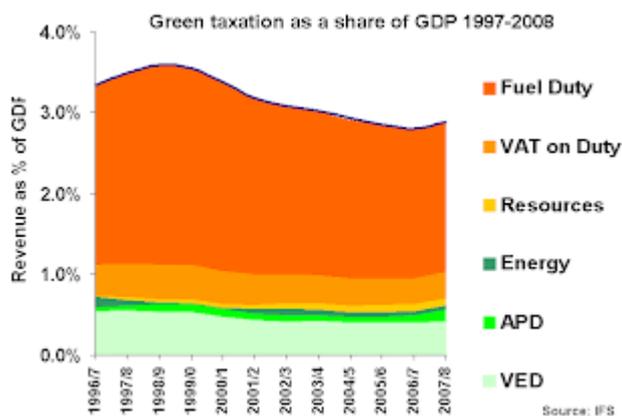


Pale green tax plan mocks Stern's call to arms



After the Chancellor's omission of Stern or climate change in his speech to the captains of British industry [[below](#)], I wasn't surprised, but I *was* disappointed. The Pre Budget Report environmental package [see [chapter 7](#)] was no more than tinkering-as-usual. There was absolutely no sign of the urgency that the Stern report should have inspired - as [Stern](#)

[concludes](#): *A range of options exists to cut emissions; strong, deliberate policy action is required to motivate their take-up.*

But there is nothing there:

Press coverage says it pretty well: [Brown failed green test say critics](#) in the Guardian and [Modest package of green tax rises](#) in the FT. And there were plenty of stronger but real world proposals on the table: like [these from accountants Ernst & Young](#). Maybe he is saving it for the 2007 Budget or his much anticipated 'first 100 days' as Prime Minister?

The chart above adapted from an excellent summary presentation ([PPT](#)) by the venerable [Institute of Fiscal Studies](#) shows one indicator of the strength of fiscal measures - the (declining) share of GDP taken in green taxes of various sorts since 1997. Not a perfect measure - there are other economic instruments like emissions trading - but revealing all the same. Since 1997, the Treasury has talked the talk: [Statement of intent on environmental taxation](#) (1997) and the follow-up [Tax and the environment: using economic instruments](#) (2002). But the delivery has been weak and the transformation undetectable - in fact it has gone backwards.

Fuel duty puzzle...

The Chancellor decided not to raise fuel duties in real terms - despite the recent fall in oil prices (yesterday the Brent Crude price was 19% off the August peak

[\[market data\]](#) and the earlier justification for easing off duty increases being high oil prices. But one interesting question I'll have to come back to is the level of tax on road fuel. Fuel duty (equivalent to c. £750/tC with VAT on top for unleaded petrol) far exceeds the estimates of the social cost of carbon, whether Stern's (see [Stern FAQ - giving \\$85/tCO2](#) = about £159/tC at current exchange rates) or the earlier lower estimates (see [Defra summary - £70/tC](#)). What then is the case for increasing fuel duty?