



## GREEN TAX DEBATE

*Alan Simpson (Nottingham, South) (Lab):* I want to congratulate the Liberal Democrats on at least putting a raft of policy proposals on the table—even if half of them are wrong and misguided, and others are unworkable. However, others are extremely useful. That is in sad contrast with the Conservatives, who have called for a policy review committee to redesign a bus, but would not know how to find a bus stop to save their lives.

Let me turn to the most important starting-point that the Liberal Democrats have provided. Scientists are telling us that we have very little time—a 10-year window of opportunity in which not only to come up with nice ideas, but to make fundamental changes to the way that our economy is structured, in order to meet the three major challenges of climate change. For us and for everyone else on the planet, those challenges will be in the areas of food security, energy management and water management. In examining policies, we need to shift our whole thinking about the nature of markets, so that we can address those challenges.

It is right to say that taxation is only one of the mechanisms that should be used. We have to be very careful because, as was pointed out earlier, there is a paradox in green taxation. We cannot use the size of the green taxation slice as a percentage of gross domestic product as a measure of our green policies because, in order to be effective, that proportion needs to be as low as possible. We want to change behaviour; we do not want existing behaviour to continue.

*Mr. Graham Stuart:* Will the hon. Gentleman give way?

*Alan Simpson:* No, I will not, because I want to let the winding-up speeches begin in eight minutes time. People have been round the houses and the 4x4s to the point of doing them to death. I am happy to expand on this issue on another occasion, but I should point out that in my view, we need to focus much more on changing behaviour than on the ability to raise taxation. Carbon emissions are also used as a proxy for climate change policies, but the reality is that, like most people in this country, most Members of this House would not know a tonne of carbon if we fell over it. It is extremely helpful that people have translated the concept into accessible terms. Roughly speaking, a hot air balloon 10 metres in diameter is the equivalent of 1 tonne of carbon. Let us transpose that into aviation terms. Aviation in the UK is currently responsible for 35 million tonnes of carbon per annum, so let us picture 35 million hot air balloons cluttering the skies. On the most conservative assumption, the figure of 35 million tonnes will rise to 60 million tonnes by 2030. Sixty million hot air balloons in the skies would obliterate daylight from large sections of the UK. That is the scale of the issue that we have to tackle.

I doubt whether including aviation fuel in the emissions trading scheme makes a ha'p'orth of sense, and it is important that someone puts down a marker in this debate that such schemes are a complete scam. If one begins from the premise that in order to tackle pollution, one has to create a fictional good, against which one then unleashes speculation, only in doing so to deter long-term investment because it is impossible to predict the price of that good, one should not be surprised to end up in the mess that the European emissions trading scheme ended up in at the end of its first year of operation. People cheat. They make even more crass mistakes by giving away quotas to the most polluting, rather than to the least polluting.

I would like to believe that things would be better if we gave quotas to individuals, but I know

that that is not true. As my hon. Friend the Member for Scunthorpe (Mr. Morley) knows, it is not the fishermen who own fishing quotas now; it is the banks. The outcome is a trading circle between the wealthy that does not address issues of sustainability.

I urge hon. Members to look at the work of one of the foremost authorities on this subject: William Nordhaus of Yale university. He urges us to move from quotas to taxes and tariffs. If we make that transition, we should not presume that the taxes come to us as a Government. Let us look at the German model, where the authorities have used, with incredible creativity, two pieces of legislation in combination: the 1991 electricity feed Act, which dealt with people's right to sell energy back into the system, and the 2000 renewable energy sources Act.

The German authorities told their energy industry, "Right, we're going to set different tariffs—you set different tariffs." They required the industry to pay people a much higher rate for energy that they supplied to the system than the industry charged for energy that it supplied to people. The rate paid in Germany for renewable energies is currently about 35p per KWh. I have just completed the construction of my own eco-house, which generates more energy than it consumes, but what do I discover but that in this country those who generate energy are paid next to nothing for it. Many companies pay nothing; others pay up to about 3.5p per KWh. Ten times as much is paid to those who supply energy in Germany as is paid in the UK. Furthermore, the authorities in Germany have told the industry to pay for all this—there is no Government subsidy. Everything must be internally financed by the industry. As a result, Germany is pulling away from the rest of us in terms of investment and trade in renewable energies, as well as in terms of the skills and training that deliver a different type of sustainable economy. We lag behind because, instead, we are obsessed with the idea of a market in mythical goods.