

Monday 13th November 2023

Dear Chancellor,

Open letter: Investing in a Green New Deal for the UK

We are writing as co-chairs of the All-Party Parliamentary Group on the Green New Deal to urge you to use the forthcoming Autumn Budget to reverse the crisis of underinvestment which the UK is facing. We ask you to demonstrate the ambition and long-term thinking which this moment requires, and invest in a Green New Deal to deliver the jobs, infrastructure and public services we need for the transition beyond fossil fuels.

Investment in maintaining and upgrading critical infrastructure cuts waste and reduces the need for emergency spending when things go wrong. This is increasingly apparent when it comes to our physical infrastructure: due to the inefficiency of its cables, our ageing electricity grid lost approximately 25 terawatt hours in 2022 – equivalent to all the electricity imported into the UK. ⁱ

We have a rapidly closing window in which to transform the way we travel, heat our buildings, manufacture products and produce our food. Drought, floods and heatwaves exacerbated by the climate crisis will also put our infrastructure under greater pressure in the coming decades.

Making the UK's physical and social infrastructure fit for the future requires serious strategic planning and a major programme of public and private investment. The Inflation Reduction Act in the United States is demonstrating how large-scale government investment and regulation can rapidly drive private sector investment and create jobs. However, following the UK government's recent backtracking on phasing out ICE vehicles and gas boilers and the mismanagement of the latest offshore wind 'contracts for difference' auction, we are concerned that lack of policy certainty on decarbonisation is deterring private investors.

The long-term failure to invest comes at both a financial and a social cost to households. The scrapping of energy efficiency support in 2012 added an estimated £350-400 to an average household's bill over the last year,ⁱⁱ and has left millions of people in cold, draughty homes. The disastrous privatisation of water has led to the sewage crisis and emerging water shortages we see today, with demand for water set to outstrip supply by the 2030s,ⁱⁱⁱ as the water companies have prioritised dividends over investment.

As part of the APPG's inquiry into local leadership on climate action in 2022-23, we heard from people doing transformative work in their communities on energy, housing and food. Again and again, people told us that local government lacks the powers and funding to implement ambitious programmes that would reduce emissions while boosting quality of life locally – such as home retrofit programmes, public transport networks and investment in local food systems.

We therefore ask you to use the Budget to:

- 1. Announce a multiyear devolved funding settlement for local authorities to decarbonise homes in their area, based on need and commensurate with the task of decarbonising all the 26.4 million homes in England and Wales.**

- 2. Devolve funding and powers to local authorities to enable them to develop their own Green New Deal strategies for using decarbonisation to boost quality of life and support the local economy.**
- 3. Initiate the process of bringing the electricity grid and water companies in England back into public ownership.**

It is well within the power and role of government to invest at the level required, as demonstrated by the resources that were mobilised rapidly to tackle the Covid-19 pandemic. Funding can be found through the use of credit and savings, including by expanding the government's existing green gilts programme. Additional sources of finance could include:

- Changing the rules on ISAs so that the £70 billion saved in them every year must be invested in green bonds as a condition of their tax-free status.
- Requiring a proportion of pension contributions to be invested in green projects. This is particularly appropriate given the long-term nature of pension funds and the intergenerational compact they represent.
- Aligning the rate of capital gains tax with income tax, raising around £12 billion a year.

The task of addressing the climate crisis, the cost of living and the UK's ageing infrastructure is a vast one; but many of the solutions we need can address all three challenges at once. We urge you to take the necessary decisive action to accelerate decarbonisation and build the UK's resilience.

Yours sincerely,

Caroline Lucas MP and Clive Lewis MP

Co-chairs, All-Party Parliamentary Group on the Green New Deal

ⁱ <https://www.ft.com/content/4dbce4a9-24c4-481e-b803-e0a4a34c21cb>

ⁱⁱ <https://eciu.net/media/press-releases/2022/taxpayers-facing-18-billion-bill-for-failure-to-insulate-uk-homes>

ⁱⁱⁱ <https://www.nao.org.uk/reports/water-supply-and-demand-management/>