Green growth

The EU tells us they are going to stimulate faster growth in the Euro area through commitment to faster decarbonisation.

They have announced a “Green deal” with access to just Euro 7.5bn of transition funds to subsidise the losing areas that face closures of mines, coal power stations, gas plants, petro chemical plants and the rest. They hope to top these funds up through money already included in their budgets for regional development

The big push comes from capital investment, where they suggest they might help foster a Euro 1 trillion investment programme across many industries and countries over the next five years. The EU itself will contribute to this investment through loans from the European Investment Bank . They plan a series of new rules and checks for private sector investment companies to encourage more of the savings they handle to be put to work in companies pursuing the green agenda.

The Commission is currently wrestling with the problem of inherited schemes for substantial additional investment in gas supplies as replacements for coal being phased out and to ensure sufficient capacity in energy supply. Some think they should refuse to assist in funding more fossil fuel schemes to accelerate change, whilst others are concerned that without additional and replacement fossil fuel investment the Euro area will be short of energy.

The difficulty comes over pace of change and over the interconnections of different sectors and activities. Over the last year the EU motor industry has taken a hit because tax and regulation has put people off buying diesel cars before enough are ready to buy electric cars instead. Car volumes are down and manufacturing has declined. Too speedy a transition away from gas energy could leave countries short of energy in total or could drive prices up with adverse consequences for energy intensive industry in a very competitive world.

Of course setting up new factories, launching new products, and investing in new ways to generate electricity and to deliver power to factories and vehicles creates jobs and adds to growth. It has however to be done at a pace which more than offsets the loss of jobs in traditional products and methods of production and propulsion. There also need to be good ways to retrain the people who are out of work and to reuse the assets that the old businesses can no longer operate profitably.

Central to success is a new generation of home heating systems and vehicles that people want to buy.