

Written evidence submitted by Green Alliance

Green Alliance is an independent think tank and charity focused on ambitious leadership for the environment. Our work crosses climate, the environment and resource use. With economic policy a key driver of sustainability, we are delighted to respond to this inquiry by the Treasury Select Committee as part of our work on greening the economy and the green recovery following Covid-19.

Moving to a greener economy is not just a good idea for the environment, it makes good economic sense too. Global markets for sustainable goods, services and infrastructure are developing rapidly and the UK needs to be at the forefront of that market to secure high quality jobs of the future.

Part 1: Jobs, growth and productivity

Question 1: How much difference can government policy make to economic growth?

ANSWER:

It is [well established](#) that green investments lead to [major growth opportunities](#), with the prospect of creating more, and longer term, jobs than investment in high carbon infrastructure. Given the urgent need to restart the economy following the pandemic, it is imperative to prioritise green growth, since decisions taken now will shape the country's ability to deliver jobs long term. Investing in industries and infrastructure now which are not fit for the future - for example locking in high-carbon infrastructure - could lead to slower growth as well as environmental damage.

Government policy can support economic growth by creating the right environment for innovation, which strengthens the UK's leadership position in the green industries of the future. The UK currently lags in important innovations that would help to achieve net zero such as electric vehicles, heat pumps and energy efficient buildings. These technologies are in high demand globally, and investment in them will help British businesses become world leading traders, while avoiding the risks of dependency on carbon intensive industries that will wane over the next decades.

This investment should go beyond R&D spending – current policy is too narrowly focused on new technology and more attention is needed on early deployment and market formation. See question 12.

Policies which unlock private investment in the green economy will also drive growth. Private sector investment is significant; the Climate Change Committee's most recent [report](#) noted that this sector will cover most of the costs of the UK's transition to net zero emissions. We recommend government makes better use of two levers to crowd-in private investment:

- **Regulation.** Establishing an Office for Carbon Removal, for example, could give

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investors, landowners and businesses confidence to invest and create a credible carbon offset market. This office would set and enforce the rules and standards to create and verify carbon removal credits, and layout the framework for credit allocation and payment.

- **Long-term and consistent government policy** and expenditure. The [Net Zero Review: Interim report](#) identifies that “a lack of certainty about the future path of government policy can exacerbate the risk of investing in new technologies”. Private investment therefore can be secured through long term stable commitments from government. Setting out business models and revenue streams for carbon capture and storage (CCS), for instance, can help kickstart private investment in carbon sequestration for energy intensive industries.

[How to fast track innovation for a green industrial revolution](#). Green Alliance, 2021

Question 2: What are the causes of the gap in the UK’s level of productivity compared to other advanced economies, and why has productivity growth been persistently weak in the aftermath of the 2007-09 financial crisis?

ANSWER: x

Question 3: How successful has the Government’s pandemic response been in protecting jobs to date, and how can it help reduce and mitigate the economic scarring effects of the pandemic going forward?

ANSWER:

Through the implementation of various Coronavirus Job Retention Schemes (CJRS), the government’s pandemic response has protected a large number of jobs during the pandemic. At its peak, in May 2020, [8.8 million jobs](#) were furloughed. With the CJRS still running until September 2021, it is difficult to quantify how many jobs the government has protected or will be able to protect. One source, estimates that [270,000 jobs](#) and 193,721 companies are at risk in September.

The coronavirus pandemic has also impacted sections of society differently. Young people have been the most impacted by job losses – in fact, [63% of those newly unemployed in 2020-1 are under 25](#). Women, too, have been disproportionately affected, representing the majority of workers being put on furlough. These demographics will likely suffer most from the longer-term economic scarring caused by the pandemic.

Question 3: How successful has the Government's pandemic response been in protecting jobs to date, and how can it help reduce and mitigate the economic scarring effects of the pandemic going forward?

Government support schemes have reduced economic scarring by avoiding the severing of ties between individuals and businesses. However, loss of human, social and business capital will continue to have impacts. There are ways to mitigate further scarring: The first is to provide accessible jobs for those who have become separated from the labour market, for example, those in structural unemployment, or who have been on long-term furlough and unlikely to return to work. This will also be an issue for those entering the labour market for the first time, such as graduates or school leavers. The second is to provide opportunities to retrain and learn new skills across industries, as well as targeted intervention on those most at risk of labour market exclusion.

Our research shows that investment into the projects in the natural environment (such as creating parks or restoring woodland and peatland) has the potential to bring:

- **Immediate entry level jobs with transferable skills.** For example, machinery operation in land management or hazard assessment in tree cultivation.
- **Roles that require long term development of high-level academic qualifications or professional accreditation.** For example, research officers in Areas of Outstanding Natural Beauty pursuing PhDs or others earning licences in protected species care.

Further information on skills is found in the answer to question five.

[Jobs for a green recovery](#) Green Alliance, 2021

Question 4: Do economic statistics adequately capture growth in the modern economy, and what lessons can be learned from the pandemic about the measurement of economic activity?

ANSWER:

The Standard Industrial Codes used to classify economic activity were last updated in 2007 and are outdated for the modern, greening economy. For example, they are unable to capture adequate data on nature-based solutions, environmental green finance or urban green infrastructure activities. Currently many [nature-based solutions](#) may have their jobs classified within Agriculture, Forestry and Fishing or broader codes such as 'Construction of water projects' or 'Construction of civil engineering projects'. However, there is no specific subdivision on flood management/ restoration of coastal activities, for example.

Furthermore, other jobs will reflect the increasing demand for higher level digital and technology skills as remote sensing, robotics and the use of data analytics becomes more prevalent in the sector. To ensure the rich employment activity involved in nature-based

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solutions is fully recognised, the Standard Industrial Codes should be updated soon.

Question 5: What policies are effective in helping people to reskill, move between occupations and sectors and take advantage of new opportunities? How could these be best implemented in the aftermath of the pandemic, and as technological developments such as artificial intelligence change the nature of work?

ANSWER:

Green Alliance commissioned Public First to carry out research to better understand public opinions towards green jobs and understanding of the green economy. Public First ran 10 focus groups across the UK, focusing on recent graduates and older, non-graduates. The research clearly showed that:

- For people at lower skill levels, policy needs to address knowledge gaps on the green economy, job security needs, and transitioning people into jobs they recognise or are related to current/previous occupations.
- For recent graduates, policy needs to increase awareness of available jobs from a young age.

Below are several policies which the government could implement to address the barriers to those entering the green workforce. These recommendations will be published by Green Alliance in full shortly.

1. **Increasing knowledge for people and training providers.**

- There was relatively low knowledge through the groups of the jobs and pathways available in the green sector, The Government should consider creating a framework of green jobs which maps skills and competences to a defined set of jobs likely to occur in high volume. This can be used to support individuals who are looking to upskill themselves, as well as higher education and further education institutions that want to introduce new courses.
- There is a clear role for entities like the Careers and Enterprise Company to understand and inform young people about green jobs and opportunities, alongside university careers services.

2. **Supporting green retraining.** The Government may need to support both institutions to start green courses, and individuals to overcome caution within them:

- On the institutional side, the Government should provide strategic funding to universities and colleges to launch green courses.

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- On the individual side, additional entitlements or grants could be provided to support specific green jobs or career tracks, mapped to a government framework.
- The government could select a small number of jobs core to the green economy that are easily understood, and realised, that the state will provide free training and maintenance loans for.
- For level 4+ training (above A level equivalent) the Government's current bootcamp model, which is predominantly focused on digital skills, could be replicated for green jobs.

3. Increasing security for those who retrain. People want to know that these jobs will provide a stable income, and that this option is not an unmanageable risk.

- Create maintenance loans and encourage work coaches to support green retraining. One way to provide job security is to guarantee maintenance loans when retraining and/or the ability to claim benefits while retraining. Work coaches should be given guidance on green job opportunities to support UC claimants to retrain;
- Expand the eligibility of Job Centre Courses to cover more green skills. The government should set out a list of future skills and need in green jobs which would qualify.

4. Supporting match of demand and supply. The Green Jobs Taskforce should engage with local authorities to deliver local skills plans that reflect dynamic local environments. This would secure long term labour market development away from sectors that will shrink during decarbonisation. This partnership would ideally also involve universities and colleges.

- As part of this matching of demand and supply, there should be careful consideration of sectors likely to suffer from economic scarring (many of which have high female unemployment) and the best "adjacent" careers to encourage people into.
- Skill matching will need to be supported by increased resource and expertise in local authorities on green opportunities. For example, Northern England has seen skilled environmental employees go to Scotland since the Scottish Government's Peatland Strategy has been in effect.

In the aftermath of the pandemic, these policies could be best implemented by embedding them into the government's levelling-up agenda and upcoming Skills and Post-16 Education Bill (of which the lifetime skills guarantee is expected to be a major part). This would ensure that the policies are implemented in a coherent plan, rather than in a piecemeal fashion.

Question 6: Does the Government have the right mix of policies and a coherent strategy to promote long-term productivity growth and create new high-quality jobs?

ANSWER:

The government's current mix of policies and strategy can be described as piecemeal and is failing to promote long-term productivity growth and create new high-quality jobs. Failure to publish key papers, such as Treasury's Net Zero Review and the Government's Net Zero Strategy is affecting business confidence in the green economy. Government needs to provide a wholesale view of the benefits to jobs, growth and productivity of the green economy and a sufficient strategy of how it intends to get there.

In the buildings sector, for example, the lack of coherent strategy is best demonstrated by the Green Homes Grant (GHG), the government's now-scrapped flagship green recovery programme. The scheme has the potential to create tens of thousands of high-quality, low-carbon jobs in home insulation and stimulate public and private investment into home energy improvement measures. However, the scheme failed to deliver due a lack of coherent long-term strategy - such as the delay of the Heat and Building Strategy - and running the scheme in a short window over the winter months when householders were inevitably going to be reluctant to install a whole new heating system. As a result of the lack of coherent strategy, the GHG resulted in [48,000 promised job losses](#) – especially in the North and the Midlands, areas hit hardest by the pandemic.

In the waste and resources sector, the government has neither the policies nor the strategy to promote growth or create jobs. Green Alliance's [employment in circular economy](#) report shows that extensive development of the circular economy could reduce unemployment by around 102,000. Many of these high-quality jobs in the circular economy could be created outside London and the South East of England. The waste prevention plan, published in March 2021, is extremely unlikely to deliver this transformational change needed without greater funding and policy development.

The UK Infrastructure Bank can be a positive contributor to growth, with its capitalisation of £12bn to help tackle climate change and improve local and regional growth. The bank will be central in driving the infrastructure needed for a high-productivity economy in the future. To achieve this the government must ensure the bank operates a 'do no harm' principle, not just investing in green infrastructure, but also not investing in high-carbon projects like incinerators or airports. The Bank is also undercapitalised to upgrade the UK's infrastructure for net zero. With only £5billion paid in, this pails in comparison to the UK's £22.5bn underspend in reaching net zero. The bank should not be limited to the sectors in the national infrastructure strategy, but should also include the circular economy and natural infrastructure.

Question 7: Is the Government doing enough to encourage corporate investment?

ANSWER: A clear and coherent policy framework is needed for investors and industry to

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build the infrastructure the UK urgently needs for the future. Upcoming strategies such as the Transport Decarbonisation Plan, the Energy White Paper, the Heat and Building Strategy, the Waste Prevention Plan and the industrial strategy, should be aligned with the net zero goal and the national infrastructure strategy.

To enable industry to gear up for the transition, the Infrastructure and Projects Authority should publish a revised pipeline of infrastructure projects aligned with net zero to give investors visibility of planned procurements, at least for the duration of the current parliament.

Businesses require certainty in order to invest. UK climate action is guided by interim carbon budgets to keep the country on course to meet its 2050 goal, but the government has resisted this approach for other environmental targets contained in the Environment Bill. There is nothing in the bill to compel the government, now or in the future, to act early to meet its targets, or to take remedial action when targets are going to be missed.

Legally binding interim goals should be set towards the overall target, both overarching and sector specific, to provide near term certainty and a stable policy environment for businesses. This would encourage investment in the business models, infrastructure and innovation needed for a whole system adjustment to a green economy.

The UK Infrastructure Bank will also play a key role in bridging gaps in the market that will allow private finance to flow. Government should ensure the Bank is able to provide patient and development capital to allow emerging and critical markets, such as in the trade of ecosystem services, to de-risk and scale up. The Bank should explicitly focus on attracting capital to sectors like home decarbonisation and then having a clear exit strategy. Combined with long-term policy signals this will ensure private finance flows in directions that meet government's objectives on net zero.

[*Getting the building blocks right - Infrastructure priorities for a green recovery.*](#) Green Alliance, 2020

[*Targeting success: Why the UK needs a new vision for resource use.*](#) Green Alliance, 2021

Question 8: Is the "Plan for Growth" an adequate replacement for the "Industrial Strategy"?

ANSWER:

Reforms to the Industrial Strategy must make low carbon and climate resilient infrastructure a core priority. Local authorities need to be better seen as partners in reaching net-zero, and government should set a national framework which clearly shows the responsibilities which local authorities have in decarbonisation and provides the support for them to act. Empowering action at a local level requires power, people and

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money, but can [maximise co-benefits](#) by ensuring that Local Industrial Strategies are appropriate, integrated and coherent.

The Plan for Growth moves away from the co-creation approach that was a feature of the Industrial Strategy. Levelling up funds, which distribute funds from the centre, are not a substitute for local industrial strategies which are properly integrated with local priorities.

In addition, the focus on physical infrastructure is too narrow and neglects the natural, social and institutional capital that are critical for green economic growth. The plan for skills is welcome – transitioning to a green economy will require an adaptable workforce.

Question 9: Are we in a period characterised by long-term low economic growth (secular stagnation), and if so, what are the implications for Government economic policy?

ANSWER: x

Question 10: Is the UK well placed to take advantage of future technological breakthroughs and translate them into economic opportunities?

ANSWER:

The UK green innovation pipeline has barriers that prevent technological breakthroughs from being realised as economic opportunities. Too much focus is placed on finding new technologies while efforts to develop markets and enable widespread deployment are weak. This weakness undermines the UK’s ability to capitalise on its R&D spending.

For example, when the era of modern wind energy began during the late 1970s and early 1980s, Denmark spent less than half as much on R&D as the UK, but it set policy to create early markets. This enabled real world deployment and generated private R&D investment. As a result, Denmark now has leading global wind energy companies and a thriving export business. Despite its overall success in the offshore wind sector, the UK missed the opportunity to develop a stronger position in offshore wind manufacturing and is only now catching up.

UK businesses reported to the Green Innovation Policy Commission about the barriers they face to innovation. These are, broadly, market failures and system failures that government policy has the power to address.

Regulation is a critical driver of innovation diffusion, acting as a catalyst for experimentation and demonstration. The government should align regulations with its

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environmental targets and goals, building in the ability for continual upward adjustment to increase ambition and stimulate innovation. It should make use of performance based standards, linked to stringent environmental targets, to improve outcomes while avoiding the need to specify an existing technology needed to deliver them. Making the most of the UK's strong track record in pioneering regulatory sandboxes, the government should consider establishing 'green innovation sandboxes', to co-design regulation with regulators, businesses, academia and civil society.

Many environmental solutions will require new sectoral and cross sectoral collaborations. Along value chains, these could promote more resource efficiency and across the transport, buildings and energy sectors they can support electrification and the uptake of integrated smart systems. The government should promote these partnerships through investing in and fostering a network of regional demonstration zones across the country, where solutions are co-created and trialled by local partners and the government working together. The capabilities and skills needed for green transformation in important sectors should be reviewed to support this.

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