

Four key measures to implement Britain's Net Zero Strategy



[Sam Fankhauser](#) and [Simon Dietz](#) write that the current policy mix of different taxes, subsidies, and regulation creates uneven incentives to cut emissions while it also fails to force individuals to change their behaviour. They outline four strategic interventions necessary for the success of the government's Net Zero Strategy.

Ahead of the Glasgow climate summit, the UK Government has published [its strategy for reaching net zero greenhouse gas emissions](#). The government hopes that demonstrating Britain's commitment to net zero will give a boost to the difficult Glasgow talks.

Producing the strategy was also a statutory requirement since the target of net zero emissions by 2050 is enshrined in UK law. It is to be reached through a series of five-year carbon budgets, and each time a new carbon budget is passed, the government must publish a strategy for meeting it. The sixth carbon budget for the period 2033-37 was legislated earlier this year and requires an emissions cut of 78%, relative to 1990, over those five years.

The new strategy contains some important steps towards meeting this target. There is a commitment to fully decarbonise electricity generation by 2035 and phase out new petrol and diesel cars by 2030. There is cash to kickstart the hydrogen economy, support zero carbon industrial clusters in the North-West and North-East, and subsidise the replacement of boilers with heat pumps, although the number of households that will benefit is rather small.

There is nevertheless a sense that the strategy does not go far enough. Notably, the government has shied away from anything that might force people to change their behaviour, even though we know that almost [two thirds](#) of the measures which net zero requires involve some form of behaviour change. In a recent paper, published in an [e-book](#), we have outlined four strategic interventions that would help bring the strategy back on track.

Making polluters pay

Climate change needs a multiplicity of interventions, but most economists and many policy experts put carbon pricing at the core of the climate policy mix. Pricing carbon, through either a tax or emissions trading, begins to internalise the climate change externality and makes polluters pay. While the UK was part of the European Union, its main way of pricing carbon was the EU Emissions Trading System. Upon leaving the EU, the UK chose to set up its own emissions trading scheme, which by and large mirrors the design and scope of the EU ETS. While this ensured continuity, it left open the need for a broader-based carbon price and a more coherent carbon pricing landscape.

The current policy mix entails a combination of different taxes, subsidies, and regulatory incentives, which create an uneven (and sometimes counterproductive) incentive to cut emissions. Prominent examples include the way the tax system discriminates against building renovation (facing the full VAT rate) over new buildings (zero-rated), and clean electricity (which faces high charges, including the cost of renewable energy support) over natural gas (which is untaxed and in the case of residential use does not face the full VAT rate). [Carbon pricing gaps](#) also prevail in aviation, agriculture and upstream oil and gas production, among other sectors.

Promoting zero-carbon investment

Net zero requires sustained investment in the order of [£50 billion a year](#) by 2030, about five times current levels. High capital needs should not be confused with high economic costs. Over the economic life of the investments, the high upfront costs are counterbalanced by notably lower operating costs. Electric vehicles, for example, are still expensive to buy, but very cheap to run.

The upfront capital nevertheless needs to be provided and promoting zero-carbon finance is thus an important part of Britain's decarbonisation strategy. Lenders and investors are becoming increasingly comfortable with zero-carbon finance. Indeed, many see it as an opportunity for Britain's financial sector, but public policy is still important to aid this process. In particular, the financial sector is expecting the government to provide more certainty about the policy environment within which climate investment takes place. Most financiers would prefer government assurances to be contractual (as they are in renewable energy contracts), but more certainty can also be provided legally (in the way policies are written and enacted) and institutionally (the way they are implemented and enforced).

Building zero-carbon skills

There is no evidence that a zero-carbon economy is detrimental to employment. Indeed, the government is hoping to create [two million 'green' jobs](#) by 2030. However, the distinction between zero-carbon and conventional jobs will progressively lose meaning. In a fully decarbonised economy, all jobs are zero-carbon. A more useful framing is to study the changing demand for skills. Even if green employment options are plentiful, the shift into new occupations may be associated with structural adjustment costs. [Initial estimates](#), based on the extrapolation of US data, suggest that about three million UK jobs, or some 10% of the workforce, will require some re-skilling. A further three million occupations, for example in electrical engineering, are expected to be in greater demand.

Green jobs tend to make more use of non-routine cognitive skills and require higher levels of formal education, work experience, and training, but overall, the skillsets can be acquired on the job. Addressing emerging skill gaps proactively is therefore important: it removes potential delivery bottlenecks, enhances productivity, opens up new opportunities and ensures a smooth transition for workers. Substantial zero-carbon skill demands outside the traditional growth centres in the South-East of the country suggest that green re-skilling could also support the government's 'levelling up' agenda.

Leveraging local climate action

Climate policy in the UK is relatively concentrated. Little power has been delegated to local councils, even though they control important implementation levers in areas such as planning, housing, waste and local transport.

In recent years, local councils and community groups have become increasingly active on climate change. A [recent review](#) speaks of 'strong, vibrant and broad-based support for more climate action at the local level'. Three out of four local councils have declared a climate emergency and two thirds of them have followed this up with a strengthened climate action plan. Many have experimented with participatory structures like climate assemblies, citizens' juries, or climate commissions. Some of this momentum has been lost during the pandemic, but there is also a sense that national government policy often hinders, rather than supports climate action at the local level. Council budgets have been cut dramatically and central government support for local climate programmes has been intermittent.

Policy experts have called for better coordination across governance levels, a clearer framework for delivery and more predictable long-term funding as ways to enhance the zero-carbon capacity of local councils and communities. Supporting climate action at the local level, while maintaining coordination, is our final strategic intervention.

About the Authors



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