2007

A REALLY GREEN BUDGET

A) New Golden Rules

Henceforth HM government should ensure that

In line with the Stern Report recommendations, the government will seek to direct *a minimum of 1% of the UK's annual GDP into climate change mitigation measures*

As a long term commitment, *all parts of the UK economy will be required to make annual carbon reductions consistent with a target of 80% reduction on the 1990 level of carbon dioxide emissions by 2060*

In the short term, consistent with existing UK commitments to climate change and fuel poverty targets, *a rolling programme of 5% annual reductions in carbon emissions will apply to all sectors of the UK*

economy until 2020 .Borrowing, within the economic cycle, should be prioritised to restore the ecological capital of the country, specifically in respect of renewable energy generation and water recycling.

B) The Mechanics of change

To meet Britain's climate change challenge requires fundamental changes to current approaches to markets, green taxation and tax allowances. The Exchequer could lead this process of change. This is spelt out in the following sections covering

Energy
The built environment and
Transport

This will require new priorities and approaches to be adopted by the government, principally

Green taxation should be used to change behaviour rather than raise Exchequer revenues

Ecological duties should increasingly be used as mechanisms of self-taxation and self-reward

C) The Carbon Picture

In 1990 UK carbon emissions were 161.5 million tons (MtC). By 2005, emissions were down to 151.1 MtC. This was just 6.4% less than the 1990 level, well below the 20% domestic target for the carbon reductions by 2010. In the last 3 years carbon dioxide levels have been relatively static across the UK as a whole.

To meet the 2060 target of 80% (or 60%) carbon reductions, annual carbon dioxide emissions have to drop to 32 MtC (or 64 MtC). This requires a reduction rate of between 2.2 and 3.0 MtC a year. Over the last 17 years Britain has reduced CO_2 emissions by 0.6 MtC a year, and most of this was in the early years 'dash for gas'. There has to be a step change in policy commitments if any of current targets are to be met.

The setting of higher annual targets until 2020 reflects both the need to catch up with ourselves and the fact that the carbon savings will always be easier to find in the early years than in later ones.

D) The Programme

1. Energy

The government must introduce new Energy Market rules, *requiring energy suppliers to buy-back renewable energy from their customers*, both residential and commercial. The *buy-back pricing should be at premium rates, determined by the government*, varying to specific renewable energy systems available. Buy-back schemes will have to be internally financed by the energy sector itself and must have minimum guaranteed lifespan of 15 years.

Income received by customers in energy buy-back schemes will be tax exempt.

Local authorities and local communities should be given specific powers to set up their own *Energy Service Companies*, with private sector partners as appropriate, to deliver long term energy service contracts rather than short term energy supply ones

The *primary duty of Ofgem* must become that of promoting long term, secure, sustainable energy systems for the UK.

2. The Built Environment

Building zero carbon homes from 2016 onwards will be helpful, but this offers nothing to the existing 25 million homes in Britain's housing stock. The government already has a legal commitment to eradicate fuel poverty in Britain by 2016. Under the current combined programmes of Warm Front and the energy industry's EEC (Energy Efficiency Commitment) it is estimated that 2 million households will still be in fuel poverty by 2016. We should address this in the following ways:-

The government must *treble the Warm Front programme and draw EEC contributions into it in a single co-ordinated programme.*

Local authorities should be given a duty to oversee the co-ordinated application of these programmes to ensure that fuel poverty and carbon reduction programmes are delivered in a coherent way

Local authorities must be given their own unrestricted powers to set additional planning and building standards requiring the inclusion of energy generation systems and rainwater harvesting/water recycling systems in all developments, of residential, commercial and industrial properties.

Local authorities must be empowered to set *minimum (SAP 65) energy efficiency standards as conditions applicable to all leased and/or multiply occupied properties*

Properties having a minimum SAP 65 energy efficiency rating should receive a *50% exemption from stamp duty*
Properties with a SAP 65 *energy rating and which generate 25% or more of their own energy needs should be 100% exempt from stamp duty*

To finance the dramatic improvements we need to make in carbon reduction and in sustainability within the built environment, Local Authorities will be enabled to issue a new generation of Eco-Bonds. These must be available for individuals and institutions to save or invest in. *All income from such bonds should be tax exempt until 2020*

The Exchequer should *review all existing savings mechanisms with a view to making ecological renewal investments the only savings schemes that will be tax supported*

Across the whole economy, businesses should be required to show they are meeting the government's annual carbon reduction/climate change targets before having any entitlement to claim allowances against tax. Publicly funded services should have this as a condition of public funding wherever appropriate.

3. Transport

There are a number of central issues that have to be addressed in terms of sustainable transport policies

The government must ensure that it is direct investment in private transport infrastructure is always matched or exceeded by its investment in public infrastructure.

In motoring, the *fuel price escalator should be re-introduced in a form that retains revenues with the transport sector.* Industry should be allowed to retain *50% of the revenues as a direct subsidy to reducing the cost of sustainably produced alternative fuels.* The other 50% of revenues would go as a *direct subsidy to the public costs of rail and bus travel.*

In aviation, the only coherent way of addressing its environmental impact is to designate *a carbon miles budget for each of the existing UK airports.* This should be based on the latest year figures for passenger and freight miles adjusted to a carbon impact factor attributed to the different categories of aircraft in use. Airports would be required to meet annual carbon reduction programmes, in line with government targets. The process must include international flights as well as domestic ones; and for freight as well as passenger journeys.

And finally… all that glitters is not Green

Some of the mechanisms introduced by the government have so far turned out to be less than coherent. We should henceforth

cease to use carbon offsetting as a legitimate way of meeting government domestic reduction targets and promote carbon tariff systems in preference to emissions trading