Spring budget misses growth potential of net zero

The spring budget included some boosts for the UK's net zero ambitions, alongside incentives for waste management and planning, but missed the opportunity to deliver a coherent green strategy that could also address economic growth.

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In summary:

Positive moves include ESG regulations reform, a boost for offshore wind and a nudge upwards for the green industry accelerator programme

But business is frustrated by the lack of a coherent, long-term net zero plan, saying mixed signals deter would-be investors

Some positives for waste management and planning

Hopes rest on improved green strategies post-election.

Regulation reform for ESG ratings, a £1bn budget for the next Contracts for Difference allocation round for offshore wind, and an extra £120m in funding support for green industries were among the net zero policies in Jeremy Hunt's spring budget, announced on 6 March.

Welcome though the initiatives are, they are considered to be too piecemeal to capitalise on the potential offered by net zero for lifting the UK out of economic stagnation, and fall far short of the long-term, coherent and stable green strategy that's needed.

According to a **recent ECIU report**[2], the UK has a thriving net zero economy, valued at £74bn and making a 3.8% contribution to the economy — with annual growth of 9% in 2023. In comparison, the overall economy in the UK faced economic recession and grew by 0.1% that same year. On average, net zero jobs are better paid by £10,000 per annum than their less green counterparts.

In the face of such clear signals, which suggest that investing in net zero industries equates to growing prosperity, the government's approach has been short-sighted — characterised by weak policy signals, contradictory rhetoric, and inadequate funding commitments.

Short-termism ahead of an upcoming election would be a predictable explanation, but in this case does not explain the oversight: Labour has also backtracked on net zero policies, with leader Keir Starmer lowering the budget for his Green Prosperity Plan from £28bn to £15bn a year (if maintaining a focus on power decarbonisation and £8.3bn for clean energy investment).

While many hope the next government will grab the growth opportunities inherent in the net zero mission, we are left for now with the budget commitments as they stand.

Green growth ambivalence?

The spring budget announcements lack gusto but they do feature some movement in a green direction.

Jeremy Hunt's commitments include a £1bn budget for the next Contracts for Difference (CfD) round (AR6) for offshore wind, which is expected to boost its deployment following the failure of the last CfD round (AR5) to secure bids.

An additional £120m has nudged the Green Industries Growth Accelerator fund up to a total of nearly £1.1bn. This fund will focus on low carbon manufacturing, offshore wind, CCUS and hydrogen supply chains. The government has also opened **a consultation**[3] to seek evidence that will help inform the design of the hydrogen and CCUS pot within the fund. And the **Small Modular Reactor development programme**[4] will enter the next phase of the selection process, run by Great British Nuclear.

Hunt extended household support by £500m, but omitted household heating upgrades through heat pumps or energy efficiency measures — a missed opportunity as these structures would provide long term relief, instead of short-term support, to households across the country. It led to dismay within the heat pump industry — a prime example of where government backtracking has prevented progress of a nascent net zero sector.

A real commitment to high growth, net zero industries, which would also give the right signals to investors, would be reflected in a serious, long-term green public investment plan, combined with long-awaited publication of the delayed **UK Green Taxonomy**[5], which itself could unlock billions in private investment.

"Apart from some welcome extensions to existing government schemes, such as a relatively small funding boost to the Green Industries Growth Accelerator, this was another barren budget for net zero," says Will Walker, UK policy lead at climate solutions charity Ashden.

"The country is crying out for bold government leadership and a credible plan to address the triple-whammy of energy security, fuel poverty and the climate crisis. This has to be done through sustainable clean growth. Any plan needs to be backed with the right powers, resources and incentives to empower communities, leverage investment, upskill and expand the workforce, and revive the economy," he said.

Firms were also hoping for clarity on the UK **Carbon Border Adjustment Mechanism**[6] (CBAM), which was not forthcoming.

Judith Richardson, head of sustainability at Argon & Co, a global management consultancy, says: "More than anything, businesses of all sizes crave certainty in order to scale up green innovations. We urge the government to shed light on the UK CBAM and share its support for long-term, capital-intensive sustainability projects."

The budget also missed the opportunity to unlock growth within the infrastructure sector, especially following the announcement of the **national infrastructure pipeline**[7] in February, which calls for £164bn of public and private investment over the next two years.

Kate Jenning, CEO of Association for Consultancy and Engineering, says: "This budget could have served as a catalyst for market confidence [...] However, it was silent on the pivotal role for infrastructure investment in unlocking productivity and growth."

Potential lift for waste management and planning

Outside net zero industries, waste management services could benefit from the 22% hike in landfill tax announced in the budget. This has potential to incentivise investment in sustainable waste management infrastructure, which has suffered from a deprioritising of the government's waste & resources strategy.

Consultants also welcomed reforms to the consenting process for Nationally Significant Infrastructure Projects, and the piloting of AI solutions to support planning authorities, which could speed up the planning process.

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