



Mapping a route to clean local growth

CLEARING THE PATH TO NET ZERO

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Executive summary

A public mandate was delivered at the 2019 general election, for a country reoriented around a more regionally balanced economy - one which contributes to reducing global temperatures and protects the natural world. The UK is committed to reaching net zero by 2050, with numerous pieces of legislation enshrining the target and backing this politically. Understanding what needs to be done to drive decarbonisation, and what accompanying opportunities there are for increasing prosperity in the long-term, is crucial to realising this goal. Across the public sector landscape, this boils down in place to the position and active role of local government.

At the local level, there is potential to deliver consistently on this strategy in a way that has so far eluded central government in a volatile political environment. For this to be the case, an environment of certainty must be created through governance frameworks, long-term national strategies, and dedicated revenue streams so that councils can plan their route to net zero. From central government, this requires redefining the parameters for local authorities to drive decarbonisation: the floor on action must be raised and the ceiling removed.

Councils across the country are aware of the perilous situation caused by climate change, as demonstrated by the well-publicised declaration of climate emergencies in the vast majority of local authorities. Yet while some places are undoubtedly blazing a trail to decarbonisation, across many councils, there has been difficulty in translating this sense of urgency into policy. This report is designed to provide practical examples and policy pathways to action for all types of local authority across five key sectors:

1. Housing and the built environment
2. Energy
3. Manufacturing
4. Transport and infrastructure
5. Land management

The context

The impacts of the climate crisis are becoming apparent in the UK. In the past year alone, we have seen wildfires in London, overwhelmed drainage systems

causing flooding across the country and trains unable to function due to heat, with knock-on economic effects stacking up. The logistical implications of continued change in this direction are massive, particularly in the current economic context. Over a decade of moribund growth rates and widening gapes in incomes and productivity across the country have left the UK particularly exposed to the harsh economic headwinds of 2022, with a cost-of-living crisis mounting off the back of soaring inflation and extreme volatility in the global energy market.

The task for the country now, against the backdrop of a clear need for economic transformation, is to both prepare for the changes which are to be wrought under the current heating scenario and work committedly across society to mitigate future global temperature increases, in line with our international commitments – specifically the Paris Agreement of keeping temperatures below 2 degrees celsius compared to pre-industrial levels.

The risk of not doing this are enormous. The Renewable Energy Institute¹ have outlined how failure to meet this target by 2030 could result in 2.7 degrees celsius in global warming. This will mean increased erratic weather conditions including severe floods and droughts across the UK, which could destroy animal habitats. The Met Office has projected that, if the target is not reached, by 2070 winters could be 30 percent wetter and add to increased flooding and destruction to local communities and homes across the country.

Yet this task must not be forced into a false dichotomy of ‘economy versus environment’, of growth or decarbonisation, but understood as the impetus for a sorely needed gear shift in the British economy. Our current model of growth has failed to pay dividends for some time – with worsening inequality, stagnating development and an overall lack of inclusivity being recognised across the political spectrum, most recently in the push to redress the country’s major regional economic imbalance under the banner of levelling up. The need for transformative change in the face of a major existential threat must therefore be combined with the need to create an economy that better serves its society. For the term to be of any utility, this must be how ‘clean growth’ is understood in the context of 2022. A more circular economic model would increase the productivity of people and resources, improve quality of life and environment and lead to the creation of jobs across major industries. Furthermore, it would help address many of the underlying causes of the cost-of-living crisis – not least the multiple inefficiencies in the way our we generate energy and use it to heat our homes.

1 The Renewable Energy Institute – What happens if we don’t meet renewable energy targets?

The role of local and national government

Using both their cross-sectoral convening powers and status as the most trusted form of government, councils have a role of great importance to play in driving the behavioural and structural changes needed to transition to net zero, deliver sustainable growth, and avert climate catastrophe. Local authorities across the country are acting to push their local economies in the direction of decarbonisation and better, higher growth. This report is filled with examples of councils acting within current systemic constraints to deliver net zero – using their local plans to push better practice in the built environment, investing locally in the generation and supply of renewable energy, working with local business to increase sustainable practice, leading a transformation in land management, and driving behavioural and infrastructural changes needed to transition justly to a net zero country.

The atmosphere in which councils are acting, however, is one of great uncertainty. In the past year the UK government has gone from a commitment to net zero which was found lacking in policy terms by the Supreme Court, to abandoning even this rhetorical level of dedication and deeming the whole idea of decarbonisation to slow global heating as something in need of review. This is not in the national interest and is against both global commitments and public opinion. YouGov data shows that around 70 percent of the public are aware that human activity is heating up the planet, with around 50 percent tending to believe that the government are not doing enough to reduce emissions.

Yet measures designed at bringing down the global temperature increase have suffered from a lack of coordination across geography and sectors, a lack of clarity over specific targets and how they will be met and, perhaps most importantly of all, a lack of consistency as the country has cycled through three different governments in half a decade. The role of national government must be to chart the contours of our national route to net zero and put in place measures to ensure the course is followed by all parts of the public and private sector. Central government must recommit to net zero and define in policy terms what the parameters will need to be for our international commitments to be met. A holistic review must be launched into the fiscal mechanisms available to local government to fund decarbonisation and clean growth projects. Central government must raise the baseline for local action, and remove the ceiling currently placed upon it.

Key themes

Across the five sectors surveyed for this research, certain overarching themes have emerged beyond the clear need for central government to raise the bar for action at the local level. The three key challenges for local government in driving decarbonisation and delivering clean local growth are:

- **Strategic planning across boundaries.** The challenges of clean growth are felt acutely at the local level, but action must be coordinated at a variety of different spatial scales if they are to be effectively addressed, from the regional to the hyper-local.
- **Addressing the skills deficit.** From home insulation to modern sustainable land management, upskilling is needed both within local authorities and across local economies if we are to achieve sustainable growth.
- **Stimulating local markets and driving inward investment.** Whilst the public sector must be at the forefront of mapping the route to clean local growth, this must be in the context of providing opportunities for the private sector to innovate and drive up productivity, in the stable economic context that long-term vision can provide.

In addressing these challenges, across all sectors examined in this report, local government must lean on its **soft power as place leader** as the driving force of action, taking a **holistic approach to economic strategy** throughout – where decarbonisation is understood as a cross-sectoral, cross-departmental mission.

Recommendations summary

General

- The government must fully recommit to net zero and, responding to the Supreme Court decision of July 2022, produce a detailed and costed strategy for achieving decarbonisation of the economy.
- Given the fraught economic situation and lack of available extra funding from the exchequer, central government must launch a comprehensive review of the fiscal mechanisms available to local government to fund decarbonisation and clean growth projects.

Housing and the built environment

- Raise the standards for net zero local plans in the revised National Planning Policy Framework:
 - Make specific reference to the targets agreed in the Paris Agreement and the role of local planning in achieving the goal.
 - Include a requirement for emission reduction targets at the local level.
 - Set targets for green and blue infrastructure provision.

- Set requirement for inclusion of low-carbon heat technologies in new developments.
- Set stringent mitigation obligations for new developments.
- Produce a long-term plan for building stock decarbonisation with regional breakdowns of supply and demand for retrofit.
- As part of the overall measures to bring down energy costs and support people through the cost-of-living crisis, government must find and set aside money for a long-term retrofit programme, to give industry the confidence needed to ramp up investment in the necessary skills and materials.

Energy

- Commit to renewable energy and abandon plans to further extract fossil fuels from the North Sea.
- Produce legislation to bring forward the Local Skills Improvement Plans as laid out in the Levelling Up White Paper, with an emphasis on the delivery of new green skills for retrofit.
- Produce a comprehensive legal framework for Local Area Action Plans, as was scoped by Ofgem and BEIS in late 2021.

Manufacturing

- Launch a new wave of enterprise zones to help support the transition to net zero in the manufacturing sector whilst also growing regional productivity.
- Attach skills provision to enterprise zones through Local Skills Improvement Plans, ensuring that approval for zones is granted only on demonstration of a viable local skills supply chain for businesses in the target sector.

Transport and infrastructure

- Bring forward a new Transport Act:
 - Create a legal framework for integrated transport strategies across the country with carbon reduction targets and responsibilities.
 - Give councils powers to incentivise bus operators to decarbonise through local regulation.
- Create a mechanism to increase transport revenue funding to local authorities, proportionate to the percentage of local public transport which is net zero.

Land management

- Reaffirm support for nature recovery and the protection of the environment in planning regulations.
- Give councils power to act on privately-held flood defences
- Create a comprehensive, cross-departmental national land management framework – so that councils and landowners are aware of the different options for decarbonisation and how these aggregate up to a national reduction in emissions.

Sector summaries

Housing and the built environment

Opportunities	Barriers
<ul style="list-style-type: none"> • Local Plans can be used to make commitments to reducing carbon emissions in building a matter of law – this is most effective when quantified in terms of carbon budgeting. • Retrofit can be achieved through collaboration between councils on developing pipelines for supply at an aggregated scale, as well as pooling funds – this can be coordinated through county councils or LEPs. 	<ul style="list-style-type: none"> • Building standards are a powerful tool for local authorities, particularly once the Future Homes Standard comes into effect, however the lack of capacity within local authorities to absorb and enforce the new standards must be addressed. • While local plans can help local authorities drive decarbonisation, the National Planning Policy Framework must be updated to raise the baseline and ensure action across the country.

Decarbonising housing and the built environment across the UK will require a mix of retrofitting in old buildings and stringent standards for carbon emissions on new buildings. The need to look holistically at the nation's supply and demand dynamics around retrofit, in a way which takes stock of the level of investment needed and expected return, is well established and supported across the political spectrum. Furthermore, developing supply chains and industry bases for retrofit is already a clear opportunity for levelling up and driving economic growth. It must also be seen as a crucial measure to combat both the cost-of-living crisis and the need to shore up energy security.

Local government has a range of hard and soft powers to help drive decarbonisation in new buildings, chiefly through the local plan but also through the enforcement of building standards. Local plans can be used to drive innovation through encouraging the use of modern methods of construction and help to build a supply chain for new green skills in housebuilding.

However, central government must raise the baseline for local plans through the National Planning Policy Framework (NPPF) and provide capacity funding for the enforcement of updated building regulations. Currently, the NPPF does not provide a high enough baseline for carbon reductions and actually limits the scope of councils to drive decarbonisation. The local plan – rather than a bureaucratic obstruction to be avoided where possible – should therefore be seen as a document in which the nexus of growth and decarbonisation is situated. Places should be using their local plan to chart the course to net zero in a way which maximises innovation and investment in human capital.

For decarbonising old buildings, local authorities can collaborate with each other at different tiers and spatial scales to aggregate demand and work together on solutions. Aggregating retrofit demand and creating a project pipeline has major labour market implications, with the potential to provide training for a new generation of skilled manual workers. However, policy context is required in the form of a long-term strategy which outlines the scale of retrofit demand at the regional level and begins the process of matching to supply, so that local actors can be empowered to come together in functional geographies and take this crucial step along the path to net zero.

Recommendations to central government

- Raise the standards for net zero local plans in the revised National Planning Policy Framework:
 - Make specific reference to the targets agreed to in the Paris Agreement and the role of local planning in achieving the goal.
 - Include a requirement for emission reduction targets at the local level.
 - Set targets for green and blue infrastructure provision.
 - Set requirement for inclusion of low-carbon heat technologies in new developments.
 - Set stringent mitigation obligations for new developments.
- Produce a long-term plan for building stock decarbonisation with regional breakdowns of supply and demand for retrofit.

- As part of the overall measures to bring down energy costs and support people through the cost-of-living crisis, government must find and set aside money for a long-term retrofit programme, to give industry the confidence needed to ramp up investment in the necessary skills and materials.

Energy

Opportunities	Barriers
<ul style="list-style-type: none"> • Through investment in their own renewable energy generation capacity, councils can directly contribute to the decarbonisation of the national grid. • Local authorities can work with community energy projects to help local groups deliver energy on a smaller scale. • District heat networks can reduce carbon emissions and, in the longer term, the energy bills of residents. • Green skills can be built up locally in a strategic way through the convening of skills providers and businesses around a long-term project pipeline. 	<ul style="list-style-type: none"> • The long-term nature of investments in heat networks can present a barrier to council involvement, particularly in smaller authorities where capacity is lower. • The architecture of the Further Education college system, incentivised largely around competition, creates a barrier to holistic local collaboration on skills.

A transformative shift in the generation, storage and transmission of energy is required to prevent catastrophic global heating, a goal which has over the course of 2022 come entirely into line with the national security interests of western states who can no longer afford to be dependent on Russian energy. Decarbonising the energy sector, particularly in the current economic context, depends on expanding investment in renewable energy and an associated major national push to create the necessary skills provision.

Local authorities can use their own financial and landowning capacity alongside their abilities as conveners of stakeholders to drive investment in renewable

generation, whilst also working with training providers and employers to create skills pathways to meet this demand. Investing in renewable energy and its associated technologies has major growth implications – particularly around the proliferation of highly-skilled jobs and their associated training pathways. There are multiple different areas relating to clean energy where a skills uplift and raising supply-side demand could lead to an increase in high-quality, high-skilled employment. However, policy alignment over incentives is needed between further education and local government, the Local Skills Improvement Plans announced in the Levelling Up White Paper are a positive step in this direction, but the policy must be specifically targeted to accommodate the need for green skills.

Local government has an important role to play across energy decarbonisation – in providing land and channelling investment to renewable energy; in convening the local public and private sector around green skill provision and in the operation of more efficient and greener district heat networks. District heat networks, as part of broader regional energy strategies, can help meet energy demands whilst reducing emissions at a local level by consolidating generation for an area in a single powerplant. In the long term, district heat networks can reduce energy bills for both commercial and residential properties. It is important that all areas are aware of what is the most sensible and practical contribution they can make to energy decarbonisation, through the production of Local Area Energy Plans, which are currently optional but could be greatly boosted through the production of a legal framework for their adoption.

Recommendations to central government

- Commit to renewable energy and abandon plans to further extract fossil fuels from the North Sea.
- Produce legislation to bring forward the Local Skills Improvement Plans as laid out in the Levelling Up White Paper, with an emphasis on the delivery of new green skills for retrofit.
- Produce a comprehensive legal framework for Local Area Action Plans, as was scoped by Ofgem and BEIS in late 2021.

Manufacturing

Opportunities	Barriers
<ul style="list-style-type: none"> Local authorities of all kinds can collaborate with each other and local businesses to incentivise Foreign Direct Investment (FDI) through local skills initiatives, favourable planning policy and strategic coordination. Local authorities of all kinds can use council-owned assets and funds as well as strategies to help enact a just transition to decarbonised manufacturing. 	<ul style="list-style-type: none"> Many powers that can aid councils in driving FDI in green manufacturing methods and technologies are part of the now-abandoned Industrial Strategy's enterprise zones, leaving questions as to the further roll-out of such policy and how the framework may differ under the new 'investment zones'. Increasingly reducing council budgets can restrict ability to promote a just transition to decarbonised manufacturing.

While significant progress has been made in decarbonising the UK's manufacturing industry, much of the 'low-hanging fruit' of emission-reduction has now been achieved, the situation now requires greater innovation and associated investment to push further along the road to net zero. Investment in innovation will be key to both achieving productivity growth and decarbonisation in UK's manufacturing sector – with long-term funding and vision required to develop individual businesses, wider infrastructure, and human capital.

The route to clean growth involves continuing to reduce emissions through greater efficiency, new technologies and clustered industries. Achieving these innovations also requires a focus on labour market forces – both to provide new pathways to high-skilled employment and a transition away from lower-skilled, less efficient manufacturing. While lacking obvious powers to directly influence the sector, local authorities can use indirect routes, such as their convening power and the provisions of local planning, to drive change in the sector. The challenge for governance is to offer a mix of incentives for private investment whilst also providing the physical and human capital needed to make such investment viable – local authorities will have an important role to play as the locus of governance.

In the current policy context, the most effective form of local intervention in the manufacturing sector is through Enterprise Zones, a vestige of the abandoned national Industrial Strategy. This policy is to be revisited in a sense, through the

new Investment Zones announced in September 2022, but there are important lessons to be learned from the existing framework. Enterprise Zones work well when legislation works with local democracy rather than seeking to work around it. Coordinated and strategic local skills policy is also crucial to maximising the growth potential of investment zones.

Decarbonisation of manufacturing must be considered in the context of a just transition – particularly in the context of the cost-of-living and energy security crises brought to the fore in 2022. Councils have a role to play – financial, advisory, and strategic – in ensuring a just transition at the local level. High-tech, transferable skills can be amassed at the local level through coordination between manufactures, educational institutions, and local authorities. Councils must be empowered and funded to continue laying the groundwork for a just transition to net zero manufacturing through skills policy, their convening role for businesses and wider planning policy – which can be used to incentivise manufacturing, which is efficient, productive and contributes to net zero goals.

Recommendations to central government

- Launch a new wave of enterprise zones to help support the transition to net zero in the manufacturing sector whilst also growing regional productivity.
- Attach skills provision to enterprise zones through Local Skills Improvement Plans, ensuring that approval for zones is granted only on demonstration of a viable local skills supply chain for businesses in the target sector.

Transport and infrastructure

Opportunities	Barriers
<ul style="list-style-type: none"> Local authorities can achieve meaningful community engagement on transport and decarbonisation, two issues which impact everyone, through things like Citizen’s Assemblies. Strategic use of a range of powers alongside public information campaigns can help incentivise active travel to the benefit of local health and wellbeing as well as decarbonisation. Joined-up procurement, planning, energy and highway strategies can be used to greatly simplify the roll-out of electric vehicles, easing the transition for the public. 	<ul style="list-style-type: none"> Whilst capital funding can be obtained for many decarbonisation solutions, the revenue funding gap of local authorities remains a significant barrier to running services once the initial capital injection has been obtained. The piecemeal devolution landscape across England makes comprehensive integrated transport strategy difficult in many parts of the country.

Transport is the UK’s highest-emitting sector, and decarbonisation will need to be driven both by technological and behavioural change. Reaching net zero across transport and infrastructure requires continuation and intensification of the current reorientation of physical infrastructure towards cleaner forms of transport, alongside an increased effort to change behaviours and attitudes.

As with much of the clean growth policy platform, these goals are mutualistic with other national efforts. Achieving clean growth in transport will also help improve health outcomes and social mobility, both issues with clear implications for levelling up. Improving transport infrastructure has been identified repeatedly as crucial to alleviating regional inequality and delivering local growth. Increasing active travel has been shown to have benefits for local businesses as well as for health and wellbeing.

Local authorities have a role to play in transport decarbonisation – across types of local authorities and geographies, multiple powers and resources exist to help aid a smooth transition. However, the disjointed and piecemeal nature of these powers mean authorities must make the best use of their ability to convene and

collaborate across different geographies and at different scales in developing an integrated and holistic vision. Councils are using their powers to drive behavioural change and install cleaner transport infrastructure, but a framework for integrated solutions that runs across all types of authority is required to ensure that local efforts aggregate up to a national modal shift of sufficient scale.

Recommendations to central government

- Bring forward a new Transport Act:
 - Create a legal framework for integrated transport strategies across the country with carbon reduction targets and responsibilities.
 - Give councils powers to incentivise bus operators to decarbonise through local regulation.
- Create a mechanism to increase transport revenue funding to local authorities proportionate to the percentage of local public transport which is net zero.

Land management

Opportunities	Barriers
<ul style="list-style-type: none"> • Councils can improve resilience and community engagement through empowering communities at-risk of flooding by working with flood action groups. • Long-term planning can create a pipeline of projects to boost resilience, bringing in multiple parts of the local and regional economy and public sector. • The Local Nature Recovery Strategies pilot programme demonstrated the potential for bringing together stakeholders from across society to work together on biodiversity at the local level. 	<ul style="list-style-type: none"> • The issue of piecemeal and overlapping policy directives from central government can lead to inefficient carbon offsetting and conflicts between goals of sustainable food production, nature recovery and biodiversity. • Sustained flood-resilience is difficult due to the lack of a dedicated revenue stream for resilience and adaptation. • Considering the severity of the issue, councils are under-powered to act on privately-held flood defences in poor condition.

Due to the historic undervaluing of the ecosystem services provided by natural land, the UK is the most nature-depleted nation in the G7 and faces multiple climate change related crises around resilience if land use is not reformed.

The socio-economic case is undeniable. Biodiversity net gain can improve the quality of life and environment in areas, as well as helping to reach net zero, and increase the attractiveness of a place's 'offer'. Greater flood resilience is crucial to avoiding major economic damage in many parts of the country. Yet the task is not simple – multiple competing interest must be navigated to drive decarbonisation at both the national and local level, with issues such as biodiversity, food security and flood risk management all being areas of concern for national resilience.

Local authorities must take a holistic view of the issue and work with landowners, local agricultural sector, communities, and businesses to alter land use in a way which is sustainable and efficient. Piecemeal and overlapping government policy initiatives, alongside a lack of hard powers and dedicated revenue funding streams, stand as the key barriers to a holistic local approach to decarbonisation across land management.

Recommendations to central government

- Reaffirm support for nature recovery and reinstate full environmental protections to the planning system.
- Give councils power to act on privately-held flood defences.
- Create a comprehensive, cross-departmental national land management framework.