

Institute for Public Policy Research



REGIONAL ECONOMIES

**THE ROLE OF INDUSTRIAL
STRATEGY AS A PATHWAY
TO GREENER GROWTH**

**Ryan Swift and
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February 2025

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CONTENTS

SUMMARY	5
1. THE CASE FOR A REGIONAL GREEN INDUSTRIAL STRATEGY	7
The North’s economy today	8
The last transition (deindustrialisation)	9
Industrial strategy today.....	9
Lessons from the US.....	10
2. DEVELOPING A REGIONAL GREEN INDUSTRIAL STRATEGY	12
A pathfinding approach.....	12
The role of centre/regional cooperation in pathfinding	13
All places have a role to play in driving national prosperity.....	14
3. ALIGNING GREEN INDUSTRIAL STRENGTHS	15
Understanding regional potential.....	15
Insights from West Yorkshire	17
Drawing on strength and building on potential.....	19
4. IMPLEMENTING REGIONAL GREEN INDUSTRIAL STRATEGY	20
Lessons for implementing regional green industrial strategy	20
Conclusion.....	23
REFERENCES	24

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ABOUT THIS PAPER

The purpose of this paper is to make the case that regions like the North should have a key role to play in the development of a green industrial strategy to ensure that it draws on place-based strengths and potential. Getting industrial strategy right in our regions will be key in helping to achieve net zero, drive economic growth and rebalance the economy.

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SUMMARY

The government's ongoing development of an industrial strategy provides an opportune moment to lay the foundations for a stronger and more secure domestic economy. This means good growth that unlocks and harnesses the potential of the whole country, delivering good jobs, prosperity and clean industrial renewal.

This report makes the case that regions like the North should have a key role to play in the development of a green industrial strategy to ensure that it draws on place-based strengths, and has the potential to deliver opportunity and optimism to places that have suffered from past deindustrialisation, feeling economically and politically overlooked for too long.

Getting industrial strategy right in our regions will be key in helping to reach three crucial outcomes.



achieving net zero



driving economic growth



rebalancing the economy

To these ends, this report argues for a pathfinding approach to green industrial strategy focussed on the future and our places' potential, while harnessing local strengths. Doing so will require combining top-down strategic direction with bottom-up insight from our regional leaders and authorities, who know their areas best. This will be essential to revitalising economies across the North and other regions.

This report sets out five lessons that should be key to evolving green industrial strategy in the UK into a place-rooted one that drives regional growth, a just net zero transition and stronger national prosperity. To do so, we build on IPPR's pathfinding analysis of regional green manufacturing strength and potential, take inspiration from approaches to industrial strategy elsewhere such as the US, and draw on insights from an IPPR North roundtable on green industrial strategy in West Yorkshire.

1. Clear direction from the centre

Clear direction from national government is essential. The government needs to make strategic choices about the products and technologies we choose

to specialise in, drawing on a rigorous evaluation of our strengths today, the strengths a net zero Britain is likely to need, and our strategic position within the global economy. In determining this, national government should work closely with regional and local government to co-produce its industrial strategy.

2. A clear framework for dialogue with the regions

Regions should be treated as equal partners in a social partnership approach to industrial strategy. This means the relationship should be an equal partnership between different tiers of government as well as industry, trade unions and wider stakeholders like education partners. There is a need to set out a clear institutional framework (visualised in figure 4.1) for developing and implementing industrial strategy that builds on regional knowledge. Alongside this is a need to think about the role of wider pan-regional partnerships and institutions in industrial policy, particularly where sector and supply chains overlap several local and combined authority areas. We recommend the creation of mayoral industrial strategy councils chaired by local leaders to support local strategies and delivery.

3. Linking deeper devolution and industrial strategy

Further devolved powers and accompanying streams of funding and investment should be agreed between the centre and combined authorities in pursuit of delivering industrial strategy. Furthermore, regional mayors must be empowered as champions for their areas. They have the local knowledge, and the soft powers needed to drive green industrial strategy and attract inward investment in their places.

4. Long-term, place-focussed investment at scale

Long-term joint funding and a joined-up approach with economic development funding streams should underpin the industrial strategy. To ensure that industrial strategy results in job creation and sustainable economic growth across the North, where places have long suffered from the effects of deindustrialisation, the strategy should target investment in places that would benefit most from a manufacturing renaissance – where future potential and local strengths align with its objectives.

5. Fixing the foundations for long-term green industrial growth

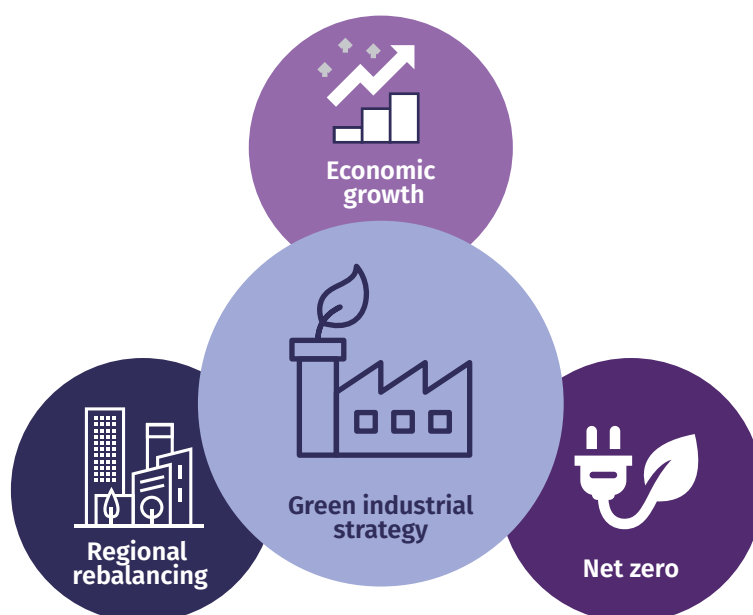
The foundations for long-term green industrial growth must be developed. In addition to ensuring that governance infrastructure and investment are in place to deliver a successful green industrial strategy in our regions, there is a need to ensure that wider foundations for successful green industrial growth in our regions are also in place – not least when it comes to skills, transport and infrastructure. IPPR North is undertaking further research in these areas and will be setting out more detailed policy recommendations over the coming year.

1. THE CASE FOR A REGIONAL GREEN INDUSTRIAL STRATEGY

The new government's progress in developing an industrial strategy focussed on place, as set out in its recent green paper (DBT 2024), is welcome. This is key to its missions of growing the economy and spreading opportunity across the country. In the context of increasing global and economic insecurity (Dibb 2023), industrial strategy has a crucial role to play in laying the foundations for a strong and secure domestic economy that unlocks and harnesses the potential of people and places across the country, delivering good jobs, prosperity and clean industrial renewal. Getting industrial strategy right in our regions will be key in helping to achieve net zero, drive resilient economic growth, and rebalance the economy.

To achieve this, we make the case for a green industrial strategy that looks to the future and our places' potential, while harnessing existing local strengths. Combining top-down strategic direction with bottom-up insight from our regional leaders and authorities, who know their areas best, will be essential to revitalising economies across the North and other regions. In this report, we set out ideas for what a regional approach to green industrial strategy should look like. By working together to set out and implement a green industrial strategy, the centre and the regional can deliver on climate targets, on good jobs and opportunity, and on creating regional economic growth as the engine of national prosperity (figure 1.1). The creation of good quality, productive and highly paid jobs is necessary for rebalancing opportunity – and is demanded by the public (Johns et al 2024).

FIGURE 1.1: THE BENEFITS FROM GREEN INDUSTRIAL STRATEGY



Source: Authors' analysis

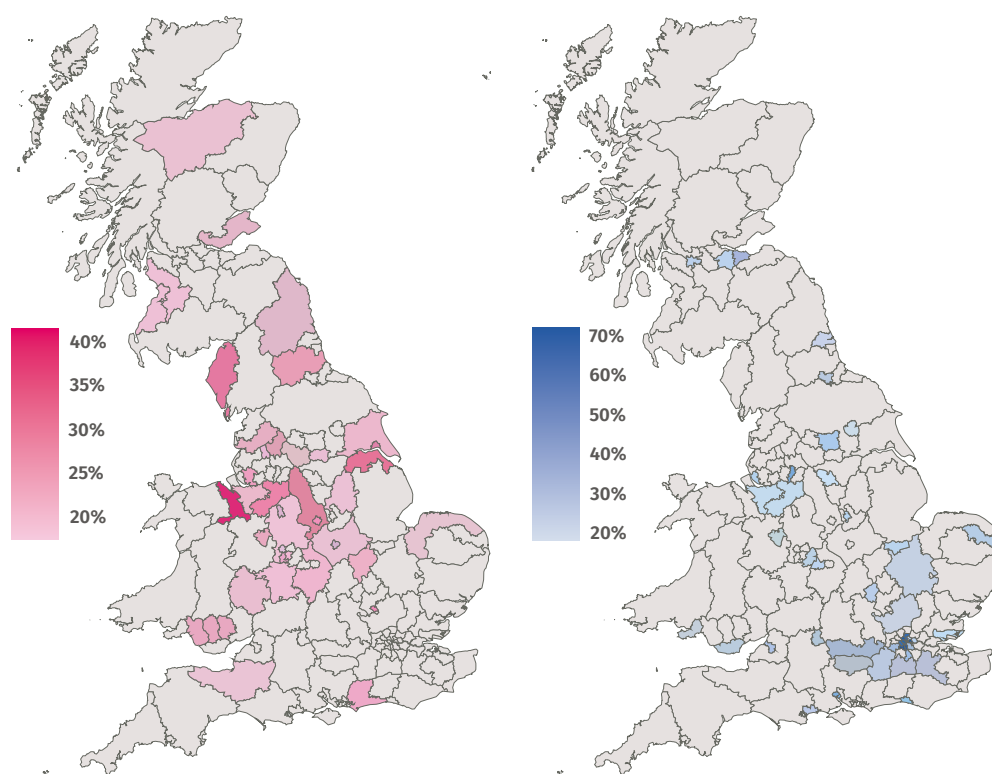
THE NORTH'S ECONOMY TODAY

Regional inequalities remain stark: the UK is the most unequal economy in the Organisation for Economic Cooperation and Development (OECD) (Johns & Hutt 2023). The North has endured sustained low and slow productivity growth and underperforms in comparison to European and OECD peers (ibid). Too many places are excluded from good quality jobs and economic opportunity. Over recent decades, the UK has not created enough good quality jobs across regions like the North (Johns et al 2024), which continue to be scarred by the impact of deindustrialisation.

As the chancellor Rachel Reeves rightly highlighted in her Mais lecture (2024), we cannot rely on just a few pockets of the country to drive growth and productivity. Not only does that old approach write off many people across the country - diminishing their opportunities and draining optimism - but it also writes off their potential contribution to national prosperity and is economically rash. Where people and places feel overlooked by Westminster, this has the potential to feed into a negative politics of anger (Johns et al 2024).

FIGURE 1.2: MANUFACTURING IS MORE PRESENT IN THE NORTH AND THE MIDLANDS COMPARED TO TRADEABLE SERVICES, WHICH ARE HIGHLY CONCENTRATED IN AND AROUND LONDON

Regions in the top quartile for manufacturing and tradeable services share of GVA



Source: IPPR analysis of ONS, 'Regional gross value added (balanced) by industry (ONS 2023), Narayanan et al (2024)

Note: Tradeable services are defined here as the ONS SIC Sections: Information and Communication (SIC J), Financial and Insurance Activities (SIC K) and Professional, Scientific and Technical activities (SIC M)

Yet our future does not need to be this way. Despite existing regional economic challenges, the North still holds vast potential, particularly when it comes to green manufacturing that can drive a new green industrial strategy. The North already

produces 50 per cent of England's renewable energy and provides 36 per cent of all UK jobs in low carbon goods and services (Convention of the North 2024). The region is home to many of the assets needed to deliver a transition to a more sustainable, prosperous future (Webb et al 2022).

Many of the clusters of industries, skills and supply chains that an industrial strategy would build upon are located in the North of England (Narayanan et al 2024), such as Net Zero Teesside. As figure 1.2 shows, manufacturing is more prevalent in the North and other regions like the Midlands compared to tradeable services which are more highly concentrated in and around London. This provides a solid foundation upon which to build a forward-looking green industrial strategy that benefits our regions.

The North also has high ambition. At the northern level, advanced manufacturing and energy are considered prime capabilities, and the importance of these sectors is increasing with the drive towards a zero-carbon economy (Convention of the North 2024). Many places across the North have ambitious decarbonisation strategies and plans to develop a zero-carbon economy (authors' analysis, Webb et al 2022; Laybourn et al 2017). These are set out in the strategies of its local and regional governments, institutions like Convention of the North and the Great North (ibid). Collectively, the North is putting forward its case to become a net zero powerhouse backed by northern metro mayors under their new banner of the 'Great North'.

Relatedly, the North has growing institutional power. Over 90 per cent of the region's population is now covered by some form of devolution deal and the North's metro mayors are increasingly taking on more powers to drive change in their areas, as well as representation on the Council of Nations and Regions. The government's recent English Devolution Bill sets out how local leaders may be further empowered over the coming months and years (MHCLG 2024).

Taken together, the North is well placed to play a key role in driving a renaissance of UK manufacturing as part of a new Green Industrial Strategy which boosts productivity and unlocks regional growth.

THE LAST TRANSITION (DEINDUSTRIALISATION)

Historically, industry and manufacturing have been crucial to both the economy of the North and its local and regional identities. The North was the epicentre of the first industrial revolution and the achievements of that period are evident across northern towns and cities. Deindustrialisation was, however, felt hard across the northern regions. Little thought was given to what would replace jobs lost in closing industries in the North over the last half century.

For too long, governments' implicit industrial strategies have neglected the North's economy (Raikes 2019). Over the last decade, the UK has seen various attempts at an industrial strategy but this policy churn, marked by a lack of long-term strategic thinking, lack of engagement with our places and local leaders, and persistent underinvestment, has failed to shift the dial significantly in bolstering manufacturing in regions like the North. Similarly, the Northern Powerhouse and Levelling Up initiatives of previous governments have simply not driven more equal living standards or a more prosperous northern economy (ibid, Johns et al 2024). Nor have they been given time to do so. This is resonant with previous, short-term, sticking plaster approaches to industrial strategy.

INDUSTRIAL STRATEGY TODAY

To begin to reverse the negative effects of deindustrialisation, and to build a future-facing green industrial strategy that delivers new, good jobs and economic

security to our regions, there is a need to ensure that regions like the North and their interests are well represented and understood. This is essential in forging a green industrial strategy that draws on places' strengths and potential to deliver economic growth, regional rebalancing and decarbonisation.

There are positive signs that the new government understands this in its commitment to deliver a new industrial strategy. The green paper setting out the government's plans for an industrial strategy rightly recognises the long-term underperformance of places outside London and the South East and makes the case for a new industrial strategy to address this (DBT 2024). It correctly highlights the vast industrial potential that exists in regions across the country and notes that "a core objective of the industrial strategy is unleashing the full potential of our cities and regions" (ibid).

The green paper also highlights that industrial strategy should identify emerging or latent strengths, not yet exploited but potential growth sectors of the future. As identified above, the North is home to many such clusters even if they are not yet firing on all cylinders. This supports the view of IPPR's pathfinding approach to industrial strategy, which we set out in more detail in the next chapter.

LESSONS FROM THE US

In developing its industrial strategy, the government can also draw on valuable lessons from elsewhere, most notably the US. Early evidence from initiatives undertaken by the previous Biden administration points towards the role that industrial strategy can play in revitalising the fortunes of places that have suffered from previous waves of deindustrialisation, and in providing good jobs and boosting growth – something of key interest to many places in the North.

While the merits of drawing too strongly on lessons from the US following the Democrats' defeat in the in the election last November have been questioned, it remains that both the practice and response to the Biden Administration's approach to industrial strategy offer valuable lessons in the UK context. It is true that governments are judged, at least in part, on what they deliver, and that the benefits of industrial renewal can take time to be realised. Yet the new American administration looks unlikely to abandon the focus on domestic industrial renewal (Foroohar 2024). Indeed, in the context of growing global insecurity, governments across the world are rightly thinking about how to harness their industrial strengths and potential (Valero and Van Reenen 2023).

On delivery, there are a number of key lessons from the Biden administration's approach to industrial strategy that are useful when thinking about designing and implementing a UK green industrial strategy that can deliver for our regions and places, and for people across the country.

When it comes to governance, the US provides a positive example of central government clarity in setting out the aims of industrial strategy, while simultaneously drawing on subnational governments' insights and strengths alongside partner organisations. Through its various industrial strategy initiatives, the US government has established a long-term plan backed up by consistent policies (Peck and Bustamante 2024) and set out wider institutional reforms for longevity and impact (Valero and Van Reenen 2023).

The federal government, however, recognised that efficient multi-level governance is essential to delivering industrial strategy. It recognised that place-based policy cannot just be centrally driven but instead must bring local and regional governments to the table as equal partners, using local institutions and strategic capacity (Peck and Bustamante 2024; Westwood et al 2023). Case studies show that recent federal investments have been most successful when

they align with community needs and local workforce development strategies (Bustamante and Peck 2024).

Such a cooperative and joined-up approach to developing and implementing industrial strategy both delivers on national governments' overarching aims or missions and offers wider local benefits in economic regeneration and good, high-skilled job creation by drawing on local priorities and strengths. This approach can also boost innovation: local actors are best placed to improve the information exchange between the public and private sectors (Mazzucato, Doyle and Kuehn von Burgsdorff 2024; Peck and Bustamante 2024).

But as well as this, a transformative industrial strategy needs investment at scale. When it comes to the financial investment underpinning industrial strategy, the US example shows that size matters. Key initiatives have been dependent on investments at scale rather than small pots or pilots (Westwood et al 2023). Additionally, there has been a recognition of the need for sustainable and productive investment, which in turn also provides clear direction and confidence to crowd in private investment (Valero and Van Reenen 2023). The lessons from this are that strong multi-level relationships and partnerships, a place-based focus and investment are key to implementing and delivering successful industrial strategy.

2. DEVELOPING A REGIONAL GREEN INDUSTRIAL STRATEGY

IPPR's green industrial strategy programme continues to develop policy ideas for a green industrial strategy that ensures the UK:

- decarbonises its economy in line with environmental targets
- grows out of our enduring economic stagnation
- addresses our stark regional inequalities
- responds to international, muscular industrial policy in places like the US, protecting our strategic interests.

Recent IPPR analysis highlighted the benefits of a pathfinding approach to industrial strategy for the UK (Narayanan et al 2024). This chapter details what this means in practice for places, its merits, and how the relationships between central, regional, local government and wider institutions are vital to its success.

A PATHFINDING APPROACH

A pathfinding approach acknowledges the constraints placed on our economy by path dependencies – meaning the economic pathway we are on is determined by our economic history and current productive capabilities. However, it also emphasises that there remain possible paths for our future, depending on today's choices. A pathfinding, smart-specialisation approach to green manufacturing is needed in the UK to support existing and develop new activity (Narayanan et al 2024). It can provide a clear-eyed view about how those choices should be made and for which outcomes.

It can therefore play a key role in focussing industrial strategy on place, and determining how it can be implemented to help achieve our net zero targets and stronger regional growth, and rebalance our uneven economy. Pathfinding means understanding where our existing capabilities can be harnessed or repurposed for delivering net zero and these wider economic and social benefits.

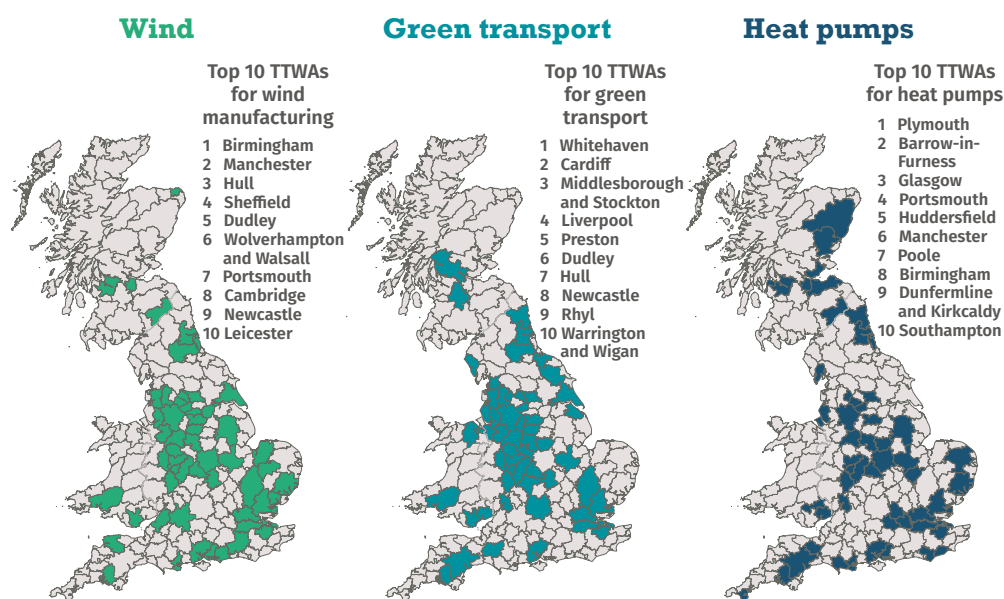
Our pathfinding analysis concentrates on both our green strengths – the green sectors where we have specialism or comparative advantage today, and our green potentials – and the sectors we are not yet specialised in but are well placed to be in the future, based on our industrial structure, skills or other advantage (ibid). It shows that the UK has several green strengths that could better supply net zero value chains, with specialisms in several green products like wind farm components, electric rail locomotives, power plant turbines, and industrial and environmental monitoring. Evaluating the UK's industrial base and comparable green technologies, we judge that its immediate green potential manufacturing priorities should be wind manufacturing, heat pumps and green transport (ibid).

There is opportunity across the country in these areas. Our analysis highlights that the UK's manufacturing base is more regionally dispersed than its services base, which is predominantly clustered in London and large city centres, although manufacturing's output is absolutely smaller. There are several green manufacturing clusters across the UK, and skills in existing

manufacturing strongholds that could boost green manufacturing. These are especially present in the North, Midlands, Wales and Scotland (Narayanan et al 2024).

As figure 2.1 highlights, many places across the country have comparative advantages, as identified in our pathfinding analysis (ibid), in key green industries such as wind, green transport and heat pump manufacturing¹

FIGURE 2.1: THE NORTH AND THE MIDLANDS ARE VERY WELL PLACED TO DEVELOP SECTORS WITH HIGH GREEN POTENTIAL



Source: Narayanan et al (2024)

A new green industrial strategy should acknowledge and seek to build on the strength and potential in our places and regions. A pathfinding approach that uses data-driven assessments of local latent potential and comparative advantages, alongside considering the strategic goals of decarbonisation, economic growth and regional rebalancing, can put place at the heart of such a strategy.

Some places may stand to benefit more from a pathfinding approach than others, based on their current comparative advantages. But the wider benefits of delivering economic growth and development in our regions and the effects that this could have on things like infrastructure would be felt widely by people right across our regions. Regional prosperity would drive national prosperity, provided that such growth is consciously embedded in wider regional economies – something we are keen to explore in our upcoming regional growth programme.

THE ROLE OF CENTRE/REGIONAL COOPERATION IN PATHFINDING

Central to a successful pathfinding approach to industrial strategy will be the development of close cooperation between national government and regional and local authorities. In taking a pathfinding approach, there is a need to ensure that places and their interests are well represented and understood in the crafting of

¹ The analysis was conducted based on travel to work areas (TTWAs).

industrial strategy and related policies if greater growth, regional rebalancing and decarbonisation are to be successful in both delivery and outcome.

This is essential to prioritise areas and places of focus for industrial strategy and to achieve coordination and alignment, both vertically between the centre and our regions and horizontally among industry stakeholders across regions.

In practice, the centre is able to set out the overarching mission of its industrial strategy and draw on large amounts of data and to make trade-offs between competing priorities in different places. Local and regional leaders, meanwhile, have better specific knowledge of their region and the businesses within it. Moreover, local leaders' strong local networks are a key route to sense-checking strategies on the ground with stakeholders such as businesses or local colleges. They will also likely have a greater understanding of local skills, infrastructure and supply chain needs. Collectively, therefore, both vertical and horizontal cooperation are essential for enabling a place-based approach to industrial strategy within the wider national framework.

Additionally, as we will set out in more detail in chapter 3, strong, cooperative and clear centre-regional relationships will be key to ensuring that alignment and divergence between places on green industrial strategy can be navigated and supported in ways that lead to its overall success – delivering net zero, achieving economic growth and regional rebalancing – while allowing place-based strengths and priorities to be pursued locally, where this is supported by the overarching industrial strategy.

ALL PLACES HAVE A ROLE TO PLAY IN DRIVING NATIONAL PROSPERITY

Adopting a pathfinding approach to green industrial strategy requires a robust, evidence-based understanding of places' current strengths and priorities, alongside their comparative advantages and future potential gleaned from pathfinding analysis.

A mature and cooperative relationship between different tiers of government is vital. Where there is divergence or a lack of alignment between the priorities of different tiers of government, a strong reciprocal relationship between them will be required to manage this effectively. These relationships should ensure that all places can contribute to the national industrial strategy's missions while enabling wider local priorities to be pursued and provide an understanding of the different levers available in addressing divergence. For example, newly set up bodies like the Council of Nations and Regions and the Industrial Strategy Advisory Council could each have a role to play in maximising intragovernmental coordination. Collectively, this means that places' priorities can be backed by the national industry strategy policy where aligned, and other local economic levers considered where they are not a strategic priority within the extant framework.

3. ALIGNING GREEN INDUSTRIAL STRENGTHS

This chapter explores the strengths and potential of places across our regions. It considers how places' current strengths and future potential as identified by IPPR's pathfinding analysis (Table 3.1) map onto their strengths and priorities as set out in combined authorities' local plans and investment zone sectors.

IPPR's pathfinding analysis is not exhaustive and could be supplemented with further analysis of place-based strengths and potential. Nevertheless, this comparison provides a useful starting point from which to build a richer understanding of convergence, divergence and proximity to a pathfinding approach across priorities and strengths.

We extend this analysis with additional insights from an IPPR North roundtable in West Yorkshire with local leaders and key industry stakeholders, where we considered the merits and implications of taking a pathfinding approach to industrial strategy in West Yorkshire.

UNDERSTANDING REGIONAL POTENTIAL

TABLE 3.1: PLACES ACROSS THE NORTH AND MIDLANDS POSSESS MANY COMPARATIVE ADVANTAGES AND STRONG POTENTIAL IN GREEN MANUFACTURING

Area	Comparative Advantages from <i>Manufacturing Matters</i> analysis
West Yorkshire	<p>Leeds, Huddersfield and Halifax have existing comparative advantage in green manufacturing.</p> <p>Halifax, Huddersfield, Bradford, Leeds, and Wakefield and Castleford are in the top quartile for overall green manufacturing potential.</p> <p>Huddersfield ranked 5th for heat pump potential.</p>
Greater Manchester	<p>Warrington (*not in GMCA²) and Wigan TTWA has existing comparative advantage in green manufacturing.</p> <p>Manchester and Warrington and Wigan are in the top quartile for overall green manufacturing potential.</p> <p>Manchester ranked 2nd for wind potential.</p> <p>Warrington and Wigan ranked 10th for green transport potential.</p> <p>Manchester ranked 6th for heat pump potential.</p>
Liverpool City Region	<p>Liverpool has existing comparative advantage in green manufacturing.</p> <p>Liverpool is in the top quartile for overall green manufacturing potential.</p> <p>Liverpool ranked 4th for green transport potential.</p>

2 IPPR's pathfinding analysis was conducted based on travel to work areas (TTWAs). These largely overlap with many combined authorities' geographies but in some cases such as this also include areas outside combined authority geographies.

South Yorkshire	<p>Doncaster has existing comparative advantage in green manufacturing.</p> <p>Sheffield is in the top quartile for overall green manufacturing potential.</p> <p>Sheffield ranked 4th for wind potential.</p>
Tees Valley	<p>Middlesbrough and Stockton and Darlington have existing comparative advantage in green manufacturing.</p> <p>Middlesbrough and Stockton ranked 3rd for green transport potential.</p>
North East	<p>Blyth and Ashington, Newcastle, Durham and Bishop Auckland, and Sunderland have existing comparative advantage in green manufacturing.</p> <p>Newcastle and Durham and Bishop Auckland are in the top quartile for overall green manufacturing potential.</p> <p>Newcastle ranked 9th for wind potential.</p> <p>Newcastle ranked 8th for green transport potential.</p>

Source: Authors' analysis of Narayanan et al (2024)

The table above highlights that many places across the North are well placed to benefit from a pathfinding approach to green industrial strategy. Many of them have comparative advantages and strong potential to develop their manufacturing bases further. In the three key sectors we identify – wind, heat pumps and green transport – many places in combined authorities across the North rank highly in terms of potential to expand their manufacturing sectors.

When we compare these findings with combined authority strategies, we find that many places are already focussed on some of these sectors, which we have judged based on their local economic strategies and investment zone priorities. In these cases, they would be well aligned to develop these sectors further as part of a pathfinding green industrial strategy.

For example, there are notable alignments of strengths, potential and prioritisation on green transport in Liverpool City Region (2022), the North East and the West Midlands (ND). There is recognition of the strengths and potential in wind technology in the Tees Valley (2019) and of the existing green manufacturing potential across West Yorkshire (ND). The focus of places' investment zones also highlights their potential to expand green manufacturing bases (DLUHC 2024) – not least in Greater Manchester's (2021) Innovation District Manchester and Atom Valley developments or South Yorkshire's (2021) Advanced Manufacturing Innovation District.

In some cases, however, our analysis of local plans suggests that places' priorities are less clearly aligned with the specific green manufacturing potential identified in our pathfinding analysis.³ Where priorities, strengths and potential diverge from national priorities, the strength of mature relations and a clear institutional framework between the centre and regional and local leaders is the path to manage how to align strengths and potential in the service of an industrial strategy, and how to support distinct sectors or local priorities with the right levers. Within this framework, places would be free to work with the centre to better align their industrial strategies, while still supporting other sectors outside this if it best serves the interests of their place and local economy.

³ Here, however, it is important to note that our analysis may not represent an exhaustive overview of places' green industrial priorities, strengths and potential. Analysis of local strategies is based solely on existing publicly available documents, some of which are several years old. It may be that industrial focuses have advanced or shifted in that time. Indeed, a number of combined authorities informed us that they will be publishing updated local green economy plans over the coming months.

Where places possess fewer existing strengths – or less potential is identified in key sectors through this analytical approach – the centre can work to identify why this is the case, and cooperate with local leaders to address it or identify areas of economic support that sit outside an industrial strategy framework and its policy levers. This would enable such places to continue to pursue their existing strengths without diluting the focus of a targeted industrial strategy.

We also recognise the limitations of our pathfinding analysis, which might not have identified some potential that could in fact exist on the ground. The voice of local leaders in the industrial strategy process is a good check on this although in some cases that potential is not obvious even to local leaders and businesses themselves. In such cases there is a further need for strong multi-tier relationships where the centre, and regional and local leaders could work with businesses to understand what they make and how they make it, and then work out whether there is a green use case for their products or their production process. For example, a company could be making electrical components to supply digital hardware companies: it might be explored whether those components could potentially be adapted for use in grid systems or modern home heating systems.

Collectively, this approach would enable the centre and regional and local leaders to drive growth in their places right across the country, either in service of the industrial strategy where strengths and potential can be harnessed, or outside the industrial strategy when place-based strengths lie elsewhere. Equally, where comparative advantages and potential strengths are in related sectors and identified in several places across a region, there is significant potential for developing clusters in these areas to drive green industrial strategy further. Such clusters would not necessarily require relocation and densification in terms of sites, but they could be further developed by enhancing physical and digital connectivity to expand the geography within which a cluster is viable. This could result in productivity benefits through agglomerating activity.

It is important to note that the government has tasked local leaders in all mayoral strategic authorities with developing new local growth plans for their areas, which should set out a long-term vision for growth in their regions over the next decade (MHCLG 2024). It is likely that these will contain updated thinking on place-based industrial focus. The development of local growth plans alongside the government's ongoing design of the industrial strategy is a critical moment to secure alignment and put good central-regional cooperation into practice in identifying local strengths and potential collectively, in pursuit of achieving both national missions and regional growth (McKee 2024).

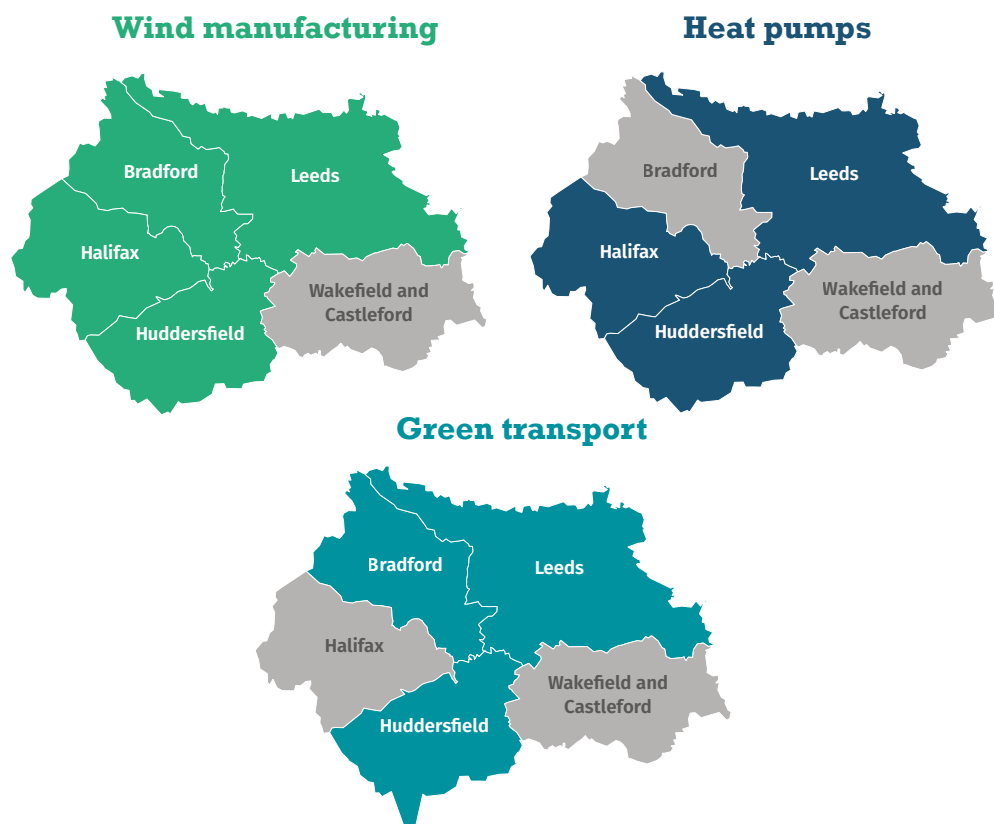
INSIGHTS FROM WEST YORKSHIRE

In September 2024, IPPR North hosted local leaders and industry stakeholders from West Yorkshire, including the mayor of West Yorkshire Tracy Brabin, to explore how a green industrial strategy could benefit West Yorkshire and what it should look like.

We set out the current potential in West Yorkshire in the three key areas – wind, heat pumps and green transport – as identified in our pathfinding analysis (figure 3.1).

Our analysis suggested that developing a wind and heat pumps manufacturing sector should be a priority in West Yorkshire given the region's potential, the shortage in manufacturing capacity UK-wide, the large domestic market for these products, and the strategic importance of these sectors for the UK net zero target.

FIGURE 3.1: STRENGTH AND POTENTIAL IN WIND, HEAT PUMPS AND GREEN TRANSPORT IN WEST YORKSHIRE



Source: Analysis of Narayanan et al (2024)

On wind, many places in West Yorkshire have high relatedness scores – with the existence of industries related to wind sector manufacturing – plus links to the strong offshore wind employment sector. On heat pumps, West Yorkshire has high existing strengths plus high possibility for switching production from boiler and air conditioning manufacturing to heat pump manufacturing. Our analysis also found that green transport could be an area of opportunity, particularly electric cars and green aviation.

This shows that there is vast potential in West Yorkshire to take a pathfinding approach to green industrial strategy. In terms of developing and implementing this, what we heard from participants at the roundtable further illustrated some of the considerations required when it comes to central-regional alignment of strategic priorities.

It was recognised that empowered local government, including pan-Northern collaboration, councils and MCAs, can improve collaboration between actors, and better understand local drivers of development and investment. It was also noted that local and regional government may be better placed to convene stakeholders around one table, talk through trade-offs and alignment, and reach a breakthrough in a way that is harder to achieve at a national level – as well as in convening local businesses to deliver on green industrial priorities. Mayors were seen to be crucial national and international champions for attracting investment in their places.

Additionally, the importance of local investment strategies with decision-making powers at the local level, including grant-based incentives and involving businesses, communities and academia to provide local certainty and drive synergy was highlighted. It was noted that good local investment strategies require strong local institutions.

The importance of long-term and clear thinking on green industrial strategy to ensure that places have people with the requisite skills to work in new manufacturing jobs and drive local growth was also raised, aligning with our findings above on policy clarity. The need to both train younger workers of the future and reskill existing workers for new green jobs was noted within this context too.

It was also noted that transport and infrastructure have a crucial role to play in the success of regional green industrial strategy, improving transport connectivity so that people can access new green jobs, and ensuring that critical infrastructure such as freight and grid connectivity is in place. Here, numerous challenges were highlighted such as long lead-in times for energy infrastructure development and the impact of planning delays on industry.

DRAWING ON STRENGTH AND BUILDING ON POTENTIAL

As the analysis above highlights, our regions have significant potential to build on as part of a green industrial strategy, with strong potential alignment and a powerful convening role. Ensuring that this is realised and expanded demands both vertical and horizontal cooperation and coordination between the centre and regions, and across places. This should be done in a way that complements the government's key aims and missions of the industrial strategy, while drawing on local knowledge, insights and expertise. Ensuring alignment and working together to facilitate responses in areas of divergence in green industry policy will involve bringing together a wide range of stakeholders from national, regional and local government to industry, trade unions, and universities and other regional institutions in a social partnership model. Strong local institutions are needed for this, including clearly defined multi-government partnerships and bodies, underpinned by long-term missions and backed by the powers and investment to deliver them.

4. IMPLEMENTING REGIONAL GREEN INDUSTRIAL STRATEGY

In developing its industrial strategy, the government can lay the foundations for a stronger and more secure domestic economy. This means good growth that unlocks and harnesses the potential of the whole country, delivering good jobs, prosperity and clean industrial renewal. It provides a chance to deliver opportunity and optimism to places that have suffered from previous waves of deindustrialisation and felt unrooted from our national story – and overlooked by Westminster – for too long.

A pathfinding approach to green industrial strategy that draws on places' strengths and potential is vital to deliver good growth, a just net zero transition, and rebalance our economy across our regions. Achieving this requires a long-term focus that links regional strengths with national strategy. Rooting this in a data-driven understanding of both strengths today and latent potential tomorrow allows for this place-based focus.

Building from the findings of our analysis above, taking inspiration from approaches to industrial strategy elsewhere such as the US, and drawing on insights from our research and our roundtable in West Yorkshire, we now set out five key lessons to evolve green industrial strategy in the UK into a stronger place-rooted approach for driving regional growth, a just net zero transition and stronger national prosperity.

LESSONS FOR IMPLEMENTING REGIONAL GREEN INDUSTRIAL STRATEGY

1. Clear direction from the centre

Clear direction from national government is essential. The government needs to make strategic choices about the products and technologies we choose to specialise in, drawing on a rigorous evaluation of our strengths today, the strengths a net zero Britain is likely to need, and our strategic position within the global political and economic system, enhancing our national resilience. This requires strong engagement and understanding through a regionally inclusive social partnership model, taking in business, trade unions and multiple tiers of government, where national government works closely with regional and local government to co-produce strategy and delivery.

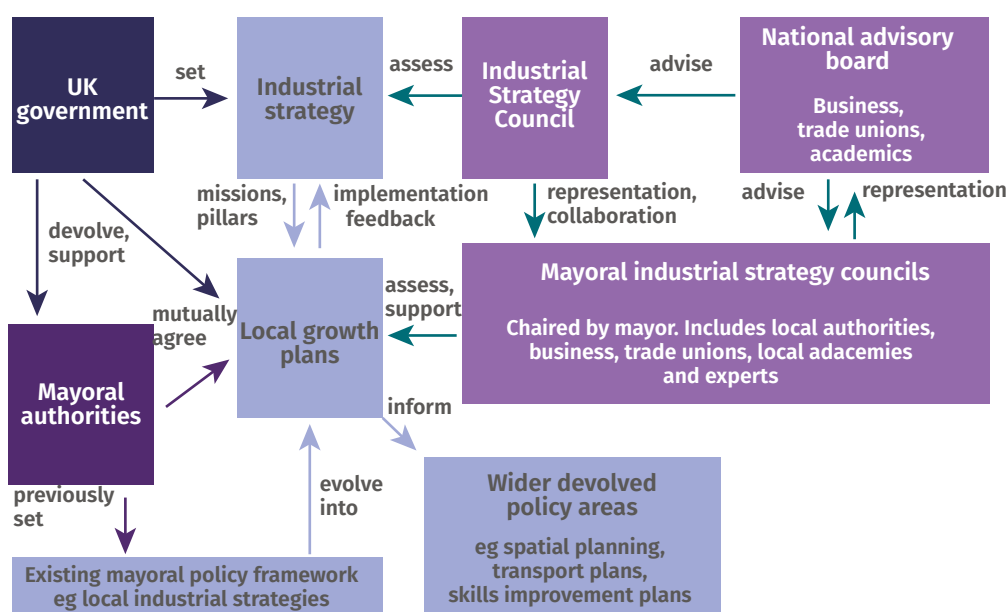
Adopting a pathfinding strategy means getting our top-down economic goals and our bottom-up existing specialisations to meet in the middle, with mature relationships to connect synergies and resolve challenges around divergences. This place-based approach should result in industrial strategies at different levels, nested within each other. These interdependent plans at strategic authority, pan-regional and national level would help drive a coherent economic plan for economic growth, decarbonisation and regional rebalancing, with different tiers and the strengths they bring helping to push in the same strategic direction.

2. A clear framework for dialogue with the regions

To ensure that this relationship is an equal partnership between different tiers of government as well as industry, trade unions, and other stakeholders such as

education partners, there is a need to set out a clear institutional framework for developing and implementing industrial strategy that builds on regional knowledge. We recommend the creation of mayoral industrial strategy councils chaired by local leaders to support local strategies and delivery, and that the central advisory body for the national strategy should both include regional representation alongside social partners and liaise with regional advisory bodies. Figure 4.1 sets out what this effective partnered working could look like. These should be evolved from existing local arrangements and in non-mayoral strategic authorities exist as *regional* industrial strategy councils.

FIGURE 4.1: THE WAYS IN WHICH DIFFERENT TIERS OF GOVERNMENT AND OTHER INSTITUTIONS CAN WORK TOGETHER TO DESIGN AND IMPLEMENT GREEN INDUSTRIAL STRATEGY



Source: Authors' analysis

The UK's economic architecture also includes a range of investment, non-departmental public bodies and other bodies, including the National Wealth Fund, British Business Bank, GB Energy, Innovate UK and its Catapult centres, and Network Rail (soon to be incorporated into Great British Railways). Their relevant roles in this include the financing of industrial activities, contribution to the UK's innovation eco-system and UK Government Investments' controlled entities that purchase industrial goods or deliver vital infrastructure. These bodies should engage with mayoral (or strategic) authorities and, where relevant, have regional structures that enable them to align their internal policymaking with local growth plans and other relevant regional strategies to ensure they play their full part in contributing to these local and national missions for growth.

There is also a need to think about the role of wider locally led pan-regional partnerships and institutions in industrial policy, particularly where sector and supply chains overlap several local and strategic authority areas. Leaders from across the North have previously come together to cooperate on industrial policy (Convention of the North 2024), among many other policy areas. Where appropriate, pan-Northern bodies like Transport for the North or the Great North

should work in partnership with other tiers in shaping and delivering industrial strategy, particularly focussing on those policy areas best delivered at that pan-regional tier – such as resilient supply chain development and strategic transport links (Raikes 2019).

3. Linking deeper devolution and industrial strategy

The government and local leaders should seek to agree both further devolved powers and accompanying streams of funding and investment to deliver the industrial strategy. Local leaders should have the right levers in terms of power and resources commensurate with building on their places' strength and potential, and a key role in delivering the industrial strategy – especially in respect of place. Areas of immediate focus could be skills and education, and transport.

Regional mayors must also be empowered as champions for their areas. They have the local knowledge, and the soft powers needed to drive green industrial strategy in their places and should be championed by government to achieve this. The convening power of the mayors, combined with clear-eyed economic plans and joined-up institutions, can provide stability and certainty for business and help join the dots across organisations and policy areas to coordinate and align place-based strengths and potential. Moreover, mayors can speak up for their areas and promote investment narratives in their local economies on both national and international stages.

4. Long-term, place-focussed investment at scale

Learning from the mistakes of the longstanding underinvestment in the UK's regional economies, long-term joint funding and a joined-up approach across economic development funding streams should underpin the industrial strategy, with the expectation of alignment across strategy, policy and funding streams to drive complementary impact. Funding should be multiplied by crowding in private sector investment in places; learning from how it has been delivered through strong local partnerships internationally should be central to this (Johns and Hutt 2023).

To ensure that industrial strategy results in the creation of new jobs and sustainable economic growth in places across the North that have long suffered from the effects of the previous wave of deindustrialisation, the UK should follow the lead of the US Inflation Reduction Act, where it aligns with existing strengths and future potential. That would mean investment is targeted in places that stand to benefit the most from a manufacturing renaissance and regional growth (Westwood et al 2023). This is vital to long-term economic rebalancing.

5. Fixing the foundations for long-term green industrial growth

In addition to ensuring that governance infrastructure and investment are in place to deliver a successful green industrial strategy in our regions, there is a need to ensure that wider foundations for successful green industrial growth in our regions are also in place, not least when it comes to skills, transport and infrastructure.

Both technical and leadership skills are fundamental to green manufacturing, technology and services. The creation of green jobs as a result of the industrial strategy will need to be combined with ensuring both the right skills for young people and the reskilling of today's workforce. To avoid a negative jobs transition, this could focus on transitioning from high-carbon intensive jobs in deprived areas and ensure workers are involved through their trade union representatives. This would complement a place-based approach to industrial strategy, ensuring that as well as helping to achieve net zero, it delivers growth and rebalancing opportunities in areas that have been overlooked. To achieve this, skills provision should be

an aspect for which the government provides further powers and resources to combined authorities that seek it.

Transport and infrastructure are also critical to making the green transition a success. From decarbonised mass transit and improving connectivity that enables people to access work to sustainable freight, improving transport is crucial. It helps places to play as strong a role as possible in green industrial strategy and sell their goods and services elsewhere. Additionally, grid connections and energy infrastructure are critical enablers to most manufacturing processes (eg electric vehicles) but are currently a cause for delay, as their lead times are much longer than other elements of investment projects. There is a strategic, longer-term view to ensure that critical infrastructure needed to succeed on green industrial can be delivered in the right places, and the industrial strategy should also be used to inform wider strategies around infrastructure development

IPPR North is embarking on further research in the coming year on regional growth that will consider many of these foundational issues and set out policy recommendations on them.

CONCLUSION

The new government's commitment to an industrial strategy provides an opportune moment to set out a long-term vision to revitalise manufacturing in the UK that can benefit our regions. A new green industrial strategy should adopt a pathfinding approach that draws on places' strengths and potential. In doing so it can play a key role in achieving regional growth and in helping to achieve net zero, and in rebalancing the economy.

Achieving this will require clear direction from the centre: a cooperative, mature and formalised multi-tier government working in a social partnership model; empowered and resourced combined authorities and mayors in support of an industrial strategy; a long-term commitment to investment in the places and industries that will drive the industrial strategy and unlock regional growth; and a focus on fixing the foundations to ensure that people have the right skills to deliver on and benefit from green industrial strategy, and that transport and infrastructure are in place to drive success.

Despite existing regional economic challenges, the North holds vast strengths and potential in green manufacturing and should play a key role in a new green industrial strategy. Securing the future of UK industry must mean delivering opportunity and optimism for people and places who have for too long felt overlooked and left behind.

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