

FUEL PRICES BACKGROUND BRIEFING

THE RISK TO OUR CLIMATE

- The majority of the world's carbon pollution comes from oil products like petrol and diesel. We can avoid a runaway greenhouse effect but only if we break our addiction to fossil fuels and make the transition to an economy run on renewable energy and hydrogen.
- Fossil fuel use is already changing our climate. The arctic ice cap has already thinned from 10ft to 6ft in the last 20 years as a result of warmer seas. Scientists predict that the entire polar ice cap could disappear every summer within the next 50 years.

WHY GREEN TAXES?

- In the long term, oil taxation encourages car manufacturers to make more fuel efficient vehicles and encourages people to buy more economical cars. It can also make public transport more cost effective.
- The fact that some people don't like paying fuel tax is no reason to scrap it. You would expect cigarette smokers to want tobacco taxes to come down and drinkers to dream of cheaper booze.
- As well as having environmental benefits, environmental taxation such as the fuel tax are relatively fair ways to raise money for public services like health, education and clean energy. It is widely acknowledged that taxing bads like fossil fuels is better for the economy than taxing goods like employment.

OIL COMPANIES' INTERESTS

- Oil companies are making record profits from the high oil price. BP is expected to make the highest ever profit of any British company in history this year as a result of the oil price.
- If petrol tax is lowered more fuel will be sold and oil company profits will rise again. Paradoxically this means that the oil companies may well benefit from the protests around their refineries.

THE SOLUTION: RENEWABLE ENERGY

- The UK will never be able to control oil price because OPEC hold the majority of oil reserves. The best way to protect the UK economy from high oil price is to invest in alternative sources of energy over which we have control like solar, wind and wave and biomass power.

- At the last oil crisis in the 1970's Governments resolved to develop alternative energy sources like solar power but failed. They should learn the lesson and encourage massive investment to develop a strong UK renewables industry.
- Fuel cell technology will enable vehicles to be able to run on hydrogen. This hydrogen can in turn be generated by renewable energy if government give financial support to these technologies.
- The Government currently raises £500 million a year for every one penny on the price of petrol. In contrast only £18 million of public expenditure is committed to commercialising renewable energy. As an example Greenpeace has told Government that £100 million a year to offshore wind would kick-start this industry and attract significant external investment.