

CHEATING ON THE PLANET

I could hear the engines of indignation revving. Environment Secretary, David Miliband, had mentioned the possibility of including road transport in the EU Emissions Trading Scheme (ETS). Within minutes this had been translated as 'every motorist will be given their own personal carbon allowance.' Nano seconds later the motoring lobby was on the warpath.

Before we allow our society to turn itself into Mad Max, the movie, there ought to be a more sober reflection on what does, and does not, work on climate change strategies. I fall out with my own government on most of today's policies, but I will neither humour nor insult you by pretending we can just sail blithely on as though nothing needs to be done.

We are in a deep mess. Every single one of us will face profound changes in our lifestyles in the decade ahead. They will come in relation to energy consumption, water management and food security. Climate change crises will confront us in the way we shop, the way we work, how we move around and in how we keep the lights on.

I do not want to duck any of the big challenges in this. I simply want to face them more honestly than the government has been willing to do so far. Some of the policies we are being offered don't stack up and others are downright dishonest. The carbon Emissions Trading Scheme, and its associated Carbon Offsetting programmes are good examples of both.

Let me begin with offsetting, and introduce you to Alex. Alex isn't so much a person as a project. You will find him on the website cheatneutral.com. Alex comes across as a shy, solitary young man who you can sponsor for £2.50 to offset your own infidelity. It allows those who are serially unfaithful to continue to bonk everything that moves, but with a clear conscience.

You just pay the £2.50 to support Alex's celibate existence and carry on with your own somewhat different one. Cheatneutral will even provide you with a certificate to confirm that you have legitimately offset your infidelity through them.

None of this offers any reduction in the sum total of infidelity, or the damage left in its wake. Its attraction comes in the way in captures the spurious high moral tone of our time.

Cheatneutral.com is a spoof website. It sends up dishonesty by offering to trade it as a product. In contrast, carbon offsetting pretends it is a legitimate answer rather than a duplicitous absurdity.

The Emissions Trading Scheme is not much better. Including motorists (or anyone else) in it will not make it work. What begins as a plausible idea, rapidly becomes the Emperors New Clothes of our time as soon as you begin to look at it more closely.

In theory, ETS gets off to a reasonable start. Countries are given annual ceilings on the amount of carbon they can emit. Each year the level of emissions is ratcheted down so the world eventually lives within carbon limits that we can survive in. So much for the theory. Here's what happens in practice.

First of all, governments set their own ceiling target. Most cheated by being over generous. Britain did

not. In the first year of the scheme 21 of the 25 member states in the EU gave out more permits than the total CO2 emitted by their country. What a farce. Next, a mythical good (the carbon credit) was created and given out by governments to their different industrial sectors. Credits/permits were given to those who pollute, but not to those who don't. Companies who used less of their credits could trade them, through banks who deal in the actual (or speculative) price of carbon.

For companies producing real goods this is a nightmare. Making investment decisions based on your judgement of the market payback over 10-15 years is one thing. Trying to second guess the market price of carbon in 10 years time is another. Industry hates it, but the world of speculative finance becomes semi-orgasmic at the thought. It opens up a whole new dimension of eco-gambling for them.

All of the banks involved in the emissions trading process take a slice for themselves whenever carbon credits are exchanged. From the World Bank to the specialist niche banks, they take anything from 8% to 30% in transaction charges. Then you get the biggest absurdity of all - the details of the national allocations plan.

Giving pollution permits to the big polluters rather than non-polluters produces some bizarre outcomes. In the first round of the ETS, the NHS had to spend about £1.3 million a year buying extra carbon permits. For the power generators, however, it has been a different matter.

The permits given to them mean that taxpayers have given energy companies shed loads of money, just at a time when energy prices were going through the roof. Britain's power generation sector made a profit of about £800 million out of trading its pollution permits in the first year of the ETS.

This absurd mal-distribution of costs and profits comes out of one of the fundamental misconceptions built into emissions trading; the notion of so called 'grandfathering' rights. It is the idea that if you were already a big energy user/polluter your position should be protected by a large allocation of pollution permits.

If you were to include transport in the current ETS all of the permits would go to the big aviation companies, not to the individual motorist. It is an approach designed to hack off the public rather than save the planet.

Ministers claim that the ETS will get better in phases 2 and 3, but none of the fundamental flaws will go. Gordon Brown has an obsession with schemes so complicated you lose the will to live before ever understanding them. What we should be doing is pursuing a radically different, and much simpler, intervention strategy.

In 1956 Britain introduced the Clean Air Act. It followed a series of smogs that were choking cities to death. No one suggested then that citizens be given individual 'soot quotas', or that we set up soot swaps or a soot trading scheme. Industry was just given notice to switch to smokeless fuel and that was that. It required political leadership, not the creation of a speculative market chasing a fictitious good. It requires the courage to change market rules.

In terms of energy markets and energy consumption, Germany has already introduced changes far more radical and exciting than anything the ETS could ever come up with. In 2000, they passed the

Renewable Energy Sources Act, requiring the energy industry to pay citizens four times the market price for photo voltaic energy generated from their own homes. This price guarantee is in place for 20 years (reducing at 5% a year) and has to be funded by the industry itself. It has added £1 a month to average monthly energy bills and resulted in a cavalry charge of citizens wanting solar energy systems in their own homes.

Some 80% of buildings going up in Berlin, last year, were generating their own energy. There is now a Bundesliga of German cities competing to be more sustainable than each other. The Act has given birth to a 'renewables' industry with a turnover of €12 billion a year, new investment of €6 billion a year, 50,000 new jobs, and a staggering 57 million tons of carbon savings a year.... four times the amount of UK schemes. Come on Gordon, you need to get out more.

The key to facing up to the radical changes that climate change will require is to empower the public, not infuriate them. We can do so by changing market rules so that sustainability is driven by citizens and cities and not by banks and speculators. To do so is not to be anti-market. It is just to set up market rules that are ethical rather than exploitative, sustainable rather than speculative.

In every sector of the economy it is possible to make the most astonishing changes that would secure a future for our kids. We just need to cherish the planet, not cheat on it.