



# **Climate Change, Double Injustice and Social Policy**

## **A Case Study of the United Kingdom**

Ian Gough



United Nations  
Research Institute  
for Social Development

**FRIEDRICH  
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## Acronyms

<b>CCC</b>	Committee on Climate Change
<b>CMP</b>	Carbon mitigation policy
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>CO<sub>2</sub>e</b>	Carbon dioxide and its equivalent in greenhouse gases
<b>COICOP</b>	Classification of Individual Consumption by Purpose
<b>DECC</b>	Department of Energy and Climate Change
<b>EFS</b>	Expenditure and Food Survey
<b>EME</b>	Emerging economy
<b>ETS</b>	Emissions Trading System
<b>EU</b>	European Union
<b>GDP</b>	Gross domestic product
<b>Mt</b>	Millions of tonnes
<b>OECD</b>	Organisation for Economic Development and Co-operation
<b>PCAT</b>	Personal carbon allowances and trading
<b>REAP</b>	Resources and Energy Analysis Programme
<b>SEI</b>	Stockholm Environment Institute
<b>UK</b>	United Kingdom
<b>UNEP</b>	United Nations Environment Programme
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>US</b>	United States
<b>VAT</b>	Value added tax
<b>WTO</b>	World Trade Organization

## Summary

The groups and populations likely to be most harmed by climate change are the least responsible for causing it and have the least resources to cope with the consequences—this is the “double injustice”. It forms the background to climate negotiations between governments representing countries of the North and the South, but it also occurs within nations across the world. In light of this phenomenon, what are the distributional implications of current, fairly ambitious, policies to decarbonize the economy? Based on research within rich countries of the Organisation for Economic Development and Co-operation (OECD), and building specifically on UK studies and data, this question is answered in two parts: within the Kyoto framework and beyond it. This paper complements the author’s Report for the British Council on *Climate Change and Public Policy Futures*.

The United Kingdom is legally committed to reduce emissions of greenhouse gases by 80 per cent by 2050, compared with the base year of 1990. The European Union has similar collective commitments. These drastic targets are to be implemented via a wide range of carbon mitigation policies (CMPs). This paper considers the social dimension and distributive implications of these policies, and how these might be tackled.

First, the paper finds that many CMPs in the United Kingdom are highly regressive, notably those where energy companies are “obliged” by government to improve energy efficiency and increase renewable energy, the costs to be met by increasing energy prices for domestic and business users. Since energy is a basic good, it comprises a far higher share of spending in lower income households; thus such cost hikes are regressive. CMPs bear more heavily on poorer households.

It is impossible to fully recompense lower income households for these cost increases via social benefits, tax allowances and credits because of the heterogeneity of their circumstances and their dwellings. Thus alternatives are sought on grounds of social justice and/or to prevent sustained political opposition to further carbon mitigation policies.

The only secure route out of this dilemma is to consider additional policies: introducing a special low income price index and “social” energy tariffs which charge less for the first blocks of energy use and more thereafter. The latter would entail reversing the liberalization of energy markets of the past three decades. But the essential policy is a huge increase in “eco-social investment”: mass retrofitting of the housing stock and the deployment of radical conservation measures. These might compete fiscally with existing state social expenditures in times of fiscal stringency.

The second part of the paper goes beyond the Kyoto framework to consider total consumption-based emissions within the United Kingdom, including those embodied in imports from the rest of the world. The gap between the two is remarkably wide: the United Kingdom consumes one-third more carbon than it produces and one-half more greenhouse gases (GHGs). With globalization the North has exported a significant part of its GHG emissions to emerging market economies, such as China.

What are the distributional patterns of consumption-based emissions in the United Kingdom and how might they be curbed? This paper presents a new analysis showing that household income is a major driver of emissions per person, alongside household size and employment status. But the income elasticity of emissions is low, so that again they constitute a higher share in low-income households. Thus higher carbon taxes or tighter carbon allowances would again impinge on households in a regressive way: they would bear more heavily on low-income households, single-person households and workless households.

To combat this, the author argues, would require the more explicit integration of climate mitigation and social justice goals. Three radical options are considered: personal carbon

allowances and trading, reduced working time, and the taxation of consumption and income. Each raises issues of implementation and knock-on effects, but together they point the way. To combine a green economy with a fair social dimension would entail integrating the redistribution of income, time and carbon.

The double injustice of climate change within developed nations discussed in this paper also has implications for double injustice both between nations on a global scale and within developing nations. At the global level, the faster rate of growth of developing Asia and other emerging market economies over the past two decades, coupled with severe deflationary prospects in much of the North, points to a new era of catch-up and convergence in income levels—relative, if not absolute. This will apply to consumption and emissions too. It will mean that a greater share of the emissions produced in countries such as China will be consumed within their borders, rather than incurred to benefit Northern consumers.

But while inter-national inequality is starting to decline (thus changing the inter-national distribution of emissions), intra-national inequality continues to increase in both poor and rich countries. As China and others prepare to participate in a post-Kyoto institutional framework to regulate GHG emissions, it will be essential to ensure that the burden of carbon and other cuts is not imposed on the poorest. There is therefore a need for further research into the distribution of emissions by income, household composition and other relevant variables within countries in the South, and to model the distributive impacts of various policies to restrain GHG emissions. Such research could draw on the sort of experience in developed economies presented in this paper.

Compared to the conditions of strong economic growth and the export of carbon emissions in which welfare states emerged in the North, today's world of much slower growth and of rising clamour to correct the emissions deficit will require a profound reshaping of welfare states in the twenty-first century. In sum, social policy would need to be further integrated with carbon mitigation policies, and new forms of policy coherence will be needed.

Ian Gough is Professorial Research Fellow at the London School of Economics, researching climate change and social policy. He is the author of numerous books, including *The Political Economy of the Welfare State; A Theory of Human Need; Global Capital, Human Needs and Social Policies;* and *Insecurity and Welfare Regimes in Asia, Africa and Latin America.*

## Introduction

The groups and populations likely to be most harmed by climate change are the least responsible for causing it and have the least resources to cope with the consequences—this is the “double injustice”. Originally developed to understand the dilemmas posed by climate change for a just and equitable world order, the double injustice can also be applied to the situation within countries—in both South and North. This paper concentrates solely on the North, and is based on a case study of climate change and social equity within the United Kingdom. My approach will try to combine normative concerns with a realpolitik political economy analysis.

UK and EU governments are already committed to drastic reductions in the output of carbon and other greenhouse gas (GHG) emissions to counteract this future risk. So the issue arises, how will these carbon mitigation programmes impact on the most extensive group of existing state policy commitments—those of the welfare state? This is answered in two parts: within the Kyoto framework and beyond the Kyoto framework. For the purpose of this paper, the distinction is between monitoring and reducing emissions produced within a given territory compared with those originating from consumption within a given territory. In both cases, I consider only dilemmas arising within rich countries of the Organisation for Economic Co-operation and Development (OECD—the North); within these my data and examples are taken from the United Kingdom.

In the first stage, two questions are posed: fiscal and distributional. First, will climate mitigation programmes compete for public resources with social programmes, at a time of the steepest ever cuts in public spending? Second, will the distributional consequences of climate mitigation programmes create new social injustices that in turn impose new demands on the welfare state? The short answers to these two questions are “no” and “yes”. Thus we consider ideas for rethinking social policy to cope with the distributional dilemma posed by climate mitigation—that almost all policies to reduce emissions bear more heavily on lower income groups, even though they emit far less than richer households. To counter this, the social dimension must be integrated with the environmental dimension. This requires more policy integration, and examples are discussed focusing on social policy.

But even this is insufficient because it takes for granted the focus of the Kyoto Protocol on the production of GHGs in Annex I countries,<sup>1</sup> not the GHGs embodied in their consumption of goods and services. New analysis shows that the gap is wide due to outsourcing of manufacturing to emerging market economies, such as China. This paper goes on to analyse the distribution of total embodied GHGs within the United Kingdom, revealing a similar distributional dilemma. To reduce consumption emissions in the North while avoiding greater inequality within the North, a set of more radical policies is advanced, including carbon rationing, reduced hours of work and taxation of consumption. This will require more policy integration across economic, social and environmental domains.

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