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Independent Tax Commission urges support for Rise in Fuel Duty

As the Government raises Fuel Duty by 2p per litre on Wednesday April 1st, the independent policy body, the Green Fiscal Commission, said it supported the move as an effective measure that should help reduce pollution and traffic levels.

The Green Fiscal Commission has carried out research into the Fuel Duty Escalator, which was abandoned by Government ten years ago. The Commission has concluded that despite its unpopularity it was an effective policy measure – creating a green tax shift that, by raising revenue, enabled income tax to be reduced.

Paul Ekins, Director of the Commission said that the Government must be prepared to promote policies which may be unpopular in the short term if the UK is to address climate change:

“Policy measures which are effective at dealing with climate change, such as increasing the price of polluting activities, may be unpopular initially as they require people and businesses to do things differently, or more efficiently; but as shown by the Stern Review, they will have a huge long-term pay off if they reduce the extent of climate change. A green tax shift is one of the very few ways in which the UK will be able to reduce its carbon emissions enough to meet its targets. The government must, therefore, weather the initial unpopularity of fuel duty increases and explain their broader benefits.”

GFC research shows that both Conservative and Labour governments funded income tax cuts in the 1990s through the revenue raised from the fuel duty escalator, although this wasn't announced at the time. The shift from taxes on labour to taxes on pollution has been shown to reduce pollution and increase jobs.

Notes for editors:

(1) 'Lessons from Two Green Tax Shifts in the United Kingdom' Briefing Paper No1, Green Fiscal Commission, March 2009 is available from <http://www.greenfiscalcommission.org.uk/> or the contacts below.

(2) The Green Fiscal Commission is an independent body and is not affiliated to any political party or government. Its aim is to assess the social, environmental and economic implications of a substantial green tax shift, such that 15-20 per cent of tax revenues come from environmental taxes. Its membership includes experts from business, leading academics, senior MPs from all three main UK political parties, three members of the House of Lords, and representatives from consumer and environmental organisations.

(3) Details of fuel duty increase which will occur on April 1st 2009 are available from HM Revenue and Customs <http://www.hmrc.gov.uk/pbr2008/pbrn19.pdf>