

Saving industry

The path to net zero threatens many traditional industries that rely on fossil fuels for their manufacture and for their products. The car industry is being asked to close all its petrol and diesel car factories, writing off large amounts of sunk capital in machinery and research and development. The steel industry is being asked to switch from making steel from ore smelted in a blast furnace, to melting old metal in an electric arc furnace. Oil, and gas companies will be asked to stop extracting more fuel from their wells as the electric revolution proceeds, leading Green campaigners to talk of stranded assets. If the UK does this too soon we will end up importing fossil fuel heavy products instead and world CO₂ will go up, not down.

Western governments want to force the pace of these changes, going faster than consumer preferences and normal market forces will deliver. As a result business is demanding large subsidies to set up the new activities, bans and controls on the old activities to prevent people still wanting these products, and even favours the use of taxation to tilt the markets in the direction of net zero products.

Biden's America has decided to increase spending and borrowing substantially to be able to pay large subsidies to divert green investments to the USA from other places that might have attracted them. The EU with a smaller budget is also planning on spending and borrowing more at EU level to do the same. So far EU strategy has been good for electric vehicle and battery manufacture in Hungary and Poland. This poses a serious issue for the UK. How do we best compete?

Out of the EU gives us a great advantage as we can target our own policies to benefit the UK rather than going along with EU policies which are likely to help other countries in the Union more, as has so far been the case. It seems to me we could best add to the attractions of the UK by strengthening our offer on skilled people, lower business taxes and informed government purchasing. Bidding up the subsidy cost of getting an investment is not a good idea, and may help to undermine the future profitability of these new businesses by concentrating attention on subsidy farming rather than on what the consumer wants to buy. In the end the only guarantee of a strong business and of the tax revenue that can bring is for the business to make things people want to buy at an affordable price. Too many business bought with large subsidies flounder when the subsidy ends.