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Policy

What does a successful Clean Growth Strategy look like?

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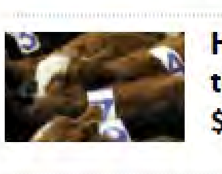

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provide a strategic vision for the UK's post-Brexit economy

What does success look like? It is a difficult question to answer in any walk of life, but it is doubly challenging for those who are committed to tackling environmental crises. When the issues you are trying to address will determine the future health of the global economy and potentially the viability of civilisation itself moderate success can quickly morph into unmitigated failure when placed in the context of climate breakdown.

A business that cuts its carbon emissions 10 per cent while continuing to grow revenues should surely be proud of itself, right? Shaving a tenth off your carbon footprint is a considerable undertaking and will require a host of successful investments and managerial decisions. But if the only credible goal for tackling climate change is the development of a net zero emission economy, is an incremental improvement in carbon intensity really worth celebrating? You don't pop the champagne corks after completing the first mile of a marathon. Or, as the US futurist Alex Steffen puts it, with climate change "winning slowly is basically the same thing as losing outright".

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On the sidelines of the Paris Summit just hours before the historic deal was agreed, I found myself talking to several NGO types who were privately experiencing something of a crisis of conscience as to how they should respond. Some were poised to herald the hugely positive signals the Agreement would send, the unequivocal message to investors that the end of the fossil fuel era was now the goal of the world's governments. Others were fearful that after years of stalled climate talks they were being seduced by the Kool-Aid offered by a Summit that was actually about to agree something, anything. Where were the tangible, legally-binding goals and policies, they asked, what good was a framework agreement that was still a long way short of putting the world on a path to deep decarbonisation?

As the UK green economy awaits the government's Clean Growth Strategy the low carbon economy and environmental campaigners face a similar dilemma, albeit on a smaller, national scale. How should they greet a document, said to be due any day now, which is likely to both inspire and frustrate?

It is all but inevitable the final version of the strategy will provide plenty of ammunition for those who think the government has singularly failed to deliver a commensurate response to the climate threat.

The nature of modern politics means there will be no mea culpa acknowledging the government's past undermining of investment in low cost renewables or slashing of energy efficiency budgets. The nature of the modern Conservative Party and its allies in the media means there will be no public dressing down of those within government who instinctively oppose the decarbonisation agenda, just as there will be no policies that enable the kind of sweeping state intervention many believe is necessary to deliver deep emissions reductions. The nature of Brexit means many of the strategy's proposals and spending commitments will be overshadowed by the economic pachyderm currently stampeding through Whitehall.

The changing of the document's name from Emissions Reduction Plan to Clean Growth Plan and now Clean Growth Strategy fuels these causes for concern. The changes mark a steady erosion of the nomenclature from a specific, detailed course of action - 'this is a plan for reducing emissions' - to an esoteric wish-list that prioritises growth over all else.

The fear is this long-awaited new strategy will feature a raft of aspirations and non-binding goals that once again defer all the big financial decisions on clean energy support and energy efficiency funding to the glacially-paced mandarins at the Treasury. Difficult decisions on onshore wind farms, building standards, electric vehicle infrastructure, and much more besides could similarly be kicked into the pampas-long grass of yet more consultation exercises. These concerns have been further reinforced by the collapse in Theresa May's authority and her perennial reluctance to take on the headbangers in the right of the party.

Consequently, it is easy to see how plenty of climate hawks will be tempted to welcome the eventual strategy with a chorus of derision, turning up the volume of criticism for a government that is already under heavy fire from all quarters. When set against the scale of the climate crisis it will be easy to argue this strategy does not go far enough or fast enough.

But at the same time it is also important to realise there will be a counter narrative available, and it promises to be a compelling one.

The UK has delivered the **deepest and most sustained cuts** in greenhouse gas emissions of any advanced economy over the past two decades, has pioneered the phase out of coal power, and has built a multi-billion pound clean energy and technology industry. All the ministers involved in the strategy's development have publicly acknowledged the critical importance of climate action, the **Chancellor has similarly hymned** the attractiveness of clean technology in the past, and Number10 is said to be broadly supportive (now the antagonistic former chief of staff Nick Timothy has left the building and is busy proving there are plenty of second lives in the UK's political-media class). The mood music is good.

Consequently, the final version of the plan is likely to be wide-ranging and ambitious, providing a clear signal to investors and entrepreneurs that clean technologies and infrastructure will continue to be supported over the coming decades. Like the Paris Agreement it will signal - possibly implicitly, hopefully explicitly - that the era of fossil fuels is nearing its close.

The open question is whether this will be sufficient to judge the strategy a success. If we can take it as read that it will not provide all the answers to the climate crisis - after all, who could - what does it need to achieve to deserve a warm welcome from green businesses and investors?

Essentially, the strategy needs to deliver against two metrics: the legal and the strategic. Will it deliver on the fifth carbon budget's binding target of a 57 per cent cut in emissions by 2032 against a 1990 base line; that is to say will it be fit for purpose? And, given it is called a strategy, will it be genuinely strategic?

On the first question we have a good idea where the bar is set thanks to the Committee on Climate Change's recommendations and **repeated calls from industry** for climate policy clarity beyond 2020.

We know the emissions targets will be almost impossible to meet without an ambitious new approach to driving domestic and industrial energy efficiency. It is hard to see how the strategy can be judged a success if it lacks new sticks and carrots - backed by adequate funding and enforcement - to drive energy efficiency gains. New zero carbon home standards, proper tax breaks and incentives, and a significant increase in funding for domestic energy efficiency upgrades are essential.

Similarly, the investment hiatus afflicting the UK's clean power sector needs to be broken. As such, the industry needs to see a clear commitment the government will deliver clean power auctions beyond 2020 and an end to the politically-motivated decision to actively hamper the development of the most cost effective forms of clean power: onshore wind and solar farms. Clarity on the government's stance towards the marine and small modular reactor industries it once wooed would also be extremely helpful. As would further funding and a fast-tracking of regulatory reform to ensure storage and smart grid technologies are deployed at scale.

The CCC has also been unequivocal in its view the UK's medium and long term carbon targets cannot be met without new policies to deliver green heat and carbon capture and storage (CCS) technologies. New strategies are urgently needed, again through sticks and carrots, to accelerate the deployment of existing green heat technologies and support demonstration projects for next generation green heat and CCS installations.

On road transport, the strategy needs to herald a change in pace for the government's existing commitments to ultra-low emission vehicles and cycling, providing a roadmap for ensuring the 2040 ban on new internal combustion engine car and vans is met.

A strategy that ticked these boxes would unleash billions of pounds of investment, create hundreds of thousands of jobs, and deliver enormous health and economic benefits, while asking relatively little of tax and billpayers. With a fair wind provided by the plummeting cost of inter-locking solar, storage, and electric vehicle technology it is possible to see how such a strategy would deliver on the UK's legally-binding carbon targets.

The good news is that previous announcements and much of the pre-briefing on the strategy, suggest the government understands much of what is required. Various reports indicate we can expect new commitments to accelerate the development of green hydrogen heating systems, more action on energy efficiency, a continued acceleration of the government's backing for electric cars and ultra-low emission vehicles, a revival of CCS development in the UK, more support to help councils drive green investment, possibly some update on the prospects for small modular reactors, and a clear endorsement of the vision for a smarter, storage-enabled, clean power grid.

It would be nice to think the government would see the logic in incorporating the long-awaited confirmation of clean energy funding beyond 2020 and the much-delayed decision on the future of tidal lagoons in the Clean Growth Strategy, but it seems likely developers will have to wait a few weeks more until the budget. It is likely to be a frustrating delay, but assuming these issues are resolved next month it is not necessarily a disaster.

Inevitably, the risk remains that a parsimonious Treasury or a short-termist, overly cautious Number 10 could yet water down these essential policies. But if it does so the government can expect yet another battering from business leaders and lawyers' letters from the team at ClientEarth.

However, if the Clean Growth Strategy is to really deliver on its promise it will need to go beyond a narrow, but necessary focus on medium term emissions reduction efforts. It will need to extend beyond the areas where we know how to cut emissions and extend into those sectors of the economy where we are still debating the best low carbon path forward. In short, it will need to recognise that this strategy is not simply about cutting emissions, it is about building a UK economy that is suitable for the 21st century.

To do this, the plan should also seek to address the three interlocking long-term challenges faced by the UK economy: the productivity crisis, howto ensure post-Brexit competitiveness, and the climate crisis.

Every component of the plan should be gauged against the productivity gains it can unleash. To offer just one example, the government's support for electric vehicles (EV) has been hugely welcome and has helped drive demand for technologies that are fast entering the mainstream. But it has to be asked where the biggest economic and environmental gains can be delivered by this sector; through more grants for EV motorists who are, by definition, already pretty well off, or by triggering the deployment of electric fleets at scale?

Jeremy Corbyn may dismiss it as corporate welfare, and he may have a point. But the quickest route to scaling the EV sector and maximising climate and air quality benefits is to be found in enabling the electrification of business fleets. Regulations, grants, and, most importantly, low interest loans should be introduced to ensure every delivery driver, every takeaway driver, every estate agent, and every regional sales exec in the country is driving an electric car or bike by 2030. The reduction in fuel input costs alone would deliver a huge productivity stimulus even before you consider all the other benefits.

Across every aspect of the strategy the same questions need to be asked. Where can the biggest environmental and economic gains be realised? How can technologies be scaled and normalised. Often that will mean eschewing the fashionable focus on consumers - the Apple-ification of politics - in favour of helping businesses and the public sector overcome barriers to clean tech deployment.

Consequently, the plan needs to wrestle with the unglamorous issue of resource efficiency and ask what policies are needed to challenge our carbon intensive consumption and disposal patterns. It should also take on a water industry that has for too long failed to deploy the proven technologies that can turn our dirty water into a source of clean energy. And it should get its hands dirty with farming and land use by properly engaging with how afforestation, changing diets, and new technologies can both curb emissions and enhance climate resilience. None of this will generate headlines; all of it is necessary.

Policies in these neglected areas would cut emissions and bolster the UK's post-Brexit competitiveness. However, the strategy also needs to maximise these benefits by looking beyond 2032 to the round of decarbonisation that comes next. Reviving the government's plan for a new net zero carbon law would be a hugely positive move, but in addition there needs to be a much savvier targeting of R&D dollars than has been the case in the past.

The UK has emerged as world leaders in offshore wind and is fighting hard to carve out a leadership position in the fast evolving world of battery storage and autonomous vehicles, with the **new £246m Faraday Battery Challenge** a good example of how government can help stimulate technological progress.

In contrast, there are clean tech fields that are likely to prove essential to the global net zero emissions economy that remain badly under-funded and where no country yet has a clear lead. A post-Brexit UK has the potential to draw on Mariana Mazzucato's vision for mission-led innovation to secure itself a dominant position in the low carbon industries that will shape the 2030s and 2040s.

The Faraday Challenge is welcome, but if the government accepts the logic of such state intervention then why limit it to an area where the **EU is working on plans to build an 'Airbus for batteries'**, Elon Musk is betting the farm on global dominance, and China is investing billions? We need a **Whittle Challenge** for green aviation, a Nelson Challenge for zero carbon shipping, a **Bell Challenge** for smart city innovation. We need an **Albone Challenge** for zero emission agriculture. Perhaps most importantly we need a **Stephenson Challenge** to capture and store atmospheric emissions, to turn the country that gave the world the first industrial revolution into the home of the negative emission technologies that will clean up the atmosphere during the second half of the century.

A truly successful Clean Growth Strategy would deliver all this and more. And it would tie it all together with a narrative of clean technology fuelled productivity gains and post-Brexit competitiveness that builds on the UK's strengths and redefines what a modern economy looks like. It would be honest about the scale of the transformation that is required and publicly offer the logical conclusion that such a transition will impact fossil fuel reliant communities and create a carbon bubble that will need to be very carefully deflated.

Most of all it would recognise that, in the long term, this is the most important endeavour the government is engaged in. More important than US trade deals, more important than Boris Johnson's ambitions or Theresa May's cough, more important than Brexit.

What does a successful Clean Growth Strategy look like? Hopefully we are about to find out.

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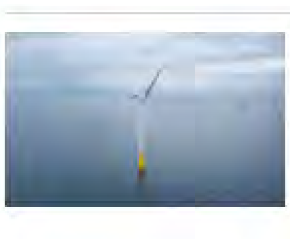

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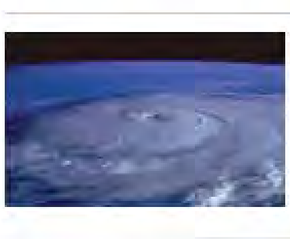

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