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The 'Green Industrial Revolution' is not what it seems

The UK government's 'green' recovery plan is thick in rhetoric but thin on substance — and it will fail to create a low-carbon, more equal economy

The UK Budget for 2021 that the Chancellor of the Exchequer, Rishi Sunak, presented last week followed a year of trauma. The economic shock of the Covid-19 pandemic exposed hardwired gendered, class and racial inequities, as many were left struggling under the weight of mounting debt, profound grief, labour exploitation, and heightened caring responsibilities with little social safety net to catch them.

The budget provided an opening to fundamentally rewire this system: to steward our economy out of crisis, heal longstanding, entrenched injustices, and mount a recovery that took on the existential threat of climate and environmental breakdown. The Conservatives' budget spoke of a 'green industrial revolution' and 'levelling up' national and regional imbalances, matched with a handful of eye-catching policies.

However, considering the scale of transformation needed to secure an economy fit for the future, the promises fall far short of these ambitions, and may in fact heighten the effects of a deeply unequal status quo.

Dissecting the budget: How far did it go?

In June 2020, Boris Johnson announced a '"Rooseveltian" 'New Deal' to rebuild the economy following the pandemic, but far from the 40 per cent of US national income in 1929, Johnson's plan amounted to 0.2 per cent of UK GDP. Building on the rhetoric of seismic change, the Prime Minister set out a 10-point plan for a 'green industrial revolution' in November; the details of which were met with criticism from many climate and environmental groups for not going far enough.

The promise of a 'green industrial revolution' was used again in the recent budget, but was not matched with the size and scale required to

rapidly and justly decarbonise the economy. While this budget delivered around £97bn in stimulus, this was less than half of the equivalent as proportion of GDP compared to the US package, and has £15 billion of budget cuts from 2022-23 baked into it.

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Some areas of the budget may be impressive at first glance, however will simply undo past harmful policy moves. One example is the announcement of £12bn of public funding and £10bn in government guarantees for a new UK Infrastructure Bank. This would translate into around £1.5bn a year in investment – far lower than comparable banks in other countries – and it has been criticised for lacking an explicit climate mandate. Crucially, the move appears to be a massive U-turn after the sale of the Green Investment Bank to Macquarie only four years after its launch in 2012, a private company embroiled in dirty investments with a reputation for asset-stripping. Concerningly, the new infrastructure bank – which the Chancellor stated, will 'finance the green industrial revolution' – coincided with the decision to scrap the plan for a UK industrial strategy.

Trade, finance, housing

In other instances, the language of 'levelling up' was used to pursue strategies that deepen and accelerate a carbon-intensive economic model. The budget included an announcement of eight locations for English freeports to 'exemplify the future economy.' Freeports have been hailed as a means of incentivising regional investment, creating jobs and boosting trade – but the reality reveals a very different truth. As Quinn Slobodian notes, 'they are reminiscent of the free-market enterprise zones policy that first gained popularity during the Thatcher era' and their legacy was mixed, with small total net employment benefits. Offering low taxes and regulatory blackholes, raising concerns about environmental and labour standards, the decision to embark on freeports is a decision to turbocharge the race-to-the-bottom.

As part of the budget, the Bank of England's mandate was amended to support efforts to make the UK economy greener by upgrading its approach to buying corporate bonds – a significant win for organisations like Positive Money, who have long campaigned for this. But this move

sits amid a broader strategy of a post-Brexit 'Big Bang 2.0' for the City of London. Instead of defaulting to an approach of deregulation in an effort to incentivise investment, we need reforms to UK finance to decarbonise the sector and support a green industrial strategy.

Other areas with immense potential to both reduce inequality and rapidly decarbonise the economy were largely absent from the budget. Housing, for example, accounts for about 14 per cent of the UK's emissions, so a national home retrofitting programme could help create good green jobs, reduce fuel poverty, and decarbonise the economy. Instead, the Green Grant scheme announced last year to provide support for low energy retrofits is set to end in March, having helped just 8 per cent of its target 600,000 households switch to renewable energy.

Is the UK actually on track?

In February 2021, the United Nations released an analysis showing that countries are collectively making miniscule progress towards cutting emissions. It found that if countries' current pledges were fulfilled, global emissions would reduce by only one per cent by 2030 compared to 2010 levels when we need a 45 per cent reduction to keep heating below 1.5C. Central to this effort will be the Covid-19 stimulus packages passed by governments around the world, which will determine the future shape of the global economy.

All this shows the fundamental problem with the UK's new 'green wave' of economic policy: it is thick in rhetoric but thin in how much it actually delivers to improve the lives of citizens and rapidly reduce emissions.

As COP26 President, the UK should be using its recovery stimulus to lock in a green industrial future and hit these targets. However, the Greenness of Stimulus Index shows that the UK's 'green' initiatives are partially offset by policies that will have a negative climate or environmental impact. Without raising the bar for collective action, particularly for countries like the UK who top the league tables for historic and current emissions, this COP will be another missed opportunity and a death sentence for people and planet.

While some of the recovery stimulus is rightly going to social protection for affected workers, brown bailouts mean the UK is continuing to prop up unsustainable industries rather than transitioning workers to low-carbon sectors or stewarding the operation of these industries to a sustainable future. Many of these businesses – like oil giants and airline Easyjet – have accepted government support, paid millions in dividends to shareholders, and have given back by slashing thousands of jobs.

It's not just about the level of spending

All this shows the fundamental problem with the UK's new 'green wave' of economic policy: it is thick in rhetoric but thin in how much it actually delivers to improve the lives of citizens and rapidly reduce emissions. This is unacceptable when a third of people in the UK are expected to be in hardship by mid-year.

Here lies the crucial error in the 2021 budget: It is not simply about levels of expenditure, but where that money is going and who is set to benefit. The transition to a low-carbon economy could be another opportunity for the rentier class to reassert their dominance at the expense of the majority: we are on track to have electric vehicle subsidies and road expansion, but a costly and heavily privatised transport network; sustained investment in questionable carbon capture technology that is heavily protected by intellectual property rules, but hollowed out public services; freeports to 'boost' trade, but low-paid, low-skill jobs with fewer rights and lowered environmental standards. This is a bargain basement 'green industrial revolution' that prioritises profiteering, with no clear strategy to transition to a low-carbon, more equal economy.

Bold, public investment policies with positive multiplier effects for the broader economy – creating good green jobs, advancing rights, protecting biodiversity and securing climate justice – should have been the backbone of a true green industrial strategy. But we are a long way off this vision.



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