

NEW
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FIVE STEPS TOWARDS A GREEN NEW DEAL

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YOU CAN'T LEVEL UP WITHOUT A GREEN NEW DEAL

Last November, governments from 197 countries met in Glasgow for Cop26, the UN climate talks, with the hope of presenting plans to limit global heating to no more than 1.5C. But the conference was a disappointment that failed to live up to its own rhetoric. It came hot on the heels of a UK autumn budget which barely mentioned the climate crisis, and a net-zero strategy which fell far short of what we need. This follows the International Panel on Climate Change (IPCC) issuing its starkest warning yet over the summer, in the wake of wildfires, floods and hurricanes across the globe: the climate crisis is already happening as a result of how we live and power our economies.

The past year and a half of the pandemic has been extremely difficult for all of us, and has widened inequalities in the UK. But it's also made us realise what's important: our health, our loved ones and the communities around us. And yet for the last decade, the benefits of growth have not been fairly distributed, living standards haven't budged, and swathes of our country have been left behind. When facing down the climate crisis, we need an answer to the question that dominates our politics: how do we

get the economy to work for everyone?

That is the question that sits at the heart of the government's favourite phrase: 'levelling up'. And it's the right question. This government has made 'levelling-up' communities around the country one of their flagship missions. But despite a lot of lip service, they've not produced a strategy to get it done. The goal of levelling up should be simple: to lift people's living standards, particularly in communities that have faced decades of deprivation and neglect. The economic aftershocks of the pandemic will make this harder, but business as usual just won't cut it.

The government will not be able to level up struggling parts of the country without facing up to our biggest challenge: the climate crisis. Our government has set a legally binding target to slash our greenhouse gas emissions to net zero by 2050. The UK's commitments to cutting our emissions fast mean that the economy will have to change a great deal in the next decade. This has to be done in a way which reduces inequality and improves people's lives. Some of the communities in need of levelling up are those hit hardest by the deindustrialisation of the 1980s.



Spearhead Trust youth club, Birmingham
(Photo by Ella Carman)

This government isn't connecting the dots: we can't level-up and build back better from the pandemic without a plan to tackle the climate crisis. And if we take the right action, we can create a society which meets everyone's needs while averting climate breakdown. Fail to act, and we repeat the economic shocks of the past, with increased inequality and climate disaster across the globe.

This is a big challenge and we urgently need a practical, bold solution. But the good news is, we have a plan: the Green New Deal. And in this pamphlet we outline the first steps we need to take.

The Green New Deal is an economy-wide plan that puts the climate crisis and people's living standards at the top of the government's agenda (see box 1). It would not only curb the worst effects of climate breakdown but it would reprogramme our economy so that it works for everyone.

Investment is key: the government cannot level up on the cheap. There is no path to a net-zero economy without public investment – so why not create jobs and boost industries in struggling communities? This should be combined with local industrial strategies that

“There is no path to a net-zero economy without public investment – so why not create jobs and boost industries in struggling communities?”

identify potential new, secure, well-paid, low-carbon jobs in the industries of the future. Private money also needs to flow towards things which cut carbon and make our lives better, rather than paying for dirty, polluting sectors of our economy. Then there's power. If the government wants to level up the country, it needs to give regional and local government more powers to tailor responses to their local needs. And people – ensuring people are able to live and thrive in a low-carbon economy. And finally there's the world – the UK must play a leadership role in driving forward a Green New Deal on a global scale, including taking responsibility for our historical and current emissions and resource extraction.

It's time for the government to realise that they cannot level up the UK without a Green New Deal.

WHAT IS THE GREEN NEW DEAL?

If we take the right action on the climate crisis, we can create a society that meets our needs and benefits us all. In the face of climate breakdown, the Green New Deal is a practical, bold solution that recognises that the climate crisis is a symptom of a broken economic system. This economic system has delivered a decade of wage stagnation, let people slip through the cracks during the pandemic, and led to rising poverty and inequality. The Green New Deal is a mass reprogramming of the economy so that it works in the interests of people and the planet. To tackle the climate crisis, we must rewrite our economic rules in a way that works for everyone.

The Green New Deal concept was developed in the UK in 2009 by the Green New Deal Group of economists, academics and activists, of which NEF was a founder-member. And now it's back on the agenda, both here and in the US.

Like creating the NHS or putting a person on the moon, the Green New Deal is ambitious but achievable. And with the climate emergency accelerating, it is also our only option: only a bold plan like the Green New Deal can catapult us into a modern, sustainable future. Without it, rising global temperatures will lead to more devastating hurricanes, droughts, and floods.

1. INVEST PUBLIC MONEY TO BUILD A GREEN ECONOMY

Invest public money worth at least 2% of the UK's gross domestic product (GDP) every year during the 2020s to cut our carbon emissions while raising living standards, creating at least 1m well-paid, future-proof jobs.

The overall level of public investment we need to fund a Green New Deal is impossible to forecast accurately. This is partly because we don't know how technology and our economies will change in the future. But it is also because it is dependent on decisions we make about fairness and social justice as we transition to a low-carbon economy.

The Committee on Climate Change (CCC) estimates a total cost of between 1-2% of GDP by 2050 to shift to a low-carbon economy, which could come from a mixture of public and private finance. But the CCC's estimates are limited in scope. They do not include the additional resources needed to help ensure the benefits and opportunities of green transition are shared fairly (things like stronger social security, skills training and social housing), which may require public investment to be far higher. The CCC's estimates are also presented as a the

average amount of investment needed every year, over the next few decades – whereas we will need to spend more in the short term in order to hit the ground running in the 2020s. What is clear is that current limits to public borrowing are preventing us from driving a just climate transition.

We believe that public investment in the Green New Deal will likely need to total at least 2% of GDP during the 2020s, starting with a stimulus package of at least £43bn over the next 18 months. This investment would be able to create over 1m new, well-paid, secure jobs in the industries of the future, including in sectors which will help us cut our carbon emissions, such as upgrading our housing and building renewable energy infrastructure, as well as social infrastructure sectors like education and healthcare.

STEPS TO GET THERE

- Invest at least £43bn over the next 18 months to create more than 1m well-paid, secure jobs in the low-carbon industries of the future ([Winter plan for jobs, income and communities, 2020](#)).
- As part of the above, upgrade every home in the UK to a good energy efficiency standard by 2030, starting with extra public

THE GREAT HOMES UPGRADE

We all want to be able to come home somewhere warm, safe and comfortable – but Britain’s housing is cold, draughty and powered by dirty fuels. Living in a cold, damp house can lead to physical and mental health problems. And 14% of UK emissions come from energy use in homes.

The government should roll out a four-year retrofitting programme, [investing £100bn in upgrading 8.7m homes](#) which would create over 500,000 new jobs, cut household bills by an average of £418 and reduce household carbon emissions by 21%. A programme on this scale would mean more people living in safe, warm and secure homes.

STEPS TO GET THERE

- An additional public investment of £11.7bn for home insulation measures and low-carbon heating solutions over the rest of this parliament.
- A national retrofit taskforce to upgrade millions of social homes. to

investment of £11.7bn over the rest of this parliament (see box). ([A green stimulus for housing, 2020](#); [Great homes upgrade, 2021](#)).

- Repurpose the existing roads budget to include reducing or removing urban motorways and dual carriageways, to create boulevards, linear parks and public spaces ([No place left behind, 2021](#)).
- Create a new Future Skills Scheme to

a good energy efficiency standard by 2030.

- A fairer tax system where stamp duty is reduced according to how efficient a home is, and VAT is equalised for all retrofitting works at 5%, provided the whole property is brought above certain EPC thresholds.
- Strengthened building regulations and new business models and standards to provide ‘whole-house retrofits’ where feasible for millions of homes.
- Easier access to funding through domestic state-owned financial institutions such as the UK Infrastructure Bank (UKIB) and the British Business Bank (BBB), who should offer cheap finance to families and small and medium enterprises (SMEs) for upgrading their homes and buildings.

For more information: [Great homes upgrade \(2021\)](#)



provide the skilled workforce needed to level up and to get a net-zero emissions economy. Inspired in part by the furlough scheme, this would ensure that workers have access to retraining whilst they are working, rather than waiting to provide support after people become unemployed ([Crisis support to aviation and the right to retrain, 2020](#); [Upskilling Britain for a high-wage future, 2021](#)).

- Replace ‘fiscal rules’ with ‘fiscal referees’. A new committee at the Office for Budget Responsibility would become responsible for setting

out the optimal amount of public borrowing, and reporting into a body of parliament who would hold the chancellor to account against this ([Calling time, 2020](#)).

- Change the governance mandates for state-owned financial institutions like the British Business Bank and UK Investment Bank to play a more active role in guiding the UK economy towards net-zero carbon emissions through their financing and intermediation ([Greening public finance, 2021](#)).

2. STOP BUSINESS FUNDING DIRTY PROJECTS

Redesign our financial regulations so that private companies no longer invest billions in dirty projects, and instead put money towards clean industries.

The UK still funnels billions into dirty, polluting sectors of the economy that are causing the climate crisis. The majority of fossil fuel reserves must stay in the ground if we want to stop temperatures rising above 2C, which is still well above the safe limit of 1.5C. Global financial markets don't take this into account, which means they aren't pricing carbon intensive projects correctly. This makes it cheaper for companies to pollute, and risks creating 'carbon bubbles' – overpriced assets in the dirty sectors of the economy – which could lead to a financial crisis.

But we have the tools that we need to redirect the flow of private investment towards things which will cut carbon and make our lives better. The Bank of England and the Treasury are both public bodies which can decide to encourage or discourage private money to go to different places. Private finance is ultimately about making profit, rather than improving things for the public – so this is not a silver bullet. But due

to its vast scale and influence over our economy, it is one of the single most important things to get right.

STEPS TO GET THERE

- The Bank of England should incentivise finance towards low-carbon sectors, and transition activities such as housing retrofits, by repurposing some of its existing tools – such as the Term Funding Scheme – that already help to deliver low interest rates for specific sectors (Greening finance to build back better, 2021).
- The Bank of England should make loans for fossil fuel production or other carbon-intensive activities more expensive and difficult to secure through a rise in the amount of capital needed (Greening finance to build back better, 2021).
- Create a green finance action taskforce of different public bodies to properly



govern climate finance (Greening finance to build back better, 2021).

- Require all UK financial institutions to outline credible transition plans

aligned with emissions targets in the Paris climate agreement (Greening finance to build back better, 2021).

3. MAKE LOW-CARBON LIVING POSSIBLE

Make low-carbon life possible by changing taxes to make them more progressive and greener.

Our economy doesn't encourage or enable us to live in a way which doesn't damage the climate and the environment we depend on. These problems need collective rather than individual solutions, and the government should shoulder the risks of decarbonising the economy while sharing the benefits. But this doesn't mean our lifestyles won't have to change. They will change whether we tackle the climate crisis or not and if we transition to a fairer, greener economy many of these changes will be better for us all.

The tax system is a powerful tool to shape economic activity and combat systemic issues like inequality and environmental degradation – but right now it doesn't attempt to take on this responsibility. Our economy hosts a vastly unequal distribution of wealth and income, which is enabled by an unfair tax system. And taxes on polluting and carbon-intensive industries, as well as tax reliefs for clean industries, fall far short of what we need to confront the climate

crisis. The Treasury must redesign the tax system so that it helps us cut carbon emissions, supports a green recovery rooted in the redistribution of wealth and power, and commits to global solidarity.

For example, the government's own experts say there is no way the UK can honour our climate change commitments whilst increasing flights by as much as the aviation industry wants over the coming years. Yet airports around the country are applying to expand. Currently 15% of people take 70% of flights abroad from the UK – and the top fifth of earners fly five times more often than the poorest fifth. At the 2021 autumn budget, Rishi Sunak actually announced that he would cut air passenger duty for domestic flights – at the exact time that we need to be moving away from such polluting forms of transport.

Introducing a levy on frequent flyers would make travel cheaper for the UK's poorest households, while reducing the amount of flights taken by the richest by one third. Preventing climate breakdown

should fall on those with the broadest shoulders.

STEPS TO GET THERE

- A comprehensive roadmap to phase out all subsidies and financial support for fossil fuels by the government over the next few years, in line with the UK's commitment as part of the G7 to end all subsidies by 2025 (FFS? Fossil fuels support in the UK tax system, 2021).
 - Replace air passenger duty with a frequent flyer levy (A fairer way to fly, 2021).
 - Halt all active applications for new runways and bigger airports, and make any future decisions based on the need to decarbonise and the
- monetised cost of damage to the planet (Turbulence expected, 2021).
 - Reform taxes so they penalise carbon-intensive production and consumption, and offer reliefs and subsidies to low-carbon activities (Redesigning tax for a just, green recovery, 2020).
 - Safeguard low-income households against higher costs by making the UK's tax system more progressive by raising taxes on wealth to the level of taxes on income. Strengthen the benefit system by introducing a Living Income (see box) to ensure incomes of the poorest are protected and costs are re-distributed fairly (Living Income pamphlet, 2021).



Lawley Primary pupils plant sunflowers. Photo: 10:10 (CC BY-NC-ND 2.0)

LIVING INCOME

We are facing twin crises in the UK: a climate crisis and a living standards crisis. Any attempts to tackle the climate crisis must raise living standards, not make it harder for us to get by. A Green New Deal should supplement policies to cut emissions in the UK economy with policies to make sure everyone has enough to live on.

Right now, if you lose your job or are stuck in low-paid work, the UK's broken social security system can't be relied on to protect you from poverty, even during the pandemic. Unemployment benefit is currently less than at any time since the creation of the welfare state in 1948. Instead of ensuring everyone has a decent standard of living, our social security system strips people of choice and dignity, forcing them to jump through bureaucratic hoops or back into workplaces even when they need to self-isolate or care for others.

We need a plan that ensures that everyone – no matter who they are, where they are from, or whether they are in or out of work – has enough to live on. A Living Income would set a level below which no one can fall, so we can all thrive and survive.

STEPS TO GET THERE

- An emergency minimum income guarantee that would ensure that everyone who needs it receives at least £227 a week.
- Create new universal payments and restore existing ones like child benefit.
- Increase the value of basic payments made to families who get means-tested benefits.
- Increase the amount people can earn before means-tested benefits get deducted, and reduce the rate at which deductions are made.
- Increase payments for support with disabilities.
- Remove arbitrary caps on payments that prevent people getting the full amount they are entitled to, like the two-child limit.
- End unnecessary delays to vital payments, such as the five-week wait for universal credit.

For more information: [Winter plan for jobs, incomes and communities \(2020\)](#), [Living Income pamphlet \(2021\)](#)

4. A NEW DEAL FOR PEOPLE AND PLACES

Give back more power to the UK's nations, regions and local places to make their own decisions about how they can prepare for a low-carbon future, while making themselves better places to live.

Communities who powered the nation with coal for most of the 20th century have gone through a brutal process of deindustrialisation over the past few decades. We are now facing a new industrial transition, but cannot risk repeating the mistakes of the past. Some areas that have already suffered the most from decades of deindustrialisation are disproportionately reliant on high-carbon industries, like oil, coal or gas. While some industries will have to shrink, the Green New Deal will create new jobs in clean industries.

Despite this potential disruption, many workers and trade unions do not feel included in the conversation about decarbonisation. For the people who rely on high-carbon industries for employment, the transition to a green economy must be just. When we talk about a 'just transition', we mean a process which ensures that decarbonising our economy includes a fair deal for directly affected workers

and communities. These workers and communities should have a meaningful voice over how the transition evolves, not be left on the scrap heap as climate policy unfolds.

For example, the coastal communities which ring the edges of the UK rely on the ocean for jobs and recreation. But as traditional industries have failed, communities are experiencing high levels of inequality, increased unemployment and lower wages. These are the same communities who are exposed to the impacts of the climate crisis, through rising sea levels, more extreme weather, and coastal erosion. As part of a Green New Deal, a 'Blue New Deal' for our coastal communities would set out a vision for revitalising our coastal communities and restoring the habitats, wildlife and ecosystems they depend on.

At the same time, the power for making decisions about local areas and regions still lies largely in Westminster. More

power for devolved nations and regional and local authorities would enable governments to tailor transition plans to their specific needs.

STEPS TO GET THERE

- National carbon budgets should be mapped against the different needs of UK regions by the government, and a Just Transition Fund should be created to support workers through regional transition efforts ([Trust in transition, 2019](#); [Powering the just transition, 2021](#)).
- Strengthen trade union legislation,

enabling unions to play an active role in setting national priorities for the just transition and co-designing industrial strategy, and to enable union members to organise and take legitimate industrial action if they feel their workplace is at risk of being left behind as the country decarbonises ([Trust in transition, 2019](#)).

- Increase the number of combined city and county regional authorities and local economic partnerships (LEPs) responsible for using regional carbon budgets to map localised industrial strategies ([Trust in transition, 2019](#)).



Woman cleaning a solar energy panel in southern Mauritania.
Photo: Raphael Pouget / [Climate Visuals Countdown](#)

5. AN INTERNATIONAL GREEN NEW DEAL

Take responsibility for the large amount of emissions that the UK has created in the past, by cutting carbon faster than poorer countries, and supporting those in the global south to cut their own emissions and adapt to our changing climate.

The climate crisis doesn't recognise borders. From Montana to Wales to Pakistan, climate breakdown is leading to extreme weather events like flooding and wildfires. But we're not all affected evenly. Countries that have contributed least to the crisis are often paying the highest price – and across the world, this means the poorest people and communities of colour are bearing the brunt.

The UK needs to recognise that as one of the main beneficiaries of the fossil-fuel age and one of the main contributors to the climate crisis, we have a larger responsibility to mitigate it. An international just transition to lower carbon emissions means supporting poorer countries in powering their economies without fossil fuels.

STEPS TO GET THERE

- A government commitment to cutting carbon as fast as possible, in order

to buy time for poorer nations to cut greenhouse gas emissions.

- Ensure that a just transition in the UK does not come at the expense of global climate justice. Just transition principles must apply throughout the supply chain, considering the impact of increased resource extraction on workers, communities, and the environment beyond our borders ([Powering the just transition, 2021](#)).
- Use the UK's Cop26 presidency role leading up to Cop27 in 2022 to secure much greater public finance for climate adaptation and mitigation for under-developed nations, starting from \$100bn next year and scaling up to over a \$1t by 2030.
- Adequately finance a new 'loss and damage' facility that mobilises significant resources for countries already struggling with the impacts of climate breakdown.

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