

Funding the UK Green New Deal

Published: January 13, 2026, 11:30 am

I [have been asked](#) how I would fund the Green New Deal. This is a response I prepared to support some thinking a little while ago. I should add that I have not edited to indicate that this is solely my thinking:

We face a world of massive insecurity:

- * For people;
- * For jobs;
- * For the environment;
- * For our savings;
- * For young people;
- * For pensioners;
- * For the services we all rely on.

The Green New Deal is about transforming our future.

- * We all know that the climate science argument is settled now: global heating is our fault;
- * We have to beat human-created global warning unless we want to become extinct;
- * We must build a new society in which we can all both survive and prosper, which is not what we have right now.

The Green New Deal will deliver:

- * Security for our planet by limiting and then reversing climate change;
- * Secure food supplies by supporting biodiversity;

- * Secure jobs for the long term to create:
- * The energy efficient housing we all must live in;
- * The new energy generation systems we need,
- * The public transport infrastructure and replace carbon fuelled vehicles,
- * The ‘circular economy’ to minimise waste and resource use;
- * The new agriculture we require;
- * The forests that must be a part of our landscape;
- * The businesses that can meet our needs in a sustainable future, and
- * The social facilities we will need in the future.

- * Secure savings by putting them to good use, with a government guarantee to back them up;
- * Secure old ages by underpinning our pension funds;
- * Security against the risk of conflict which the scarcity of food, water, energy and other resources will otherwise create if we do not act now.

How will we do this?

The Green New Deal will:

- * Transform the UK’s 30 million buildings so that they’re all energy efficient by 2030 - creating hundreds of thousands of jobs on the way right across the UK, as well as the training and support services they’ll need;
- * Turn as many of those buildings as possible into power stations by fitting solar panels and other generating alternatives;
- * Build new social housing to end our housing crisis;
- * Investing in renewable energy of all sorts on and offshore;
- * Build a non-carbon based transport infrastructure;
- * Invest in agriculture that protects biodiversity;
- * Require that business transform itself to become zero net carbon and provide the funding to help them to do that if they cannot find it themselves;
- * Provide security for people’s savings, which will be used to fund this innovation at better rates of return than most savers enjoy now;
- * Deliver pensions that will work.

How much will this cost?

- * We think the Green New Deal will in itself cost at least £50 billion a year;
- * We accept that on top of that requiring that businesses be net-zero carbon - as it's going to have to be - will create additional costs and that business will need help to fund this transition;
- * The need may then be for £100 billion a year for at least a decade;
- * But that's just 5% of the UK's annual income - a small price to pay for a secure future;
- * And it's only about 8% - or less than a twelfth - of total UK private wealth.

How do we pay for this?

- * We think that this transition can be paid for without increasing taxes;
- * About £100 billion a year is paid into UK pension funds and all of that money gets tax relief from the government. The total tax subsidy costs £54 billion a year. We say 25% of those contributions should go into Green New Deal Investment in exchange for that tax relief. That would supply about £25 billion a year to the Green New Deal;
- * About £70 billion is saved in ISAs a year. If ISA tax relief was dependent on these funds being invested in the Green New Deal in future at a government-guaranteed rate of 2% we think that all this money might be available to the Green New Deal.
- * Right now these two sources of funds should, by themselves, fund the whole cost of the Green New Deal.
- * But what we would add is that all this new economic activity in jobs that we would plan be paid at least a real living wage would create additional tax revenues that would also help pay for the Green New Deal, the interest payable on any borrowing and other measures to relieve the impact of austerity;
- * And we should also note that the Green New Deal does not rely on expensive fossil fuel imports, so our international economic position will improve as well.

What are Green New Deal Investments?

Green New Deal investments will take the form of a whole range of products that will be made available for people and pension funds to invest in, including:

- * Green gilts issued by central government to fund Green New Deal projects;
- * Bonds issued by a National Investment Bank to fund:
- * Green New Deal projects;

- * The transformation of 30 million properties in the UK;
- * New social housing;
- * New transport infrastructure;
- * Renewable energy;
- * Research and development;
- * Green New Deal training;
- * Businesses who want to work to deliver the Green New Deal;

- * Local bonds issued by devolved governments, cities and counties that want to pursue their own Green New Deals to deliver the above types of project;
- * Approved shares and bonds that will be issued by companies to fund their Green New Deal projects.

How can anyone be sure that their Green New Deal investments are secure?

Right now the UK has what's called Financial Services Compensation Scheme. This means that anyone who has up to £85,000 in a bank deposit account is guaranteed to be repaid by the government if that bank fails. Everyone involved knows the value of a government backstop guarantee for their savings.

The Green New Deal will involve a similarly guarantee. Every single Green New Deal approved bond or deposit or loan will be backed up by the government to the same limit the Financial Services Compensation Scheme. Your savings will, then, be safe.

And this is easy to arrange. The government can offer such a guarantee because unlike anyone else a government can create the money needed to back up its guarantees, which is exactly what it did when over the last ten years it effectively supplied £435 billion of funding to UK banks and other financial institutions through its quantitative easing programme, which backed up their solvency. We call our guarantee scheme Green QE. What Green QE guarantees is that the money to deliver the Green New Deal will always be secure. And that means that we think more than enough to deliver the Green New Deal will be invested.

What role does Green quantitative easing play in this?

The honest answer is 'not a lot'.

The capital cost of the Green New Deal can be paid for by government borrowing - and we are quite sure that the funds are readily available for that purpose.

Tax would only have to cover revenue costs, such as interest, and addressing the impacts of austerity and additional revenues from the Green New Deal should cover both.

In that case, green quantitative easing would only do what it was ever designed for, which was to provide a guarantee that funding was available. It could be used if savings completely dried up in the event of a downturn (which is very unlikely). Beyond that, it would be the mechanism used to guarantee there will always be a market for green investments. We strongly suspect it will never be used.

The Green New Deal will deliver long-term security:

- * For people;
- * For jobs;
- * For the environment;
- * For our savings;
- * For young people;
- * For pensioners;
- * For the services we all rely on.

The Green New Deal is the way to the world we need to live in.