Funding the Future

Saving for the planet should be a core part of all Gree...

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The EU reconfirmed its commitment to what it calls its Green Deal yesterday.

What it also made clear is that much of the â‚¬1 trillion of funds required will come from the private sector. This, though, came with a sensible, and new caveat:

While all Member States, regions and sectors will need to contribute to the transition, the scale of the challenge is not the same. Some regions will be particularly affected and will undergo a profound economic and social transformation. The Just Transition Mechanism will provide tailored financial and practical support to help workers and generate the necessary investments in those areas.

Is there an implicit criticism of Germany in here? It's hard to say. What is clear is that the amount of redistribution involved is restrained and far less than the whole. As they say:

While all regions will require funding and the European Green Deal Investment Plan caters for that, the Mechanism provides targeted support to help mobilise at least â‚¬100 billion over the period 2021-2027 in the most affected regions, to alleviate the socio-economic impact of the transition.

And when you read the detail the whole thing package becomes even more limited. What is clear is that the â‚¬1 trillion is wishful thinking unless a funding mechanism is found.

I have a suggestion to make. As is well known, one of the stumbling blocks that the eurozone has faced has arisen because of German reluctance to underwrite a common bank account guarantee equivalent to the UK's Financial Services Compensation Scheme. There are signs that this concern is now diminishing. And if so the answer to funding the EU's Green New Deal could be similar to the one that Colin Hines and I have proposed for the UK.

This is to encourage governments to issue simple savings products - in effect, time limited bonds exchangeable for cash at any time, but with a penalty for early redemption - and make these the only or main products that can be offered by tax favoured tax savings schemes like pension funds and the equivalent of the UK's Individual Savings Account schemes.

There are three reasons for doing this. First, it will guarantee a market for green bonds, and they are needed.

Second, it will align the tax subsidy that many countries give to savings with the social objective of delivering the Green New Deal, which is essential if a project of this scale is to be delivered.

And third, it will make people realise that their decisions impact the delivery fo the Green New Deal, and that is important. As Frans Timmermans is reported to have said in the FT this morning:

Politicians have done too little to prepare their citizens for the "tectonic" economic shifts that will be propelled by the drive towards carbon neutrality, a senior Brussels policymaker has warned, comparing the impending transformation to the disruptive effects of the industrial revolution.

Frans Timmermans, the European Commission executive vice-president in charge of its green policy, said the EU's decision to push for carbon neutrality by 2050 would bring opportunities for new jobs and better living conditions – but would be painful for some workers and involve massive public and private investments well beyond the capacities of EU institutions.

"If you say you are moving from an economy entirely based on carbon to an economy that should be weaned of this carbon dependency, that is not a small change of policy, that is a tectonic shift in the way our society is structured," Mr Timmermans said in an interview with the FT in Strasbourg. "We still have a long way to go before this sinks in everywhere."

This is undoubtedly true of the UK government: its reaction to Flybe proves it. Making people quite literally save for their planet is a way to change this mindset. It is, I think, a core part of the Green New Deal.