Carbon capture and storage

The government is pressing ahead with carbon capture and storage projects. When I asked on Thursday who was paying I think the answer was taxpayers, though the Minister delphically said they will “socialise” the costs.

Normally when a business makes an investment customers pay for the output from the facility being installed. In this case the output is storing a lot of CO_2, where the customer seems to be the state. It raises the question whose CO_2 is it storing? Is that a cost of whatever caused the extra CO 2 in the first place? Some of it will indeed be CO 2 generated by the state itself, with all those heating systems in public sector offices and all that travel of public officials.

Overall the UK government needs to review just how much extra cost it is imposing through windfall taxes, carbon taxes and now these carbon capture schemes. It needs to get off the import best model. Current carbon accounting based on national boundaries still seems to encourage Ministers and officials to close down or drive out carbon dioxide generating activities in the UK, only to import the goods needed from abroad who can then account for the CO 2 in their national figures. This makes no sense for controlling world CO 2 and is damaging to the UK economy and business.

The present international carbon accounting could have been designed for April 1st.

Money and the Bank

It is strange that the Bank of England has a Monetary Policy Committee yet declines to set targets for money and credit expansion. It does not normally comment on money and credit growth in its Reports, preferring to concentrate on past figures for GDP, inflation, estimated capacity utilisation and unemployment. Its forecasting record has been poor in recent years. It confidently expected inflation to stay down around 2% following its big monetary expansion and bond buying policy of 2020-21. It has only recently accepted inflation has greatly overshot its target and forecasts, waiting for the overshoot before admitting it. It now forecasts inflation to fall well below target in a couple of year’s time, yet still hiked interest rates higher as if it did not believe its own forecast.

Whilst it is true that any given monetary measure may become distorted if it is a target or prime interest of a Central Bank, it is also true that if we look at any of the great inflations they have been accompanied or caused by excessive money and credit creation in their early stages. Given the Bank’s wish to interfere in the bond markets and to manage interest rates for various periods of borrowing from overnight to 50 years, you would have thought it would take an interest in how much money and credit is in circulation and in how far that might expand given its actions. If inflation is agreed by the Bank to be too much money chasing too few goods, they should not only study the too few goods (capacity) but also the too much money. Traditionally Central Banks have tried to control money and credit by moving interest rates, expecting commercial banks to lend less when rates are higher and lend more when rates are lower. More recently Central Banks have directly boosted money supply by creating bank reserves to buy up bonds. Much of this money initially found its way into asset prices, creating inflation in bonds, shares and property. More recently the inflation has spread into goods and services, as the money freed from the bonds has been spent.

The Bank should introduce some paragraphs in its commentary on rates of money and credit growth. They should explain why they think fast growth in these aggregates will not on that occasion produce inflation. Today they need to comment on whether there is enough money and credit around, given the slowdown and the dramatic change in money policy they have put the economy through.

The prime task of Central banks is to support commercial banks

Keeping inflation to 2% is a crucial role of the Bank of England, ECB and Fed. As events in the USA have just shown, it is however less important that avoiding banking collapse. Since Silicon Valley Bank got into trouble the Fed has made a huge change to its money policy, flipping from ultra tight with plenty of money withdrawal by selling bonds, to a large easing with $300 bn of loans to commercial banks. It had to make the switch as it is the first duty of a Central Bank to provide cash to commercial banks so they can honour their deposits if a lot of people all want to withdraw at the same time.

The decision to shift to a much easier money policy in the short term was screened by still continuing with a 25 bp or 0.25% interest rate hike. The Fed wished to reassure some that it is still battling inflation, whilst reassuring others that their deposits are safe. Silicon Valley Bank had got into trouble because the Fed has raised rates so much, losing SVB money on the bonds it held. It is a reminder that shifting money policy to too tough brings different kinds of problems.

All the Central banks need to review where they are in money tightening and in bringing down inflation. There are always lags – it takes time to get inflation down by raising rates and throttling credit. It is important not to overdo the tightening as that can undermine banks as it hits the affordability of credit and the value of bank investment holdings in bonds.

They will all need to make sure plenty of cash is available to any bank that comes under unwelcome pressure to repay deposits, as that is the way to make sure there is no such run.

Illegal and legal migration

The government is currently concentrating on illegal migration with its eye catching and contentious promise by the Prime Minister to stop the boats that bring many of the illegal entrants to the UK. The Opposition parties oppose him strongly, demanding more safe routes for migrants and asylum seekers to come, and easier processes to allow people to enter more rapidly.

Most Conservatives believe the UK should provide refuge for some people fleeing violence or oppression elsewhere. This should be an offer as part of a wider offer by many richer countries to spread the responsibility and to provide geographical choice to those seeking a new home. Many of us also believe the UK has been offering too many economic migrants a home and a job here, seeking to perpetuate a model of growing the economy by recruiting plenty of lower paid labour from abroad. Instead we would prefer to see investment in machines, computing, training and higher standards to get more of the work done with fewer better paid people. We want more better paid and high quality jobs for people already living here, backed by the investment it takes to raise productivity and therefore wages.

The low pay model is not a great one for the people coming nor for the taxpayers who need to foot much of the bill for so called cheap labour. Paying people too little means state subsidy to provide them with housing, income top ups, health and education provision and a range of infrastructure and other public service provision. Last year we added 500,000 more people to our totals. To ensure they have a decent life that will take a lot of new housing, public sector facilities, roadspace, electricity and water capacity and a range of other capital intensive service provision. The EU some years ago suggested it took Euro 250,000 to provide for a migrant family or individual coming to the EU to provide all the facilities needed.

My letter to the Planning Inspectorate

I have written to the Planning Inspectorate urging them to uphold West Berkshire Council’s decision to refuse planning permission to the erection of 32 houses on the land rear of The Hollies, Reading Road, Burghfield Common, West Berkshire RG7 3BH.

THE RT HON SIR JOHN REDWOOD MP, D.Phil, FCSI

HOUSE OF COMMONS
LONDON SW1A 0AA

Mr Paul Morrison
Chief Executive
The Planning Inspectorate
Temple Quay House
2 The Square
Temple Quay
Bristol
BS1 6PN

27 March 2023

Dear Mr Morrison

Re: Planning Application 22/00244 – West Berkshire Council

I am writing in support of West Berkshire Council, the AWE and all of my constituents who have registered objections to the erection of 32 houses on the land rear of The Hollies, Reading Road, Burghfield Common, West Berkshire RG7 3BH.

My constituents and West Berkshire Council are very concerned that it will put significant strain on the local amenities and schools as well as having a significant impact on the existing ecosystem, including the local woodland. In addition to this, it is of utmost importance to give heed to the objections of the AWE and Ministry of Defence. It is their considered opinion that this development is directly contrary to safety and emergency planning advice and that it could have an adverse impact on the nation's security by constraining the operation, both current and future of AWE B.

I wish to urge the Planning Inspectorate to uphold West Berkshire Council's decision to refuse planning permission for this proposed development.

I would be grateful if you could take this letter into account as a formal representation on this matter.

Yours sincerely