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SUMMARY

Decarbonisation holds huge opportunities for the north of England. The energy sector is one of the North's 'prime capabilities'. The region has a leading low-carbon goods and services sector - accounting for around a third of all jobs in the sector in England. It has world-renowned universities and leading expertise in technologies such as nuclear power, hydrogen and offshore wind. This is matched by the many historic, geographic and geological advantages that exist in the region.

In short, there is substantial potential for the north of England to become the new heartland for a low-carbon energy economy. According to IPPR's interim report, *Risk or Reward*, up to 46,000 jobs could be created by 2030 just in the power sector, the focus of this report, alone.

And yet, such an outcome is not guaranteed. Decarbonising the economy, if managed badly, carries significant risks for the North. As home to the majority of coal and gas power stations in England, the North could suffer approximately 28,000 job losses in the coal, oil and gas industries by 2030, IPPR analysis has shown. This is without considering the other potential job losses in high-carbon energy intensive industries and the wider economic and social implications that the loss of industry can bring about.

In the past, industrial change has been poorly managed, including in the north of England, resulting in regional inequalities. But a well-managed 'just transition' could build on the economic strengths of the north of England and deliver a high-skill, high-wage, low-carbon economy of the future.

We have identified three key challenges that exist in delivering a just transition.

- **Lack of policy certainty and ambition:** without long-term certainty for the low-carbon energy industry, growth in this sector will be stunted which could limit the transition opportunities for workers in carbon-based generation.
- **Failure to put a 'just transition' at the heart of decarbonisation policy and industrial strategy:** the government is failing to embed the idea of a just transition across government policy. Consequently, decarbonisation could negatively impact the future livelihoods and communities of workers in high-carbon industries and will see the North disproportionately impacted.
- **An ill-equipped skills system:** skills gaps exist throughout the low-carbon energy sector, but the UK's skills system is failing to meet demand, nor does it provide adequate training to support a transition for workers who have the potential to move from high to low-carbon employment.

In this report we discuss these challenges in more detail and make the case for a new approach that puts economic and social justice at the heart of energy and skills policy in the North. To achieve this, we set out a range of recommendations that are crucial to this ambition and ultimately form the components of a **Just Transition Strategy** for the north of England.

RECOMMENDATIONS

Step 1: Long-term certainty and devolved powers

1. **Long-term capacity targets:** The government should set capacity targets for each low-carbon technology it intends to support and devolve these targets.
2. **Government subsidies and regulatory reform:** The government should provide a combination of subsidies and regulatory reforms to support relevant industries' progress towards the targets that have been set.
3. **Energy for the North:** The government should devolve carbon budgets to the north of England and create a new 'Energy for the North' body which would be linked to the work of the NP11, and coordinate efforts to lead a low-carbon revolution in the North of England.
4. **National policy coordination:** The government should create a cross-departmental 'Decarbonisation Mission Unit' that ensures a system-wide approach to realising the overall mission of decarbonising the UK.

Step 2: A Just Transition Commission and Just Transition Funds for the North

- 1. Embedding the concept of 'just transition' across government policy:** The concept of just transition must urgently be incorporated into an updated national industrial strategy as well as the strategic economic plans and local industrial strategies being developed by local enterprise partnerships (LEPs) and combined authorities. Involving trade unions in the process of determining just transition policy will also be crucial. As part of this, the government should set out the key principles which underpin a just transition.
- 2. A Just Transition Commission for the north of England:** A Just Transition Commission should be set-up for the north of England, following Scotland's example. It should involve all relevant stakeholders including metro mayors, local authorities, LEP representatives, local community representatives, local businesses, businesses interested in investing in the region, civil society and trade unions.
- 3. A Just Transition Fund for the north of England:** A Just Transition Fund should be established as part of regional economic development funding to help the drive towards a low-carbon economy and to mitigate against the negative impacts of decarbonisation. A number of mechanisms and activities to achieve a just transition are recommended, including:
 - clustering of new industries, academia and technical colleges on existing sites.
 - boosting local development through inward investment, including in education, training and local infrastructure, entrepreneurship and small businesses.
 - investing in local low-carbon energy projects.
 - repurposing carbon-based assets for new industries.
 - funding to support workers close to retirement to use their skills productively.
 - wage subsidies for those workers who may be made unemployed as a result of transition.
 - just transition 'toolkits' for affected industries.
 - travel assistance for workers.
 - additional support for mental health and wellbeing services.

Step 3: Skills audits, skills standards and devolved skills funding

- 1. Comprehensive devolved skills audits:** More granular labour market information is crucial to understand how well the skills system will be able to supply anticipated growth in the low-carbon energy sector.
- 2. Making training standards available to the unemployed:** Training standards being developed by the likes of the Engineering Construction Industry Training Board (ECITB) should be made available to those who are unemployed.
- 3. A consistent approach to training across the energy sector:** We recommend the creation of an Energy Skills Competency Accord. This accord would need to be supported by legislation and regulations that required certain technical standards and outcomes to be met rather than prescribing method.
- 4. T level courses must reflect skills needs:** There must be greater consistency across policy such that in-demand occupations are included within the range of courses which T levels are intended to cover.
- 5. Devolving education and skills funding:** Both the adult education budget and any unspent levy funds should be fully devolved to LEPs without any legally-obligated spending rather than being retained by the Treasury or directed by it.
- 6. Reforming the apprenticeship levy:** The apprenticeship levy should be reformed so that it would be set at 0.5 per cent of payroll for mid-sized firms and 1 per cent for firms with 250 or more employees in order to widen the net of employers that make a contribution.
- 7. Promoting diversity with the low-carbon energy sector:** To raise the profile of the sector, promote diversity, and help graduate retention in the north of England, companies above a certain size should be required to actively promote STEM subjects in schools.

The progressive policy think tank

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