# Rachel Reeves under fire for hidden £7 trillion 'zombie debt' risk in Labour’s Net Zero plans



Rachel Reeves faces scrutiny over Labour's ambitious Net Zero targets, with a financial expert warning that the plans could burden the UK with up to £7 trillion in concealed "zombie debt." Bob Lyddon, a tax consultant and former banker, raised alarms in a recent Global Britain report, highlighting that Labour’s financial strategies could lead to off-balance-sheet liabilities ultimately impacting British consumers and businesses. He contends that Labour's initiative of “borrowing for investment” mirrors the problematic trends of previous administrations, comparing it to New Labour’s Private Finance Initiatives and the EU's InvestEU programme. Lyddon argues that this approach obscures the true costs involved in the transition to a green economy.

According to Lyddon, Labour's new fiscal rules suggest that only a minuscule fraction of the Net Zero expenditure will be funded through government borrowing. Instead, he estimates that the bulk of the required £50 billion annually until 2050 will be sourced through the private sector, creating what he describes as “shadow debt.” This type of borrowing, he argues, will digest significant financial resources without reflecting in official debt statistics, leaving taxpayers accountable for the incurred costs without a transparent accounting of the true financial landscape.

Even traditional government borrowing, Lyddon asserts, won't markedly elevate official debt metrics due to Labour's reliance on “Public Sector Net Liabilities”—a calculation that offsets debt against acquired assets. This methodology, he warns, may give the current administration the impression of limitless borrowing capacity as long as they can maintain the confidence of investors and credit rating agencies. He predicts a proliferation of “zombie” enterprises in the green sector, particularly those focused on carbon capture and electric vehicle charging, echoing past failures like Robin Hood Energy.

In response to the concerns raised, Reeves has been firm in her defence of Labour's green investment strategies. During a recent visit to Yorkshire, she remarked that clean British energy is pivotal to enhancing economic growth, reducing bills, and securing the nation’s energy independence from hostile states. She stated that Labour’s National Wealth Fund will collaborate with the private sector to propel investment in future green technologies, particularly in communities historically deprived of investment. However, critics underline the potential inherent risks and costs associated with these ambitious goals.

Recent analyses from the Institute for Fiscal Studies (IFS) have added another layer of complexity to the discussion. The IFS cautioned that Labour's pledge to invest £23.7 billion in clean energy over the next five years might obstruct efforts to diminish the national debt. Although this initiative is designed to stimulate growth and increase tax revenues, the IFS warns that the consequent increase in borrowing could elevate debt interest costs and challenge Labour’s fiscal objectives.

The need for fiscal prudence has also filtered into Reeves' rhetoric as she confronts the realities of rising interest rates and the economic impact of the previous Conservative administration’s policies. This acknowledgment signals a potential shift in the party's stance on its initial £28 billion green investment plan, with Reeves underscoring that while the commitment remains paramount, it must be enacted with a strategic financial approach that ensures fiscal responsibility.

Right across the political spectrum, there are reflections on the idea that Labour must navigate a dramatically altered economic landscape as it reclaims power. The former pledges are undergoing scrutiny amid concerns about fiscal viability in light of previous administration legacies and changing economic conditions. As Labour unfolds its green strategy, both political allies and opponents will be watching closely, weighing the promises of a sustainable future against the spectres of mounting hidden debts.

It remains to be seen how Labour can balance its environmental ambitions while maintaining fiscal responsibility and transparency, essential ingredients if they hope to gain both public and investor confidence as the nation pivots towards a green economy.

## Reference Map:

* Paragraph 1 – [[1]](https://www.express.co.uk/news/politics/2060276/rachel-reeves-net-zero-zombie-debt-starmer), [[2]](https://www.telegraph.co.uk/business/2024/06/04/labour-net-zero-borrowing-binge-debt/)
* Paragraph 2 – [[1]](https://www.express.co.uk/news/politics/2060276/rachel-reeves-net-zero-zombie-debt-starmer), [[3]](https://news.sky.com/story/rachel-reeves-refuses-to-commit-to-labours-16328bn-green-investment-pledge-13061410), [[4]](https://www.standard.co.uk/news/politics/rachel-reeves-labour-keir-starmer-jonathan-reynolds-debt-b1135635.html)
* Paragraph 3 – [[5]](https://news.sky.com/story/labours-rachel-reeves-backtracks-on-28bn-green-prosperity-scheme-12899279), [[6]](https://www.the-journal.com/articles/taxes-spending-and-borrowing-all-higher-as-the-new-labour-government-seeks-to-rebuild-the-uk/), [[7]](https://www.independent.co.uk/news/uk/rachel-reeves-labour-jonathan-reynolds-debt-lbc-b2486972.html)

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## Bibliography

1. <https://www.express.co.uk/news/politics/2060276/rachel-reeves-net-zero-zombie-debt-starmer> - Please view link - unable to able to access data
2. <https://www.telegraph.co.uk/business/2024/06/04/labour-net-zero-borrowing-binge-debt/> - The Institute for Fiscal Studies (IFS) has cautioned that Labour's plan to invest £23.7 billion in clean energy over five years could impede efforts to reduce the UK's national debt. The IFS noted that while the initiative aims to boost growth and tax revenues, it may not significantly decrease debt as a proportion of the economy. Additionally, increased borrowing could lead to higher debt interest costs, potentially making it challenging for Labour to meet its fiscal targets. ([telegraph.co.uk](https://www.telegraph.co.uk/business/2024/06/04/labour-net-zero-borrowing-binge-debt/?utm_source=openai))
3. <https://news.sky.com/story/rachel-reeves-refuses-to-commit-to-labours-16328bn-green-investment-pledge-13061410> - Shadow Chancellor Rachel Reeves declined to reaffirm Labour's £28 billion annual green investment pledge, initially announced in 2021, when questioned multiple times by Sky News. She attributed the change to rising interest rates and the economic impact of previous Conservative policies, emphasising the need for fiscal responsibility. Reeves stated that while the green prosperity plan remains important, it must be approached in a manner where the numbers add up. ([news.sky.com](https://news.sky.com/story/rachel-reeves-refuses-to-commit-to-labours-16328bn-green-investment-pledge-13061410?utm_source=openai))
4. <https://www.standard.co.uk/news/politics/rachel-reeves-labour-keir-starmer-jonathan-reynolds-debt-b1135635.html> - Shadow Chancellor Rachel Reeves acknowledged that the economic situation has changed since Labour's initial £28 billion green investment pledge. She highlighted the need to approach the plan responsibly, given the current fiscal challenges, and suggested that the fiscal inheritance from the previous government is 'very different' from when the pledge was first announced. ([standard.co.uk](https://www.standard.co.uk/news/politics/rachel-reeves-labour-keir-starmer-jonathan-reynolds-debt-b1135635.html?utm_source=openai))
5. <https://news.sky.com/story/labours-rachel-reeves-backtracks-on-28bn-green-prosperity-scheme-12899279> - Labour's Shadow Chancellor, Rachel Reeves, has scaled back the party's £28 billion green prosperity plan, citing rising interest rates and the economic damage caused by the previous Conservative government. Reeves stated that economic stability must come first, indicating a shift in the party's approach to funding green initiatives. ([news.sky.com](https://news.sky.com/story/labours-rachel-reeves-backtracks-on-28bn-green-prosperity-scheme-12899279?utm_source=openai))
6. <https://www.the-journal.com/articles/taxes-spending-and-borrowing-all-higher-as-the-new-labour-government-seeks-to-rebuild-the-uk/> - In its first budget since regaining power, the Labour government, led by Chancellor Rachel Reeves, has increased taxes, spending, and borrowing to address a £12 billion budget shortfall. The budget includes significant investments in public services, such as an additional £25 billion for the National Health Service, and adjustments to debt rules to facilitate increased borrowing for infrastructure projects, particularly in the transition to net zero. ([thehill.com](https://thehill.com/homenews/ap/ap-business/ap-more-spending-and-tax-hikes-expected-in-the-first-budget-from-britains-labour-government/?utm_source=openai))
7. <https://www.independent.co.uk/news/uk/rachel-reeves-labour-jonathan-reynolds-debt-lbc-b2486972.html> - Shadow Chancellor Rachel Reeves stated that the economic situation is 'very different' from when Labour first announced its £28 billion green investment plan. She emphasised the need to approach the plan responsibly, given the current fiscal challenges, and suggested that the fiscal inheritance from the previous government is 'very different' from when the pledge was first announced. ([independent.co.uk](https://www.independent.co.uk/news/uk/rachel-reeves-labour-jonathan-reynolds-debt-lbc-b2486972.html?utm_source=openai))