



Department for
Business, Energy
& Industrial Strategy



Infrastructure
and Projects
Authority

To: Stefanie Murphy and Paro Konar, Senior Responsible Owners for the Net Zero Hydrogen Fund
Project Identifier: DPO-2085

From: Sarah Munby, Permanent Secretary of Department for Business, Energy and Industrial Strategy;
and Nick Smallwood, Chief Executive Officer of the Infrastructure and Projects Authority

22 November 2022

Dear Stef and Paro,

APPOINTMENT AS SENIOR RESPONSIBLE OWNER FOR THE NET ZERO HYDROGEN PROJECT (NZHF) IN THE DEPARTMENT FOR BUSINESS ENERGY AND INDUSTRIAL STRATEGY PORTFOLIO

We are writing to confirm the appointment of Stefanie Murphy and Paro Konar as Senior Responsible Owner (SRO) for the Net Zero Hydrogen Fund project. Your SRO role is critical to the successful delivery of the Department's strategic objectives. This letter sets out your responsibilities and the support you can expect from BEIS and the Infrastructure and Projects Authority.

As SRO, you are directly accountable to Ashley Ibbett, Director General for Energy Infrastructure, under the oversight of the Permanent Secretary as accounting officer for BEIS, and Graham Stuart, Minister of State for Climate.

The NZHF project forms part of the Department for Business, Energy and Industrial Strategy Portfolio, under the oversight of the Chair of the Net Zero Delivery Board. The NZHF project is included in the Government Major Projects Portfolio (GMPP).

You have personal responsibility for the delivery of the NZHF project and will be held accountable for the delivery of its objectives, with policy intent and outcomes expected. This encompasses securing and protecting its vision, ensuring that it is governed responsibly, reported on honestly, escalated appropriately and for influencing the context, culture, and operating environment of the NZHF project. You are also responsible for ensuring the ongoing viability of the NZHF project and recommending its pause or termination if appropriate. Where issues arise which you are unable to resolve, you are responsible for escalating these to the Net Zero Delivery Board.

You will carry out this role alongside your other responsibilities as SRO of the IDHRS programme and joint SROs of the Carbon Capture Usage and Storage (CCUS) Programme with Alex Milward – Director of CCUS. A combined letter has been produced to cover your responsibilities for the CCUS Programme and the elements of IDHRS that are related to CCUS. A separate letter confirming your appointment as SRO for the non-CCUS related elements of IDHRS has also been produced.

The scale of the interdependencies between the HICC and CCUS Directorates requires close cooperation between two Directorates therefore a joint SRO model was agreed for the CCUS programme. This model provides insight and challenge and brings a wider set of skills, network and experience in managing a highly complex 'system' programme. It provides additional focus on the development of business cases to

ensure alignment of objectives with other programmes/projects and expected outcomes, as well as a joined-up approach in engaging Ministers and stakeholders.

You remain accountable to Ministers, as set out in the Civil Service Code, and should deliver the project in accordance with the objectives and policy intent as set by Ministers.

In addition to your internal accountabilities, SROs for GMPP projects and programmes are personally accountable to Parliamentary Select Committees. This means that, from the date of this letter, you will be held personally accountable to and could be called by Select Committees to account for and explain the decisions and actions you have taken to deliver the NZHF project.

It is important to be clear that your accountability relates only to implementation, within the agreed terms in this letter; it will remain for the Minister to account for the relevant policy decisions and development.

More information on this is set out in [Giving Evidence to Select Committees - Guidance for Civil Servants](#), sometimes known as the Osmotherly Rules. Information on the roles and responsibilities of the SRO are detailed in the Infrastructure and Project Authority's guidance on [the role of the senior responsible owner](#). You should also make yourself familiar with the [Government Functional Standard for Project Delivery](#), the requirements of the Government Project Delivery Framework, and the guidance and requirements for project delivery as set by BEIS' Implementation and Delivery Directorate.

Time commitment and tenure

This role will require at least 0.4FTE of your time to enable effective delivery of the role and execute your responsibilities in full. You are expected to remain in post at least until 2022, which aligns with the completion of set up phase of the NZHF.

Your tenure in this post will be regularly reviewed with Director General for Energy Infrastructure, taking into account the benefits of continuity, the capability needed to lead this project through its development, planning, delivery and evaluation phases; the length of these phases, your development as a member of the project delivery profession within the Civil Service, and the Department's ability to deploy its senior leadership team appropriately. You should ensure that you have agreed with Director General for Energy Infrastructure appropriate succession planning for key personnel in the project.

The SRO is also jointly accountable for the CCUS programme within the BEIS CCUS Director and solely accountable for IDHRS. This equates to 2.6 full time equivalent (FTE) SRO across the three interlinked projects/programmes.

Table 1 - SRO Time Commitment (in FTE)

SRO	IDHRS	NZHF	CCUS Programme	Total FTE
Stefanie Murphy & Paro Konar	0.4	0.4	0.4	1.2
Alex Milward	N/A	N/A	1	1

You must ensure that you allocate sufficient time to enable the effective delivery of the role and responsibilities. This will be periodically reviewed to ensure that an appropriate balance is maintained across your portfolio of activities.

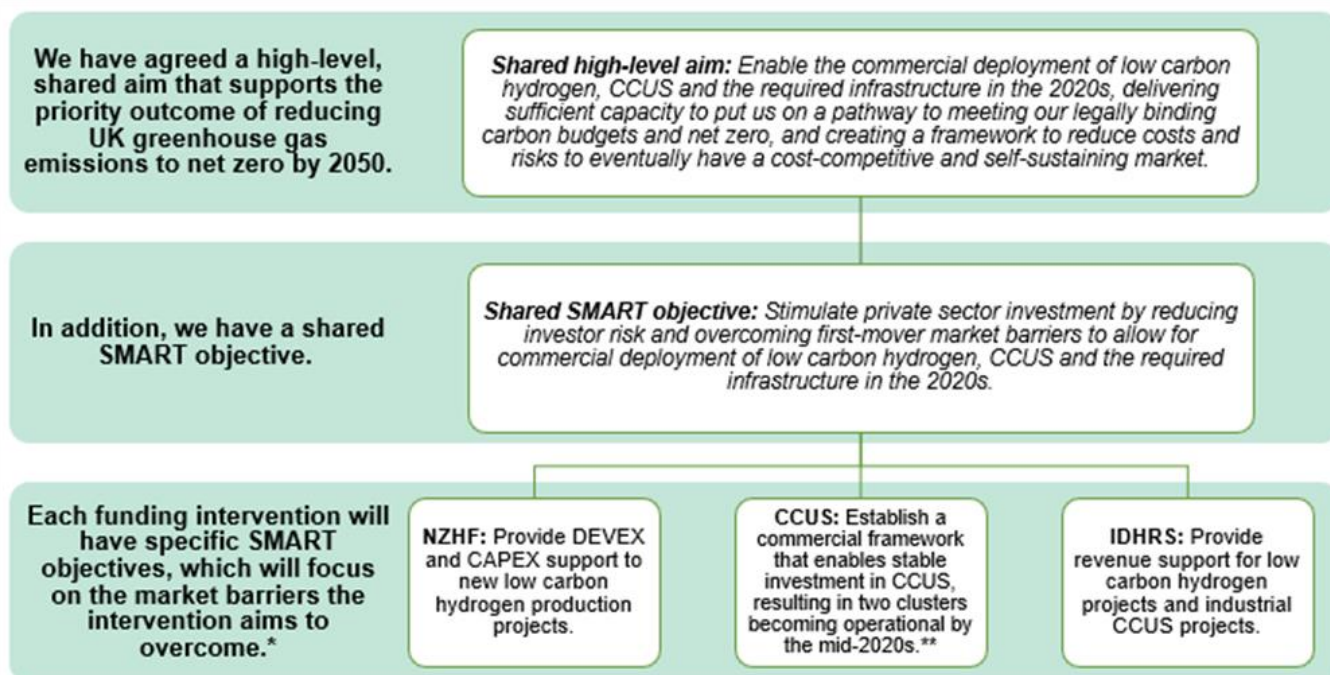
Objectives and performance criteria

Low carbon hydrogen production and CCUS will play a vital role in decarbonising industry to achieve our carbon budgets and net zero targets. Government support is required as the market alone is unable to provide sufficient incentives for private sector investment to deploy ICC and low carbon hydrogen at the scale needed to achieve our net zero target. NZHF, IDHRS and CCUS form an important and coherent policy package to overcome associated market failures and support the commercial deployment of CCUS and hydrogen production.

The three projects/programmes are intended to work together to build confidence in the market by providing both CAPEX support (NZHF and CIF via the CCUS Programme) and revenue support (IDHRS). As these

funds work together, it is important that they share common aims and objectives, whilst retaining fund-specific objectives. This is illustrated in a 3-tiered approach used for the three business cases set out below (Figure 1).

Figure 1: Three-tiered approach to aims and objectives for CCUS, NZHF and IDHRS



*The boxes on the third line in this diagram summarise the purpose of each scheme/programme. They do not contain scheme/programme-level SMART objectives.

The NZHF was announced in 2020 as part of the Prime Minister’s Ten Point Plan. November 2020’s Spending Review confirmed the allocation of £240m to 2025 with the original NZHF funding proposal submitted for £500m to 2030.

The NZHF is being developed with a primary objective to *Support at-scale deployment of new low-carbon hydrogen production, ensuring the UK has a diverse and secure decarbonised energy system fit for meeting our net zero commitments*. The NZHF has three specific objectives:

1. Stimulate private sector investment by reducing investor risk and overcoming first-mover market barriers to allow for commercial deployment of low carbon hydrogen, CCUS and the required infrastructure over the 2020s.
2. Support low carbon hydrogen projects to meet their upfront costs and risks through CAPEX grant funding, to enable them to take a final investment decision (FID) and begin deployment by 2025 at the latest.
3. Strengthen the pipeline of future low carbon hydrogen projects by supporting FEED studies through DEVEX grant funding.

Impacts of the NZHF would include:

- *Building back better:* De-risking private sector investment in different low-carbon hydrogen production methods, supporting scale up and cost reductions necessary for mass deployment
- *Competitive advantage:* Capitalising on UK strengths in blue and green hydrogen to build robust and secure domestic supply chains needed to achieve our 2030 ambition and net zero commitments.
- *Levelling up:* Supporting the transition to new, high skilled green jobs and clean economic growth in regions across the UK, including vital industrial clusters.

Any proposed changes to the project scope which impact on this intent or benefits realisation must be authorised using the project’s governance framework, in conjunction with the Department’s governance

framework and may be subject to further levels of approval. Further details are set out below. Your objectives and performance criteria with respect to this project are reflected in your performance agreement form, agreed with Director General for Energy Infrastructure.

Your personal objectives and performance criteria which relate to the project are:

1. Develop the low-carbon hydrogen project pipeline in the UK through providing DEVEX funding and provide CAPEX funding for low-carbon hydrogen production projects to support their upfront costs up until 2025.
2. Obtain approvals from Ministers for projects selected through the NZHF competition process.
3. Obtain agreement from BEIS' Project and Investment Committee and HMT for the Final Business Case.

You are expected to run your project in accordance with the [Government Functional Standard for Project Delivery](#), the other [Functional Standards](#) as applicable to the NZHF project and the requirements of the Government Project Delivery Framework.

Extent and limit of accountability

Finance and Controls

The overall budget for the NZHF is set out in your letter of Delegated Authority; this is issued to you annually by the Department's finance team and may be updated from time to time. This letter is the means by which you are held to account for the budgets and other resources for which you are responsible.

The allocation of Departmental resources is subject to review each year during business planning and as SRO you are expected engage actively in the business planning process. The Department explicitly recognises that you will need to balance your responsibilities in respect of the project with your responsibilities relating to the wider work of the department as part of BEIS's cadre of senior leaders. Decisions on resource allocation will reflect the need to strike a balance across the entirety of BEIS's portfolio of projects.

HMT spending controls will apply on the basis set out within BEIS's delegated authority letter. Where the Project exceeds the delegated authority set by HMT, the appropriate Treasury approval process will apply. The details must be agreed with your HMT spending team. You should consult departmental finance colleagues on how to go about this.

You should also note that where expenditure is considered novel, contentious, repercussive or likely to result in costs to other parts of the public sector, HMT approval will be required, regardless of whether the project expenditure exceeds the delegated authority set by HMT. If in doubt about whether approval is required you should, in the first instance, consult your Finance Business Partner and the BEIS Implementation and Delivery Unit before raising with the relevant HMT spending team.

The overall budget for the projects is £240m. Your staffing and project team support budget is £1.4m of Admin budget and £1m of Programme Budget. You will be expected to deliver within these tolerances and report quarterly on these as part of GMPP reporting.

You should operate at all times within the rules set out in [Managing Public Money](#). In addition, you must be mindful of, and act in accordance with, any specific Treasury delegated limits and Cabinet Office controls relevant to NZHF. Information on these controls can be found here: [Cabinet Office controls](#).

Delegated authority

In your respective areas of accountability, you are authorised to:

- approve expenditure of £5m CDEL and £10m RDEL (programme)
- recommend to the Net Zero Delivery Board or Energy Board the need to either pause or terminate the programme where necessary and in a timely manner.

You should use your project's governance framework, in conjunction with the Department's governance framework, as the means by which any necessary authorisation is sought for any changes to your project's scope, milestones or scheduling. The [Departmental Integrated Assurance and Approvals Strategy \(IAAS\)](#) sets out the limits and conditions of any approvals as well as the process to seek approval to materially change the scope of an approved project. This may include recommending the need to either pause or terminate the project where necessary in a timely manner.

Where issues arise which you are unable to resolve within delegated responsibilities, you are responsible for escalating these issues to Director General for Energy Infrastructure, the Accounting Officer and to the Executive Committee or its supporting committees as required by the IAAS in a timely manner.

Appointments

You should appoint a full-time project director to support you in the management of this project and make other appointments as required for the control and delivery of your project within your delegated authority.

Governance and assurance

You should pay attention to ensuring effective governance for your project, including the establishment of a project board with appropriate membership and clear terms of reference.

As primary owner, you must ensure that the NZHF secures business case approval from BEIS' Project and Investment Committee, including the appropriate HMT approvals. You should also ensure that the NZHF remains aligned to the strategic outcomes, costs, timescales, and benefits in line with the approved business case as well as monitoring the context within which the project is being delivered to ensure it remains valid.

Where a change impacts the scope, costs, benefits, or planned delivery milestones agreed as part of an agreed business case, you are responsible for following the agreed change request approval process and setting a new, approved, business case baseline.

You should ensure that an accounting officer assessment is completed alongside the approval of the Outline Business Case and that this is published on GOV.UK as part of the government's transparency requirements on major projects. You are responsible for bringing to the attention of the accounting officer any material changes in the project which could require a new accounting officer assessment to be completed and published. [Guidance on completing accounting officer assessments](#) for major projects is available from HM Treasury.

Although you are directly accountable for this project, you are also expected to support delivery of the department's overall strategic objectives. This means that you are expected to work collaboratively with other SROs and project directors in adjacent projects and programmes and with the BEIS Net Zero portfolio to manage dependencies, resources, schedules, and funding to support delivery of the overall change the department needs to achieve its strategic objectives.

This is particularly true with regards to the IDHRS (Industrial Decarbonisation and Hydrogen Revenue Support) and CCUS (Carbon Capture Utilisation and Storage) programmes, which are strongly interlinked with the NZHF project; NZHF Strand 3 is an integral part of the Joint Electrolytic Allocation round run through the Hydrogen Business Models programme within IDHRS, and NZHF Strand 4 is linked in the same way to CCUS-enabled projects.

You should ensure that appropriate and proportionate assurance is in place and agree on the level and frequency of assurance reviews through the maintenance of an integrated assurance and approvals plan. You should develop this plan and its maintenance in collaboration with the Departmental Assurance Coordinator and the Infrastructure and Projects Authority.

Programme status, reporting and transparency requirements

The Project Status at the date of your appointment is reflected in the most recent monthly delivery confidence assessment to the Infrastructure and Projects Authority and is the agreed position as you

assume formal ownership of the project. Project progress is reviewed regularly by the Department's Executive Committee or its supporting committees. You should take active steps to ensure you escalate in a timely manner any significant issues that will materially affect the delivery of the project for which you are responsible as set out in the business case.

To facilitate progress monitoring and to ensure that appropriate support is provided, you are required to provide accurate, relevant and timely performance reporting to P&R and ExCo committees as set out in the BEIS Performance Reporting Framework. The NZHF reports monthly performance reporting via ORB (Online Reporting in BEIS).

You are responsible for ensuring the honest and timely reporting on the position of the NZHF project to the Infrastructure and Projects Authority while it remains on the GMPP and for providing reports and information into the BEIS Net Zero portfolio as required. Reporting should include carbon measurement, and other sustainable development goals demonstrating evidence that the project contributes to an overarching environmental strategy and is aligned with defined Net Zero pathways. Information on the project will be published annually by the Infrastructure and Projects Authority.

As the SRO of a project/programme that is within scope of the cross-government Net Zero Portfolio you are additionally required to report into the Net Zero and Climate Change governance structure, specifically reporting into the Climate Action Implementation Committee.

You are responsible for publishing on GOV.UK a summary of the accounting officer assessment completed in line with the approval of the Outline Business Case and summaries of any subsequent assessments should they be required.

Development and support

As SRO of a GMPP project, you are required to complete the Major Projects Leadership Academy. To widen your experience and understanding of the role, SROs are also expected to become accredited assurance reviewers and to lead or participate in such reviews for other government departments, the wider public sector, and other areas of the BEIS as appropriate. Becoming an assurance reviewer and completing a review will form part of your time at the Major Projects Leadership Academy.

The Infrastructure and Projects Authority will be available to you for support, advice, and assurance throughout the project's time on the GMPP.

Stef, as an MPLA graduate you are an accredited Major Project reviewer and are expected to lead or participate in such reviews for other Government departments at least once every 12 months to maintain your accreditation. We also encourage you to attend MPLA alumni events. The BEIS Portfolio Office can provide further information and help to arrange this.

Paro, as SRO of a Departmental project you are encouraged to undertake appropriate and timely training. We understand it is not possible for you to participate in the MPLA this year, but we encourage you to confirm when you will be able to enter the scheme. You are also requested to become an accredited Major Project reviewer and participate in such reviews for other Government departments. You are recommended to make arrangements to develop a supportive relationship with a more experienced leader either inside or outside of the department. The BEIS Portfolio Office can provide you with further details and support you in planning your development.


The department will assist you in securing the necessary resources to support the project, and will set clear guidance, requirements and standards, which align to the [Government Functional Standard on Project Delivery](#), to enable good governance and effective delivery. You will be part of the department's cohort of major project leaders who will be expected to support each other, share good practice and lessons learned and to collectively develop solutions. You should liaise with the department's Head of Profession for project delivery to discuss the maintenance and development of your delivery and leadership skills.

The Infrastructure and Projects Authority will be available to you for support, advice, and assurance throughout the project's time on the GMPP.

Following approval of the business case and entry onto the BEIS portfolio, the Net Zero Delivery Board will provide ongoing oversight and support and will take steps to help resolve and escalate risks, issues or constraints that are acting as a blocker to successful delivery.

We would like to take this opportunity to wish you success in your role as SRO.

Yours sincerely,



SARAH MUNBY

Permanent Secretary, Department for Business,
Energy and Industrial Strategy



NICK SMALLWOOD

Chief Executive Officer, Infrastructure and
Projects Authority

CONFIRMATION OF ACCEPTANCE OF APPOINTMENT

I confirm that I accept the appointment of Senior Responsible Owner for the **NZHF project** alongside my appointment as SRO for the IDHRS and Joint SROs for the CCUS Programme, including my personal accountability for implementation, as set out in the letter above.



STEFANIE MURPHY

13.01.2023

Paro Konar

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13.01.2023