

Tax rises would hinder recovery

There was some strange briefing in the Sunday papers, purporting to come from unnamed people in the Treasury. The argument went that the budget deficit has ballooned to £400 bn so the budget would need tax rises to cut it. Various ideas of new taxes and tax rate increases were discussed, usually to raise relatively small amounts compared to £400bn. The individual proposals typically would cut the deficit by 1-5% only on the figures given.

The truth is the huge deficit is not sustainable, and needs to be brought down by getting the economy back to work. It will be recovery that makes huge cuts to the deficit, not tax rate rises. The deficit will tumble as soon as the controls are removed from social distancing so hospitality, travel, leisure and entertainment can flourish again. Let us hope vaccination and the decline of the virus allows the government to let this happen soon. There is a double benefit for the deficit. Spending will fall sharply as furlough ends, special help to small businesses and the self employed ends and the extra money for health reduces with the job of vaccination done. At the same time tax revenues rise rapidly from low levels, as people spend money again, as businesses pay their rents again, as incomes of individuals and companies pick up from recovery.

It is most important that tax and benefit policy does everything possible to restore the lost 10% of national output and income the anti pandemic policies have taken away. Tax rises will deter investment, deter spending, reduce taxable profits and generally get in the way of recovery. They sap confidence and can even result in lower revenues if they hit transactions and activity. The country can afford the one off hit of a bad year with a massive deficit which everyone understands was a one off related to health policy. It is now important for confidence that there is a good prospect of early and sustained recovery to bring the deficit down by the reverse of how it rose. It went up because activity suffered such a bad hit, not because the tax rates were too low.

Keeping the lights on

The government's ambitious plans to move to net zero require the widespread adoption of electric cars, electric heating and much else that will need more power to be generated. It will also of course require most if not all of this electricity to be generated from renewables. The current starting position includes around one fifth of our power coming from nuclear power stations. Most of these are scheduled to close for old age this decade. We also often import around 5% of our power from the continent at some cost to ourselves and the balance of payments. We need to regard this as an

unreliable source given the problems with continental capacity and their present reliance on Russian gas and some coal. A substantial but variable portion of our present electricity comes from gas fired stations, depending on how strongly the wind is blowing and how many sunshine hours there are for the renewables.

Germany is becoming more dependent on renewables and has had some outage problems on cold calm days with little sunshine. California has power cuts from her dependence on renewables, despite having a usually favourable climate for wind and sun. As the UK plans its way to net zero it needs to promote getting sufficient electricity capacity higher up the list of priorities.

The UK used to seek guaranteed supply and relatively low cost from its electricity policy. Privatisation in the 1980s drove down costs by replacing old and inefficient coal stations with much more fuel efficient modern gas combined cycle stations. The merit order meant the cheapest power was delivered on base load, only to be topped up by the more marginal dearer power. Environmental requirements were added as a third aim of policy. Privatisation did reduce CO2 output substantially by closing so many coal stations from market forces. Prices of power fell.

As policy has come to be dominated more and more by greenhouse gas considerations, the price of power has gone up and the margin of spare capacity has fallen. Indeed, capacity has become a difficult thing to estimate or measure. The more renewable power on the system the more variable the capacity is, varying from minute to minute depending on weather conditions. The system managers have a more difficult task than before. They are turning to interruptible contracts, to get industry to switch off if the wind stops blowing. They are calling for battery parks to offer stand by capacity, seeking people with stand by diesel generators for difficult times and wanting to flex tariffs to encourage off peak use. All of these methods can help, but they cannot be a substitute for having enough capacity with a decent margin to allow for variability of supply from renewables.

There are some approved renewables or green methods of generating power that are always available or available to a predictable pattern. Biomass or wood burning is as good as coal or gas as reliable power, there when you need it. Certain designs of water power are there on stand by or available for regular times depending on tides, pump systems, and reservoir controls. Reviving water wheels from the past alongside windmills would have given more reliability. The UK has only one main pump storage system. It could do with some more to give the flexibility the system managers will need.

The scale of the task is immense. If the government is serious about ending new diesel and petrol cars from 2030, and serious about the widespread adoption of electric heating, the demand will greatly magnified from today. Yet today we are close to power cuts every time we have a cold day with little wind or sun. I will ask our latest Business Secretary to do something about our future capacity, as I have asked his predecessors.

The long road to net zero

We will soon hear of the Earth Summit in April to be set up by the USA. It will be followed by the Petersberg Group on climate change in May and the G7 in June, leading inexorably to the big global UN conference, COP 26 in Scotland in November. The aim of each of these meetings is to establish firm pledges from countries on how quickly they will bring down the carbon dioxide and wider greenhouse gas output of their countries. The world establishment now wants shorter term targets and tough realistic pledges on the long road to net zero by the middle of the century.

Some of my readers welcome this, and others are sceptical about various aspects of the climate change movement. I am writing this accepting the twin facts that governments believe there is a serious manmade climate problem created by greenhouse gas production, and intend to do many things to control and reduce the output of these gases. There are no mainstream political parties with a reasonable number of MPs taking a different view in Europe and the UK, and it is likely the Republicans after Trump will move closer to the Democrat position. International bodies and civil services are enthusiasts for this theory, and welcome the radical policies it ushers in. We are in for many more bans, rules, controls, and taxes to wean us off fossil fuel based goods and services, and for more subsidies and state sponsored investments to build the new green economy. Costs and charges of various products and supplies will be pushed up to discourage use. As the UK Climate Change Committee proposes, they want change in how we travel, in how we heat and cool our homes and workplaces, how we generate our electricity, how many products are produced in factories and in what we eat. They wish to see a reduction in meat and dairy products.

I would be interested to hear your reactions to this, and to know how you will change your conduct if at all in the light of the likely changes to come.

Cutting wood miles? Let's make use of the government's enthusiasm for more trees.

I asked some questions to pursue the issue of increased UK timber production. I was aware of the government plans to promote the planting of many more trees as part of its climate change policies. The net zero carbon target now

drives much of government policy. The interest in this within government is intensified by the long run up to the World Climate Change conference, COP 26 which the UK will host at Glasgow in November.

Whilst in general terms the answers show continuing commitment to more tree planting, they are short on detail. The pace of change is also slow. There is a big opportunity to expand woodland areas rapidly, and to encourage timber growth in sustainable woodlands. The owners can then harvest the timber and replace the trees on a defined growing cycle. The UK's warmer climate allows faster growth than Scandinavia and Canada where much of our timber currently comes from. The UK has substantial need of imported timber at the moment for construction, furniture and other purposes. We even import the wood to burn in the Drax power station. I will continue to press for faster action.

To ask the Secretary of State for Environment, Food and Rural Affairs, what plans he has to encourage the use of UK-produced timber to reduce wood miles. (142750)

Tabled on: 25 January 2021

Answer:

Rebecca Pow:

This spring we will publish a new England Tree Strategy, setting out plans to increase tree planting in line with our manifesto commitments, and to increase the management of existing woodlands. These actions will provide more domestic timber now and, in the future, reducing our reliance on imports. To drive sustainable investment into UK woodlands we also want to see the expansion and use of the Grown in Britain Certification mark throughout the supply chain, reducing the carbon footprint of the construction industry.

The answer was submitted on 02 Feb 2021 at 17:45.

To ask the Secretary of State for Environment, Food and Rural Affairs, if he will work with Drax power station and UK forestry to source UK biomass to replace imports. (142751)

Tabled on: 25 January 2021

Answer:

Rebecca Pow:

Our woodlands provide habitats, capture carbon and provide sustainable sources of fibre and fuel. We are seeking to increase planting across the UK in this parliament, and to bring more woodlands into management. This will increase the domestic supply of wood for a range of markets.

We are also developing a Biomass Strategy for publication in 2022 and will issue a call for evidence shortly. As part of the strategy we will review the amount of sustainable biomass available in the UK, and how this could be best utilised across the economy to achieve net zero.

My speech during the debate on Exiting the European Union (Value Added Tax), 3 February 2021

I have declared my business interests in the Register of Members' Financial Interests.

As the Minister has told us, these are two important statutory instruments for the facilitation of trade generally and for the facilitation of trade within Northern Ireland and between GB and Northern Ireland, and to the extent that they make things easier and allow zero rating of important services and goods, I welcome them wholeheartedly. But, of course, as others have said in this debate, we meet today against the background of clear difficulties and problems in the implementation of the Northern Ireland protocol, where it appears that a number of important impediments to GB-Northern Ireland trade have been inserted, and it is crucial that the talks go well and we get rid of them as quickly as possible.

So when we look at the administration of VAT, which is an important part of the trade process, I would like an assurance from the Minister that these regulations, and all the other VAT and excise rules applying in Northern Ireland and throughout the United Kingdom, will be solely administered and enforced by United Kingdom authorities, because I have much more confidence in them.

Will he also assure me that the aim of these statutory instruments, and the wider VAT legislation that they add to and amend, is to ensure that the movement of goods from Great Britain to Northern Ireland, or the other way, will be as smooth and easy as the movement from London to Surrey or from Manchester to north Wales, because that is what I thought we had agreed and signed up to—that Northern Ireland was a fully integrated part of the United Kingdom single market, under our single market and taxation rules? I would like the reassurance through these statutory instruments that we are intending for that to be true.

Will the Minister also confirm that there has for many years during our period in the European Union been an important VAT border between the United Kingdom and the Republic of Ireland, but that it has always worked very smoothly and was not enforced at the physical border, in accordance with the spirit of agreements and not wanting barriers at the land border?

It was an electronic border and adjustments were made by computer or by correspondence so that these things could be sorted out in a sensible and

decent manner without having to have people queuing at borders to make complex calculations and submissions.

If that is the case, does the Minister agree that it is in that spirit that we need to find the answer to the current impositions and difficulties affecting our trade across those borders? It seems very odd that we cannot replicate that success of our past trading, where electronic manifests, trusted trader schemes and so forth, and proper electronic VAT registration worked very well. Surely the UK authorities, if we are the proper and sole enforcement authority in Northern Ireland, can work with trusted traders, VAT-registered hauliers and ferry companies and so forth, and we can accept their certification or word that the goods on their load are entirely GB-Northern Ireland or Northern Ireland-GB. We can then accept, therefore, that there are no other considerations and the loads can then move as smoothly as from London to Guildford or Manchester to north Wales. It would be very helpful to hear the Minister's views on how that can be achieved and how quickly we can get to that point.

It is absolutely crucial to the people of Northern Ireland, as we have heard from their representatives, that they can trade smoothly with the rest of the United Kingdom. That was fundamental to the spirit of the agreements that the United Kingdom entered into with the European Union over the issue of trade with and between Great Britain, Northern Ireland and the Republic of Ireland. I hope the Minister will have good news for us and that these things can be sorted out quickly.