

ECOTAX-NEWS No. 0 – OCTOBER 2001

NEWS AND DISCUSSIONS ABOUT THE ECOLOGICAL TAX REFORM FÖRDERVEREIN ÖKOLOGISCHE STEUERREFORM (FÖS) E.V. – GERMAN ECOTAX ASSOCIATION –

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1. EDITORIAL

Dear Friends of FÖS and the Ecological Tax Reform,

After starting to publish a German newsletter about Ecological Tax Reform last July, today we are proud to present an English version of it: **ETN No. 0**. At the moment this newsletter should only be an attempt to get a clearer view if we are able to publish a newsletter in English and to check the interest in it. For that reason we call it **ETN No. 0**. But it is not possible for us to publish an English newsletter periodically without getting a furtherance.

We would be very pleased if you could let us know how you liked our newsletter and if you are interested in getting further ones in the case we are able to find a furtherance. It would also be very helpful for us if you could tell us possibilities for furtherances.

It is obvious that presently, we have a greater choice of articles in German than in English. Because of that the German newsletter is published monthly whereas the English version would appear less often (perhaps 3-4 times a year). If you understand German and want to receive the German newsletter with more news about the ETR – please let us know (<mailto:foes@foes-ev.de>).

Unfortunately we have no capacities to translate German articles into English. For that reason we call for your help: Please send us English-language articles about the ETR and other interesting environmental topics in your country, activities of your organisation in this field and so on. Preferably as word files, not pdf-documents, so we can process your texts.

If you know other people interested in Green Taxes, please provide us with their email-address.

The FÖS team wishes you a lot of pleasure with the Newsletter!

Desperately Wanted: Global Governance and Global Sustainability– A Personal View by Dr. Anselm Görres, President of FÖS –

For the bloody terror of the World Trade Center there can be no excuse. But there should and must be a

search for causes, a search that goes beyond the search and the hunt for the criminals and terrorists who brought it about. In the 1970's, Germany lay under the spell under of a small band of terrorists called the *Bader-Meinhoff-Group*. While this group never managed to muster support from more than a very tiny part of the population, the same is not true of the terrorists that schemed and enacted the strike on New York. In contrast, there is no doubt that within the Islamic World, large parts of the population – and not only its poorer segments – openly or abeily are supportive of the terrorist attacks on New York.

So all of us in the Western Hemisphere have to ask ourselves, whether or not in the last decades, we have done enough to offer an attractive future prospect to the 1.3 billion humans that live under the crescent of Islam. If Democratic Capitalism is the common denominator and the global promise of our Western Way of Life, then we cannot help but observe that both elements of this double promise are out of reach for the large majority of Muslims. As a rule, people in Islamic countries are far from enjoying peace, prosperity and people's rule. Their life is characterized, in the majority of cases, by poverty, despotism and an utter lack of bright expectations.

How can we respond to this unsustainable situation? The only useful response can be found in a combination of Global Governance and Global Sustainability. *Global Governance* means an agreement on globally valid rules of the game, the respect for global institutions, and the global realization of social, political, economical and ecological minimum standards. These minimum standards must foremost protect the weakest and the poorest members of the world community.

Global Sustainability must be the principal guideline and criterion that Global Governance has to serve and obey. Global Sustainability means nothing else but to create conditions worldwide that will grant peace, prosperity, democracy, human rights and the preservation of natural resources to all people on this planet. To pursue and outlaw terrorists all over the planet is only a necessary precondition – a bitterly necessary one – but certainly not a sufficient condition to create Global Sustainability.

This is the point where the challenge of the WTC Attack and the challenge of the global ecological crises should lead us to the same response. In both cases, we must find global answers to global challenges. And neither Europe nor the U.S. can claim to be without mistakes or failures from the past.

There is a piece of good news that can derived from all these reflections. If the Western World can rise to a reaction to the New York attack that is more than just military or police retaliation, if we understand it as a call for Global Governance and Global Sustainability, there is a good chance that these terrible events, brought about by evil and malevolent people, can have some benevolent results for our global community.

And one more thing seems almost certain: An energy policy that reduces the West's dependency on fuel imports from Arab and Islamic countries will also reduce our exposure to an area of crisis.

A wonderful Message – by George Carlin

(Sent in by Stephanie Hammer, Anaheim Hills, Ca. USA)

The paradox of our time in history is that we have taller buildings but shorter tempers, wider freeways, but narrower viewpoints. We spend more, but have less. We buy more, but enjoy less. We have bigger houses and smaller families, more conveniences, but less time. We have more degrees but less sense, more knowledge, but less judgment, more experts, yet more problems, more medicine, but less wellness.

We drink too much, smoke too much, spend too recklessly, laugh too little, drive too fast, get too angry, stay up too late, get up too tired, read too little, watch TV too much, and pray too seldom. We have multiplied our possessions, but reduced our values. We talk too much, love too seldom, and hate too often. We've learned how to make a living, but not a life. We've added years to life not life to years. We've been all the way to the moon and back, but have trouble crossing the street to greet a new neighbor. We conquered outer space but not inner space. We've done larger things, but not better hings. We've cleaned up the air, but polluted the soul. We've conquered the atom, but not our prejudice. We write more, but learn less. We plan more, but accomplish less. We've learned to rush, but not to wait. We build more computers to hold more information, to produce more copies than ever, but we communicate less and less.

These are the times of fast foods and slow digestion, big men and small character, steep profits and shallow relationships. These are the days of two incomes but more divorce, fancier houses, but broken homes. These are days of quick trips, disposable diapers, throwaway morality, one night stands, overweight bodies, and pills that do everything from cheer, to quiet, to kill. It is a time when there is much in the showroom window

and nothing in the stockroom. A time when technology can bring this letter to you, and a time when you can choose either to share this insight, or to just hit delete.

Remember, spend some time with your loved ones, because they are not going to be around forever. Remember, say a kind word to someone who looks up to you in awe, because that little person soon will grow up and leave your side. Remember, to give a warm hug to the one next to you, because that is the only treasure you can give with your heart and it doesn't cost a cent. Remember, to say, "I love you" to your partner and your loved ones, but most of all mean it. A kiss and an embrace will mend hurt when it comes from deep inside of you. Remember to hold hands and cherish the moment for someday that person will not be there again. Give time to love, give time to speak and give time to share the precious thoughts in your mind.

2. ETR AND ENVIRONMENT INTERNATIONAL

Heat Is on Lawmakers To Address Warming – Senators Press for Reductions in Emissions

(Douglas Jehl, International Herald Tribune, 28.07.2001)

With the United States now alone in the world in opposing the treaty to combat global warming, some lawmakers are pressing for Congress to take the lead toward reducing emissions of so-called greenhouse gases, the issue on which the Bush administration has so far kept to the sidelines.

Both Democratic and Republican congressional aides say that it is now likely that Congress will pass one or more measures this year calling for cuts in emissions of carbon dioxide, a main provision of the Kyoto treaty. But it is less clear whether majorities will back the mandatory restrictions spelled out in the treaty and rejected by the administration, or whether they will opt for a voluntary approach.

Still, when Christie Whitman, administrator of the Environmental Protection Agency, arrived on Capitol Hill on Thursday, she heard calls for Congress to make up for the administration's inaction this week in Bonn, where the United States opted out of an agreement on the Kyoto treaty that was backed by more than 180 countries. „The administration can refuse to commit the United States to the Kyoto accord; that is their choice,“ Senator James Jeffords of Vermont told Mrs. Whitman at a hearing on power plant emissions that was his debut as chairman of the Senate Committee on Environment and Public Works, a job he won in May by shifting his party affiliation from Republican to independent. „But this Congress, this Senate, and especially this committee will not let our international partners down,“ Mr. Jeffords said. „We plan to take steps to reduce our nation's contribution to this growing problem by working with industry to reduce carbon emissions.“

The White House has criticized the Kyoto treaty as „fatally flawed“ saying its provisions are too costly and unfair to the United States. On Thursday morning, Mrs. Whitman defended the administration's go-slow approach, saying that it would be premature to present any plan for carbon dioxide reductions until further studies were completed. „We're still a long way from knowing how to solve the problem,“ Mrs. Whitman said.

Emissions of carbon dioxide are widely regarded as the main contributor to global warming, and the United States is the world's largest source of these gases, about one-third of which comes from old coal-burning power plants.

The refusal of President George W. Bush's administration to adopt mandatory limits on carbon dioxide emissions has put it at odds not only with Europe and Japan, but also with senators like Mr. Jeffords, who has introduced a bill requiring power plants to reduce such emissions. It is being co-sponsored by two Republican senators from Maine, Susan Collins and Olympia Snowe, as well as 12 Democrats.

Other measures to reduce carbon dioxide emissions are also floating around Congress, including some, like one that Senator Chuck Hagel, Republican of Nebraska, is expected to introduce next week, that would stop short of mandatory restrictions in favor of voluntary measures. Even Mr. Jeffords, who introduced his bill this year, has not said how deeply he would propose cutting carbon dioxide emissions. But even as the administration scrambles to come up with its own stand on the issue, the congressional aides and several senators said, the pressures of public opinion and concern over international fallout appear to have added to a

view that Congress would be irresponsible to do nothing. „Very few of us up here want to have America seen as not participating in something that’s important,“ Mr. Hagel said in an interview. What happened in Bonn, he said, had redoubled a sense of broad support for doing something on the issue, but he added, „The decision still is what should we do and how.“

Senator Jeff Bingaman, Democrat of New Mexico and chairman of the Senate Energy and Natural Resources Committee, said in a separate interview, „I certainly feel that leadership’s got to come from somewhere; it’s not coming from the administration.“ „And I think it would be a failure for us,“ Mr. Bingaman said, „to just sit by idly and let the rest of the world work on this problem while our scientists tell us that the problem is very real.“

Hearings Thursday on the subject were the first since the conclusion of the Bonn meetings. A sense of frustration over the administration’s not offering an alternative was evident even among Republicans who have been supportive of the White House position.

Recent opinion polls show that increasing numbers of Americans see the problem as serious.

Bonn Delegates Finish Work

Delegates in Bonn fine-tuned a modified version of the Kyoto Protocol on Friday as they wound up a two-week meeting, Reuters reported. Officials said loose ends would probably be left for the next round of United Nations climate meetings in Marrakech, Morocco, in late October, before the treaty would be ready for ratification.

New chances for Ecological Tax Reform from ‘Kyoto’

(Paul E. Metz)

"The 'American – and European ! – way of life' can only be protected and further improved by protecting our living conditions, like the climate, intelligently. Nature is the feeding ground of our society, including business. Environmental politics based on sound science and sound economics, now requires sound policy measures to enable sound choices by companies and consumers. Then we go the way of sustainability and also show the developing world that it is attractive, not a burden or even a sacrifice."

The recently – once again – agreed Kyoto Protocol includes several new ‘market mechanisms’ that seem to differ from the well-known European traditions of legal prescriptions and fiscal reform. This is only partly the case and several synergies exist that are sometimes forgotten. Here two will be presented and an analysis of the GHG-levy versus GHG-quota trading in terms of production costs – both as a contribution to a now timely debate.

It should be realized that the Parties to the Kyoto Protocol are states and the Protocol arranges the main new instrument Emissions Trading only between states. When states have deficits or surpluses in their greenhouse gas budgets, they are allowed to buy or sell to and from other Parties. Countries are, however, free to chose their own national measures – the USA rejected in Kyoto the EU proposals for the harmonization of such ‘policies & measures’ – for the allocation of their GHG-budget. They can chose from the complete ‘instrumentarium’, not only the new emissions trading option.

So, in the first place, the EU and its member states can continue ‘our’ ecological tax reform without any problem. This is by design a revenue neutral instrument, but within its design the use of future revenue for the purchase of GHG-quota from other countries – if then necessary – can easily be incorporated. In the same way can any revenues from sold GHG-quota – when a country has used less emission capacity than it is allowed – be ‘recycled’ to the citizens and companies as they have obviously paid too much GHG-levy in the year before.

In the second place, the ‘level-playing-field’ of the Kyoto Protocol must be used to get the many companies ‘on board’ that are still exempted from the GHG-levy. Many of these companies have always argued that international competition makes it impossible to apply the polluter-pays-principle for them. With ‘Kyoto’ in force this will no longer be the case and equal treatment of all emitters will be possible – and is urgent for a fair and free ‘liberalized’ European energy market.

We have all noticed that many companies are much more willing to consider emissions trading – some companies are even developing (internal) trading systems – than levies. This raises the question why emissions trading would be not distorting competition – or much less.

Most economists agree that natural resources – like the atmospheric GHG-absorption capacity – are inputs

for economic activities. They have no private owners and can be protected and optimally allocated only by states – as the managers of the collective property of their citizens. This is the basis for pricing through levies of the ecological tax reform and now the same environment also can be priced by emissions trading. In the case of levies, no property rights are traded but the user pays a fee to the manager of the collective property. Trading requires property rights and that is the fundamental difference with taxation or levies.

The other essential difference between levies and trading is that trading requires an absolute ‘cap’ per company, while levies do not. Opponents of levies will now have to accept a cap – or accept to pay the levy ! This also explains the advantage for existing companies in some models of emissions trading, especially the so-called ‘grandfathering’. Then the present level of emissions is given as a free emission level, reductions from this level can be sold and only when emissions rise above the starting level extra quota must be purchased from others.

In practice this would mean that an existing subsidy – free emissions, while others pay – is continued for some more time and the transition to an equal treatment of all companies is not (yet) achieved. When politicians want to avoid such delay and realize the equal treatment of all economic actors more quickly, they can choose for the auctioning of GHG emission quota. Then more directly a market price for GHG-quota will be established and the energy prices will be formed without new or continuing subsidies. This approach is comparable in its effects with the GHG-levy – and Ökosteuer.

It is ironic that the auctioning of another natural resource – UMTS-frequencies – was carried out recently, while this is still far from being used. The atmosphere is used for emissions for decades and still no auctioning in sight. It is clear that the fossil fuel companies have a better lobby to avoid fair payment than the young telecom companies, some of which now face bankruptcy as a side-effect.

Concluding: emissions trading is a completely new instrument that will take some years to develop, test and implement in the EU. Ökosteuer is operational and can be continued during the coming years. It should probably be reinforced in order to comply with ‘Kyoto’. For the companies that are now exempt, a hybrid system can be soon developed that offers the choice between the normal levy or new emissions trade under a cap, with the perspective of auctioning on EU-level. No new subsidies must surge and the polluter-pays-principle must apply as soon as possible, which requires auctioning.

For the Förderverein Ökologische Steuerreform a good future is available when the synergies with the other ‘market improving’ policy instruments are explored and promoted. The social component of the tax reform’s revenue neutrality is also important for the acceptance of these alternatives.

Dr Paul E. Metz is an advisor for business on integrated approaches for sustainable development at INTEGeR.. consult in Velp – NL; <mailto:metz@integerconsult.org>. He is also co-founder and director of the European Business Council for a Sustainable Energy Future – e⁵ and member of the FÖS-Beirat.

Finally one big success of Ecotax: Green electricity in the Netherlands nearly sold out because of the ecological tax reform

(Paul E. Metz)

In the Netherlands the available amount of ‘green electricity’ - Naturstrom - is almost completely sold out. New customers will soon have to wait until new capacity is ready. This strong demand is largely a success of the ecological tax reform, which in the Netherlands is strongly linked to the CO₂-content of fuels and therefore gives a full exemption for renewable energy. This would have been impossible to achieve in the liberalizing energy market with subsidies or even with an emission trading scheme so quickly ! (Paul E. Metz)

EU Energy Tax Suffers Setback

(ENDS Daily, June 6, 2001)

Agreement on an EU-wide energy tax, long under discussion, failed last week when the UK joined with Spain in insisting on the liberalization of all EU energy markets before the implementation of an energy tax. Some believe the Spanish and British position is intended to put pressure on EU member states (such as France and Germany) to liberalize their energy markets to form one single EU market for industry. Swedish officials indicated that they will continue to work on an EU-wide energy tax, one based on consumption rather than production. Other elements of the proposed energy tax plan include: (1) favorable tax treatment

for fuels used in combined heat and power facilities; (2) taxation of energy intensive companies under a different set of rules; and (3) favorable tax treatment or other support for renewable energy.

For more information see the conclusions from the Ecofin meeting at

<http://ue.eu.int/newsroom/main.cfm?LANG=1>

Belgium to Push EU-Wide Energy Tax

(Tax News Update, Vol. 18, No. 13, 26.06.01).

Belgium, incoming president of the European Union, has announced that the first meeting of member state finance ministers will bring the EU-wide energy tax back to center stage. Belgian Finance Minister Didier Reynders said that, under his leadership, the EU will continue to pursue the structure and rate of an energy tax to help the EU meet its greenhouse gas reductions targets. The EU energy tax has been fraught with roadblocks; at the most recent meeting of EU finance ministers, Spain and the UK pushed through a guarantee that any future energy tax can only be enacted if all EU member states have deregulated their energy markets.

In the meantime, two meetings of a working group of all 15 EU-Member States took place, though without much progress.

UK renewable energy plan confirmed

(ENDS Daily, 06.08.01).

On 03.08.2001 the British government confirmed plans to oblige electricity suppliers to purchase an increasing share of power from renewable energy generators. The launch of a final consultation on the scheme, which is intended to take effect from January, follows its initial unveiling last October.

As expected, the proposed renewables obligation is set to rise in annual steps from 3% in 2003 to 10.4% in 2010. Companies that fail to meet the target will have to buy surplus certificates from other firms or pay a penalty of around UK£0.03 (Euro 0.05) per kilowatt hour. In launching the consultation, the government hinted at higher renewables obligations after 2010 without giving further details.

While waste incineration will remain ineligible for support, the government is now proposing to count energy from the biodegradable fraction of waste treated through pyrolysis or gasification. Energy from burning of biomass is also now to be included, as are refurbished or new hydro power stations above 20 megawatts capacity.

French business in climate charm offensive

(ENDS daily, 20.07.01)

France's main business federation yesterday called on the government to abandon plans for an industrial energy tax and instead enter into voluntary agreements with different industry sectors to cut greenhouse gas emissions "significantly" by 2010.

Medef said it would propose an over-arching 2010 emissions reduction goal for industry by the end of 2002. It wants a parallel emissions trading system to be launched in 2003

The organisation's announcement follows hot on the heels of similar initiatives by several other French industry associations. On Wednesday, the chemical industry association (UIC) said its member companies had taken on a voluntary unilateral commitment to collectively cut emissions by 2010 by 30% based on 1990 levels. The association claimed this would mean an absolute reduction of 11-22m tonnes of carbon dioxide (CO2) and require a "constant effort" to improve energy efficiency.

Next, the construction industry said it was committed to cutting emissions from new non-residential buildings by 20%. It added that the latest energy efficiency standards for new buildings could be "rapidly extended to existing buildings". The metallurgic industry is understood to have presented its own plan to reduce emissions.

Medef leaders and UIC president Jean Pelin used their organisation's' announcements to call on the government to abandon plans for "any type of climate change-related tax" or statutory emission limits. A national industrial energy tax was supposed to have entered into force from 1 January this year, but was blocked at the last minute by France's constitutional court.

Newly-appointed environment minister, Yves Cochet, last week stressed that a revised energy tax proposal

was among his priorities. The new industry push for alternative approaches further weaken his chances of success, given limited parliamentary time available before next year's elections and opposition from finance minister Laurent Fabius.

French Government Abandons Energy Tax

(ENDS Environment Daily, August 31, 2001)

The French Government has decided not to move ahead with plans to institute an industrial energy tax and increase diesel taxes. The move is thought to be an attempt by Prime Minister Lionel Jospin to shore up votes - by not proposing tax increases - in the run-up to next year's elections. Green Environment Minister Yves Cochet did announce that tax breaks and incentives to encourage the purchase of cleaner vehicles and fuels - as well as plans for industry to improve energy efficiency and increase use of renewable sources - are included in the draft budget. However, to the dismay of former Environment Minister and Green Party leader Dominique Voynet, the government plans to dump voluntary agreements with industry to reduce energy use. The voluntary plan had already won the support of energy tax opponents and Finance Minister Laurent Fabius (see Tax News Update Volume 19, No. 4, July 24, 2001).

Dutch Ecotax revenue hits new high

(ENDS daily, 13.07.01)

Environmental taxes accounted for more than 14% of total tax revenue in The Netherlands last year, the finance ministry announced on Wednesday. The data confirms that the Netherlands is an EU leader in environmental taxation.

The ministry projects that green taxes will account for just over 15% of revenue by 2002, representing a considerable increase since 1997, when green taxes accounted for about 10%. The most recent EU figures estimated that in 1997 national green taxes accounted for 6.71% of total tax revenue.

Despite the Netherlands' progress in increasing green tax revenues, there are signs of a slowdown on the horizon. A report by a national stakeholder working group has concluded that "the big steps have already been taken" and that there remain few sizeable opportunities for new green taxes. Tax breaks and other fiscal incentives should be explored instead, it says.

The working group was unable to agree on whether the government should develop an industrial energy tax, however. A finance ministry spokesperson told Environment Daily that the working group's impasse had prompted finance minister Gerrit Zalm to urge national political parties to publicise their views on the issue ahead of next year's elections. This would give the next government a better indication of the level of support for such a tax, said the spokesperson.

The only major change recommended by the working group was for an increase in company car taxation. Currently, company cars benefit from much lower tax rates than private cars and the group wants the gap between the two closed. It also supports plans to tax drinks packaging and has suggested a tax break for "noiseless" car tyres.

Taxes included in EU guidelines for transport policy

(Tax News Update, Vol. 19, No. 4, 24.07.01)

The EU Commission has approved new transport policy guidelines that include recommendations of tax tools to encourage the use of non-road transport. The guidelines will provide the groundwork for the details of sixty proposals to be included in a White Paper for formal adoption in September. The goal of the plan is to decouple road transport growth and economic growth. To do so, the guidelines recommend supporting rail, sea, and inland waterways transport. Road transport currently represents 44% of the goods transport market and 79% of the passenger transport market. The paper concludes that the heavy use of road transport is because external costs of road use have not been included in transport prices. The adopted guidelines state that "The integration of external costs must encourage the use of modes with a lower environmental impact and facilitate investment in new infrastructure." In order to incorporate the external costs of road transport into prices, the guidelines recommend aligning infrastructure charges and fuel taxation for commercial road users and levying tolls in areas that will need future infrastructure.

For more information go to <http://europa.eu.int/index-en.htm>

New French Environment Minister announces TGAP as Priority

(Tax News Update, Vol. 19, No. 4, 24.07.01)

The new French environment minister, Yves Cochet, appointed by French Prime Minister Lionel Jospin to replace Dominique Voynet, has announced two tax priorities. The first is to extend the general tax on polluting activities (TGAP) and the second is to introduce a higher tax on petroleum products. Cochet is planning on working with finance minister Laurent Fabius to reinvigorate the effort to extend TGAP that was censured by the Constitutional Council in December. Cochet envisions a low-rate, but broad-based, tax on energy consumption and using the revenues from the tax to reduce taxation of work. Fabius is likely to oppose an extended TGAP in favor of voluntary agreements with businesses (Tax Analysts, Tax Base: International Overview, July 20, 2001).

The Next Big Thing: Sources of Clean Energy - From Windmills to Fuel Cells, Eco-Tech Stocks Are Poised to Take Their Place in the Sun

(Conrad de Aenlle, International Herald Tribune, 11.08.2001)

If the new economy, the last Big Thing, failed to separate you from your last penny, then Mark Howdle, a European equity strategist at Schroder Salomon Smith Barney Inc., would like to propose for consideration the Next Big Thing: Eco-tech. "The concept is quite simple," Mr. Howdle wrote in a report on the subject. "It encompasses the production of energy from clean or renewable sources; or a cleaner or more efficient use of energy, however created." Solar and wind power are examples of the first; fuel cells are an example of the second.

His enthusiasm for eco-tech - short for ecological technology - stems from his belief that concern over environmental matters will generate a long-term trend among corporations, governments and other interested parties to throw money into technology that could alleviate such problems as air pollution and energy waste, allowing companies to turn a profit from the exercise. "We believe this to be a genuine, long-term growth area of economic activity, because of the finite supply of carbon fuels and environmental concerns prompting the development of alternatives," Mr. Howdle said. "The costs of renewable energy production are falling, and European governments are using the price mechanism to stimulate a targeted fourfold growth in renewable energy production by 2010."

What makes this especially appealing to him as an investment is the notion that a critical mass will be reached that allows eco-tech to blossom from an assortment of small businesses making windmills and the like into a stand-alone sector with diverse types of companies united under a new conceptual umbrella. "Today only a few listed companies would fall within the eco-tech category, and they account for less than 0.1 percent of European market capitalization," he noted, "but we believe this emerging sector has the potential to grow to as much as 3 percent to 5 percent of the market over the next few years."

Margaret Lindsay, a manager of funds specializing in small-capitalization companies at Fiduciary Trust Co. International, similarly views eco-tech as "a new investment theme that is likely to gain in popularity over the next two to three years, much in the same way as the Internet and personal computers have in the past." She stressed, though, that many aspects of eco-tech - the technology, the companies, certainly the problems being addressed - have been around for a while and have attracted scrutiny from investors; it is just the concept that is new. "We initiated a position in Vestas in July 1998, shortly after the company's listing in April of that year," she said. "Gamesa was added to the portfolio in the fall of last year after its initial public offering." Vestas A/S is a Danish manufacturer of wind turbines; its stock was Ms. Lindsay's pick for 2001 in the Money Report forecasting issue last December. Gamesa SA, a Spanish company, is in the same business. Evidence that eco-tech is coming to be regarded as a new investment category comes from a report issued by Merrill Lynch Co. on European wind-power companies. It is not what it says that matters so much as the fact that Merrill would view the sector, which not long ago would have been deemed an obscure sliver of the investment pie, as something worthy of such attention. The author, Raymond Greaves, expects nearly 4 percent of global electricity to come from wind power by 2020. That would mean growth in capacity from 16.5 billion watts to 128 billion. "Almost everything we have discovered points to extremely strong growth well into the future," Mr. Greaves said. Helping to drive that growth, he said, is the embrace of wind power in the United States, historically a land where big men and big companies burned foul substances and lots of them, leaving the use of alternative fuels to European sissies. He noted that Texas, of all places, recently

mandated greater use of wind power in coming years. Most of the companies engaged in producing wind power remain European, however. One company Mr. Greaves singled out for investment is NEG Micon A/S, which like Vestas is Danish. He has a buy rating on the stock.

Ms. Lindsay pointed out that while the alternative-energy companies tend to be European, those in the other main segment of eco-tech, fuel cells, are often American and have alliances with carmakers and other large industrial concerns. Detroit is trying to develop cars that run on electricity or hybrid fuels.

Those connections appeal to Simon Baker, a director of Jupiter Asset Management Ltd., a large investor in environmentally friendly companies, including several fuel-cell developers. Two in Jupiter's portfolios are Ballard Power Systems Inc. and Fuel Cell Energy Inc., which have hooked up with Daimler Chrysler AG and Enron Corp., respectively. Jupiter also holds two American solar-power producers, Astro Power Inc. and Evergreen Inc., and several big European wind companies: Vestas, NEG, Gamesa and Nordex AG in Germany. Wind power "is economically viable now in the right climatic conditions," Mr. Baker said. Producers "continue to drop the price per kilowatt-hour, and they have long order backlogs, providing earnings visibility for two to three years."

Richard Budgett, an analyst at Dresdner RCM Global Investors (U.K.) Ltd., likes one well-connected British company, Turbo Genset PLC, which makes devices that convert gas power into electricity. As for eco-tech generally, Mr. Budgett appeared skeptical. "Most governments are keen on renewable energy and they all have plans," he noted. "Only the problem is that at the moment the technology is not very profitable, so governments are having to subsidize it to make it profitable for those that are building capacity." Mr. Baker, at Jupiter (whose card describes him as "head of Green Department"), is more hopeful. "Once products are out there, people will understand the potential of what they can deliver," he said. "In wind power there has been a re-rating of those companies; the same will be true of solar and fuel cells down the line as people see that they work and fulfill the function they were designed for." He then conceded that "there have been a lot of false dawns" and that "people are attracted by new technologies, but it doesn't mean they're the best thing from an investment case."

If eco-tech does turn out to be the Next Big Thing, investors will have to get in early. Indeed Mr. Howdle suggested doing just that and getting out when the boom reaches its zenith. As with all big investment things, a warning signal would come when hype and rationalization raced ahead of earnings. No one generates wind like Wall Street.

One American = 269 Nepalese

(Anil Agarwal, Centre for Science and Environment (CSE), New Delhi/India)

Last week, US president and oilman George Bush made his first statement on global warming, which has shocked environmentalists and European governments. But what we must realize is that his position, howsoever Neanderthal, is well calculated, strategic and frankly no different from the earlier US administration. Writing a letter to senators known for their rabid opposition to the climate change convention, Bush stated, "As you know, I oppose the Kyoto Protocol" which was negotiated in 1997 to cut greenhouse gas emissions from the industrialized world. But his reason for doing so was even more loaded. "Because it exempts 80 per cent of the world, including major population centres such as China and India, from compliance and would cause harm to the US economy," he argued.

But what is new about this? The "green" Clinton-Gore combine took the same stand. Bush is just more crude and blunt. For the past three years, US strategy on climate change has been to target developing countries to be included in the Kyoto Protocol. It has held up negotiations by demanding "meaningful action" from countries like India and China. This is a clever smart move, probably conceived in the fancy negotiation courses taught in universities like Harvard. By implicating developing countries, the US has virtually held the world to ransom. Forget that the greenhouse gas emission of one US citizen is equal to 107 Bangladeshis, 134 Bhutanese, 269 Nepalese or 19 Indians. Forget that multilateral negotiations, of which the US has been a party, namely, the climate convention, agreed in 1992 by no less than the current Bush's father, and the subsequent Kyoto Protocol are all aimed at cutting emissions of the industrialized world only. Simply because these countries contribute the bulk of emissions which threaten to destabilize the world's climatic system.

The other negotiating strategy is to complain that the Kyoto Protocol will "harm US economy" as Bush

repeats in his letter. The cost of everything including eggs will go up has been the war cry of the US auto and oil companies. The effort of the government has been to minimize effective action and to cut costs domestically. Firstly, it has tried to make sure that it has no limits on trading emissions - buying emission reduction by investing in cleaner technology abroad and taking credit for the emissions saved. Secondly, it would like to ensure it pays as little as possible. As buying emission reduction from energy inefficient developing countries is much cheaper, as against taking action at home, it has made the Clean Development Mechanism (CDM) the core of its negotiating demands. The US design for the CDM – which has Indian industrialists drooling - is based on the principle of looking for the least-cost options like coal washing which can give a tonne of carbon dioxide reduction for as low as US \$3. Never mind that the costs will go up in the future for us. Thirdly, it has worked hard to bring in sinks - sequestering carbon dioxide by planting forests - into the protocol. As sinks are difficult to measure it will allow for weak implementation but heap budgets.

This pigheaded position, of the world's biggest bully, who also happens to be the world's biggest polluter, has meant that the climate change negotiations are stalled and weakened. All Bush has done is to state the obvious: his government is not willing to do anything that would compromise the American way of life. But in all this mess our leaders are also to blame. They have shown little political sagacity in these critical negotiations. At all intergovernmental meetings, G-77 and China are lost in a quagmire of discussions on technology transfer and funds. As if the larger issues of an effective climate regime do not concern this most vulnerable group of countries. Our leaders go to these meetings with the minds of beggars and petty dealmakers.

Instead, what is needed is the following: One, to take the high moral ground and demand an effective climate convention. G-77 must articulate that it is in its own interest to ask for effective and measurable action from industrialised countries. Two, to do this it must lay out its strategy to make the Kyoto Protocol ecologically effective by plugging loopholes and pushing for a transition to cleaner energy. It can do this by demanding that the CDM trade will be only for high-end technologies, mainly renewable sources of energy.

Thirdly, and most importantly, G-77 and China must make alliances to form a powerful group against the US, namely, the European Union (EU). As yet, G-77 and China have always preferred to keep their options open to make small deals with whoever comes calling first. This prostitution has also meant that it gets dumped whenever it suits the big guys to come together.

Bush in his letter says, "Coal generates more than half of America's electric supply." That justifies his action to do little, even if all of us go to hell. But on the other hand, he argues even if they have not contributed to the problem, India and China must take effective action in the interests of us all. His position is immoral and contemptuous but even more contemptuous is our own inability to tell him that he is wrong.

Bush's position is immoral and contemptuous, but so is our inability to tell him he is wrong.

Climate Change Targets challenged by US-President George W. Bush

(European Business Council for a Sustainable Energy, Netherlands)

The European Business Council for a Sustainable Energy Future, e⁵, met last weekend to consider response to the challenge put by George W. Bush that meeting climate change targets is bad for the economy. Dr Paul Metz, Executive Director of e⁵, said that „the USA argues with the conclusions of the IPCC (International Panel on Climate Change) and e⁵ continues to believe that implementation of policies to achieve the Kyoto targets improves the long-term economic wellbeing of industrialised and developing countries alike.“

The European Business Council calls upon the EU to ratify the Kyoto Protocol in 2002 and implement its already agreed clean energy policies that meet its own GHG (greenhouse gases) reduction targets policies. Dr Ignacio Campino of e⁵-member company Deutsche Telekom commented: „Climate protection will result in extensive changes of economy and especially in terms of competition. The implementation of new technologies has always had such effects in the past, but nevertheless new technologies were not rejected.“

The European Business Council for a Sustainable Energy Future, e⁵, promotes the many benefits of sustainable energy solutions. Founded in Brussels in 1996, it represents about 100 members in renewable energy, natural gas, co-generation and efficient use of energy in buildings, equipment, transport and communication, including services, design, investment and insurance. e⁵ is a broad network for dialogue with authorities and other NGOs.

3. REPORTS AND REACTIONS OF OUR READERS

Thank you for this very good work (*German Newsletter*), it should attract many more members!

P.M. from Velp

I would very much like to receive your Newsletter; however, I do not speak German.

J.H. from Washington

We appreciate the many good environmental policies and lobbying in Germany. Keep up the good work.

J.T. from Leicestershire

I appreciate very much your materials dealing with „Ökologische Steuerreform“.

J.B. from Prague

Yes, I would like to receive Newsletters from your organisation, but only in English.

G.R. from Stockholm

Thank you very much. I wish you continued success with your environmental tax reform activities. YOU ARE DOING A GREAT JOB!!!

B.R. from Ljubljana

4. SERVICE: LINKS

<http://www.elsevier.nl/cas/tree/store/ecoec/sub/2000/34/1/1099.pdf> Ecological Economics Environmental tax reform: does it work? A survey of the empirical evidence, 2000

<http://www.economicinstruments.com/> University College of Dublin Database of economic instruments in environmental policy, 2000

<http://www.wupperinst.org/Publikationen/EPP/index.html> Kai Schlegelmilch, Thomas Stefan Energy Pricing Policy: Targets, Possibilities and Impacts. Study on behalf of the European Parliament, 1998

<http://www.acfonline.org.au/publications/tela/tax.pdf> Clive Hamilton, Kai Schlegelmilch, Andrew Hoerner, Janet Milne Environmental Tax Reform, Tela Papers, 2000

5. SERVICE: EVENTS

20.10. - 24.10.2001, Berlin: The 18th International Electric Vehicle Symposium

A challenge for a clean and silent mobility. Informations: Phone 0049-30-31423200

12.04. – 13.04.2001, Woodstock, Vermont (USA): Third Annual Global Conference on Environmental Taxation

The conference will focus on two critical issues in environmental taxation -- the legal limits on the power of governments around the world to use environmental taxes, and what experience can teach us about how and when to use environmental taxes.

The Limits on the Power of Governments to Use Environmental Taxation. The first day of the conference will focus on legal constraints on governments' power to enact environmental taxes, such as constitutional limitations, limits inherent in international governmental alliances such as the European Union, restraints imposed by trade agreements, and the role of border adjustments for environmental taxes in complying with trade agreements. These legal limits play a fundamental role in defining the potential to the use of environmental taxation.

What Experience Teaches about the Use of Environmental Taxation. During the second day, participants will examine the experiences that a broad range of countries have had with environmental taxes. Panels and discussions will focus on evidence of the effectiveness of environmental taxes, analyses of when taxation is the best instrument for achieving environmental goals, issues in drafting and administration, the politics of

enacting environmental taxes, and case studies of recent innovations. This information can help build a stronger foundation for the future use of environmental taxes.

Who Should AttendSpeakers and participants who are interested in environmental taxation will come to the conference from around the world -- Europe, North America, Asia, Australia, South America -- and from a broad range of disciplines -- governmental officials worldwide, professors of taxation, accounting, economics and environment from major universities, leading CPAs and attorneys, industry executives and leaders of non-profit organizations.

The Conference LocationThe conference will be held at the Woodstock Inn in Woodstock, Vermont, a lovely Vermont village. For information about the Woodstock Inn and its location, visit its website at <http://www.woodstockinn.com>. Special conference rates for accommodations will be available for people who register early.

Previous ConferencesThe 2002 conference is the third in a series of conferences. The first conference was held in Cleveland, Ohio, USA in April 2000, and the second in Vancouver, Canada in 2001.

For More InformationPlease contact Prof. Janet Milne, Director of the Environmental Tax Policy Institute at Vermont Law School, Chelsea St., South Royalton, Vermont USA 05068, by telephone at (802) 763-8303 ext. 2266 or by email at jmilne@vermontlaw.edu. This webpage will be updated periodically with more information about the conference.

Environmental Tax Policy Institute

Vermont Law School's Environmental Tax Policy Institute analyzes the ways in which taxation can be used to address environmental problems. By serving as a resource for the public and private sectors, non-governmental organizations, the press and academia, the Institute seeks to better inform the public policy debate about the role of environmental taxes at the local, state and federal levels.

<http://www.vermontlaw.edu/elc/envirotaxconover.cfm>

6. FÖS: INTERNAL

English Memorandum from FÖS

The FÖS published a brochure about the ETR with the title „Stimulating Innovations, Competitiveness and Jobs – The New Way to an Ecological Tax Reform in Germany and Europe“ which you can order by us. For a symbolical contribution and the postage we could also send you several copies for the use in seminars or similar events.

New address?

Please do not forget to let us know your new email direction, phone and fax number and mail address. Send an email to foes@foes-ev.de.

Did you like this Newsletter?

Then we would like to ask you to make a contribution because we are dependent on that. Without contributions it will not be possible to continue with our work in future.

Our contribution account: Ökobank eG Germany, S.W.I.F.T. Code: 500 901 00, Account No.: 860 37 40.

Or even better, become a member of FÖS.

Full membership: 200€/ year

Supporting membership: 60€/year (no voting rights)

<http://www.foes-ev.de/kontakt.html>