar with both markets

Question 14: Where you identified barriers in response to Question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?

- **Hydrogen Production:** The UK government should establish a dedicated hydrogen infrastructure fund, potentially as a joint UK-France initiative, to support the development of large-scale hydrogen refuelling stations and storage facilities in high-demand areas. This could include tax incentives for private investors in hydrogen infrastructure projects, prioritizing regions with high industrial or transport needs.
- **Accelerate Planning Approvals:** The UK government could implement a streamlined approval process specifically for clean energy projects, prioritizing developments aligned with Net Zero goals. This could include a "fast-track" permitting process for biomethane facilities and wind projects in regions that have demonstrated strong local support and a clear environmental benefit.
- **Develop Regional Transport Hubs:** The UK government should invest in regional transport hubs that facilitate the distribution of clean energy resources and improve access to refuelling infrastructure for hydrogen-powered vehicles. Enhancing transport networks around industrial clusters would facilitate the distribution of hydrogen and other renewable energy sources.
- **Cross-Border Infrastructure Coordination:** The UK government should work closely with French counterparts to establish joint standards and streamlined regulatory processes for cross-border infrastructure projects. Establishing a bilateral task force to oversee cross-border energy and transport projects, including hydrogen infrastructure and digital border systems, would address these barriers.

Question 20: Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in Question 7?

- **Simplify Visa Processes for Skilled Workers:** Talent shortages in high-skill areas, such as AI, engineering, and clean energy, are exacerbated by restrictive visa processes, limiting companies' ability to recruit skilled workers and slowing growth in high-demand sectors. The UK government should simplify visa requirements and reduce associated costs for professionals in critical growth sectors. The government should further establish bilateral talent mobility programs with key partner countries, such as France, to facilitate short-term

exchanges, internships, and long-term placements in areas like AI, cybersecurity, and hydrogen technology.

- **Harmonize Standards for Clean Energy:** Lengthy planning and regulatory approval processes create delays and increase costs for clean energy projects, particularly for hydrogen production, biomethane, and offshore wind. These barriers discourage investment and slow the scale-up of new energy technologies. Establishing a UK-EU or UK-France regulatory task force would develop shared standards and mutual recognition for hydrogen and clean energy projects. Aligning standards for hydrogen certification, transport regulations, and safety protocols would enable smoother cross-border operations.

Question 24: How can international partnerships support the Industrial Strategy?

France is the UK's fourth-largest trading partner, accounting for 6.0% of total UK trade. The French border is critical for the movement of goods and people, underscoring the deep economic relationship between the two nations. International partnerships, particularly with France, can:

- **Facilitate Joint Clean Energy Projects:** Government-to-government agreements on hydrogen infrastructure would accelerate the energy transition and boost both economies.
- **Drive Regional Development:** Collaborating on industry clusters and cross-border digital hubs would create skilled jobs and attract investment to underserved regions.
- **Enhance Innovation through Joint R&D:** Public-private initiatives between UK and French firms in AI and cybersecurity would promote shared innovation and support the digital economy.

Summary of Key Recommendations

1. **Streamline Regulatory Approvals**: Implement fast-track approval processes for clean energy and digital projects that align with Net Zero goals to reduce delays and attract investment.
2. **Align Standards for Cross-Border Energy and Digital Projects**: Harmonize regulations for hydrogen infrastructure, cybersecurity, and AI standards to enable seamless cross-border collaboration.
3. **Develop Regional Green Energy and Digital Hubs**: Establish designated zones to prioritize clean energy projects and improve regional digital infrastructure, supporting job creation and economic growth.
4. **Expand Bilateral R&D Funding**: Create joint UK-France innovation funds for hydrogen, AI, and cybersecurity, reducing R&D costs and accelerating technology adoption in high-impact sectors.

5. **Facilitate Talent Mobility**: Simplify visa requirements and develop UK-France talent mobility schemes in critical sectors like AI and clean energy to address skill shortages and enhance expertise.
6. **Invest in Cross-Border Infrastructure**: Coordinate on infrastructure projects, such as hydrogen pipelines and energy interconnectors, to strengthen energy resilience and market integration across the UK and France.
7. **Enhance Cybersecurity Standards for Critical Infrastructure**: Establish mandatory cybersecurity protocols and certifications for sectors like energy and finance to protect digital infrastructure and facilitate international collaboration.

Conclusion

The French Chamber of Commerce in Great Britain is committed to supporting the UK's Industrial Strategy through partnerships that leverage the unique strengths of both the UK and France. By focusing on key growth sectors and addressing regulatory and infrastructural barriers, the UK can foster sustainable growth and strengthen its position as a leader in clean energy, advanced manufacturing, and digital technology.

We look forward to continued collaboration to achieve these shared goals.