

# End sewage discharges to rivers by water companies

Since I and others raised this in the Commons last week during the passage of the Environment Bill the Minister has supplied additional information about how they are proposing to get rid of bad discharges to rivers as we all want:

- “Between 2020 and 2025, water companies will invest £7.1bn on environmental improvements in England.
- Of this, £3.1 billion will be invested in storm overflow improvements specifically.
  - We have also made our expectations crystal clear in our draft Strategic Policy Statement to Ofwat where, for the first time, the Government will tell the industry’s economic regulator that we expect water companies to take steps to “significantly reduce... storm overflows”, and that we expect funding to be approved for them to do so.
  - In August 2020 we established the Storm Overflows Task Force to bring together key stakeholders from the water industry, environmental NGOs, regulators, and Government in order to drive progress in reducing sewage discharges.
- The Task force has agreed a long-term goal to eliminate harm from storm overflows.
  - We have committed to reviewing the case for implementing Schedule 3 to the Flood and Water Management Act 2010 in England, which would set mandatory build standards for sustainable drainage schemes on new developments, and which many have called for. This action has the potential to markedly reduce quantities of water unnecessarily entering the sewerage system. The significant action I have detailed will deliver real reductions in the harm caused.”

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## “A low tax Conservative” Chancellor?

The Chancellor tells us he believes in low taxes. In that case he has work to do. Let him prove his point in this coming budget.

First, abolish the tax on jobs he proposes for April with his National Insurance surcharge. The advisers who told him he needed to raise an extra £12bn next year, have now told him he has already raised an extra £46bn in tax in the first half of this year thanks to tax cuts and recovery. Their revenue forecast was that much out between March and September! Let's stick with a winning formula of lower tax rates and more revenue.

Second, end the attack on the self employed by cancelling the changes to IR 35. We need all the enterprising and self employed people we can get to power recovery and change the economy.

Third, remove VAT from green products. The government claims to be the greenest ever, so why charge VAT on boiler controls, on insulation, draught proofing and various other green energy products?

Fourth remove VAT from domestic fuel to offset some of the large rises in price brought on by the gas shortage. The gas price rise will act as a tax on consumption, cutting growth.

Fifth end the threat of higher corporation tax rates

Sixth, consult on setting the new world Minimum Corporation Tax rate to offer some tax competition to Ireland.

If he did these things he would indeed be a lower tax Conservative., He would also collect more revenue and have a lower deficit because the economy would grow more.

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## [Wrong official forecasts will produce the wrong budget](#)

The Budget this week will doubtless be damaged and misdirected by wrong official forecasts. The Office of Budget Responsibility is meant to be independent, yet Chancellors seem obliged to use these forecasts and defend them. Given how wrong they usually are it places the government in a false position and misleads them over what is the proper policy response. Indeed, it leads officials to recommend advice which will slow the recovery and worsen the outturns.

The OBR and Treasury officials are wedded to Maastricht austerity economics. They slavishly publish the UK's position against the Maastricht debt and deficit criteria as if we were still in the EU and had to comply with the Treaties. They will doubtless inveigle the old Maastricht debt and deficit requirements back into a so called new statement of economic policy aims and controls for this Budget despite Ministers rightly wishing to review the framework.

If you are going to steer economic policy around debt and deficit figures you need to be able to forecast them accurately and understand what actions balloon deficits and which ones reduce them. Last year I drew attention to the wildly pessimistic budget deficit forecasts. The outturn was first published as an overstatement of a massive £90 bn in the deficit, even larger than I had dared to suggest. It was subsequently adjusted down to £64 bn by proposing that there will be some hidden losses yet to be determined to add to last year's figures. I repeated the claim that this year's budget deficit was also substantially overstated. At the half year stage it turns out the deficit was overstated by a whopping £43 bn in just six months.

The main reason is the OBR and Treasury underestimate the buoyancy of revenue in an upswing, and have false models of tax revenues which depress revenues when you cut rates without allowing for behavioural effects which increase transactions and output with lower rates. Thus we see that in the year to date Stamp Duty has risen by a massive 85% thanks to a mixture of unlocking and the lower tax rates the Chancellor wisely introduced. Corporation Tax is up 20% despite the Chancellor offering a super deduction for investment which officials are nervous about reading their latest published report.

The Chancellor should announce a strong commitment to low inflation, underlining the 2% inflation target which we are currently breaking. He needs to target tax cuts, regulatory actions and government procurement on scarcity areas where prices are under upwards pressure and offer supply side reforms to boost capacity. Energy, transport, domestic food growing, domestic timber and others are obvious areas.

There should then be a growth target, to send a clear signal to all of government that there is work to be done to boost the growth rate and the productivity rate with great education, training, network investments, incentives for the self employed and small businesses and innovation.

The state debt is currently stated as £2.2tn or 95% of GDP. As the state will own £475bn of the debt by year end the true figure is £1.75tn or 75% of GDP. This is a manageable amount at current low interest rates. Because the OBR grossly overstate the deficit they will demand tax rises which will slow the economy, garage confidence and impede rectifying supply shortages.

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## [The politics of COP 26](#)

The 26th COP conference to save the planet takes place in early December. Like its forbears they tell us this is the last chance and that much is riding on the results. Clearly they are right that as the previous conferences have not agreed sufficient action to even begin reducing the total carbon dioxide produced in many places nor to start to cut the total amount of fossil fuel burned around the globe this conference needs to be more successful than past ones to wean the world off fossil fuels as they

wish. World oil demand at 85 m barrels a day in 2006 is forecast to exceed 100m barrels a day again as world recovery from the pandemic continues, and to stay there for the next decade. As the Conference approaches we are told that it will be an extremely difficult task to get an Agreement. I would be surprised if it is allowed to break up without one. I would also be surprised if it is the last such conference, declaring job done. In practice the world is nowhere near getting to net zero any time soon all the time China, India, Brazil, Pakistan, Bangladesh and other heavily populated countries see the need to burn more coal, oil and gas to grow.

The UK as joint chair with Italy has set out four crucial areas to get agreement – coal, cars, cash and trees. They will need to negotiate the question of grants and loans from the rich countries to the lower income countries, as they are making this an essential part of co-operating with the general green revolution. A recent meeting of the 20 country strong Like Minded Developing countries (includes China, Saudi, Pakistan, Malaysia, Bangladesh) issued a tough communique saying the advanced countries as a whole needed to cut their carbon output more quickly as they had put plenty of carbon dioxide into the atmosphere during their industrialisation. The rich countries needed to be tolerant of the developing world's need to grow using fossil fuels, and to offer far more financial support for green transition by them. They pointed out that many developed countries had failed to make their full contribution of cash under the Paris promises, and had not met their own carbon dioxide reduction promises either.

It seems likely the Conference will have to proceed without either President Xi, or President Putin being present. China is by far and away the largest producer of carbon dioxide, at 28% of the world total, and Russia is in fifth place at 4.5%. It now seems likely Prime Minister Modi of India, in fourth place with 7%, will attend but it is unlikely he will be able to pledge cuts in Indian use of fossil fuels and will understandably want more financial support. China and Russia will send delegations and will offer national plans of sorts, but they will fall far short of what green campaigners would expect. There is unlikely to be an early phase out of coal by emerging countries, with China aggressively adding coal mines and coal power stations to her energy mix.

It will be easier to agree more trees, though difficult issues remain in parts of Latin America and Asia over cutting down forests to grow crops and graze cattle. Everyone will be sympathetic about electric cars.

The central Agreement will therefore rest on further pledges of progress from the world's second and third largest emitters, the USA and EU. The UK will assist as the one larger advanced country that has already done the most to cut its own carbon dioxide output. Getting a better commitment from Germany to cut out coal would help them. There are rumours that a possible new coalition government there might want to bring forward the elimination of coal from 2038 to 2030. The EU will doubtless find it more difficult to get an improved commitment from Poland, another large coal user.

Without larger and faster contributions from the first, fourth and fifth largest producers of CO2 in the world it is going to take more such

conferences to chart a reliable path to net zero for the world.

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## Good and bad trade deals

To the BBC and Remain critics a free trade deal with the EU was essential to our economy, whilst a free trade deal with anyone else is a big threat to our own farms and industries, allowing foreign competitors more of a chance to lift orders from us.

They never see the contradictory nature of their twin positions. Apparently New Zealand lamb could drive our sheep farmers out of business. No such damage they say is being done by the EU. They ignore the way German cars, French dairy, Italian textiles, continental steel and others drove many of our companies out of business when we went to zero tariffs with the ECEC on joining, let alone the damage the CAP did to farming and the Common Fishing policy did our fishing grounds and industry.

The truth is we rely for our substantial foreign trade on WTO membership which secures most of it with or without top up trade deals. A top up trade deal can be helpful overall, but of course it only helps our business where we are competitive and harms it where we are not. We have a massive deficit with the EU thanks to the asymmetric way tariffs and barriers were taken off industry where they had an advantage, but kept barriers on service where we had an advantage.

The other criticism they advance of a deal like the New Zealand one is our trade is relatively small. This of course contradicts the other criticism that it is seriously harmful. The NZ deal cements a friendly alliance that matters, but it is also progress to joining the TPP which is large Asian trading area of faster growing economies which we can do more with.

The absurd argument that we have swapped a great deal with the EU for one with smaller countries is silly. We have a tariff free deal and WTO access to all EU markets, now we are adding a bit better deal with places like NZ and Australia, preparatory to joining TPP which the USA may well also join.

Brexit supporters always had a sense of perspective over trade deals, knowing the key was WTO membership for trade access. We left to run our own affairs generally. Membership of the EU single market did considerable damage to industry, agriculture and fishing owing to the asymmetry in its rules. They could fish our waters, for example, but we didn't get rights to Mediterranean fish.