

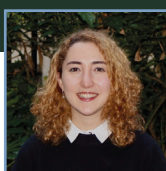
Delivering sustainable growth through 'Invest 2035', the UK's modern industrial strategy

With Chi Onwurah MP, Chair of the House of Commons Science, Innovation, and Technology Committee; Esin Serin, Policy Fellow at LSE Grantham Institute; Dan Marks, Research Fellow at RUSI; and Martin Martinoff, Innovation Lead at Innovate UK.

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Introduction

Clean energy features among eight growth-driving sectors in the government's 'Invest 2035' modern industrial strategy green paper, released in October. Sustainability is not embedded within the draft strategy, which is dominated by the mission to spur economic growth. Roundtable participants reached a consensus on the need to develop a comprehensive framework encompassing established sustainability goals – net zero, social cohesion – together with ESG and geopolitical risks to achieve the strategy's stated objective of "achieving sustainable, inclusive and resilient growth". UK industrial strategies are typically short-lived – little more than a year on average – driven by short-termism and political cycles. Previous roundtables have repeatedly called for more policy certainty



to give businesses and investors the confidence to prioritise sustainability. Another call to action was for a more honest and transparent process acknowledging key challenges while taking an integrated approach to deliver a managed transition supporting both economic and regional development.

Key takeaways

A sustainable industrial strategy

- “There needs to be an ESG focus within the industrial strategy, but we also need to be looking at the economic opportunity within our other green investments”. Examples: Offshore wind, particularly floating offshore wind, carbon capture and storage.
- Emerging high-risk sectors and technologies like carbon capture, hydrogen, tidal stream and nuclear fusion require long-term investment and policy support.
- The UK’s net zero economy is experiencing 10% growth (CBI), sustainability, and growth are not mutually exclusive. However, to capitalise on this trend, investment must be strategic, targeted, and backed by regulatory certainty.
- There is also an opportunity to address regional inequality. The North East, the North West, and the Midlands were at the heart of the first carbon-based Industrial Revolution, and now, the UK must lead the green industrial revolution. “This will not only help tackle regional inequalities but also set the stage for their economic prosperity”.
- Growth-led vs an integrated, resilient industrial strategy: Picking winners is an essential part of any industrial strategy, however, it must be supported by a framework that integrates other policy goals and material factors like ESG, economic security, geopolitics, supply chain resilience, and other long-term risks.

Incorporating sustainability into innovation

- While the industrial strategy does not embed sustainability across every sector, its focus on innovation provides an opportunity to scale green technologies. Key policy initiatives, such as regulatory reform for small modular reactors and the establishment of Great British Energy, show a commitment to fostering clean energy investment. Meanwhile, the House of Commons Science, Innovation, and Technology Committee has opened an inquiry into structural barriers to regional innovation, including investment flows, infrastructure challenges, and skills gaps.
- The Committee is seeking expert input on how to join up all the different policy levers, regional strengths, and investment pots to drive a successful regional green industrial strategy.
- The UK has a strong research base in green technology, but commercialisation has historically been weak. Too often, breakthroughs are developed in UK universities

but scaled overseas due to a lack of domestic investment and infrastructure – 4% of UK patents are commercialised, compared to 12% in the US (TBI). Addressing this gap requires a more coordinated approach between academia, industry, and government.

- Green innovation must extend beyond manufacturing to financial services, AI, and automation. The UK has an established leadership position in these sectors and should leverage them to accelerate the transition to a sustainable economy.

Government support – mandates vs more funding

- In constrained fiscal circumstances the UK would be best served by a targeted approach, “we should spend money to get there on all these risky technologies”.
- Elsewhere, the government’s mission to improve conditions for growth – e.g. planning – should unlock the private investment needed.
- The government can also enforce clean technology adoption through regulatory mandates, however, it is imperative to avoid placing excessive costs on links in the supply chain that cannot easily be met or distributed.
- A hybrid approach is needed: mandates, subsidies, and market-based approaches. However, “relying too much on subsidies when the market requires long-term certainty is quite risky”.
- Any mandated policies must be designed to avoid unintended consequences. If businesses face excessive regulatory burdens without support, it could drive investment elsewhere, weakening the UK’s industrial base.

Issues raised

Transition means trade-offs – “no such thing as an orderly transition”

- Industrial transitions are rarely smooth, and the shift to a green economy will inevitably create economic disruptions. Certain industries will decline, while others will expand, requiring proactive workforce planning to prevent structural unemployment.
- Sustainable growth is intrinsically linked with a place-based approach. Reskilling efforts must align with regional strengths, rather than applying a one-size-fits-all approach. Industrial strategy should build on existing hubs of expertise rather than impose new priorities on regions that lack the right conditions for them to succeed.

A need for realism in supply chain strategy

- Industrial strategy discussions often focus on strengths but overlook structural weaknesses in skills, supply chains, and global positioning. A more honest assessment is needed to ensure the policy is ambitious but feasible about where the UK can compete and how it can do so more sustainably and ethically.
- The UK remains highly dependent on international supply chains, particularly for critical minerals and green technology components. China dominates the supply of lithium, cobalt, and rare earths, creating economic and security risks for key industries. Without a defined government strategy, businesses face uncertainty over whether to secure partnerships or develop alternative supply chains, and risk being continuously exposed to ESG risks.
- The UK must diversify supply chains, strengthen trade partnerships, and leverage its financial position to secure long-term access to essential materials. Policymakers, supported by the newly formed Industrial Strategy Advisory Council must acknowledge domestic limitations and set clear priorities to avoid misallocated investment and ensure industrial competitiveness.

Recommendations

- Ensure long-term policy stability with cross-party consensus to prevent investment uncertainty.
- Base the industrial strategy on realistic UK capabilities, not overambitious projections.
- Focus public investment on high-impact sectors like offshore wind and carbon capture.
- Align skills development with regional strengths to avoid mismatched reskilling efforts.
- Balance mandates with financial support to prevent excessive costs for businesses.
- Use the UK's strength in finance, AI, and automation to drive green industrial innovation.
- Recognise that industrial transitions are volatile and plan for inevitable disruptions.

Links

- Department for Business and Trade Green Paper: '**Invest 2035 – the UK's modern industrial strategy**'
- LSE Grantham Institute and Cetex consultation submission: '**Response to Invest 2035: the UK's modern industrial strategy**'
- Tony Blair Institute for Global Change: '**Making UK industrial strategy work – a hard-headed approach guided by green industry**'
- Green Alliance: '**Ensuring fairness in the net zero transition**'
- CBI Economics: '**The future is green – the economic opportunities brought by the UK's net zero economy**'

We would like to thank the members of our Advisory Board for their contributions and continuing support.

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