UK Low Carbon Industrial Strategy
- establishing an industrial policy for greener growth

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Structure of the presentation

1. Context for the UK
   - Industrial activism
   - Twin objectives of tackling carbon emissions and supporting growth

2. UK’s Low Carbon Industrial Strategy
   - Business opportunities and jobs
   - Transition to a low carbon economy
   - Horizontal policies – the importance of innovation, skills, investment and demand

3. Delivery of the UK Strategy

4. Links with the OECD Green Growth Strategy
Policy Context

• “New Industry New Jobs” and “Going for Growth”
  • The role for “Industrial activism”
  • Highlighting key sectors
  • Targeted spending

• Principles behind policies to address carbon emissions:
  • Public and private working together
  • Economic instruments where most effective/efficient
  • The need to provide certainty for business
  • Portfolio approach for policies
UK Low Carbon Industrial Strategy July 2009

• Integral part of wider suite of strategies targeting carbon emissions
• Core objectives to:

  Ensure that British businesses and workers are equipped to maximise the economic opportunities

  Minimise the costs of the transition to a low carbon economy.

• Recognition of the need to transform the whole economy
• Policies and initial government spending
• Analysis of the UK Low Carbon and Environmental Goods and Services (LCEGS) sector
Business opportunities and jobs (1)

- Whole economy needs to become more ‘green’
  - Transformation of the industrial landscape
  - Adjustments across the supply chain
  - Defining a ‘green job’?
Business opportunities and jobs (2)

- Number of key sectors identified

Low carbon and environmental goods and services

Low carbon energy

- Offshore wind
- Marine
- Nuclear
- CCS

Low carbon transport

Low carbon construction

Waste and recycling
Business opportunities and jobs (3)

- UK Low Carbon and Environmental Goods and Services sector – 2007/08
Many low carbon sectors are expected to grow strongly

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Transition and restructuring: Sectors

- Key components of supply chain for low-carbon from energy intensive industries
- Key challenges:
  - high direct and indirect costs
  - carbon leakage – off-shoring and lost competitiveness
- Transformation of these sectors required
  - Eg through energy efficiency, new production processes and technologies, alternative fuels, low carbon products
Transition and restructuring: Regions

- Regional challenges
  - Industry mix will be a key factor in the challenge faced by a region
  - But strong base in skills, innovation, entrepreneurship and infrastructure can help the transition

- Alongside geographically cross-cutting policies on innovation and skills etc, we have region-specific policies, eg
  - Low Carbon Economic Areas
  - Grants for Business Investment

- The Forum for a Just Transition to advise government on the distributional issues of the transition
GB map of energy intensity
Innovation

- Includes both *radical* and *incremental* innovation
- Market failures are potentially significant in slowing transition
- These failures drive government intervention
  - Research Councils  TSB  ETF  UKIIF
- Though it is not just about money
  - information, certainty, economic instruments, standards and policy framework are needed too
- IP and technology transfer are important too both domestically and internationally
A range of European, UK and national funding programmes support technology innovation.
Skills

• A key enabler in technology development and diffusion of innovative solutions

• Underinvestment due to market failures – uncertainty, a lack of information and spillovers

• Both specific low carbon and more generic skills vital to deliver transition, with a greening across the economy

• Government actions include funding and information provision
Investment

• Market failure surrounds access for SMEs, uncertainty and information asymmetry in a context of high targets in a tight timeframe

• Venture capital data unsurprisingly shows some decline in 2008 but money still going into low carbon and expected to pick up
UK and Europe Venture Capital investment in Cleantech
Investment - policy

- Government actions to address market failures
  - Vision/strategy to increase certainty
  - Macroeconomic stability to facilitate long term investment
  - Grants where private sector finance fails
  - Information to improve decision-making
  - Indirect incentives to boost encourage take-up of greener technologies
Demand

- The demand for low carbon goods and services has a key role to play
- But a lack of information means that consumers and businesses cannot always make optimal decisions
- Role for government to provide information, to introduce standards, to ensure competition and use its role as major procurer
Delivery of the Strategy

- Taking advantage of the opportunities and managing the transition and implications for competitiveness through:

  - Information
  - Grants and loans
  - Incentives
  - Public procurement
  - Standards
  - Regulation

All in the context of industrial activism and robust impact assessment
The Green Growth Strategy and the UK Low Carbon Industrial Strategy

• Common areas
  – Roles of government and the market
  – Opportunities as well as challenges

• Differences
  – Breadth
  – Accounting
  – Fiscal consolidation

• Potential for further development and prioritisation of the Strategy
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