The
Green New Deal
Group

Green New Deal Group Press Release

Autumn Statement Proposal from Caroline Lucas MP, NGOs and Green Businesses:
Introduce 'Green Infrastructure QE'

For immediate release

When George Osborne stands up this Wednesday to deliver his Autumn Statement he will find himself between a rock and a hard place of his own making. The rock is the need to encourage a huge increase in economic activity through infrastructure investment, the hard place is the question of how to pay for it, given that his failed policies are increasing debt and threatening growth in the deficit.

An alternative to this is today proposed by a group of environment NGOs, green businesses and those concerned about ethical finance. They have launched a call for the introduction of a new, revised programme of Quantitative Easing (QE), but this time one that would fund jobs, business and helps tackle climate change in every constituency in the UK.

Their proposed 'Green Infrastructure QE'[i] would contribute to funding a carefully costed, nationwide programme to make the UK's 30 million buildings energy efficient, which would dramatically reduce energy bills and fuel poverty whilst cutting greenhouse gas emissions. The programme would also help solve the housing crisis by building highly insulated new homes, predominantly on brown field sites.

The Green New Deal group, which is behind this initiative, believes that this programme would require finance of the order of £50 billion a year. Caroline Lucas MP a member of the group said "For those who think an annual programme of £50 billion is unaffordable, they should remember that between 2009 and 2012 the Bank of England e-printed £375 billion of quantitative easing, which is the equivalent of over £6,000 for every man woman and child in the country. However, this huge sum mostly benefitted the banks and investors by inflating house prices, the stock market and commodities. It had very little impact in terms of generating real economic activity on the ground, whereas Green Infrastructure QE is designed to achieve exactly that".

Such an approach is technically feasible since Mark Carney, the Governor of the Bank of England is on record as saying that if the government requested it, then the next round of QE could be used to buy assets other than government debt.[ii]
Furthermore this debt, which would be owed by the government to the Bank of England, would not have to be repaid, as Adair Turner, the former Chairman of the Financial Services Authority has made clear.[iii]

Neal Lawson, Chair of Compass "establishment orthodoxy on austerity is trumping economic necessity - with fears of a return to recession government can use green QE to boost the economy and create well paid jobs while protecting the environment. It's the political version of a 'no-brainer'".

Colin Hines, Convenor of the Green New Deal group said "Not only would this programme provide a huge stimulus for local economies and increase the tax take because of the number of people it would get back into well-paid employment in the UK, it could also provide the impetus to unlock massive private co-funding from pension and insurance companies through to individual savers. The 'jobs in every constituency' inherent in Green Infrastructure QE means that it should become a political imperative for all parties in the run up to next May's election."

The
Green New Deal
Group

For Further Details Contact:

Caroline Lucas' Press Officer, Jenny Williams 07590 050 565
Neal Lawson, Chair, Compass 07976 292 522
Colin Hines, Convenor Green New Deal group 07738 164 304

The Next Government should introduce Green Infrastructure QE[iv] to Fund Jobs and Business in Every UK Constituency

Quantitative Easing is back on the global economic and political agenda. The growing threat of deflation has meant that Japan has just reintroduced QE, and the European Central Bank is expected to do so to deal with the serious economic problems of the Eurozone. The UK is also facing economic difficulties, including its falling tax take, the threat of a rising deficit and the spectre of deflation. This means that it is time for political parties to consider the introduction a new, revised QE programme for this country that would stimulate the economy, boost employment and tackle climate change.

Conventional wisdom has it that the UK economy is doing well enough not to need further QE. Were it designed to enable essential infrastructure improvements across the country, however, it would have a galvanising effect on the real economy. The increased employment, business opportunities and tax base would also match the existing priorities of government, the private sector and trade unions. This new QE would help finance the necessary public investment for this approach. It could also provide a financial mechanism to help counter the adverse affects of any serious global economic downturn in the future.

The starting point would be to make every building in the UK energy efficient, and where feasible fitted with solar pv, thus reducing energy bills and fuel poverty and cutting greenhouse gas emissions. The programme should also finance the provision of enough highly insulated new homes, built predominantly on brown field sites, to tackle the housing crisis. The scope of this energy efficiency initiative would be huge, given that there are around 28 million dwellings and 2 million commercial and public sector buildings in the UK.[v] It has been estimated that nearly £500bn of investment in new low-carbon infrastructure is required over the next 10 years, of which £230bn will be required for energy efficiency alone.[vi] A 'Green Infrastructure QE' programme would therefore need to be of the order of £50 billion a year over the next ten years.

If this seems ambitious, it is important to recall that between 2009 and 2012 the Bank of England e-printed £375 billion of QE, an average of £125 billion per year. This was the equivalent of over £6,000 for every man woman and child in the UK. Yet this huge sum mostly benefitted the banks and investors by inflating house prices, the stock market and commodities. It had very little impact in terms of generating real economic activity on the ground.

By contrast 'Green Infrastructure QE' could last for a decade or more, providing job security and local business opportunities which are at present lacking in much of the country. This would contribute to the much needed rebalancing of the economy, since essential infrastructure improvements would take place in every city, town, village and hamlet in the UK. Making this happen on the scale, complexity and timetable required will require the involvement of a wide range of organisations, including national and local government, business and trade unions. It will also be important to involve community groups and activists from the social sector in designing and implementing these schemes.

Of course, all major parties agree that more infrastructure, energy efficiency and housing is vital, but all are limited in the scale of their commitments to these investments because of concerns about controlling public debt. Yet a recent IMF report 'The Time Is Right for an Infrastructure Push'[vii] made the case that more public infrastructure investment is critical, that its impact is stronger when there is economic slack and that, when done correctly, 'the boost to output offsets the debt taken'**.**

This variant of the Bank of England's original Quantitative Easing programme should kick-start the essential transition to a revitalised and greener UK economy. It could. in turn, provide the confidence needed to unlock additional private funding from pension and insurance companies through to individual savers. Taken together, these would provide the scale of long term investment required. Finally, the fact that this approach would benefit every constituency in the country should make it a political imperative for all parties in the run up to next May's election.

Signed by:

Green New Deal Group Members:

Caroline Lucas MP for Brighton Pavilion
Ann Pettifor, Director, PRIME - Policy Research in Macroeconomics
Susie Parsons, Director, Lasting Transformation Ltd
Colin Hines, Convenor, Green New Deal Group
Tony Juniper, Campaigner, writer and environmental advisor
Jeremy Leggett, Founder and chairman, SolarAid.
Richard Murphy, Director, Tax Research UK
Charles Secrett, Founder, The ACT! Alliance
Andrew Simms, Author & nef Fellow

Other Signatories

John Sauven, Director Greenpeace
Neal Lawson, Chair Compass
Tony Greenham, Head of Finance and Business, New Economics Foundation
Richard Dixon, Director, Friends of the Earth Scotland
Jonathon Porritt
Lord Teverson, Liberal Democrat
Andrew Warren, Chairman of the British Energy Efficiency Federation,
Joanne Wade, Director Association for the Conservation of Energy
Catherine Howarth, Director ShareAction
Nick Mabey, Director, E3G

---

[i] *The term 'Green Quantitative Easing' was first explicitly used in 2010 in* *http://www.financeforthefuture.com/GreenQuEasing.pdf This concept of directing quantitative easing to fund*

the greening of the UK's infrastructure was included in the Green New Deal Group's 2013 report 'A National Plan for the UK' http://www.greennewdealgroup.org/wp-content/uploads/2013/09/Green-New-Deal-5th-Anniversary.pdf and in the new economic foundation's 2013 report 'Strategic quantitative easing' http://b.3cdn.net/nefoundation/e79789e1e31f261e95_ypm6b49z7.pdf

[ii] 'Mark Carney boosts green investment hopes' Financial Times, March 18th, 2014 http://www.ft.com/cms/s/0/812f3388-aeaf-11e3-8e41-00144feab7de.html#axzz30ATJUiZ2

[iii] http://www.ft.com/cms/s/0/8e3ec518-68cf-11e4-9eeb-00144feabdc0.html#ixzz3IjZNT6bq

[iv] The term 'Green Quantitative Easing' was first explicitly used in 2010 in http://www.financeforthefuture.com/GreenQuEasing.pdf This concept of directing quantitative easing to fund the greening of the UK's infrastructure was included in the Green New Deal Group's 2013 report 'A National Plan for the UK' http://www.greennewdealgroup.org/wp-content/uploads/2013/09/Green-New-Deal-5th-Anniversary.pdf and in the new economic foundation's 2013 report 'Strategic quantitative easing' http://b.3cdn.net/nefoundation/e79789e1e31f261e95_ypm6b49z7.pdf

[v] http://www.ons.gov.uk/ons/dcp171766_373513.pdf

[vi] http://www.e3g.org/docs/Accelerating_the_transition_to_a_low_carbon_economy_The_case_for_a_Green_Infrastructure_Bank.pdf

[vii] http://www.imf.org/external/pubs/ft/survey/so/2014/res093014a.htm