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Date: 22<sup>nd</sup> July 2009

Dear Barry

Thank you for your letter on behalf of TearFund, Clare Szanto on behalf of CAFOD and Geoffrey Daintree on behalf of Christian Aid, requesting details of the Liberal Democrat policies on Climate Change, Trade Justice and Aid to Developing Countries.

I note that you wish to disseminate our policy information to your respective members so to make the job a little easier I have attempted to draw out a key summary of our respective policies in each of the required areas. Please also note, as we discussed on the phone the other day, all of the three main Party's may well be changing these policies somewhat at their upcoming Conferences in the light of the present economic crisis. Consequently, once our General Election manifesto has been signed off I will ensure you receive a copy.

I would be delighted to accept your and your colleagues invitation to debate these important issues once the date of the General Election has been called. In fact if you wish I would be more than happy to do so beforehand. I think most people in Eastbourne by now appreciate that it's going to be a very close contest between myself and Nigel Waterson and only a few weeks ago we both debated the economy, local and national, at an event staged by the FSB.

However, to answer your specific queries:

### Climate Change

There are two core strands to tackling climate change. First to do what we can within the UK and secondly what the Lib Dems believe is necessary from a global perspective. Both are essential if we are to see real progress. And though in the full scale of things the UK's output on its own is fairly small it is vital that steps are taken to radically improve our own carbon footprint. Not least as it would improve our influence in pushing forward the green agenda internationally.

## Nationally

A little context:

- **Home energy efficiency-** Less than 1% of UK homes meets a decent level of energy efficiency.
- **Energy Use:** Energy consumption has gone up by more than 3% since 1997 including an 11% rise in electricity consumption
- **Renewable sources:** Still account for under 5% of the UK's domestic electricity, some way off the 10% target for 2010. In other comparable economies such as Germany the figure is 15%
- **Green Taxes Falling.** Green taxes are down, from a high of 3.6% of GDP in 1999 to 2.7% in 2007 (Source: ONS)

Liberal Democrats believe that we can have a green economy and at the same time cut fuel bills and deliver new jobs. We would achieve this in the following ways:

- **We believe the economy needs a green fiscal stimulus.** Now is the time for big investment to get the wheels of the economy turning again and make Britain greener. New green jobs, money in people's pockets from saving energy and a transport network we can all be proud of. If this stimulus package is to work though it must be in the shape of investment. That way it will create jobs and ensure that once this recession is over, we have something to show for the money spent. In short we need a green road out of the recession and would:
  - Fund insulation and energy efficiency
  - Insulate every school and hospital in five years
  - Purchase a substantial number of new trains and invest in rail infrastructure
  - Launch construction of 40,000 extra zero-carbon social homes
  - Roll-out of 'smart meters' – so every household has one within five years.

The overwhelming bulk of this money must be spent now to enable it to have a positive impact on the economy – providing immediate jobs, cuts in family bills and improvements in people's ability to travel.

- **Warm homes for all** – Britain still has some of the least well insulated housing in the whole of Europe. Dramatic steps need to be taken to change this so we will:
  - Insulate all of Britain's homes to a decent standard within 10 years
  - Raise the requirements of Building Regulations to ensure that all new homes are energy efficient from 2010
  - Use 'Green Loans' to encourage people to invest in home energy efficiency and micro-renewable.

- **Fair fuel prices** – At present, energy companies charge people less per unit the more of energy they use. This is ludicrous and makes it harder for struggling families to afford their bills because of the complicated tangle of different tariffs. Liberal Democrats will:
  - Require energy companies to charge families less for a basic amount of energy used, to encourage responsible use.
  - Introduce a fairer social tariff system for disadvantaged families
  - Roll out smart meters to all households within five years.
- **No to nuclear, yes to renewable** - Both Labour and Conservatives support the construction of new nuclear power stations. We are convinced this is the wrong way to go, not just from a security or safety perspective but also because we believe that more nuclear power is a barrier to green Growth. It soaks up subsidy and will hinder development of Britain's vast potential renewable resource. Lib Dems: oppose the construction of further nuclear power stations and will instead, use guaranteed prices to drive a massive programme of investment in renewable energy sources such as wind, wave and solar. We will also transform the National Grid into a smart grid which will respond dynamically to the changing patterns of energy demand. Smart metering and guaranteed prices will also unlock the potential of local and community energy generation.
- **A Zero-Carbon Britain** – We would aim for a carbon neutral Britain where we absorb as much carbon as we emit by 2050.

## **Internationally.**

### Europe:

Climate change does not respect national boundaries. As the UK political party that has long had pro-internationalist leanings the Liberal Democrats recognize the important role Europe has to play in stopping dangerous climate change. It must lead by setting an example of a low carbon economy.

We will work closely with our European partners to ensure together we can deliver long-term solutions to climate change.

Liberal Democrats support an increase in the EU emissions reduction target to 30 per cent by 2020, based on 1990 levels, as recommended by the European Parliament. We would aim to re-align the European Budget to ensure that the political and policy commitments on climate change are matched by financial backing. We would incorporate climate change into EU external affairs policy by bringing climate change into the EU's Common Foreign and Security Policy.

Finally we would make sure there is a full integration of climate change into the Lisbon Agenda (or its successor).

We would further propose a number of measures to strengthen the EU emissions trading scheme (ETS) in order to increase long-term credibility, increase investors' confidence; ensure scarcity in the allowance market; and make the market deeper and more liquid. Our specific proposals include:

- Linking the scheme to the EU target to reduce greenhouse gas emissions, which Liberal Democrats believe should be 30 per cent by 2020, so that there is a predictable direction of travel for the level of emissions required.
- Setting national emissions caps for rolling five year periods, on an incrementally reducing basis, to provide business with more certainty, create the incentive for investment in longer-term projects and reduce government intervention.
- Working towards an equitable allocation between countries of carbon emissions, with rights to emit allocated on a per capita basis.
- We will aim to develop a new international climate change framework, with effective enforcement measures, aiming for full auctioning of allowances to make the scheme more efficient, using the revenue to reduce taxes and invest in clean, low-carbon technologies.
- Developing an independent institution to monitor the implementation of the EU ETS, provide an independent assessment to the market on the efficacy of National Allocation Plans, provide information on actual emissions and verify the delivery by Member States of their national targets.
- Broadening the scheme to cover aviation, shipping, and road transport through fuel suppliers and other gases so that, in time, the whole economy must face a cost for carbon.

As the EU ETS becomes established, the long-term aim must be to seek cost-effective global emissions reduction by deepening and strengthening international emissions trading.

Liberal Democrats support moves to extend the EU ETS and to make it capable of being linked to, and eventually inter-operable with, international policy measures and governance arrangements that will help to deliver our strategic goal to limit the average global temperature increase to within 2 degrees Celsius above pre-industrial levels.

#### Globally:

Catastrophic climate change is the major environmental threat to the planet. We must stop temperatures rising more than 2 degrees. Failure to achieve a global deal is not an option

In summary, Liberal Democrats believe in international leadership for a deal that will enable each country to manage a transition to a low-carbon economy. It is vital that we work with Europe, the United States and developing countries to achieve this goal. Liberal Democrats believe that the UK should take an even stronger role in making international policy on climate change.

The survival of the multilateral climate regime (Kyoto) beyond the end of the first commitment period in 2012 is essential to ensure that effective action is taken against global warming. In the negotiations for the second commitment period and beyond, we would aim to reach agreement on a much more ambitious set of targets, taking a transitional approach that would seek to deepen commitments over the longer term by allocating emissions on a per capita basis, first to developed countries, but eventually to all countries. This is based on 'contraction and convergence' – contraction of global carbon emissions and convergence of per capita emissions across the global population – and reflects the great difference in emission levels per head between nations.

Through international bodies we will help developed and developing countries by establishing an International Leap Frog Fund (Accelerating Technology Transfer) to invest in low-carbon technologies and energy efficiency. We will also work to protect rainforests cracking down on illegal logging through better certification of internationally traded timber.

**In the short term**, Liberal Democrats would seek to develop a post-2012 framework that allows different countries to participate according to their national circumstances through a 'multi-stage' approach. Each country would work towards the 2°C pathway, but the stringency of their commitments will depend on their economic, developmental and environmental circumstances.

Industrialised country emissions would be allocated on a per capita basis, whereas developing countries will take on emission limitation targets or intensity targets or no commitments at all, depending on their level of development.

**In the medium term**, Liberal Democrats would seek an equitable allocation between countries of carbon emissions, with rights to emit allocated on a per capita basis. Once universal participation on the 2°C pathway had been established, emissions rights would be allocated to all countries on a per capita basis. We also argue that historical emissions be taken into account.

Liberal Democrats believe that the UK and EU should seek to apply the Kyoto Protocol's enforcement mechanism procedure, to ensure that those countries which have not accepted targets or are not keeping to them are not able to undercut the industries of countries which have. As long as companies are vulnerable to unfair competition from countries that do not accept targets, industry will always find it difficult to improve the carbon-efficiency of its own operations. Where a country exceeds its allowed emissions in the first commitment period, it will be required to make up the difference during the second commitment period, plus a penalty deduction of 30 per cent

The UK and EU must make sure that this is applied as rigorously as possible when it comes fully into force.

Once countries responsible for the vast majority of greenhouse gas emissions have agreed new reduction targets, we envisage that, as part of the

agreement, there would be mechanisms to prevent unfair competition from the small minority of countries that refuse to accept their obligations to reduce their emissions. This will include action within the WTO to ensure that trade measures within multilateral environmental agreements, such as the Kyoto Protocol, are explicitly recognised and permitted.

Liberal Democrats would seek to secure modifications of WTO rules to ensure that trade rules, including those governing intellectual property and technical barriers to trade, do not undermine environmental objectives. We would aim to establish harmonised international standards for low-carbon goods and services.

Liberal Democrats would support the development of new, innovative regional investment frameworks to remove tariff barriers and intellectual property barriers that prevent or slow the dissemination of low-carbon technologies. These investment frameworks would encourage innovative financing to facilitate the shift from conventional polluting technologies into new, low-carbon technologies, which can then be implemented at scale.

Liberal Democrats would also argue for the strengthening of the United Nations Environment Programme, UNEP, including ensuring it has guaranteed international funding. UNEP should have a lead role in coordinating the environmental work of all relevant bodies within the UN system. The International Leap Frog Fund would be funded by international contributions and managed by UNEP, to provide funds to facilitate the development of low-carbon technologies, energy efficiency and renewable energy technologies in developing countries.

We would promote the negotiation of an international 'Climate Agreement for Africa' to encourage developed countries to eliminate or reduce intellectual property rights protection on a range of low-carbon technologies to facilitate take-up in African countries of these technologies.

## International Trade

We believe that it is vital for the world's secure future that trade between the developed and less developed parts of the world be put on a much fairer footing. Working through the European Union and World Trade Organisation, we will seek to remove the subsidies and tariff barriers that prevent the poorest countries in the world selling their goods on fair terms and promote environmentally sustainable trade. We will work to end the dumping of subsidised agricultural exports by developed economies, which is undermining farming in Africa and other parts of the world.

### **We would aim to reform the international finance system by:**

- Establishing a new International Financial Authority to assist developing countries in reducing their exchange and interest-rate volatility; investigate means of implementing, when politically practical, international taxes on foreign exchange transactions; lead negotiations

to reform the financial policies of the richest countries to introduce greater stability to capital outflows; and help developing countries manage their debt.

- Reform the IMF to render it more responsive, effective and accountable by improving transparency and ensuring that decisions in all committees are taken by majority voting;
- Ensure that funding is independent of individual members' economic and political influence.

**We would encourage flows of foreign direct investment (FDI) by:**

- Establishing a new international set of negotiations within the UN on the creation of a multilateral regulatory framework to encourage FDI, balancing additional rights for investors against additional responsibilities, and replacing current bilateral investment treaties by the new multilateral agreement.
- Privatising the Export Credit Guarantee Department and transferring support for export credit guarantees for investments in the poorest developing countries to the DFID.

**Push to improve WTO transparency and accountability:**

- To provide support to the poorest member countries to enable them to participate fully in WTO negotiations and conduct WTO disputes, and extending the structure of 'special and differential treatment' through which the poorest countries can open their markets over a much longer timescale.
- Appoint an independent Advocate General to represent the public in trade disputes, and establishing an annual assembly of parliamentarians to scrutinise the work of the WTO.

**Trade and investment reform:**

- We believe the The European Parliament should have the right to veto all international trade and investment agreements, and reforming Economic Partnership Agreements established under the Cotonou Agreement to ensure that developing countries can take longer to open their markets to EU exports.
- We continue to support the WTO Doha Round, in particular: a substantial reduction in agricultural subsidies, including the elimination of CAP production subsidies and trade barriers and major revisions to the General Agreement on Trade in Services (GATS), allowing countries to reverse their original decisions on liberalisation and/or add new derogations.

**Enable and regulate enterprise at the international level by:**

- Promoting greater market competition and anti-monopoly policies; ensuring that enterprises benefiting from open markets are required to behave responsibly, by strengthening the OECD Guidelines for Multinational Enterprises and incorporating them in trade and investment liberalisation agreements; encouraging corporate responsibility initiatives and socially responsible investment.

## Aid to Developing Countries

The world faces an emergency - the global financial crisis and recession have exposed the vulnerability of well-established financial centres and global corporations, while revealing the inability of domestic and international regulatory frameworks to sustain economic growth.

The response from western governments has been unprecedented, committing hundreds of billions of hard currency to bail our banks and stimulate shrinking economies.

But this emergency is not just happening in the United Kingdom, the European Union or the United States; it is global, with potentially devastating consequences for the world's most vulnerable people and fragile states. In responding to a crisis, which they had no part in shaping, developing country governments, unlike their western counterparts, do not have the luxury of digging deep and raiding the coffers. They need urgent support.

During the boom, the international community failed to honour its pledges to the developing world. Now, the global downturn has pushed developing countries towards the edge. But by applying even a fraction of the determination and resources committed to saving national economies, the international community could bring the developing world back from the brink. Concerted action is now essential to prevent a dramatic reversal of progress towards the United Nation's Millennium Development Goals (MDGs)

This is not just about the duty of the rich world, but also about its self interest - in a globalised world problems do not stay local for long. Whether it is financial contagion, environmental degradation, political instability or migration, the problems of the developing world are firmly those of the developed world, too. In this situation, there should be no awkward choice between altruism and national interests.

The Liberal Democrats believe that the G20 process, which began in New York in November 2008, offers the opportunity for the international community to re-vitalise its commitment to development. The G20 will of course have to raise its game since, on the key issue of trade, it has already failed to meet one of its own commitments: the November communiqué promised to agree the way forward on the Doha trade negotiations by the end of 2008, but no such agreement has been reached.

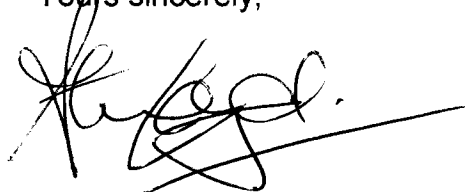
Indeed, in the months since the last summit, we have seen matters go in to reverse, with an alarming increase in protectionist rhetoric. There is a warning here: a similar lack of urgency or achievement on this broader agenda would be disastrous. Meeting Britain's obligations to the developing world – the Liberal Democrats are committed to working towards a world free from poverty, inequality and injustice and meeting the Millennium Development Goals is a vital first step. But beyond this, and the issues of trade and disarmament which, we will also ensure that action is taken:



- **On Aid** – increasing the UK's budget in order to reach the UN target of 0.7% of GNI and holding the G8 to its Gleneagles pledges.
- **On the Global Economy** – we would reform global finance institutions such as the World Bank and IMF, and act to crack down on tax-havens which allow multi-national companies to avoid paying due taxes to developing country governments. We would also ban banks from facilitating the transfer of funds obtained by corruption by dictators and other corrupt figures.
- **On Social Protection** – we would establish a Global Fund for social protection to help developing countries build viable welfare systems. We would also continue to prioritise health and education programmes aimed at promoting gender equality, reducing maternal and infant mortality, and restricting the spread of major diseases like HIV/AIDS and TB.

I hope my letter covers off your requests in sufficient detail and look forward to seeing you again soon.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Stephen Lloyd', with a long horizontal line extending to the right.

Stephen Lloyd  
Lib Dem PPC  
Eastbourne & Willingdon constituency