Making Polluters Pay and Delivering Climate Justice

A briefing on the use of fiscal measures to tackle the climate crisis

Summary

October 2022

Introduction

Scotland has missed three out of the last four legal emissions reduction targets with warnings that future targets will be difficult to meet. Tackling the climate crisis therefore requires urgent and sustained new investment. Investment in rapid and deep emissions' reduction, as well as substantially enhanced support for the most impacted communities, must be delivered without diverting resources from other important priorities. Stop Climate Chaos Scotland (SCCS) commissioned the report, *Financing Climate Justice: Fiscal measures for climate action in a time of crisis* to better understand how fiscal measures might help accelerate, and fund, Scotland's climate ambitions.

The report – which has implications for the UK and Scottish Governments, as well as local government – cuts across multiple government portfolios and highlights the potential to unlock significant progress across numerous policy priorities. It examines current fiscal measures and suggests how they might be better used to bring about greater change. Amid increasing public debate in Scotland, and across the UK, about tax policy, it also examines potential new fiscal measures, including those in use or proposed elsewhere in the world. The report considers issues such as each measure's potential impact in raising funds to invest in climate justice in Scotland and internationally, and its potential to change the behaviour of polluters to reduce their emissions. Critically, this analysis also considers: whether the measure is consistent with the polluter pays principle – the notion that those whose behaviours are harming the climate should pay for the damage they create; the speed with which the measures could be implemented; and alignment with both social and climate justice.

Tackling the cost of living and climate crises together

At a time of surging living costs, it might be argued that this is the wrong time to consider the need to spend more money on reducing emissions or supporting those being impacted by the climate crisis. However, the measures to address the climate crisis and address the cost of living crisis can, in fact, be aligned and complement one another – in part, because both are caused primarily by the use and cost of fossil fuels. Thus, SCCS strongly supports the report's recommendation that measures to address the cost of living crisis must also reduce emissions, and that well-designed fiscal measures will not only help accelerate emissions reduction, but also help to achieve wider social, health and well-being goals. As the report argues: now is the time for policymakers to think boldly and to transform our use of fiscal measures to support urgent action to deliver climate justice.

Key principles for ensuring fiscal measures drive climate justice

A fiscal measure is anything where a flow of money is used to change behaviour or raise money to fund priorities, or both. Fiscal measures cover everything from taxes, levies, duties and charges to subsidies, loans, grants and guaranteed prices.

SCCS believes that the UK and Scottish Government, as well as local authorities, need to recognise, and build the following key priorities into their fiscal policy and budget decisions:

- The use of their respective fiscal powers, including their existing tax and spend policies, to incentivise emissions reduction, including by enabling behaviour change while protecting those on low-incomes;
- The use of their respective fiscal powers to increase the overall funds available to spend on activities which accelerate emissions reduction, in a socially and climate just manner, to ensure, as a minimum, that Scotland's legal targets (annual, 2030 and beyond) are achieved;
- The need to increase the funds available to deliver Scotland's fair contribution to climate justice in the global south, including supporting low-income countries to adapt to the climate crisis and to address climate-induced losses and damages, as reparations rather than charity;
- The need to raise current and additional funding to deliver climate justice at home and globally in a manner fully consistent with the polluter pays principle, including acknowledgement that higher emissions are linked, on average, to an individual's level of wealth; and
- The urgency for action – further delaying action at the scale and speed necessary means that more emissions' targets will be missed and the cost of meeting them will grow, alongside our responsibility and compensation due to impacted communities in the global south.

Short-term fiscal measures

SCCS strongly supports the report's recommendation that the Scottish Government creates and provides a secretariat for a new short-life, independent working group to report to Ministers on both the specific ideas and the general principles covered by the report.

In addition, SCCS calls on the Scottish and UK Governments and/or local authorities to take forward some of the short-term proposals examined in the report. In particular:

1. The Scottish Government should make an explicit commitment that it will both maximise the use of its existing fiscal levers and identify new and additional sources of finance, using a polluter pays approach, to accelerate emission reduction in Scotland and to finance Scotland's international climate justice contributions. In doing so, it should bolster its very welcome policy and financial contributions to international climate justice, including to address climate-induced loss and damage, in the global south by building on its one-off £2m contribution by immediately making a continued, long-term financial commitment to addressing the loss and damage suffered by low-income, climate-impacted communities.
2. The Scottish Government should make clear that the forthcoming Agriculture Bill will include a clear statutory purpose to ensure that agriculture subsidies incentivise emissions' reductions and carbon sequestration, and include a provision for the introduction of a nitrogen levy.
3. The UK Government should significantly increase taxes (and remove tax reliefs), both short – and long-term, on the extraction and production of fossil fuels – and invest the revenue in measures to reduce demand for them and to support a faster and just transition. During the current cost-of-living crisis, this should include serious consideration of the use of windfall taxes on the excess profits of energy companies to protect those paying spiralling energy bills.
4. At local authority level, the proposals for a Workplace Parking Levy scheme in Edinburgh and Glasgow should be progressed as speedily as possible to incentivise reduced car use, with similar schemes considered elsewhere. In all cases, the revenue generated by such schemes should be invested in expanding the provision of public or active travel locally, enabling changed behaviours. Such schemes should be consistent with, and help deliver, local transport strategies; they should also be required to form part of fair green travel to work plans negotiated with the relevant recognised trade unions.
5. A process should also be established to review the investment policies of public sector pension schemes, with the clear objective of divesting from fossil fuels and redirecting these funds towards projects consistent with a just transition to net zero.

SCCS hopes that this report will spark and contribute to a wider debate about the nature and purposes of fiscal policy across the UK and Scotland – and ensure climate justice is core to these. In addition to the short-term actions, described above, the appropriate governments should give serious consideration to all the recommendations made – notwithstanding that many need further analysis and development. In particular, the scope to deliver both significant emissions' reductions and cost of living benefits through cheaper or free public transport should be assessed, and piloted in key areas.

This report is a step towards identifying what is necessary to finance the transition, whether that is diverting existing spend or finding new money in fair ways. It also considers what we need to prioritise to deliver domestic emissions' reductions and to fulfil our international climate justice obligations.