WEALTH INEQUALITY AND THE CLEAN ENERGY MISSION

FAIRNESS FOUNDATION

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SUMMARY: Wealth inequality is a barrier to the government's Plan for Change and its clean energy mission. This briefing sets out how and why this is and what the government can do about it.

The gap between the wealthiest and the rest of us is getting worse

Rising wealth has created large gaps between those with wealth and those without it; the wealth gap presents a growing risk to the UK

- While relative wealth inequality has remained stable (the richest 10% still own about 60% of the nation's wealth) over recent decades, the absolute wealth gap has widened dramatically. Soaring asset prices have triggered a massive surge in UK private wealth. Combined with stark disparities in asset ownership, this has led to the absolute gap in wealth between the top 10% and the bottom half of the population growing by nearly 50% between 2011 and 2019. This gap also drives and magnifies other forms of inequality, especially regional divides.

Extreme wealth makes it much harder to tackle climate change

Wealth inequality leads to higher carbon emissions

- The concentration of wealth, as measured by the share held by the top 10%, exhibits a consistently positive influence on per capita carbon emissions. A 1% rise in the wealth share of the top decile corresponds to an approximate 0.67-0.84% increase in emissions. This implies that the concentration of wealth plays a crucial role in driving higher carbon emissions within affluent nations.

Wealth inequality obstructs action on climate change

- Wealthy companies and individuals in the UK obstruct efforts to tackle climate change through lobbying activities and financing campaigns that undermine climate policies. Major UK energy companies like BP and Shell have systematically opposed laws that would enable meaningful carbon pricing. Moreover, industry groups representing these companies have had an outsized influence on UK energy policy and regulation, hindering the clean energy transition.

Wealth inequality exacerbates regional differences in infrastructure quality and access, and business investment

- Infrastructure investment in the UK has been heavily skewed towards London and the South East. This imbalance poses challenges to clean energy and net zero goals by hindering green infrastructure development in other regions. This has meant missed opportunities for renewable energy projects, slower adoption of electric vehicle charging networks, and reduced capacity for energy-efficient building retrofits in economically disadvantaged areas. This disparity could create a 'green divide,' where the benefits of clean energy and sustainable development are not equitably distributed across the country.

Decarbonisation could help redistribute wealth

There are a number of ways to both reduce the level of wealth inequality in the UK and drive clean energy

- Mechanisms like public wealth funds would improve economic growth and ensure that income-generating assets are shared more equitably. They could also significantly bolster the party's clean energy mission by strategically directing capital into crucial green infrastructure projects. These funds can catalyse private investment in renewable energy technologies, such as wind, solar, and hydrogen, effectively multiplying the impact of public money.

- The UK has one of the most poorly regulated and opaque lobbying systems in the world. Despite efforts to reform the system, the Westminster tradition of self-regulation is still deeply ingrained, leaving the system exposed to undue influence, particularly from fossil fuel companies. More transparency and regulation could limit fossil fuel companies' ability to obstruct net zero policies by restricting various channels of influence.

The public aren't aware of the full scale of wealth inequality

Public awareness of wealth inequality and its impact on net zero is limited

- People have an intuitive sense that wealth inequality is getting worse and is unfair in terms of both its causes and its consequences – even if the true extent of wealth inequality and its impacts on our economy, society and democracy is not widely recognised.

Attitudes are likely to harden as the impacts of wealth inequality become increasingly obvious

- The large and very unequally distributed transfer of inherited wealth that is set to take place over the coming decades will dramatically increase the size of the wealth gap. This will likely undermine popular justifications of wealth being the result skill or effort.

SUGGESTED PARLIAMENTARY QUESTIONS

- How does the government assess the impacts of wealth inequality on its clean energy mission, and what specific measures are being considered to address these impacts, to ensure net zero targets are met?
- What recent discussions has the government had on the relationship between wealth inequality and its Plan for Change, particularly in relation to its clean energy mission?

MORE INFORMATION ABOUT WEALTH INEQUALITY

- We published a *Wealth Gap Risk Register* on Tuesday 15 October, with a webinar featuring Liam Byrne MP, Sonia Sodha of the Observer and Graham Hobson of the Patriotic Millionaires.
- You can read the *Wealth Gap Risk Register* online at https://fairnessfoundation.com/risks, including interactive data visualisations, or download a PDF version of the full report or the executive summary.

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