Fair Transition Unit

FAIRER WINDS

WORKERS' RIGHTS IN THE AGE OF TRANSITION

Joshua Emden, Joseph Evans and **Luke Murphy**

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ABOUT IPPR'S FAIR TRANSITION UNIT

IPPR's Fair Transition Unit (FTU) was established in June 2022 as a new landmark initiative to carry forward the work of IPPR's cross-party Environmental Justice Commission and award-winning work on environmental breakdown.

The FTU's mission is "to accelerate progress in reducing emissions and restoring nature and secure a fairer, more just and thriving society". To realise this mission, the FTU delivers projects, programmes and support to others focused on securing a fair transition to net zero and the restoration of nature.

The Environmental Justice Commission drew on views and recommendations from citizens from across the country in a way that has genuinely shaped policy thinking and had tangible policy and media impact. Building on this legacy, the FTU puts the public at the heart of its work through extensive public deliberation.

ABOUT IPPR

IPPR, the Institute for Public Policy Research, is an independent charity working towards a fairer, greener, and more prosperous society. We are researchers, communicators, and policy experts creating tangible progressive change, and turning bold ideas into common sense realities. Working across the UK, IPPR, IPPR North, and IPPR Scotland are deeply connected to the people of our nations and regions, and the issues our communities face.

We have helped shape national conversations and progressive policy change for more than 30 years. From making the early case for the minimum wage and tackling regional inequality, to proposing a windfall tax on energy companies, IPPR's research and policy work has put forward practical solutions for the crises facing society.

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SUMMARY

A paradigm shift is developing in economic and environmental policy. Countries around the world are starting to build just transition principles into state-led green industrial strategies. Advanced economies, including the US and the EU's member states, are advancing worker power in new, green industries to secure a fair transition for workers.

In the US, the Inflation Reduction Act (IRA) explicitly links low-carbon policies to wider economic aims like reducing inflation, creating jobs, and growing the economy – perhaps best summarised by President Joe Biden's now-famous mantra: "When I think climate change, I think jobs" (White House 2022b). EU member states have responded with their own package of support, the Green Deal Industrial Plan, which expands skills training to support workers in polluting or declining sectors to transition into work in new, green industries.

Provisions within the IRA explicitly promote a fairer transition. The bill encourages strong commitments to fair pay by quintupling tax credits for renewable energy and energy efficiency projects that pay workers at prevailing wage rates. Local content requirements mean a large amount of the funding is only available to companies whose goods are assembled or sourced domestically. Firms in receipt of federal subsidies are also expected to guarantee high quality, affordable childcare for their workers and are 'strongly encouraged' to sign collective bargaining deals with trade unions.

For the UK there are key lessons to learn. While the Climate Change Committee estimates that shifting to a net zero economy will be a net positive for employment, the UK's commitments to ensuring a fair transition that supports workers and communities has so far been relatively piecemeal, limited, or absent altogether.

Embedding fairness into decarbonisation is crucial because it is more politically persuasive, publicly attractive, and economically beneficial. The importance of embedding fairness into green policies is clearest in carbon-intensive industries, where the green transition presents both risks and opportunities. If fairness is not placed at the heart of the transition there is a risk that decarbonisation policies lead to job losses that damage entire communities.

In this briefing, we explore how the UK can learn from the successes and failures of fair transition policies in the US and EU. In particular, we find there are five key principles for UK policy as part of a proactive green industrial strategy and highlight a set of five recommendations for fusing green industrial strategy with boosting worker power.

1. **Long-term certainty and investment:** Long-term policy certainty is crucial to the success of decarbonisation across the world. To this end, the IRA and the GDIP have embedded long-term investment measures within a 10-year framework (Satchell 2023), signalling policy stability for developers, investors, and workers.
2. **Conditionality:** The vehicle through which the IRA embeds many of its fair transition policies, however, a stronger legislative approach in the UK would be required to deliver in practice.
3. **Skills training:** Through further tax incentives for using registered apprenticeships and the promise of Skills Academies for key net zero

sectors, the US and EU respectively have put training at the centre of their industrial strategies.
4. **Socialising rewards:** The US has sought to place restrictions on share buybacks and ensure excess profits are shared. These measures could and should be matched by UK legislation, particularly in light of recent excessive oil and gas profits and dividend payments.
5. **Focussing on regions**: The US has sought to build consensus for climate policies by increasing tax incentives for areas with historic ties to fossil fuels that also tend to vote Republican. In the UK opportunities for net zero investment also overlap with carbon-intensive regions.

GREEN INDUSTRIAL STRATEGY THAT BUILDS WORKER POWER

IPPR has made the following recommendations to fuse industrial policies with measures to boost worker power.

1. **Investment in a green industrial strategy:** IPPR has previously recommended a £30 billion annual public green investment programme over a decade. This scale of investment is essential not just to meeting net zero targets but to ensure the transition can be delivered fairly and keep pace with the kind of investment now being seen in the EU and US.
2. **Ensuring high paid, high skill jobs:** As part of conditions on public investment, the UK government should go beyond the US and set out legislation that requires fair transition agreements between workers, unions, and businesses. These agreements should legally require employer involvement in collective bargaining agreements, businesses to inform workers of their right to join a union, and unions the right to access workers physical and digitally.
3. **Institutions:** We recommended the creation of a **net zero and just transition body** which would oversee investment and ensure all spending is meeting the essential criteria for a fair transition.
4. **Skills development and training:** We recommend a funded right to retrain, the introduction of 'green skills colleges', and labour clauses requiring businesses to hire and train workers locally.
5. **Social partnership approach**: Working closely with the net zero and just transition body, we recommend that all carbon-intensive businesses undertaking decarbonisation should have their own engagement processes with workers that culminate in fair transition investment plans.

1.
THE ECONOMIC AND POLITICAL IMPORTANCE OF A FAIR TRANSITION

Securing a fair transition towards a net zero economy is both a political necessity and the economic opportunity of the 21st century. Successful decarbonisation of the economy requires workers and communities to feel they are being treated fairly. While capturing and fairly sharing the significant economic opportunities of the transition is also the best means to address the genuine experiences of unfairness.

WHAT DO WE MEAN BY A FAIR TRANSITION?

A ‘just transition’ describes policy that matches environmental ambitions with fair treatment of those affected by changes from green policies. First coined by trade unions and labour movements around the world, a just transition is defined as the need to provide and guarantee “better and decent jobs, social protection, more training opportunities and greater job security for all workers affected by global warming and climate change policies” (ITUC 2023).

However, as IPPR’s Environmental Justice Commission (EJC) argued, to deliver a comprehensively fair transition, how decarbonisation will affect everyone must be considered: from workers to consumers to households to minority ethnic groups and marginalised communities.

MAINTAINING PUBLIC SUPPORT

The EJC argued that policymakers must actively engage people and put them at the centre of policy decisions to successfully transform the economy. Ignoring this step threatens to derail public and political support for environmental policy as a whole.

The debate around ULEZ clearly demonstrates this point, and the government’s failure to provide London with the additional funding it has provided other cities for clean air zones has been notable. But there are other examples. Unions recently voiced concern about the phase out of gas boilers and widespread adoption of heat pumps, on the basis that workers with decent employment in gas networks may lose their jobs but have no support available to them to find new work (GMB 2023).

Failure to provide support for a transition, whether for workers or consumers, also enables climate delayers and deniers to weaponise both actual and perceived unfairness to argue for scaling back climate policy. From heat pumps to electric vehicles, much environmental policy will benefit households in the long run (CCC 2020). But many of these technologies do require upfront capital investment. The answer must be for government to offer more generous upfront support for both households and workers who will be affected and allow them to benefit in lower energy bills and running costs and better job opportunities in the longer term.

The recent steel deal between the UK government and Tata Steel illustrates this point. The use of coal in steelmaking must come to an end but the £500 million agreement looks like a bad deal for workers, the wider community in Port Talbot, and for Britain. The steel sector in the UK was desperate for a Sector Deal all the way back in 2017. The nuclear industry got one and secured relatively strong commitments to hire locally and protect jobs. The steel sector didn't get one and now it's fighting for its life and workers are suffering. The government also failed to give unions and workers a seat at the table throughout the deal process and their interests have been ignored or abandoned. The greening of steel is a race the UK is losing but it didn't need to be this way. Germany has invested over $53 billion in decarbonising heavy industry and has committed to work with unions and protect jobs.

The UK has nothing like the scale of this commitment and has done nothing to make conditions more favourable for investment, like tackling very high energy prices for industrial consumers.

THE ECONOMIC OPPORTUNITY OF THE 21ST CENTURY

Growth potential

There is an emerging consensus that a green industrial strategy is a net benefit to the UK economy. Recent analysis from the CBI suggests that delivering a green industrial strategy that focusses on key green growth opportunities such as electric vehicles, heating and insulation could deliver between £37–£57 billion of annual UK GDP by 2030, representing a 1.6–2.4 per cent in UK GDP and 14–20 per cent of the total GDP growth between now and 2030 (Roberts 2023). This is supported by previous research undertaken for the CCC estimating that reaching net zero could lead to 2–3 per cent UK GDP growth between 2020–2050 (Chewpreecha and Summerton 2020).

Job creation

A green industrial strategy could create a huge number of well-paid jobs and a net increase in overall employment in the UK economy (CCC 2023). Decarbonising the power sector, for instance, would create significantly more secure, skilled work than remaining dependent on oil and gas. Low carbon power sources support at least three times more secure work per megawatt of capacity than gas, while solar and offshore wind support up to five times as much (Alvis et al 2022). Investment in rolling out energy efficiency measures and low-carbon heating at the pace required to meet net zero could create around 400,000 jobs in the retrofitting industry and an additional 500,000 jobs in supply chains (Emden 2022).

High-paid, skilled jobs

Previous research from IPPR has shown that the mid- and high-skilled jobs needed in green manufacturing will have comparable or higher salaries than both equivalent oil and gas jobs and average salaries in regions where investment is likely to take place (Emden et al 2020; EJC 2021).

Meeting net zero targets will require consistent investment, the development of long-term project pipelines and hence consistent labour demand in low-carbon industries. Beyond high overall demand for jobs, local communities could also benefit from longer-lasting jobs in their areas. The majority of labour demand is likely to be for locally based roles such as repair and maintenance, professional and business services and IT support (Martinez-Fernandez et al 2013).

Green levelling up

In the UK there is a striking overlap in the areas with high concentrations of carbon-intensive industry, the areas the government wants to level up, and potential opportunities in the net zero economy (Birkett et al 2023; Laybourn-Langton et al 2017; Jung and Murphy 2020).

IPPR’s work has shown that the north of England, for example, has several ‘prime capabilities’ that represent major economic assets relevant to the net zero economy, such as in advanced manufacturing – with a particular focus on materials and processes and energy – with expertise around generation, storage and low-carbon technologies and processes, especially in nuclear and offshore wind (Laybourn-Langton et al 2017). More recent analysis has further shown there to be a higher potential for the growth of businesses within the net zero economy outside of London – in the North East, Scotland, Northern Ireland, and the South West in particular (ECIU 2023).

A proactive green industrial strategy

A proactive green industrial strategy, with fairness at its heart, is the only politically feasible way to decarbonise the UK at the pace required, and to share equitably the substantial economic opportunities and, where needed, the upfront costs.

The US and EU have already begun to use green industrial strategy to drive the creation of high-skill, well-paid jobs, and secure a fair transition for workers. The next section explores how advanced economies on both sides of the Atlantic have started to fuse industrial policies with measures that benefit workers.

2. INTERNATIONAL COMPARISONS

The US and EU are attempting to utilise green industrial strategy to create high-quality work and ensure that the transition is fair for workers. The Inflation Reduction Act (IRA) passed by Biden's administration could create more than 9 million jobs in the next decade, and the EU has responded with their own package of support, the Green Deal Industrial Plan (GDIP). This chapter explores the measures in the IRA and GDIP which aim to create high-skill, well-paid work and secure a fair transition for workers.

LEARNING FROM THE US

The IRA is the largest climate bill in US history with estimates of spending varying from $369 billion to over a trillion dollars – a result of the uncapped nature of the tax credits contained within the legislation. The CHIPS and Science Act and the Infrastructure Investment and Jobs Act also contain significant climate investments. All told, the US federal government is set to more than triple its average annual spending on climate and clean energy this decade relative to the 2010s (Credit Suisse 2022).

Job creation

More than 100 climate, energy, and environmental investments in the IRA will create more than 9 million jobs over the next decade, according to analysis from the Political Economy Research Institute (PERI) at the University of Massachusetts Amherst. If realised this would be equivalent to 5 per cent of the current US civilian labour force and more than five times the number of people currently employed by the fossil fuel sector (around 1.7 million workers) (Credit Suisse 2022).

Prevailing wages

The legislation encourages the creation of high-quality jobs by linking incentives to fair wages. In particular, tax credits for renewable energy and energy efficiency projects through the IRA are five times higher if work performed by contractors and subcontractors is paid at prevailing wage rates[1] (Hammerling 2022) and companies use union and registered apprenticeships schemes (BlueGreen Alliance 2022a; Williams, Zhavoronka and Madland 2022).

Prevailing wages are normally only available to projects funded by public agencies and their inclusion as a condition for increased tax credits for the private sector suggests a strong commitment to fair pay. These measures have helped to build broad support, including from trade unions who have actively championed the climate investment (UAW 2022; USW 2022; BlueGreen Alliance 2022b). Firms in receipt of federal subsidies will also be expected to guarantee high quality and affordable childcare for their workers (Tankersley 2023) and they are also 'strongly

1 In the US, the prevailing wage is defined as the combination of the basic hourly wage rate and any fringe benefits rate, paid to workers in a specific classification of labourer or mechanic in the area where construction, alteration, or repair is performed, as determined by the US secretary of labor (US Department of Labor 2022).

encouraged' to sign collective bargaining deals with unions ahead of building new plants (Chassany 2023).

Local content requirements

Local content requirements mean a large amount of the funding is only available to companies whose goods are assembled or sourced either domestically or in countries with a free trade agreement with the US (for example, Mexico and Canada).

There are also production tax credits available for domestic manufacturing of components for solar and wind energy, inverters, battery components, and critical materials (Boeme and Scalamandre 2022). Some estimates suggest that this means around 90 per cent of domestic demand could come from domestic manufacturing supply chain by 2030 (Credit Suisse 2022).

Just transition and place-based industrial strategy

A key feature of the IRA is targeted spending on 'energy communities' and 'low-income communities'. This strategy aims to deliver a just transition to support those communities most affected in the short term and least able to adapt. The act specifies companies can receive 10 per cent more in tax credits if they establish clean energy projects in communities that have previously relied upon the extraction, processing, transport, or storage of coal, oil, or natural gas as a significant source of employment (White House 2022a).

Despite significant political polarisation in the US, the act could still build cross-party support and longevity due to the geographical spread of its economic benefits. Analysis by Brookings and American Power have shown that fossil fuel hubs in the US are also the very areas with greatest potential for renewable energy production, are the most likely to benefit from investment through the IRA and are also far more likely to be represented by Republicans (Tomer et al 2022; American Power 2022; Milman 2023).

'Bending' corporate behaviour

The Biden administration is increasingly using conditionality to shape and 'bend' corporate behaviour (Chassany 2023). In addition to the job standards and wage requirements contained within the IRA, the federal government has issued guidance for the Chips and Science Act (CSA) which include strict financial conditions including preventing share buybacks and the need to share excess profits with the government (US Department of Commerce 2023; Tankersley and Swanson 2023).

Limitations of the US approach

Taken together, the fair transition measures included in the US's green industrial policies constitute a very significant attempt by America's federal government to build fairness into, and advance worker power through, new US-based green industries.

However, the implementation of these key provisions is likely to be inconsistent because conditions on paying prevailing wages, union neutrality and enforcement were watered down in the process of passing the legislation due to political opposition.

Prevailing wage provisions were watered down from mandated conditions on public investment to instead become recommendations that are incentivised by higher tax credits. In an early version of the CHIPS Act, semiconductor facilities subsidies contained project labour agreement provisions which guaranteed that workers on projects receiving federal funding would be paid prevailing wages. It also included clauses requiring firms benefiting from subsidies to remain neutral in union organising efforts.

All of those measures were stripped out of the final version due to political opposition from Republicans; rather than standing as mandated requirements, they instead became recommendations which are incentivised by the offer of higher tax credits (Harris 2022a). As a result, semiconductor manufacturers who invested in the US after the passage of the CHIPS Act have been able to by-pass recommendations to provide unionised jobs, with negative results for workers' rights and workplace safety (ibid 2023).

Similarly, Biden proposed to make union neutrality a condition for employers who receive federal funding and vowed to implement fines for employers who violate labour laws when firing employees. Neither of those provisions appeared in the IRA because it was a reconciliation bill restricted to spending, which makes it more difficult to include standards. This means that the government departments allocating the funding will play a critical role in determining whether federal dollars support union work (ibid 2022b). This delegation of responsibility across multiple departments with different interests is resulting in uneven implementation of pro-worker measures like the Good Jobs Initiative (BlueGreen Alliance 2023).

While the fair transition measures in the US's green industrial policies constitute a huge step forward, the implementation of these provisions is likely to be inconsistent. A stronger legislative approach in the UK will be needed to ensure that the spirit of such provisions are delivered in practice.

LEARNING FROM THE EU

Driven by the shocks caused by Russia's invasion of Ukraine and the economic challenge posed by America's green industrial strategy, the European Commission announced its GDIP at the start of this year. Aiming to accelerate the development of green industries in Europe, two legislative proposals – the Net zero Industry Act (NZIA) and Critical Raw Materials Act (CRMA) – were published in March 2023 to clarify the EU's industrial policy. The Commission claims that the content of both acts is consistent with EU legislation and policies on developing workforce skills, levelling up left-behind regions and ensuring that transitions to green industries are fair.

Skills training

The GDIP aims to develop a workforce in the EU which can build green industries around net zero technologies like batteries, heat pumps, solar panels, electrolysers, fuel cells, wind turbines and carbon capture and storage. To achieve this the NZIA supports the establishment of specialised skills academies, each focussing on a net zero technology and working with a range of actors – member states authorities (including at regional and local levels), education and training providers, social partners, and industry – to roll out training courses which reskill and upskill workers.

The Critical Raw Materials Act also states the importance of providing an adequate and skilled workforce to provide critical materials for green industries domestically, although does not include additional provisions (European Commission 2023a).

Just transition

Both pieces of legislation express the importance of providing specific support for workers in polluting or declining sectors to transition into work in new, green industries. The NZIA aims to provide this support through existing skills initiatives, the new skills academies, and existing sources of financial support like the Just Transition Fund (European Commission 2023c). The Critical Raw Materials Act does not include additional provisions for its fair transition aims.

Limitations of the EU approach

The Green Deal Industrial Plan ensures that the EU's new green industries will be able to reliably depend on a skills pipeline to develop their workforce. However, it does not include specific conditions to improve the pay or conditions of the workforce.

Member states are able to provide financial support to nascent green industries in line with the EU's expanded state aid rules, which were extended to include sectors that are key for the net zero transition (European Commission 2023b). However, there is no scope for incentivising companies which commit to improving the pay and conditions of their workers.

In comparison to the provisions included in US green industrial policy programmes, the EU's fair transition policies appear weak. Neither legislative proposal includes incentives for companies which pay prevailing wage rates, nor do they attempt to bend corporate behaviour in a way which socialises the rewards from green industries. Even the support provided to workers in polluting or declining sectors is weak by comparison, given that there is also no additional financial support specifically directed at regions that depend on polluting or declining sectors.

A UK green industrial policy must go beyond simply developing a skills pipeline for green industries. The US example shows that a more ambitious approach is possible and can even be strengthened with a more robust legislative framework.

3.
THE UK: AN INTERNATIONAL LAGGARD?

The Climate Change Committee estimates that shifting to a net zero economy will be a net positive for employment. Furthermore, it suggests that only around 0.3 per cent of the current workforce will see their jobs phased out as result of the transition and around seven per cent will need to undergo a degree of retraining. This contrasts with the one third of the workforce who have skills that will either be in demand or facilitate the growth of new green industries (CCC 2023).

Nevertheless, for workers who will be affected, whether they have transferable skills or not, policy support for training, retraining, or finding new careers is an essential component of a fair transition.

FACTORS UNDERMINING THE UK'S COMMITMENT TO A FAIR TRANSITION

The UK does not have a good track record of supporting workers through economic transitions, most notably during de-industrialisation and the closure of coal mines in the 70s and 80s.

Government resistance to a green industrial strategy

While the US and EU scale up long-term investment in decarbonisation, the UK's approach to net zero is beset by short-termism and a lack of investment. The government's own independent review into net zero found that stakeholders across a wide range of sectors were frustrated by "a lack of long-term thinking, siloed behaviour from government departments, and uncertainty over the length of funding commitments" (Skidmore 2023).

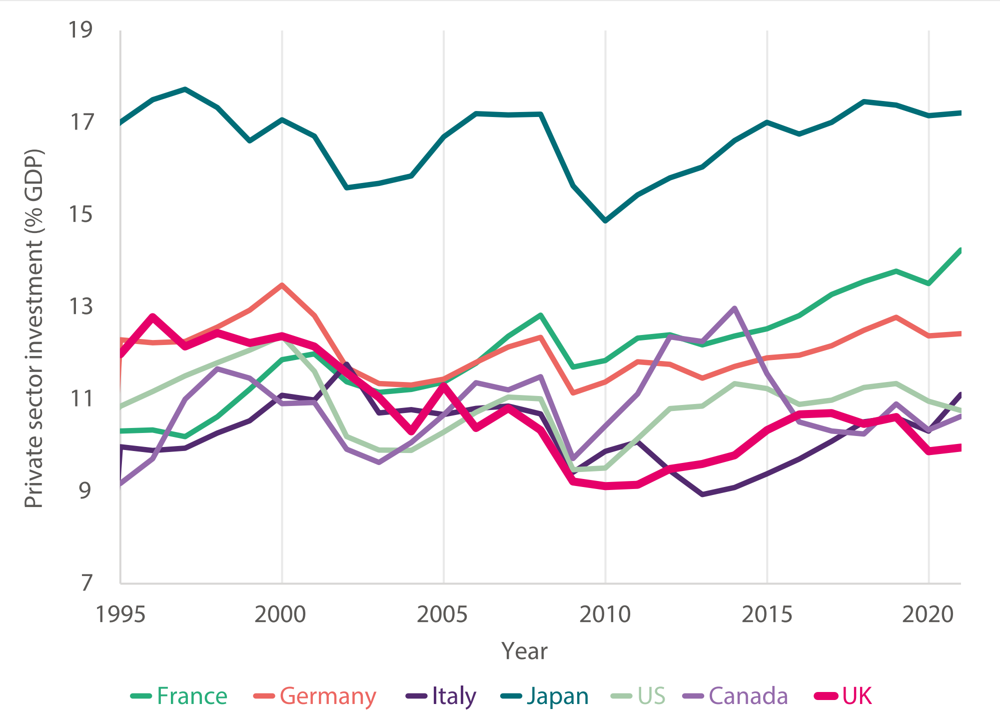
Yet instead of responding with a proactive green industrial strategy, the government has criticised the policies in US and EU, calling them 'dangerous' while arguing simultaneously that the UK isn't able to compete with such subsidies, and that it has no need to replicate them anyway because the UK is already 'ahead of the game' (Islam 2023).

Low levels of private and public investment

The UK lacks any commitment to the required public investment allied with place-based industrial strategy which could realise the benefits of the transition. As figures 3.1 and 3.2 show, under-investment in the UK more generally, both from the private and public sector, is a long-standing historical fault line in the UK economy.

FIGURE 3.1: THE UK HAS LOWER PRIVATE SECTOR INVESTMENT THAN THE REST OF THE G7 AND IS FALLING BEHIND

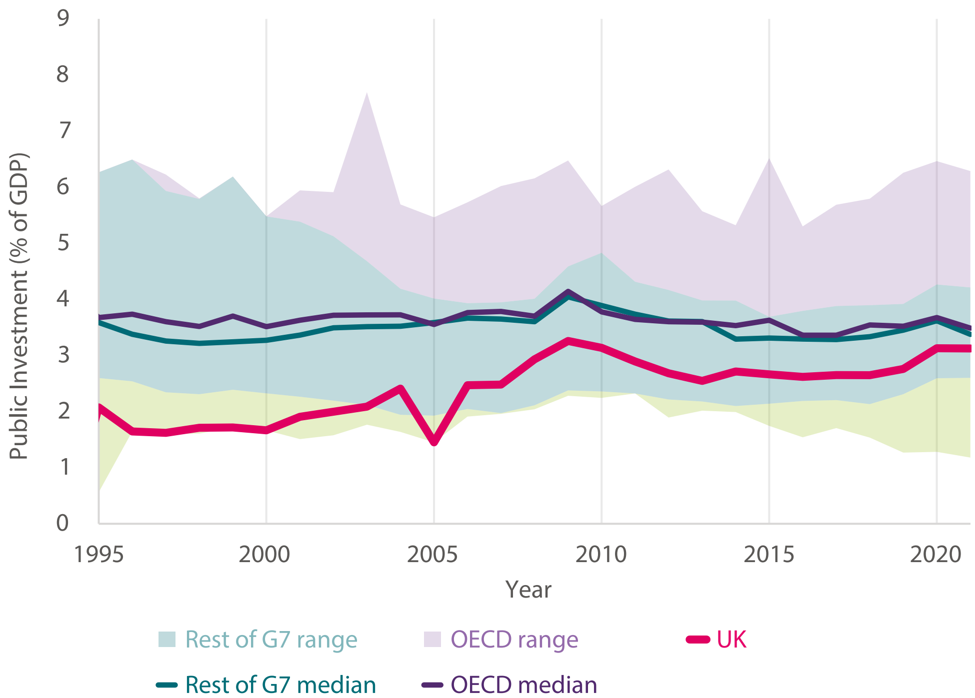
Private sector investment as percentage of GDP



Source: IPPR analysis of OECD (2023)

FIGURE 3.2: UK PUBLIC INVESTMENT IS BELOW AVERAGE FOR THE G7 OR THE OECD

Public investment as a percentage of GDP for the UK, G7 and OECD

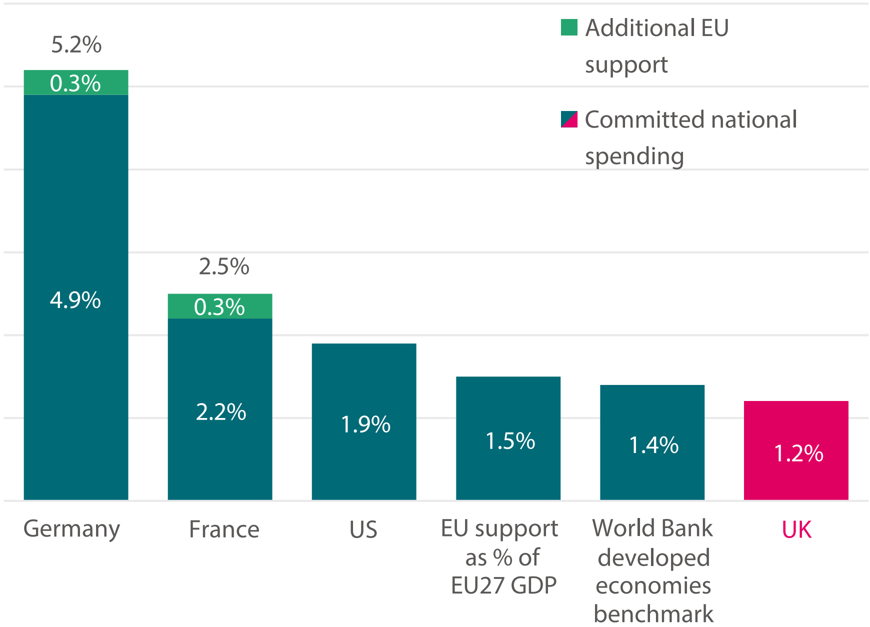


Source: IPPR analysis of OECD (2023)

Moreover, the US and the EU are significantly stepping up their climate investment, with the UK falling behind in the global green race to net zero (figure 3.3).

FIGURE 3.3: THE UK NOW HAS ONE OF THE LOWEST PROPORTIONS OF SPENDING TO ADDRESS CLIMATE CHANGE OF MANY COMPARABLE GLOBAL ECONOMIES

Government spending committed by selected countries to climate change as a percentage of GDP



Source: Reproduced from CBI 2023

Weak and declining levels of collective bargaining

There are also broader trends that suggest a weak commitment to advancing worker power in the UK. Despite collective bargaining being a key part of securing decent pay and working conditions for all workers regardless of union status (Dromey 2018), trade union membership has been in slow decline in the private sector since 1995 (DfBT 2023). This has largely been driven by new workplaces failing to recognise and give their workers access to trade unions, which in some cases has included new green industries (Altunbuken et al 2022).

Yet delivering a fair transition will require greater involvement of trade unions as social partners in the transition and industrial strategy more generally. Trade unions and collective bargaining boost wages by strengthening the bargaining power of workers. This is borne out across the economy: trade union members earned 3.5 per cent more last year than non-members (DBT 2023), and there is evidence that collective bargaining increases the wages of non-members too (Dromey 2018).

Current commitments to a fair transition are either piecemeal, limited, or absent

The combination of the absence of a proactive place-based industrial strategy, insufficient public investment and the dominance of employer power has meant that the few policy initiatives in the UK concerned with securing a fair transition are both piecemeal and limited in what they can meaningfully achieve.

JUST TRANSITION INITIATIVES IN THE UK

The Scottish government set up the Just Transition Commission which brought together industry, union, and community stakeholders to discuss how to support a fair transition to net zero for workers and communities In Scotland. However, they had minimal funding themselves to move from discussion to meaningful and coordinated support.

Similarly, the UK government has agreed a North Sea transition deal with the oil and gas industry which makes some positive commitments, particularly around efforts to understand the complex range and transferability of skills between oil and gas industry and green sectors like offshore wind (OEPS 2022). However, these activities, while crucial for data gathering, lack concrete support for workers. As we discuss above, where the US has made tax credits conditional on investing in local supply chains, the North Sea transition deal only contains a voluntary industry-set target for 50 per cent of investment into UK content and 30 per cent of technology requirements to be provided locally (BEIS 2021).

Alongside these relatively weak commitments, there are also high-profile examples of failure to commit to a fair transition. In particular, while policy arrangements for offshore wind have generated a strong project pipeline, they have failed to generate a local manufacturing supply chain in Scotland for these projects (JTC 2020). This is perhaps best highlighted by the snub of the Scottish manufacturing company BiFab as a provider for new offshore wind projects in favour of an international provider (Fraser 2019).

Similarly, in 2020 the government introduced a Green Jobs Taskforce comprised of government, industry, academic and trade union stakeholders. This was a useful group with a clear remit to understand the skills needed to meet net zero targets, boost economic growth as the UK recovered from the pandemic and determine how to support workers that would need to transition from high-carbon jobs. However, after publishing a report in 2021 making recommendations to government on these themes (GJT 2021), the taskforce was largely concluded and many of the recommendations have not found their way into government policy.

Nuclear sector deal

Perhaps the only exception to the relatively weak commitments to a fair transition was the nuclear sector deal agreed between government and industry in 2018. This deal has a relatively strong focus on skills development and job creation and a commitment to working closely with trade unions (HM Government 2018).

However, there are important caveats. Firstly, the nuclear sector is a relatively rare example of an industry that still has a relatively strong trade union membership. Secondly, while there are commitments to investment in nuclear power there are questions over how many new plants will actually be built with the government setting a target of 24 GW but the CCC suggesting only 8 GW will be needed.

4.
LESSONS FROM THE US AND EU

While the US and EU look to scale up investment into a green transition, the UK is pulling in the opposite direction. The different policy and political contexts between each government's approach mean that UK cannot simply copy its counterparts. However, there are key lessons and policies which the government could tailor to the UK context. Indeed, in many examples, policies now being enacted in the US and EU align with recommendations made for the UK by IPPR's Environmental Justice Commission back in 2021.

LESSONS FROM THE US AND EUROPE

Below we set out the five key areas where the UK should learn from the US and EU.

1. Long-term certainty and investment

Long-term policy certainty is crucial to the success of decarbonisation across the world. To this end, the IRA and the GDIP have embedded long-term investment measures within a 10-year framework (Satchell 2023), signalling policy stability for developers and investors. Most of the tax credits included within the IRA are available until 2032, providing certainty and predictability and coincides with the critical decade for climate action. In addition, the provisions in the act are in place on both the demand and the supply-side with, for example, incentives available for energy efficiency, heat pumps and electric vehicles (Credit Suisse 2022).

2. Conditionality

Conditionality is the vehicle through which the IRA embeds many of its fair transition policies, however, as we discuss above a stronger legislative approach in the UK would be required to deliver in practice. The UK already has policy mechanisms to which conditional terms could be attached, such as Contracts-for-Difference or the Boiler Upgrade Scheme. In CfDs, a premium could be offered to companies that demonstrated they employed locally, paid fairly, and collaborated with unions. Similar conditions could be attached to equity provided to green businesses through a future National Investment Fund, as was recently proposed by IPPR (Gasperin and Dibb 2023).

3. Skills training

Both the EU and US make skills training a key part of their packages of support which could and should be adopted by the UK. In the EU case, the commitment to Skills Academies in key net zero sectors echoes recommendations by IPPR to introduce similar institutions that would work with key stakeholders including trade unions, local employers, local authorities and skills advisory panels to identify local upskilling, reskilling, and new skills needs, ensuring training leads to high-quality jobs.

In addition, adopting a similar approach to IRA's provisions for increased incentives for projects that use registered apprentices could drive greater uptake of the Apprenticeship Levy in the UK. Critically, programmes are free for participants, meaning that workers can complete apprenticeship programs without taking on debt to pay tuition. Free training in particular was a key recommendation from IPPR's Environmental Justice Commission and is a major demand from trade unions in the UK.

4. Socialising rewards as well as risks

The new focus on changing corporate behaviour in US legislation – to try and curb buybacks and encourage reinvestment and requirements to share excess profits – is a major policy shift which the UK could follow. IPPR has long argued that similar safeguards should be utilised in the UK to ensure that the gains that arise from public investment are distributed fairly and that corporate governance and behaviour are 'consistent with our collective longer-term environmental and ethical goals' (Longergan and Blyth 2020; Jung and Murphy 2020; Evans, Hayes and Dibb 2023).

5. Regional focus

As we discuss above, some of the biggest benefits of the Inflation Reduction Act will accrue to parts of the country with fossil fuel hubs. While the UK cannot hope to compete on the same number of fronts as the US, there are many sectors – including advanced manufacturing, life sciences and green technologies like offshore wind – where growth would disproportionately benefit regions outside of the South East (Curran et al 2023) and would overlap with regions that are home to many carbon-intensive industries (EJC 2021).

6. Green industrial strategy that builds worker power

IPPR is undergoing a new programme of work over the next two years, focussed on how to build worker power in the economy, including through green industrial strategy. However, there are already a set of recommendations that IPPR has made elsewhere upon which we will seek to build, these include the following.

1. **Investment in a green industrial strategy:** IPPR has previously recommended a £30 billion annual public green investment programme over a decade. This scale of investment is essential not just to meeting net zero targets but to ensure the transition can be delivered fairly and keep pace with the kind of investment now being seen in the EU and US. This investment should be subject to conditions on job quality, pay and collective bargaining, and trade union access as set out below. We recently recommended a **national investment fund** as one of the key institutions for delivering investment to drive the net zero transition and rebalance the UK's economy (Gasperin and Dibb 2023).
2. **Ensuring high-paid, high-skill jobs:** As part of conditions on public investment, the UK government should go beyond the US and set out legislation that requires fair transition agreements between workers, unions, and businesses. These agreements would set out requirements to ensure the delivery of good jobs by requiring commitments to criteria such as (but not limited to) decent wages, health and safety, career progression pathways, diverse recruitment, and equal opportunities, availability of skills training and retirement policies. The agreements should also legally require employer involvement in **collective bargaining agreements**, **businesses to inform workers of their right to join a union**, and **unions the right to access workers physical and digitally**. These conditions could also be applied to public equity provided through a **national investment fund**.
3. **Institutions:** We recommended the creation of a **net zero and just transition body** which would oversee investment and ensure all spending is meeting the essential criteria for a fair transition. The body would also play a critical role in coordinating critical stakeholders including trade unions, industry stakeholders, academia, relevant local government stakeholders and, critically, the voice of workers and local communities.

4. **Skills development and training:** We recommend a funded right to retrain, the introduction of 'green skills colleges' and labour clauses requiring businesses to hire and train workers locally.
5. **Social partnership approach**: Working closely with the net zero and just transition body, we recommend that all carbon-intensive businesses undertaking decarbonisation should have their own engagement processes with workers that culminate in fair transition investment plans. These plans would set out the changes happening to the business with at least two years notice to workers and provide guidance around the changes to jobs, skills training and broader support that would be available to workers. This support should include commitments such as paid skills sabbaticals, skills mentoring programmes for workers reaching retirement age and travel assistance for any relocated workers.

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