



IT'S TIME FOR A CARBON BUDGET

A budget for fairness, prosperity
and climate action

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The Green Party's proposal for a "carbon budget" is intended as a balanced programme of tax on the one hand and spend on the other that is urgently needed just days ahead of the COP26 negotiations in Glasgow. It responds to the reality that, nationally and globally, we also have a crisis in inequality and injustice. Our carbon budget is a fiscal package to shift incentives towards much more urgent climate action while shifting the cost onto those with the broadest shoulders.

A budget is always about tax and spend. Our budget proposals combine a powerful programme of spending to tackle the climate emergency with taxation to create incentives to drive fossil fuels out of the economy and achieve greater equality, while also using the power of sovereign money creation, better known as QE.



TAX: POLLUTION AND WEALTH

Carbon tax to make the polluters pay

The central plank of our “carbon budget” is a carbon tax, a critical lever to help shift the UK towards a clean green economy. Greens propose the tax should start at £100 per tonne of carbon dioxide released, rising to £500 per tonne by 2030. A carbon tax would ultimately render coal, oil and gas financially unviable as cheaper renewable energies rise up to take their place.

The tax would apply to all carbon emissions, but the tax yield would provide a “dividend” which would prevent poorer people being hit with higher costs. It would in part be used to fund a Universal Basic Income for all and help those on lower incomes meet the costs of transitioning to a carbon free future.

The [proposal](#) for a carbon tax and dividend, starting at £100 per tonne of CO₂e, would mean up to £80 billion would be generated, which could then be used to invest in the big changes needed for a rapid transition to a zero carbon economy, and to support UK residents through the transition.

The Green Party has calculated the UK will be responsible for more than 800 million tonnes of CO₂ equivalent in 2021 – [520m tonnes of production emissions](#), including aviation and shipping; [an additional 30m tonnes for the high altitude factor](#) on aviation; and [302m tonnes from imports](#).

Adrian Ramsay, newly-elected co-leader of the Green Party, said:

“A carbon tax is one of the greatest levers we can apply to help shift us towards a clean green economy and fairer society. Just 100 companies have been the [source of three quarters of the world’s greenhouse gas emissions](#) since 1988. A carbon tax would target these big polluters, particularly energy and oil companies, and render coal, oil and gas financially unviable as cheaper renewable energies rise up to take their place.

“But as well as tackling the climate crisis, a carbon tax will offer a social dividend which will help the UK to genuinely become a more equal society. Carbon tax yields will provide funds to invest in cheap and accessible public transport, free home insulation, and a universal basic income. A carbon tax is a win–win for the climate and for social justice.”

The tax is also popular, with a [recent poll suggesting that 94% of British people supported a carbon tax](#).

Wealth tax

The Chancellor seems equally deaf to the pleas from think–tanks to address the cost–of–living crisis at a time when the combined fortune of UK billionaires has increased by 22% to £597bn since the start of the coronavirus pandemic. Never has the case for a wealth tax been stronger or heard more resoundingly, including from the millionaires themselves, 30 of whom [wrote](#) to the Chancellor asking him to tax them more heavily.

Technology entrepreneur Gemma McGough said:

“This letter isn’t a goodwill statement, this is an attempt to shake the chancellor by the fiscal shoulders and wake him up. If we endlessly tax working people and never tax where the big money is being made, our country will continue to suffer. Any business–minded person will tell you it makes good economic sense to balance your books. Where is the balance when wealth gets stockpiled by a small group of very rich people and the cost of the country falls to those on lower and middle incomes?”

While estimates of the yield from such a tax vary, [research](#) from Greenwich University suggests that a wealth tax on the top 1% of UK households – those with fortunes of more than £3.6m – could generate at least £70bn a year. That would be equivalent to 8% of the current total tax take but affect only about 250,000 households.

A wealth tax is also the answer for levelling up the economy, since it would be paid by those in more affluent areas and be redistributed across the country. In recent years, wealth for the poorest in society grew by only 3%, far outstripped by an 11% increase among the richest. London and the South East also saw a far greater increase in wealth.

Using the power of sovereign money

The Chancellor seems embarrassed by his ability to create money through QE, something that he did with

alacrity during the pandemic. We would not share that timidity but would use the power of our sovereign currency to invest in a secure future for all.

Government has [created](#) £900bn of QE money, the vast majority of which was in return for government bonds. In other words we were borrowing money from ourselves. This is a route to financing the Green New Deal that we must use to build back better after Covid and ensure we address the climate emergency with the urgency it demands.

Nothing is more absurd than asking the question of whether we can afford to save ourselves from the impending climate calamity. We have the power to create the money, as the Biden administration is doing in the US, and we need a Chancellor with the courage to create the money we need to fund the Green New Deal.

Other changes to the tax system to achieve equality and climate justice

Greens would also reverse the proposed increase to National Insurance for working people with a radical change, replacing National Insurance with a single unified income tax, which would close loopholes and raise an additional £24 billion per year.

Increasing National Insurance forces working people to pay more while protecting the better off in society, whose wealth is wrapped up in property and other investments. The Green Party instead proposes a single tax so that all incomes, including rental and investment income, are taxed at the same rate.

Our single tax would also remove the unjust loophole whereby earnings above £50,000 are charged only 2%. These changes together would bring an additional £24 billion into the Exchequer.



SPEND: ON THE GREEN NEW DEAL AND GLOBAL CLIMATE JUSTICE

The Net Zero Strategy made it clear that the government has not grasped the urgency of the situation facing us in this climate emergency. It's a tragedy that the memo does not seem to have reached the Treasury and that we have a Chancellor who seems to see the green transition as a cost rather than an opportunity.

Green New Deal

The overwhelming priority is to reduce demand for fossil-fuel energy by making homes energy efficient and decarbonising transport and industry. The Green Party has proposed a programme of investment of £100bn a year for the next decade. This would get the UK on track to reducing carbon emissions to net zero within ten years.

Government is promising a mere £3.9 billion for home insulation but more than £24 billion is needed to properly fund local authorities to decarbonise their housing stock. The Commons Environmental Audit Committee report on Energy Efficiency in existing homes says we need to make 19 million leaky homes fit for the future. 10 million of those will need deep retrofit. The Government has not put a figure on how many homes will be insulated under its new scheme but it will fall well short unless there is a fully-funded programme led by the public sector. The Climate Change Committee (CCC) says retrofitting to 2050 will cost £250 billion. That would be combined private and public sector spend but the CCC is clear that the public sector needs to lead on that. The government's announcement of £3.9bn over three years barely scratches the surface of what's needed.

Training and reskilling would be a key part of this plan, creating millions of green jobs in the energy, housing, transport and land management sectors of the economy. We welcome the Chancellor's preannounced [commitments](#) on skills training but again they are nowhere near on the scale required. £1.6bn for new [T-levels](#) for 16 to 19-year-olds and £550m for adult skills in England falls far short of the [£2.7bn the Institute for Public Policy Research \(IPPR\) says is needed](#) just for Covid catch-up. The £830m to modernise colleges is also welcome but the Green Party would focus this on skills needed for the sustainability transition, especially retrofit training for existing and new construction workers.

We would also invest far more in a robust heat and buildings strategy to tackle the climate emergency, to include:

- Deep retrofitting of 10 million homes by 2030, on top of insulation improvements for every home that needs it. 10 million homes should have the ability to generate their own renewable energy by 2030
- Funding local authorities to better insulate all homes and deep retrofit of one million homes a year: £24.6 billion is needed
- A massive training programme is needed to train a workforce who can do retrofits. There just isn't the workforce currently, due to years of Government under-investment.
- Low-income households must be supported through the immediate energy crisis with winter fuel payments. The Government grants will not cover the cost for many people.
- The Government must also bring forward building regulations and standards to ensure that new homes are highly energy efficient.



Climate justice and reparations

As the government leading the COP26 negotiations, the UK government also needs to demonstrate that we are taking our global responsibilities seriously. As the first country to undergo the industrial revolution and an economy that has relied on coal for several centuries, the UK bears a disproportionate responsibility for historic carbon emissions. Because of our history of colonialism and enslavement, we also bear responsibility for the exploitation of the very countries and peoples that are suffering the worst impacts of the climate crisis.

We need to take these responsibilities seriously and undergo a process of education, acknowledgement and atonement. But in the context of this budget that takes place only a few days before the momentous COP26 climate summit in Glasgow, we also need to frame our response in terms of reparations and climate justice.

We pledge to increase Overseas Development Assistance (ODA) and Climate Finance to a projected £50bn per year by 2030 to help developing countries respond to climate change. In total this pledge represents £1.3 trillion in international climate finance. This would begin to acknowledge the harm caused by the UK's historic carbon emissions and would begin to provide reparations for that damage.

New analysis suggests richer OECD countries need to commit almost **double** the amount previously pledged as part of the Paris Agreement to \$190bn a year. Analysis of the UK's "fair share" of climate contributions, meanwhile, suggests that the UK would need to provide at least £1trn in climate finance by 2050 in order for the obligations of the Paris climate agreement to be met. The Glasgow negotiations rely on global solidarity and respectful relationships between countries in the Global South and North.

Greens of Colour Chair Azzees Minott spokesperson said,

“If the UK is serious about its global climate responsibilities it has to stop subsidising fossil fuels and provide necessary resources to those whose lives will be most affected by this climate crisis. Greens would more than triple the proportion of the UK's Gross National Income (GNI) spent on ODA from 0.7% to 2.5% by 2030. This proposed increase would include 1.5% of GNI specifically allocated to climate finance. Greens say that more money will be needed for climate finance as the world must rush to reduce carbon emissions and to address the impacts of climate change. The proposed ODA budget stands in contrast to the £10.5 billion that the UK provides in subsidies to the fossil fuel industry every year.”