

Rudd's amber light on the Green Economy

Blog post by Adviser Matthew Duhan, 09 June 2016

Last week's Global Status Report from the Renewable Energy Policy Network for the 21st Century (REN21) makes for striking reading. In 2015 global new investment in renewable energy hit a new record at over \$285 billion. Of that figure \$265 billion went into renewable power, more than double the amount invested in new coal and gas-fired power generation. Led by China, India and Brazil, for the first time ever investment in renewable power in developing countries exceeded that in developed countries. The figures demonstrate the accelerating growth in decarbonised power generation around the world.

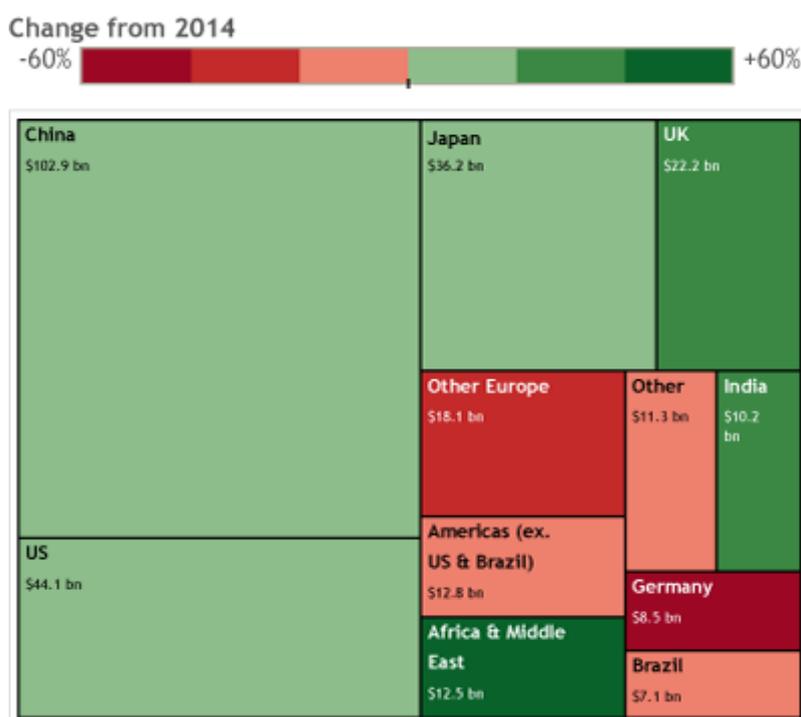


Fig: Renewables investment (\$bn), 2015
Source: REN21

One particularly notable figure was that in 2015 the UK ranked fourth globally for investment into renewable energy, behind only the behemoths of China, the US and India. Investment into renewables rose by 25% to over \$22 billion; almost half of all renewables investment in Europe and accounting for one in every eleven dollars invested globally.

For those who have been following the progress of UK renewables industry closely this came as little surprise. The low carbon economy already employs around half a million people and in 2014 generated £45 billion in gross value added (GVA); the equivalent of the GVA of the whole of the north-east region of England. The opening of the Siemens wind turbine manufacturing facility at

Hull demonstrates how it is boosting the region. But global decarbonisation is an equally significant economic opportunity for the City of London and the UK's high value service industries, such as design consultancy, law and accountancy.

This is all good news for UK plc in an area where the country has many strengths. But the Conservative government seems reluctant to champion it. Certainly the Conservatives' former coalition partners the Liberal Democrats seem to have taken the rhetoric of the 'green economy' with them when they left government. But more substantially a series of cuts to renewable support

schemes have dominated the energy policy agenda. The government is pushing the industry hard on costs, and its point that renewables have to be economically, as well as environmentally, sustainable is well made. But it has not combined this with a clear long term policy commitment to the industry and questions remain over future financial support with no sighting on the levy control framework beyond 2020. The result is that many operators, manufacturers and investors are seeing a green light turned to amber when they look at the UK as a place to invest.

The conclusions of the REN21 report on the size of global renewables investment should give government pause for thought. Prime Minister David Cameron has demonstrated strong commitment to decarbonisation, internationally at COP21, but also domestically with the carbon price floor, legally-binding carbon budgets and a promise to exit unabated coal. But unless this is combined with a clearer long term strategy to deliver renewables that amber light for investors is in danger of turning red.