

**GREEN NEW DEAL GROUP, 2008.** *A green new deal: joined-up policies to solve the triple crunch of the credit crisis, climate change and high oil prices.*

UKSIF summary, 2009.

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### I. Key points

- The triple crunch is a combination of the credit crunch, climate change and growing energy prices.
- **Proposed solution by the Green New Deal:**
  - Structural transformation of the regulation of national and financial systems and major changes to taxation systems
  - Sustained programme to invest in and deploy energy conservation and renewable energies
- **Programme of actions proposed by the Green New Deal:**
  - Maximize the energy efficiency of the properties
  - Form “green collar” workers
  - Ensure realistic fossil fuel prices and establish an Oil Legacy Fund
  - Finance efficient energy infrastructure and reduce demand for energy
  - Reduce interest rate by the Bank of England
  - Forced demerger of large banking and finance groups
  - Regulation of finance: tighter controls on lending and on the generation of credit
  - Subject derivative products to official inspections
  - Minimize corporate tax evasion
- **Credit crunch:**
  - 9 August 2007 was called the “debtonation day”, as banks refused to lend to each other.
  - Politicians and bank governors feared that many institutions and the economy could be destabilized without the ability to borrow. Thus, the Bank of England offered liquidity to these banks, although it did not deal with the insolvency problem.
  - Keynes’ expenditure proposals led to low employment and high activity, but also nations produced what they consumed, state budgets were under control and international trade was a complement to domestic achievement. Financial liberalization led to inflation as well financial and trade imbalances.

- Tax havens' (actually, secrecy jurisdictions) main purpose is to provide companies and individuals with hidden spaces in which they can conceal their abuse of the regulation of other countries.
- **Climate crunch:**
  - According to Stern, 1% of global GDP could be spent on climate change to avoid costs up to 20 times higher.
  - Stern calculates that the UK needs to reduce carbon emissions by 80% from 1990 levels by 2050.
  - The IPPR proposals to reach Stern's target would cost £50-£70 billion a year.
  - According to the 4<sup>th</sup> IPCC report, the global temperature will rise 4 degrees and significant clean and efficient technologies could cut such rise to half. However, a British research by the University of Exeter states that the model used by the IPCC had underestimated climate sensitivity.
  - The biggest increase of carbon dioxide is likely due to accelerating coal use in China, growth of global economy and weakening of carbon sinks (forests, seas and soils).
- **Energy crunch**
  - The IEA concluded that non-OPEC oil production will peak within a few years and production demand will depend on Saudi Arabia, Iraq and Iran.
  - 500 giant oil fields (holding 500 million barrel each) were found in these 100 years of history and each one is responsible for one week of current world supply.
  - Techniques:
    - International oil companies pump fluids or gases underground to ease the movement of oil through the pores of a reservoir and drill horizontally (80% of the reserves are run by national oil companies, which do not own these techniques)
    - Canadian tar sands (Alberta): oil is solid and must be melted, mostly underground, which takes vast quantities of gas and water and which progress is slow
    - Oil shales (Wyoming and Colorado): organic matter has to cook to form crude or tar, through installing electric heaters into the shale (by Shell) or installing nuclear reactors underground (US government).
    - Nazi Germany: extract liquid oil from coal which is an energy-intensive and filthy process. Also due to open to China and planned in Japan, USA, Australia, NZ, India, Indonesia, Botswana and Philippines.
- Cuba, when the Soviet Union collapsed, lost its cheap supply of oil and US's boycott, but managed to respond due to previous long-term investment in science, engineering, health and education. It implemented a self-sufficient food system and improved lifestyle and diet patterns of the population.
- In the UK and in other industrialized countries, the economy has grown, but sense of satisfaction with life has flat-lined. When most basic material needs are met, what determine the well-being is the quality of family life,

friendships and the opportunities to do things that give lasting satisfaction (learning, pastimes and meaningful work).

- The IPPR states that the easiest proposal is to decarbonise electricity supply first, offshoring wind and decentralizing renewable energy. Also, serious investment should be made on energy-supply systems.
- Carbon taxes and price for traded carbon should rise and there should be a huge increase in investment in energy infrastructure.
- Public funding can be raised through bonds, such as green gilts, kiddies go green bonds and local authority bonds.
- A global climate framework should include:
  - Formal greenhouse-gas atmospheric concentration target: should not exceed 2 degrees
  - Fair international agreement: deepen targets in industrialized countries, allows for contributions of larger developing countries and ensure adaptation
  - Developed countries should take leadership by reducing emissions at home
  - Deliver poverty reduction
  - Recognize forced displacement: flexibility in immigration policy, proper protection of displaced people and compensation fund for those affected
  - Free technology transfer: especially energy technology

## II. Key quotes

- "...we have to put a stop to this financial system which is out of its mind and which has lost sight of its purpose" (President Sarkozy in Green New Deal Group 2008, p. 5).
- "The finance sector has behaved in ways that are unethical, irresponsible, greedy and - at times - fraudulent" (Green New Deal Group 2008, p. 7).
- "While we may all have access to money - in the form of wages, pensions and so on - not all of us have access to credit" (Green New Deal Group 2008, p. 9).
- "Increased consumption by rich nations has intensified exploitation of the Earth's assets and pollution and its atmosphere and carbon sinks - the forests, soils and seas that have the capacity to absorb emissions" (Green New Deal Group 2008, p. 12).
- "Keynes argued that the level of employment and activity depended critically on the rate of interest" (Green New Deal Group 2008, p. 12).
- "Instead of institutions that are too big to fail, we should aim for institutions that are small enough to fail without creating problems for depositors and the wider public" (Green New Deal Group 2008, p. 24).
- "In the UK alone, while our economy has grown continuously over the past few decades, study after study shows that our sense of satisfaction with life has flat-lined. Similar trends can be found in a wide variety of other industrialized countries" (Green New Deal Group 2008, p. 32).

- “More than this, there is now mounting evidence that getting caught on the hedonistic treadmill, chasing an ever bigger house or smarter car, will undermine our well being” (Green New Deal Group 2008, p. 32).
- “If the world rushes to replace oil and gas with unsequestered burning of coal and tar sands, we will lose the climate change battle anyway” (Green New Deal Group 2008, p. 33).
- “In 2007, the world invested over \$100 billion in renewables for the first time, most of it private money” (Green New Deal Group 2008, p. 38).

### III. Best practices

- Norway: has used its oil surpluses to help create a safety net for future generations that is today worth around £198 billion
- Germany: provides low-interest loans for older properties to reach new build energy standards
- Sweden: has a plan to go zero carbon, using no fossil fuel by 2020

