

The case for a green stimulus is very clear: all that i...

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The [UK Climate Change Committee](#) has issued a review of progress today. It both makes worrying reading, on what has not happened, and offers hope. I'll concentrate on the hope. Start with this from the summary:

The delay of COP26 to November 2021 provides a window to address this policy deficit and establish a credible internationally-leading position:

- The Buildings and Heat Strategy, due later this year, must take low-carbon heating from a niche market in the UK to the dominant form of new heating installation by the early-2030s. It should be supported by a national effort to improve the energy efficiency of UK buildings along with ensuring their safety and comfort as the climate warms.
- The Government's welcome new ambitions to change patterns of transport demand and decarbonise surface transport still require strong policies to deliver them, especially in the context of COVID-19 recovery and social distancing.
- The goal to substantially expand supplies of low-carbon power must be accompanied by steps in the Energy White Paper to encourage a resilient and flexible energy system.
- Enduring market mechanisms are needed to drive investment in a much wider set of low-carbon industrial technologies and industrial sectors than the piecemeal schemes announced so far.
- The unique opportunity to reform agricultural support and encourage transformational land-use change will be missed unless the Environment and Agriculture Bills are strengthened. They should be backed by a strategic mechanism to fund tree planting and natural carbon storage at a much larger scale while improving the productivity and resilience of our food supply, strengthening flood protection and protecting biodiversity.
- UK leadership also depends on building resilience to climate change, a resilience which no UK sector has yet demonstrated for even a 2°C rise in global temperature. We will publish our updated assessment of the risks and a review of the UK's progress next June, by which time much better plans must be in place.

And then add this, also from the summary, which endorses a Green New Deal:

There is strong evidence, set out in chapter 5, that a range of low-carbon and climate adaptation 'green stimulus' measures fulfil both the short-term and long-term needs. Many can be delivered quickly, have high economic multipliers (i.e. they in turn stimulate further boosts to economic activity), create high numbers of jobs, and boost spending in the UK (rather than overseas). In the long term, a transition to a low-carbon, efficient and resilient economy will bring productivity benefits throughout the economy.

There are clear economic, social, and environmental benefits from immediate expansion of the following measures:

- Investments in low-carbon and climate-resilient infrastructure.
- Support for reskilling, retraining and research for a net-zero, climate-resilient economy.
- Upgrades to our homes and other buildings ensuring they are fit for the future.
- Action to make it easy for people to walk, cycle, and work remotely.
- Tree planting, peatland restoration, green spaces and other green infrastructure.

Greater use of carbon taxes can support the public finances and strengthen incentives to reduce emissions. They are particularly attractive when global oil prices, and therefore consumers' energy costs, are low, as they are now. Particular attention is needed to where the costs and benefits of action fall, given the uneven effects of the COVID-19 crisis.

This is the summary of recommendations:

Box 1. Six principles for a resilient recovery

In April 2020, we wrote to the Prime Minister and the First Ministers of Scotland, Wales and Northern Ireland setting out six principles for a resilient recovery from COVID-19:

- Use climate investments to support the economic recovery and jobs.
- Lead a shift towards positive long-term behaviours.
- Tackle the wider 'resilience deficit' on climate change.
- Embed fairness as a core principle.
- Ensure the recovery does not 'lock-in' greenhouse gas emissions or increased climate risk.
- Strengthen incentives to reduce emissions when considering fiscal changes.

Our Costs and Benefits Advisory Group on Net Zero, which we reconvened for this report, endorsed these principles and concluded that *"the economic recovery from [COVID-19] gives the UK a chance to grow back in a way that is fit for the low-carbon future to which it aspires, and that can benefit from the industrial and economic developments that this future offers."*

Source: CCC (2020) Letter to Prime Minister Boris Johnson on *Building a resilient recovery from the COVID-19 crisis*.

And I'd add this from chapter 5 on why economics supports the case for climate change now:

3. The economics of a resilient recovery

In May 2020, the Committee reconvened its Expert Advisory Group on the Costs and Benefits of Net Zero to consider the macroeconomics of the pandemic and the role of climate change measures in supporting a recovery (Box 5.4). The Group was clear that climate policy should play a central role in the efforts to rebuild from COVID-19.

Building on the evidence provided by the advisory group, we conclude that policies to recover from the pandemic should stimulate confidence in the short run while building productive capacity in the long run:

- In the short term, with the economy operating well below capacity, action by Government must protect workers and businesses, restore confidence, stimulate spending and rebuild the economy. These goals can be strongly complementary to the UK's climate goals.
- For the long term, the UK must invest in key assets to build capacity and enable productive activity in the future. This means investing in climate-resilient low-carbon infrastructure, training and reskilling, knowledge, and natural, social and institutional capital. Public money spent now should not support industries or infrastructure that is not consistent with the future Net Zero economy.

There is strong evidence that a wide range of low-carbon and climate change adaptation 'green stimulus' measures fulfil both of these criteria (Table 5.1):

- In the short run, green stimulus policies can be economically advantageous compared to traditional fiscal stimuli. They tend to have higher short run multipliers and higher numbers of jobs created¹⁸² and domestic construction projects, (e.g. insulation retrofits or building wind turbines) are less susceptible to offshoring.¹⁸³ Most measures - including peatland restoration, tree planting and improving the condition of green spaces - have high benefit:cost ratios with multiple co-benefits for health and the natural environment as well as the economy.
- In the long run, investments in low-carbon and adaptation technologies can lower costs and help to accelerate deployment and innovation in a 'virtuous reinforcing cycle'. This has been seen in wind, solar and possible battery technology, where costs have fallen rapidly with increasing scale (chapter 2, section 2). This needs to be seen with more emerging technologies, including adaptation technologies such as passive cooling, sustainable urban drainage and property-level flood protection. The long-run benefits from these investments stem from a transition to a low-carbon, highly-efficient and more resilient economy, with productivity and efficiency benefits that pass through to the wider economy. We know low-carbon and climate adaptation investments are consistent with a future net-zero economy; investments in the fossil fuel industry or petrol/diesel car manufacturing would have to be reversed in future.

The 'green' stimulus measures that were introduced in the wake of 2008-09 global financial crisis accounted for only 16% of the total global stimulus at the time.¹⁸⁴

A decade later, the UK can be much more ambitious with investments in low-carbon measures, as the options are now cheaper and more readily available, while the risks of stranded high-carbon assets are much higher.¹⁸⁵

Overall, the Committee recommends that investments in low-carbon and climate adaptation infrastructure must be at the heart of measures to restore economic growth following COVID-19.

We will need to recover from the coronavirus crisis. Only a Green New Deal can do that.

And funding it is really not hard. First, there's modern monetary theory. [And there is also a savings glut](#). All that is required is political will.

That word 'all' is, however, critical.