This is a briefing note reacting to the headlines of George Osborne’s 2012 Budget.
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Was this a green budget?

Compared to the outright attacks on going green made by the Chancellor last year, this was a Budget that from an environmental prospect was merely extremely disappointing—rather than outwardly hostile.

There were some positive notes: Mr Osborne softened his tone somewhat on renewables, mentioning that clean energy has a role to play in the UK’s energy mix, and stood firm against calls to scrap planned increases in both fuel duty and air passenger duty (APD).

But these crumbs of comfort paled within a Budget that was yet again driven by an obsession with growth at all costs, and on ramping up extraction and production of polluting, increasingly expensive fossil fuels.

In his Autumn Statement, he said he was “worried about the combined impact of the green policies adopted not just in Britain, but by the EU on some of our heavy, energy-intensive industries”. And it’s still clear where the Chancellor’s sympathies lie: he declared that on his watch “environmentally sustainable has to be fiscally sustainable too”, and had another dig at the “costs we are asking families and businesses to bear” from renewable energy.

Yet the Government, the Committee on Climate Change and the energy regulator Ofgem all agree that it’s the soaring price of gas that’s pushing up our energy bills, not clean energy.

The Chancellor didn’t just ignore that fact – he completely distorted it: “gas is cheap”, he claimed, before pledging a new £3 billion tax break to the oil and gas industry.

The priority was a Budget that was “unashamedly” about growth. He lauded the Government’s new planning system, due to be unveiled on 27 March.

Friends of the Earth fears the new planning rules will lead to urban sprawl and unsustainable development, and the Chancellor’s framing of the new system as “growth-friendly” has done little to allay these concerns.

He also echoed the determination of the Prime Minister to build new roads and airports, and pledged specific cash for the controversial Bexhill to Hastings link road.
OIL AND GAS: £3 billion in tax breaks for oil and gas production in the UK
The Chancellor stressed his determination to “extract the greatest possible amount of oil and gas from our reserves in the North Sea”. £3 billion in tax breaks were given to introduce a new “field allowance for particularly deep fields with sizeable reserves”, as well as increases in the tax thresholds for smaller fields.

The Chancellor’s endorsement of fossil fuels as a central part of the UK’s energy mix follows on the heels of the announcement by the Energy Secretary of a new ‘dash for gas’, which could see new gas plants still freely able to pollute into the middle of the century. “Gas is cheap,” Mr Osborne claimed, despite the fact that the soaring price of gas is behind rising energy bills over the last decade – and the Government itself thinks that the price of gas is going to continue to rise1.

PLANNING: “Unashamedly pro-growth” new planning system to be unveiled next week
More details on the Government’s new planning system were not forthcoming: details will be announced next week. However the Chancellor underlined that the unashamedly “pro-growth” new National Planning Policy Statement has the full backing of the Treasury.

The disastrous changes expected to be introduced to the planning system could pave the way for urban sprawl; when the draft guidance was issued last July, Friends of the Earth called it a “developer’s charter”. Conservative MP Zac Goldsmith suggests that the net impact will be simply to make developers rich, rather than delivering the growth the Chancellor implies.

INFRASTRUCTURE: £56 million for Bexhill to Hastings road – and U-turns in favour of airport expansion
The Chancellor’s announcement of £56 million to build the Bexhill to Hastings link road will do nothing to end transport chaos in the region, and will be one of the most damaging road schemes in the South East.

His pledge to confront the “lack of airport capacity in the South East of England” is the latest apparent U-turn from the Conservatives on this issue, who in opposition promised not to build new runways at Gatwick, Stansted or Heathrow airports.

BUSINESS: Carbon Reduction Commitment on its last legs?
The unpopular and complex Carbon Reduction Commitment moved one step closer to the grave as the Chancellor promised to overhaul, and potentially scrap and replace, the tax on business. Business Secretary Vince Cable is understood to have lobbied for the CRC, which netted the Government over £700m in its first and so far only year of operation, to be scrapped. The Government will “consult on simplifying” the CRC and, if they’re not satisfied, to replace it entirely with “an alternative environmental tax”. Given the CRC is under attack from all sides, this would be a good move – provided the new tax is simpler, more effective, and continues to reinforce the importance of energy saving to business.

TRANSPORT: Fuel duty and Air Passenger Duty
The Chancellor stood firm in the face of some calls to scrap the impending 3p rise in fuel duty for August 2012, and to abandon proposed increases in Air Passenger Duty. This is probably motivated primarily more by the black hole these moves would have left in the public finances than anything else – axing the 3p fuel duty increase would cost an estimated £15 billion.

In passing, the Chancellor mentioned the rising cost of oil: this is the correct target for those concerned about increasing transport costs. Last year Osborne scrapped a 1p rise in fuel duty, but less than two weeks later the RAC pointed out that the price of oil had already risen so much that this had been cancelled out.

1 http://www.foe.co.uk/resource/briefings/gas_price_briefing.pdf