

P 03667

PRIME MINISTER

THE ENVIRONMENT

[MISC 141(90)12, 13 and 11] — into CMS.

DECISIONS

You need to decide policy on greenhouse gas emissions, in particular the UK's negotiating stance in international negotiations. You also need to consider Mr Patten's draft outline of the Environment White Paper.

2. There are three papers:

i. Policy instruments for controlling CO₂ emissions (MISC 141(90)12). The Chancellor's key conclusion is that we should be prepared if necessary to commit ourselves to stabilisation of emissions at 1990 levels by 2005, although we should prefer a later date. He also says that we should maintain maximum flexibility over our choice of policy options to achieve the target, and that these should be the subject of further work. You will want to consider whether these conclusions can now be agreed.

ii. Control of greenhouse gases: international aspects (MISC 141(90)13). The Foreign Secretary and the Environment Secretary discuss tactics for the international negotiations. Their advice is that we should be fairly open about our negotiating aims. This would mean seeking to build an international consensus around stabilisation by 2005, rather than holding this back as a concession for use later. You will want to consider whether to endorse this approach.

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iii. Outline of Environment White Paper (MISC 141(90)11). The Environment Secretary seeks agreement to the outlines attached to his Memorandum, so that drafting can proceed. He also seeks agreement to produce a shorter popular version. Finally, he returns to his proposal for a statistical report on the state of the UK environment, and seeks agreement to further work on this by officials with a view to an announcement in the White Paper. You will want to consider:

(a) whether the outlines represent the right approach for the White Paper;

(b) whether it is desirable to produce an additional short popular version; and

(c) whether the proposal for a statistical report should be endorsed and developed further by officials.

You will also need to consider how new policy proposals are to be handled, including the public expenditure implications.

3. Provided you can reach agreement on these issues, they can be remitted to MISC 145 for further work. MISC 141 should not need to meet again until July, when you will wish to consider a full draft of the White Paper, and discuss any outstanding policy issues.

MAIN ISSUES

Policy instruments for controlling CO₂ emissions

4. MISC 141 agreed at their last meeting that the UK could not agree to stabilise carbon dioxide emissions at 1990 levels by 2000, but that stabilisation by 2005 might be possible. The Chancellor's paper reflects the outcome of work on this option by an inter-departmental group of economists chaired by the Treasury. They concluded that the cost of measures to stabilise

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25% cut
1987 levels
Reg. -
with deal

carbon dioxide emissions by 2005 could be equivalent to as much as 1/2% of GDP by 2005. Energy prices might nearly double, but the general price level need not rise much. On the assumption that the UK would not take such action except in concert with other countries, international competitiveness should not be affected, even in the short term.

5. The Chancellor's conclusion is that, while we should prefer a later date, we should if necessary be prepared to commit ourselves to stabilisation at 1990 levels by 2005. The Foreign Secretary and the Environment Secretary make it clear that they welcome this conclusion. You will also want to seek the views of the Secretaries of State for Energy and Transport, whose responsibilities would be most effected, but we believe they are content. Subject to that, you will want to consider whether the group can now endorse stabilisation by 2005 as the bottom line for international negotiations.

6. The Chancellor's paper discusses two other issues:

i. choice of measures to reduce emissions. He concludes that market-based instruments are likely in principle to impose lower costs on the economy than regulation. But a mix of policies is likely to be necessary in practice to meet the 2005 target, and the first step might be to introduce cost-effective regulatory measures, eg to encourage greater energy efficiency. The Chancellor says that no decisions are needed at this stage, and that we should not close off any options until we know what other countries are planning;

ii. implications for electricity privatisation. To avoid prejudicing electricity privatisation, the Environment White Paper and the prospectus for the first stage of the flotation will need to set out the Government's firm intentions for the next two or three years. This will

reduce our freedom of manoeuvre at the Second World Climate Conference in November, and the Chancellor concludes that it will be important to try to influence the international negotiations at an earlier stage. He proposes that officials should do further work on exactly what should be said in the White Paper about policy in the short and long terms.

7. Subject to your conclusion on the 2005 target, MISC 141 should be able to endorse these proposals for further work.

Control of greenhouse gases: international aspects

8. The paper by the Foreign Secretary and the Secretary of State for the Environment makes proposals on the UK's objectives and tactics for forthcoming international discussions.

9. As far as objectives are concerned (paragraph 4 of the paper), they propose that the UK should continue to try to play a leading role, seeking to reconcile the views of other Western European states (generally in favour of ambitious stabilisation targets) with those of the USA and Japan (who favour delay, or at least less demanding targets). The alternative would be for the UK to take a back seat, siding more with the USA and Japan, in the hope of negotiating less demanding targets at the Second World Climate Conference in October/November. You will want to consider whether we should aim to continue our leading role.

10. On tactics, Mr Hurd and Mr Patten consider whether we should be open about our negotiating position, or hold back in the hope of striking a compromise at a later date. They favour the more open approach, which they suggest should be deployed at the next EC Environment Council on 7 June. The advantages would be that we might be able to build a consensus around 2005 among our EC partners, who may otherwise agree the more ambitious targets favoured by the Germans and the Dutch; that we might have a better chance of influencing the USA, following your conversation

with President Bush in Bermuda; and that the arguments for 2005 are better deployed earlier rather than later. The main disadvantages are that it would mean abandoning any chance of agreeing to a less ambitious target than 2005 (which the Chancellor suggests would be desirable, although he also accepts the arguments for influencing the negotiations at an early stage); and that it might mean a long period of pressure on us to improve on the 2005 date.

11. You will want to consider the balance of the arguments and decide whether to endorse the proposal for an open approach to the negotiations, which would effectively mean a UK initiative for a 2005 target date.

Outline of the Environment White Paper

12. Mr Patten's paper makes proposals on the structure and content of the White Paper. Annex 1 provides a short summary of contents, and suggests the "headlines" from each chapter. Annex 2 gives a full outline of Chapter 1, covering the principles underlying Government policy. Finally Annex 3 gives a detailed outline of the remaining chapters.

13. A White Paper on this basis will clearly be a very substantial document. It will provide a full account of the Government's existing environmental achievements, as well as setting out future policy. It will cover land use, planning, countryside and other related issues as well as pollution control. This is all in line with the previous decisions of MISC 141, and other discussions. But you will want to take this opportunity to look at the draft outline in the round, and decide whether it strikes the right balance.

14. You will want to pay particular attention to the proposed statement of the principles underlying Government policy (Annex 2). Some references you may wish to discuss are:

*Point- like
this phrase*

i. to "sustainable development" (ii. on page 2). Any reference to this phrase will need to be drafted carefully if it is not to be misinterpreted, eg by the Green movement. It may be best to avoid using the phrase altogether, referring instead to "stewardship" of the environment;

ii. to new economic and market control strategies (eg at viii. on page 3). The drafting here will have to be cleared with the Chancellor;

iii. to building environmental considerations into Government procedures for deciding policy (at xi. on page 3, and more explicitly in the third paragraph on page 2). We understand Mr Patten may have in mind new proposals to achieve this in relation to future policy decisions. You may want to ensure that he puts these to you personally in the first instance, since they bear on arrangements for the collective consideration of Government policy.

15. Subject to the discussion, you will want either to endorse the outline White Paper, or to ask Mr Patten to circulate a revised version for agreement in correspondence. MISC 145 can then be remitted to produce a full draft and submit it to MISC 141 in July.

A popular version

16. Mr Patten also proposes a shorter, popular version of the White Paper setting out the principles behind Government policy and the action points for Government, business and the public. The full version will not be a very accessible document; you may therefore want to endorse this proposal.

Handling policy proposals

17. The draft contains a range of specific policy proposals. These will need to be decided one way or another before the White

Paper is published. MISC 145 should be able to resolve some issues, but others will call for consideration in other fora, especially where there are public expenditure implications. You might ask that when the full draft is submitted in July, outstanding policy issues should be properly highlighted, together with proposals on how they should be resolved.

Public expenditure

18. Mr Patten's paper contains a paragraph about public expenditure (paragraph 2) inserted at the insistence of the Treasury. This goes beyond earlier statements that the public expenditure implications of proposals in the White Paper will need to be the subject of agreement with the Treasury in the normal way. It says that the White Paper should not refer to any new policy or possible policy unless Treasury Ministers have agreed that resources can be made available; and that these issues should be dealt with in the 1990 public expenditure survey in the normal way.

19. Since the White Paper is to be published in September, before the conclusion of the PES round, this seems to rule out the announcement of any changes in policy which have resource implications, however small. You may want to explore with the Chief Secretary whether this is his real position. If so, Mr Patten may suggest that the White Paper will have to be delayed until later in the year, after the end of the round.

Statistical report on the state of the UK environment

20. When Mr Patten first proposed the publication of the White Paper, he also suggested the simultaneous production of a new UK "State of the Environment Report", to be published periodically thereafter. But you and other colleagues expressed reservations about what implications this might have for the Government. Mr Patten subsequently revised his proposals, dropping the suggestion of publication at the time of the White Paper and any commitment to a particular timetable for subsequent reports, and

stressing the statistical nature of the report (his minute of 23 March). You agreed that further work should be done by officials on the form and content of such a report. But you asked Mr Patten to put his proposal to MISC 141, so that you could discuss the political advantages and disadvantages of announcing the intention to produce such a report in the White Paper.

21. You will want to consider whether MISC 141 should now endorse Mr Patten's proposal, and ask MISC 145 to make detailed recommendations.

NEXT STEPS

22. If you can reach agreement on greenhouse gases and the outline White Paper, MISC 141 should not need to meet again for some time. These issues can be remitted to MISC 145 for further work, and the production of a full draft White Paper. This would come back to MISC 141 in July.



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