

## Green Bond, 009

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The Sustainable Development Commission has [issued a pamphlet](#) on a 'Sustainable New Deal'. This, of course, is a variant on the Green New Deal.

Included is the following:

*A further option would be to fund specific elements of a sustainable new deal through 'green bonds' — bond issues which are targeted directly at low-carbon investments.*

*This idea has a strong rationale under current conditions for a variety of reasons. In the first place, it is clear that many of these investments offer considerable returns, at a point in time when the returns on conventional savings (particularly household savings) are disappearing.*

*The absence of suitable savings vehicles is particularly frustrating when the propensity of UK households to save is finally emerging from the doldrums. The savings ratio in the UK collapsed dramatically over the last decade and fell below zero in the first half of 2008 to reach a 40 year low. But it is now recovering — as it tends to do in times of economic slowdown.*

*Keynes's 'paradox of thrift' is frustrating for government policies aimed at encouraging people to spend. But instead of going against the grain of people's natural financial prudence at such times, there is a good case for providing robust and credible vehicles to save in a form which could provide the basis for stimulus funding. Green bonds offer people a clearly differentiated way of bringing consumer choice to bear on investment markets at time when bond markets are saturating.*

*This opportunity is important for another reason. The evidence from consumer research suggests that people are desperate for guidance on ways not just to change their lifestyles to be 'greener', but also to shift their investment decisions. By targeting such bonds at domestic savers, green bonds could also reduce the UK's high exposure to 'external' debt.*

*In summary, green bonds provide a differentiated savings product when the propensity to save is high; and in doing so they inject investment funds directly into green recovery.*

I strongly agree.

I hope Alistair Darling takes note.

I hope pension trustees take note.