**3.5 Internationalising the Green New Deal: Strategies for Pan-European Coordination**

By David Adler & Pawel Wargan

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**Introduction**

At the time of writing, the relationship between the United Kingdom and the European Union appears remarkably uncertain. Some factions are plotting for a hard break. Others are campaigning to prevent it all together. But regardless of Brexit, the UK can and must work with its European neighbours to deliver a Green New Deal.

The motivations for collaborating across the Channel are threefold.

The first is necessity: a UK Green New Deal is meaningless without a broader international strategy. Over the last two decades, the UK’s energy import dependency has skyrocketed. In 1998, the UK net exported 20 per cent of its energy to the EU. By 2014, the UK net imported over 40 per cent of its energy from the EU.¹ To achieve its own net-zero target by 2050, the UK must plan beyond its borders.

But Britain’s emissions targets – however ambitious – matter little to the challenge of a full-fledged climate crisis. The UK contributes just 1.2 per cent of global greenhouse emissions.² While a UK Green New Deal could deliver a just transition at the domestic level, it would account for little more than a drop in the bucket at the global one.

The second motivation, then, is strategy. By working with European partners on the terms of its Green New Deal, the UK can lead the charge for the decarbonisation of the third-largest emitter in the world – the EU – and to address its shared history of colonialism and resource extraction across the Global South.

The gains from international coordination are, therefore, not only local, or regional – but global. Europe remains a highly integrated political and economic area, where – despite the diplomatic frictions of Brexit – the prospects for coordinated climate action remain extremely high. Linking the UK to a broader, continental Green New Deal for Europe would model the multilateral cooperation that will be necessary to delivering climate justice on a planetary scale.

The third motivation is solidarity: the Green New Deal aspires to create a society guided not by competition, but by cooperation. Coordination at the international, national, regional, and municipal levels will not only help to share wealth and best-practices. It will also build durable relationships that challenge the overwhelming power of financialised capitalism.

This report sets out the strategy for such cooperation. It proposes a framework for UK and European legislators to coordinate the implementation of a Green New Deal at every level – from raising finances to directing investments to sharing best practices among municipal authorities.

Green Macroprudential Framework

As Fran Boait notes in her essay on “Green Central Banking,”³ central bank policy is crucial to managing a successful green transition, shifting investment away from fossil fuels and towards renewables, while managing financial stability risks in the process.

The multi-polarity and interconnectedness of the global financial markets mean that central banking policy cannot operate in a vacuum: one country’s macroprudential defences could be ineffective if its neighbours are exposed to significant risk. Indeed, for a Green New Deal – an epistemic shift in the structure of the global economy – the risks will be greater, and central banks supporting a Keynesian mobilisation of public funds through a Green New Deal will be operating outside the bounds of institutional memory.

Close cooperation among the world’s central banks will be vital. The good news is that central banks already have robust cooperation mechanisms to manage macroprudential risks at a bilateral and multilateral level – both within the EU and internationally. The Bank of England (the Bank) has close working relationships with the European Central Bank (ECB) as well as national central banks, both through the European System of Central Banks (ESCB) and bilaterally. These should continue regardless of Brexit.

Working within these cooperation frameworks, Europe’s central banks should establish bilateral technical working groups on the green transition, enabling coordinated action to mitigate physical and transition risks, reshape the global macroprudential agenda and, as the next section sets out, provide support to the Common Green Bonds that will power the transition.

At a multilateral level, global central banks have maintained close cooperation since the establishment of the Bank of International Settlements (BIS) in the 1930s. The vehicles for cooperation range from joint policy development programmes to staff secondments – ensuring a deep level of interconnectedness between global macroprudential authorities at both an operational and policy level.
In operational terms, the Bank can play a big role in democratising macroprudential policy development. Today, the Bank holds citizens’ panels that invite residents to share their experiences with pay, housing and the cost of living with Bank experts. This small-scale initiative could be radically expanded under a socially-oriented Green New Deal, creating durable structures of democratic accountability within the Bank. Through close operational cooperation with other central banks, the Bank could help export this model internationally.

In policy terms, the Bank is particularly respected for its expertise. It played a key role in the BIS’s Basel Committee on Banking Supervision, the main global standard-setter on the prudential regulation of banks, by developing the Basel III package of post-crisis reforms to banking capital requirements. The Bank has a unique opportunity to marshal that influence to reshape the global agenda towards green macroprudential policy.

As Boait argues in her recent report for Common Wealth, punitive capital requirements should be introduced for loans to firms reliant on fossil fuels or projects that face significant carbon risks in their business. With pressure from the ECB and the Bank – both among the most powerful drivers of economic policy globally – the BIS can be a vehicle for revising global standards to shift private finance away from investments in non-renewables.

Cooperation on a Green New Deal will also enable the Bank and ECB to shift the discussion away from potentially disastrous private sector solutions.

The G20 Sustainable Finance Study Group, currently co-chaired by the UK and China, is exploring the rehabilitation of collateralised loan obligations (CLOs) to mobilise private sector green investment – these would enable financial institutions to “securitise” green investments, offloading them from banks’ balance sheets and transferring them to the capital markets. Their proposals include the introduction of a “green-supporting factor” in the global prudential rules to support investment in green CLOs.

This could have disastrous consequences for global financial stability, magnifying the use of an opaque financial instrument that was a key driver of the global financial crisis in 2008. It would also undermine the core notion that the green transition must be grounded in justice.

Across the bilateral, multilateral and global space, then, green macroprudential coordination will be critical to ensuring that the Green New Deal delivers a just and stable transition.

**Recommendation 1:** Establish working groups between the Bank of England, the European Central Bank and the European System of Central Banks to coordinate a green transition.

**Recommendation 2:** Bring more accountability processes to central banks across the UK and Europe, starting with mechanisms like expanded citizens’ panels.

**Recommendation 3:** Compel the Basel Committee on Banking Supervision to adopt capital requirements for non-renewable investments to disincentivise their use.

**2. Common Green Bonds**
Decarbonising the entire European bloc, reversing environmental breakdown and supporting green transitions globally will require an historic mobilisation of financial resources. Taxing our way toward a green transition is simply not feasible: like Franklin Roosevelt a century ago, we must press idle financial resources into public service.

Advocates of a UK Green New Deal have already pointed out the promise of issuing green investment bonds, or – as Maria Nikolaidi has described in her contribution to this report series – a “green QE programme”

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through the Bank. Similar proposals have been floated for Scotland’s own National Investment Bank and its strategy for shifting to a low-carbon economy. The sale of green bonds to private investors would soak up much of the idle liquidity in the financial markets – as Boait has written, 80% of current commercial bank lending in the UK goes towards financial intermediation and real estate.

But the firepower of such financing strategies will be severely limited in the absence of European coordination for one simple, structural reason: investors have fewer incentives to buy bonds from countries that embark on a swift green transition by themselves – indeed they have many incentives to punish them, instead. Such is the challenge of any UK government hoping to implement a Green New Deal: bond yields will soar as investors flee from the uncertainties of such a radical programme. It goes without saying that such a risk only intensifies with Brexit.

If, reaching across the Channel, the UK government coordinated with Europe’s public investment banks to issue Common Green Bonds, its financing scheme would face far fewer risks and the bonds yields would have far less volatility. Working through the green transition working groups, Europe’s central banks (e.g. the Bank, the ECB, the central banks of Denmark, Sweden, Switzerland) could then coordinate the purchase of these bonds in the secondary bond markets if needs be.

There is little doubt that such bonds – backed up by a coalition of trusted institutions – would sell like hot cakes.

The benefits of coordinated financing are, therefore, threefold. One, it saves money; falling bond yields means less debt for the government. Two, it acts as a form of insurance for the Green New Deal: less exposure to international arbitrage means more room for policy experimentation. Three, it takes advantage of economies of scale: a larger pool of resources, collected from across Europe, means better investments in renewables, infrastructure, and innovation.

Reccomendation 4: Coordinate UK and European public investment banks to issue Common Green Bonds to help fund transition and protect against investor backlash.

3 — Green Energy Union

The UK, like most of its European neighbours, consumes a monstrous amount of energy – most of it imported from beyond its borders. While the UK’s energy dependence has fallen over the last decade, it continues to import roughly 36 per cent of its total energy. Increasing production of renewable energy inside the UK is a sign of hope, but it is insufficient for powering the broader green transition – particularly if we preclude the possibility of investing in new nuclear facilities.

Energy sovereignty from the UK may well be a desirable goal over the long-term, but it is both inefficient and infeasible in the timeline set out by the Green New Deal.

Inefficient because it fails to exploit the natural comparative advantages in the production of renewable energy. Northern countries and mountainous regions have better access to wind and wave power, while southern countries are better suited to exploiting the sun. The UK can gain enormously from these differences both by selling the energy it is able to produce and by ensuring secure access to the energy it is not.

After all, the UK’s renewable sector may look good from far, but it is far from the best. Denmark currently has an extreme advantage in wind, while Cyprus has one in solar. The UK is rated at a fraction of both.

Infeasible because so much of the UK’s energy infrastructure – including its zero-carbon sources – is bound up with existing EU frameworks and funding. A hard Brexit from the EU, severing ties to all EU member-states, would severely harm the UK’s ability to deliver on its Green New Deal agenda.

That is why the UK should commit to Green Energy Union that can power the transition to zero-emissions both inside Britain and out. Mobilizing the resources generated through the issuance of Common Green Bonds, the UK and its European neighbours should invest in the production of wind and solar on the basis of regional advantages, develop sustainable infrastructure for its transportation, and support a continent-wide supply of zero-carbon energy.

The EU has already developed a regulatory framework for its Energy Union, complete with “Effort Sharing Regulations” that bind member-states to greenhouse gas targets. In the event of Brexit, the UK should not only commit to participation in a shared Green Energy Union, but take advantage of its non-membership to drive the EU toward even more ambitious targets.

As the UK government itself admitted in a recent White Paper, “Coordinated energy trading arrangements help to ensure lower prices and improved security of supply for both the UK and EU Member States by improving the efficiency and reliability of interconnector flows, reducing the need for domestic back-up power and helping balance power flows as we increase the level of intermittent renewable electricity generation.”

The UK Green New Deal should take advantage of these synergies, leveraging the UK’s relationships with its neighbours to push them toward more radical action on climate.

Recommendation 5: Commit to the establishment of a multinational Green Energy Union to support the development and distribution of renewable energy.

4 — Green Horizon 2050

Like financial crisis that preceded the original New Deal, climate and environmental breakdown present an opportunity to radically reimagine the tools with which we address our crises today. To deliver a transformative Green New Deal, Europe will need to invest in research and development (R&D) to identify and accelerate progress towards tipping points in technological and agricultural innovation. Only exponential progress towards our environmental goals stands a chance of halting the most destructive consequences of climate and environmental collapse.

Although the UK and the EU have pledged to double their green energy R&D spending under the Mission Innovation initiative, they are falling behind. At current rates, the 24 countries (plus the EU) that have taken the pledge will, on average, only reach 50 percent of the target. It now looks like global green R&D spending is stalling.

But such research benefits massive economies of scale and scope – and the UK cannot generate alone the necessary resources for such ambitious R&D. It must join forces with partners in Europe to bring about step changes in innovation that can then generate global solutions to the climate and environmental crises.

Building on Horizon 2020 – the EU’s €11 billion investment in research and innovation – the UK should propose a “Green Horizon 2050,” a programme of similar size dedicated exclusively to developing new solutions to the climate and environmental crises. This programme would begin with a ringfenced fund into which a part of both the UK’s and EU’s Green New Deal investment would be funnelled each year. That money would then be devoted to support innovation at the international, national, municipal and community-level, which would support transformative solutions big and small.

This research must extend beyond renewable energy. It must also explore regenerative practices in agroecology and forestry, techniques for retrofitting housing for energy efficiency, a reimagining of manufacturing to support material reproduction like recycling and repair, and many other areas that are ripe for change.

The prize for a paneuropean approach to climate R&D is high. The UK research
community is already suffering from the uncertainties of Brexit. A departure from the EU will exacerbate the situation by severing ties to funding from European research councils. Britain’s leadership role in Green Horizon 2050 could stem the outward flow of staff and resources to ensure that the UK gains from this innovation.

But, given the rapid expansion in energy demand across the developing world, emissions reductions and post-growth strategies will matter more across the Global South than in Europe and Britain. Significant public investments in R&D on the continent, then, have the potential to accelerate a global transition through technological and innovation spillover.

As the Labour Party suggested in June, technologies developed to support the green transition in Britain must be made available across the Global South for free or at low cost.

An open-source approach to public innovation across Europe could not only accelerate the pace of change around the world, enabling the developing world to bypass industrialisation.

It could also challenge the rising hegemony of private-sector solutions like carbon capture and storage, which are largely unproven and contribute to environmental breakdown even as they lack the potential to mitigate the effects of rising greenhouse gas emissions.

Recommendation 6: Initiate a “Green Horizon 2050” that channels public funding to research and development of open-source technology that can power the green transition both inside the UK and around the world.

5 — Environmental Solidarity Network

A green transition shaped by front-line communities will entail the radical devolution of political power and diversification of policy design both within and across countries. The lessons from this process – successes, failures, best practices – can help guide cities and regions around the world. To ensure that this knowledge is shared widely, it must be scaffolded by a robust Environmental Solidarity Network.

Three existing structures for local and municipal cooperation can offer a model of how a broader European – and international – cooperation network might work.

The first is URBACT III, an EU-funded exchange and learning programme for sustainable development, which provides a platform for European cities and other levels of government to share best-practices, exchange information and work together to improve regional policies. The programme is agnostic to EU membership, including all 28 member states as well as Switzerland and Norway.

One of the projects currently running under URBACT III, “Making Spend Matter”, is spearheaded by Preston City Council, a leader in the community wealth building movement. Working with the Centre for Local Economic Strategies, Preston City Council developed a procurement strategy that sought to redirect spending to the local community by changing the behaviour of six major “anchor institutions” based in Lancashire. The programme boosted local revenues and paved the way for the expansion of the local cooperative sector. Preston is now working with Villa Nova de Famalicão in Portugal and Pamplona in Spain to share knowledge from the programme.

The second is the International Urban Cooperation (IUC) programme, an EU-funded initiative to pair cities in the EU and across the developing world. The IUC focuses on three areas: cooperation on sustainable urban development; encouraging cities to join the Global Covenant of Mayors Initiative, a municipal-level pledge to cut greenhouse gas emissions; and inter-regional cooperation on local and regional development innovation, in particular focusing on international value chains and small and medium-sized enterprises.

Where URBACT III and the IUC create a framework for urban cooperation, the European Network for Rural Development (ENRD) supports projects across rural communities – building structures of cooperation across agriculture, forestry, and other rural activities; supporting rural communities in making a just transition to sustainable practices; as well as improving food production and supply chains.

Twinning programmes and multilateral cooperation structures not only support information exchange. They also expand the administrative capacities of local authorities and help create horizontal power relationships that can act with autonomy for the benefit of communities.

The Environmental Solidarity Network could take the form of a framework agreement or agency that would not only unite the successful models of cooperation like the URBACT III, the IUC and ENRD programmes – bringing them into an institutional family with its own Green New Deal-funded budget, information-sharing infrastructure and significant administrative capacity to support efficient collaboration across regions and languages. It would also enhance these programmes in two key ways.

Firstly, it would support the expansion of public participation in political decision-making. Putting residents and civil society in the driving seat of development projects that shape their communities supports greater public acceptance and durability of those decisions. Participatory decision-making could also help begin addressing the ongoing crisis of democratic legitimation across Europe.

Secondly, the programme could expand in both scale and scope. The Green New Deal must create knowledge and opportunities across every community – from village to municipality to region. The Environmental Solidarity Network, then, must support cooperation at all these levels, creating opportunities for training, secondments, information exchange – as well as cooperation with think tanks, universities and civil society groups working on the green transition.

And, by building on international cooperation models like those facilitated by the IUC programme, the lessons from Europe’s transition can be transposed to regions and municipalities across the world – supporting bottom-up transformations everywhere.

Recommendation 7: Establish an Environmental Solidarity Network to expand public participation in political decision-making and facilitate training, secondments, information exchange across European cities and regions.

6 — Conclusion

In the introductory essay to this volume, Mathew Lawrence makes the case that “only a UK Green New Deal can deliver change on the pace and scale required.” This report has made the case that the UK cannot deliver this change alone. On the contrary, it is only by coordinating internationally that the UK can address the environmental crisis within its borders and the climate crisis beyond them.

The UK’s coordination efforts, we have argued, must begin in its own backyard, leveraging its actually existing relationship with the European bloc to drive a continental green transition and support climate justice around the world.

Brexit be damned – the proposals we have made here are agnostic about EU membership. As such, they represent a unique opportunity to unify Leavers and Remainers behind an internationalist vision of a just, green transition.

The Green New Deal aims to mount a radical challenge to the hierarchical arrangements of extractive capitalism. To do so, it needs a strong international dimension – one that moves beyond simple promises of charity transfers to propose robust structures for horizontal cooperation. This essay makes several such proposals in relation to the UK and the EU’s foreign policy relations, which we hope might open a broader conversation about the ingredients for a new multilateralism from below.
References


