

Cheap energy boosts growth

Cheap plentiful energy is crucial to GDP growth and to the success of any industrial strategy. China achieves it both by relying too much on dirty coal and by buying plenty of discounted oil and gas from countries that are sanctioned by the West for their wars and aggressions in world politics. The USA has achieved it by finding and producing huge quantities of relatively cheap oil and gas for her domestic market, and exporting the surplus to an energy short Europe. Europe has been lefty struggling with scarce and dear energy. Germany for a time did well out of reliable piped gas from Russia, only to have to make fundamental changes in the wake of the Russian invasion of Ukraine. Relying more on spot market prices rather than agreed long term contract gas proved expensive and troublesome.

The UK has gone for some of the dearest energy in the world by adding to the market costs of the oil, gas and renewable electricity it produces or imports substantial carbon taxes and windfall taxes on producers, and VAT on fuel users. The UK decision to run down its own North Sea oil and gas fields earlier than nature requires has added to costs and imports. The decision to make it difficult or impossible to look for more oil and gas and produce it onshore has added to the strains. The most obvious thing a government should do that gives priority to economic growth is to be positive about finding and producing more domestic oil and gas to replace imports. This would not add to world CO₂ but reduce it, saving the transport and gas liquefaction generated CO₂ on the imports. A larger UK oil and gas sector would generate a lot of better paid jobs, boost overall UK productivity and contribute substantial tax revenue to the Treasury.

The UK needs to be realistic about the costs of early switching of electricity to renewables from gas. There needs to be more progress globally with improving and lowering the cost of storage of power generated when the weather is good for the purpose. There needs to be proper accounting for the costs of stand by gas power stations for days when wind and sun disappoints. Maybe there needs to be a general move to synthetic fuels as is planned for aviation, so the extra renewable power can be used to manufacture hydrogen and other derivatives that are storable fuels. Green jobs or green led growth will require decisions on what are the winning and affordable technologies and then government assistance in their roll out. Do we, for example, want a full roll out of charging points for electric cars, or would it be better to roll out hydrogen fuel distribution as it will be needed for trucks and could be used for cars as well, just as petrol and diesel are today.

The immediate task for an Industrial strategy must be to get the taxes and prices for fuel down for manufacturers. The UK is losing its steel industry, has lost all but one of its aluminium plants, is losing ceramics, cement, paper and other heavy energy users thanks to skyhigh energy costs.