

Ensuring prosperity in the race to Net Zero: The challenge of balancing industrial decarbonisation and the 'Just Transition'



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Getting to Net Zero – 2 key dimensions

First, to recognise that there are challenges, but they **can** be overcome. To do that we've got to acknowledge that:

1. There are real issues around the political economy and societal challenge of transitioning to net zero
2. We need to reset, ask and address the right questions, including developing understanding of the potential economic and social consequences of different actions and how they could be affected to unlock solutions
3. We need to get the right people involved in the conversation and the research that informs it and the way forward

Second, that achieving a just transition that is fair to all – and ideally reduces inequalities in our society – is crucial if there is to be societal and political 'buy in'.

The challenge of driving industrial decarbonisation: delivering prosperity for people



Understanding the implications of applying Carbon Capture to the Scottish Chemicals Industry – a wider economic and Just Transition perspective

- Carbon capture - **more equipment/costs to produce the same output**
- Implications for capital efficiency and **competitiveness**
- Risk to high value industry and supply chain jobs, earnings, GDP and tax revenues – need for **sustained contribution of UK industry to ensure prosperity** going forward
- Role of investment via subsidy to ensure high value activity is sustained
- Socialising costs: Political feasibility? Implications of reduced household spending?
- **Can other elements of the wider Net Zero portfolio be designed in such a way as to boost real household incomes to offset the impacts of and/or need for changes in taxation?**

CEP Principles for Net Zero policy making

1. **Understanding who really pays, how and when** and what gains can be used to balance this is fundamental
2. We need to find pathways that allow us to sustain and **grow our prosperity in an equitable way**
3. Finding options and pathways that can deliver **near term economic returns** is crucial – especially in a post Coronavirus pandemic economic environment
4. **‘Off-shoring’ is not the answer** if it only shifts emissions, jobs and GDP overseas
5. Net Zero is a **societal and public policy challenge** more than it is a technological one

