

Q) What is the Shadow Price of Carbon (SPC)?

A) The SPC represents the cost to society of the environmental damage caused by a tonne of carbon (or the CO<sub>2</sub> equivalent) emitted into the atmosphere. It was initially set at £25.50 in 2007 and will rise to £59.60 by 2050.

In 2007 the Climate Change Minister Phil Woolas said this of the scheme: "This will have huge implications for the Government. If for instance a new power station is due to be built at a cost of £1bn, but will add £200m worth of carbon emissions, we will decide that the cost of the power station is actually £1.2bn even though the cash price is less. We are creating a new currency."

The Department of Food, the Environment and Rural Affairs gives the following guidance to other departments: "The SPC must be applied consistently, in all areas of government decision-making."

Q) What is the European Trading Scheme (ETS)?

A) Since the beginning of 2005, several thousand energy-intensive businesses in the EU have been able to buy and sell permits that allow them to emit carbon dioxide (CO<sub>2</sub>).

Companies that exceed their individual quota of permits (initially allocated by the EU) are able to buy unused permits from firms that have taken steps to cut their emissions and do not need all of their allocation.

Those companies that exceed their limit and are unable to buy spare permits are fined for every excess tonne of CO<sub>2</sub> they emit over and above their quota.

In recent months the ETS price of carbon has hit historic lows because of a glut in the market caused either by too many permits being allocated in the first instance and then not required by firms, or because the global slowdown means firms are cutting back on production and hence using less energy (thus meaning they have permits to spare).

Q) What is the carbon offset price?

A) Carbon offsetting is a private sector approach to helping firms and businesses offset their CO<sub>2</sub> emissions. They pay a commercial company to invest, on their behalf, in schemes – such as tree-planting – that remove/reduce CO<sub>2</sub> emissions.

Q) Are fuel-duty and VED environmental (green taxes)?

A) According to the national accounts (the Blue Book 2008) yes. Yet in reality the revenue is not ring-fenced and goes into a general pool. The Government does not give a comprehensive breakdown either of what proportion of the money is actually spent on schemes to mitigate global warming or what these schemes are.