

March 2010



**Friends of
the Earth**

Briefing

Budget 2010

This year's Budget is an opportunity to lay the foundations for a strong, green economy which will help lead the UK out of the recession, protect people and businesses, and overcome global environmental threats.

Environmental measures on tax and spending would help new technologies and industries to grow, create hundreds of thousands of UK jobs, save businesses and households billions of pounds, protect the British economy and people from over-reliance on fossil fuels imports and volatile global energy prices and increase investors' confidence that the Government means what it says on tackling climate change.

Friends of the Earth makes life better for people by inspiring solutions to environmental problems.

We are:

- the UK's most influential national environmental campaigning organisation
- the world's most extensive environmental network, with around 2 million supporters across five continents and 77 national organisations worldwide
- a unique network of campaigning local groups, working in more than 230 communities throughout England, Wales and Northern Ireland
- dependent on individuals for over 90 per cent of our income.

To join or make a donation call us on 0800 581 051

Friends of the Earth, 26-28 Underwood Street, London N1 7JQ
Tel: 020 7490 1555 Fax: 020 7490 0881 Web: www.foe.co.uk

Friends of the Earth Limited company number 1012357, Trust company number 1533942, registered charity number 281681.

Friends of the Earth is urging the Chancellor to take action in three areas to save energy, develop new green technologies and cut waste:

1. ENSURE ADEQUATE FUNDING FOR INVESTMENT IN GREEN TECHNOLOGICAL DEVELOPMENTS AND ENERGY EFFICIENCY SCHEMES.

Many strong projects are struggling to obtain capital funding in the current financial climate.

- **Set up a Green Infrastructure Bank, which also issues Green Bonds**
A new Government-backed Green Bank would provide direct investment and loans for renewable energy and energy saving schemes. It would invest in strategically significant technologies such as deep off-shore wind energy, and reduce risks to other investors. It would help mobilise hundreds of billions of pounds of private sector investment in a low-carbon economy.

- **More money for interest-free loans to businesses, hospitals and schools for green investments**

The 2009 Budget gave a welcome boost to businesses and the public sector through interest-free energy efficiency loans. These loans are a win-win: organisations cut carbon emissions and save on their energy bills, and the Treasury gets its money back. This type of double-dividend is exactly what the Government should prioritise. It should double the loans available, re-loan the money out when it is paid back, and extend the payback period to 10 years.

2. TAX REFORMS TO MAKE IT CHEAPER AND EASIER FOR BUSINESSES AND PEOPLE TO MAKE GREENER CHOICES AND INVESTMENTS

- **Give green tax breaks to businesses**

Grant 100 per cent capital allowances to manufacturing facilities for renewable technologies. Cut employers' National Insurance contributions for renewable energy firms, and provide retraining grants – following the model established in the USA in January 2010.

- **Help people save energy in their home**

Cut VAT on refurbishment, to reduce the cost of installing energy efficiency measures. Increase the grants for landlords ("LESA") to improve the energy efficiency of homes. Give a Stamp Duty Rebate to people who make green improvements to homes they've just bought. People are most likely to invest in energy-efficiency measures shortly after buying a home.

- **Reform taxes on waste**

Tax waste sent to incinerators, so as to incentivise recycling, composting, anaerobic digestion. Reduce tax on waste sent to landfill that has been pre-treated to remove recyclables and cut methane.

3. DOUBLE DIVIDENDS: TAX AND SPENDING REFORMS TO FUND LOW CARBON INVESTMENTS, AND CUT THE DEFICIT

Cutting public spending risks worsening the recession by increasing unemployment and reducing tax receipts. Instead, the Government should invest in a strong Green

New Deal – diverting ineffective spending into energy and carbon saving schemes, and introducing tax reforms to cut the deficit and fund essential programmes on poverty alleviation and climate change.

- **Cut environmentally destructive public spending**

Save £5 billion through cuts to the national road building programme. These schemes will not solve Britain's congestion problems. Their costs will spiral and increase traffic and carbon emissions.

Some of these funds should be invested in green travel initiatives, focusing on public transport, cycling and walking.

At least £200m a year should be earmarked for the new transport Urban Challenge Fund to support joined-up congestion-cutting plans.

- **Introduce the first Robin Hood Tax on currency speculation**

Gordon Brown has called for international action to set up taxes on financial transactions. The UK could introduce a tax on Sterling trades without waiting for all Governments to act on all currencies or other financial transactions.

This would not harm the UK financial sector, as it is a tax on the global trade of Sterling, not the trading of currencies within the UK. Because of the globalised, electronic system for major currency transactions, the UK can capture the tax regardless of where in the world the trade takes place. This would raise at least £3 billion a year, which could be used to cut the deficit and fund spending on international climate change efforts and poverty alleviation. It would also kick-start progress on other financial transaction taxes.