

Green taxes would be good for British jobs

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The lights might not be going out all over Europe, but Russia, it seems, is teaching Ukraine that if it wants to ally with the West, it will have to pay a price – higher bills for natural gas. Unfortunately, as in all disputes, there are innocent bystanders, in this case the countries dependent on the gas that transits through Ukraine.

Which only emphasises the role of energy policy in security policy, as Liam Fox, the shadow defence secretary, has been telling us for some time. With the Russians in control of natural gas supplies to Europe, and attempting to cobble together an Opec-style cartel, and the bad guys – Russia, Venezuela, Iran, assorted Arab funders of Islamic terrorism – controlling oil supplies, dependence on these carbon-based fuels reduces the manoeuvring room for western foreign policy makers. Indeed, Germany is responding with something we might call the Merkel-Putin friendship pact, to assure a continued flow of gas and to support German businessmen's quest for a share of Russia's markets.

All of this makes it even more urgent that attention be paid to green policies, as these will not only reduce the emission of greenhouse gasses, but dependence on carbon-based

fuels. George Osborne has been trying to do just that by pressing for a tax on carbon or on CO₂ emissions. "There are very strong arguments for shifting the burden of taxation away from work and investment and towards pollution," says the shadow chancellor in what might be a precursor of a new Tory slogan: "pay when you burn, not when you earn".

Payroll taxes make it expensive for businesses to create jobs; income taxes discourage workers from taking jobs, especially when an overly generous benefits system is available. Government subsidies of "winners" such as renewable and nuclear energy are costly and must be paid for by job-destroying taxes, or still more borrowing. And they don't create sustainable jobs.

There is a simple rule that should guide policy – tax bads, not goods. Pollution is bad, jobs are good. CO₂ emissions are especially bad. It would be imprudent to ignore the possibility that they might be contributing to global warming; we have seen how countries in which God has seen fit to locate oil and gas can use them as a foreign policy weapon.

So, tax those emissions or the use of fuels that produce them. Replace the wildly inefficient



Dependence on Russian gas and Arab oil is bad for national security, so it makes sense to stimulate non-carbon technology, argues Irwin Stelzer

climate change levy, which taxes non-carbon-emitting nuclear power, with a tax that forces consumers to pay the environmental and security costs of fossil fuels. And use the proceeds to lower taxes on jobs

and investment – national insurance contributions, perhaps; or capital gains by small entrepreneurs; or income taxes on low earners. Here, too, Osborne has it right: "Any additional revenues [from green taxes]... can only be used to reduce other taxes..." But his idea of collecting the proceeds into a "Family Fund" for later distribution to taxpayers assumes voters would trust the Government to cut taxes at some later date. Sensibly, they won't. The rise in green taxes should be accompanied by a simultaneous reduction in other taxes, such as NICs, so that consumers can see they are not being victimised by another stealth tax dressed in green camouflage.

The result of such green taxes is to increase the competitiveness of new technologies, which bear no carbon-tax burden. No subsidies or picking of winners by bureaucrats needed as British entrepreneurs respond with ingenious and efficient innovations – and jobs. Untaxed wind and solar might be able to compete with taxed natural gas, oil and coal, no subsidies needed. Energy conservation investments will have quicker pay-backs when carbon-containing fuels cost more to use. No government mandates necessary.

Venture capitalists hesitate to invest in alternatives to carbon-fuel technologies because oil prices might fall. Worldwide investment in renewables and purchases of hybrid cars in America are plummeting in response to the collapse in oil prices. Carbon taxes, especially those set to rise when oil prices fall, would encourage market-led investment in green technologies and in the creation of sustainable jobs. And do so far more efficiently than Gordon Brown's winner-picking, or the concealed subsidies suggested in a new discussion paper commissioned by the Tories and circulated to the shadow cabinet on Monday.

All this without increasing the overall tax burden, while improving the ability of western diplomats to talk tough to Vladimir Putin, Hugo Chávez, Mahmoud Ahmadinejad and assorted Saudi rulers. Not bad for a policy that is relatively easy to implement. Score one for Fox and Osborne, especially if the shadow chancellor drops the idea of a "Family Fund" that would never find its way to British families, and the Tories shred the new discussion document urging them to pick winners.

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