



The Daily Dish

# A European Canary in the Green Industrial Policy Coal Mine

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Ok, agreed. That's a twisted title. But one of the reasons I love reading the *Financial Times* is that it keeps me up to speed on continental fuzzy thinking that is likely to migrate via the great transatlantic borg to infect U.S. policy debates. Consider "[Europe's battery problems show the governments need to up their game](#)," which begins by bemoaning the state of Europe's efforts to artificially invent a full-scale electric vehicle (EV) battery industry:

So news that European battery projects are being scrapped or seriously scaled down is an important sign of things going wrong, especially as the disappointments do not appear to be due to Europe's well-known but slow-to-fix handicaps on technology, raw materials and energy costs. The issue is, rather, that slowing electric vehicle sales have undermined expectations of market demand for the battery capacity that was to come on stream.

This is very similar to stories about the U.S. market. There is little intrinsic demand for EVs, and government subsidies to consumers, manufacturers, and green electricity don't create one. Of course, the Europeans completely misread the same evidence:

None of the many things Europe does get right is enough to turn this around. Setting targets (even legally binding ones), regulating away polluting activities or subsidising production: these are necessary, but evidently do not produce confidence that the market for green tech will be there. Nor, much, do protectionist tariffs in isolation.

In addition to misreading the current state of affairs, the article contains a wish list of bad ideas: "On fiscal policy, at least do no harm. A return to the demand-sapping budget consolidation of the last decade is sure to damp private investment plans." Right, make no effort to get the fiscal house in order. When the meltdown comes, people will certainly choose to flee in an EV. Also:

Renewable energy projects are being cancelled because once-attractive financing profiles look unviable with today's interest rates. But central bankers have the tools to prevent inflation-fighting from setting back the transition. The European Central Bank could surgically loosen financial conditions for green investment by adapting its "targeted long-term repurchasing operations."