

# A GREEN NEW DEAL IN THE UK



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# WHY A UK GREEN NEW DEAL IS WHAT POST-BREXIT BRITAIN NEEDS

INSTEAD OF SLEEPING WALKING INTO THIS CLIMATE CRISIS WE SHOULD USE THIS NEED FOR ACTION TO TRANSFORM OUR ECONOMY SO IT WORKS FOR EVERYONE

Climate change has muscled its way back onto the political agenda. Recently MPs debated climate change for the first time in two years. It seems that the momentum around the Alexandria Ocasio-Cortez and Senator Ed Markey's Green New Deal in the US, the audacious climate march on Westminster by school children last month and increasingly rising temperatures may have finally jolted our politicians out of their climate stupor.

Six months ago, a group of experts on the Intergovernmental Panel on Climate Change (IPCC) delivered the news that the world must halve carbon emissions in a little over a decade. Responding would require an almighty push to green our economy – one that would touch on every aspect of our day-to-day lives. Despite this stark warning from the scientists, the political establishment in Westminster barely flinched. There was no commitment to redouble our efforts, no renewed urgency or call to action. Instead our politics continued to be consumed by Brexit.

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THE COST OF INACTION – NOT JUST IN POUNDS BUT IN HUMAN SUFFERING – WILL FAR OUTSTRIP THE COST OF ANY GREEN NEW DEAL

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But the IPCC report was a sobering wake up call for many. A growing movement of activists in the US, backed by new Congresswoman Ocasio-Cortez and a new generation of Democrats, including the Justice Democrats, are reacting with the urgency it demands. The Green New Deal – an idea that came

from organisations including the New Economics Foundation (NEF) a decade ago – has emerged as a forceful response. The idea is simple: an unprecedented mobilisation of resources to achieve 100% renewable energy and “eliminating greenhouse gas emissions” within a decade whilst creating millions of jobs and lifting living standards.

At its heart the Green New Deal is a recognition that climate change and the wider threat to our environment is a symptom of an economic system that is broken. The same economic system that has delivered a decade of wage stagnation, left millions of people feeling squeezed and led to rising poverty and inequality. To tackle climate change, we must transform

the economy and we should do this in a way that works for the majority of people. Environmental justice working in tandem with social justice.

Many people have and will continue to say that a Green New Deal – or anything equally ambitious designed to tackle climate breakdown – is a pie in the sky idea, or something that would be good to do but is just too expensive. Meanwhile younger generations have taken to the streets to make themselves heard and have made clear that, for them, the ludicrous thing would be to sit back and do nothing. The political class should take inspiration from these brilliant climate strikers – they could learn a lot, not least about urgency and scale of ambition.



RESPONDING TO THE LOOMING CLIMATE CRISIS WILL REQUIRE AN ALMIGHTY PUSH TO GREEN OUR ECONOMY. IF OUR POLITICIANS CAN SHAKE THEMSELVES OUT OF THEIR BREXIT BIND, THEY MAY JUST SEE THAT HERE LIES THE AGENDA FOR POST-BREXIT BRITAIN – ONE THAT COULD RADICALLY TRANSFORM OUR ECONOMY SO IT WORKS FOR PEOPLE AND PLANET



As global temperatures rise, extreme weather events like devastating hurricanes, record droughts, extreme floods increase, coastlines disappear and food becomes more scarce from loss of crop-yield and fisheries – the climate-related poverty we will see across the world will be at a scale we can't even imagine. And this will be the true cost of inaction – not just in pounds but in human suffering – far outstripping the cost of any Green New Deal.

Therefore, the choice before us is whether we take concerned, deliberate action now to achieve the change we need or we sleepwalk into a crisis and throw money at the problem in a panic when it will be too late. When viewed like this, a Green New Deal becomes a no-brainer.

But to be transformative and rise to the scale of the challenge, a Green New Deal for the UK will need to get three key things right. First, it must be ambitious – radical reductions in carbon emissions in the next decade. Second, it will require significant government action – from large-scale investment in green infrastructure and technology to incentives and regulation to bend markets that have been slow to act towards the climate imperative.

Third, in return for consenting to this scale of change, there has to be a good deal for the public. A promise to create millions of good, high wage jobs in place of those that will be lost and a much bigger stake in the new economy that we will create. The green economy that emerges must be owned by people



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and work in their interest. This will mean collective ownership of green infrastructure, public goods and assets and more co-operative ways of organising new industries that will spring up. Get this right, and we could radically transform our economy so it works for people and planet. And if our politicians can shake themselves out of their Brexit bind, they may just see that here lies the agenda for post-Brexit Britain.

*Miatta Fahnbulleh is CEO of NEF*

# WHAT IS A GREEN NEW DEAL?

At its heart, the Green New Deal is a recognition that climate change and the wider threat to our environment is a symptom of an economic system that is broken. The same economic system that gave us the financial crisis and austerity has delivered a decade of wage stagnation, left millions of people feeling squeezed and led to rising poverty and inequality. To tackle climate change, we must transform the economy and we should do this in a way that works for the majority of people: environmental justice working in tandem with social justice.

The question that everyone is asking is: is this doable or simply a pipe dream? But this is completely the wrong question. The question we should be asking is: can we get away with not taking action on climate change. If the science is right, then the answer is no. The more global temperatures rise, the more chaos in the system: more devastating hurricanes, record droughts, extreme floods, coastlines disappearing, food scarcity from loss of crop yields and fisheries – all driving climate-related poverty across the world.

At the same time the UK economy is in urgent need of investment. Austerity and an over-reliance in the economy on financial services has undermined living standards, hastened the slow decline of manufacturing and overlooked key 'foundational' sectors of the economy such as energy, housing and social care.

The Green New Deal is not the answer to all of our problems, but the massive wave of government-led investment that is needed to tackle climate change can also:

- Create thousands of new, decent jobs, not only in 'green' energy sectors, but also in construction, manufacturing, waste management, technological innovation, land use management and whole range of other sectors.
- Help households and the economy save money by insulating millions of people's homes and bringing the latest micro energy generation, saving and storage technologies within everyone's grasp.
- House people affordably through the construction of millions of new zero carbon homes, including 3.1 million for social rent.
- Benefit households and the economy, ease congestion and slash transport emissions by developing local and regional integrated public transport networks.
- Transform and rebuild communities through the implementation of green new deals at the local authority and city region level, unlocking the potential of places that have been branded as 'left behind.'

# THE IMPORTANCE OF PLACE

## LOCALISING THE GREEN NEW DEAL

As well as growing income and wealth inequality, the UK also suffers from an inequality of place. The economy of the wealthy south-east of England has streaked ahead the rest of the UK and the gap is still growing: in 2017, gross value added – the main measure of economic production – grew by 3% in London compared to an average of 1.9% elsewhere and 0.7% in Yorkshire and Humber<sup>1</sup>. Within each nation and region this pattern is repeated, with the centres of core cities enjoying greater prosperity than surrounding conurbations, smaller cities and towns.

This phenomenon intersects with an industrial malaise, with many of those places branded 'left behind' still reliant on carbon intensive and environmentally harmful forms of economic production. In the forthcoming transformation to a low-carbon, nature-enhancing, circular economy, these places cannot be left further in the slipstream of progress.

There cannot be a repeat of the decimation of communities that took place as coal mines were closed in the 1980s and 1990s.

One key part of a Green New Deal therefore must be to focus resources, political attention and support on places that are likely to be most negatively affected. Not only does this mean implementing bold, industrial transformation plans for these places, but it also requires putting people who currently rely on more polluting industry in the driving seat of change, allowing them to shape their future, and backing their plans.

This process must bring central government, local authorities, trades unions, workers, community representatives and businesses together and forge lasting relationships through local green new deals.

<sup>1</sup> ONS (2018) GVA 1998-2017 <https://www.ons.gov.uk/economy/grossvalueaddedgva/bulletins/regionalgrossvalueaddedbalanceduk/1998to2017>

# HOW WILL A GREEN NEW DEAL BE PAID FOR?

Financing a Green New Deal is not the only challenge that government must face – incentives and regulation to bend markets that have been slow to change are also key. But without government-led investment, it will not happen. We must usher in a new era of bold fiscal policy, with government taxing, spending and investing to crowd-in private finance and business investment.

If government takes the lead, then private finance will almost certainly follow, but there are four critical aspects to Green New Deal finance that it is the government's role to deal with:

## 1. **Direct existing money to the right things**

Globally \$2.5 trillion is spent annually on infrastructure, much of which is either doing little to reverse environmental harm or is actively contributing to the problems. Nearly all infrastructure is government endorsed or enjoys political support and public finance. In the UK, the current infrastructure pipeline is worth more than £400 billion<sup>2</sup>. Some

of this planned spend is already green, but it also includes a massive road-building programme, airports expansion and HS2. Redirecting this finance to a green new deal infrastructural investment would make a significant contribution.

## 2. **Tax things we don't want to see to pay for things we do**

One of the most eye catching elements of Alexandria Ocasio-Cortez's crowd-sourced Green New Deal manifesto<sup>3</sup> is its focus on fairer taxes. We need these anyway – for example, the poorest 20% of families in the UK pay a higher proportion of their income in tax<sup>4</sup> than anyone else. Taxing pollution may need to be part of the mix, but since the burden of these taxes on low income families can be proportionately high, increased taxation of top incomes and concentrations of wealth needs to make up the lion's share of new revenue collection. Care should also be taken to ensure that any new subsidies to incentivise cleaner industry and consumption

<sup>2</sup> Analysis of the National Infrastructure and Construction Pipeline (Infrastructure and Projects Authority and HM Treasury) [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/759222/CCS207\\_CCS1118987248-001\\_National\\_Infrastructure\\_and\\_Construction\\_Pipeline\\_2018\\_Accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/759222/CCS207_CCS1118987248-001_National_Infrastructure_and_Construction_Pipeline_2018_Accessible.pdf)

<sup>3</sup> Alexandria Ocasio-Cortez's crowd-sourced Green New Deal manifesto: <https://docs.google.com/document/d/1jxUzp9SZ6-VB-4wSm8sseVMsqWZrSrYpYC9slHKLzo/edit>

<sup>4</sup> Tapering over the tax: Reforming taxation of income in the UK (Alfie Stirling) <https://www.ippr.org/research/publications/tapering-over-the-tax>

are designed to benefit the UK's poorest households more than any others.

3. **Government must borrow**

Young people on the climate strikes today rightly fear they stand to lose most by today's collective inertia to tackle environmental change. This is unfair. But it is equally unfair for today's tax payers to shoulder the entire cost of a green transition, which will also benefit future society as well. Public borrowing is the ultimate tool to pool risk through time. By effectively distributing the repayment of interest across all future tax payers, public borrowing allows us to spread the cost of cleaning our economy across the generations. This form of intervention was used a decade ago to avert financial crisis and it must be used again to avert environmental crisis now. Only this time the resource will not be poured down a financial black hole; instead, we will create

new public assets that deliver both social as well as economic returns long into the future.

4. **Scaling up Green New Deal Finance**

Alongside government fiscal policy, the Bank of England must play a critical role in guiding finance in support of a Green New Deal. It has responsibility over large swathes of financial regulation and could – with support from the Treasury – heavily influence the the move of private finance away from high carbon and environmentally harmful investments and towards activities that are Green New Deal compatible. Its monetary policy operations, such as its asset purchases, also influence financial market prices, which in turn affects the allocation of private investment. Meanwhile, the Bank's ability to buy up government debt can increase the room for manoeuvre on fiscal policy as well.

# NOT ONLY CLIMATE CHANGE BUT ALSO NATURE

While certainly the most urgent, climate change is not the only environmental crisis we must avert. Our natural world is denuded and depleted and our over-consumption of resources is rapidly leading to exhaustion of our planetary life support systems and various forms of pollution, such as the shocking build-up of plastics in the ocean.

Globally, the economy that is the first to understand and build comprehensive closed loops of production, where reduction and reuse of resources is favoured, even over recycling, will be the one that leads the way in the third decade of the 21st century. The UK is not currently a pioneer in the circular economy, but to

compete in the future, it must become entirely resource efficient.

However, perhaps the most tangible and yet least explored area of environmental recovery is the restoration of biodiversity. For instance, in the past 70 years, more than 98% of the UK's wildflower meadows – havens for pollinators and other species – have been lost to agricultural intensification and development. Tree cover in England stands at less than 10%, and only 13% in the UK as a whole – compared with an EU average of 35%<sup>5</sup>. We must bring back nature everywhere; challenge which, like climate change, will impact all sectors of our economy.

<sup>5</sup> BBC Reality Check: Are millions of trees being planted?  
<https://www.bbc.co.uk/news/science-environment-41551296>

# MOVEMENTS IN THE LEAD

The tone of the debate on climate change is rapidly shifting. This is not because of the work of think tanks or green NGOs, but because of radical climate activists and children taking matters into their own hands – this should inspire and direct our actions.

Politicians, policy experts, campaigning organisations and progressive

businesses will all have their moment and will each have their role in bringing about a Green New Deal. But first we must listen to those taking the lead and support the growth of a Green New Deal movement, without which none of the truly transformational changes that are needed and outlined in this pamphlet will be possible or sustainable.

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