Green New Deal

Key point

- ***The Green New Deal is not only a way to stimulate the economy but it can help shift society and industry to a greener way.***

Green New Deal explained

No general definition has been established for explaining what is meant by the Green New Deal, although it is commonly used.

In its 2007 *Green New Deal*[1] report, the UK-based New Economy Foundation outlined two primary elements: First, there is a structural transformation of the regulation of the national and international financial systems and major changes to the taxation system. Second, the Green New Deal promotes a sustained programme to invest in and deploy energy conservation and renewable energies, coupled with effective demand management. The Green New Deal will stabilize the current social system by generating "resilient low-carbon economies" that are "rich in jobs" and "based on independent sources of energy supply".

The United Nations Environment Programme (UNEP) first used the term "Global Green New Deal" in a 2009 report[2] referring to proposed economic stimulus packages in five areas to simultaneously accelerate tackling climate change, environmental degradation and poverty. The five areas entail: i) energy efficiency in old and new buildings, ii) renewable energy technologies, iii) sustainable transport technologies, iv) ecological infrastructure and v) sustainable agriculture.

Based on a Eurostat/OECD definition of eco-industries, the Wuppertal Institute defines the Green New Deal as "targeted state investment in activities which produce foods and services to measure, prevent, limit, minimize or correct environmental damage to water, air and soil, as well as problems related to waste, noise and eco-system. This includes innovation in cleaner technologies and products and services that reduce environmental risk and minimize pollution and resource use."[3]

Essentially, the Green New Deal can be seen as a package of policies to stimulate the economy and create jobs by investing in green projects in the sectors of energy efficiency, sustainable transport, waste management and recycling, and renewable energies. Because many of the economic stimulus packages have emerged as emergency solutions in response to the financial crisis, governments may find it a struggle to mobilize sufficient public funds to continue the programmes in the long run. The success of the Green New Deals depends directly on the ability of governments to link the temporarily introduced measures to the medium- and long-term policies for the transition towards a green economy.

How it works

Comparison of Green New Deal among countries

[1] The Green New Deal Group, *A Green New Deal: Joined-up policies to solve the triple crunch of the credit crisis, climate change and high oil prices* (London, new economics foundation, 2008). Available from www.neweconomics.org/sites/neweconomics.org/files/A_Green_New_Deal_1.pdf (accessed 26 January 2012).

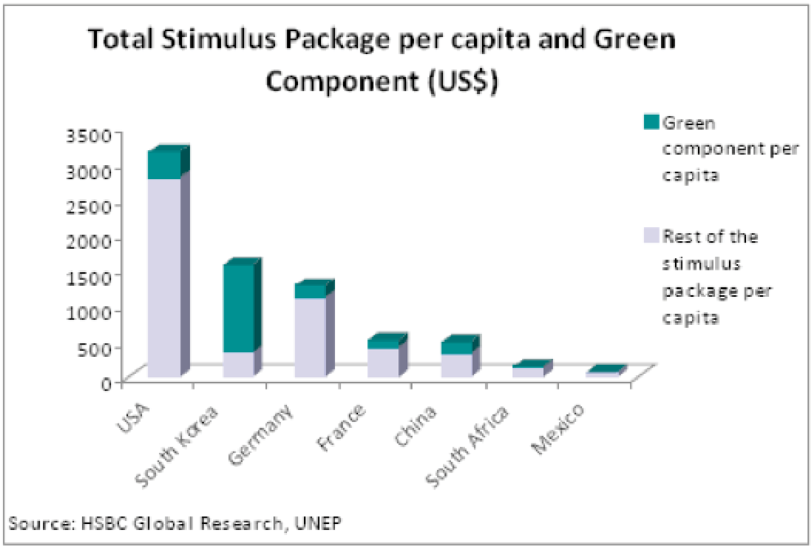
[2] United Nations Environment Programme (UNEP), *Global Green New Deal* (UNEP and Green Economy Initiative, 2009). Available from www.unep.org/pdf/G20_policy_brief_Final.pdf (accessed 29 January 2012).

[3] Wuppertal Institute for Climate, Environment and Energy, *A Green New Deal for Europe: Towards green modernization in the face of crisis* (Brussels, the Green European Foundation, aisbl GEI, 2009). Available from www.gef.eu/fileadmin/user_upload/GEF_GND_for_Europe_publication_web.pdf (accessed 29 January 2012).

Many industrialized countries as well as developing countries announced a Green New Deal plan in 2008 and 2009, after the severe global economic crisis. Most of the plans were part of each government's economic stimulus package, which mainly targeted infrastructure, energy and the water sector, with the anticipation of creating more jobs. The volume of each stimulus package launched varied from country to country; the largest was the United States, allocating the equivalent of 751 billion euros, which was 12 per cent of its GDP at that time, followed by China with 453 billion euros equivalent.[4]

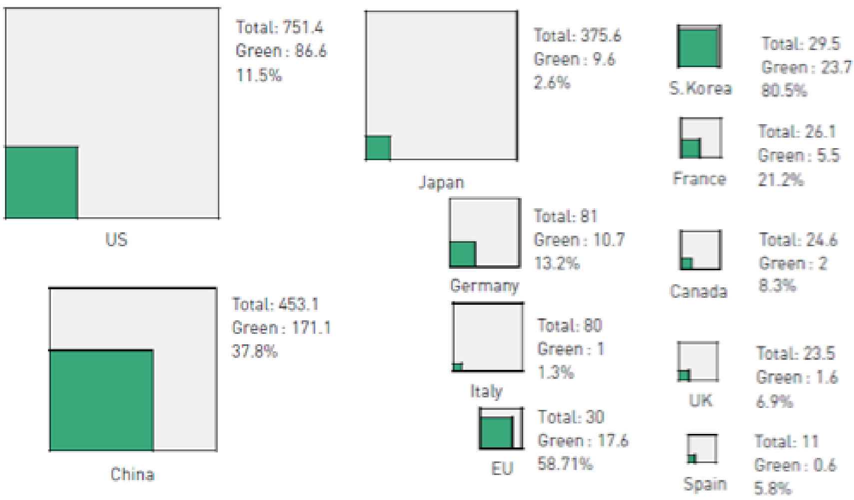
There were substantial differences among the countries in terms of expenditure per capita (figure 1). Although the United States had the largest stimulus package, the Republic of Korea invested more heavily in green components (figure 2). In the Korean case, a total of US$30.7 billion (about 80 per cent of the total stimulus package) was allocated to renewable energies, energy-efficient buildings, low-carbon vehicles and water and waste management.

Figure 1: Total stimulus package per capita and green component



Source: United Nations Environment Programme, *Global Green New Deal: Policy Brief* (Geneva, 2009).

Figure 2: Ratio of green stimulus of national recovery packages (euros)



Source: Wuppertal Institute for Climate, Environment and Energy, *A Green New Deal for Europe: Towards Green Modernization in the Face of Crisis* ((Brussels, the Green European Foundation-aisbl GEI, 2009).

[4] Wuppertal Institute for Climate, Environment and Energy, *A Green New Deal for Europe: Towards Green Modernization in the Face of Crisis* (Brussels, the Green European Foundation-aisbl GEI, 2009). Available from www.gef.eu/fileadmin/user_upload/GEF_GND_for_Europe_publication_web.pdf (accessed 29 January 2012).

Country experience: The Green New Deal in the Republic of Korea

The Republic of Korea remains classified as a developing country under the UNFCCC rules and thus is not required to have binding emission targets. But the Government plans to cap the country's emissions at 2005 levels over the first Kyoto period (2008–2012). The Government also plans to expand use of renewable energy from 5 per cent in 2011 to 11 per cent by 2030.

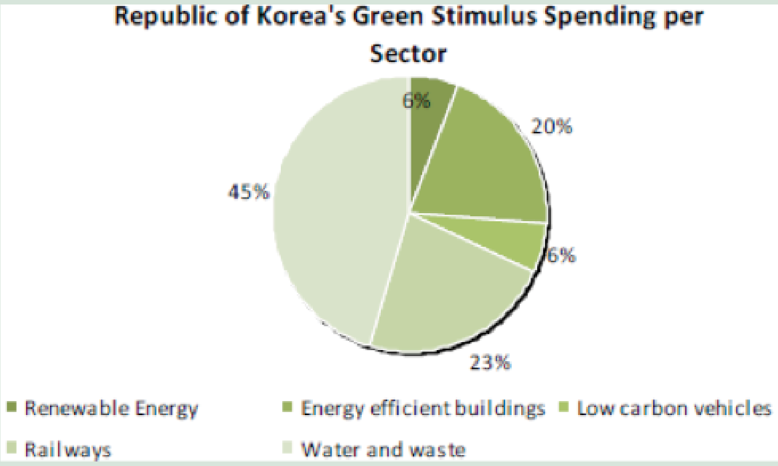
In January 2009, the Government launched its Green New Deal as a means of stimulating job creation and revitalizing the economy. The stimulus package of US$38.1 billion (equivalent to 4 per cent of GDP) covers the implementing period of 2009–2012. A total of US$30.7 billion (about 80 per cent of the total stimulus package) was allocated to environmental themes. The Green New Job Creation Plan, announced at the same time, is expected to create 960,000 jobs.

The plan has nine core projects organized in four themes:

- Conservation: green cars, clean energy and recycling
- Quality of life: green neighbourhoods and housing
- Environmental protection: revitalizing four major rivers and securing water resources
- Preparing for the future: IT infrastructure and green transport networks

The environment-related areas are renewable energy, energy-efficient buildings, low-carbon vehicles and water and waste management.

Figure 3: Breakdown of the Korean Green New Deal



Source: United Nations Environment Programme, *Global Green New Deal: Policy Brief* (Geneva, 2009).

Table 1, compiled by HSBC, explains the climate change investment stimulus plans in a range of countries.

Table 1: Green New Deal economic stimulus plans

A Climate of Recovery? The climate change investment dimension of economic stimulus plans

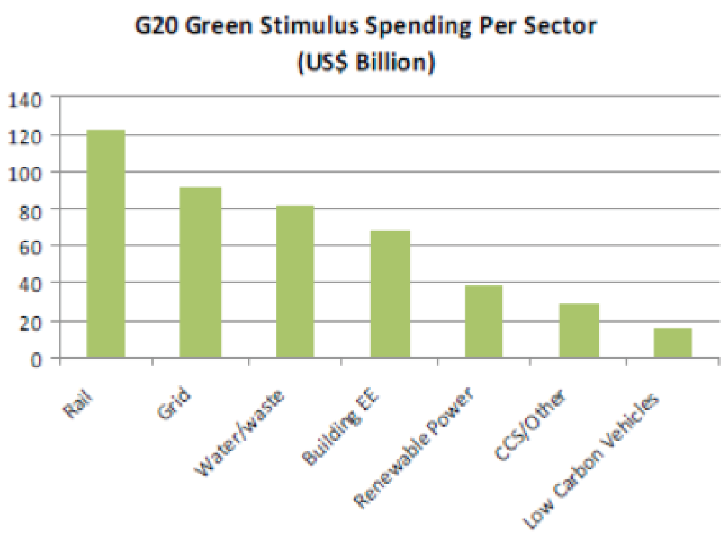
Country	Fund USDbn	Period Years	Green Fund USDbn	% Green Fund	Low-Carbon Power Renewable	Low-Carbon Power CCS/Other	Energy Efficiency (EE) Building EE	Energy Efficiency (EE) Lo C Vech+	Energy Efficiency (EE) Rail	Energy Efficiency (EE) Grid	Water/Waste
Asia Pacific											
Australia	26.7	2009-12	2.5	9.3%	-	-	2.48	-	-	-	-
China	586.1	2009-10	221.3	37.8%	-	-	-	1.50	98.65	70.00	51.15
India	13.7	2009	0.0	0.0%	-	-	-	-	-	-	-
Japan	485.9	2009 onwards	12.4	2.6%	-	-	12.43	-	-	-	-
South Korea	38.1	2009-12	30.7	80.5%	1.80	-	6.19	1.80	7.01	-	13.89
Thailand	3.3	2009	0.0	0.0%	-	-	-	-	-	-	-
Sub-total Asia Pacific	**1,153.8**	**0.0**	**266.9**	**23.1%**	**1.8**	**0.0**	**21.1**	**3.3**	**105.7**	**70.0**	**65.0**
Europe											
European Union	38.8*	2009-10	22.8	58.7%	0.65	12.49	2.85	1.94	-	4.85	-
Germany	104.8	2009-10	13.8	13.2%	-	-	10.39	0.69	2.75	-	-
France	33.7	2009-10	7.1	21.2%	0.87	-	0.83	-	1.31	4.13	-
Italy	103.5	2009 onwards	1.3	1.3%	-	-	-	-	1.32	-	-
Spain	14.2	2009	0.8	5.8%	-	-	-	-	-	-	0.83
United Kingdom	30.4	2009-12	2.1	6.9%	-	-	0.29	1.38	0.41	-	0.03
Other EU states	308.7	2009	6.2	2.0%	1.9	-	0.4	3.9	-	-	-
Sub-total Europe	**325.5**	**0**	**54.2**	**16.7%**	**3.5**	**12.5**	**14.7**	**7.9**	**5.8**	**9.0**	**0.9**
Americas											
Canada	31.8	2009-13	2.6	8.3%	-	1.08	0.24	-	0.39	0.79	0.13
Chile	4.0	2009	0.0	0.0%	-	-	-	-	-	-	-
US EESA	185.0**	10 Years	18.2	9.8%	10.25	2.60	3.34	0.76	0.33	0.92	-
US ARRA	787.0	10 Years	94.1	12.0%	22.53	3.95	27.40	4.00	9.59	11.00	15.58
Sub-total Americas	**1,007.8**		**114.9**	**11.4%**	**32.8**	**7.6**	**31.0**	**4.8**	**10.3**	**12.7**	**15.7**
Total	**2,796**		**436**	**15.6%**	**38.0**	**20.1**	**66.8**	**15.9**	**121.8**	**91.7**	**81.6**

(*Only EUR30bn from direct EU contribution considered for calculation as the rest (EUR170bn) is contributed by member states; **USD700bn under TARP not considered for calculation as the fund is mainly for bank bailouts not for fiscal stimulus) + Low Carbon Vehicles
Source: HSBC estimates

Source: HSBC Global Research, *A Climate for Recovery: The Colour of Stimulus Goes Green (London, 2009).*

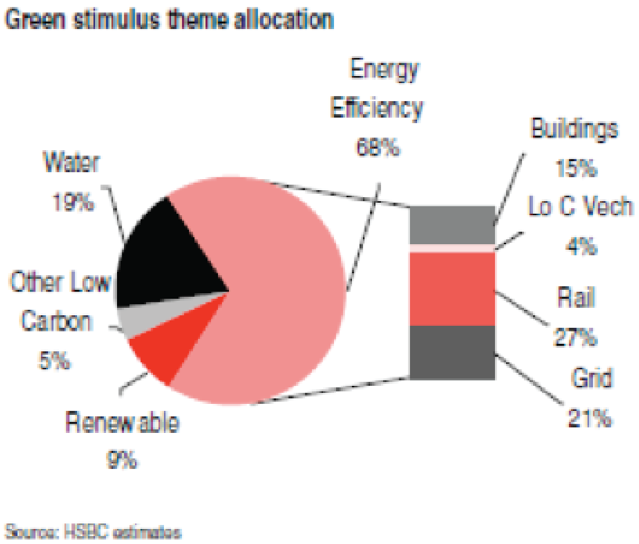
Regarding budget allocations, most governments set the core element of their future growth in energy efficiency with a large proportion (68 per cent) of their total stimulus packages. Because the primary purpose of a green stimulus package is to work hand-in-hand with job creation, energy efficiency measures related to green infrastructure, notably rail (27 per cent), grid (21 per cent) and buildings (15 per cent) were the main focus of allocations. The construction sector was the major beneficiary of each Green New Deal stimulus package, along with indirect effects on the operating sectors, such as railway, power and water utilities (figures 4 and 5).

Figure 4: G20 green stimulus spending by sector



Source: United Nations Environment Programme, *Global Green New Deal: Policy Brief* (Geneva, 2009).

Figure 5: Green stimulus theme allocation



Source: HSBC Global Research, *A Climate for Recovery: The Colour of Stimulus Goes Green* (London, 2009).

Implementing strategies

Need to change policy architecture: UNEP, in its *Global Green New Deal Report*[5] for the G20 Pittsburgh Summit in September 2009, notes that green investments contained in each national stimulus package need to be supported by a domestic framework to ensure they contribute to a long-term transition to a green economy. The report recommends six domestic policy reforms:

- Reduce perverse subsidies (such as subsidies on fossil fuels)
- Create positive incentives and appropriate taxes to reward more sustainable practices
- Improve land use and urban policy
- Develop integrated management of freshwater resources
- Introduce and improve environmental legislation and enforcement
- Implement systems for monitoring and accounting for the economic contributions made by green investments, such as environmental economic accounting.

Further reading

Global Green New Deal: Policy Brief (Geneva, United Nations Environment Programme, 2009). Available from www.unep.ch/etb/publications/Green%20Economy/UNEP%20Policy%20Brief%20Eng.pdf

A Global Green New Deal for Climate, Energy, and Development (New York, United Nations Department of Economic and Social Affairs, 2009). Available from www.un.org/esa/dsd/resources/res_pdfs/publications/sdt_cc/cc_global_green_new_deal.pdf

A Climate for Recovery: The Colour of Stimulus Goes Green (HSBC Global Research, 2009). Available from www.globaldashboard.org/wp-content/uploads/2009/HSBC_Green_New_Deal.pdf

[5] United Nations Environment Programme (UNEP), *Global Green New Deal: An Update for the G20 Pittsburgh Summit* (Geneva, 2009). Available from www.unep.org/pdf/G20_policy_brief_Final.pdf (accessed 29 January 2012).