

# New policies are needed to reconcile climate mitigation and social equity in the UK

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**Ian Gough** argues that current climate mitigation policies are highly regressive because they bear much more heavily on lower income households. To achieve both equity and carbon reduction will require imaginative and radical new 'eco-social' policies.



***This is the fifth article in a series on climate change and environmental policy being hosted by British Politics and Policy at LSE.***

The UK is now committed to one of the most demanding carbon reduction commitments in the world: to reduce the UK output of carbon and other greenhouse gases (GHGs – compared with 1990) by 80 per cent by 2050 and by at least 34 per cent by 2020 – just eight years away. A substantial set of climate mitigation programmes (CMPs) are now in place to implement these goals.

Yet the current targets and programmes suffer from two further problems. First the targets omit the wide range of GHGs 'embodied' in consumption goods imported from abroad: we have found that the UK consumes one third more carbon than it produces and one half more greenhouse gases – one of the widest gaps in the world. We are conveniently outsourcing a large chunk of our emissions.

Second, most of the energy efficiency programmes focus on direct household emissions from fuel and electricity, rather than all the indirect emissions embodied in food, travel, consumer goods and services – which account for four fifths of the total. Yet current CMPs are highly regressive because they impose policy 'obligations' on energy companies which they are expected to recoup from higher prices, which in turn bear much more heavily on lower income households.

Can a broader 'consumption' approach to household emissions better reconcile environmental and social concerns? We have calculated the distribution of total household emissions, a process which requires marrying together the input-output resource database of the Stockholm Environment Institute with the UK Food and Expenditure Survey. The results show that income is the most important driver of per capita emissions across households. Bigger households emit less per capita than smaller households due to economies of scale in consumption. So do 'workless' households – pensioners, unemployed and unoccupied – compared with those with one or more member in employment.

Targeting emissions from travel, services and consumption goods would be less regressive than those on essentials like food and heating. Nevertheless, any general carbon tax or pricing system would impact more on the low paid, single persons, pensioners and workless households. So we need new environmental, social and economic policies to target all personal consumption, but in a fair way. Advocates of 'nudge' claim this can be done without seriously confronting commercial pressures and structural constraints. I am less sure.

One radical solution is to ration carbon, though most advocates prefer to talk of carbon allowances. A cap is imposed on a country's total GHG emissions (decreasing year by year) and this is divided into equal annual allowances for each adult resident (usually with a lower allowance for each child). In effect, a dual accounting standard and currency is developed—energy, goods and services have both a money price and a carbon price. Those who emit less carbon than the average can sell their

surplus and gain, while higher emitters would pay a market price for their excess. This would be progressive and would directly bring home to consumers the carbon savings required. Though it could begin with electricity, domestic fuel and petrol, it would need to be rolled out to cover flying and other high income consumption. Yet Tesco's brave pledge to put carbon labels on 70,000 products has not been followed through and there are other administrative problems. The British government scrapped a planned pilot in 2008 as 'an idea ahead of its time'.

Another long-term solution directly addressing the issue of consumption growth is to reduce hours of work. This could directly cut consumption and emissions and alter time and expenditure budgets towards lower carbon intensity. It could be implemented gradually by taking more annual productivity gains in the form of rising leisure rather than consumption. Since 1975, when they had similar hours of work, the US has reduced average hours by 4 per cent and Germany by 22 per cent. All other things being equal, Germany has deployed its productivity dividend in a less environmentally harmful way than the United States.

Targeting rich world consumption in this way would assist international negotiations to curb climate change. Outsourcing is driving up the emissions of non-Annex 1 countries and this is an obstacle to international agreements. Including consumption-based emissions in the North's carbon account would remove some of this opposition and ease the constraints on economic and social development in the South.

An active European Emissions Trading Scheme will help, if its current problems are overcome, but it would be regressive which would damage public acceptability and would in any case be indefensible after three decades of rocketing inequality. To achieve both equity and carbon reduction will also require imaginative and radical new 'eco-social' policies.

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*Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics.*

### **About the author**

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