

# UK Budget 2008: Darling's hot air trick



The budget was billed as a green spectacular but turned out light green at best. When will reality start to match rhetoric, wonders **Peter Young**

Alistair Darling's "carrier bag" budget was widely regarded as a green flop by businesses and campaigners alike, a rather fluffy and meagre response to the critical challenges posed by climate change. The consensus was that the government's pre-match rhetoric and spin did not materialise into anything more than hot air, making a mockery of claims beforehand that this would be the "greenest budget in history".

Even with the rosiest of spectacles, the measures announced amount to nothing more than a light shade of green. They fall short of the deep-seated change required and will hardly dent the UK's current carbon emissions trajectory. Alarming, the proportion of tax revenue coming from environmental taxes will fall by 0.1% in 2008-9, a continuation of an entrenched New Labour trend, and is set to be at the lowest level for over 15 years.

In defence of the chancellor, his hands were tied to a certain extent. Green taxes are hard to flog when the prices for oil and energy are rising sharply, and he has shoe-string resources to play with, due to the global economic slowdown.

## Lack of leadership

Nevertheless, this conceals the fact that the government continues to show a lack of leadership in its jumbled response to climate

change. Raising the duty on gas-guzzling cars or flights is commendable, but without making corresponding cuts elsewhere, it will feed the growing suspicion that environmental taxes are used as a smokescreen to raise the overall tax burden, giving them a bad name in the process. Green taxes, discouraging polluting behaviour, would not be so unpopular if it was clear that they were replacing taxes on income and wealth.

Many leaders in business and the environment see the transition to a low carbon, resource-efficient economy is a vast opportunity for wealth creation, and argue that the "green revolution" could conceivably be as momentous and lucrative as the industrial revolution. The green sector is booming, and in the UK alone it has a turnover of over £25 billion, employing 400,000 people. The government continues to suppress this wealth creation by delays in signalling a serious shift in practice and relying instead on rhetoric.

## A nudge from Europe

Better regulation and high environmental standards are an essential component to encourage investment in these technologies, and are vital for the UK's long-term economic stability and international competitiveness.

Thankfully, politicians at the European level are beginning to

grasp this logic. While the European Commission recently announced a package to cut greenhouse gas emissions by 20% and increase Europe's share of renewables to 20%, it justified the substantial short-term economic costs by pointing to the creation of thousands of new businesses, millions of new jobs and the chance to become a world leader in the technologies of the future.

Yet again the UK is risking getting left behind, this time in generating wealth from the green revolution. There is a real danger that after signalling the direction clearly, such as with Sir Nicholas Stern's ground-breaking report on the costs of climate change, this government will be absurdly behind the pace unless a real step change occurs soon. Gordon Brown extolled the virtues of commissioning the Stern Report, which says "the costs of urgent action are far less than the costs of delay; and the earlier we act, the easier and less expensive the task will be". So why the hesitation?

## Clarity in short supply

In a similar tone, Darling, in his address to Parliament, admitted "we need to do more and we need to do it now" but what followed was prevarication towards the twin goals of reducing our carbon emissions and boosting economic growth. Where are the incentives for individuals and business to

make deep cuts in energy use (also leading to substantial cost savings)? More, too, is required to encourage the uptake of renewable energy. And perhaps most importantly, the government must adopt a more integrated and coherent approach to its environmental policy-making, providing business with the certainty and clarity it requires to invest.

We require gutsy political initiative to transform the UK into one of the best locations in the world to develop and introduce low carbon goods and services, and attract the investment that will help create the prosperity and jobs of the future. The government must act with the courage of the convictions which it articulates increasingly well.

Small steps are evident, such as the strengthening of the government's position on tough standards for car efficiency standards by 2020. If the UK can withstand fierce opposition and lobbying from some quarters of

Europe, this is exactly the type of policy that will potentially drive innovation and create jobs, hugely benefiting the environment and the economy as a whole.

### **Review mania**

The real message, though, was 'why don't we dither around for just a little bit longer?' In this vein, a plethora of crucial government reviews were announced, such as on the headline target for the Climate Change Bill, zero-carbon new homes and buildings, and a strategy for renewable energy. In the meantime, the Climate Change Bill Committee have the thankless task of working out how on earth the UK will meet some very ambitious carbon emission targets, and the Green Fiscal Commission will make recommendations on how to green the UK tax system.

The government itself endlessly stresses the need for urgent action, so the suspicion is that the difficult decisions are being parried for another year. But the need to act

will not go away. These reviews must be picked up with impressive speed to avoid the UK losing a credible leadership position on the most important international challenge and economic opportunity we face. The Aldersgate Group, like others, will be pressing for serious action on the advice of these reviews – we are confident they are going to demand a faster response. We must grasp the opportunity to build our revenue raising around taxing bads, not goods, and making, in relative terms, small investments now to assure our future economic wellbeing and prosperity.

Disappointingly, judgement day has been delayed for one last year. In the 2009 budget, the chancellor will also have to present his first "carbon budget" and map out in detail how the government intends to ration its carbon emissions up to 2022. This is when a coherent and comprehensive plan of action must be realised, and there will be no more time for consultations and plastic bags.

*Peter Young is Chairman of the Aldersgate Group ([aldersgategroup.org.uk](http://aldersgategroup.org.uk)) a coalition of companies, NGOs and the public sector, including BT, United Utilities and Friends of the Earth, that provide the economic case for high environmental standards.*