Stop the net zero policies that will add to CO2 and damage the UK economy

I have long been arguing that the UK government should not be taxing, regulating and banning its way to net zero, as that will collapse business here, lead to more imports, and fail to save the world as they wish. I have argued that the Green revolution can only work when it is a popular revolution, with people rushing to buy its products because they are better and more affordable. The government needs to back off from its expensive and often self defeating ideas, and listen to the public. The innovators need to find the ways in which their products can be cheaper and better as well as greener.

My critics here want me to take on the scientists over global warming which I have no wish or need to do. I accept that CO 2 like methane and water vapour is a greenhouse gas and I understand that governments and many scientists want a bit less of it. The case I am making is their policy proposals are wrong in their own terms, and damaging to economies and lifestyles for no good reason. Cutting CO 2 here to import more from somewhere else is stupid. Some of the green products fail to cut CO 2 despite the claims. So what is the point of them unless they are better and cheaper?

Yesterday I pointed out that it is the undue haste to make people buy electric vehicles that is doing grave damage to our car industry. Despite subsidies to buy, subsidies to install chargers, and plenty of publicity battery cars still only account for 15% of the UK industry's sales. I have not myself bought an EV, yet I have usually been an early adopter of new technologies. I had one of the first mobile phones, took to the internet early, moved from maps to sat navs and the rest. So why do I not buy an EV?

I would suffer badly from range worry. My modern clean diesel car went 630 miles on the last tank full of fuel and still said it could do another 55 miles when I filled it up. It means I can go anywhere in England from my home and return without needing to refuel. I read test reports of EVs where journalists sympathetic to the new vehicles have to report problems finding the right kind of charger with the right kind of payment system available and ready to use when they go longer distances and need to recharge.

I would suffer from impatience waiting for the recharge. I can refuel at any one of thousands of diesel stations, pay and exit in less than five minutes. That's good service.

I would worry about the costs of refuelling. Electricity is mainly a secondary fuel, made from burning gas or biomass or coal. We are a long way from most electricity reliably coming from renewables. With all the generation and transmission losses it will be dearer than simply burning a primary fuel in your engine. In due course the government is bound to put a tax on it, as they cannot afford the loss of fuel duties and VAT as and when more people switch from petrol and diesel. If they put a similar level of tax on electricity for cars as they do on diesel it would be very expensive to run.

I would worry about possible damage to the battery should someone run into my vehicle. It must be dearer and more hazardous to repair an EV given the way the battery is part of the chassis and vulnerable in a shunt.

I would worry about weight and tyre wear, as these vehicles are heavier.

I would dislike the way they are trying to be mobile phones on wheels, with too any things controlled through a touch screen. Touchscreens in cars get clouded from fingers touching , are difficult to read when the sun is shining on them and often do not respond to your first or second touch. Switches are easier to see , always work and are more positive generally.

I am told they are fast. The truth is you cannot use extra speed these days as all roads are speed controlled and frequently heavy traffic usually impedes even reaching the permitted speed. My current car is potentially faster and more powerful than I could ever use on our roads.

I am told they cut CO 2 substantially. I do not think so. On a typical day only 20% of our electricity comes from wind and solar, with no solar at night. Most EVs on many occasions are mainly refuelling using electricity generated from fossil fuels. Scrapping a diesel car with some life left in it and buying an EV adds to world CO 2 because of the amount generated when making the new car and destroying the old.

I am not surprised that EVs are still only 15% of sales. They have only been high in countries with large subsidies to boost purchases. Contrast that with the pads, laptops and mobile phones that fly off the shelves with no subsidy and no government urging. They are part of a popular revolution. I will look at other green products in future pieces. I await an electric car that I would like to buy.

Will anyone save the Uk car industry?

The UK government actively encouraged and supported by the opposition parties wants to shut down all the UK’s manufacturing capacity to make petrol and diesel cars by 2030. It is true their method is to ban UK purchases of new vehicles, but the intent and the likely consequence is to close down the factories. That is nearly 800,000 jobs, plus all the jobs and factories making components.

The UK was a great centre for clean car diesel engines, that all have to close. Nor will the industry want the fuel tanks, drive trains, gearboxes and the rest that goes with an ICE model. Instead the UK will need batteries and electric motors needing very different suppliers. I read that the

government is close to attracting a Jaguar battery plant. It will apparently cost several hundred million pounds of taxpayer subsidy, and will be just one of several battery factories we will need to try to replace the job losses from ending ICE cars. It runs the risk of setting a high cost for attracting any other battery plants. The UK becomes a soft touch in a weak position by moving to wipe out its current industry so early.
Remain who said a 10% tariff on Uk car exports would do damage say nothing about the enormous damage the banning of ICE cars will do. Some in the industry worry they will face a tariff to export an electric car where they have imported the battery and much else and just screw it together. Again this is missing the main threat. Relying on electric cars when we do not have battery or other electric component manufacture will of course damage our industry.It’s not the trade rules that demolish the industry.It is not being able to make most of car here.

The government needs to realise that asking the Uk to retire popular technologies and replace with products the market cannot yet afford or want at scale will not save the planet but will gravely damage our industry. The UK should not lead the bans on ICE cars. We also need to understand that getting someone to prematurely write off an older ICE vehicle to buy a new battery car can add to world CO 2 unless they do many more miles   than average. They may be unable to recharge with renewable electricity. There is no point in plugging it into the mains on a no wind day.

A better way to control CO 2

There are things the government could do to speed it on its way towards net zero.

The most obvious cause of more CO 2 being generated in the UK is inviting in 600,000 extra people in a year. Every person brings with them a carbon footprint. Putting in all the extra homes, surgeries, schools and infrastructure will require a lot of cement, bricks and energy for construction. It’s not sensible to get all of us to cut our CO 2 output if we offset that with large scale migration, driving UK figures up again.

The government should be more interested in cutting its carbon footprint. It could substitute more online meetings for many of the trips abroad by jet plane. It could save more energy in public buildings with better insulation, usage patterns and controls. It could encourage more local food growing to cut food miles, instead of promoting wilding and imports.

The railway needs to cut its CO 2 per passenger mile travelled if it wants a green endorsement. It runs too many diesels, often leaving the engines running when stopped in stations. It runs too many near empty trains, upping the CO 2 per passenger substantially.

It is quite tempting to say we should have a few more net zero targets. Lower migration and lower inflation would be popular.

A guide to what has gone wrong in the bond market.

The UK government needs to borrow a lot of money to cover what it spends in excess of what it gets from taxes. It pays different interest rates on its borrowing depending on how long it wants to borrow for. Money borrowed for a few months is borrowed at around the Bank rate the Bank of England fixes and publishes, currently 4.5%. To borrow for say ten years the government sells ten year bonds to people, pension funds and insurance companies that hold our savings. These bonds take the money off us for the government to spend. The government promises to repay it in ten years time, offering the lender/saver an guaranteed annual rate of interest. This is currently at 4.3%.

The Bank of England has huge influence over how much the government has to pay in interest. By setting a higher Bank rate it usually drags the longer rates upwards. It can say it wants rates to go higher and that will often send them up. It owns a large quantity of the government bonds which it bought up at very high prices in recent years. It can sell some of these to drive the price of the government bond down which pushes up the interest rate.

By way of simple example if the Bank owned a 1% government bond with no repayment date the bond would trade at £100 per £100 issued paying £1 in interest every year to holders all the time the Bank wanted long rates at 1%. If the Bank wanted to put long rates up to 2% the value of all those bonds would halve to £50 per £100 saved, so the £1 of interest gave the new buyer 2% on the £50 they spent to buy it from the original holder. The losses are lower the shorter the time to repayment of the bond. A 1% 1 year £100 bond would fall by £1 in value to £99 if rates doubled to 2%, so the new buyer would earn the £1 of interest over the year and would be paid back £100 for the £99 he had paid for the bond, giving £1 of gain making £2 in total return.

In 2021 when the Bank of England was wanting to boost inflation and the economy it bought up huge quantities of bonds to keep all rates very low. It allowed the government to borrow ten year money for just 0.2%. Now today it panics about the inflation it has helped create. Last autumn it decided to drive bonds down greatly by announcing a huge sales programme of £80bn a year of sales of bonds just before the mini budget and said it wanted bonds down and rates up. Rate soared to over 4% from the lows of the previous year. The sell off was exaggerated by some   geared pension funds having to sell to raise money to pay for bonds they had bought without the money to pay for them in full. In recent days prior to the publication of disappointing inflation figures the Bank again said it wanted rates up and was thinking of selling or cancelling more bonds next year following a review. Bonds were falling as a result before the inflation figures which added to the woes of the market. Bonds are back to similar levels to last autumn. There was no extra selling pressure from overcommitted pension funds this time round.

This should worry the Treasury and Bank. This will make it more difficult to pay for government spending going forward and makes a recession more likely. A recession will increase the deficit, the amount government needs to borrow by depressing tax revenues and hiking spending on the unemployed.

Selling the bonds at large losses is what they call Quantitative tightening. The Bank told Parliament it would have little impact on inflation and they were doing it just to reduce the size of their balance sheet as a technical exercise. I think they are wrong about all of that. I think big sales at losses destabilise markets and raise interest rates more than needed. If they are right and these sales are unimportant to their policy why not suspend them to ease market nerves? Holding the bonds until they mature will still bring down the size of the balance sheet in due course and it will spare taxpayers some of the large losses currently running at £12bn a year.

My article on inflation and growth in the Independent

So the Bank of England has done it again. Just like last autumn, they have let it be known they might want to sell more bonds at big losses, whilst they plough on with a large sales and repayment programme for government bonds they own. Last autumn it was their statement of intent to sell £80bn of bonds a year coupled with their wish to raise interest rates that started the big bond sell off. Last week it was musings about a bigger sales programme and market expectations of more rate rises to come on the back of poor inflation figures that triggered a similar sell off. As bonds fall so longer term interest rates rise. This matters, as it directly leads to dearer mortgages, threatening those who need to renew their loans with a further unwanted cost of living squeeze. Dearer and scarcer mortgages also means fewer new homes will be built, exacerbating our homes shortage. It’s the last thing we need now. Stop the bond sales at these low prices. Let the bond portfolio roll off as the bonds fall due for repayment.

The Bank needs to own up to the big mistakes it made in 2021, keeping rates too low and paying crazy prices for far too many bonds. Now all it wants to do is to sell too many bonds at much lower prices and big losses. This erratically destructive policy if pursued too far will lurch us from too

much inflation into recession. The Bank needs to revisit its models for forecasting inflation and output. In 2021 it was forecasting 2% inflation for today, yet it came in five times that as 2023 began. The Monetary Policy Committee declines to report and comment on the amounts of money in circulation, the state of credit and other issues which you would have thought a Committee with Monetary in its title might be interested in. They should ask themselves why price inflation stayed low in Switzerland, Japan and China, all big food and energy importers and look at their different targets and analysis to steer their economies.

UK inflation results from too much cash and credit chasing too few goods and services. The Bank needs to get amounts of money in better order, and not lurch to too little. The government could help with the too few goods. The UK is chronically short of capacity of many kinds. We need to grow more of our own food, produce more of our own electricity and gas, make more of our own steel, cars, ceramics and the rest. Price controls, windfall taxes and higher business taxes make that less likely and will make inflation worse. Bring on the food growing grants to replace the wilding grants. Bring on the end of windfall taxes now the windfall surge in global oil and gas prices is over. Set corporation tax competitively. This will bring in more investment, encourage home based expansion, and start to correct the capacity shortages that damage us today. The current model is subsidy driven with government needing to offer large sums to get a single new car or battery factory over the line.