

## Giving tax relief for green savings makes complete sense...

Published: January 13, 2026, 6:47 am

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Amongst the papers put out by the IMF in advance of this autumn's general meeting [was this one](#):

### How Investment Funds Can Drive the Green Transition



By [Fabio Natalucci](#), [Felix Suntheim](#), and [Jérôme Vandenbussche](#)

*Sustainable investment funds need to be scaled up to support a successful transition to a green economy.*

It said:

*The world's \$50 trillion investment fund industry, especially funds with a sustainability focus, can play an important role financing the transition to a greener economy and helping to avoid some of the most perilous effects of climate change, according to our recent analysis as part of the IMF's Global Financial Stability Report.*

The focus of the work I am going with Finance for the Future is on this issue. We suggest that there is a [QuEST for a Green New Deal](#), playing on the fact that quantitative easing, savings and tax reform to encourage savings reform are all going to have to play a part in his process. As such we welcome what the IMF is saying, and most especially these concluding paragraphs:

*To this end, the IMF, together with the World Bank and the OECD, aims to develop principles for such classification systems to harmonize existing approaches and support the development of sustainable finance markets.*

*Second, proper regulatory oversight needs to be in place to prevent "greenwashing,"*

*that is, ensure that labels fairly represent funds' investment objectives. This, in turn, increases market confidence and further boosts flows into sustainable funds.*

*Third, once those elements are in place, tools to channel savings toward funds that enhance the transition become important. **For example, enhanced eligibility of climate-themed funds for favorable tax treatment in savings products (such as retirement plans or life insurance products) could help complement other climate-change-mitigation measures, such as carbon taxes.***

The emphasis is mine: I think giving tax relief on green savings, and reducing or eliminating it on other forms of saving, is wholly appropriate now and an essential part of winning the battle to beat climate change.

Finance for the Future will publish more on this QuEST next week.