



Future of the Left

The problem with Labour's current net zero strategy

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About the Author

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Future of the Left at Policy Exchange

Britain finds itself outside the protective umbrella of Empire and EU and politically and militarily vulnerable. At home managerial and judicial forms of government, the steady attrition of the British state, high levels of immigration, and falling living standards, have led to widespread voter disaffection and a renewed and disruptive intensity of anti-elite, democratic politics.

There can be no durable national security, nor economic growth that rebuilds the national economy, without also reducing social disaffection, restoring popular trust in our democratic institutions, and winning much broader popular consent for a Labour government.

To achieve this means not simply devising good policy but confronting the existential collapse of the intellectual life of the left, its cultural impoverishment, and its detachment from large parts of the country.

The Future of the Left was set up in August 2024 at Policy Exchange to develop a politics capable of recognising and fully responding to the new political era in order to undertake the internal rebuilding of the nation.

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The problem with Labour's current net zero strategy

Labour's approach to net zero

Current policy overview:

- Clean power by 2030
- Leverage significant public and private investment through new institutional mechanisms: National Wealth Fund, GB Energy, Industrial Strategy Council etc.
- New North Sea exploration licenses suspended
- Restrictions on onshore wind lifted

In pursuit of its clean power mission, the Department for Energy Security and Net Zero (DESNZ) was the beneficiary of the [biggest](#) capital spending increase in Budget and Spending Reviews that upped investment spending virtually across the whole departmental board. However, a perceived tension has developed between the maintenance of Britain's industrial base and pursuit of the country's climate change commitments.

Getting the electricity grid to net zero is billed as a tripartite panacea, for:

- achieving energy security and independence
- getting cheaper bills for businesses and consumers
- reviving regional employment prospects through the establishment of green supply chains

And yet there's little sign that any of the three aims – better security, better value, and better jobs – are being achieved. On the jobs front, the green industrial renaissance has yet to materialise, and clear connections have been made between net zero/climate policies and difficulties at Port Talbot, Scunthorpe, Luton's Vauxhall plant, Grangemouth, Nippon Electric Glass, Teesside's Olefins 6, and many other high-profile legacy manufacturing sites. On the matter of achieving better value, industrial energy costs remain among the highest in the world. And when it comes to energy security, not only is the UK still reliant on the import of vast quantities of natural gas (chiefly from

Norway), but the uptick in renewable production and grid upgrades will be powered by Danish wind turbines and Chinese solar cells.

A new paradigm is required, because Britain's energy policy and our net zero transition should support British jobs and British social democracy, not Chinese or Danish jobs and Norwegian social democracy.

A British Energy *Zeitenwende*? “*When the facts change, I change my mind*”

Several economic and geopolitical event horizons have collided since the election, all creating heightened frictions for a rapid net zero transition:

- The US's protectionist turn and Chinese decoupling
- Intensification and spread of the Middle Eastern theatres of war to Syria, Yemen, Iran, in addition to the West Bank and Gaza
- Intensification of Russian aggression in Ukraine and the solidification of an authoritarian axis between China, Russia, Iran and North Korea
- Continued global economic headwinds, and particular pressure on advanced-economy sovereign bond markets

As a result, a new strategy is needed that ensures that net zero is prioritised as a catalyst for industrial revival and national resilience, rather than as an abstract, arbitrary target linked to vague conceptions of boosting Britain's soft power abroad. Britain has led on its carbon reduction targets, performing much better than competitor nations for elimination of coal, and for drastically reducing greenhouse gas emissions more broadly. It will continue to lead, but not at the expense of deindustrialisation, import-reliance, and over-dependence on the kindness of strangers. We have the ability to do more than one thing at once.

The core offer of the government should be a historic compromise based on a full commitment to a diverse domestic energy production mix, and energy independence through a varied energy abundance. This will include:

- Renewed, but conditional political support for the oil and gas sector, with new licenses granted (including to Rosebank and Jackdaw) and new public equity stakes in O&G projects
- All tax revenues and public dividends from fossil fuel extraction allocated to British renewables, grid upgrades, and British nuclear through public equity stakes held by the National Wealth Fund (NWF) and GB Energy¹
- Full reallocation of public funds for the installation of imported solar and wind energy generation technology, to be transferred to support domestic-first supply chains, with the provenance of new generation equipment and technologies prioritised over the speed of the installations/

1. This is a strategy consistent with Bidenomics, which combined unprecedented subsidies for renewable energy with an extension of oil drilling permits and promotion of the US shale gas industry.

upgrade. While requiring a lower initial outlay, imported infrastructure will produce few multipliers across the wider economy. Britain needs to power its own transition.

The North Sea is a national asset that we are failing to utilise even as we import fossil fuels, creating consistent revenue streams for authoritarian foreign states that should be accruing to HM Treasury, as well as contributing to a dismal balance of trade. Remaining North Sea fields should be exploited to part-finance the next century of clean energy generation and infrastructure.

Using these revenues, in partnership with existing private sector manufacturers (Siemens Gamesa, Vestas, Agratas, AESC etc.), the DESNZ, GB Energy and NWF should embark on an unprecedented expansion of green and renewable technology manufacturing, supporting local supply chains for solar cells, wind turbines, battery technologies, as well as expanding domestic production of EVs, through a combination of de-risking, import controls, joint public-private ventures, public equity stakes, state-backed loans and profit guarantee schemes.

Support for nuclear power will continue, particularly through Rolls Royce SMR, along with a crucial role specified for the development of carbon capture and storage, as well as investments in hydrogen projects. The government has already made positive steps in these directions, with new CCS jobs supported in Merseyside and Teesside, for example. More of these investments, partly financed by new North Sea revenues, will serve as a recognition that renewables alone cannot provide adequate dispatchable generation or energy security over long periods. Without significant and swift innovation and scaling-up in nascent technologies such as green hydrogen and large-scale energy storage, gas will be used for years to come, and some hard-to-transition sectors will also rely on fossil fuels for the foreseeable future, including heavy-goods transportation, aviation, and essential manufacturing sectors such as steel, cement, glass and chemicals. These industries should be supported through import controls, tariffs and active procurement strategies, with all public projects sourcing inputs from domestic producers.

The quickest way to net zero would be to import tonnes of cheap Chinese solar cells and Danish wind turbines. But the quickest way isn't the best way. The best way is a Labour way: relieve cost pressures by pursuing abundance, not rationing; build a diverse, varied domestic energy mix; support jobs, support industry, support growth; make 'securonomics' a reality.