

**The Politics of the
Inflation Reduction
Act's Passage**

**Security
Implications for
Critical Minerals
and the Clean
Energy Transition**

Go Green Fast:

Global Lessons for the Clean Energy Transition

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**The Role of the
Green Economy on
Domestic
Economic
Development**

Go Green Fast

Sandeep Pal

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Understanding the arc of just transition: case studies from the US, South Africa & India

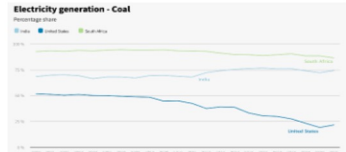
The memo uses case studies from the United States, South Africa, and India to explain the different stages these countries are currently at in terms of realizing their just transition agenda – their position on the “arc” of just transition. The memo then develops policy recommendations from the case studies that will be applicable for countries working to achieve a just transition.

Introduction

To keep global warming to well-below 2 degrees Celsius or even achieve a 1.5 degree target, fossil fuels and particularly coal need to decline rapidly in the next few decades. Coal is the dirtiest fossil fuel, and has been responsible for nearly 0.3 degrees of the 1 degree increase in average temperatures globally¹.

The coal-based power sector is in terminal decline in Organisation for Economic Co-operation and Development (OECD) countries. For example, in the United States (US), coal power generation has declined by over 20% in the last decade. However, the story of coal power varies in other parts of the world. In countries like South Africa, coal power generation has plateaued. But for many countries in Asia such as India, coal power generation and use is still rising slowly (Figure 1). However, even in non-OECD countries, although coal power still dominates, its long-term future looks bleak due to the phenomenal drop in the cost of renewable power.

Figure 1: Percentage of electricity generation from coal in India, US, and South Africa¹



As the coal sector declines, it is important to ensure a just transition for coal workers, their communities, and regions dependent on coal for local jobs, revenues, and

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Green Industrial Policy: Opportunities and Pitfalls

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I. Introduction

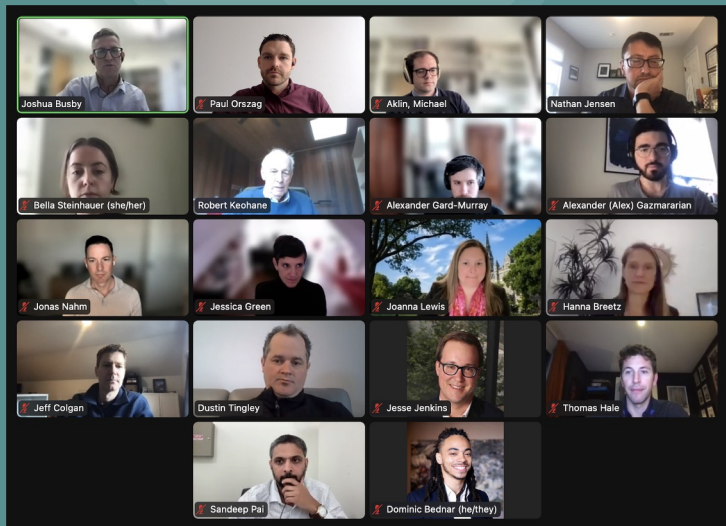
The past two decades have witnessed a resurgence of industrial policy—government interventions in the economy to produce outcomes in the national interest that markets would not yield on their own.¹ This has particularly been the case in sectors related to decarbonization, where I refer to such policy interventions as “green industrial policy” for the purposes of this memo. Governments across developing and advanced industrialized economies have used such government interventions to combine climate and economic goals by trying to attract clean technology supply chains, including the manufacturing wind turbines, solar panels, electric vehicles, and energy storage technologies.

Green industrial policies have long been deployed in the European Union and China, economies with statist policymaking traditions that were more amenable to government interventions in the economy to advance policy goals. But green industrial policies have also and increasingly been used in liberal market economies that long advocated laissez-faire approaches to governing the domestic economy. The Inflation Reduction Act (IRA) of 2022, which introduced a range of green industrial policy measures to accelerate the domestic development of clean energy industries in the United States, including by using local content requirements, is one recent example. And the IRA is by no means the first U.S. foray into green industrial policymaking, as it was preceded by decades of tax breaks and regulatory incentives to help domestic clean energy sectors compete with fossil fuels.²

In this memo, I review existing literatures on (green) industrial policymaking and state intervention in the economy to make three central points. First, I argue that the political logic of the energy transition makes industries related to decarbonization particularly prone to industrial policy interventions. Governments attempt to build political coalitions behind climate policy by promising new sources of growth and employment because the transition to the net zero economy requires vast public investments and subsidies. Second, I argue that although many industrial policy strategies originate in the policy interventions of late economic developers in East Asia, the challenges governments seek to tackle through green industrial policy go beyond those of late economic development. Third, I make the case that current attempts to use green industrial policies to rapidly shift the sources of growth in domestic economies are likely going to be unsuccessful unless they also build new and different institutions to support new industrial activities, for instance through investments in vocational training and the financial sector. I conclude by outlining avenues for future research on this topic.

¹ For a definition, see Nahm, “Reimagining: Clean Energy Technology and U.S. Industrial Policy.” Nahm.

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