

The Green New Deal: building a secure future

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This post by me was on the [Progressive Economy Forum](#) blog yesterday. I admit it's an iteration of something that has been here before, but if a thing is worth saying, it's worth saying again:

The Green New Deal recognises that we live in a world of massive insecurity. The UK's neoliberal economic model has over the last forty years reduced the security of employment, young people, savings, pensioners, the vulnerable, those needing access to housing and so much more. What we now also know is that the economic model that created this insecurity has also been harming our planet. Almost everyone now agrees that the climate science argument is settled: global heating is our fault. As a result, we have to beat human-created global warming unless we want to become extinct. The consequence of neoliberalism is, then twofold: we must build a new society in which we can both survive and prosper within the constraints our planet imposes. We are nowhere near this position now.

The Green New Deal

The Green New Deal, in almost every iteration I have seen, is a variation on the plan produced by the London-based Green New Deal Group that first reported in July 2008, shortly before the crash of Lehman Brothers and the onset of the Global Financial Crisis. Those objectives might be summarised, in my view, as seeking to provide:

- * Security for our planet by limiting and then reversing climate change;
- * Securing food supplies by supporting biodiversity;
- * Securing jobs for the long term by creating:
 - * The energy efficient housing we all must live in;
 - * The new energy generation systems we need,
 - * The public transport infrastructure we require to 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.

How will we do this?

The Green New Deal has an ambitious programme to achieve these aims. It will, for example, seek to transform the UK's 30 million buildings so that they are all energy efficient by 2030, creating hundreds of thousands of jobs on the way right across the UK. It will also supply the training and support services that this will require. In the process it will turn as many of those buildings as possible into power stations by fitting solar panels and other generating capacity, and it will fund the building of the new social housing required to end our housing crisis whilst investing in renewable energy of all sorts, on and offshore, that will guarantee that they can be net-zero, carbon neutral.

The Green New Deal will also fund significant investment in local public transport, with an emphasis on reducing dependency on fossil fueled cars. Investment in research and development that will seek to address the problems of a green transition for freight, sea and air transport will also take place. And whilst all this is happening business will be required to transform itself to become zero net carbon: the Green New Deal and its associated National Investment Bank will help provide the capital to assist business to do that if they cannot find it themselves.

Throughout this the Green New Deal will seek to provide security for people's jobs and long-term prospects, as well as providing secure opportunities for their savings, which will be used to fund this innovation at better rates of return than most savers enjoy now. As a result, the Green New Deal will also deliver pensions that will work.

How much will this cost?

Current best estimates suggest that the Green New Deal will in itself cost at least £50 billion a year. On top of that requiring that businesses be net-zero carbon — as it is 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 of investment for at least a decade.

This sum does, however, need to be put in context. £100 billion is just 5% of the UK's annual income, which is a small price to pay for a secure future. And in addition, it is only about 8% — or less than a twelfth — of total UK private wealth. It is easy to get carried away with thinking that programmes costing multiple billions of pounds are

unaffordable. In the case of the Green New Deal there is, firstly, no option but invest if we are to survive. And second, the sums involved are completely affordable.

How do we pay for this?

It is very likely that the transition that the Green New Deal requires can be paid for without increasing taxes, at all. That is because the tax reliefs that direct the way that the wealth of the UK is saved should instead be used to redirect funds to the Green New Deal.

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. If 25% of those contributions were required to go into Green New Deal Investments in exchange for that tax relief that would supply about £25 billion a year to the Green New Deal.

In addition, about £70 billion is saved in Individual Savings Accounts (ISAs) each year. If ISA tax relief was dependent on these funds being invested in the Green New Deal in future through GND related gilts and other bonds of the types noted below, with a government guaranteed rate of 1.5% on all bonds issued by government related or backed institutions, it might be that all this money would be available to the Green New Deal.

In that case these two sources of funds should, by themselves, fund the whole cost of the Green New Deal. It is important to add though that all this new economic activity undertaken by people in secure and well paid employments would create significant additional tax revenues that would help pay for a lot of the Green New Deal as well, or other measures to relieve the impact of austerity. In that case it is likely that the suggested funding is more than adequate to fund the whole Green New Deal programme.

What are Green New Deal Investments?

Green New Deal investments that ISAs and pension funds might invest in will take the form of a whole range of products, including:

- * Green gilts specifically issued by central government to fund Green New Deal projects, for which new reporting measures would be required;
- * Bonds issued by a National Investment Bank to fund the Green New Deal;
- * Local bonds issued by devolved governments, cities and counties that want to pursue their own Green New Deals;
- * Approved shares and bonds that will be issued by companies to fund their Green New Deal projects.

Providing both liquidity and security to Green New Deal investments

At present the UK has what is called a 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 should, it is suggested, involve a similarly guarantee. Every single Green New Deal approved bond or deposit or loan (but not shares, if ever these were approved) of the types noted above should be backed up by the government to the same limit as that supplied by the Financial Services Compensation Scheme.

This guarantee is easy to arrange, and finance. The government can offer such a guarantee because unlike anyone else a government can create the money needed to back up its promises, which is precisely 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 (QE) programme, which funding backed up their solvency. Replicating this guarantee scheme for the Green New Deal is, it is suggested, the proper use for what has become known as Green QE. What Green QE guarantees is that the money to deliver the Green New Deal will always be secure and that liquid markets for Green New Deal investments will exist. In that case it is more than likely that enough funds to finance the Green New Deal will be invested without there ever being need to resort to this guarantee: the promise will be enough in itself to mean it will never be called upon.

How does business play a part on the Green New Deal?

It seems obvious, but is rarely said, that Green New Deal has to involve everyone, including all businesses. To make sure business is fully involved in the Green New Deal accounting rules need fundamental revision. What should be required is that all large businesses (to start with, at least) should:

- * Prepare a plan for how they and their supply chains will become net-zero carbon emitters, ideally by 2030;
- * Cost this plan;
- * Have that plan audited, and then publish it;
- * Then include the whole cost of transition in their accounts by not later than 2022.

In some cases, this will show that the business cannot fund that transition based on currently identifiable sources of capital.

Sometimes it will be apparent that this is because in the long term that business cannot survive: it's doing something that we can no longer permit if life is to continue here on

earth.

In other cases what will be required is new capital: if the case for survival can be made then the National Investment Bank should be there to help: using its resources it should provide the support to ensure that these businesses, and the jobs of those who work in them, will make it to the new world that we must live in.

But for those businesses that cannot make the transition then a new form of insolvency will have to be created. For obvious reasons it should be called 'carbon insolvency'. This will require the orderly winding up of the affairs of the companies involved, and the investment of new funds to assist those whose jobs will be impacted. The National Investment Bank will be the source of this funding. The Green New Deal is all about job creation: it will invest to ensure that promise is fulfilled.

And, it should be said, for those businesses that look like they can prosper with zero net carbon emissions, then the future will look very good indeed.

What the suggested form of accounting will do, then, is exactly what accounting should always provide, which is the indication that society needs as to whom to trust with its capital. That is precisely why accounting will play a key part in the Green New Deal process.

The Green New Deal will deliver long-term security:

The result is that the Green New Deal will deliver the security we need:

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

It has long been my belief that the Green New Deal is the way to secure the world we need to live in. Now is the time to prove it.