

YOUNG PROFESSIONALS

A lack of energy tax hurts the majority

We kick off a new series of articles from EI Young Professionals Networks around the country with an article suggesting a progressive energy tax, from Ewan Frost-Pennington from the London and Home Counties YPN.

High energy prices have historically been followed by innovation and increased energy efficiency as they justify greater investment into reducing energy use and ultimately carbon emissions. An energy tax replicates this, while also providing tax revenues that can be reinvested elsewhere. Despite the obvious benefits, no one wants to pay extra for energy, so how can it be made politically palatable?

In 1973 the price of oil jumped from \$25 to \$46 per barrel, a price spike that caused upheaval of energy systems in Europe. The great innovation that followed still can be seen today. It is speculated that it triggered almost universal district heating in Copenhagen and large investment in nuclear and

North Sea oil, and even led to the release of the ultra-economical Mini Cooper. Similarly, an increase in the energy prices for domestic houses could lead to greater energy efficiency and on-site renewable generation.

It is therefore understandable that an energy tax has allure for policymakers, with the promise of stimulating energy efficiency and innovation within the sector, while also receiving greater revenues. Promoting self-generation and energy efficiency measures through taxation would not only save the UK and its citizens overall energy spend in the long term, but also create jobs and drive innovation in the sector, which could subsequently be exported to other countries. The evidence for

doing this is compelling and intuitive.

Of course, there are negatives associated, primarily that no-one (myself included) wants to pay more in energy bills. Politically this type of measure has been impossible to implement – in fact, the government does the opposite and subsidises energy. The reduction of VAT from 20% to 5% and the recent imposition of an energy price cap has resulted in lower prices, increasing energy usage.

This policy is pursued for noble reasons under the guise of preventing fuel poverty. However, as it is the wealthy who use the most energy (and carbon), subsidising consumption is essentially ‘anti-Robin Hood’ – stealing from the majority to subsidise the rich.

A progressive energy tax

A progressive energy tax would mitigate this, while also capturing the benefits previously mentioned. The tax would function by



‘The concept [of a progressive energy tax] is like income tax, penalising those who use substantially more energy than the rest of society’

Ewan Frost-Pennington

EI London and Home Counties Young Professionals Network

Welcome to the first in the series of viewpoint articles from the EI Young Professional Networks (YPN) from around the UK. Over the next five months you’ll hear voices from young energy professionals talking about issues important to them.

The EI YPN was formed in 2013 with the intent of reaching into the energy industry to support young professionals from all areas of the industry. This includes students, graduates and anyone in the early stages of their career.

Through a variety of networking opportunities these branches help individuals to develop in their fields. We want our members to broaden their understanding of the wider industry, to discuss the important topics and to build their networks.

In London, we do this by hosting monthly evening networking events. These vary from panel speakers featuring prominent experts, keynote lectures from eminent figures in energy and fun socials where you can rub shoulders with the future leaders of the energy industry.

After the success of hosting Jeremy Leggett in January and an all-star panel debate at IP Week, we are keeping the momentum going. Join us next month for our discussion on distributed energy: ‘The Many, Not the Few: The New World of Distributed Energy’, hosted at the London Business School. We follow that up with the second run of our YPN.FutureTech in May and don’t forget to sign up to our field trip to a wind farm.

We would like to thank CNOOC Petroleum UK for its continued support, as well as to each of our individual event sponsors.

If you or your company wish to support our network then please email ypnlondonhc@energyinst.org Don’t forget to follow us on Twitter (@EIYPNLondon), and you can connect with us on LinkedIn and Facebook.



The London and Home Counties YPN Committee

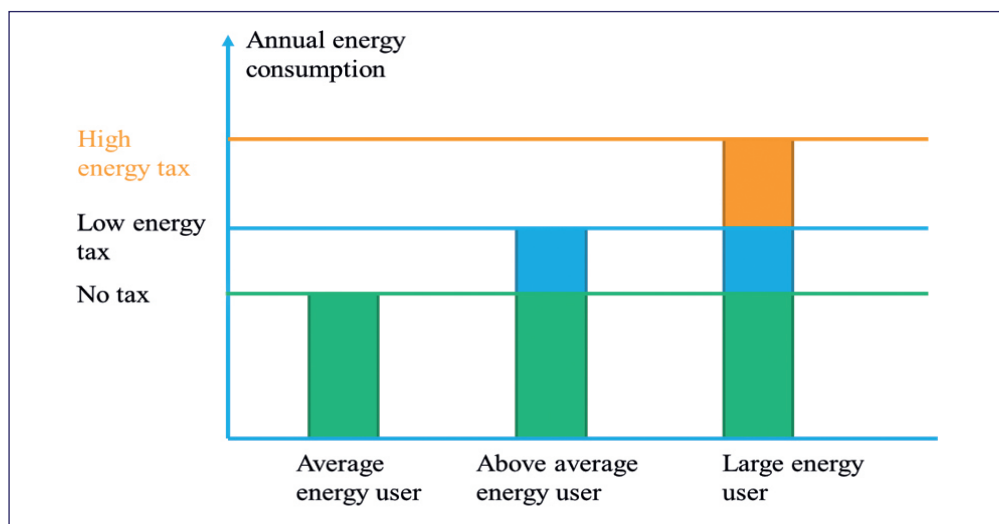


Figure 1. Progressive energy tax

allocating everyone in the country a tax-free (or even subsidised) proportion of energy which would continue to combat fuel poverty, whereas beyond a certain threshold the tax would begin to increase. The concept is like income tax, penalising those who use substantially more energy than the rest of society. South Korea and Japan already implement a measure like this, demonstrating that it is technically possible, even with analogue meters.

The concept described is illustrated by **Figure 1**, which indicates how those penalised are

only those that use excessive energy (generally those who are very affluent).

To further counter the arguments of opponents, the technology now exists to track the tax paid and then provide it as credit that the payer can spend on specific energy efficiency programmes, so they still have a net gain. This could revolutionise the energy efficiency sector.

Finally, to make such a tax more palatable, it could be deferred for a period so that people have ample warning to invest in measures necessary to get their energy

consumption below the taxable threshold. The target could also move in line with what is reasonable energy consumption based on the technologies available. This would have the benefit that it still informs today's business cases without actually causing difficulties for people in the near term, which would also allow development within the industry at an organic rate. ●

Ewan Frost-Pennington is an Energy and Climate Change Consultant for Arup and a London and Home Counties YPN Committee Member.

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