

June 2010



**Friends of  
the Earth**

# Briefing

# Response to June Budget 2010

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## **Summary**

The Prime Minister promised to make this Government the “greenest ever”. Ensuring a rapid transition to a low-carbon economy is at the heart of this promise - less than a year ago, George Osborne said: “*we need to recognise the fierce urgency of now. And we need to see the whole of the government pulling in the same direction to cut emissions and green our economy*”.

This transition needs to be a strategic centre point of the Treasury’s actions. Doing so will also aid the economic recovery – both by supporting green industries which will be a central part of future economic growth and by saving businesses and households billions of pounds through energy efficiency.

The Budget is therefore a disappointment because there are so few specific environmental measures. There are recycled promises of future action – on setting up a Green Investment Bank, a Green Deal for households and on various green taxation issues. We hope these promises are delivered. But some of this could have been done now. For example, increases in taxes on aviation pollution and the introduction of Robin Hood taxes on currency speculation would have reduced the need for today’s increase in VAT, which will hit poorest households hardest, in addition to their core benefits of funding international measures on climate change and cutting pollution.

The Budget also contained nothing on how the Government will deal with the scandal of fuel poverty – one in five of UK homes are a health hazard because they are too energy inefficient to heat affordably.

The “fierce urgency of now” is a pretty clear statement. So is “we will be the greenest Government ever”. The Coalition has a great deal of work to do between now and the Autumn’s big strategies on spending and tax to deliver on its promises.

## **Measures in detail**

### **Aviation taxation**

The Government only promised to “*explore changes to the aviation tax system*” yet the Coalition Agreement stated: “*We will replace Air Passenger Duty [APD] with a per-flight duty*”. The Liberal Democrat manifesto said this proposal would raise an additional £3 billion a year.

Not immediately announcing this reform and increase in aviation taxation is a major opportunity missed – both for cutting the budget deficit and for cutting aviation pollution. APD is a progressive tax – the richest decile pay six times more as a percentage of their income on APD than the poorest decile.

### **Carbon Price, the Climate Change Levy**

The Government committed to publish proposals to reform the Climate Change Levy in the Autumn to ensure a more consistent carbon price.

### **Green Investment Bank**

We welcome the Government's commitment to publish proposals for the creation of a Green Investment Bank some time in the Autumn after the Spending Review. As a priority these proposals must:

- set up the Bank with legislation within a year to ensure it is effective, independent, credible and transparent
- set out in the Spending Review how the Bank will be capitalised – it needs at least £2 billion per year, which means up to £20 billion by 2020
- ensure the Bank focuses on energy efficiency and renewables in its mission
- include Green Bonds to support a much more effective home energy efficiency programme in partnership with local authorities.

### **Green Industrial Strategy**

No measures announced, and no mention of the Liberal Democrat Manifesto commitment to invest £400 million refurbishing shipyards in the North East of England so they can manufacture off-shore wind turbines and other marine renewable energy equipment.

### **Homes**

Only a reiteration of previous plans : A Green Deal for households in the Energy Bill.

Even if the details had to wait for the Comprehensive Spending Review the Chancellor missed an important opportunity to signal that cutting energy waste from the nation's homes will be a priority. There was also nothing in the budget on tackling fuel poverty.

Overhauling our aging housing stock will cut energy bills, reduce the cost to the NHS of dealing with illness caused by cold homes, generate green jobs and cut carbon emissions. If the Government wants to be the greenest ever and put fairness at the centre of the recovery then this should have been at the centre of the Budget.

### **Transport spending**

We welcome the Government's commitment to upgrade the Tyne and Wear Metro, extend Manchester Metrolink, redevelop Birmingham New Street train station and improve the rail lines to Sheffield and between Liverpool and Leeds.

Other schemes such as the Leeds Trolley Bus are still in the balance. We urge the Government to support these projects: they are strong regional job creators, cut congestion, and cut carbon emissions.

We urge deeper cuts to the previous Government's expensive road building programme – road building is an expensive and ineffective solution to Britain's congestion problems, and

actively makes our contribution to climate change worse. Public transport investments are far more cost-effective, and also higher job creators per pound.

### **Transport taxation**

The Government continued with the previous administration's plans, and also announced a review of the impact of oil prices on pump prices. It announced it would look into a fuel duty discount for remote rural areas. There are small reforms to the Company Car Taxation regime, to encourage further the purchase of lower emission vehicles.

### **Waste and Resources**

The commitment to continuing Labour's Landfill Tax escalator is welcome: the Landfill Tax has been a key driver of increasing recycling throughout the UK as well as providing significant revenue for central government.

However concrete action must be taken to ensure the quality and viability of sustainable alternatives, including a massive expansion of food waste collection and anaerobic digestion, kerbside separated recycling collections and support for waste prevention and reuse schemes. Such schemes should be a priority for future government spending, while budget savings should be made through stopping government funding for wasteful and expensive incineration.

One such step could include raising the landfill tax rate for incinerator bottom ash (IBA) when new qualifying criteria are legislated for in the upcoming Finance Bill. Another would be taxing waste sent for incineration. We urge the Government to adopt what would be both a revenue-raiser for the Exchequer and a stimulant to sustainable waste processing.

### **Oil and Gas exploration**

The Government *"will take forward discussions with the industry to ensure the regime encourages continuing investment and the exploitation of remaining resources"*.

### **Bank taxation**

The Chancellor announced a levy on banks, expected to raise £2 billion a year. This is a good start but unambitious. A modest levy on the Banks is no substitute for a more comprehensive financial transaction tax that could raise much more to help poorer countries fight the impacts of climate change.

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