

House Magazine article on Green revolution

The world is being changed by two simultaneous revolutions. The green revolution is a hugely ambitious global government inspired project driven by international treaty, laws, targets, bans and subsidies. The digital revolution is a bottom up consumer revolution, driven by huge demand for smart phones, computer pads, online retail, downloaded entertainment, social media, business computing power and robotic assistance. The digital revolution shows what is possible when you have the consumer on your side. The Green revolution is stumbling to find the products and services that people will willingly buy as it seeks to harness sufficient private capital and spending power to add to the large sums of public and business money green transition currently relies on.

Mc Kinsey in their study reckoned the world would need to spend \$275 trillion in the years to 2050 to get to net zero. That is almost three times current annual world income and output. The sum is so large because a full green transition requires the end of most fossil fuel energy, the radical change of electricity generation, and the massive extension of electricity grids and cable systems. It means the switch over of most vehicles, planes, and ships to low or no carbon alternatives, the change of people's diet from meat to vegetable based food, big change in the way people heat their homes and cook, and the transformation of factories that currently rely on gas, coal and oil for their power. There is no way governments can afford all or most of this. It needs most homeowners to find the money to rip out the gas boiler or replace the solid fuel fire, to change their car or van and to find diets, holidays and entertainments that are light on the CO2.

So far world business has not found the Beetle or Mini of the battery car revolution to fill the parking lots of the average family. They have not produced the smartphone or ipad of the home heating world that flies off the shelves and replaces fossil fuel heaters. Governments are proceeding by trying to force or persuade people to buy products they do not want to buy, or by banning or taxing products they like until they give them up. This causes friction with many voters, and can lead to parties in government losing elections by being too bossy about green issues. The Dutch government fell in a general election when many electors thought it had gone too far in trying to rid Dutch farms of livestock for a meat diet. The French have rioted over higher fossil fuel taxes. Candidate Trump in the US is polling well on a platform of rejecting the net zero imperatives and turning to extracting larger quantities of cheap domestic oil and gas to stimulate industry and help home consumers. President Biden has carried on offering more drilling licences against the wishes of Green Democrats for fear of losing votes.

Governments treading the road to net zero are urging or nudging people to buy electric cars. Recent figures show falling sales in Europe. Tesla, the pioneer of expensive electric vehicles for the richer consumer has been forced into layoffs and scaled back production. It is cutting prices to try to widen its appeal. Many people find battery electric cars are too expensive to buy. Many are worried about the lack of range on some battery cars. Many are also concerned about the lack of charging points and the time it takes to recharge when you reach one. Some are concerned about battery life, repair costs and insurance given the impact the large battery has on the structure of the car and how central it is to the lifetime costs of the vehicle.

Some think government and business should do more to develop low and no carbon fuel for existing internal combustion engines. After all, it is generally agreed that there cannot yet be battery powered long haul jetliners so the accent there is on the production of synthetic no carbon fuel for conventional jet engines. People can produce small quantities of synthetic petrol for existing car engines, so why not scale it up and try to find the economies of scale to make it more affordable? Many people are nervous about electric cars as they expect when there are more of them governments will need to tax the electricity they use to make up for the loss of petrol and diesel duties.

Governments want people to adopt heat pumps or electric heating systems. All electric heating is usually dear to run. Heat pumps are expensive to install. Anyone in an older property may need to undertake extensive and expensive insulation and cladding of the buildings first. They may also need to change the size of the pipes and radiators to get it warm enough with heat pump energy. Some people who have adopted heat pumps complain of high electricity bills to run them. Some find it difficult to get the water and the rooms hot enough. As a result only a very small proportion of people have so far bought them. The gas boiler remains more reliable, a lot cheaper to install and may also be cheaper to run.

Democratic governments will not stay elected if they force people to buy products that are too dear or do not fit people's expectations of how they should perform. Governments should learn from the digital revolution which took off using private capital and thrives on the freely chosen wishes of billions of consumers worldwide. It did not take bans and subsidies to get so many people to buy gas boilers or cars, replacing coal fires and the horse and cart. There are many ways of creating a cleaner and greener future, but all successful ones will rest on consumer goodwill. The transition is too big and too dear for governments to carry the burden themselves.

How could we have a smarter railway?

There was a lot of interest yesterday in the history and performance of the railway. I was asked what would I recommend.

I voted against HS2 and would complete as elegant an exit as possible whilst of course completing the section to Birmingham currently under contract. I would accelerate the introduction of digital signals which increase capacity substantially and improve safety.

I would break up Network Rail, reuniting track and trains around mainlines into London terminuses as franchises fall in. The regional or line companies created could be opened up to private capital progressively on new and different franchise terms. All these companies would be subject to open access challenge. Freight companies and challenger passenger companies could compete for the increased number of track slots available. If any regional/line co sought to exclude from reasonable access there would be an appeal to the Regulator who would be under a duty to allow fair competition.

The nationalised railway loses too much money with poor service

The present debate about whether to nationalise the railway overlooks one crucial fact. In 2002 Labour did nationalise all the track, signals and stations and ensured a public regulator controlled timetables and many fares for the residual private train companies. Since then several of the train franchisees have given up and the state has taken over. It is not easy to run a private rail company if you cannot get the track slots you want, if the track and signals provider lets you down too often with track and signals faults, and if the timetables required do not conform with demand patterns of passengers.

If there was any doubt about the failure nationalisation can bring you then consider the case of the entirely nationalised HS 2. There over paid public sector managers spend their way through huge sums of donated public capital, happily overrunning agreed budgets massively and progressively announcing delays to the arrival time of London to Birmingham and putting off the start time for the northern routes.

Network Rail states the value of the track, land and buildings at £82 bn but after 22 years of its management taxpayers only have £15 bn of net assets left. Network Rail has lost us money and taken out £53 bn of loans courtesy of a taxpayer guarantee. Strange how this justified high pay and bonuses. It looks like the work of a bad hedge fund, taking over great assets then borrowing and borrowing on the back of them, lumbering itself and us as taxpayers with huge interest bills.

There is plenty of bad commentary about this nationalisation idea. Margaret Thatcher with myself as her adviser did not privatise British Rail. When John Major did he rejected my advice on how best to do it.

MPs in trouble

This Parliament has seen a surge of cases against MPs. There are now 18 MPs sitting as Independents because their parties no longer support them. 8 were Conservatives, 7 were Labour, 1 was SNP, 1 was DUP and 1 was Plaid. Looked at as percentage of MPs elected that means that 25% of Plaid MPs, 12.5% of DUP, 3% of Labour and 2% of SNP and Conservative MPs elected are currently suspended.

There are many differences in why they lost the whip. A few are on suspicion of criminal activity. Some said inappropriate things. Some behaved badly in their private lives though did not break the law. Some we are not allowed to know why Labour suspended them. Matt Hancock undertook a tv programme in the jungle.

The process for dealing with these very varied cases serves neither the public nor the MPs well. It is wrong for the public if an MP has broken the law or behaved badly but stays on for many months pending some action, in some cases barred from coming to the House. . It is wrong for the MP if it takes many months for Parliament to conclude the accusation was false. Whilst these matters deserve proper investigation it is in everyone's interest that decisions are speeded up.

Where the argument is over something the MP said or over actions that are not criminal the best judges are the electors at the next election. Where the accusations are about serious crimes the police and CPS are the judges of whether to bring a prosecution.

What difference to net zero and the economy would a Trump or Biden second term make?

As readers know I do not express views about who should win elections in foreign countries, nor usually comment on which potential government or President would be best.

It now looks very likely that Mr Trump will gain the Republican nomination and Mr Biden the democrat at the conventions in the summer. . Polls for the Presidential election itself show both Mr Biden and Mr Trump as relatively unpopular with the wider electorate. They also quite often show Mr Trump a little ahead.

It is therefore a good time to ask what would a second term Biden Presidency look like and how would it contrast with a second term Trump Presidency?

With the current President we should expect him to continue with his economic policy based on the Inflation Reduction Act subsidies and the CHIPS Act. He will want to attract more semiconductor and digital investment to the US, and offer tax breaks and subsidies for green growth. He will be happy to see higher taxes on the very rich and on big business. He supports minimum tax levels globally on these groups.

Mr Trump will wish to renew his big tax cuts where some are due to retire, and will also wish to onshore more investment. He will renounce the Paris Climate Agreements and will promote more cheap oil and gas from domestic sources. He will cut green subsidies and regulations. This will make a big difference to the world policy of decarbonisation. With China and India continuing to boost fossil fuel output and use, joined by the USA, Europe will be lonely with its anti oil and gas policies.

The UK and Europe need to ask themselves what are they going to do about the drive to use more fossil fuel in India , China and many emerging market economies? It makes no sense to close our industrial plants only to import from high CO₂ producing countries. It seems very unlikely the world can hit its targets for 2030 for CO₂, as fossil fuel use continues to increase. Even under Biden the US has added to her output of cheap oil and gas. If the USA joins in with more fossil fuel it makes it even less likely targets will be hit. When are the international target setters going to confront the truth about India, China and other large emitters? Are they happy with President Biden adding to US oil and gas output? What would they do if Mr Trump becomes President and renounces the plans. ?