

GREEN NEW DEAL UK- SUBMISSION TO THE RESET ENQUIRY

Introduction

This response is submitted on behalf of Green New Deal UK. We are a non-profit organisation founded in 2019 to build a UK movement for a Green New Deal: an ambitious ten-year national action plan to tackle climate breakdown in a way that improves peoples' lives and builds a fairer, more democratic society and economy.

What core/guiding principles should the Government adopt/prioritise in its recovery package, and why?

The coronavirus pandemic is putting immense pressure on our national health service and economy, exposing years of underfunding in public and social infrastructure that we all depend on. The decisions made in response to the crisis will be instrumental in determining whether it is possible to limit temperature rises to 1.5°C – there is no 'neutral' response, and decisions that support business as usual will serve to reinforce global high-carbon economies, thereby locking in climate disaster scenarios.

Rather than reinforcing social and economic injustices and locking in climate breakdown, the UK should adopt a Green New Deal as its recovery package. The Green New Deal is an ambitious ten-year national action plan to tackle climate breakdown in a way that improves peoples' lives and builds a fairer, more democratic society and economy. The Green New Deal must:

1. **Totally decarbonise the economy of the United Kingdom** in a way that enhances the lives of ordinary people, workers and communities and works to eliminate social and economic inequality.
2. **Create millions of new well-paid, secure, unionised jobs across the country** guaranteeing healthy and fulfilling livelihoods for all workers, and communities including those in today's high emissions sectors.
3. **Transform our economy so the financial system serves the needs of people and planet**, with an accountable and democratic government in the driving seat. Our economy must work in the interest of everyone – with greater democratic participation, accountability and common ownership – empowering those communities currently marginalised and respecting natural ecological limits.
4. **Protect and restore vital habitats and carbon sinks**, including forests and wild areas, and ensure the provision of clean water, air, green spaces and a healthy environment for all.
5. **Promote global justice** by supporting all peoples and countries to decarbonise quickly and fairly, in line with timeframes set out by science. The Green New Deal will ensure the UK does its fair share to tackle climate breakdown – and more – to account for historic emissions and the exploitation of resources and communities, particularly those in the Global South.

A Green New Deal must be a comprehensive and intersectional approach, which addresses economic and social justice as a central part of its mandate - not as a side issue. For the Green

New Deal to work for everyone, it must be designed by and for everyone. If the social contract is re-written by those currently in power, it simply won't be re-written at all. We need nurses, cleaners, scientists, bus-drivers and farmers to write the social contract. We need people of all races, religions, of all or no genders, we need to expand the table at which laws are drawn up to ensure everyone has a seat. Meaningful and inclusive democratic participation must be an underpinning feature of the Green New Deal. A national plan will only be successful if regional elements are co-designed in localised strategies, working with local authorities, unions and civil society organisations mapped against the needs of regions or localities.¹

How can the Government borrow and/or invest to help the UK deliver on these principles?

Investment should be targeted at sectors which have a key role to play in a zero-carbon economy. This includes renewable energy, retrofitting for energy efficiency, the circular economy, and infrastructure for walking, cycling, and public transport; but also vital sectors such as education, health and social care, which are fundamentally low-carbon and are key both to a just transition and to dealing with the impacts of climate breakdown which are already locked in.

Any funding for industries which do not have a clear plan to transition away from fossil fuels in the next ten years should be targeted at supporting workers, not companies. Funding currently earmarked for new high-carbon infrastructure should be redirected to projects compatible with the UK's climate targets: for example, the £27bn announced for road building in this year's budget should be diverted to walking and cycling infrastructure, low-carbon buses and electrification of rail, and zero-carbon freight, including cycle infrastructure for last-mile delivery.

The government should fast-track and build upon the £9.2bn manifesto promises for energy efficiency measures, with a focus on large-scale retrofits of social housing. We welcome the announced £3bn funding for decarbonising buildings, but this must be just the starting point for a much larger investment programme, accompanied by training and accreditation to ensure that the energy efficiency sector can scale up to meet demand, and that work is carried out to high standards. Action is also needed to ensure the private rented sector is included.

The challenge of adapting to the impacts of the climate crisis must also be taken much more seriously and be a priority for investment. The present crisis has underlined the importance of both crisis planning and long-term investment (for example in health and social care) to build resilience to shocks. The UK needs higher investment in natural flood prevention, and in making drainage and sewerage systems resilient to changing patterns of rainfall.

What measures and support will businesses need to rebuild consumer confidence and stimulate growth that is sustainable, both economically and environmentally?

¹ <https://neweconomics.org/2019/11/trust-in-transition>

A key pillar of the Green New Deal is the restructuring of the economy such that the finance sector serves the needs of the people, rather than the reverse.

The UK must fundamentally rethink its economic approach, adopting a package of macroeconomic reforms to reshape systems and structure so they are aligned with a redistributive and just transition to a low carbon world. Short-term measures and support will have a role to play in supporting businesses and citizens, but ecological limits demand the rejection of consumption-based economic growth models. By shifting away from a purely GDP centred decision-making framework, decisions can be made that build long term community wealth and resilience rather than simply aiming for the best short term return on investment.

The coronavirus crisis has laid bare how the rules of the game are deeply unfair – we live in a system that has created billionaires who profit through the unsecure and often unsafe working conditions of millions – with incentive structures that reward this behaviour to maximise financial gains. Climate risk is not factored into decision-making, holding back flows of capital towards a low carbon transition. Delivering a fair and inclusive economic transformation, aligned with the Paris Agreement will require systemic changes to the economic and financial architecture. Responses to the coronavirus crises have shown it is possible for central banks to step in to curb executive pay and step up support for workers. It’s time to enshrine these new rules through a just recovery. For example, corporate governance reforms that gave workers a seat on company boards and a share of company ownership to ensure a bigger share of those company incomes went to the wider workforce, rather than billionaire owners and investors.² Changes to the tax system including the introduction of a wealth tax, updates to property taxes and taxing capital gains at the same rate as income from work would also mainly hit those that could afford to pay a bit more to fund public services that benefit everybody.

Regulation should proactively shift lending and investment in line with decarbonisation strategy, moving beyond voluntary measures and focus on disclosure. The government must work with bodies such as the Financial Conduct Authority and Prudential Regulation Authority to implement rules changes such as those listed in the table below,

Change the Rules and Norms for a Fair, Just, and 1.5°C-Aligned Global Economy ³

Finance and Planning Ministries	<ul style="list-style-type: none"> • Develop new metrics to define economic well-being and progress, moving beyond traditional growth models like GDP
Central Banks	<ul style="list-style-type: none"> • Include climate change in mandate for economic stability • Stress test all portfolios against climate risks
Corporate Governance	<ul style="list-style-type: none"> • Report on balance-sheet exposure to climate risk and decarbonization indicators Include environmental and social stakeholders in composition of corporate boards • Prohibit dividend payments for companies exposed to climate risk • Tie executive remuneration to ESG and decarbonization metrics

² <http://highpaycentre.org/blog/billionaires-and-poverty-should-not-coexist>

³ <https://stanleycenter.org/wp-content/uploads/2020/03/v9-RRCC-GlobalFinance320.pdf>

Credit Ratings	<ul style="list-style-type: none"> ● Mandate inclusion of climate risk in credit rating agency methodologies ● Form public credit rating agency with a long-term vision rather than short-term cycle
Institutional Investors and Sovereign Wealth Funds	<ul style="list-style-type: none"> ● Align portfolios with achieving the Paris Agreement ● Deposit climate-risk models with a global observatory

Whether the Government should prioritise certain sectors within its recovery package, and if so, what criteria should it use when making such decisions? What conditions, if any, should it attach to future support?

Spending during the recovery phase should be focused on projects with the largest employment and multiplier effects; which support the most disadvantaged communities and regions; and which provide the widest range of economic, social and health co-benefits. The UK needs a national plan, accompanied by a renewed Green Finance Strategy setting out the country’s investment needs for a just recovery, establishing a new Green Infrastructure Bank which can deploy capital for large infrastructure projects.

An indicative list of these measures is proposed below:

- **Health and social care.** The coronavirus has brought to the surface the chronic underinvestment in the social state. Higher spending on health services, childcare, social care and education will be a critical component of a Green New Deal.
- **Buildings and energy efficiency.** Insulating homes and commercial buildings to improve their energy efficiency can provide jobs in all regions, both urban and rural. Energy efficiency measures have multiple economic and social benefits, reducing energy costs and fuel poverty. As well as retrofit schemes, new building programmes could help towards addressing homelessness, poor and unaffordable housing.
- **Transport.** Investment in sustainable transport modes will raise productivity and reduce congestion and air pollution. Investing in green public transport, cycleways and pedestrianisation is key. Investments can also be used to accelerate the take-up of electric vehicles, particularly by lower-income households.
- **Digital infrastructure.** An accelerated roll-out of high-speed digital infrastructure will have multiple economic and social benefits, particularly in rural and disadvantaged regions. It can support wider decarbonisation goals, for example by reducing travel demand.
- **Renewable energy.** Investment in renewable energy, along with smart energy networks designed for large-scale renewable demand, will support the radical decarbonisation and reduce air pollution.
- **Circular economy measures.** ‘Zero waste’ strategies can save costs, natural resources and create jobs. Many cities in Europe and elsewhere have demonstrated the multiple benefits of prevention, reuse and recycling of waste.

- **Nature conservation and land management.** Programmes aimed at enhancing biodiversity and enhancing public access can provide major sources of employment in both rural and urban areas, as well as enhancing well-being. Agroforestry, soil conservation and land restoration programmes can support livelihoods and incomes, particularly for poorer communities and households, and as part of the just transition in agriculture.
- **Adaptation measures.** The present crisis has revealed the vitality of investing in resilience. The UK needs higher investment in flood and coastal defences, in upland land management to reduce flooding risk, and in making drainage and sewerage systems resilient to changing patterns of rainfall.

In addition to financing the low carbon sectors of the future, the Green New Deal must also support the just transition of high-carbon sectors and those that they employ. Spending could focus on buying down the closure of aging fossil fuel plants, as well as toward the significant investments required for industrial processes and techniques, particularly in ‘hard-to-abate’ sectors such as cement, steel and heavy duty road transport. Support programmes should be provided for workers and communities shift towards green industries through retraining programmes and other support mechanisms.

There must be conditionality that reflects the needs of a just transition, putting sectors on the path to decarbonisation: with packages focused on supporting workers, not CEOs and shareholders.⁴ This is reasonable and has plenty of precedent (eg in 2008, vehicle efficiency standards on US auto bailouts). Support for large businesses as part of the Covid-19 recovery must have conditions attached on emissions and workers’ rights, including mandatory pay ratios, paying the real living wage, and demonstrating a high level of transparency in their tax affairs. Large businesses should not be bailed out if they cannot show that their business plan is compatible with a rapid transition to zero. There could also be opportunities to nationalise high carbon industries, including oil companies facing bankruptcy and steering them through a just transition for managed decline, retraining and supporting workers to access green jobs.⁵

Underpinning all measures must be transparency and accountability: with disclosure of the sums of money provided by the government, the conditions attached, and conversations had with industry lobbyists. This is crucial for a well-functioning democracy, as members of society must be able to hold the government accountable for the decisions made.

How should regional and local government in England, (including the role of powerhouses, LEPs and growth hubs, mayoralities, and councils) be reformed and better equipped to deliver growth locally?

⁴ Common Wealth have written about conditions this may imply for the aviation sector and railways. See: <https://www.common-wealth.co.uk/reports/emergency-landing-how-public-stakes-can-secure-a-sustainable-future-for-aviation> and <https://www.common-wealth.co.uk/reports/signal-and-switch-toward-a-more-resilient-rail-system-for-the-uk>

⁵ <http://highpaycentre.org/blog/billionaires-and-poverty-should-not-coexist>

The UK must seize this opportunity to rebalance economic and political power away from London and the South East.

Local people are best placed to know what is needed in their area, and it is vital that local communities play an active role in co-creating a Green New Deal. It is regrettable that economic development funding in recent years has principally been distributed through Local Enterprise Partnerships (LEPs), which lack civil society or worker representation, rarely include small business representation, and have been found to be lacking in transparency. Structural changes could be advanced to address these democratic shortcomings.

The remit of the LEPs or a replacement body should be focused on regional just transition, with membership drawn from a wider range of businesses as well as public sector, trade unions and the charity sector, with proper democratic oversight (possibly from a citizens' assembly or similar model). Regional investment strategies should be required to prioritise a just transition and to assess the climate impact of investment options, with proposals rejected if they do not contribute to decarbonisation. This would ensure that regional investment is targeted where it can have most impact on decarbonising the economy and tackling inequality. A regional Just Transition Fund could be set up to support this investment.⁶

What opportunities does this provide to reset the economy to drive forward progress on broader Government priorities, including (but not limited to) Net Zero, the UK outside of the EU and the 'levelling up' agenda? What should the Government do to ensure that delivering on these priorities does not exacerbate the vulnerability of businesses, consumers and communities/workers that have been impacted by COVID-19?

The social and economic impacts of the coronavirus are being borne most acutely by lower-income countries. The UN has called for a \$2.5tn emergency package to help developing countries, saying there is a "looming financial tsunami" urging rich countries to provide the sort of assistance for emerging economies as they were providing for themselves. Countries in the Global South already bear the brunt of the impacts of climate breakdown, and the additional burden of the coronavirus crisis presents a disaster within a disaster.

The UK's Green New Deal must take all steps to ensure that the stabilisation and stimulus response to the coronavirus do not exacerbate global injustices - for example, through investing in technologies and infrastructure with socially and environmentally destructive supply chains. There is a need for legislation that guarantees environmental and social requirements equivalent to those that apply in the UK are met in global supply chains. In addition, changes in carbon accounting are needed - with the UK incorporating its share of international aviation and shipping, as well as other emissions incurred through global supply chains; and excluding the use of international emissions credits, within carbon budgeting.

The UK must use its position in international institutions to push for measures that support countries now to cope with the health emergency, and will need further assistance for their

⁶ <https://neweconomics.org/2019/11/trust-in-transition>

subsequent recovery plans. A coordinated strategy is needed from the International Monetary Fund, the World Bank and multilateral development banks, utilising the full range of instruments and concessionary lending facilities at their disposal - including writing off debt and removing conditionality from IMF loans.

International cooperation should be geared towards helping generate pipelines of sustainable and equitable projects. This will require innovative approaches including enhanced project development funds and commitments to technology and knowledge transfer.