

## BCECA responds to the 2023 budget

### Tracey Shelley takes a look in the Chancellors Red Box

In yesterday's budget, the new Chancellor of the Exchequer set out plans to make the UK 'the best place in Europe for companies to locate, invest and grow'. Much attention has focussed on the announcement of £27bn in capital investment tax reliefs. But elsewhere in Jeremy 'Hunt's red box, there was a good deal more to arouse UK-based engineering contractors' interest.

Here at BCECA, we prefer to avoid analysis of the budget speech itself. Such occasions are as much about political theatre as fiscal and monetary policy. Instead, we've delved into the Chancellor's [122-page budget report](#) to uncover the detail - where it exists - behind some of Mr Hunt's headline announcements.

### Low carbon infrastructure boost

Energy transformation is uppermost in the minds of engineering contractors. These professional engineers and technicians will ultimately be called upon to design, procure and build the UK's low-carbon infrastructure - whatever form it takes. As such, two sections of the budget report caught our eye. In the 'Green Infrastructure' section, the government has earmarked £20 billion for the early deployment of carbon capture utilisation and storage (CCUS). It isn't clear how the distribution of this 'unprecedented' funding will be phased. However, the report firmly restates the existing commitment to deliver two CCUS clusters in the UK by 2025, with two more to follow by 2030.



*Hynet Stanlow (Concept)*

Conceptual and pre-front engineering design (FEED) has been substantially completed for the first two clusters: Hynet in North West England and the East Coast Cluster, which stretches from the Humber to Teesside. These initiatives spearhead the UK government's ambitions for CCUS 'everywhere' as we approach 2050. BCECA member companies, including Aker, ENI, JM, and Kent, are playing a significant role. A shortlist of projects for the first

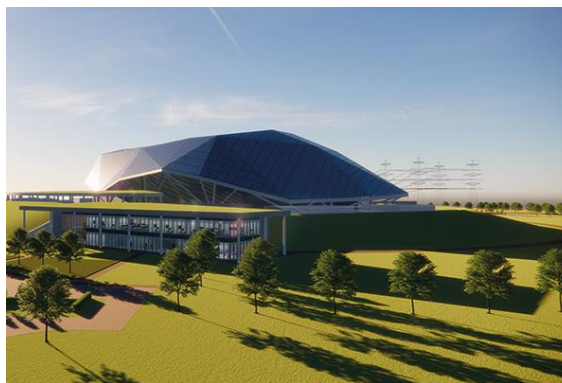
deployment phase is set to be announced before the end of March. Further projects can enter a selection process for [Track1](#) expansion, which is launching this year. Two additional clusters will be selected through a Track 2 process, with more details to be announced.

### Nuclear goes green

Elsewhere in the 'Green Infrastructure' section, there is promising news for contractors involved in the nuclear industry. First, in what might be seen as little more than wordplay, nuclear energy may be included in the [Green Taxonomy](#) regulations for the first time. The

move is subject to 'consultation', but if it comes off, there is a potential to unlock new flows of private investment into Britain's nuclear industry.

In a further development, the government has signalled the creation of 'Great British Nuclear' (GBN). This new body will address constraints in the nuclear industry and support new build. Although the detail is thin, the report indicates that the initial focus will be on Small Modular Reactors (SMR), and a 'competition' will be launched to attract the best designs from vendors in the UK and internationally. It is suggested that such a competition could be concluded before the end of 2023, and government funding is



*Rolls Royce SMR (Concept)*

mooted. However, there is no detail on the sums involved. Turning to larger, Gigawatt-scale nuclear projects, the report is more circumspect with caveats around 'value for money, relevant approvals, technology readiness and maturity'. The absence of a clearer policy signal will raise fears that Hinckley C may suffer the same fate as Sizewell B. The renaissance for large nuclear power stations may be short-lived once again.

## Decommissioning fossil fuel assets

Oil and gas fail to get much of a mention in the budget, save for suggesting that certain 'existing assets' might be repurposed for use in CCUS projects, giving rise to cost and development time savings. The report indicates that the government will introduce



legislation to establish the tax treatment of payments into 'decommissioning funds' where assets are retained for use in CCUS projects.

So, on the energy transformation front, it's a case of so far, so good. What's needed now is rapid progress on the policies, regulatory frameworks and the financial and contractual mechanisms needed to get things moving. A wide-ranging Energy Bill is required without further delay.

## Workforce interventions

Demand-side stimulus is welcomed, but given continuing concerns around skills supply, measures are also needed to secure the availability of a trained labour force suitably equipped to deliver multiple complex infrastructure projects. Increasing the labour supply during times of low unemployment helps to grow the economy and reduce inflationary pressure. Four subsets of the labour force are set to receive further government attention, including older workers (55-64) and parents. BCECA looks forward to further developments in these areas, particularly in relation to women. The UK's female inactivity rate is higher than that of the best performing OECD countries. Given the welcome increase in the number of women in engineering and technology roles, interventions are needed to ensure that families can strike the right work-life balance and contribute to Britain's economic renewal. The Chancellor's interventions to support childcare provision are welcomed, but we doubt that the pension tax changes will have any significant impact on the engineering contracting sector. The budget report does not mention IR35, self-employment or moves to simplify off-payroll working.

## Migration - the short-term solution?

Finally, given the short-term pressures to deliver economic growth, the budget confirmed the addition of several new roles to the [Shortage Occupation List](#) (SOL) maintained by the Migration Advisory Committee (MAC). SOL is a feature of the existing Tier 2 visa arrangements for skilled workers from outside the UK. It lists occupations where employers face a shortage of suitable labour and where it is sensible to fill those shortages with migrant workers. The budget report contains measures to address labour shortages in the 'construction' sector, but the moves appear heavily skewed towards housebuilding rather than infrastructure. Additions to the list include bricklayers, roofers, carpenters and plasterers; however, a fifth category, 'construction and building trades not classified elsewhere,' may provide a route for engineering contractors to secure visas for foreign workers needed in a range of activities, including work on tall and subsea structures. It's worth noting that a wide range of professional engineering competencies, including mechanical, electrical, process and design engineers, have been included in the SOL for many years. Nevertheless, finding the right trades at the right time remains challenging for HR teams across the engineering sector.

More detail in all these areas is expected to emerge from UK government departments in the coming weeks. The BCECA Board will assess the implications of the budget at its March meeting, making further representations to the government on behalf of our members if needed.

We'll monitor developments and update you on progress via our LinkedIn feed and regular communications with members and partners.

Find out more about BCECA at [www.bceca.org.uk](http://www.bceca.org.uk) or take a look at our current [strategy](#) to support UK-based engineering contractors.



**Tracey Shelley**

BCECA Chief Executive

---

Tracey Shelley is the CEO of BCECA, the trade organisation representing UK-based engineering contractors and their supply chain partners.

For more information contact: BCECA at 10th Floor, Camelford House, 89 Albert Embankment, London SE1 7TP

t: 020 7091 8652 e: [admin@bceca.org.uk](mailto:admin@bceca.org.uk) w: [bceca.org.uk](http://bceca.org.uk)