POLICIES TO COMBAT CLIMATE CHANGE:
New #ElectionEconomics policy briefing from the Centre for Economic Performance

The UK’s main political parties have all pledged to combat climate change whatever the result of the general election. Yet according to a new report from the Centre for Economic Performance (CEP) – the latest in a series of background briefings on key policy issues in the May 2015 UK general election – much of the discussion is largely rhetoric, with limited focus on actionable policy commitments.

The report's author Dr Ralf Martin explains how UK climate policy consists of a patchwork of instruments addressing greenhouse gas emissions from a variety of sources and resulting in a diverse menu of carbon prices. And while the country’s recent record on cutting carbon emissions seems impressive at first glance, much of it has been a result of the reduction in economic activity in the Great Recession.

What’s more, the UK lags behind most other OECD countries in innovation and the adoption of clean technologies. Leadership in this area has the potential to boost economic growth as well as helping to tackle climate change.

Looking at the parties’ stated positions on climate policies, the CEP report notes that Labour’s leader Ed Miliband has committed to making the UK’s electricity supply carbon-neutral by 2030 and reducing policy uncertainty to encourage green investment and innovation.

But there is a conflict between Labour’s climate change and energy policies: while they are committed to act on climate change, they also aim to freeze energy bills until 2017 and set up regulation to reduce energy prices. Unfortunately, a move to carbon-neutral generation is likely to increase costs and feed into price increases.

The Conservatives’ manifesto says that they will continue to support the Climate Change Act introduced by the last Labour government, while expanding nuclear and gas (including shale), and removing subsidies for onshore wind farms. The Liberal Democrats seek to introduce a number of ‘green laws’ and encourage innovation and R&D spending.

But while the two parties’ renewed commitment to tackling climate change is honourable, the lack of commitment while the coalition government was in power raises the question of whether such policies will result in real action or a lot of hot air.

The Greens, unsurprisingly, have a lot to say about climate change; indeed, their website and manifesto reads like a veritable Wikipedia page of information and positions relating to green issues. But their position in many areas reads as idealism rather than practical policies.

UKIP have proposed the most actionable policies on climate change: they would repeal the Climate Change Act (which is the legal basis for the UK’s ‘carbon budgets’); abolish ‘unnecessary government departments’ such as the Department of Energy and Climate Change and the Department for International Development; scrap green subsidies; and
abolish green taxes. It should be apparent that these policies are the complete antithesis of the commitments made by the main parties.

The CEP Election Analysis outlines the current global position in climate change agreements and explores the environmental and energy policies of recent governments in the light of the UK’s commitments to address climate change. Among the findings:

• Global temperatures have increased by 0.8°C since pre-industrial times. Without additional efforts to reduce emissions, temperatures are likely to rise by between 2.6°C and 4.8°C before the end of the twenty-first century. Cautious calculations suggest that global income will be 5% lower as a result of these changes.

• World leaders agreed in 2010 to adopt the target of limiting temperature increases to 2°C. This requires reducing (net) emissions to zero by the end of the century. It also requires a reduction of about 40% (relative to 1990 levels) by 2050.

• Between 1990 and 2012, UK emissions fell by a quarter, meeting the Kyoto target and the objective of the first ‘carbon budget’ proposed by the UK government covering the period 2008-12. Most of this (18.4%) happened after 1997 when Labour came to power.

• Climate policies have been effective in reducing UK emissions, but an important factor in achieving these reductions over the last five years has also been the recession: because of lower economic activity, emissions fell faster than expected.

• While production-based emissions have fallen since 1990, there has been an increase in consumption-based emissions, which account for the emissions contained in net imports by the UK. Consumption-based emissions have only slowed in the wake of the Great Recession, implying that they are likely to increase as the economy recovers.

• The UK lags behind most OECD countries in innovation and the adoption of clean technologies.

• UK climate policy consists of a patchwork of different policy instruments and exemption rules, resulting in a diverse menu of carbon prices. This is inefficient as different emitters face very different incentives to reduce emissions even though the damage that a tonne of carbon is always the same irrespective of where it is emitted.

• A good strategy would be to work towards harmonising carbon prices by abolishing exemption rules and increasing carbon taxes for emitters that currently face low prices. This will reduce emissions, enhance efficiency and raise additional revenue that can be channelled towards research and development (R&D) in clean technologies.

Ralf Martin, author of the report, comment:
‘One big concern should be the UK’s performance in the innovation and adoption of clean technologies. While efforts have improved in recent years, the UK still lags behind other countries.

‘This is important because clean technology leadership and the development of a specialisation in this area could potentially have medium-term economic benefits irrespective of its long-term impact on climate change.

‘This points to an opportunity for UK climate policy to move forward. Harmonising carbon prices across emitters and abolishing exemptions from policies will provide further incentives to reduce emissions while also generating additional revenue for the government.

‘This additional revenue could, in turn, be earmarked for further R&D support in areas such as clean innovation to improve the UK’s performance and standing as a leader in the ‘new’ industrial revolution.’

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Notes for editors:

‘Energy and the Environment: a cold climate for climate change policies?’ by Ralf Martin is the latest in CEP's #ElectionEconomics series.

Objective, brief and non-technical, CEP Election Analysis is a series of background briefings on the policy issues in the May 2015 UK General Election

This series discusses the research evidence on some of the UK’s key policy battlegrounds, including immigration, austerity, real wages and living standards, productivity and business, Europe, the NHS, schools, tuition fees, gender gaps, urban and regional policy, top tax rates, inequality, housing and planning, crime, climate change and energy, and mental health.

These analyses are provided by some of our expert researchers and draw on some of our past and current research.

For further information, contact:

Ralf Martin: email: R.Martin@lse.ac.uk; Romesh Vaitilingam on 07768 661095, email: romesh@vaitilingam.com; or Jo Cantlay on +44 (0)20 7955 7285, email: j.m.cantlay@lse.ac.uk