

# Personal carbon taxation: its role in climate policy

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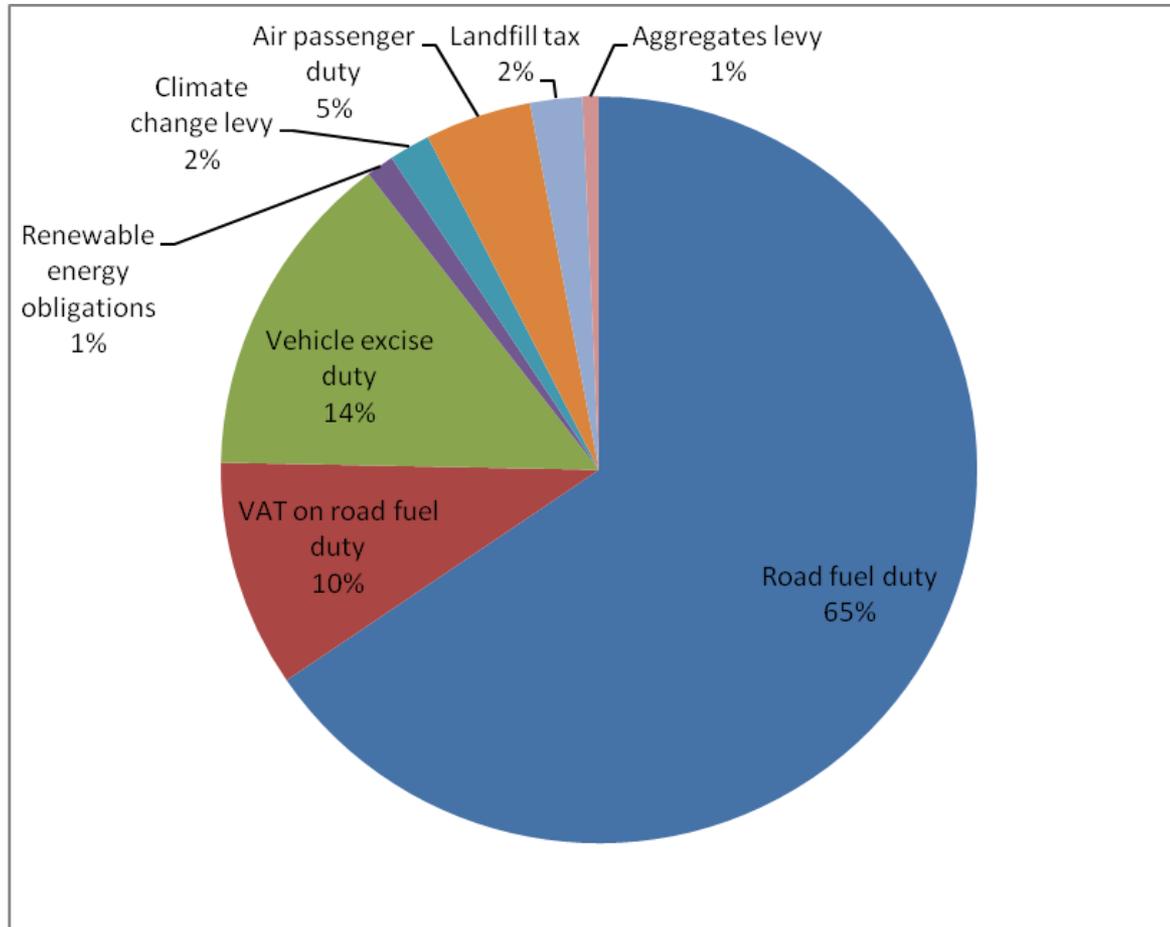
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# Starting points

In the UK there is little interest in (significantly) increasing direct personal carbon taxation. In theory it should be an attractive policy option – so why isn't it, and is this likely to change?

- Current environmental taxation
- Does environmental taxation work?
- Social acceptability
- The politics of environmental taxation
- Discussion & conclusions

# Environmental tax revenues, UK, 2009



# Does environmental taxation work?

UK experience with road fuel taxation shows substantial and stable revenues can be raised.

CO<sub>2</sub> reductions:

- 2-3% over ten year period (Global Utmaning, 2009)
- From 2% to 20% over around 16 yr period (Green Fiscal Commission, 2009)

If we are to meet UK 2050 targets, need carbon reduction of around 4% per annum.

Answer: Yes, but it hasn't been tried at the scale required.

# Social acceptability

## **Theoretical understanding**

Hard to define and measure.

Polling evidence shows support in principle, which falls considerably when specific taxes identified.

Personal carbon trading literature shows this is usually preferred to taxation.

Green Fiscal Commission research shows support increases if revenues are hypothecated to be spent on projects reducing carbon emissions. Main concerns with specific taxes are around fairness.

## **Actual experience**

UK history of public protest against increasing road fuel duty (2000) and VAT on household energy use (1993).

# The politics of environmental taxation

Labour Government, 1997, issued a statement of intent to ‘shift the burden of tax from “goods” to “bads”’

Between 1997 and 2010 environmental taxation fell as a share of national income and as a share of all receipts.

The UK Coalition Government has promised: ‘we will increase the proportion of tax revenue accounted for by environmental taxes’.

Will they?

# Discussion & conclusions

Why isn't increased environmental taxation seen as a good policy option, and is this likely to change?

There is plenty of support for the principle of environmental taxation, but much less for specific tax proposals.

Environmental taxation is on a downward trend.

Differing 'official' and public understandings of environmental taxes.

Little experience of green taxation leading to major behaviour change

## **Research into more acceptable forms of taxation**

Further detailed research on taxation design options needed. Political / social acceptability perspectives are vital.

Increased green taxation would have to focus on motor fuels and household energy – can linking these with airline taxes as 'personal carbon taxation' help?