

LSE Centre for Economic Performance – Climate Change: Consensus on the Long Run targets, but will we get policies that deliver?

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A new series of [Election Analyses](#) is now available from the LSE's Centre for Economic Performance (CEP). The series will discuss the research evidence on some of the key policy battlegrounds of the

2010 General Election, including macroeconomic policy, immigration, health, education, crime, poverty and inequality, labour market policy, regional policy, energy and the environment, financial regulation and bankers' bonuses, and foreign aid.

There is a great deal of overlap between the parties' proposals on climate change policy. The 2008 Climate Change Bill, which was backed by the opposition parties, has created a sensible overarching framework for climate change policy-making. But according to the latest *Election Analysis*, by [Ralf Martin](#), from the Centre for Economic Performance (CEP), this framework must now be filled with more detailed policy measures that can induce change.



The CEP Election Analysis is summarised below and posted in full on the CEP website here: http://cep.lse.ac.uk/_new/publications/series.asp?prog=CEPE



- To favour action on climate change is part of the political consensus across all major parties. All have signed up to legally binding targets for greenhouse gas emissions of a 34% reduction by 2022 and an 80% reduction by 2050 relative to 1990 levels.
- In line with the Kyoto protocol, compared with 1990, UK emissions have been reduced by more than 12.5%. But the UK has failed to meet its own target of a 20% cut by 2010. Things look even worse if the measure of carbon emissions includes consumption by UK residents, rather than simply emissions occurring in the UK.
- To meet the targets efficiently, carbon prices must rise. While the UK has various policy initiatives to establish such a price signal, the price incurred by different types of emitters differs widely. Even the strongest price signals are relatively weak, and there is considerable uncertainty about the future path of carbon pricing.
- The reform plans of the Climate Change Levy proposed by the Conservatives and the Liberal Democrats would address some of these concerns by creating a floor price for the European Union's Emissions Trading Scheme. The LibDems' plans are more radical – extending the levy to non-business users. Both parties stop short, however, of specifying how high this floor price should be.
- All parties have proposals for 'clean' generation technologies with varying levels of support depending on the type of technology. Labour and the Conservatives support further nuclear power plants whereas the LibDems are opposed to nuclear.
- Giving differential support to different technologies risks inefficiencies and unnecessary costs. Support for renewable technologies could be integrated with establishing a carbon price. The floor for the



carbon price could be indexed to fossil fuel prices, both to hedge the risk and to avoid excessive profits in the event of future oil price hikes.

- A carbon price will be fiscally regressive and the parties lack practical proposals to address this. The simplest measure could be to channel all revenue arising from carbon back to UK residents in form of a lump sum rebate – akin to a ‘poll subsidy’.