

# ***Agenda for Sustainability***

**Tools for Creating a Sustainable  
Economy and Society**

**Policy Paper 8**



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# Summary

“We believe,” states the preamble to the Liberal Democrat constitution, “that each generation is responsible for the fate of our planet and, by safeguarding the balance of nature and the environment, for the long term continuity of life in all its forms.” Since the Party’s foundation six years ago, we have made that theme a central feature of our programme.

The proposals in this paper aim to achieve sustainable development; development “*that meets the needs of the present without compromising the ability of future generations to meet their own needs.*” We have three overriding objectives:

*Environmental sustainability*, which requires that society neither squanders the resources needed by future generations nor leaves its children with pollution beyond the regenerative capacity of the environment

- *Economic sustainability*: an economic system that operates within the bounds of environmental sustainability, and encourages rather than inhibits long-term wealth creation.
- *Social sustainability*: a society in which every individual has a stake and in which all can participate and shape the future.

The objectives of sustainable development must be incorporated into the framework of decision-making at all levels of economy and society. To measure progress towards sustainability, we advocate the adoption by government of a range of indicators to supplement GDP growth as measures of development, including indicators of sustainability (such as emission of pollutants, generation of hazardous wastes, energy use, and biodiversity) and indicators of quality of life (such as life expectancy, literacy rate, educational qualifications, access to communications, crime rates and income distribution).

Each government department should publish an annual report measuring indicators within their policy area, together with international comparisons. The Prime Minister should present an annual report to Parliament on progress made in meeting sustainability targets. Similar measures should be adopted by national, regional and local authorities.

A wide variety of mechanisms are available to government to ensure that the aims of sustainable development are integrated into economic activity and industrial decision-making, creating incentives to reduce pollution and conserve resources. In general we prefer mechanisms which use the market framework, which minimises bureaucracy and maximises flexibility and choice. These include:

- The imposition of taxation on pollution-causing and resource-depleting products, starting as a first priority with energy.
- The provision of subsidies from central and local government for investment and activities which reduce pollution and conserve resources.
- The establishment of a system of tradable emission licences, creating market-based incentives for industry to reduce pollution.

Non-market instruments - regulations such as product labelling, standards for energy efficiency, outright prohibition and least-cost planning rules are also likely to be required in cases where markets do not operate efficiently or at all. In general, a combination of policy instruments is likely to have the greatest effect.

The reform of institutions, on UK, EU and global scales, is necessary to ensure the achievement of the above objectives. We will create a powerful new Department of Natural Resources responsible for implementing and administering environmental taxation, emission licence systems, subsidies and appropriate regulations. A Sustainable Development Office within the Cabinet Office will be responsible to the Prime Minister for monitoring and promoting action for sustainability across the whole of government. The Environment Agency should be established without delay, operating closely with the European Environment Agency to monitor and enforce environmental regulations and standards. At global level, the UN Commission on Sustainable Development should have a vital role to play, working within the framework of a globally agreed 'Earth Charter'.

Working with these mechanisms and institutions, government should take the lead in establishing the goals and targets of a strategy for sustainability, and ensuring that they are achieved. We would set specific targets for the reduction of pollution and the conservation of natural resources for each five years ahead (to be achieved by the end of a Parliament) and further, long term targets would be indicated in order to define the direction to be taken into the future.

Chapter Five of this paper outlines the key environmental objectives in various policy areas and illustrates how these mechanisms for sustainability can be applied in practice. This framework will be taken up and developed in future Liberal Democrat policy papers, creating our full *agenda for sustainability*.

# ***Introduction: Economy and Environment***

**1.0.1 There has always been an interaction between economic policy and the environment. Several times in history, the over-use of natural resources has led to the decline of a society; more frequently, pollution has caused localised health and social problems. But it is only in modern times that economic and population growth - and the resulting demand for resources and the emission of wastes - have reached the point at which they are beginning to threaten the global processes that sustain life. Global warming, the depletion of stratospheric ozone, species extinction, deforestation and widespread land degradation are among the consequences that show unequivocally the worldwide pressure now being exerted by humanity on its environment.**

1.0.2 The United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro in June 1992, could have been a unique event in the annals of international affairs. The 'Earth Summit' recognised the seriousness of this environmental degradation, but in the end, avoided agreements on the key issues of real reductions in carbon dioxide emissions, and on biodiversity, and avoided the institutional rethink that such a change in direction must demand. These tasks must be tackled at the next summit in Berlin. (The five agreements which were the main outcome of Rio - the Framework Convention on Climate Change, the Convention on Biological Diversity, the Agenda 21 'action plan', the Rio Declaration and the Forest Principles - are summarised in Appendix One.)

1.0.3 The Earth Summit's relative lack of success reflects the attitude in developed and newly industrialised countries that the world's resources are there to be exploited as fast as

possible. The world is now at a crossroads. If the quarter of its population living in the developed countries continues its high-consumption, high-pollution lifestyle and the other three-quarters strives desperately to emulate it, then environmental, economic and social catastrophe will ensue.

## **1.1 More From Less**

1.1.1 Yet this need not be the case. We believe that it is entirely possible to achieve *both* an improving quality of life *and* a reversal of environmental degradation. The prime reason that we conclude that these two objectives are not incompatible is the sheer wastefulness of current ways of operating.

1.1.2 Families and communities are spending an increasing proportion of their resources not to bring pleasure or benefit, but simply to counteract the damage caused by other activities. For example, up to four-fifths of the money spent on energy by the poorest families in Britain is wasted because of appalling standards of home insulation and the inefficiency of boilers, fridges, freezers, cookers and lighting. Rising levels of crime have led to huge sums being spent on security systems, street lighting and so on; fear of crime has contributed to a major switch from walking and cycling to car use - with consequential increased pollution and risk to health. And the huge sums spent on road building at the expense of public transport are bringing few blessings: the average British car user now spends nearly 1.5 hours in their car every day, an increase of more than a third during the last ten years. Over the same period, the average distance travelled has risen by less than 10%. Traffic congestion costs the British economy an estimated £12 billion a year.

1.1.3 Failure to control environmental damage is itself costly. The cost of acid rain damage in the UK, for example, amounts to at least £1.3bn annually. Overall, it has been estimated that the direct cost of environmental degradation in the UK already totals around £14bn a year. In the medium term, these figures will seem paltry when global warming becomes a reality. The Intergovernmental Panel on Climate Change predicts that an effective doubling in carbon dioxide concentrations in the atmosphere - which is expected to happen by about 2030 - will raise the average global temperature by between 1.5 and 5.5 °C. By contrast, following the last glacial period, the Earth's temperature rose at an average rate of around 1 °C per 500 years. The likely effects include major impact on global food production and biodiversity, and a rise in sea levels of between 10 and 30 cm. Given that a third of the world's population inhabits coastal regions, the consequences of losing these areas to the sea are very serious.

1.1.4 Unless environmental degradation is reversed, an ever-increasing proportion of global wealth will have to be diverted to alleviating the resulting famines, floods, health hazards and consequent social upheavals; ultimately, if the destruction continues, there will be nowhere left to make any money. The argument is not *whether* policies have to be changed but *how*.

1.1.5 As we have shown, however, there is enormous scope for cutting resource use while still improving services - energy savings of 50% of current consumption are possible just

with current technology, for instance - and scientific advance offers the knowledge to improve efficiencies still further. Society *is* capable of securing decent lives for all its members without risking the future. This capability can bring similar benefits to people throughout the world if developing countries can be enabled to jump the dirty technologies and adopt the most efficient and cleanest available. Furthermore, the necessary investments in pollution control and energy efficiency can in themselves help to generate employment, improve international competitiveness and spread prosperity.

1.1.6 Sustainable environmental policies bring huge benefits in other ways. Clean air, clean water, fertile soil, attractive countryside, pleasant cities, good public transport - all enhance the quality of life in ways that are impossible to value solely in money terms.

1.1.7 The task of transforming current practices to a path that is sustainable is a formidable one. It requires the very best of science and research. It needs vision and enterprise from business people to exploit the clean technologies. It demands courageous leadership from politicians internationally, nationally and locally. Above all, it necessitates cooperation and understanding at all levels. Government can, and must, set the framework to encourage the necessary changes away from environmentally damaging processes and products and towards those with minimal adverse effects.

# ***Liberal Democrat Objectives***

**2.0.1** “*We believe,*” states the preamble to the Liberal Democrat constitution, “*that each generation is responsible for the fate of our planet and, by safeguarding the balance of nature and the environment, for the long term continuity of life in all its forms.*” Since the Party’s foundation six years ago, we have made that theme a central feature of our programme.

2.0.2 Local authorities run or influenced by Liberal Democrats have a consistent record of implementing initiatives to cut pollution, conserve resources and enhance the local environment. Liberal Democrat policy papers and election manifestos have consistently treated sustainability as a core issue, not an optional extra. After the publication of *What Price Our Planet?*, the Party’s response to the Government’s White Paper of 1990, a journalist in *Country Life* was able to comment that the Liberal Democrat programme represented “*the most comprehensive environmental policies ever devised by a British political party.*”

2.0.3 This paper, *Agenda for Sustainability*, is an attempt to develop that programme further. It draws together ideas developed in earlier papers - notably in Federal Green Paper 23, *Costing the Earth* (1991) - and presents an outline framework of policies that need to be adopted by central and local government in order to achieve the first stages of the transformation of the British economy into one that is environmentally sustainable: to follow a path of *sustainable development*.

2.0.4 For the purposes of this paper, *development* represents progress towards some set of desirable goals or objectives, such as an increase in quality of life. *Sustainable development*, in the words of the Brundtland Commission of 1987, is development which “*meets the needs of the present without compromising the ability of future generations*

*to meet their own needs*”. We can develop the concept further into three components: *environmental, economic and social*.

## **2.1 Environmental Sustainability**

2.1.1 Environmental sustainability requires that society neither squanders the resources needed by future generations nor leaves its children with pollution beyond the regenerative capacity of the ecosystem. Current patterns of economic activity do not fulfil this aim, largely because environmental services and assets have been in effect valued as though they are provided ‘free’. The costs of pollution - for example, the global warming caused by carbon dioxide, or the health problems caused by traffic pollution - are not borne by the individual firm or consumer which uses or makes the polluting product, though they are clearly suffered by society as a whole. Although the depletion of a scarce resource may eventually push up its price and therefore reduce its rate of consumption, markets tend to operate within relatively short time horizons, and even then, only if the resource itself is traded; a rare species of plant, or an irreplaceable habitat, usually has no market value.

2.1.2 Many of the proposals set out in this paper are designed to rectify this problem, either by raising the price of environmentally damaging products and processes to reflect the costs of the environmental damage they cause, or by valuing or controlling the use of environmental assets which are not bought and sold. Adopting the goal of sustainable development does not imply, however, that *all* actions which impact the natural environment must cease. This would not only be impossible but in at least some cases undesirable. The depletion of oil reserves, for example, is clearly a matter of concern to future generations, but a total ban on the use of oil,

even if it were practicable, is not the answer; the fact that a future generation inherits exactly the same amount of oil as the present one is of little relevance if they cannot use it themselves.

2.1.3 The point is that future generations should be left a wealth inheritance - a stock of knowledge and understanding, of technology, of manufactured capital and of environmental assets - no less than that inherited by the current generation. Implications might include slowing down the rate of depletion of non-renewable resources so that existing reserves last further into the future than they are planned to do at present, and taking action now to develop alternative methods of carrying out tasks which are currently dependent on their availability.

2.1.4 We recognise, of course, that there are different kinds of environmental capital. Basic guidelines for achieving sustainability can be derived for each case:

- The rate of use of *renewable* resources must be brought into line with their rate of regeneration.
- The rate of depletion of *non-renewable* resources must not exceed the rate of development of renewable substitutes.
- Irreplaceable *biological* resources must be protected.
- Waste generation and pollution must not exceed the *assimilative capacity* of the environment.

2.1.5 There is also a category of assets - including the atmosphere - whose condition and properties are insufficiently understood. The 'precautionary principle' is a good guide to action here. This implies that the level of proof required to justify action should be at a 'balance of probabilities' rather than a 'beyond all reasonable doubt' level when there are grounds for believing either that action taken promptly at comparatively low cost may avoid more costly damage later, or that irreversible effects may follow if action is delayed. This is particularly true when considering assets that are not only irreplaceable but vital - such as the atmosphere.

## 2.2 Economic Sustainability

2.2.1 Economic sustainability requires a system that encourages rather than inhibits long-term wealth creation, in the broadest sense of the term. There are three key requirements for economic sustainability:

- That its activities are governed by the criteria for environmental sustainability outlined above.
- That the economy is sufficiently innovative and profitable to create the new technologies and investment needed to carry through the changes needed to reach sustainability.
- That the economy operates within a framework of long-term thinking and foresight.

2.2.2 Science, technology and innovation are vital to the task of making more from less, of using resources so much more efficiently that the quality of life can be improved while resource use and pollution declines. It is science and technology that will harness renewable energy sources effectively, that will enable the efficient recycling of materials, that will find ways of cleaning up land and water that has been despoiled by pollution. Technology, properly used, can enable the quality of life currently enjoyed by the western world to be achieved globally in a way that is environmentally sustainable.

2.2.3 Moves towards sustainability will help, not hinder, economic and social prosperity. Environmental protection projects tend to be labour-intensive, helping to create new jobs; an increase in energy efficiency will boost the competitive edge of industry, and by reducing imports of fuel, would improve the balance of payments; and there is an expanding new market in pollution control equipment and environmentally-sensitive technology in which domestic businesses can thrive.

2.2.4 Government clearly requires a long term view of the future, a vision of how societies and

economies could develop sustainably. This poses problems for any democratic system, which almost inevitably tend to focus attention on issues of relevance only to existing voters, and not to future generations. An urgent requirement is that the pervasive short-termism of the British governmental and political system must be swept away.

## 2.3 Social Sustainability

2.3.1 Environmental and economic sustainability cannot be achieved in a social vacuum. Both objectives are dependent upon the creation of a society in which every individual has a stake. Sustainable communities are therefore an essential component of sustainable development. Any system that alienates people through inequity or that destroys their ability to control their own lives is unstable and, therefore, unsustainable. A society that is divided against itself cannot prosper, nor can it value and protect its environment.

2.3.2 For example, it is the impoverished in society who live in the worst insulated housing, who suffer most when fuel prices rise, who cannot afford new and efficient appliances, and who therefore waste much of their money and so contribute to environmental damage. Policies for sustainability must ensure that those who are already worse off are not made even worse (for example, through energy taxation) and that the prosperity and employment that can be generated by the right economic programme is evenly spread throughout society. Liberal Democrats aim to create *equity*: within society, between generations, and between peoples.

2.3.3 The causes of social disenchantment are poverty, unemployment, inequality and discrimination. Unless society faces up to these problems, attempting to rebuild the spirit of community in Britain and around the world, our objectives will be unachievable. We aim to:

- Rebuild the sense of community so that every individual is prepared to work with their neighbours to improve the area in which they live.

- Reform the way in which the country is governed so that all individuals have the chance to influence the decisions which affect their daily lives.
- Develop planning, transport and housing policies which aim to foster and sustain local communities to which people can relate.
- Enable all people to acquire the skills they need to undertake meaningful employment, and develop economic policies which mean that they have a genuine hope of finding work.
- Reform the tax and benefits systems to reduce disadvantage, encourage enterprise and independence, and ensure that environmental costs are fairly borne across society.

2.3.4 In the same way that deprivation and inequality can prevent sustainable development in the UK, so it can challenge global action. It is understandable if the developing world sometimes views western environmentalism with cynicism. Often it seems as if the South is being asked to pay for the North's profligacy. The destruction of the ozone layer, global warming and resource depletion are far from being priorities for those who daily face war, famine and disease. And yet the global community has common environmental concerns: desertification, the destruction of habitats and species, the pollution of the environment affect the struggle for survival across the globe.

## 2.4 Achieving Sustainable Development

2.4.1 The remainder of this paper sets out the framework of a programme of policies which will achieve these aims. First we examine the mechanisms which can be used to generate and shape policies for sustainability. Then we set out the case for the reform of institutions which is necessary to achieve sustainability. Finally, we describe the key policy objectives in various areas - which will be taken up and developed in later policy papers.

# ***Mechanisms for Change***

3.0.1 The objectives of sustainable development need to be incorporated into the framework of decision-making at all levels of economy and society. We want to give individual consumers, firms and government (central and local) both the *ability* and the *responsibility* to adapt to more sustainable lifestyles. And we intend to ensure that central government creates the framework that sets the right incentives for decision-makers at all levels to implement sustainable development.

3.0.2 Environmental sustainability can be achieved by several methods:

- Encouraging changes in consumer behaviour; for example reducing the need to travel through improved local provision of services, communications and telecommuting, and by switching from private to public transport.
- Promoting new technical innovation; developing, for instance, more energy-efficient cars.
- Encouraging the widespread adoption of innovation in the market; increasing the proportion of energy-efficient cars sold, for example.

3.0.3 There are a variety of barriers, however, to reducing environmental impact, including informational barriers (consumers may not understand what the side effects of products are, or what is available), economic barriers (consumers may not be able to afford more efficient products), or institutional barriers (the company car scheme only affects cars, not rail permits or encouragement to cycle). Often several barriers operate together. A *least cost* approach advocates overcoming barriers in the most efficient, and therefore least costly, way.

3.0.4 There is a wide variety of mechanisms which government can adopt to achieve these ends. Our favoured policy instruments are based on the principle that individuals, communities and businesses should have the information to make decisions for themselves. In general, this favours market mechanisms that leave people free to choose - for example, applying taxes and subsidies so that environmentally damaging actions become more costly, and environmentally friendly activities cheaper. But where market mechanisms alone cannot achieve the radical reforms necessary for the development of a sustainable economy, they must be backed by standards and controls to protect future generations from the excesses of the present. The market is especially poor at taking account of long term imperatives.

3.0.5 The policy instruments that we envisage therefore fall into four categories:

- Measuring systems and mechanisms which ensure that sustainability is fully integrated as a prime objective in all areas of policy at all levels of government.
- Valuing resources which are currently not valued or are treated as a free resource, through internalising the costs to society of pollution - via, for instance, the tax system - so that environmentally damaging actions become more costly.
- Subsidies which make it cheaper to move to processes and actions with lower environmental impact.
- Regulations, standards and controls - such as labelling or energy efficiency standards - which constrain environmentally damaging actions, provide information to the

consumer and improve the operation of the market.

3.0.6 *Informational instruments* (such as labelling) presume that, if consumers had information on the environmental impacts of the products they buy, they might make a different purchase. *Economic instruments* (eg taxation) attempt either to raise the cost of polluting, or reduce the cost of preventing pollution and thus influence buying patterns. *Mandatory regulation* disallows certain products or processes from the market. All three approaches could be used, and in combination are likely to be particularly effective.

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3.0.7 The range of energy intensive appliances in the market, for example, include a few very poor appliances and a few very good ones, with the majority somewhere in between. Minimum standards remove the worst products from the market; labels influence consumer choices within those already on the market and schemes directed at encouraging innovation (for example subsidies which reduce the cost of innovation) help to bring new products on to the market.

3.0.8 The use of these mechanisms must be judged carefully; it is all too easy to give the wrong signals to the market or to throw large sums of money at a problem when a more effective approach is available. Our first criterion in the choice of mechanism is that the least-cost approach should be adopted that is capable of achieving the desired result. Among

the other criteria that need to be considered are: fairness; the impact on economic efficiency, employment and international competitiveness; and administrative feasibility and accountability.

## **3.1 Measuring Sustainability**

3.1.1 The first essential for achieving sustainability is adequate understanding. Indeed, in its 1994 White Paper *Sustainable Development - The UK Strategy* the Government recognised that “*better decisions about sustainability could be taken within government and in industry if the full economic costs of environmental considerations were taken into account*”. At the moment, there is no proper information basis for judging how sustainable is the UK economy.

3.1.2 The traditional indicator of the performance of a nation’s economic policies is growth in Gross Domestic Product, GDP. GDP measures only the sum of money transactions in the economy; it does not measure the quality of life that results from them. Worse, GDP assumes that all economic activity is good; in practice, some economic activities damage the quality of life and should count as a negative in any meaningful indicator of progress. Thus an inefficient production process that uses large quantities of energy and raw materials will increase GDP by a greater amount than an efficient process producing the same goods; this effect is compounded by the disposal of the extra waste created by the inefficient process, which will also count as a plus in the GDP equation. GDP, therefore, is a deficient indicator of progress as far as the individual citizen is concerned. It is even less satisfactory as an indicator of the ability of the world to support future generations.

3.1.3 Fortunately, much work is being done to develop alternative indicators that better reflect the performance of the economy as it affects the long-term welfare of citizens. These

range from those which still rely on monetary measures, but add into the equation changes in the value of natural resources and other assets, to indicators which attempt a wider evaluation of quality of life and include not just wealth and resources but aspects such as noise, health care and landscape. Significantly, both approaches have shown a negative performance for the UK economy for at least part of the 1980s, despite continuously rising income levels. For example, the *Index of Sustainable Welfare* produced by the Massachusetts Institute of Technology shows a 4% reduction in the UK welfare index between 1977 and 1990, compared with a GDP increase during the same period of 30%.

3.1.4 Liberal Democrats advocate the adoption of two kinds of indicators. First, indicators of *sustainability* - the ability of the environment to continue to provide services over time. Indicators of this type used by the UN Development Programme (UNDP) for industrialised countries include population density, renewable water resources per capita, percentage of population served by water treatment plants, generation of hazardous and special wastes, spent nuclear fuel and emissions of traditional air pollutants and of greenhouse gases. Topical Paper 24, *The Wealth of Nature* (1992) sets out an explanation of how GDP measurements can be modified by the impact of economic activity on environmental assets.

3.1.5 Second, indicators which relate directly to measures of quality of life. These would include items such as perinatal and infant mortality rates, life expectancy, prevalence of long-standing illnesses, literacy rate, average educational qualifications, access to communications (such as telephones or newspapers), standards of housing, levels of homelessness, crime rates, income distribution, incidence of traffic congestion, access to recreational facilities and areas of scenic beauty, and so on. Measures of equality of access to these items also need to be included; there are very large differences between rich and poor, men and women, and urban and rural dwellers in terms of access to education, or

health care, for example, in many countries. We welcome the development of the UNDP's Human Development Index, which combines purchasing power per capita, life expectancy and knowledge (measured by a combination of adult literacy and mean years of schooling) for every country in the world.

3.1.6 The development of mechanisms to ensure that these indicators are fully accepted as government targets is clearly of equal importance to the adoption of the indicators themselves. We advocate:

- An annual report by each government department measuring agreed indicators within its policy area, produced together with international comparisons. National indicators should be disaggregated by region and smaller locality wherever possible. Each department's performance should be monitored by the relevant Parliamentary select committee.
- An annual report by the Prime Minister, and a debate in Parliament, on the state of the nation as measured by changes in these agreed targets. Again, the report would show similar measurements for the European Union, or OECD, or sometimes all United Nations members, for comparison. Some measure of aggregation of indicator measurements should be included where possible (preferably by policy area, to give a 'health index', or a 'sustainability index', for example) to assist public understanding and appreciation.

3.1.7 There is also a need for local indicators of progress towards sustainability. The statutory planning system should be developed rapidly to provide key sustainability indicators within Structure and Local Plans. These measures should include carbon dioxide, sulphur dioxide and nitrogen oxide emissions; land fertility; air and water quality; the rate of use of prime finite resources; the percentage recovery of main reusable materials; the loss/gain of endangered species and habitats etc. The Plans would include target improvements for these indicators during the

Plan period, together with a strategy for achieving the targets and a system for the regular monitoring of progress. Where Local Economic and Environment Forums have been established, they would be expected to play a leading advisory role in developing these aspects of Structure and Local Plans.

3.1.8 In all planning, education is vitally important. Schools are already doing an excellent job in providing young people with an understanding of the interactions between human behaviour and the Earth's life-support systems. This process should be encouraged and developed further, learning from the experience of such national awareness-creation campaigns as the Canadian National Social Change Programme and the Swedish Natural Step Initiative.

## **3.2 Using Market Mechanisms**

3.2.1 Having redefined the targets of government policy in terms of sustainability, we now need to consider how to achieve them. Both economic and environmental policy effectively deal with the distribution of resources. In integrating the aim of sustainable development into economic activity and industrial decision-making, what we are really trying to do is ensure that resources are used efficiently and cleanly, by factoring measures of resource depletion and pollution into cost-benefit analysis.

3.2.2 A very wide variety of mechanisms is available to government to ensure that this happens; in general Liberal Democrats prefer those which use the market framework. This approach was in theory established by the OECD nations in 1972, when those countries adopted the 'polluter pays' principle. This holds that the costs to society of pollution or pollution control should be included, or internalised, in the costs of the polluting goods or services; the principle has yet to be widely implemented. The next three sections examine the main market-based instruments we advocate.

## **3.3 Environmental Taxation**

3.3.1 The main market-based mechanism is the imposition of taxes or charges related to resource use and/or degree of pollution. Instead of overriding market signals, environmental taxes alter the signals to take into account the environmental impact of the product or process. The energy/carbon tax we advocate later (see 5.6) is designed to raise the price of energy sources in line with their energy content and the emissions their use causes. Road pricing (see 5.4.5) increases the price of road transport to reflect the congestion it causes; in this case, road space is the resource which is consumed. The Greenfield Development Tax (see 5.2.3) taxes the use of scarce land. In each of these cases, incentives are created to reduce the use of the resource in question or to switch to alternatives with lower environmental impact. In addition, the tax raises revenue which can be used in more environmentally friendly ways.

3.3.2 In theory, any given pattern of pollution reduction could be achieved either by regulations restricting polluting emissions to a given level or by the use of taxation to provide an appropriate incentive to reduce emissions to the same level. The major benefit of taxation (and of all market-based mechanisms) is that it does not require government to possess detailed knowledge of the different costs which firms or consumers will inevitably face (because of different factories, equipment, processes, location and so on) in making reductions in pollution and resource use.

3.3.3 A tax on a particular industrial chemical, for example, will simply make it unprofitable for those who have a low return on its use to continue using it. They will therefore cut back on its use, whereas those applications of the chemical that have a high return will still be profitable and can continue. The authorities do not need to know the responses of individual users to generate the economically efficient outcome; all they need to do is raise the price of the chemical, and normal market pressures will ensure that those who need it least will reduce its use most. Furthermore, taxes provide a

*continuing* incentive to reduce pollution. With limits or quotas the polluter not only has no incentive to reduce pollution that is below the limit, but also has no incentive to reduce pollution over time. The incentive within the tax approach should lead to a search for lower cost technologies for reducing pollution.

3.3.4 Market-based approaches therefore require a lower degree of bureaucracy and government interference than do the rigid application of limits. All government has to do is to set the overall limit on pollution, and adjust tax rates to ensure that this is reached. It is individuals and firms who choose for themselves how best to respond to the different set of costs and incentives which they now face. We recognise, of course, that individuals must have access to both adequate information and income for these choices to be real, and our proposals are designed to ensure this.

3.3.5 One clear disadvantage with taxation, however, is that it is uncertain how consumers respond to price alone (the so-called price elasticity of demand). A change in the price of domestic energy, for instance, will produce different responses in different income groups in the short term: low income groups may 'self disconnect' because they cannot afford fuel, while higher income groups tend to ignore price increases or can afford to respond appropriately to them - eg by insulating their homes. In the medium and long term, the technical changes referred to in 3.0.2 begin to feed into the market, leading to deeper and more lasting effects. The effects of price changes are very susceptible to how they are introduced, the publicity which surrounds them, whether the public feels they are permanent and so on. The implication is that price increases should not be introduced *alone*, but as part of a package which includes regulatory reform and greater information.

## **3.4 Environmental Subsidies**

3.4.1 Environmental subsidies are the converse of environmental taxes. While the

latter are designed to ensure that the user of the product bears the costs of the environmental damage caused, environmental subsidies are designed to ensure consumers and companies benefit from the environmental damage avoided. In this context, the term 'subsidy' includes grants, soft loans, transfer payments, tax allowances and differentiation of tax rates; their common aim is to provide financial assistance to benefit the environment.

3.4.2 Examples of investments to which environmental subsidies could be applied include home insulation, renewable energy, cleaner fossil fuel technologies in power stations and recycling facilities. Although in a sense the application of energy tax and emission licences will create incentives to carry out these actions anyway, it is plainly unrealistic to expect every individual or firm to be able to invest in the appropriate equipment overnight. Grants directed for specific purposes and for a specific timetable may thus be justified on the grounds that many programmes which are economically justified are never implemented, because there are more immediate pressures on time and on capital.

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***We want to give individual consumers, firms and government both the ability and the responsibility to adapt to more sustainable lifestyles.***

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3.4.3 Similarly, there are cases where the environmental benefits of providing goods and services cannot easily be converted into prices or charges, resulting in underprovision of those goods or services below the socially and environmentally desirable level. The most obvious example is railways, which use significantly less fuel per passenger and tonne of freight moved than do alternative forms of

transport - and, therefore, from an environmental point of view, should be able to charge correspondingly less.

### **3.5 Tradable Emission Licences**

3.5.1 Tradable emission licences are in use in many parts of the USA in controlling industrial pollution. Once government has decided the target to which it wishes to reduce levels of pollution (for example, sulphur dioxide or nitrogen oxide emissions), it can issue emission licences to industry, the total of which is equal to the overall target level. Either these can be issued to every company, which can then either use or trade them (to other companies or back to government), or government can issue a limited number of licences and auction them to the highest bidders.

3.5.2 The licences would apply for a period of time, such as two years. The administration of the emission licence system - including issuing or auctioning licences, dealing with new entrants to the industry, setting the total numbers of licences, and regulating the market in licences (to avoid one company buying up all available licences to drive competitors out of business) is crucial to its success. Of most importance is the way in which the original licences are distributed, which must be fair to companies which have already reduced pollution: companies with a low ratio of emissions to their productive output might pay considerably less than companies that have done little to minimise their pollution.

3.5.3 An automatic and powerful incentive to reduce pollution is thus created with the establishment of a new market in licences. As with environmental taxes, those companies most able to reduce emissions will do so most quickly (in order to trade surplus licences, and thus earn extra revenue, or to buy fewer in the first place), thus achieving a given reduction in emissions at least cost. To encourage further reductions of pollution over time, the overall

total of emission licences issued can be gradually reduced.

3.5.4 Since licences are best applied to a finite and relatively small number of pollution sources, the most appropriate use of emission ceilings is to processes, rather than products - such as factories manufacturing goods and causing pollution in the process. Obvious candidates include chemicals and iron and steel plants producing emissions of sulphur and nitrogen oxides, etc. Taxation, in contrast, is best applied where there are a large number of polluters (motorists, households, and so on, producing carbon dioxide emissions) which are difficult, or impossible, to monitor individually.

### **3.6 Non-Market Mechanisms**

3.6.1 Our final set of policy instruments falls under the category of regulatory instruments, non-market in themselves but designed in general to improve the operation of the market, to ensure that it works in the direction of sustainability. There is plenty of evidence available, for example, to suggest that the 1988 Toronto Conference targets for reductions in carbon dioxide could be met in the UK at *negative* cost. In other words, there are enough cost savings to be made from the least-cost methods of carbon dioxide reduction that these actions - fuel switching, appliance, cooking and lighting efficiency, industrial and small-scale combined heat and power, service sector space heating efficiency, and gas turbines - are actually financially worthwhile in their own right. Yet the UK market is currently failing to deliver this cost-efficient outcome, and government intervention is needed to correct for this market failure.

3.6.2 Information is a prime requirement for markets to work efficiently. Such information should serve two purposes. First, it should help people recognise the often high lifetime costs of such energy-intensive products as domestic appliances so that they appreciate that a low purchase price may not be the cheapest buy in the long run. Second, the information should

help them discriminate between different products. The new Ecolabel does little to serve either purpose, although it may be of help in guiding customers who have already made an ethical decision to 'buy green'. The new energy labelling scheme (due to be launched for refrigerators and freezers in January 1995) will be more effective, since it includes an estimate of the annual energy use of running the product and an indication of comparative efficiency.

3.6.3 Labelling schemes can be voluntary and still be effective. The US Energy Star label for energy efficiency for computers introduced last year, for example, is voluntary; but, as government agencies insist on it being met for their considerable purchases, it is effective. This particular label promotes the inclusion of a 'sleep' mode for desktop computers and cuts the average 400W consumption to a maximum of 30W when the machine is not actually in use. It also illustrates the importance of an incremental approach, with prior notice having already been given that the standard will be progressively tightened (perhaps down to 6W); this is especially important in areas where technology is developing, for it spurs innovation.

3.6.4 Standards are in one sense simply a development of information schemes, but they also determine minimum levels - of, for instance, energy efficiency - in the market. They are particularly useful in cases in which markets operate very slowly. Examples include the housing market, in which buying and selling activities take place at relatively long intervals, so that in encouraging energy-conserving homes, market-based systems such as taxation, or straightforward informational labelling, will not show results particularly quickly.

3.6.5 Standards are viewed with deep suspicion by the present Government, which assumes that any kind of regulation inhibits free competition and, therefore, commercial success. This is deeply misguided. British refrigerators and freezers, for example, are being squeezed out of many world markets because their energy efficiency is so poor that purchasers who are more used to looking for

low running costs will not buy them. As a consequence, the UK exports just 13% of its output while Germany - with far more efficient products - exports 50%. This is also an area where there is no price penalty: the most efficient fridge costs little more to manufacture than the least efficient. The impact of standards can be many times greater, and operates with far more certainty, than more market-based mechanisms such as labelling or pricing, although the best results usually come from a combination.

3.6.6 The strictest standard of all is outright prohibition. This may be an appropriate policy response where, for example, the pollutant in question is very damaging, and alternatives already exist; examples include CFCs, halons and related chemicals, asbestos and some persistent pesticides. There are other cases where taxation at a low level has no effect on changing behaviour, and a high tax effectively prohibits an activity; in this case, the outcome appears no different to that of a regulatory limit. In some cases emission licences (see Section 3.5) might be used as a transitional stage towards prohibition, allowing industry time to adjust and develop alternatives.

3.6.7 Our final example of regulatory action is the introduction of 'least-cost planning' rules, requiring electricity companies, for example, to demonstrate that an increased need for power could not be met through demand management measures - eg marketing energy conservation schemes and equipment - before permission was granted to build any new power station. This ensures that full environmental and economic cost-benefit analyses are carried out before projects are implemented.

3.6.8 Although all these actions are regulatory rather than market-based, they are designed to improve the efficiency of the operation of the market and of market-based instruments such as energy taxes. The successful application of these regulations, in energy policy, for example, may well enable government to introduce levels of energy taxes lower than would otherwise be necessary.

# ***Institutions for Sustainability***

**4.0.1 Institutional reform is crucial to the achievement of sustainability. Liberal Democrat approaches to sustainability, the creation of thriving communities, the modernising of British democracy and international relations are closely associated. Sustainable development requires partnership between government and society, the empowerment of local communities and the close involvement of individuals in the decision-making process which is the primary aim of the reformed and decentralised political system in which Liberal Democrats passionately believe. Equally, it requires an international system which relies on cooperation and consensus through the development of effective supranational institutions - again, the core of the Liberal Democrat approach.**

## **4.1 Local Communities**

4.1.1 Action at the local level is fundamental, for sustainable development is ultimately about action taken in and by local communities. The comprehensive decentralisation of political power which we envisage to Scotland, Wales, Northern Ireland and the English Regions, and to local and neighbourhood authorities (see Federal White Paper 6, *Here We Stand* (1993)) is essential for local communities to take responsibility for their own futures and guide them along a sustainable path. We also advocate the creation of mechanisms to involve key local groups in a process of consultation and consensus-building for a sustainable future - along the lines of the Canadian Local Round Tables for the Environment and the Economy.

4.1.2 Along with political decentralisation must go economic decentralisation. Local economies that are heavily dependent on single industries are vulnerable to technological and competitive change, as demonstrated in the UK

in recent years by those areas based on steel, coal or textiles. The collapse of these industries has left behind pools of unemployment desperately requiring new initiatives to breathe life back into demoralised and disintegrating communities. Liberal Democrats believe that diverse and thriving local economies can best be promoted by autonomous national/regional and local authorities, development agencies and systems of finance. Our proposals are set out in more detail in Policy Paper 9, *Working for Change* (1994).

4.1.3 The establishment of Local Exchange and Trading Systems (LETS) can assist in the creation of self-reliant economies on a very local scale. LETS use a notional currency, where records are kept on paper or disk, to facilitate local trading and the local labour market; they are used by almost 200 communities in Britain today as a direct response to the destruction of local economies. LETS can draw people into the system who are currently largely excluded, strengthen local self-sufficiency and at the same time boost morale and combat crime by helping to rebuild a sense of community. Credit unions can also play a useful part in this process.

## **4.2 Action at UK Level**

4.2.1 At the UK level, new machinery is needed to embody a real partnership between government and society and to help create a broad-based national consensus for the difficult changes ahead. The National Round Table on Sustainable Development which the Government is establishing should be developed as a fully independent organisation in which all key sections of society are represented and all have equal rights and responsibilities, along the lines of Canada's successful National Round Table on the Environment and Economy. Its role would be

advisory and catalytic, but its high public profile would make it difficult for government to ignore its recommendations.

4.2.2 At central government level, the responsibility for environmental protection currently rests uneasily with local government and housing functions in the inappropriately named Department of the Environment. We would separate these responsibilities, creating a new Department of Natural Resources, responsible for implementing and administering environmental taxation, emission licence systems, subsidies and appropriate regulations and controls, administering them once they were established, and providing UK input into EU and global institutions. Among other things, this Department should take over responsibility for the functions once carried out by the former Department of Energy.

4.2.3 A revised and strengthened national strategy for sustainable development is essential and should be developed by the new Department. Unlike the Government's national strategy published in January 1994, which is little more than green rhetoric, this would contain serious targets and concrete commitments arrived at on the basis of in-depth consultations at local, regional and national levels. We would want to set targets up to 2010 (or 15 years ahead), with open consultation and debate as to what might happen beyond then. The strategy would be backed up by an annual audit of progress carried out by a new Sustainability Unit within the National Audit Office.

4.2.4 Since the needs of sustainable development cut across all areas of government responsibility, it is not enough merely to restrict action to one government department. We therefore advocate a Sustainable Development Office, situated in the Cabinet Office and reporting directly to the Prime Minister (though working closely, of course, with the Department of Natural Resources). The Office would be responsible for monitoring the activities and environmental impact of all government departments and agencies,

coordinating the production of the various reports proposed above in 3.1.6, and suggesting initiatives for legislation and further action in pursuit of the objective of sustainability. It would also be responsible for planning ahead for the long term, taking over responsibility for the current Environmental Foresight project of the Department of Environment.

4.2.5 The Sustainable Development Office would also have the responsibility of analysing long-term threats to national security, including those non-military ones which are currently ignored by central government. Working closely with expert outside bodies, the Office would publish an annual report on the longer-term ecological and social threats facing this country and the planet and on relative success in dealing with them. It would serve both as a major focus for government policy-making and as a powerful means of raising public awareness.

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***Sustainable development requires partnership between government and society, the empowerment of local communities and the close involvement of individuals in the decision-making process.***

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4.2.6 Monitoring and enforcement of environmental regulations and standards should be carried out by a new Environment Agency, to be formed from a merger of the National Rivers Authority, Drinking Water Inspectorate, Her Majesty's Inspectorate of Pollution, the Energy Efficiency Office, the Nuclear Installations Inspectorate and other relevant agencies. This would work closely with the European Environment Agency, and be guaranteed sufficient independence and

resources to police effectively the new limits on pollution we would set.

4.2.7 The expansion of the current highly inadequate set of monitoring sites for various pollutants is an essential part of this proposal. So too is the maintenance and publication of a register of all sites (factories, power stations, etc) releasing significant amounts of pollutants (for example, those holding tradable licences) together with latest figures on emission levels. The current Government's delay in establishing such an Agency for four years after its original commitment to do so is a scandal, and more than anything else undermines its claim to any environmental credibility.

## 4.3 European Action

4.3.1 Environmental policies have been among the most popular and successful of the European Community and Union. From a position of only oblique reference to environmental issues in the founding treaties, the EC/EU has now implemented five successive Action Programmes, and under the Maastricht Treaty is now committed to "*sustainable and non-inflationary growth respecting the environment*". Policies in key areas will increasingly be determined not just in a national framework but also in the context of realising the Fifth Environmental Action Programme. This commits member states to an integrated programme of long-term measures for moving towards sustainability in line with Agenda 21 commitments - for example, to introduce 'green' GNP tables by 1995, and integrated transport management plans up to the year 2000.

4.3.2 Liberal Democrats will ensure that Britain would become a key partner of other, far more environmentally-aware countries such as the Netherlands and Denmark in pressing for the recognition of the need for action for sustainable development throughout the European Union. Action should of course be taken in accordance with the principle of subsidiarity, which means that whenever possible it should be taken at the local or regional rather than national or EU level. The

role of the new Committee of the Regions is therefore as important as that of the European Parliament. So also is the development of a much more democratic process of dialogue between the Parliament, the Commission and non-central government bodies such as local government, NGOs and industry. This mirrors the changes in political processes for which we call in Britain.

4.3.3 We would aim further to strengthen the role of the European Environment Agency and of the relevant sections of the European Commission (the Environment, Energy and Transport Directorates-General), and would seek to create much more integration of views between the three Directorates. More generally, we would promote the European Union as a global 'role model' for sustainable development, using its influence and resources to help other regions to pursue sustainability. In particular, the EU should play a major role in helping the economies of Central and Eastern Europe and of the former Soviet Union in developing in a sustainable manner and in addressing the enormous environmental problems they inherited from communism.

## 4.4 Global Institutions

4.4.1 At the global level, the United Nations system is crucial for sustainable development, particularly in developing countries. It is responsible for developing and implementing the agreements made at Rio (see Appendix One), particularly through its newly-created Commission on Sustainable Development (CSD). Although there is no compulsion for states to submit to the Commission annual reports of their progress in following through the documents of intent signed at Rio (which is unfortunate, to say the least), there will be strong pressure to do so, particularly on the larger countries. The CSD has an important role to play in aggregating national sustainability strategies to check whether, combined, they add up to a programme to achieve world-wide sustainability. Following the example of the UN Commission on Human Rights, the CSD may well be able to follow

that body's record of obtaining results by embarrassing governments on the world stage.

4.4.2 At the same time, the UN system is suffering from decades of neglect by key member states. It is desperately overstretched organisationally and financially. It faces major problems of overlap, duplication and lack of central control. Member states cannot continue calling on it to do more and more while still denying it the necessary resources and, in many cases, not even paying their dues. Britain must therefore work with like-minded nations to reform and strengthen the system itself. Liberal Democrat policies for reform of the UN are set out in Federal Green Paper 25, *Beyond the Nation State* (1992), and Policy Paper 6, *Shared Security* (1994).

4.4.3 We also support a radical review and reshaping of the economic and social side of the UN system in order to enable it to deliver more effectively on the follow-up from Rio. Key components include the establishment of an integrated, comprehensive and adequately funded system for global environmental monitoring and assessment, the enlargement of the system's capacity to promote sustainable energy and transport policies, a strengthening of the ability of the UN Development and Environment Programmes (UNDP and UNEP), the Food and Agriculture Organisation (FAO) and other relevant agencies to promote the transfer of clean technologies, and an expansion of the role of UNEP.

4.4.4 The funding of these agencies and monitoring systems is of central importance if they are to operate effectively. The expansion of the Global Environment Facility, the joint responsibility of the World Bank and UNDP (with advice from UNEP) beyond its current level of about \$1 billion a year - and, as soon as possible, beyond the Earth Summit's proposed \$6-7 billion a year - is essential.

4.4.5 This framework of international institutions would be enormously strengthened if an environmental equivalent to the UN Declaration of Human Rights could be created, to provide the cornerstone of the global system of environmental protection. The Rio declaration provides the foundation for this 'Earth Charter': a declaration of basic principles for the conduct of nations and people in respect of environment and development, to ensure the future viability and integrity of the Earth as a hospitable home for human and other forms of life, together with a legal definition of responsibilities and guidelines for the achievement of sustainability along the lines we have set out in 2.1.4. The Charter should incorporate an environmental 'Geneva Convention', outlawing deliberate acts of environmental destruction and guaranteeing Red Cross-type immunity to personnel engaged in clean-up operations in time of conflict. The Gulf War showed the need for such a provision.

# ***Policy Implications***

**5.0.1 It is not the aim of this paper to provide detailed proposals for all the policy areas which influence sustainability. These will be developed in later papers on each area: energy, transport, industry etc. Instead, this Chapter outlines what we perceive to be the key environmental objectives, and illustrates how the mechanisms for sustainability described in Chapter Three can be applied in practice.**

5.0.2 Our conviction that consensus-seeking is an essential method for effective planning and implementation leads us to favour a sectoral approach to setting targets and developing strategies. Government should set the broad overall objectives and timetables, and take responsibility for monitoring progress, but, in general, industry, NGOs, and other relevant organisations should then be required to work out how these can be achieved by themselves. Nevertheless, there is a clear need for government to take the lead in establishing the goals and targets of a strategy for sustainability, and ensuring that they are achieved.

5.0.3 At the heart of our approach lies the setting and meeting of specific targets and proposals for the reduction of pollution and the conservation of natural resources. These targets would be set firmly for each five years ahead (to be achieved by the end of a Parliament), and further, longer term targets would be indicated in order to define the direction to be taken in the future. Particular areas are covered in the sections that follow.

## **5.1 Population**

5.1.1 It is impossible to discuss a move to sustainable development without putting it in the context of the human population explosion. Estimates suggest that, on current trends, world

population will grow from the present 6 billion to 10 billion by 2050. In 1992, the US National Academy of Sciences and the Royal Society in London warned that, if these predictions of population growth prove accurate and patterns of human activity on the planet remain unchanged, science and technology may not be able to prevent either irreversible degradation or continued poverty for much of the world.

5.1.2 The developing world is currently doubling its population every 25 years or so. By 1985, Africa's population had drawn level with that of Europe and by 2025 it is estimated to become three times that of Europe. Populations in the developed world are nearly stable, although few have ceased to grow at all. In terms of resource use and pollution, however, it is the developed northern regions which put the greatest stress on the global ecosystem: although the developed world will contribute just 5% to world population growth during the next 50 years, this will account for 30% of the environmental damage caused by total population growth.

5.1.3 It is therefore essential to stabilise world population as rapidly as possible and work towards its reduction from present levels. The developed world should assist developing countries to meet the demand for family planning, which can markedly hasten reduction of population growth and for which the demand is almost everywhere greater than provision. Successful use of family planning methods is also linked to women's education and employment and to a reduction in levels of poverty (see Section 5.7).

5.1.4 Population policies must be based on the right of everyone to make an informed decision on the many environmental as well as personal implications of having a child - in the

UK as much as in developing countries. We advocate the following:

- Adequate, safe, confidential family planning advice and services should be available to every UK citizen from puberty onwards.
- Sex education appropriate to the age of the child should be provided as part of the core curriculum in all UK schools.
- Government should supply data on the environmental impact of population change.
- The environmental impacts of immigration and emigration need to be examined; this approach is essential to underline the link between achieving sustainability in the UK and providing aid to help the developing world achieve an acceptable quality of life.
- Aid provided to developing countries should be accompanied by the offer of help to the recipient country's family planning services.

## 5.2 Land and Marine Use and Biodiversity

5.2.1 The planning system has a long history of attempting to balance economic objectives with the protection of the environment. But it now needs to adapt rapidly to the wider responsibilities of achieving sustainability by taking into account factors far wider than traditional land use issues. We aim to ensure that sustainability objectives are fully integrated into the planning process at all levels. There are three key targets for best land use:

- To encourage the development of integrated communities which provide opportunities for employment, education, shopping and leisure close to where people live, in order to minimise the demand for travel.
- To encourage development which makes the best use of energy, both by ensuring that buildings are sited and built in the most beneficial way and that the best use is made

of combined heat and power or local renewable energy projects.

- To encourage the redevelopment of derelict and under-used land and minimise the use of greenfield sites.

5.2.2 English Green Paper 7, *Planning for Sustainability* (1993) set out how the statutory Local and Structure Planning system can provide the basis for a national approach to achieving sustainability. Planning authorities should incorporate key sustainability indicators into their Plans; among initial indicators would be CO<sub>2</sub>, SO<sub>2</sub> and NO<sub>x</sub> emissions; land fertility; air and water quality; an assessment of the net rate of use of prime finite resources within the Plan area; loss/gain of endangered species and habitats; and the loss/gain of quality of protected buildings and conservation areas.

5.2.3 We also endorse the paper's proposal for a Greenfield Development Tax. This would be set locally, each planning authority setting a financial contribution that would be required for the development of each major greenfield site identified in its Local Plan. The main aim would be to encourage the redevelopment of derelict sites by swinging the financial advantage away from greenfield sites. It would also discourage the development of out-of-town shopping centres and thus boost the vitality of town centres, in turn curbing traffic growth. The income from the tax could be used to compensate people harmed by development and also to invest in the public transport, recycling and other infrastructure needed to achieve sustainability.

5.2.4 A rational policy for agriculture must play a central role in any programme of action for environmental sustainability. Farming has traditionally been associated with 'stewardship' and the safeguarding of the resources which make up the countryside. As agricultural systems have become more specialised, and the scale of operations has grown, however, stewardship of the countryside can no longer be taken for granted. Despite recent reforms, the European Union's Common Agricultural Policy is still structured so as to create

incentives for overproduction of food, overuse of chemicals and over-intensive use of land. Subsidised food exports from Europe, the USA and Japan are undercutting agricultural production in developing countries - which, because it is labour-intensive, tends to be less harmful to the environment than capital-intensive Western techniques. As we recognise in Policy Paper 5, *Reclaiming the Countryside* (1994), fundamental reform of the CAP is now an urgent priority.

5.2.5 The CAP must cease to be a system of indirect price management and become a programme of direct payments for economic, environmental and social goals which benefit the wider community as well as those directly involved. We therefore propose a new system of Countryside Management Contracts available to all farmers and land managers. The new system would promote the development of sustainable agriculture, through providing incentives for:

- Agricultural systems which are 'cyclical' or 'closed-system' in nature - less reliant on inputs of fuel, fertiliser and pesticides and less prone to degrade and deplete soil and water resources.
- The production of organic and 'conservation grade' (reduced input) food, which has considerable environmental benefits.
- A reduction in the use of nitrates. In addition to positive incentives to reduce their use, we would also apply taxation to fertilisers and pesticides; this would be introduced at a low level and gradually increased over time. (See Federal Green Paper 32, *Taxing Pollution, Not People* (1993)).
- Incentives for the production of crops with an industrial rather than a food potential, such as oilseed rape and sunflowers, and the development of biofuels from cereals, arable coppicing and more traditional forestry.

5.2.6 The management of water resources is likely to be an issue of growing importance in

the future, as the droughts of recent years have indicated. The water companies and authorities need to be set suitable incentives to conserve water rather than exploiting new sources (ie a least cost planning regime for the water industry, similar to that which we advocate for the energy industries). In order to control pollution, we would:

- Ensure compliance with EU drinking water standards.
- End all industrial discharges into the sea within ten years, accede to the UN Convention on Law of the Sea and play a leading role in establishing the measures for the protection of the marine environment which it proposes.
- Improve the management and protection of coastal zones, and place stricter controls on sewage discharge.

5.2.7 Biological diversity, or biodiversity, is an important aspect of 'environmental capital' which falls into the category of assets which are irreplaceable once lost (see 2.1.4). The conservation and protection of animal and plant species forms an essential part of sustainable development. Countryside Management Contracts (see 5.2.5) would contain incentives for the protection of habitats and wildlife, and the Environment Agency (see 4.2.6) and our proposed Animal Protection Commission (described in Federal Green Paper 27, *A Matter of Conscience* (1992)) would set and monitor progress towards targets for the preservation of biodiversity.

## 5.3 Energy

5.3.1 Most atmospheric pollution is caused by the use of energy. Our key targets for the reduction of air pollution are:

- A reduction from current levels in emissions of carbon dioxide (the main greenhouse gas) of 30% over 15 years.
- A reduction in emissions of sulphur dioxide (the main cause of acid deposition - 'acid

rain') of 70% within five years, through issuing tradable emission licences to each plant releasing SO<sub>2</sub>, unless an alternative instrument is agreed at EU level.

5.3.2 The establishment of a low energy strategy is absolutely crucial to the achievement of these targets. This implies a major effort to promote energy conservation and efficiency; as we set out in Federal Green Paper 12, *Energy and the Living World* (1990), updated by Topical Paper 48, *Power for the People* (1993), our top priority is to see a fall in the UK energy ratio (the ratio of energy use to GDP) of at least 4% per year, which is double the rate of reduction in the UK throughout the 1970s and '80s.

5.3.3 The energy tax we propose in Section 5.6 has a central part to play in this reduction in the energy ratio - though it must be accompanied by the other measures we set out here. Four-fifths of the reduction in CO<sub>2</sub> emissions we seek would then come from efficiency measures. In addition, we would encourage a long-term shift from non-renewable to renewable sources of energy. We believe that by following these policies it should be possible to cut the UK's dependence on fossil fuels by as much as half over the next 30-40 years.

5.3.4 Energy conservation is therefore the key. Regulation of the energy market needs to be adapted to take account of energy conservation objectives. This includes:

- The introduction of 'least-cost planning' rules, requiring the electricity companies to demonstrate that an increased need for power could not be met through demand management measures - eg marketing energy conservation schemes and equipment - before permission was granted to build any new power station.
- The application of a comprehensive system of energy efficiency labels and standards to domestic appliances such as light bulbs, fridges or cookers; to motor vehicles; and to industrial machinery. We wish to see

standards aimed at halving, on average, present levels of energy consumption.

- The introduction of measures to improve the energy efficiency of buildings, including more effective building regulations, subsidies for insulation and a mandatory energy labelling scheme.
- A requirement on local authorities to carry out an energy audit of their housing stock and draw up plans to improve its efficiency - along the lines set out by Alan Beith MP's recent Energy Conservation Bill.
- Encouragement for the development of new companies offering technically-competent energy conservation services.
- The use of environmental subsidies for home insulation, installation of energy-efficient heating systems, industrial machinery, etc, using revenue generated by energy taxation (see Section 5.6).

5.3.5 The Government's own figures suggest that by 2005 renewable energy sources - wind, tidal and hydro power and the incineration of landfill gas and straw - could supply energy equivalent to 18% of the 1990 UK electricity demand. Yet only 1% of current energy use is derived from them. We would take decisive measures for the development of renewables, including:

- The adoption of targets for the proportion of energy to be derived from renewable sources, including the amendment of the 1989 Electricity Act to require the objective of 15% of generating capacity from such sources by 2010.
- An immediate doubling in research, development and demonstration funding for renewables.
- The provision of environmental subsidies for economically viable projects such as passive solar design of buildings, small scale low head hydropower and onshore

- wind energy, and assistance for the construction of a Severn Barrage.

5.3.6 Combined heat and power (CHP) and district heating schemes use waste heat produced in electricity generation as a substitute for other heating fuels, and can contribute substantially to reducing energy use. A number of these schemes are currently operating successfully in the UK, and are far more common in Scandinavian countries; we would invest in further R&D, and make subsidies available for the installation of relevant plants. If our programme for improving energy efficiency is successful, CHP and renewable sources should be virtually the only new power sources brought on line in the foreseeable future.

5.3.7 The balance of arguments between needs, costs, safety and environmental impact leads us to believe that nuclear fission power should play a diminishing role in the generation of electricity within the UK. We would accordingly order no further nuclear power stations. Over the longer term, we would phase out all nuclear power stations by 2020 at the latest, and earlier if feasible.

## 5.4 Transport

5.4.1 The energy used by the transport system is the product of several factors including journey length, journey frequency, and the energy consumption per passenger kilometre (a combination of the mode used, the fuel economy, and the number of people in the vehicle). A recent study pointed out that a 'business as usual' approach to UK transport policy will lead to CO<sub>2</sub> emissions increasing by 80% from 1990 to 2025. If a programme was introduced to enforce the best current technology in the car stock, CO<sub>2</sub> emissions from personal transport in the UK would *still* rise by about 12% in the period 1990-2005 and thereafter begin to increase more steeply, as efficiency improvements become harder.

5.4.2 The primary objective of a sustainable transport policy therefore has to be to provide

genuine alternatives to private car use, primarily through public transport, which, because it carries more passengers per unit of fuel used, is far less environmentally damaging. In addition, the efficiency of car journeys can be improved by improving the efficiency of the vehicle. This has a number of implications which are summarised below, and set out in more detail in Federal Green Papers 19, *Vehicles for Change* (1991) and 32, *Taxing Pollution, Not People* (1993). Encouragement for walking and cycling - through, for instance, pedestrianisation schemes and cycle lanes - also has an important role.

5.4.3 Reform of the criteria by which investment in transport is decided is necessary if resources are to be conserved and pollution curbed. The Government's current approach is effectively a demand-led roads policy, viewing the predicted growth in road traffic as both inevitable and desirable, and aiming to accommodate it by additional road construction; at the same time the railways have been starved of resources over a very long period. We would ensure that environmental and social cost-benefit criteria are fully integrated into decision-making, implying:

- A new approach to road building, ensuring that no major motorway or major trunk road investment should go ahead unless it can be demonstrated that alternative transport provision cannot meet the need at lower economic and environmental cost.
- The application of the same cost-benefit criteria to rail investment as to any other - which, because of the reduced impact on the environment and on local communities of rail as compared to road, should justify a substantial increase in investment.
- Immediate improvements in the rail network, with funding deriving from a transfer of funds from the roads budget.
- Investment in urban public transport and the introduction of integrated public transport planning in urban areas.

- Recognition of the greater need for transport in rural areas, by investment in public transport and other means of support.

5.4.4 “*However*”, as the Government’s discussion paper *Climate Change* (DoE, 1992) accepts, “*research shows that the provision of public transport by itself is not enough to encourage travellers to switch from cars. It has to be combined with a disincentive to car use, which might be traffic management measures to limit car use in urban areas, or higher fuel prices.*” We therefore propose to take action to raise the price of private vehicle use to reflect the environmental and social costs that it causes.

5.4.5 The major instrument we aim to use against traffic pollution and congestion is road pricing - charges on road users for driving on particular stretches of roads at particular times of the day - in urban areas. Research suggests that when combined with other traffic management measures, including traffic calming, parking policies and investment in public transport, road pricing will have a significant effect on reducing congestion. Since public transport alternatives are much more readily available in urban areas, this is a policy which is particularly suited to towns and cities, and opinion surveys show support for its introduction among urban residents. We would require all local authorities to consider and experiment with various types of road pricing schemes as part of an integrated transport policy for their areas. Central government should provide grants to cover set-up costs, and the revenue that later becomes available should be reinvested in local public transport. The Government’s recent proposal for motorway tolls is exactly the wrong place to start and is in any case designed simply to raise more money for the roads programme; we oppose it.

5.4.6 In addition, energy tax would apply to vehicle fuel, though, since this is already taxed so much more highly than other energy sources, it would have a relatively small effect; appropriate compensation would be available to those dependent on private transport (see

5.6.4). We would graduate Vehicle Excise Duty and Company Car Tax with reference to the energy efficiency of the vehicle concerned. We would also consider a ‘feebate’ scheme to further encourage the sale of fuel efficient cars. This would comprise sales tax surcharges on purchases of inefficient or polluting vehicles, the proceeds being used to fund rebates for purchasers of less damaging vehicles. The programme would be revenue-neutral and require no support from government. Such a scheme, ‘DRIVE +’, has been proposed in California and a similar scheme was established in Ontario in 1991.

5.4.7 Other mechanisms can be used to ensure that pollution from cars is more strictly limited. These include the incorporation of strict standards of cleanliness and energy efficiency in an even tougher MoT test, with a more frequent test for less environmentally friendly vehicles; the application of minimum energy efficiency standards to cars (figures suggest that the application of existing technology through these mechanisms could improve efficiency by as much as 40%) and the best possible enforcement of the 70 mph speed limit (speeds in excess of the limit are notably less energy-efficient).

5.4.8 Finally, we will examine ways to encourage reductions in the *need* to travel, including:

- Requirement of an annual return of total car travel authorised by each company in the annual report to shareholders.
- Tax breaks for companies which take steps to reduce the volume of car travel undertaken by their employees.
- Encouragement for distance working.
- Planning town centres to reduce travel: the trend towards building out-of-town shopping centres clearly created more traffic, and this environmental impact must be taken into account when considering planning applications.

## 5.5 Industry

5.5.1 There is no doubt that industry can gain competitive advantage by adapting successfully to the environmental imperatives of the European and global markets of the next century. As in all other areas, it is our aim to create a framework in which decision-makers - in this case businesses - find it to their advantage to operate sustainably.

5.5.2 The introduction of energy taxation and the creation of a climate in which energy prices rise steadily would encourage businesses to become more energy-efficient; a proportion of the tax revenue would be recycled into grants and loans to industry to invest in energy efficiency measures, including combined heat and power. The long term expectation of higher energy prices will trigger investment in more efficient equipment as stock is renewed. Use of energy tax revenue to reduce employers' NICs (see 5.6.4) will lower the real cost of labour to employers, stimulating employment and boosting the economy as a whole.

5.5.3 The introduction of a mandatory environmental auditing scheme is an important measure in encouraging industry to behave sustainably. We would require each major company to formulate and publish an environmental policy, in the same way as they are currently required to publish health and safety policies. This would cover items such as the use of energy and raw materials, and emissions of pollutants, together with plans for improvements in standards. Independent audits would be carried out to examine and publicise how companies were performing in pursuit of their objectives. This is still very much a developing field; more work needs to be done on what information should be released, and what standards could reasonably be met.

5.5.4 The major current problem with the pollution of land is the management of waste; currently 90% of all waste goes to landfill, and less than 2% is recycled. We would press for the development of an EU waste management policy, based on the principle that if products cannot be safely disposed of then they should

not be produced. Landfill is the cheapest option only because the environmental side-effects are not costed; and neither is the loss of material to the economic system. We would implement a regulatory and incentive-based framework which recognises that the optimum use of resources implies first, waste reduction; second, reuse; third, recycling; and fourth, incineration with energy recovery. The fifth, and the least attractive option, is landfill. Licences for waste disposal sites should only be awarded when waste streams to be disposed of have been audited and all possible waste reduction measures applied. Standards for landfills and incineration would ensure that waste produced can be disposed of safely. Company law should be revised so that companies associated with a defaulting disposal company pay for site clean up.

5.5.5 To encourage repair, reuse and recycling, we would:

- Encourage deposit refund schemes, where the deposit offers a way of recouping some of the costs which products impose on the environment.
- Introduce 'sustainability deposits' on a range of high value products such as cars, office equipment such as computers and photocopiers, and domestic appliances.
- Press for the development of EU-wide standards for the design of recyclable products, covering the remanufacture of components, sub-assemblies or complete products; the recovery of usable raw materials through recycling; and the use of end-of-life products as an energy source.
- Encourage reconditioning and reuse of products and components by reducing VAT to the minimum level, on maintenance, repairs and spare parts, and by continuing to tighten the regulation of landfill, thereby increasing its cost.
- Reduce the use of excessive packaging materials by pressing for action at EU level,

- and if necessary introducing taxation on packaging materials within the UK.

5.5.6 Technological advance is critical both to achieving sustainability and to ensuring that British business is internationally competitive. Enhanced research and development will bring improved employment and wealth-creation opportunities by opening up the potentially huge markets for environmentally-favourable products, processes and services. Our policies for science, technology and innovation are set out in full in Federal Green Paper 21, *Science and Survival* (1991); they include:

- A substantial injection of funds into the science budget and a commitment to maintain spending at least 0.40% of GDP.
- Measures to encourage industry to think and plan long term, with incentives to encourage spending on research, development, design, education and training.
- A major programme of research into the development, design and impact of technologies contributing to sustainable development. As a start, the Technology Foresight programme should specifically promote clean technologies.

## 5.6 Environmental Tax Reform

5.6.1 As we have described in Chapter Three, environmental taxation is designed to create a framework of taxation which maximises the efficient use of resources and minimises polluting emissions. As a result, taxpayers, whether individuals or businesses, take account of environmental costs and benefits when taking decisions. The use of tax policy is attractive because it achieves its objectives through market signals, which operate in a more economically efficient way than regulatory controls. In addition, it provides a long term route for shifting the burden of taxation away from income and labour and on to pollution and resource depletion. This is why we talk about

environmental tax *reform*. We are not proposing additional taxes, but replacements for existing ones; the overall impact is revenue-neutral.

5.6.2 Our major proposal concerns the taxation of energy, which is the main source of greenhouse gases and other damaging pollutants. At present, UK energy taxation consist of heavy petrol duties, plus the recently introduced (and unfair) application of VAT to domestic fuel. Our approach to energy taxation will stimulate energy conservation and encourage switching away from the most polluting sources in ways which are environmentally sound and socially sensitive.

5.6.3 We support the basic model of the European Commission proposals for an energy/carbon tax, which is designed to be applied to all sources of energy, split between energy and carbon content. The tax proposal has been stalled in the Council of Ministers, chiefly, though not exclusively, due to the opposition of the UK. Subject to agreement on its detailed structure, we would press for the implementation of the tax within the UK in order to meet the reductions in carbon dioxide emissions necessary to avoid the potentially catastrophic effects of global warming. It is difficult to be precise about the exact levels needed to achieve the necessary reductions in carbon dioxide emissions; this depends on the response of the market to higher energy prices and on the success of the other measures listed elsewhere. We aim to publish details of our proposals before the next election, as part of our overall costed programme.

5.6.4 The revenue generated from the tax would be reinjected into the economy, in a combination of ways:

- Compensatory mechanisms for those unable to adjust easily to higher energy prices, including subsidies for home insulation for poorer households, increases in benefits and pensions and higher cold weather payments, and compensation for residents of rural areas where access to public transport is limited or non-existent.

- Investment in measures which make it easier for individuals and businesses to adjust to higher energy prices, including energy conservation and public transport. Our energy efficiency measures should ultimately save householders more than the cost of the tax.
- Reductions in employers' national insurance contributions; this would compensate business for the additional costs of the energy tax, and provide a substantial boost for employment, particularly in labour-intensive industries. We want to see a significant long-term shift of the burden of taxation away from employment and towards energy.

5.6.5 The application of VAT to domestic fuel was one of the most clumsy and misguided policies adopted by this Government: it was introduced purely for the sake of reducing the public sector deficit, without adequate compensatory measures or any commitment to recycling the revenue. Before introducing the energy tax, we would lower the rate of VAT on domestic fuel from 17.5% to 5%, the lowest rate allowed under EU agreement.

5.6.6 Our proposals, which ensure that revenue generated from energy taxes will be reinjected into the economy, will stimulate energy conservation and boost employment, with, as studies show, a positive impact on the economy. It is important to remember that energy tax is part of the overall package we propose; as we pointed out in 3.3.5, it must be accompanied by the use of other policy instruments, including liberalisation of the energy market, a more effective regulatory regime, and the encouragement of public transport.

5.6.7 The energy tax is the main example of environmental tax reform which we advocate. Others such as road pricing (see 5.4.5), the greenfield development tax (5.2.3), taxes on agricultural fertilisers and pesticides (5.2.5) and on packaging (5.1.5) are set out elsewhere. They all have a common aim: to incorporate in

to the prices of these products the environmental damage their use causes.

## 5.7 The Distribution of Global Resources

5.7.1 Just as we aim to establish the conditions under which individuals and firms are given incentives to behave sustainably, so we must try to create a world in which nations also follow paths of sustainability.

5.7.2 The first major challenge to be faced is that of global poverty. As long as three-quarters of the world's people (the global 'South') possess only one fifth of its income, developing countries will suffer from poorly developed social infrastructure, high incidences of malnutrition and ill health, and continued dependence on the industrialised world for investment capital and technology. As the Brundtland Report showed, poverty is a major cause of environmental degradation, from the desertification, deforestation, soil exhaustion and erosion caused by farmers pushed into tilling ever more marginal land for cash crops and subsistence.

5.7.3 There can, therefore, be no effective solution to the problem of environmental degradation in developing countries (which inevitably affects the industrialised world as well; pollution knows no boundaries) without effective action to tackle world poverty. Our proposals are set out in Federal Green Papers 15, *Shared Earth* (1990) and 25, *Beyond the Nation State* (1992); they include:

- The removal of the barriers built into the current global systems of trade and finance which thwart the South's attempts to add value to its products, including coordinated international action to tackle the debt crisis and reform of the international trading system (see 5.7.6).
- An increase in UK official development assistance to 0.7% of GNP over five years, and a further increase to 1% over the succeeding five years.

- Concentration of aid in particular on technical assistance in developing methods of resource accounting and environmental protection; the transfer of appropriate technology; the spread and development of sustainable agriculture, including forestry, sustainable use policies for tropical rain forests, and projects to prevent desertification; and the promotion of energy conservation and renewable energy schemes.
- Action to tackle the growth in population, including support for family planning programmes, education and employment opportunities for women, and basic provision for old age (see Section 5.1).
- Strict controls on the arms trade and withdrawal of aid from nations spending excessively on arms; military spending and the arms trade are two of the main enemies of sustainable development.

5.7.4 The second challenge to be faced is that of the development of the international trading system. Liberal Democrats have consistently supported the liberalisation of trade in the postwar period. Although this has undoubtedly contributed to global prosperity, in general it has operated more to the benefit of developed than of developing nations, and has so far failed to take sufficient account of its impact on the global environment. The challenge now is to make the new World Trading Organisation effective in working towards agreement on environmental, social and competition policies which will deprive bad practice of its trading advantage without opening the door to protectionism.

5.7.5 We published, in February 1994, a consultation paper on the issue. As a result of the discussions around this paper, we set out here the principles for the further development of the world trading system around which we will construct a full policy paper for debate at a future conference.

5.7.6 We affirm our commitment to a rule-based international trading system founded on principles of multilateral cooperation and non-discrimination in trade. The new WTO should

build on GATT's achievements in the following four areas:

- The WTO must permit - and encourage - countries to give priority to environmental sustainability.
- As a result of increasing competition in world markets, there must be mechanisms for ensuring basic respect for human rights and workers' rights in the production of goods for international trade.
- As a result of growing inequality between rich and poor, there must be special measures, in trade policy and elsewhere, to promote the development of poor countries.
- As a result of the increasing size and power of transnational corporations, and the growing concentration of many global markets, there must be measures to ensure open competition and good corporate conduct in world markets.

Without provision for trade policies to promote these objectives, trade liberalisation could become a recipe for competitive deregulation and the erosion of essential environmental and social standards.

5.7.7 Finally, some of the mechanisms for sustainability which we propose for local use can be applied at a global level. For example, we support the proposal of the Royal Institute for International Affairs for the creation of a global system of tradable emission licences (see Section 3.5) for the control of pollution, particularly from carbon dioxide. The total global carbon target would be allocated to different nations, but the allocations would be tradable between them, with the UN acting as regulator to ensure competition in the market. The allocation mechanism would reflect the imbalance in per capita carbon dioxide emission rates; thus the richer nations (for example, the UK, which emits 3% of the world's carbon dioxide from 1% of its population), would have to buy licences from the poorer, leading not only to an incentive to reduce emissions but also a transfer of resources from rich to poor.

# Appendix: Agreements Reached at the Earth Summit

A.1 The United Nations Conference on Environment and Development (UNCED) was held in Rio de Janeiro in June 1992. The 'Earth Summit' brought together more heads of state and government than any previous meeting. The official product of Rio resides in five agreements.

A.2 The *Framework Convention on Climate Change* established the principles that climate change is a serious problem and that action cannot wait upon the resolution of scientific uncertainties. The Convention lacks binding policy commitments but indicates that industrialised countries should aim as a first step to return greenhouse gas emissions to 1990 levels by 2000, and establishes a process by which governments must submit reports on their relevant policies and projections. The first scientific assessment of the Intergovernmental Panel on Climate Change (IPCC), published in 1990, called for a 60% cut in greenhouse gas emissions. The latest update to the IPCC report, due for publication as we go to press, notes that stabilisation at 1990 levels will have negligible effect on climate change, and sees no scientific reason to alter its call for a 60% reduction.

A.3 The *Convention on Biological Diversity* aims to preserve the biological diversity of the planet, through the protection of species and ecosystems, and to establish terms for the associated uses of biological resources and technology. It affirms that states have sovereign rights over biological resources on their territory, the fruits of which should, however, be shared in a fair and equitable way on mutually agreed terms. Countries must develop plans to protect biodiversity and submit information on them.

A.4 *Agenda 21* is an 'action plan' for sustainable development, covering a wide range of specific natural resources, as well as issues of social and economic development and implementation. Agenda 21 could form the key intergovernmental guiding and reference document on the issues for the rest of the decade. It attempts to integrate environment and development concerns; it is strongly oriented towards 'bottom-up', participatory and community-based approaches in many areas, including population policy; and it shows a general acceptance of market principles.

A.5 The *Rio Declaration* comprises 27 principles for guiding action on environment and development. Many address development concerns, stressing the right to and need for development and poverty alleviation. Principles concerning trade and environment are ambiguous and in some tension; others concern the rights and roles of special groups.

A.6 The *Forest Principles* form the rump of blocked attempts to negotiate a convention on forests. It emphasises the sovereign right to exploit forest resources along with various general principles of forest protection and management.

A.7 The UN General Assembly in autumn 1992 accepted and enacted all the specific recommendations from UNCED. It established the Commission on Sustainable Development (see Section 4.4) to oversee the implementation of Agenda 21 in accordance with the terms and principles of other UNCED agreements. The Commission is to complete a first round of review by 1997, when a special session of the UN will review overall progress.

*This Paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats and the Welsh Liberal Democrats determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. If approved by Conference, this paper will form the policy of the Federal Party.*

*Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.*

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