November 2011

Friends of the Earth

Briefing

Fuel Tax, Transport and Climate Change

Friends of the Earth's Policy and Campaigns Director, Craig Bennett, said:

"The days of cheap oil are over – and pumping billions of pounds into the Government's "fair fuel stabiliser" is just a short term fix.

"This money could have funded a low-carbon transport revolution – cheaper, better public transport, safer walking and cycling, and smarter cars that use less fuel.

"To cut carbon, clean up our air and protect motorists from the sting of soaring oil prices, the Government must invest now in developing a transport system the UK can be proud of."

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Summary

UK transport policy is heading in the wrong direction. We urgently need action to tackle the dual challenges of climate change and rising oil prices but the Government's current plans will do nothing to help.

The decision by the Government in the March 2011 Budget to subsidise motoring from a tax on North Sea Oil and Gas profits will have significant repercussions for years to come. Fuel prices have continued to rise over recent months, despite the billions of pounds allocated to keeping them down[1].

The reality is that global factors mean the days of cheap fossil fuel are over – and the Government must face up to this by smoothing the move to low-carbon transport in the UK, to take the sting out of future sudden price shocks.

This means providing cheap, efficient public transport, walking and cycling incentives for short journeys and moves to encourage motorists to switch to smarter vehicles that use less fuel.

Friends of the Earth says the Coalition must help to wean our transport system off of its addiction to oil if David Cameron is going to deliver on his pledge to lead the "greenest government ever."

The cost of motoring

Petrol and diesel prices have risen significantly in recent months[2] prompting calls for the Government to take urgent action to make fuel cheaper.

But it will probably surprise many people to know that when wider costs of owning and driving a car are taken into account, the overall cost of motoring has been falling in real terms for many years.

Earlier this year a Parliamentary Answer revealed that between 1997 and 2010 the real cost of motoring, including buying a vehicle, fell by seven per cent in real terms. Over the same period, bus and coach fares increased by 24 per cent and rail fares increased by 17 per cent[3].

Although this is probably of little comfort to motorists paying more for a tank full of fuel, it does illustrate the fact that price signals have relentlessly encouraged motoring - at the expense of cleaner transport alternatives. Little wonder we now have such a car-dependent society.

But if we want to protect ourselves from future oil price hikes and tackle climate change, this has got to change.

[1] http://www.rac.co.uk/news-advice/motoring-news/post/2011/4/1p-fuel-duty-cut-already-wiped-out/
[2] http://www.decc.gov.uk/en/content/cms/statistics/energy_stats/prices/prices.aspx
[3] http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110131/text/110131w0002.htm#11013113002152

The role of fuel duty

In the March 2011 Budget[4], Chancellor George Osborne cut fuel duty by 1p, scrapped Alistair Darling's fuel duty escalator, postponed the April 2011 inflation increase to January 2012, and introduced a 'fair fuel stabiliser' – which will use income from an increased Supplementary Charge on oil and gas production to subsidise the cost of fuel at the pump, when crude oil prices are high.

Friends of the Earth supports the decision to raise £10bn from oil and gas producers, but says this money should be used to pay for transport measures that will reduce our vulnerability to volatile oil prices[5]. The Government's plan to use this income to subsidise fuel at the pump will simply delay the inevitable and will mean increased pain in future. We need a package of policies to cut car use, reduce our dependency on oil and reduce carbon emissions.

The Parliamentary Environmental Audit Committee agrees:

"in the medium to long-term, the Government should not use taxpayers' money to keep fuel prices artificially low, but instead focus its efforts on helping motorists move away from oil." [6]

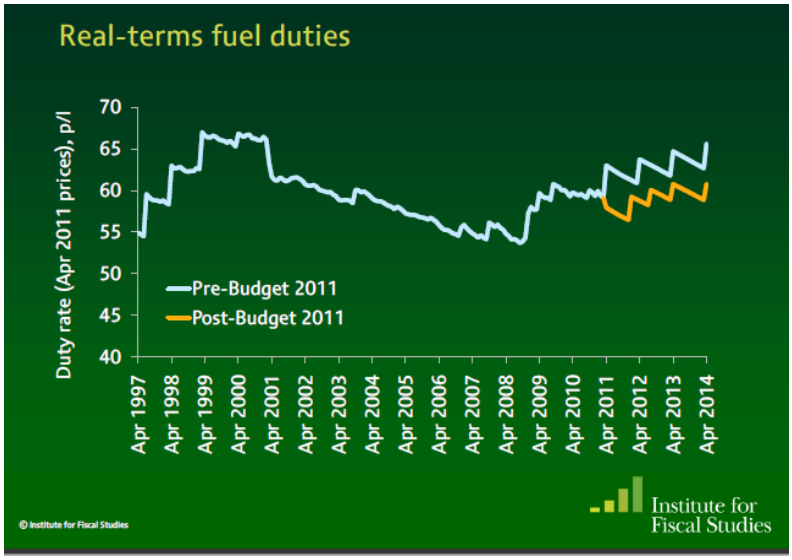
Fuel duty rises are effective at changing travel behaviour – high fuel prices have resulted in changes to how people travel and how often they travel. Multi-purpose journeys and car sharing are more common as are walking and cycling for short trips[7].

But fuel duty must be accompanied by strong measures to ensure all people have access to decent and affordable alternatives to driving, and planning policy that puts walking, cycling and public transport at the centre of new developments[8].

The Coalition pledged to be the 'greenest government ever' and increase the proportion of green taxes[9]. Friends of the Earth supports this and urges the Government to increase taxation on pollution so that taxes can be cut elsewhere – for example, taxes on jobs.

The Office of National Statistics considers fuel duty to be a green tax which makes up 90% of green tax income[10], but Changes in the budget mean fuel duty is lower in real terms than it has been since 2009 and for most of the last decade. See graph below from IFS [11]

[4] Page 38 etc: http://cdn.hm-treasury.gov.uk/2011budget_complete.pdf
[5] For examples see : http://www.publications.parliament.uk/pa/cm201012/cmselect/cmenvaud/878/878vw03.htm
[6] Para 44 etc: http://www.publications.parliament.uk/pa/cm201012/cmselect/cmenvaud/878/87806.htm
[7] See: http://www.telegraph.co.uk/motoring/news/8617185/Rising-cost-of-petrol-forces-a-million-drivers-out-of-their-cars.html
[8] PTEG report on planning reforms with case studies: http://www.pteg.net/MediaCentre/PressReleases/20110719.htm
[9] Page 31: http://www.cabinetoffice.gov.uk/sites/default/files/resources/coalition_programme_for_government.pdf
[10] http://www.ons.gov.uk/ons/rel/environmental/environmental-accounts/2011/environmental-taxes.html
[11] http://www.ifs.org.uk/budgets/budget2011/budget2011_al.pdf



Transport and climate change

If the UK is to play its part in preventing dangerous climate change it must cut carbon emissions by at least 42 per cent by 2020[12].

Transport represents about a quarter of domestic UK emissions and more than 90 per cent of this is from road traffic[13]. The sector must make deep cuts in emissions if we are to have any chance of making the greenhouse gas reductions that are necessary.

Electric cars have been championed as one of the solutions to reducing carbon emissions from transport, but commentators agree that these are unlikely to be a significant part of the UK's car fleet until well into the 2020s[14].

This is because it will take some time to put in place the necessary charging infrastructure to power them – and develop the battery technology to make these vehicles viable for longer journeys. Even then, the carbon-cutting potential of electric cars will only be realised if the electricity that powers them comes from green sources such as wind turbines and solar panels. The most optimistic assessments do not expect this to happen until at least 2030[15].

This means that if we want to cut transport emissions in the short term this will have to be achieved by making conventional cars greener, reducing the need to travel and persuading people to leave their cars at home and travel by greener means.

Despite industry foot-dragging, diesel and petrol cars have become more fuel-efficient over recent years, but they could be better still. And gas-guzzling vehicles still maintain a significant market share. The UK Government and EU must do more to ensure that car companies produce smarter cars that use less fuel.

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[12] http://www.foe.co.uk/resource/reports/reckless_gamblers.pdf
[13] 2009 DECC figs:
http://www.decc.gov.uk/en/content/cms/statistics/climate_stats/gg_emissions/uk_emissions/2009_final/2009_final.aspx
[14] Between 1 and 10% of electric cars could be electric by 2020, POST Note Oct 2010:
http://www.parliament.uk/documents/post/postpn365_electricvehicles.pdf
[15] CCC Renewable Energy Review estimated that 90% decarbonisation of Electric grid by 2030 is possible:
http://hmccc.s3.amazonaws.com/Renewables%20Review/CCC_Chapter%201.pdf

There is huge potential for rapid behaviour change if the right policies and incentives are put in place. Most journeys are short, with more than two thirds less than five miles in distance[16]. Many more of these could easily be made by walking or cycling, or on public transport. It has been estimated that only 20 per cent of car journeys could not be undertaken any other way[17].

A £10 million five-year pilot project funded by the Department for Transport in three English towns carried out between 2004 and 2008, cut car trips by at least 11 per cent simply by encouraging people to switch to greener forms of transport for journeys they were already making[18].

Car sharing also has huge potential – many commuter journeys are single occupancy car journeys[19].

Friends of the Earth is calling on the Government to:

1. Change direction on transport policy – act rapidly to reduce carbon emissions and oil dependency

2. Make it cheaper and easier for people to use cleaner alternatives to the car such as walking, cycling and public transport

3. Encourage people to use smarter vehicles that use less fuel:
   - EU car standards must be strengthened to cut carbon from new cars - the forthcoming review in 2012 is an ideal opportunity
   - Vehicle Excise Duty must be changed to make road tax more expensive for gas-guzzlers

4. Reform the 'fair fuel stabiliser' to allow fuel prices to gradually increase as an incentive to change travel habits. Use the billions of pounds from tax on North Sea oil and gas to provide greener transport options that reduce our dependency on oil

5. Investigate ways to help poorer households in rural areas who are among the hardest-hit by fuel tax rises, such as targeted council tax rebates.

[16] Page 22: http://www2.dft.gov.uk/pgr/regional/sustainabletransport/pdf/whitepaper.pdf
[17] Lyn Sloman in 'car Sick' estimated that 40% of car journeys could be shifted to alternatives now, 40% in future with improved alternatives and 20% impossible by other means
[18] http://www.dft.gov.uk/publications/the-effects-of-smarter-choice-programmes-in-the-sustainable-travel-towns-summary-report/#
[19] DfT – 85% in 2009: http://assets.dft.gov.uk/statistics/releases/national-travel-survey-2009/nts2009-09.pdf