

Public Consultation: Draft Clean Air Strategy 2018

To: Department for Environment, Food and Rural Affairs

By: The Intergenerational Foundation

Date: 31 July 2018

The Intergenerational Foundation (www.if.org.uk) is an independent think tank researching fairness between generations. IF believes policy should be fair to all – the old, the young and those to come.

Introduction

IF is pleased to have been given the opportunity to contribute to the 2018 Draft Clean Air Strategy, as we believe the environment is one of the key subjects in the intergenerational fairness debate. Pollution which is released in the atmosphere today causes disproportionate harm to Britain's children, with research from UNICEF showing that almost one in three of Britain's under-18s lives in areas with unsafe levels of air pollution.¹ Inhaling polluted air is known to be especially harmful to children, with it not only causing respiratory damage which makes them more vulnerable to asthma and other lung diseases, but also causing neurological damage which holds back their cognitive development.² Moreover, the fact that air pollution lingers in the air long after it was originally emitted means that future generations will pay a significant price for our unsustainable behaviour today.

We agree with most of the initiatives in the 2018 Draft Clean Air Strategy, but we don't believe it goes far enough to penalise activities which result in unnecessarily and unsustainably high levels of air pollution being emitted. IF has published two reports in the last few years which recommended significant reforms to the ways in which both the aviation sector and the Scottish oil and gas industry are taxed that would reduce emissions, because under the present regime both sectors benefit from significant tax breaks even though they contribute significantly towards air pollution. The specific reforms that we recommended are explained in detail in the following two sections:

Flying in the Face of Fairness

IF published a research study in 2012 entitled [*Flying in the Face of Fairness*](#) which argued that the UK currently subsidises air transport in a way that generates artificial demand by making flying cheaper than it otherwise would be compared to alternative modes of travel. This report argued that if the current range of subsidies was

¹ Carrington, D. (2018) "Millions of British children breathing toxic air, Unicef warns" *The Guardian* (online), published 21 June 2018

² Carrington, D. (2017) "Air pollution more harmful to children in cars than outside, warns top scientist" *The Guardian* (online), published 12 June 2017

dismantled then it would have the effect of lowering future demand for air travel. Reducing demand for air travel would significantly lower air pollution because both airplanes and airports are significant sources of air pollution, which is emitted by plane exhausts, airport support vehicles and the additional road traffic generated by people driving to reach airports in the first place.³ The effect of these sources of air pollution is compounded in a major city such as London which has multiple large airports and extremely busy overhead flight traffic.

IF's report quantified the value of the following range of subsidies which the aviation industry currently receives:

- The exemption of aviation fuel from VAT and duty – £10.4 billion per year
- The zero-rating of airline tickets for VAT – £2.6 billion per year
- The net financial gain received by the airline industry from reclaiming VAT on their inputs – £0.6 billion per year
- The taxes lost to the exchequer through allowing airports to provide duty-free retail – £0.6 billion

The overall quantifiable “effective subsidy” enjoyed by the aviation industry amounts to £11.4 billion (net of taxes collected from the aviation industry, which includes around £2.6 billion a year in Air Passenger Duty). The report also identified a range of indirect subsidies that encourage people to fly which it is much harder to put a direct value on, such as Route Development Funds, government support for surface access schemes, rules that allow aircraft to be leased through offshore structures based in low-tax jurisdictions, and arrangements which mean airlines don't have to pay the full market price for using the radio bandwidth devoted to air traffic control.

This report used forecasts from the Department of Transport which projected that, with current aviation infrastructure in place, demand by the year 2050 would be for 470 million passenger journeys, but this would rise to 520 million passenger journeys if the UK's airports were allowed to expand, which would increase the carbon dioxide emissions created by aviation from 49 MtCO₂ to 55 MtCO₂ and significantly increase other forms of pollution (from a starting point where Britain's air pollution is already above legally acceptable levels). However, the report's authors argued that – based on their calculations – phasing out the array of tax subsidies which are currently given to air travel would remove the need for new airport capacity, meaning that pollution could at least be restricted to current levels rather than increasing still further. The authors also emphasised that there is a body of evidence to suggest that business travel is significantly less price sensitive than tourism, so even if altering the aviation subsidy regime results in higher ticket prices for travellers, this would be unlikely to harm the UK economy by deterring businesspeople from travelling, whilst it could significantly reduce air pollution which damages the health of Britain's children.

Rigged: How the UK oil and gas industry is undermining future generations

IF also published a research report in 2018 called [*Rigged: How the UK oil and gas industry is undermining future generations*](#) which looked at how the tax treatment of the North Sea oil and gas industry is harmful to today's younger and future generations. This report argued that the government is continuing to support the further exploitation of the North Sea oil and gas fields by making tax relief more generous to the sector, even though the government has committed itself to substantially reducing the UK's carbon emissions.

³ Harrison, R. M. et al. (2015) “Civil aviation, air pollution and human health”, *Environmental Research Letters*, 10, 4, 1–3

In his 2015 Budget speech, the then Chancellor of the Exchequer, George Osborne, unveiled a package of measures which were designed to boost North Sea oil and gas production by making its tax treatment more generous.⁴ This included reducing the Petroleum Revenue Tax from 50% to 35% and slashing the additional supplementary tax on the sector from 30% to 20%; measures worth a combined £1.3 billion subsidy that were expected to increase oil production by 15% by 2020. As North Sea oil and gas production contributes significantly towards toxic air pollution during both the harvesting of these commodities and when they are actually consumed by being burned or processed into other products, the report argued that these subsidies contribute to the burden of air pollution in the UK. One of the ways in which the problem of air pollution can be mitigated would be if the government sought to curtail North Sea oil and gas production as rapidly as is economically feasible, an outcome which would also contribute towards achieving its wider objective of fighting climate change.

If you would like to learn more about the work of the Intergenerational Foundation please contact:

Liz Emerson
Co-Founder
Email: liz@if.org.uk
Mobile: 07971 228823

⁴ BBC News (2015) "Budget 2015: Chancellor overhauls North Sea taxes" *BBC News* (online), 18 March 2015