

Sustainable Development Commission submission to the Environmental Audit Committee on Personal Carbon Allowances

1. The SDC first raised the issue of personal carbon allowances in 2005, drawing on the important work done on this subject by David Fleming, Mayer Hillman, and the Tyndall Centre.¹ Since then, interest in the idea has grown considerably, and it is currently the subject of a new Defra-led study (see below), along with a two-year project led by the Royal Society for the Encouragement of Arts, Manufacture and Commerce (RSA)². In addition, work continues at the Tyndall Centre³ and the Environmental Change Institute.⁴ A good description of the different forms of personal carbon allowances, and the possible costs and benefits of such an approach, was published by Defra in 2006.⁵
2. The SDC welcomes the UK Government's commitment to further explore personal carbon allowances as a long-term policy option, as set out in the 2007 Energy White Paper.⁶ We also welcome the extensive programme of research that has recently been announced by Government, to be led by Defra. The SDC has been asked to contribute to this work as a member of the Project Board and we look forward to working with the Defra team to take forward this important area of work.
3. On climate change, we strongly support the conclusions of the Stern Review⁷, which identified three important policy elements for reducing emissions:
 - Carbon pricing, through some combination of tax, trading and regulation
 - Technology policy, in order to support the development of a range of low carbon and high efficiency technologies
 - Removal of barriers to behavioural change, which is particularly important in ensuring take-up of opportunities for energy efficiency
4. Personal carbon allowances could be introduced in a wide variety of forms, ranging from an economy-wide emissions trading scheme (covering both businesses and individuals) to one focussed simply on individual emissions, or a scheme to limit emissions from a single sector (e.g. personal allowances for aviation). Some of these options may link into existing or planned policies, whereas others would require radical changes to be made.
5. In their generic form, personal carbon allowances have the potential to engage individuals with climate change mitigation in a way that is harder to achieve under upstream emissions trading schemes. By providing a fixed quantity of carbon credits to each individual,

¹ SDC (2005). *Climate Change Programme Review: SDC submission*. Available at: <http://www.sd-commission.org.uk/publications.php?id=256>

² Further information available at: <http://www.rsacarbonlimited.org>

³ Further information available at: http://www.tyndall.ac.uk/research/theme2/summary_t3_22.shtml

⁴ Further information available at: <http://www.eci.ox.ac.uk/research/energy/pct.php>

⁵ Defra (2006). *A Rough Guide to Individual Carbon Trading*. Available at:

<http://www.defra.gov.uk/environment/climatechange/uk/individual/pca/pdf/pca-scopingstudy.pdf>

⁶ HM Government (2007). *Meeting the Energy Challenge*. Energy White Paper 2007.

<http://www.dti.gov.uk/energy/whitepaper/page39534.html>

⁷ HM Treasury (2006). *Stern Review on the Economics of Climate Change*. http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/stern_review_report.cfm

information on carbon consumption can be provided alongside a price for carbon. This could raise carbon awareness, helping to drive behavioural change through lifestyle and purchasing decisions, as well as stimulating take-up of energy efficiency measures and low carbon technologies.

6. There may be net economic benefits to this bottom-up approach (after allowing for higher transaction costs) if individuals were to find it easier to identify and reduce their carbon emissions than under an upstream scheme. This may be a key factor in determining the viability of personal carbon allowances. However, accurately estimating the costs and benefits of a personal carbon allowances scheme would be extremely challenging as there is limited real-life data to draw on.
7. In addition to the issue above, there are a large number of unanswered questions on the viability of personal carbon trading, including: the impact on fuel poverty, public acceptability, the fair allocation of allowances, and setup and operational issues.
8. The SDC continues to recommend that more research is carried out on the issue of personal carbon allowances. This should include a more detailed analysis of the costs and benefits of such a scheme; its fit within the current and future policy landscape; and how it might be introduced and run.

Sustainable Development Commission

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