GREENBUDGETNEWS NO. 14 – 12/2005

EUROPEAN NEWSLETTER ON ENVIRONMENTAL FISCAL REFORM

Editors:

www.eco-tax.info www.eeb.org www.ecocouncil.dk www.levego.hu www.oegut.at

Quotation of the month

The Bush administration is „flat wrong in claiming that reducing greenhouse gas emissions to fight global warming would damage the U.S. economy. With a serious disciplined effort to develop energy-saving technology, we could meet and surpass the Kyoto targets in a way that would strengthen and not weaken our economies. With the new technology, there was no telling how many jobs could be created in the US. (…) We have a heavy obligation because we know now what's happening to the climate and we also know we have alternatives"

Bill Clinton, former US-President in Montreal, 9/12/2005

http://news.bbc.co.uk/1/hi/sci/tech/4515744.stm
http://www.ireland.com/newspaper/front/2005/1210/1779733406HM1FRANK.html
http://news.bbc.co.uk/1/hi/sci/tech/4515898.stm (inklusive video)

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1. EDITORIAL

Dear friends of the ecological tax reform,

The last few months have been busy for Green Budget Germany. We launched a major new project on the new EU Member States, attended one of the most prestigious conferences in the field of environmental taxation, organised two large international conferences of our own, and our President toured Japan to spread the word on environmental tax reform.

One of the highlights of the year, the 6th Annual Global Environmental Taxation Conference, took place in Leuven, Belgium, in late September. This celebrated event brings together the best environmental economists and lawyers in the world and this year focussed on the promotion of renewable energy sources through tax or other market-based instruments. The conference was attended by Anselm Görres of the GBG Board, and by Kai Schlegelmilch, but as representative of the German Federal Ministry of the Environment, who presented on subsidy reform and aviation taxation respectively, as well as Christian Meyer and Jacqueline Cottrell of the Green Budget team.

In October we launched our New EU Member States project, focussing on the introduction of energy taxation in the new EU countries as a result of Directive 2003/96/EC harmonisation of energy taxes. The first stage of the project was realised in Berlin on 12th October, when representatives of nearly all the new MS met at the conference “Ecotaxes in the New Member States” to compare and contrast their experience with ETR. The project aims to highlight the pitfalls of introducing environmental taxation and thus to facilitate its implementation in the new MS. Germany also stands to gain from the positive effects of the implementation of ETR abroad. The next stages of the project, sponsored by the Federal Environment Agency, will focus more specifically on the implementation of ETR in particular countries or regions in a series of workshops. A full report of the conference is included in this edition of GBN.

Also in October, as part of the Germany-in-Japan Year 2005, Dr. Anselm Görres was sponsored by the Ministry for the Environment to tour Japan for two weeks exchanging experience and providing advice on the implementation of ETR in Japan. In a tightly packed program, Dr. Görres visited decision makers, think tanks, academic institutions and stakeholders and experienced an unusual degree of friendly openness to ETR, even in industry. The visit was a great success, and both parties were able to learn from one another – Japan, from the German ETR experience as a whole and the pitfalls associated with introducing environmental tax reform and Germany from policy measures in Japan, such as the obligatory use of gas-powered taxis.

In November, Green Budget organised a conference with eftec in London on “Reducing Greenhouse Gas Emissions From Aviation”, sponsored by the Anglo-German Foundation. Germany and the United Kingdom, in particular, have contributed considerably to the discussions of this topic on the international agenda. The UK is very much in favour of emissions trading, and it already has a substantial ticket-tax, the Air Passenger Duty. It is less supportive of a kerosene tax, which has been awarded more consideration in Germany. Still Germany is also open-minded to emission trading and an air ticket-tax. The conference aimed to resolve this dispute and examine the best policy instrument or the best mix to tackle the problem. We can but hope that the general consensus that emerged from the conference is reflected at an international level with the inclusion of aviation in the EU ETS. A full conference report can be read below. Additionally, there are more articles in the transport section on this issue, including some interesting links.

Alongside reports of our conferences, tours and projects, this issue of Green Budget News takes a close look at climate change policy in the light of the recent United Nations Climate Change Conference in Montreal and questions whether the European Union will meet its Kyoto commitments. See our special section for more details.

As always, we also take a look at recent developments in ETR and EFR in the European Union and elsewhere, and give you an overview of some of the most important publications in the field. We are delighted to report that there have been three new reports published in Germany that conclusively demonstrate the positive effects of eco-taxes. For more details see the articles on Germany in the Single EU countries section, below.

Finally, if you have any comments, questions, research, results, political processes or articles you would like to contribute to Green Budget News, please get in touch with us (contact details at the end of the newsletter). In the meantime, happy reading!

The GBG Team wishes you a very Merry Christmas and a Happy New Year!!

Jacqueline Cottrell (GBG-Team)

2. GREEN BUDGET GERMANY EVENTS

Conference: Ecotaxes in the New Member States Berlin, 12th of October 2005

[Christian Meyer, GBG] This Green Budget Germany conference, sponsored by the Federal Environment Agency, focussed on Germany's experience with the implementation of ETR against the background of the EU Energy Taxation Directive, and looked at how best to implement it in the new EU Member States.

With the exception of Cyprus and Lithuania, all new MS were present. In some cases, large delegations attended including representatives from ministries, NGOs and academies. We were able to identify commonalities in non-ideological/pragmatic approaches and differences in the progress of ecological tax and fiscal reforms.

Ecotaxes and ecotax proposals in the new EU

The forerunner in Eastern and Central Europe was Slovenia, which introduced a CO_2 charge in 1998. Other countries had early charges on sulphur dioxide, nitrogen oxides, waste oil or noise. The representative of the European Commission, Katri Kosonen, highlighted the benefits of the implementation of ecological taxation, reduction of CO_2 and job creation, in an in-depth study for the ten new member states.

If a CO_2 tax of 25 Euros per ton were implemented over a longer period, a clear reduction of CO_2 emissions of between 17-40 percent can be expected in the new MS. Estonia has the greatest potential to cut emissions, due to its large scale use of oil shale.

The introduction of CO_2 taxes would have a positive effect on employment in all countries. Poland is in the lead in this respect, as employment is predicted to increase by more than 2.6 percent and social insurance costs to decrease by 9.3 percent. Overall wealth would increase in all countries by between 0.5 and 2 percent.

Ewa Swierkula from the Institute for Sustainable Development in Cracow reported on the 26 different charges for air pollution in Poland, as well as on the national fund for environmental protection and water regulations, which was financed by revenues from eco-charges amounting to 173 million Euros in 2004. Interest in an ETR has increased in tandem with the phase-out of coal subsidies and a possible reduction of high unemployment.

Dr. Martin Bürsik of the Czech Republic – member of the Environment Minister's ecotax advisory board – presented current proposals for an ambitious ecological tax reform. The tax is to be introduced in 2007 for a period of 9 years, and will increase gradually to cover the external costs of different energy sources. At the same time, a reform of vehicle tax is planned to create economic incentives for the ecological modernisation of the outdated vehicle fleet. The estimated revenues of €2 billion are to be used to reduce social security payments and for tax relief for environmentally friendly vehicles and engines. In the next weeks, the ecological tax reform is to be debated by cabinet.

The situation is more difficult in Slovakia, as Juraj Sebo from the Economic University in Kosice told the conference. Although there are several environmental charges, road taxes and motorway tolls, increases in energy taxation have thus far been restricted to the implementation of the EU Energy Taxation Directive. On a more positive note, in the fields of biofuels and natural gas engines there has been a series of parliamentary initiatives.

Hungary was represented by the Clean Air Action Group (Levego), an NGO that focuses on "greening of the state budget". The president, Andras Lukacz, attended the conference in Berlin in person to present the Hungarian case. In Hungary, 12 percent of tax revenues are raised from environmental taxes and charges, the greater part of which is derived from vehicle tax – although petrol and diesel tax rates are comparable with the low rates in Austria. The introduction of HGV tolls is planned for 2008. One significant problem in Hungary is rapidly expanding land take, because land prices are five to ten times lower than the EU average. In its demonstrations and media campaigns, Levego especially lobbies for higher taxes on HGV traffic, higher parking charges in cities and economic measures to prevent urban sprawl.

Malta has similar problems with land take – albeit in another form – as Marie Briguglio of the Malta Environment and Planning Authority MEPA revealed. Environmental awareness on the island is particularly high in relation to waste and pollution. 'Not in my back yard' is endemic in Malta. Since the 1st September 2004 an import duty has been levied on all products coming into Malta. This duty ranges from 35 Euros on a television to 2 Euro Cents for a plastic bag. Within the framework of adjustment to EU membership, the polluter pays principle is regarded as being of particular importance and is propagated in public information campaigns. Notable as well is that the Maltese Finance Ministry has introduced a number of different tax increases under the label of "eco-contribution", although they have hardly taken the environment into consideration at all.

In the Baltic states, Estonia is currently the forerunner in terms of implementing ecological taxation, as presented by Valdur Lahtvee of the Stockholm Environment Institute in Tallinn. According to research carried out by the Wuppertal Institute, material and energy efficiency in Estonia is the lowest in the whole of the EU. For this reason, on 7th July 2005, the Estonian government decided to introduce an ecological tax reform. Different proposals are currently being evaluated in the country's ministries. The first phase of an Estonian tax reform should take place between 2006 and 2008, and following an initial evaluation in 2007/2008, there will be a second phase from 2009-2013.

These plans were of considerable interest to the large Latvian delegation. Janis Brizga of the WWF explained the Latvian situation. Latvia is one of the EU leaders in terms renewable energy: electricity generated is more than 60 percent from hydro power. One fifth of all fossil energies used is peat. As country with the lowest tax on diesel in the EU, Latvia increased diesel tax rates by almost 10 Euro Cents per litre on 1. January 2005 in order to comply with the minimum rate in the EU. Further increases on taxes on petrol, diesel, heating oil and electricity are planned for the near future. In view of the strong agricultural focus of the country, biofuels are to be promoted by means of tax relief.

Nives Nared from the Slovenian Environment Ministry presented information on the current CO_2 tax and the country's positive experiences with the polluter pays principle. Energy and eco-taxation was broadened in 2004/2005 and participation in the EU's emissions trading scheme introduced.

Our conclusions

The examples showed that the ecological tax reform in the new EU member states is high on some countries' list of priorities. Some states have already had positive experiences with different ecological taxes and charges. The EU Energy Taxation Directive and direct comparisons between the MS provided a useful backdrop to the ecological modernisation of the tax systems.

All participants emphasised the importance of PR work for the acceptance of reforms and the significance of maintaining a fair balance in terms of its impact on society. In countries where wages are low, minimal increases in energy costs have far more impact than in other, richer countries. However, a great deal of potential for efficiency in households and industry and the technological modernisation associated with ETR promise to yield considerable benefits for economic development in the region.

It is clear that reform proposals must be adjusted to correspond to often very different structures, but that drawing comparisons and exchanging experience is extremely beneficial nevertheless. GBG will take up this notion in a series of workshops in the new EU Member States, to support existing ETR proposals and to meet new communication partners.

Further information and documentation: http://www.eco-tax.info/3events/NewEU.html

Japan's Path to Kyoto: Paved with Many Obstacles Journey Report of an Ecotax Missionary

[Dr. Anselm Görres, Green Budget Germany, 11/05] Do we want to drive energy prices or should we let energy prices drive our society? By answering this question, Japan and Germany could play a decisive role, each in her respective continent. In many ways, both countries seem to hold the key to Kyoto in their hands, as Dr. Hermann Ott from Wuppertal Institute put it. But Japan is clearly more reluctant than Germany to make use of this key. Already far behind its own Kyoto commitments, the country is undergoing an inner struggle on whether or not it wants to join the Europeans' example of taking Climate Change seriously, or to follow the Kyoto-sceptical course of most of its Pacific region neighbours, on both sides of the ocean.

Anselm Görres had the honour, financed by the German Ministry of Environment, to give a great many presentations and talk to many officials, including most notably the Environment Minister, and representatives of NGOs, business, science, research, and politics.

Read the full document and mission report: http://www.eco-tax.info/downloads/D2005_11_Japan-Report.pdf

Conference on Reducing Greenhouse Gas Emissions from Aviation

[Jacqueline Cottrell, GBG, 7. December 2005] On 21st November, Green Budget Germany organised a one-day conference on the taxation of aviation in a joint venture with eftec, Economics for the Environment Consultancy Ltd., and sponsored by the Anglo-German Foundation. The conference took place in the Anglo-German Foundation's prestigious London headquarters in Belgrave Square, in actual fact the former embassy of the German Democratic Republic. It was followed by a lively cocktail reception put on by the German Embassy.

This one-day conference aimed to evaluate alternative policy options for the reduction of GHG emissions from aviation, the fastest growing source of GHG transport emissions in the European Union, in the context of booming low-cost airlines, airport expansion and construction, unprecedented growth in flight numbers and increased air traffic congestion. The conference brought together policy makers, industry representatives, NGOs and researchers to discuss methodologies and applied case studies of emissions control policy using different economic instruments. This gathering of stakeholders proved to be a very timely opportunity to contribute to and assess the objective of the UK's EU Presidency of advancing the inclusion of the aviation sector in the EU Emissions Trading Scheme.

An introductory presentation by GBG President Dr. Anselm Görres highlighted the underlying problem motivating the conference – the low levels of taxation on aviation, particularly in view of the high levels of environmental damage aviation emissions cause per passenger – and warned that this trend must be broken to prevent aviation emissions increasing significantly. The presentation also proposed the implementation of a series of domestic fiscal measures in Germany – air passenger duty, kerosene tax, VAT on international flights and reduction of tax support mechanisms – to avoid projected VAT increases.

Chris Dodwell of defra then presented the UK's case for the inclusion of aviation in the European Union's Emissions Trading Scheme (ETS) from 2008, focussing on the practical advantages of the policy and the UK's role as a driving force in the realisation of this goal. A legislative proposal on the inclusion of aviation within the ETS can be expected by the end of 2006. He noted that defra was wary of the creation of perverse incentives, should a kerosene tax be introduced.

Kai Schlegelmilch of the German Environment Ministry argued in favour of ending the preferential treatment of aviation by introducing taxes on aviation, emphasising the importance of removing competitive distortions in the transport market. While acknowledging that policy makers face significant practical problems when implementing a kerosene tax internationally, he cited several successful examples of domestic kerosene taxation, including the Netherlands, Norway and some US states. In the light of these unilateral measures, he called on individual states to take action to charge VAT on international flights, levy kerosene tax on domestic flights, and introduce air passenger duty. Concluding, he sees a role for taxation, in particular for domestic flights, and emissions trading for especially for international flights, but for domestic flights as well.

Nils Ladefoged from the European Commission's Directorate General for the Environment outlined a number of fiscal measures currently targeting aviation emissions within the EU, e.g. research into greener aircraft. While acknowledging that ETR and ETS are equivalent in principle, he stressed several advantages of ETS: emissions reductions are known in advance; it is more economically efficient due to interplay with other sectors; the ICAO has endorsed the inclusion of aviation; and finally, the ETS is popular on the international stage, is less likely to be challenged in international law and only requires qualified majority voting in the EU.

Andy Kershaw, Climate Change Manager at British Airways, showed that the aviation industry was open to inclusion within the ETS and favoured the centralised allocation of certificates free of charge by benchmarking, so as not to discriminate against the sector. British Airways is very much opposed to kerosene taxation, which they claim would have a detrimental impact on the industry's growth and cost consumers £50 billion annually.

The position of Ian Dickie, Senior Economist for the RSPB, was similar to that of Green Budget Germany. He argued in favour of putting an end to the favourable tax treatment currently enjoyed by the aviation industry and including aviation within the ETS, as well as introducing interim tax measures, e.g. increasing APD. The NGO emphasised that the industry must be taxed and/or regulated in proportion to other resources and its externalities.

Nils-Axel Braathen of the OECD Environment Directorate presented a case study of the Norwegian domestic kerosene tax. The tax was set at a relatively low level and had some effect on ticket prices but little effect on demand, and thus little environmental impact. Initially low tax rates may facilitate implementation of domestic tax, which often faces considerable opposition. Indeed in this case, the tax could be introduced because other charges were lowered as compensation.

Coen Peelen of the Dutch Ministry for the Environment presented the case study of the Netherlands, which withdrew the exemption of kerosene from excise duties on 1st January 2005. Although the measure covered only purely domestic flights in the Netherlands and predicted revenue will not be raised, the legislation was of symbolic importance and highlights the theoretical advantages of a tax: creation of a more level playing field between modalities, and a regulatory effect on supply and demand, as well as on GHG emissions. What is more, a helicopter company did not launch a helicopter taxi business as a result of the tax.

Steve Lowe of MVA outlined the modelling system AERO, which analyses the environmental and economic impacts of policy measures to reduce aircraft emissions. The model showed that the inclusion of aviation within the ETS was by far the most efficient method of reducing emissions, although it also predicted that most of these emissions reductions would be purchased from other sectors, as it is more cost effective to reduce emissions elsewhere than in the aviation sector. Clearly, the policy implications of this conclusion are manifold and merit heated discussion!

Pertinent questions posed by the audience in the last session facilitated an in-depth discussion in which emissions trading came up trumps on the list of almost everybody's preferences for the mitigation of greenhouse gas emissions from aviation. Perhaps the single most important reason for this agreement was the political palatability of emissions trading, which has the support of stakeholders, is realistic in terms of implementation, and can be 'sold' to the general public as an unquestionably environmental measure. Green Budget Germany and the other NGOs present were certainly agreed that this alone would not be sufficient to remove distortions from the market, calling for domestic kerosene taxation and removal of tax relief for aviation as well.

Conference participants included representatives from industry – British Airways, Ryanair, Rolls Royce plc., BAA, and the European Regions Airline Association. All relevant UK ministries were represented – HM Revenue and Customs, the Department of Transport, the Department of Trade and Industry, and the Environment Ministry defra – as well as local government bodies, academic institutions, think tanks, transport consultancies, and NGOs.

Green Budget Germany would like to thank the Anglo-German Foundation, and in particular its Director Ray Cunningham and Projects Manager Ann Pfeiffer for their support during the conception and realisation of the project. We are looking forward to working with the foundation as successfully again in the future. We also enjoyed working with our organisation partners eftec, and would particularly like to thank its Director Ece Ozdemiroglu, and hope to pursue a second joint venture next year. The evening ended with informal talks at a reception kindly sponsored by the German Embassy in London and a welcoming speech by Volker Klein.

Conference presentations can be downloaded at: http://www.eco-tax.info/3events/London-aviation-conf.html

The conference report will shortly be published under the same link.

3. ECOTAX EVENTS

Seventh Annual Global Conference on Environmental Taxation Ottawa, Canada, October 22-24, 2006

[Nathalie Chalifour, Assistant professor and Conference Chair University of Ottawa] The University of Ottawa is hosting the Seventh Annual Global Conference on Environmental Taxation in Ottawa, Canada from October 22-24, 2006. We have issued a Call for Papers for the conference, which is attached. The theme of this year's conference is translating theory to practice. The conference is part of an annual series of highly regarded academic conferences that have a very international and multidisciplinary character. The conference provides a forum for legal scholars, economists, political scientists, conservationists, representatives of the private sector and others to exchange the latest research on the use of fiscal and other economic instruments to advance environmental policy objectives. The process of selecting abstracts is peer-reviewed, and selected papers presented at the conference are published in the peer-reviewed book series "Critical Issues in Environmental Taxation". More information about the conference can be found on the following website: http:/www.environmental-tax-conference.uottawa.ca Please feel free to circulate this conference announcement and Call for Papers to others whom you think may be interested.

International Seminar on European Project Development Energy and Environment 16-17 February 2006, Sheraton La Caleta Resort & Spa, Costa Adeje, Tenerife

Also presenting the EC Seventh Framework Programme (FP7) and the Competitiveness and Innovation Framework Programme (CIP) together with existing funding sources for energy and environment projects.

The European Commission will drastically change the funding schemes available for environmental and energy projects beginning in 2006. These changes concern the introduction of completely new programmes and a significant increase in the budgets of the existing ones. The seminar lecturers will introduce these new programmes for the first time, relying heavily upon the experiences gained from years of successful project development under the current funding schemes.

Whereas official EU Information Days tend to concentrate on individual programmes with theoretical presentations, the EU Energy & Environment seminar will discuss all relevant EU programmes in a common structure providing a unique basis for decision making and future business strategy development.

Further information:

http://www.eucenter.org/training/Tenerife_training_2006.pdf (p. 5)

envecon 2006: Applied Environmental Economics Conference Friday 24th March 2006, at The Royal Society in London

The UK Network of Environmental Economists (UKNEE) is pleased to announce that envecon 2006: Applied Environmental Economics Conference will take place on Friday 24th March 2006, at The Royal Society in London.

This one-day conference will bring together environmental economists from public and private sectors, academia and consultancy to share results of recent research and to discuss issues relevant to the practical application of environmental economics in the UK and elsewhere. By creating a mutual platform for those who commission work and those who undertake it, the conference aims to contribute to the effective use of environmental economics for environmental policy and management, as well as influence the research agenda.

For further information on application and call for papers:
http://www.eftec.co.uk/home.php?section=8&uknee=2

Computable General Equilibrium Modelling in Environmental and Resource Economics Venice, June 25th - July 1st, 2006

Deadline for application: February 1st, 2006.

The European Association of Environmental and Resources Economists (EAERE), the Fondazione Eni Enrico Mattei (FEEM) and the Venice International University (VIU) are pleased to announce their annual European Summer School in Resource and Environmental Economics for postgraduate students.
The 2006 Summer School will take place from the 25th of June to the 1st of July, at the VIU campus on the Island of San Servolo, in Venice, located just in front of St. Mark's Square. The theme of this Summer School is Computable General Equilibrium Modelling in Environmental and Resource Economics.
Environmental policies are increasingly assessed not only on the basis of their environmental effectiveness but also depending on the associated economic impacts with respect to efficiency and incidence. These three dimensions of Sustainable Development, i.e. environmental quality, economic performance and equity concerns are intertwined and subject to tradeoffs. The quantification of tradeoffs requires the use of numerical model techniques. Computable general equilibrium models have meanwhile become an established analytical framework for evaluating the economy-wide and environmental implications of policy intervention on resource allocation and income of agents. In this context, the Summer School provides a comprehensive introduction to applied general equilibrium analysis of environmental policies by internationally renowned experts. After presenting the basic technique, the lecturers will discuss the theoretical background and illustrative applications to four key areas of environmental economics: (i) trade and environment, (ii) environmental regulation and technological change, (iii) double (triple) dividend hypothesis of green taxation, and (iv) international environmental agreements. Practical instruction and hands-on training on how to develop and use CGE models on GAMS (General Algebraic Modelling System) will be provided.

For further information on application and funding please access the Summer School Website at

http://www.feem.it/ess06.

The Third World Congress of Environmental and Resource Economists July 3-7 2006, Kyoto International Conference Hall, Japan

The Third World Congress will be held at the Kyoto International Conference Hall in July 2006, organized by the Society of Environmental Economics and Policy Studies (SEEPS), the Association of Environmental and Resource Economists (AERE) and the European Association of Environmental and Resource Economists (EAERE), in cooperation with the Latin American and Caribbean Association of Environmental and Resource Economists (ALEAR).

We invite you to submit theoretical and empirical papers that focus on environmental and natural resource economics. The closing date for submission of papers is February 1 2006. Authors will be notified of acceptance of their papers by early April 2006. The number of submissions per person is unlimited, but the maximum number of presentations per person will be limited to one. Authors must register for the Congress in order for their paper to be included in the program (the web page for registration will be available later). Paper submission is electronic, and is done through the web site (http://www.worldcongress3.org/).

We also welcome your contributions to organize sessions. Please send your proposals with detailed information on the aim and significance of the session and lists of possible speakers to:

mailto:wc3-info@congre.co.jp.

Towards Carfree Cities V Conference, July 18-21 2006, Budapest

The Towards Carfree Cities V conference will be held July 18-21, 2005 in Budapest, Hungary, followed by the World Carfree Network Annual General Meeting on July 22 and an optional excursion day on July 23.

The goal of the Towards Carfree Cities conference series is to bring together people from around the world who are promoting practical alternatives to car dependence - walking, cycling and public transport, and ultimately the transformation of cities, towns and villages into human-scaled environments rich in public space and community life. The focus is on strategy, collaboration and exchange, assisting the practical work of conference participants - whether it be organising carfree days, promoting urban cycling, or building the carfree cities of the future.

More information can be found at http://www.worldcarfree.net/conference/

Contact person: Maria Somodi mailto:tcfc@levego.hu.

Publication of the BISE website

We are pleased to announce the publication of the BISE website at www.bise-europe.org. BISE (Better Integration for Sustainable Energy) is an initiative to encourage the creation and strengthening of networks of towns and cities promoting energy efficiency in the New Member States, Candidate Countries, Western Balkan Countries and Ukraine.

All documents relative to the 2nd BISE Forum that took place in Sofia (BG) last October, including the next BISE Action Plan are downloadable!

More than 60 partners throughout Europe are already involved.

For any information about the BISE process, please contact:

Gérard Magnin mailto:gmagnin@energie-cites.org or Kristina Dely mailto:kdely@energie-cites.org

UKNEE seminar on the EU Emissions Trading Scheme

Presentations from the UKNEE seminar on the EU Emissions Trading Scheme, held on the 6th July at Ashdown House, Defra in London, are now available for download on the UKNEE webpage. Please see:

http://www.eftec.co.uk/home.php?section=8&uknee=1

Presentations were given by Sayeeda Tauhid from Defra and Robert Rabinowitz from European Climate Exchange. Discussion focussed on prior expectations, observations so far and future directions for the trading scheme. The next UKNEE seminar is planned for late summer - details to follow.

4. GREEN BUDGET REFORM ON EU-LEVEL

EEB attacks Commission for refusing to take up clear signal from European Environment Agency on need for ambitious tax reform agenda

[European Environmental Bureau, Press Release, 29/11/05] John Hontelez, Secretary General of the European Environmental Bureau (EEB), called upon the European Commission to take the lead in an ambitious environmental tax reform in the EU. He referred to the first conclusion of the "State and Outlook 2005" report of the European Environmental Agency (EEA), presented in Brussels today, calling for tax reform, or "a gradual shift of the tax base away from taxing 'good resources' such as investment and labour, towards taxing 'bad resources', such as pollution and inefficient use".

Commission Vice-President Margot Wallström responded to the EEB Secretary General saying that the Commission does not think EU member states would accept such a proposal, so the Commission is not likely to try.

John Hontelez: "The Commissioner's answer is really unacceptable. The EEA report clearly shows that environmental tax reform is highly necessary to create realistic market price signals, thereby triggering innovation with much needed environmental benefits. This Commission is about to present a new Sustainable Development Strategy. Refusing to launch a major initiative to boost environmental fiscal reforms inside the EU is refusing leadership in environmental policies. This Commission already risks going into the record books as the worst one ever for the protection of public health, biodiversity and the planet".

As Europe's largest federation of environmental citizens' organisations, the EEB's mission is to promote environmental and sustainable policies at European Union level. It has some 150 member organisations – based in 27 countries in the enlarged EU and beyond – which work together on biodiversity, climate change, chemicals, natural resources, waste, urban environment, noise, soil, agriculture, enlargement, ecological product policy, clean air and water, and environmental fiscal reform.

The EEA report is a five-year assessment that covers 31 countries, providing an overview of Europe's environment and pointing to challenges ahead. Key areas of concern highlighted in "The European environment: state and outlook 2005" include climate change as well as biodiversity, marine ecosystems, land and water resources, air pollution and health.

The European Commission is likely to agree on a new Sustainable Development Strategy on 13th December, following up on a strategy agreed in Gothenburg by the European Council in 2001.

Further information:

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Gemma Parkes, EEB Press & Publications Officer, mailto:gemma.parkes@eeb.org, Tel: +32 2 289 1309

EEB: http://www.eeb.org/

EEA: http://www.eea.eu.int/

Heyday of EU green taxation "has passed"

[Environment Daily 1975, 04/11/05] Environmental taxation may have peaked in Europe, according to a new survey by the EU statistical agency Eurostat. But it suggests this could have more to do with changing fashions in instruments for environmental protection rather than falling interest in environmental protection itself.

Eurostat's latest annual review of tax structures in the EU reports on trends to 2003, for the first time including the full EU-25. Its headline findings are that environmental taxes accounted for 7.5 percent of all taxation in 2003 and 2.9 percent of GDP. Both ratios have declined slightly since 2000, it notes.

These falls could well continue in future, Eurostat suggests due to high structural oil prices - which could dampen enthusiasm for energy taxes - and the growing popularity of non-fiscal environmental protection instruments. It cites the EU's carbon emission trading scheme as a prime example. Another is increasing use of road pricing systems.

In any case, Eurostat notes, measuring the simple ratio of green taxes to total taxation or GDP can be misleading. More sophisticated measures of implicit tax burden are needed to test for signs of green tax shift - the policy aim adopted by several EU countries to shift the burden of taxation from labour to environment.

Here again, after significant progress to 2002, a green tax shift in European energy taxation stalled in 2003. In this year the average effective tax burden on energy stabilised while the burden on labour rose.

The report shows that this change coincided with a worsening in EU-25 energy efficiency after steady improvements previously.

High oil prices is a key factor determining trends in overall EU environmental taxation because 71 percent of EU-25 revenues came from energy taxes in 2003. Another quarter was transport taxes. Pollution and resource taxes accounted for only 3percent of the total.

Follow-up:

Eurostat home page: http://epp.eurostat.cec.eu.int/

Download the report at:

http://epp.eurostat.cec.eu.int/portal/page?_pageid=1073,46587259&_dad=portal&_schema=PORTAL&p_product_code=KS-DU-05-001

Gas Prices Don't Lead Europe's List of Woes

[Mark Landler and Carter Dougherty, The New York Times, 19/09/05] Frankfurt - Tiziano Colombo, an engineer from Milan, followed the road this summer, driving with his wife and her parents in a rented van through Austria, Germany, Belgium, Holland and France.

With oil prices rising during his two-week vacation, Mr. Colombo spent $670 on diesel to fill his Ford Transit. By his arithmetic, it was still cheaper than buying train tickets for four people. The cost of travelling a car would have to nearly double, he said, before he would consider switching.

"The car is freedom, and freedom is what we were after," Mr. Colombo, 53, said, sounding like an American. "Obviously, if I was doing this trip by myself, you'd have a hard time justifying the extra cost."

Soaring oil prices have begun to upset Europeans, just as they have Americans, with the disruption of oil production in the United States by Hurricane Katrina driving gasoline prices in Europe to new records as well.

But the reaction of Europeans, at least until early this month, had been less dramatic because of the higher base price of fuel, the strenght of the euro against the dollar and Europe's three-decade search for alternatives to fossil fuel.

Unemployment is a larger issue than pricier fuel.

The biggest difference, say economists, is that Europeans are distracted by other things, like economic stagnation in Italy or double-digit unemployment in Germany. Next to these problems, paying 1.30 euros a liter, or the equivalent of $6 a gallon, for gas does not seem like a calamity.

"Americans live in a wonderful world, with 3.75 percent growth and nearly full employment," said Jörg Krämer, the chief economist of the HVB Group in Munich. "They can afford to worry about fuel prices. We have other problems."

In Germany, the closely watched GfK survey of consumer confidence rose in August for the first time in five months, even as oil prices hit records.

Germans, like most Europeans, changed their habits to curb the use of fossil fuels three decades ago, after the oil shock of the 1970's. To some people here, calls for energy conservation are not as much unwelcome as unnecessary.

Moreover, Europe's steep fuel taxes have, paradoxically, cushioned the blow: many of those taxes are fixed, leaving the only underlying price to fluctuate. In the United states, increases in crude oil prices can lead to more pronounced increases at the pump, because some taxes are levied as a percentage of the gas price. The strong euro has played a mitigating role, too, by acting as a hedge against changes in the dollar-denominated oil market.

Rising fuel prices do annoy germans, according to GfK, the market research company based in Nuremberg that conducts the consumer confidence survey. But the fear of unemployment is much greater.

"If I have a job, I can complain about the cost of filling up my car," said Klaus Wübbenhorst, the chief executive of GfK. "If I don't have a job, I'm going to be on foot anyway."

Notes:

Eric Sylvers contributed reporting from Milan for this article, and James Kanter from Paris.

5. TRANSPORT

Emissions Trading in the Transport Sector : Feasible approach for an upstream model

[Dieter Ewringmann, FiFo, Köln, UFOPLAN Scheme No. 202 14 198, 03/2005] In July 2003, FiFo Köln (Cologne Centre for Public Economics) was mandated by the German Federal Environmental Agency (UBA) with the examination of the UFOPLAN scheme "Emissions Trading System for the Transport Sector [...] The main task of this study was the development of a concrete emissions trading approach for the transport sector, which triggers off a compulsory holding of emissions certificates at the beginning of the energy supply chain (upstream approach). Due to restricted time and limited budget the study did not address all theoretical aspects of emissions trading and also did not analyse the multitude of all possible trading approaches in detail. The main focus was rather put on the practical options of the implementation of an upstream approach in the transport sector and its specific problems.

The focus on an upstream model resulted from the common opinion of all research team members that such an approach is best suitable for emissions trading in the transport sector: The opinion shared is that an upstream system is the most cost efficient, effective and manageable approach. Furthermore, it is relatively easy to implement and causes the least transaction costs.

Basically, an upstream model offers pretty much the same macroeconomic incentivesthan a downstream approach, which is used in the EU emissions trading system for the energy and industry sector. However, a similar implementation of a downstream system in the transport sector would imply that all emitters in this sector themselves would be forced to obtain emissions certificates. In Germany, nearly 50m actors – mostly private motor vehicles owners – would be affected and therefore would have to be monitored. Hence, an upstream system affects by far a much smaller number of actors. Aggregated transaction costs are therefore considerably lower as well. […]

Download the full document : http://www.uba.de/verkehr/downloads/Executive_Summary_EH_Verkehr.pdf

Airlines Should Join Emissions Trade Scheme

[European Commission, Press Release, 27/09/05] The European Commission presented a plan for reducing air travel's growing contribution to climate change. Airplanes are an important and increasing source of greenhouse gas emissions that are causing global warming. For example, a return flight for two from Amsterdam to the Thai resort of Phuket produces considerably more of the greenhouse gas carbon dioxide (CO_2) than the average new car does in a whole year. In a Communication, the Commission says the most promising way to tackle aviation emissions is to bring aircraft operators into the EU's Greenhouse Gas Emissions Trading Scheme (ETS). The ETS sets an overall cap on greenhouse gas emissions, within which participating operators can buy and sell emission allowances as needed. This would create a permanent incentive for airlines to minimise their emissions.

Environment Commissioner Stavros Dimas said: "The boom in flying is bringing with it a rapid rise in greenhouse gas emissions. Extending emissions trading to the aviation sector will limit these emissions and ensure that aviation, like all other sectors, contributes to reducing harmful greenhouse gases. Through emissions trading, airlines will be able to do so at the lowest possible cost."

Vice President and Commissioner for Transport Jacques Barrot added: "There is a growing consensus in the aviation sector that emissions trading represents the best way forward to cut greenhouse gas emissions".

Read the full document:

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1192&format=HTML&aged=0&language=EN&guiLanguage=en

http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/05/341&format=HTML&aged=0&language=EN&guiLanguage=fr

UK welcomes recommendation to include aviation emissions in the EU trading scheme

[UK Environmental Headlines, 04/10/05] The UK government has welcomed the European Commission's Communication of 27 September 2005 which recommends emissions trading as the best way to make aviation pay for the adverse effects of its CO_2 emissions.

Environment Secretary Margaret Beckett said: "The UK has been a strong advocate of including aviation in the EU Emissions Trading Scheme. The advantage of this approach is that it guarantees a specific environmental outcome in a way that other instruments do not. It also ensures that the emissions reductions required to achieve a particular environmental outcome take place in as cost-effective a way as possible." Transport Secretary, Alistair Darling, said:

"Aviation must make a contribution. We have made it clear that the aviation sector must take its share of responsibility for tackling the problem. We believe that the best way to do this is through an emissions trading scheme."

More information:

http://www.defra.gov.uk/news/2005/050927a.htm

Commission communication:

www.europa.eu.int/comm/environment/climat/aviation_en.htm

6. EMISSIONS TRADING

UK consults on proposals for Emissions Trading for 2008-2012

[UK Environmental Headlines, 09/08/05] The British Government launched a consultation on its proposals for the second phase of the EU Emissions Trading Scheme. The consultation seeks views on the possible extension of the Scheme to cover more emissions. Comments are sought on the allocation of carbon allowances, on the use of auctioning and benchmarks, the treatment of combined heat and power plants and new entrant and closure rules. It also asks for comments on issues related to the use of project

credits and treatment of small installations. You can access the results of the consultation in the links below:

http://europa.eu.int/comm/environment/climat/pdf/highlights_ets_en.pdf

Press release:

http://www.britischebotschaft.de/en/embassy/environment/environment_latest_headlines.htm

Press release:

http://www.defra.gov.uk/news/2005/050719e.htm

Is there really a voluntary market in the U.S. for greenhouse gas reductions?

[Dr. Mark C. Trexler, ClimateBiz, 10/05] This is a bit of a complicated question. We're seeing a lot more press coverage recently of climate change mitigation efforts in the United States and the growth in mitigation markets. The Chicago Climate Exchange publishes what it characterizes as a market-clearing price for the U.S. market, but it's not an easy number to interpret.

One way to evaluate the U.S. voluntary market is to ask the question of whether people with high-quality emissions reductions projects are able to find interested buyers of those reductions. Reasons for such transactions in a voluntary market can include complying with voluntary targets, or rendering events or products "carbon neutral."

We had the opportunity to test this question […], when an intriguing project crossed our desk. The project is based on capturing and destroying methane that is leaking from a closed coalmine in Pennsylvania…[and] is a perfect carbon offset project! While coalmine methane certainly isn't the sexiest carbon offset around, from the standpoint of offset quality it has a lot more going for it than most projects that are out there.

We're not project brokers, but we agreed to see whether buyers might exist for these reductions, if the owners extend their lease and install a flare. Interestingly, we haven't found any takers. Why? Notwithstanding all the mitigation hype in the media, almost no one is buying project-based credits in the U.S. market.

http://www.climatebiz.com/sections/news_detail.cfm?NewsID=28977&Section=Emissions%20Trading&ImageName=hdr%5Fsect%5Femiss%5Ftrade%2Egif&Section=Emissions%20Trading

Swiss Re Joins Climate Exchange

[ClimateBiz,20/09/05] Swiss Re, the world's largest life and health reinsurer, has announced it will join the Chicago Climate Exchange (CCX). CCX is North America's only multisector marketplace for reducing and trading greenhouse gas (GHG) emissions.

The Chicago Climate Exchange's main objective is to build institutions and skills needed to cost-effectively manage greenhouse gas emissions, informing the debate on appropriate acting for managing the risk of global climate change. As a liquidity provider for CCX, Swiss Re will now have the capability to trade or engage in market-making activities on the Exchange for purposes other than compliance with the CCX emissions reductions schedule.

"Swiss Re believes that companies need to make an active commitment to raising awareness of climate change, evaluating the current and potential risks and clearly defining the business opportunities that may result," said John Coomber, chief executive officer of Swiss Re. "Over the years, we have undertaken a multitude of initiatives on behalf of sustainability and education about climate change. Our agreement with CCX is yet another demonstration of our long-term strategy to reduce emissions."

Swiss Re publicly identified climate change as an issue with the potential to heavily impact society and the global economy more than a decade ago. Given that climate change may well be responsible for significant shifts in global weather and disease patterns, the issue has since developed into an important element of the company's long term risk management strategy.

"Insurance companies have a critical role to play in developing sound strategies to address the challenge of climate change. We commend Swiss Re for again taking a proactive stance and joining CCX," said Dr. Richard Sandor, chairman and CEO of CCX. "Swiss Re leadership and unparalleled experience in the insurance and financial worlds will nicely complement the knowledge and expertise that the Members of CCX are building in greenhouse gas emissions management and trading."

http://www.climatebiz.com/sections/news_detail.cfm?NewsID=28794&Section=Emissions%20Trading&ImageName=hdr%5Fsect%5Femiss%5Ftrade%2Egif&Section=Emissions%20Trading

Japan Launches Voluntary Emissions Trading Scheme

[ClimateBiz,28/09/05] The Japanese Ministry of the Environment has selected 34 companies and corporate groups as participants in the nation's new Voluntary Emissions Trading Scheme. They were chosen from among applicants who responded to an open invitation and screened based on their cost-effectiveness for this program. Among them are INAX Corp., Nippon Electric Glass Co., Mitsubishi Gas Chemical Co., and Yamazaki Baking Co.

Under the scheme, the ministry subsidizes the installation cost of CO_2 emissions reduction equipment to help businesses that are actively attempting to reduce greenhouse gas (GHG) emissions. In exchange for the subsidy, the participants are required to commit to a certain reduction in their CO_2 emissions. The scheme also allows them to trade CO_2 emission quotas to meet their reduction targets. Through this scheme, the ministry aims to achieve a cost-effective and substantial reduction in GHG emissions, and accumulate knowledge and experience relating to domestic CO_2 emissions trading. The total government budget for the subsidy is 2,596,340,000 yen (about U.S.$23.6 million).

The total of emissions reductions promised by the individual companies for fiscal 2006 is 276,380 tons, or 21 percent of their average annual CO_2 emissions in the base years, fiscal 2002 to 2004. The reduction in CO_2 emissions over the officially-recognized service life of the subsidized equipment is calculated at about 3.7 million tons.

The participating companies must have their base year emissions independently verified by the end of October 2005, and make the relevant equipment operational by the end of fiscal 2005. Throughout fiscal 2006, they will implement their CO_2 reduction projects using the equipment. After the end of fiscal 2006, the actual CO_2 emissions during the year will be calculated and verified. The CO_2 emissions quota trading system will also start in April 2006. If a participant cannot achieve its reduction target despite the emissions trading, the participant may be required to refund its subsidy.

Link:
http://www.climatebiz.com/sections/news_detail.cfm?NewsID=28866&Section=Emissions%20Trading&ImageName=hdr%5Fsect%5Femiss%5Ftrade%2Egif&Section=Emissions%20Trading

Car industry "needs help to meet carbon goals"

[Environment Daily 2001, 12/12/05] An integrated approach involving more than carmakers is needed for the EU to meet its target of cutting average new vehicle carbon dioxide emissions to 120 grams per kilometre by 2010, a high-level group on the future of the car industry has concluded: "It can't be met just by changing vehicle *design,"* EU enterprise commissioner Günter Verheugen said at the presentation of the final report from the Cars 21 group in Brussels on Monday. The line is close to that of EU car industry group Acea, which has been resisting pressure to commit to achieving average 120 g/km in an extended voluntary agreement (ED 23/06/05: http://www.environmentdaily.com/19061)

The final report recommends overhauling EU vehicle fuel efficiency labelling rules and introducing "eco-driving" instruction to help drive down CO2 emissions. It also backs a shift to CO2-based car taxation (ED 06/07/05: http://www.environmentdaily.com/19152) and increased use of biofuels (ED 07/12/05 http://www.environmentdaily.com/19982).

Addressing other environmental issues, the group recommends that the EU "revisit" the end-of-life vehicles directive to tackle "non-harmonised implementation" in member states. The law's substances bans should also be "assessed...and if appropriate, revised" in the light of the Reach chemical reform.

Acea called the report a "good start" to improving the sector's competitiveness. But oil industry lobby group Europia, which also sat on the group, disowned the recommendation to increase biofuel use, which it called "premature."

Environmental group T&E accused Cars 21 of dismantling or watering down the EU's existing strategy for cleaner cars. Cars 21 was set up earlier this year to create a ten-year "road map" for the industry (ED 14/01/05: http://www.environmentdaily.com/18011).

Follow-up:

European Commission:

http://europa.eu.int/comm/index_en.htm

Plus press release:

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/1564

Cars 21:

http://europa.eu.int/comm/enterprise/automotive/pages background/competitiveness/cars21.htm

and the report:

http://europa.eu.int/comm/enterprise/automotive/pages background/competitiveness/cars21finalreport.pdf.

See also reactions from Acea:

http://www.acea.be/ASB20/axidownloads20s.nsf/LookupFilesForLatestUpdates/5417E06D4A85ACDBC12570D5004F19C2/$File/20052498att01.pdf,

http://www.environmentdaily.com/docs/51212a.pdf and T&E http://www.t-e.nu/Article161.html.

Tony Blair and climate change: a change of heart?

[Simon Retallack, openDemocracy, 08/11/05] No world leader has done more to raise an environmental problem up the political agenda than Tony Blair. By making climate change a priority for the United Kingdom's presidencies of the G8 and European Union in 2005, Blair has focused world attention on probably the greatest challenge facing mankind this century. But his recent comments on the subject – leaving the impression that he is abandoning the established consensus on how to tackle climate change through Kyoto-style targets – have caused surprise and confusion. Headlines have decried a "wobbling prime minister" and dire warnings have been issued about undermining the outcome of fifteen years of international climate negotiations.

But is it as bad as that? Has Tony Blair really changed his mind?

Read the full document:

http://www.opendemocracy.net/globalization-climate_change_debate/blair_3002.jsp

Blair Coming Under Pressure on Climate Chaos

[Jacqueline Cottrell, Green Budget Germany, 14/11/05] Tony Blair risks losing his claim to be a world leader on climate change because of the way the UK has lost control of its own output of greenhouses gases, a leading scientist has warned.

The developed world was dragging its feet over this "life and death" problem, and could be condemning future generations to ferocious weather and huge economic sacrifices, the president of the Royal Society, Lord May of Oxford, told peers yesterday.

As he was speaking, a cabinet committee chaired by the Environment Secretary Margaret Beckett was meeting to work out new measures to get the UK back on track to meet its self-imposed targets for cutting the volume of carbon dioxide pumped into the atmosphere. The target is to bring CO_2 emissions down by 20 per cent from its 1990 level by 2020. Two years ago, it appeared that it might be met, but since then emissions have increased.

In one measure, the Transport Secretary Alistair Darling announced that petrol stations must ensure that at least 5 per cent of the fuel they sell comes from renewable sources by 2010.

"The renewable transport fuels obligation I am proposing today is predicted to save around one million tons of carbon dioxide emissions in 2010 - the equivalent of taking one million cars off the road," Mr Darling told the Environmentally Friendly Vehicles Conference in Birmingham yesterday.

But Lord May warned that the developed countries will have to agree drastic action at the world summit on sustainable development in Montreal this month.

"The blunt truth about the politics of climate change is that countries are not doing enough to adapt their economies so that they reduce their greenhouse has emissions," he told the Lords.

"Research earlier this month suggests that a drop in rainfall in Ethiopia and surrounding countries in the past few years, where six to 10 million people are already facing serious food shortages, is also caused by a rise by sea surface temperatures, this time in the southern Indian Ocean. In the developing world climate change is about life and death - not just about domestic economics," he said.

"It is very difficult to criticise other countries, such as the United States, who will not meet their targets if we are unable to meet ours. Indeed, emissions by the US have actually declined over the last two years, although they are still some 20 per cent above 1990 levels."

Today two Bills put forward by backbench Labour MPs, designed to reduce global warming, will get their second reading in the House of Commons. The Management of Energy in Buildings Bill, promoted by Alan Whitehead, would rewrite the building regulations so that all new homes have to have a self-generating energy source such as a solar panel or a combined heat and power boiler that would generate electricity that can be sold to the grid.

The Climate Change and Sustainable Energy Bill, promoted by Mark Lazarowicz, would require the Government to keep MPs informed about progress in cutting back carbon dioxide emissions, and would require the energy companies to pay the market price for any energy generated from a private home.

Tony Blair's claim to be a world leader on climate change is coming under increasing pressure in the light of the UK's inability to control its own output of greenhouses gases. The UK target of reducing CO_2 emissions by 20 percent from its 1990 levels by 2020 appeared plausible two years ago, but in 2004, emissions increased. As a result, the Prime Minister has come under attack in the media and in parliament.

The World Wildlife Fund's UK Campaigns Director Andrew Lee criticised Blair's recent comment that targets for emissions reduction must not be permitted to get in the way of economic growth, saying he was undermining efforts of the international community to deal with the issue. "It is becoming clear that all the talking up has been aimed more at trying to please environmentally-concerned voters and green organisations than demonstrating the will to actually use leadership in tough negotiations." In the US, Lee claimed, Blair's statements had been widely understood as a move towards George Bush's policies on climate change.

At the same time, the Stop Climate Chaos coalition has also drawn attention to the Blair government's inaction, criticising the government's record on cutting CO_2 emissions and unsustainable transport policies promoting more road and air travel, as well as attacking Tony Blair's remarks playing down the importance of international action on climate change following the meeting of the G8 environment and energy ministers in London at the start of the month. On 14. November the coalition hit the headlines, when one of their member organisations Greenpeace closed off access to Downing Street by dumping several tonnes of coal outside its gates to highlight government apathy.

The Stop Climate Chaos coalition stepped into the limelight at the end of October, but was created in early 2005 with the backing of the RSPB, WWF, Greenpeace, Friends of the Earth, People & Planet and the Network for Social Change. It has now been joined by many more NGOs, including Oxfam, the Women's Institute, Christian Aid and others. It aims to increase pressure on the government to take real steps, at home and on the international stage, to implement policies and reach agreements constituting a serious attempt to combat climate change. Links to the coalition and its campaign are available at the end of this article.

Speaking in the House of Lords, President of the Royal Society, the UK's national academy of Science, Lord May of Oxford said; "The blunt truth about the politics of climate change is that countries are not doing enough to adapt their economies so that they reduce their greenhouse has emissions". Citing 17 scientific papers examining the impact of climate change on crops to support his claims, he warned the government: "As long as greenhouse gas concentrations continue to rise, there is the very real prospect that the increase in aid agreed at Gleneagles will be entirely consumed by the mounting cost of dealing with the added burden of adverse effects of climate change in Africa."

In an open letter to Margaret Beckett and other G8 energy and environment ministers prior to their November meeting in London, Lord May pointed out that the cost of dealing with Hurricane Katrina was equivalent to 1.7 percent of the GDP of the US, while experts estimate that the US could achieve its Kyoto targets for no more than 1 percent of its GDP. "Clearly dealing with even some of the consequences of climate change, such as more destructive hurricanes, looks more costly than taking measures to reduce greenhouse gas emissions".

Stop Climate Chaos:

http://www.stopclimatechaos.org/index.asp

Royal Society: http://www.royalsoc.ac.uk/

Heaps of trouble for Blair over global warming

[George Jones, Political Editor, news.telegraph, 15/11/05] The Government yesterday promised an intensified drive to cut emissions of greenhouse gases after Tony Blair was accused of undermining international efforts to tackle climate change.

Downing Street said ministers would "bust a gut" to meet emissions targets and officials said the Government was seeking international agreement to develop and share the technology to deal with climate change.

Read the full document:

http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2005/11/15/nclim15.xml

Why Kyoto will never succeed, by Blair

[Charles Clover and Roger Highfield, news.telegraph, 23/09/05] Tony Blair has admitted that the fight to prevent global warming by ordering countries to cut greenhouse gases will never be won.

The Prime Minister said "no country is going to cut its growth or consumption" despite environmental fears.

Mr Blair's comments, which he said were "brutally honest", mark a big environmental U-turn and will dismay Labour activists.

Read the full document: http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2005/09/25/nkyoto25.xml

Stern Review on the Economics of Climate Change

[UK Environmental Headlines, 14/10/05] UK Chancellor, Gordon Brown, has asked Sir Nicholas Stern to lead a major review of the economics of climate change, to understand more comprehensively the nature of the economic challenges and how they can be met, in the UK and globally. The review will be taken forward jointly by the Cabinet Office and HM Treasury, and will report to the Prime Minister and Chancellor by Autumn 2006. It takes place within the context of existing national and international climate change policy.

The announcement of this review is a further demonstration of the importance which the UK Government attaches to the issue of climate change, and follows its decision to make climate change a priority for the UK Presidencies of the G8 and EU.

Further information:

http://www.hm-treasury.gov.uk/Independent_Reviews/stern_review_economics_climate_change/sternreview_index.cfm

Teheran Shut Down Amid Unprecedented Smog Alert

[AFP, 07/12/05] Residents of the smog-choked Iranian capital were told the 1st december not to go to work or school for two days in an unprecedented government effort to stop Tehran from suffocating. With offices in the urban sprawl of 10 million people effectively shut down through the weekend until Saturday, police were also out in force to prevent motorists from entering a large part of the city without a permit.

Officials hope that will help clear a hideous blanket of brown-yellow haze -- denser than usual this week due to a total lack of wind.

"The air situation is really acute, but it is expected to get better after the shutdown," Tehran city council member Amir-Reza Vaezi-Ashtiani told AFP.

"We've spelled out our complaints in the city council, and the officials concerned have to deal with this dangerious issue. No institution has done enough and each blames another. That's why Tehran is suffering."

The government has proposed various steps to resolve the worsening public health menace, such as phasing out the old cars, mandatory emissions checks and restricting vehicle use on certain days of the week. So far, no measure has been effectively enforced.

But with the city choking on its own fumes, Tehran's traffic police chief General Sajedinia said attitudes were changing.

"The citizens who violate today's expanded ban on entering restricted traffic areas will be fined," he told state television.

"If the pollution continues at this level, the rule of driving on certain days of the week based on even and odd car license plate numbers will be put in force," the general warned.

Many of the two million plus vehicles in the city are more than 20 years old and guzzle cheap subsidised petrol -- which costs a paltry nine US cents a litre, or 34 cents a gallon -- at an alarming rate.

Private car ownership has also exploded and the public transport system does not provide adequate coverage to many parts of Tehran.

Rampant construction work has also contributed to the smog, with building sites churning out dust into the atmosphere.

Pollution alerts are becoming increasingly common in the city, with air quality deemed unhealthy for at least 100 days of the year.

Complaints of asthma, allergies and respiratory ailments are also on the rise.

The holiday order is unprecedented: previous pollution alerts have only prompted local authorities to close schools and tell the sick and elderly to stay indoors.

Read the full document : http://www.terradaily.com/news/pollution-05zzl.html

7. SPECIAL: CLIMATE CHANGE

Life cycle analysis

Source: http://www.news-journalonline.com/column/beattie/

Astana introduces oil product export duty

[New Europe, 23/10/2005] Kazakhstan is introducing a customs duty on export of oil products Kazakh. Prime Minister Danival Akhmetov signed the corresponding resolution on October 15 and was published on October 18. The resolution includes a list of the oil products subject to the duty, and comes into effect 10 days after its official publication. The Kazakh Industry and Trade Ministry said in a comment that “the placing of customs duty on oil products will result in a a drop in exports stabilize domestic prices for fuel and lubricants and increase centra budget revenue”. The resolution set down “the rules for calculating the customs duty rates on goods produced from oil, being exported from the territory of the Republic of Kazakhstan”. According to the rules, the Trade and Industry Ministry calculates customs duties every calendar month based on the average market price for crude oil provided by the Finance Ministry following price monitoring on world markets. According to the document “if there is an average market price for crude oil of USD 138,6 per tonne in the monitoring periode(inclusive) oil products being exported will be subject to duty of zero percent.”

UK: Climate change target to be ditched

[Juliet Jowit, The Observer, 20/11/2005] Britain is to open the door for other nations to abandon setting compulsory targets to cut greenhouse gas emissions: the principle at the heart of the Kyoto agreement to tackle climate change.

Margaret Beckett, the Environment Secretary, has told The Observer she is prepared to accept voluntary targets - a move hinted at this autumn by Tony Blair.

The news caused consternation among green campaigners last night. 'Voluntary targets are not worth the paper they are written on,' said Stephen Tindale, head of Greenpeace UK. 'Without mandatory targets [the Kyoto Protocol] is effectively dead.'

Beckett was speaking ahead of the climate change summit in Montreal where she subsequently acted as the UK and European Union negotiator in discussions on what is to follow the Kyoto agreement when it runs out in 2012.

She said it would be impossible to achieve consensus on compulsory targets. She likened developed countries which insist that such targets be agreed by poorer developing nations to new imperialists. 'Such an approach would be utterly destructive to any kind of agreement,' she said. 'People would never engage in dialogue if they thought the outcome was preconceived and ... could hamper their development.

Instead of compulsory national targets, future agreements could set targets for 'sectors' - potentially transport, domestic energy use or industry, or even individual commercial sectors. Another idea is voluntary targets.

Beckett said: 'Targets will always have a very important role to play and will be part of a framework, but not everybody has to be in exactly the same position.' Pressed to explain, she added: 'I'm reluctant to go any further into it. There are people who might be outraged that anybody would consider a voluntary approach.'

But the Environment Secretary also dismissed the argument of the Prime Minister and the US that countries would not reduce emissions because this would damage economic growth.

Actually, there's quite a lot of evidence to suggest you can do things to tackle climate change without damaging your economy,' she said. 'If you look at some major global companies that have started to take steps to tackle their own emissions, far from being economically damaging it's actually economically beneficial.

Some commentators suggested yesterday that Beckett, who is admired for her firm stance on green issues, was raising the prospect of voluntary targets as a negotiating ploy to win support from the US and other countries reluctant to agree tough emissions reductions. The Confederation of British Industry said voluntary targets were 'worth looking at'.

However, others have pointed to remarks by Lord May, president of the Royal Society, who warned that Britain was in danger of losing its international authority on climate change. He criticised the move away from a target-based approach. 'The blunt truth about the politics of climate change is that countries are not doing enough,' he said. 'What we need is courage from our political leaders, to take the actions necessary to reduce our emissions.' Britain has two targets to tackle emissions compared to 1990. Under Kyoto it pledged to reduce a basket of greenhouse gases by 12.5 per cent by 2012, and at the last three elections Labour pledged to cut carbon dioxide by 20 per cent by 2010.

Beckett said the UK was 'on track' to meet its Kyoto targets, 'probably to exceed them', but she admitted Britain faced a challenge to meet its carbon target.

Last year she said the country was on course to make 14 per cent, but Environment Department sources said the figure is now 'more towards 11 per cent'.

A review of the climate change programme is expected to propose policies to close the gap, but has been delayed until next year by disagreements. 'We're quite a way off at present and anxious to see what we can do to get back on track,' said Beckett.

It is unfair that the continent with the lowest CO2 emissions, Africa, is suffering most from the impact of in-creased warming and aridness

[Sigmar Gabriel, The Globe and Mail Canada, 05/12/05] The ongoing climate change conference in Montreal is a milestone for multilateral climate policy […]. For the first time, there are internationally binding ceilings for greenhouse-

gas emissions from developed countries, while developing countries can benefit from clean development projects - i.e., climate protection projects in their countries accompanied by the transfer of modern climate-friendly technologies.

A first crucial step has been taken, but further steps need to follow to ensure that climate change can be effectively counteracted. […] Climate protection is a prerequisite for equity and fairness. We need greater fairness for life chances all over the world and greater fairness for the future of our children and grandchildren. Many people already have this fairness, and we will be in dire need of it in the future. It is unfair that 150,000 people are dying every year as a result of health problems caused by climate change, according to the World Health Organization. It is unfair that hundreds of thousands of children are dying because they don't have enough water as a result of climate change. It is also unfair that the continent with the lowest carbon dioxide emissions - Africa - is suffering most from the impact of increased warming, aridness and droughts.

If we want to prevent massive flows of refugees and war and civil war in future, we have to ensure that sufficient water is available and that people have a chance of survival in their own countries. The poorest countries on this planet are trapped in a vicious circle of poverty, environmental destruction and hunger. Climate protection has become a question of humankind's survival. Climate protection provides opportunities for the future and, in many parts of the world, secures the right to life. Equity also means we have to support poor countries that are suffering the environmental consequences of the lifestyles in developed countries. […]

Of course, we need to get the United States back on board, and I am aware of how difficult this is in view of the negative stance of the administration in Washington. Nevertheless, the fact that there are many positive approaches in Congress, in various states and within companies toward active climate protection give me reason for hope. Add to that the fact that neglecting climate protection will only lead to greater security policy implications, and I am certain the U.S. will take on a constructive role, living up to its responsibility in these matters. Newly industrialized countries with rapid growth such as China, India and Brazil also need to be gradually incorporated into this process. […]

Read the full document :

http://www.theglobeandmail.com/servlet/story/RTGAM.20051205.wcomment1205/BNStory/International/

Poorer nations seek cash credits for saving trees

[Peter Gorrie, Toronto Star, 05/12/05] In a move that signals a major shift in their thinking, developing countries at the conference on climate change are pushing a plan that would earn them credits for stopping deforestation - a source of nearly one-quarter of all man-made greenhouse gases. The proposal is supported by Canada and most of the other 188 countries at the conference and is expected to be adopted this week, unless the United States objects.

The United Nations conference likely will agree only to begin talks about such a plan to curb widespread destruction of the tropical rainforests viewed by scientists as the Earth's lungs. Observers say even that would be a crucial step. […]

Under the plan, introduced by Papua New Guinea and Costa Rica, countries would measure their forest and set a goal for how much would be retained. If they kept more, they would get credits that could be sold on the international emissions trading market being created through the Kyoto Protocol. Credits could be worth hundreds of millions, or even billions of dollars, depending on how high the price of a tonne of carbon rises in the market, officials say.

"There is more pressure to cut forests in developing countries," said Paulo Manso, a Costa Rican delegate to the conference. The plan would at least start discussions on how they can address the problem, he said.

Developing countries have for years been pushing for credits for what is known as "avoided deforestation." These previous attempts foundered on the problem that, while one piece of forest might be saved, another might be cut down nearby.

The new plan would solve that issue by covering entire countries. Developing countries had resisted national schemes — fearing they would impose mandatory targets, which they insist only industrialized nations should face. The new plan would be purely voluntary. Credits would have to raise enough money to make it financially worthwhile to preserve forests. […]

The United States — as with most issues at the conference — has indicated it might block the plan by restricting any future talks to narrow technical issues.

But a broad discussion can go ahead as long as the Americans don't say no, the Canadian official said. "Silence is consent."

Read the full document :

http://www.thestar.com/NASApp/cs/ContentServer?pagename=thestar/Render&c=Article&cid=1133736612291&call_pageid=968332188492

EU: Winning the battle against climate change

[André Riche, European Parliament, 16/11/2005]
Parliament adopted an own-initiative report on winning the battle against climate change, enabling the European Parliament to express its opinion with a view to the United Nations Climate Change Conference that took place in Montreal between 28 November and 9 December. The report was adopted 450 votes in favour, 66 against and 143 abstentions
This Conference includes the eleventh session of the Conference of the Parties (COP 11) and the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP 1).

The report also gives an overview of various actions to be undertaken at European level over the coming years. The text adopted tries to define the main axes of the EU strategy on climate change:

- building on key Kyoto elements - binding greenhouse gas emission targets, a global cap-and-trade system, and flexible mechanisms;
- undertaking strong emissions reductions at home, starting with 20-30% domestic reductions by 2020, using a combination of market incentives and regulation to stimulate investments in efficiency and/or carbon-free and low-carbon technologies;
- adopting a pro-active approach to engage other main actors, notably the US;
- developing a strategic partnership with countries like China, South Africa, Brazil and India to assist them in developing sustainable energy strategies and secure their participation in mitigation efforts;
- vigorously promoting research and innovation for sustainable energy technologies and removing 'perverse' incentives such as fossil fuel subsidies as well as internalising external costs, including those of climate change, into the price of energy production;
- requiring the political system to take responsibility for facilitating measures to enable citizens to reduce their own impact on climate;
- encouraging much greater direct involvement in mitigation efforts at the level of the European citizen, a necessary prerequisite being the provision of detailed information about the carbon content of products and services and a future option being a system of personal tradable quotas.

MEPs also call on the European Institutions to set a positive example by limiting greenhouse gas emissions in their various activities, through enhanced energy efficiency in office buildings and for all equipment used, low carbon travel etc.; special efforts should be made in relation to travel of Members of Parliament, implying a reconsideration of the double location of the EP, low-carbon vehicles for the drivers´ service etc.

MEPs support "the introduction of ecotaxes at Community level" and call "on the Commission to put forward proposals and on the Member States to adopt the first European ecotax by 2009 at the latest".

Read the full document:
http://www.noticias.info/asp/PrintingVersionNot.asp?NOT=118922

Parliament wants 60-80 percent less greenhouse gas emissions by 2050.

[Euractive.com, 21/11/05] Ambitious future greenhouse gas emissions targets, a European ecotax by 2009 and mandatory targets for the road and aviation sectors are the main elements of a climate change report adopted by the Parliament.

The Parliament adopted the own-initiative report written by Swedish MEP and Green Budget Germany Advisory Board Member Anders Wijkman (EPP-DE) on winning the battle against climate change with an overwhelming majority on 16 November 2005. The report sets out a number of policy recommendations in view of the UN's

11th Conference of the Parties to the Convention on climate change held in Montreal from 28 November to 9 December. This COP-11 meeting in Canada is to set the stage for a future climate change regime post-2012. The main recommendations put forward by the MEPs:

- emission reductions of 30 percent by 2020 and between 60-80 percent by 2050;
- a global partnership is needed to combat climate change - the US needs to get back on board and strategic partnerships have to be established with fast-growing economies such as China, South-Africa, Brazil and India;
- vigorous promotion of research and innovation for sustainable energy technologies and an end to "perverse incentives" such as fossil fuels subsidies;
- COP-11 has to decide on a timetable for the negotiations on future commitments; agreement to be reached by end 2008;
- binding targets needed to reach 40 percent energy savings potential;
- targets to be set for annual reductions in energy intensity in the order of 2.5-3 percent;
- need for a Crash Programme - similar to the US Apollo Programme of the 1960s - to promote research and innovation in support of sustainable energy and land-use management;
- mandatory limits for CO_2 emissions for the car sector (replacing the current voluntary scheme);
- establish a "Trans-European Fast Rail Freight Network and permit Member States to use the Finnish-Swedish-length trucks;
- emissions from flights and shipping to be included in emission reduction targets from 2012;
- introduction of a European ecotax by 2009;
- extending the scope of the Buildings Directive and update the Biofuels Directive to include bio-flexifuels;
- pilot emission trading scheme for the aviation sector for the period 2008-2012;
- need for a directive on heating and cooling similar to the biofuels proposal;
- sectoral targets for energy-intensive export industries in countries without binding emission commitments;
- reconsidering the idea of grandfathering when reviewing the current European emission trading scheme and reconsidering the national emission quotas;
- Commission to study the feasibility of a system of personal tradeable emission quotas to involve the citizens and influence private consumption patterns;
- European Institutions to set example by limiting GHG emissions in their own activities (eg. multiple locations of EP).

In a quick reaction to the Parliament's vote, UNICE, the European umbrella of industrial and employers' federations, regretted the unilateral target-setting of the MEPs stating that "Europe cannot solve the issue in isolation, and that unilateral EU targets could seriously damage the EU economy, let alone competitiveness, with little or no environmental impact".

Latest & next steps, the UN COP-11 meeting took place from 28 November to 9 December 2005 in Montreal, Canada. Parallel to COP-11, Montreal also saw the first meeting of the Parties to the Kyoto Protocol (MOP-1).

Read the full document :

http://www.fona.de/de/4_serviceangebote/nachrichten/2005/11/051121_Parliament_wants_60_80_less_greenhouse_gas_emissions_by_2050.php?ListviewCat

EU expects to exceed emissions goals

[International Herald Tribune, 01/12/2005] The European Union said on the 1st December that it would cut greenhouse gas emissions, which have been linked to global warming, more than previously planned over the next seven years, as environmental policies such as limits on air pollution by factories produce results.

The Kyoto Protocol requires the 15 nations that were EU members before the Union's expansion last year to cut greenhouse-gas emissions by 8 percent in the years 2008 through 2012 in relation to 1990 levels. The EU said Thursday that by 2010 emissions in the 15 countries would be 9.3 percent lower than they were in 1990.

"We have already reduced our emissions despite healthy economic growth," the EU's environment commissioner, Stavros Dimas, said in a statement released in Brussels. "That does not mean we can be complacent."

Europe is trying to keep alive the idea of mandatory emissions limits in any post-2012 global treaty, which United Nations members discussed at a conference from Nov. 28 to Dec. 9 in Montreal.

Poor nations say rich ones should lead the way with emissions cuts; the United States says the refusal of developing countries to take part would make its participation too costly for American companies.

Scientists have blamed greenhouse gases for higher world temperatures, rising sea levels and more intense heat waves, floods and storms. EU emissions reductions will have little effect without cuts elsewhere because the region's share of global emissions will fall to less than 10 percent in coming decades while those of developing nations grow to more than half, according to the European Commission.

The EU imposed limits this year on releases of carbon dioxide, the most common greenhouse gas, by 11,400 power plants and factories. Companies that exceed their limits must buy permits from businesses that emit less or they must pay a penalty, which creates an incentive to cut pollution.

In addition to the emissions-trading system, Europe is counting on credits allowed under the Kyoto Protocol for energy-efficient projects in developing countries and on a number of EU and national environmental policies to help it achieve reduction targets.

Without credits sought by 11 EU nations for clean-energy projects abroad, emissions by the group of 15 in 2010 would be listed at 6.8 percent lower than 1990's rather than 9.3 percent, said the Commission, the EU's executive arm.

The emissions-trading system also includes the 10 mainly East European nations that joined the EU in May 2004. The EU, now comprising 25 nations, will cut greenhouse gas emissions by more than 11 percent by 2010, according to the commission.

The upbeat forecasts contrast with the commission's reaction in June to data on EU greenhouse-gas emissions in 2003, the most recent year for which complete statistics are available.

EU emissions rose in 2003 as energy companies used more coal for electricity production, leaving the bloc further from its Kyoto reduction goal than in 2002, the European Environment Agency said June 21.

Emissions by the 15 pre-expansion member states were 1.7 percent below the 1990 levels in 2003 after being 2.9 percent below them the year before, said the agency, which is based in Copenhagen. "These figures are disappointing," Dimas said at the time.

Read the full document: http://www.iht.com/articles/2005/12/01/business/gases.php

Ministers adopt EU energy efficiency manifesto

[Environment Daily 1995, 02/12/05] EU energy ministers have urged the European commission to develop an "ambitious and realistic" action plan on energy efficiency next year to implement ideas it tabled in a green paper in June. In a resolution adopted in Brussels on Thursday the energy council also said energy efficiency should also be "explicitly covered" in proposals due soon from the commission to revise the EU's sustainable development strategy.

The resolution was passed after a ministerial debate on energy efficiency and climate change. "From all around the table I saw a huge commitment on energy efficiency, and the need to link energy policy to the climate change agenda. Everyone is signed up on that," UK energy minister and meeting chair Malcolm Wicks said : "Encouraging innovation in affordable, efficient, secure and environmentally friendly means of producing and consuming energy will help secure a clear competitive advantage for the EU in the move towards a low-carbon emitting economy," the resolution reads.

Ministers also call on the commission to "further develop" the Intelligent Energy Europe research and funding programme and to "move swiftly" to implement the energy-using products (EuP) directive.

In a nod to the grievances of energy-intensive industry sectors, the resolution says next year's review of the EU's carbon emission trading scheme (ETS) must "take into account the need for...an affordable energy supply". Heavy energy users have complained the scheme's design has led to windfall profits for electricity generators.

The resolution also urges all member states to "effectively apply" the EU building energy performance directive, a request possibly aimed at the Netherlands, which created a stir in September when it rejected the law as too expensive.

In a statement issued shortly before the council meeting, the Dutch environment ministry said the government would "soon" decide on how to comply with the directive's obligation to introduce building energy performance certificates.

The government is investigating how implementation "can be combined with other measures" to achieve the directive's environmental aims at lower costs. Tax incentives are one possibility, according to the statement. The certificates system could cost €81.5m per year, contradicting the government's aim to cut administrative burdens by at least 25 percent, it complains.

Link: http://www.environmentdaily.com

EU Council: Strong backing for EU aviation emission trading

[Environment Daily 1995, 02/12/05] EU environment ministers have given strong support to plans for a European greenhouse gas emission trading scheme for aviation. In conclusions adopted at their last quarterly meeting of the year in Brussels, they called on the European commission to put forward legislation before the end of 2006, based on a model "that can be extended or replicated world-wide".

The conclusions respond to a commission policy paper on aviation and climate change published in September.

Notably, ministers call for carriers from both EU and third countries to be included in the scheme, and say their preferred option would be to cover all flight departures rather than just intra-EU flights. The statement increases the chances of a row with the USA, which wants its carriers exempted.

Both CO_2 and non-CO_2 impacts should be covered "to the extent possible", the conclusions state. They also call for the EU aviation working group set up under the bloc's new European climate change programme to address competition issues.

Ministers also stressed the need for harmonisation in the way emission allowances are distributed. However, the conclusions give no indication of how quickly ministers want an aviation emission trading scheme to launch.

The EU's outgoing UK presidency, which drafted the conclusions, welcomed ministers' request for a legislative proposal next year.

Irish environment minister Dick Roche warned of the risk of triggering a dispute with the USA and cautioned that emission trading must not disrupt international air services or "stifle the extraordinary innovative capacity" of low-cost airlines like Ireland's Ryanair.

Link: http://www.environmentdaily.com

Hurricane: Wake-up call for US 'climate loonies'

[Charles Clover and Roger Highfield, news.telegraph, 23/09/05] The violence of Hurricanes Rita and Katrina should at last awake the Bush administration to the danger of climate change, one of Britain's most senior scientists said yesterday.

Prof Sir John Lawton, chairman of the Royal Commission on Environmental Pollution, said the intensity of the hurricanes was caused by water in the Gulf of Mexico being warmer than usual and was consistent with the latest scientific predictions of how the climate will behave as a result of man-made warming.

"If this makes the climate loonies in the States realize we've got a problem, something good will come out of this situation," said Sir John.

Read the full document: http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2005/09/23/writa223.xml

Dirty Thirty – Europe's worst climate polluting power stations

[WWF, PowerSwitch! Campaign, 04/10/05] A new ranking by WWF reveals the continent's worst climate polluting power stations. Dirty Thirty ranks the least efficient among the biggest carbon dioxide emitters, with Agios Dimitrios in Greece, Frimmersdorf in Germany and Aboño in Spain heading the WWF table. An interactive map allows you to locate the power stations and to learn more about their dirty details.

Read the full document:

http://powerswitch.panda.org/news_publications/news_ detail.cfm?uxNewsID=25331

See the Dirty Thirty ranking tables:

http://assets.panda.org/downloads/dirty30backgrounderfinal260905.pdf

Check the interactive map:
http://powerswitch.panda.org/responsible/dirty_30.cfm

The EU needs a comprehensive long-term Climate Policy A Discussion Paper

[Dr. Eberhard Rhein, European Policy Center, 10/10/05]

1. Global warming and climate change will be the biggest dangers looming over humanity in the course of the 21st century.
2. Climate change is already so far advanced that it will not be possible to stabilise global temperatures at today's level.
3. Humanity will have to adapt to higher temperatures and more frequent and disastrous natural catastrophes.
4. It seems still possible to contain damage and prevent global temperatures from rising by more than two centigrade until 2100: but only on condition that humanity starts taking much more effective measures without further delay.
5. The OECD countries, which have been the main forces behind the ongoing climate change, bear a joint responsibility for reversing the trend.
6. The EU will need to be in the driver's seat as long as the USA is not prepared to take any meaningful action in order to reduce its gigantic volume of $C0_2$ emissions (6 billion tons!).
7. It should engage in a multi-year campaign to educate American citizens about the dangers from global warming and its link to fossil energy consumption.
8. The EU will need to step up its action in view of the reducing the consumption of fossil energy and encouraging the use of renewable energy.
9. The most pervasive and effective instrument to that end is to maintain a high price for energy.
10. Maintaining and even increasing the level of excise taxation on fossil energy can best do this. The EU should adjust excise taxation in such a way that its domestic energy prices will not fall below $ 50 per barrel.
11. The EU should dramatically reinforce its support for R&D in the field of energy technology and renewable energies.
12. It should campaign for a renewal of the Kyoto Protocol after 2012 and fight for an ambitious target for $C0_2$ reductions at the horizon of 2020: a 20 percent reduction of emissions over 2010 should be doable, whatever the opposition.
13. The EU will need to give a top priority to climate policy. This requires much more focus by the Commission and the European Council on global warming and climate policy.

Read the full document:
http://www.eco-tax.info/downloads/EUClimatePolicy_Rhein_Eberhard.pdf
http://www.eco-tax.info/downloads/Oilpriceandglobal%20warming.pdf

Climate Change - Council conclusions 2684th Council Meeting of the European Union

[Council of the European Union, Press Release, 17/10/05] The Council of the European Union, DEEPLY CONCERNED by the conclusion of the February 2005 Exeter Stabilisation Conference that there is strong evidence that global climate change due to human emissions of greenhouse gases is already occurring and that it will result in changes in frequency, intensity and duration of extreme events and by the droughts and fires in southern Europe, floods in Central and Eastern Europe and other extreme weather events this summer which have shown how economically damaging those events can be; RECALLS the European Union's commitment to deal with the problem of climate change, most recently expressed by the 2005 Spring European Council and in the European Parliament's Resolution of 12 May 2005 on the Seminar of Governmental Experts, which underlines that climate change is likely to have major negative global environmental, economic and social implications, and that avoiding dangerous climate change will mean limiting global mean surface temperature increase to no more than 2°C above preindustrial levels; and EMPHASISES the importance of fully operationalising the Kyoto Protocol and meeting its targets as an essential first step to achieving this.

Read the full document (on p. 9): http://www.fco.gov.uk/Files/kfile/EnvironmentCouncil_Conclusions_17Oct.pdf

Demand for energy not sustainable, IEA warns

[Friends of the Earth Press Release, 07/11/05] New figures, published by the International Energy Agency (IEA) on Monday 7th November show that global emissions of carbon dioxide look set to rise by 52 per cent by 2030 because of growing energy demand. Friends of the Earth said the figures showed the urgent need for international action to tackle climate change by switching to low carbon energy supplies.

In its World Energy Outlook 2005, the International Energy Agency says that carbon dioxide emissions will be 52 per cent higher than today by 2030. The IEA's Deputy Executive Director William C. Ramsay warned that the predicted trends lead to a future "that is not sustainable" and called for action to "get the planet onto a sustainable energy path."

Friends of the Earth International Climate Campaigner Catherine Pearce said:

"The predicted growth in carbon emissions shows the urgent need for countries to switch to clean sustainable energy supplies. Rich developed countries must lead the way by taking action at home, but also by helping to finance low carbon technologies in the developing world. Countries like China will clearly continue to develop rapidly, but we do not have to compromise development in cutting emissions."

Friends of the Earth is urging governments and other key constituencies to overcome the obsolete fossil-based energy system and adopt clear, strong polices towards renewable energy and energy efficiency. The environmental campaign group is also urging the UK Government to start at home by instigating annual targets to cut carbon dioxide emissions on a yearly basis.

Friends of the Earth's International Climate Campaigner Catherine Pearce said:

"Developing renewable energies such as biomass, wind, tidal, solar and photovoltaics will have wide-ranging benefits for the entire global community. They can contribute to security of energy supply, reduce fuel imports and dependency, cut greenhouse gas emissions and improve environmental protection. It's time politicians and decision-makers across the world embraced these technologies for the benefit of us all."

Notes

http://www.iea.org/Textbase/press/pressdetail.asp?PRESS_REL_ID=163

Links:

http://www.foe.co.uk/resource/press_releases/demand_for_energy_not_sust_07112005.html

The Friends of the Earth campaign to lobby the UK government to introduce annual targets for CO_2 reduction is at: http://www.thebigask.com/

Read the IEA press release at:

http://www.iea.org/Textbase/press/pressdetail.asp?PRESS_REL_ID=163

CCAP Launched its Brussels Seminars Series on Climate Change

[CCAP, 07/11/05] The Center for Clean Air Policy (CCAP), a think tank based in Europe (Brussels and Prague) and the U.S. has initiated a regular series of climate change policy briefings to benefit key European stakeholders. Leading climate change policymakers—including those from U.S. States, European countries, China, Mexico, and Canada—will be brought to Brussels in 2005 and throughout 2006 to discuss their efforts to address climate change and to discuss the implications for European climate policy.

Further information:

http://www.ccap.org/international/PressRelease_CCAP-Brussels07112005.pdf

8. GREEN BUDGET REFORM IN SINGLE EUROPEAN COUNTRIES

Germany: Taking stock of the eco-tax: benefits for climate and employment Studies prove its positive effect: 20 million tons less carbon dioxide and 250,000 more jobs

[Federal Environmental Agency, Press Release 059/2005, Dessau, 04/10/05] The eco-tax

introduced in 1999 has had a positive effect on climate protection and employment in Germany, as demonstrated in three current studies by the German Institute for Economic Research (DIW) and ECOLOGIC - the Institute for International and European Environmental Policy, who investigated the effects of the eco-tax on the environment and employment on behalf of the Federal Environmental Agency (UBA). Thanks to the eco-tax Germany saved 20 million tons of climate-damaging carbon dioxide CO_2 in 2003 alone, a year during which private households produced about 120 million tons of CO_2 and roughly 250,000 jobs were created, especially in labour intensive businesses and among providers of energy savings technology. “The numbers help to objectify the debate about the eco-tax. In 1999 it was appropriate to introduce the eco-tax, and discontinuation of the tax now would send the wrong message to climate protection efforts and the labour market”, said Prof. Dr. Andreas Troge, President of the UBA, about the results.

Read the full document:

http://www.umweltbundesamt.de/uba-info-presse-e/2005/pe05-059.htm

Press coverage:

Der Spiegel: Ökosteuer schafft Arbeitsplätze [German]:
http://www.spiegel.de/wirtschaft/0,1518,378489,00.html

Schwäbisches: Tagesblatt Ökosteuer: Plus für Klima und Beschäftigung [German]:

http://www.cityinfonetz.de/index.php?nav2=Im%20Blickpunkt&artikel_id=35570643

N24 Netzzeitung: Umweltbundesamt zieht positive Ökosteuerbilanz [German]:

http://www.n24.de/boulevard/wissen-und-technik/?n2005100512072900002

Mitteldeutsche Zeitung: Umweltbundesamt meldet mehr Jobs durch die Ökosteuer [German]:

http://www.mz-web.de/servlet/ContentServer?pagename=ksta/page&atype=ksArtikel&aid=1128321929246&openMenu=987490165154&calledPageId=0&listid=994342720546

Offenbach Post: Ökosteuer bringt Plus für Klima und Beschäftigung [German]:

http://www.op-online.de/index_15_313835373834.htm

n-tv: 250.000 neue Jobs - Lob für Ökosteuer:
http://www.n-tv.de/586976.html

Best German Press Coverage: Ecotax successful

[Ecologic, 10/05] Ecologic and the German Institute for Economic Research (DIW) elaborated a study on the effects of Germany's Ecologic Tax Reforms on behalf of the German Federal Environmental Agency (UBA). The results were presented on 16 November 2004 in Berlin. Wide press coverage of the event documents the public interest in ecotaxes.

Link to German press articles:

http://www.ecologic.de/modules.php?name=News&file=article&sid=1254

Germany: Effects of Germany's Ecological Tax Reforms

[Ecologic,05 /10/05] Since its inception in 1999, the German Ecological Tax Reform has been the subject of major debate. Although it has proven to be an effective instrument for reducing CO_2 emissions and for stimulating employment and innovations, the Ecological Tax Reform is still heavily criticised or rejected outright, mainly because of its alleged impacts on economic competitiveness. Against this background, Ecologic and the German Institute for Economic Research (DIW Berlin) have investigated the effects that the reform has had on the environment, employment and technological innovations. The results of the study have now been released.

Background

The German Ecological Tax Reform causes an incremental increase in taxes on fuel and energy. The additional public income is used to contribute to the public pension scheme, thus lowering the non-wage labour costs. In this way, higher energy prices are meant to create incentives for energy savings and higher energy efficiency, while the reduction in non-wage labour costs is expected to stimulate employment. However, polls demonstrate that the link between higher energy prices and lower payroll fringe costs is generally not well understood.

The project

Against this background, Ecologic and the German Institute for Economic Research (DIW Berlin) analysed the positive effects of the tax reforms. The agency Neues Handeln edited the results of the project in order to disseminate the conclusions to the broader public.

Commissioned by the German Federal Environmental Agency (UBA), the study investigates the impacts of the Ecological Tax Reform on industry and producers. First, businesses were identified which benefited from the tax reform. Based on these findings, the study then examined the effects of the eco-tax in terms of newly created employment opportunities, technical innovation and development and the launch of new products and services. Also, Ecologic conducted a survey on the adaptation of private households to the new taxation framework.

The main results of the study have been favourable: in the six years since its inception, the Ecological Tax Reform has contributed to the objectives of the Federal Government in terms of both climate protection and employment generation. According to the DIW calculations on the macroeconomic effects of the Ecological Tax Reform, the emissions of carbon dioxide have decreased by some 20 million tonnes as compared to the reference scenario, while at the same time approximately 250,000 additional jobs can be attributed to the Ecological Tax Reform. Last but not least, the Ecological Tax Reform has directly or indirectly supported many technological innovations, above all in the field of energy efficiency and energy conservation.

Read the full document and the results in five reports:

http://www.ecologic.de/modules.php?name=News&file=article&sid=1156

Links:

Modelling burdens and benefits of the Ecological Tax Reform for different economic sectors [PDF, 384 KB, German]:

http://www.umweltbundesamt.de/uba-info-medien/mysql_medien.php?anfrage=Kennummer&Suchwort=2960

Macro-economic analysis of the impact of the Ecological Tax Reform [PDF, 376 KB, German]: http://www.umweltbundesamt.de/uba-info-medien/mysql_medien.php?anfrage=Kennummer&Suchwort=2961

Effects of the Ecological Tax Reform on private households [PDF, 450 KB, German]: http://www.umweltbundesamt.de/uba-info-medien/mysql_medien.php?anfrage=Kennummer&Suchwort=2810

Effects of the Ecological Tax Reform on selected businesses [PDF, 430 KB, German]: http://www.umweltbundesamt.de/uba-info-medien/mysql_medien.php?anfrage=Kennummer&Suchwort=2811

Impacts of the Ecological Tax Reform on innovation and market diffusion [PDF, 520 KB, German]: http://www.umweltbundesamt.de/uba-info-medien/mysql_medien.php?anfrage=Kennummer&Suchwort=2959

The first and second reports were compiled by the German Institute for Economic Research (DIW); the third, fourth and fifth reports were prepared by Ecologic. In addition, the main results of the study were summarised in a brochure by the agency Neues Handeln. See also the Federal Environment Agency's press release 059/2005 on the main findings of the study, which were broadly reported in the German media.

Germany: Insights in Past Political Processes on the Ecological Tax Reform from a Ministerial Perspective by Kai Schlegelmilch

[Elitza Todorova, Green Budget Germany, 13/11/05] This article by Kai Schlegelmilch was published in "Applied Research in Environmental Economics", a book by Christoph Böhringer and Andreas Lange, in 2005.

The paper aims to illustrate the theoretical evolution and the practical application of different economic approaches and tools, concentrating particularly on the Ecological Tax Reform, its history and the more than 20-years-of ETR debate in Germany. The focus is especially on the design and implementation of the ETR from 1999 till the present, including experience gained. The final part of the paper provides different recommendations and conclusions on this topic.

History and experience shows that the ETR implementation is a process comprising divergent public opinions, policy approaches and instrumental options. Anticipating the forthcoming implementation, the industry also played its role in hindering the successful realization of the government's goals. Consequently, various policy approaches were applied, starting with command-and-control, followed by environmental agreements and taxes, and finishing with the emissions trading implemented in the EU in 2005. In this regard, it should be mentioned that the impaired credibility of environmental agreements, resulting from industry's disregarding their targets in emissions trading, consequently influenced the willingness of the government to apply such agreements.

In order to receive support on a political level, it was crucial to obtain policy recommendations before and after the implementation. The change of government and the initial research on this issue, though, made the policy advice less influential. It is a difficult task to illustrate the process and analyse the experiences, when attempting to assist other countries in their attempts to implement economic tools. Also, looking at the German main actors in this process, it can be concluded that all countries observe one another and it is important to include in the process not only the scientific or political aspects, but also the administration, the industry and the NGOs dealing with environmental protection. The communication with partners in other countries is also essential for creating a more unified opinion between the stakeholders. In 2002, such communication, for example, was successfully built between the Czech Ministry for the Environment and the German Ministry for the Environment, and is on its way to being extended to other countries as well.

Links:

"Applied Research in Environmental Economics" by Christoph Böhringer and Andreas Lange (Eds.), Series: ZEW Economic Studies, Vol. 31. http://www.springer.com/sgw/cda/frontpage/0,,1-40356-72-51926187-0,00.html

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http://www.springer.com/sgw/cda/pageitems/document/cda_downloaddocument/0,11855,0-0-45-152136-p51926187,00.pdf

Portugal: Portuguese budget links car taxes to CO_2

[Environment Daily 1930, 23/09/05] The Portuguese government has approved linking vehicle taxes to carbon dioxide emissions as part of the 2006 budget. In a statement, it said the initiative, which enters into force next July, "marks the beginning of a progressive reform to make vehicle taxation work to combat pollution".

Definitive figures have not yet been released but the finance ministry said there would probably be a 10 percent reduction for cleaner vehicles. In July the European Commission proposed that all EU states should increasingly base car taxes on CO_2 emissions.

http://www.environmentdaily.com/articles/index.cfm?action=article&ref=19152)

See Portuguese government

http://www.portugal.gov.pt/Portal/PT

UK: Industry beats CO_2 reduction targets

[UK Environmental Headlines, 09/08/05] British industry cut its carbon dioxide emissions by 14.4 Mt in 2004. This is more than double the target signed up to under Climate Change Agreements (CCA) with the Government. CCAs are ten-year energy efficiency agreements which give firms an 80 percent discount on their climate change levy if they meet targets.

Press release:

http://www.defra.gov.uk/news/2005/050721b.htm

UK: Britain Facing Serious Energy Gap if Policy Rethink not Forthcoming

[Jacqueline Cottrell, Green Budget Germany, 11/11/05] The British government has come under attack from a Geological Society of London report written by John Loughhead, (Executive Director, UK Energy Research Centre) with the support of 150 academics and businesspeople. The report, published on 10th November, argues that the UK will be able to produce only approximately 80 percent of its electricity needs unless positive moves are made to tackle the problem and highlights current government inaction as a cause for serious concern.

While Tony Blair is strong on rhetoric, when it comes to actual policy measures to realise Britain's commitments under the Kyoto Treaty, his government seems rather non-committal. Indeed, since the Labour government was re-elected, there has been precious little progress towards the implementation of framework legislation to set up regulatory structures, such as new forms of environmental taxation and environmental fiscal reform, as called for by the report. Following his comments at a meeting of G8 energy and environment ministers in London, where Blair played down the importance of frameworks and targets for climate change mitigation, the British Prime Minister has come under increasing pressure to take action on climate change (for more details, see the Climate Chaos article in this edition of GBN).

The report puts forward a strong case for improved energy efficiency, concluding that energy will inevitably become less available and more expensive than it has been for the last few decades, and that this change will be permanent. Adapting to this scenario while maintaining the UK's standard of living, the report contends, will require fundamental changes in the way energy is produced and consumed.

Predictably, nuclear interests and nuclear energy fans have leapt eagerly on the bandwagon and are calling loudly for the expansion of Britain's nuclear power stations, in spite of revelations by the Nuclear Decommissioning Authority this August that decommissioning and clearing up of power station sites will cost as much as £18 billion in excess of predictions. In the meantime, arguments in favour of improving energy efficiency and investment in renewables are taking a back seat.

Significantly, however, a representative of Mitsui Babcock, a leading provider of energy and environmental solutions (including nuclear technology) told the BBC that it was too late to meet the shortfall with nuclear energy. The company's director of policy liaison, Mike Farley, called on the government to set a programme for pricing carbon dioxide emissions beyond 2012, to create conditions to meet the shortfall with renewables and 'clean coal', burnt in efficient coal-fired power stations with greatly reduced emissions. He claimed that carbon capture technologies could reduce carbon emissions from coal-fired power stations by as much as 95 percent.

As for renewable energies: the two-day meeting that led to the report reviewed and debated a number of renewable technologies presently in service or development. At this meeting, experts argued that large-scale renewables, specifically wind, bio-energy, and (to a lesser extent) marine energies, could potentially provide around 15 percent of current national demand by 2020, rising to 35–40 percent by 2050, if the newer technologies could be successfully developed and deployed.

The reality, however, is that Britain's potential for renewable energy is far from being fulfilled. As Jeremy Leggett, Chief Executive Officer of the solar power company Solarcentury told Richard Black of the BBC, "despite its rhetoric about global climate change, the government is drip-feeding the renewables sector – barely keeping it alive". He claimed that the government seems not to believe that wind power and other renewables are credible sources of large-scale electricity. He contrasted the UK's failure with German success in the renewables sector, where wind energy is booming and where more than 100 times as much solar capacity was installed than in the UK in 2004.

The report is available on the London Geological Society website at
http://www.geolsoc.org.uk/template.cfm?name=PR60)
Links: http://news.bbc.co.uk/1/hi/sci/tech/4425030.stm

UK: A very cautious welcome for biofuels obligation

[Jacqueline Cottrell, Green Budget Germany, 11/11/05] The government announcement on Thursday 10. November that biofuels will form five per cent of transport fuel sales by 2010, helping to tackle transport's contribution to climate change, has been only cautiously welcomed by NGOs and biofuels producers in the UK.

Sir Don Curry, chairman of the sustainable farming and food strategy implementation group welcomed the move, saying: "This announcement will give encouragement to the many producers interested in the commercial opportunities which biofuels represent." Farmers also welcomed the move, hoping that a market for biofuels would offer them an alternative cash crop. Andrew Owens, chief executive officer of UK biofuels supplier Greenergy, said; "I'm very positive (about the announcement). It is unusually unambiguous and that is a great step forward."

While Malcolm Shepherd, managing director of the biofuels company Green Spirit Fuels Plc., regards the five percent target as realistic, the Renewable Power Association expressed disappointment at the five percent requirement, which is a volume target and is the equivalent of 3.5 percent on energy content. Clare Wenner, head of RPA Biofuels, said; "This is a big step forward in the UK's efforts to combat climate change. It is disappointing that the Government has gone only as far as a 5 percent usage. Still, we are confident that this figure will increase over time so that motorists can do more to save carbon in the future." It is to be hoped that this is the case, as the European Union biofuels directive released in 2003 calls for a target of 5.75 percent on the basis of energy content.

Friends of the Earth stressed that Transport Secretary Alistair Darling's plans to facilitate growth in road and air travel will more than wipe out savings from the Renewable Transport Fuels Obligation by 2015. Although Darling claims that the Obligation will save one million tonnes of carbon by 2010, transport emissions are due to rise by 2.1 million tonnes by 2015.

Friends of the Earth also welcomed the Government's proposed assurance scheme "to ensure that biofuels are sourced sustainably". But, they warned that without strong safeguards, the proposed Obligation could encourage biofuel producers to damage the countryside by intensifying production at the expense of wildlife, destroy rainforests through imports of palm oil or harm wildlife overseas by using oils derived from GM-crops.

Links: Friends of the Earth on the RTFO and The Renewable Power Association.

UK: Solar panel tax breaks are backed

[Jacqueline Cottrell, Green Budget Germany, 14/11/05] While the UK government itself has come under fire due to its failure to produce a viable energy policy, Labour MP Mark Lazarowicz has taken individual action. His Sustainable Energy Bill, up for a second reading in the House of Commons on 11. November, plans to cut council tax for people who generate their own electricity, hoping to increase the number of homes with solar panels and wind turbines. The government supported the proposal, with Energy Minister Malcolm Wicks telling MPs that he would help it become law.

Mr Lazorowicz's Sustainable Energy Bill says energy firms should be forced to buy any spare electricity from home generators at market prices, and proposes targets for micro-generation levels in the UK. Speaking at its second reading, Mr Lazarowicz said more should be done to make energy production at the home and community level affordable. His bill is geared towards solving problems of climate change and fuel poverty at the same time, rather than them being seen as opposing interests as is usually the case in policy discussions in the UK.

"There are a whole array of potential measures which could encourage energy efficiency and micro-generation: council tax rebates for householders who install energy saving devices, stamp duty rebates for house purchasers, measures to encourage the purchase of energy conservation for houses," he said in parliament on 11. November as the bill was discussed.

Mark Lazarowicz suggested that as many as 10 million homes could generate their own electricity. Optimistic experts have even predicted that they could supply 10 percent of the nation's energy needs – and as Lazarowicz pointed out, even a significantly lower figure could make a considerable contribution to electricity generation in the UK.

Unsurprisingly, the government appeared less enthusiastic about the proposal obliging the Prime Minister to provide an annual report to Parliament on measures being taken to combat climate change. Nevertheless, the Energy Secretary said the government supported the principles behind the bill, as did the front benches of the opposition parties, and offered to work with Mr Lazarowicz on changes to get the micro-generation and other measures into law.

http://news.bbc.co.uk/1/hi/uk_politics/4429040.stm

http://www.publications.parliament.uk/pa/cm200506/cmbills/017/2006017.htm

Read parliamentary discussion of the bill at:

http://www.publications.parliament.uk/pa/cm200506/cmhansrd/cm051111/debtext/51111-01.htm#51111-01_head1

UK Transposes the Linking Directive

[UK Environmental Headlines, 21/10/05] On 19 October, the UK Government laid Regulations before Parliament transposing the Linking Directive into UK law. The Linking Directive (2004/101/EC) allows member states to provide for credits earned through the Kyoto project mechanisms to be used in the EU Emissions Trading Scheme (EU ETS).

The UK Regulations specify provisions relating to the use of project credits in Phase I (2005-2007) of the EU ETS, as well as provisions relating to project approval processes and authorisation to participate in the flexible mechanisms. The Regulations will enter into force on 13 November 2005.

Press release:

http://www.defra.gov.uk/news/2005/051019d.htm

Further information:

http://www.defra.gov.uk/environment/climatechange/trading/eu/kyoto/index.htm

9. GREEN BUDGET REFORM WORLDWIDE

US Nuclear Subsidies - Major Findings

[Earth Track, 29/11/05] Earth Track is pleased to announce updated information on the magnitude of subsidies to nuclear power in the United States. This material was presented at a recent symposium on nuclear power and climate change hosted by the Nuclear Policy Research Institute.

- Nuclear power continues to be uneconomic without large government subsidies.
- Federal subsidies for new plants are worth 4 to 8 cents per kWh (levelized cost basis) of nuclear-generated electricity, 60-90 percent of the generation cost for a new plant. Thus, the majority of the cost of these new plants is being paid by the public, though all of the profits if the plants are successful will be retained by the investors.
- Studies on the economics of nuclear power over the past few years routinely ignore baseline subsidies (worth 0.8-4.2 c/kWh) to nuclear in their calculations of economic viability of the technology. Many also use unrealistic assumptions for the cost of capital.
- The Price-Anderson Act, which limits investor liability for damages that nuclear accidents cause the surrounding population, provides coverage of diminishing value.
- Coverage levels for individual reactors have increased only 10 percent in real terms since 1975, despite massive growth in the value of off-site property and in the numbers of people surrounding plants.
- Coverage levels purchased by at least some firms to protect their own nuclear plant, equipment, and businesses in the event of an accident are TEN TIMES the coverage levels they hold to protect the surrounding population in the case of an accident.
- Retrospective premiums, making up the bulk of the private liability under Price-Anderson, are at increasing risk from changes in the corporate structure under which commercial plants are held, and by consolidation of operating units under a single parent.
- Questions, comments, or suggested changes to this analysis always welcome

Link:
http://www.earthtrack.net/earthtrack/library/NuclearSubsidies2005_NPRI.ppt

The Search Continues for Alternative Fuels

[Danny Hakim, The New York Times, 10/09/05] Detroit – Earlier this month, Benjamin Kleber was spending 90 cents a liter at a gasoline station in Maryland when he noticed an obscure decal on his minivan.

“It’s this sticker about the size of a business card that’s stuck on the side of the gas flap that I never really paid attention to,” said Mr. Kleber, a 25-years-old electrical engineer for a government contractor. The decal said he could use E85, a fuel cocktail that consists mostly of grain alcohol, or corn-based ethanol, with a little gasoline.

Production of ethanol fuel, much of it blended in small doses with regular gasoline, has doubled to more than three billion gallons in the last half decade. This year, propelled by rising gasoline prices, E85 is finding new life as an alternative fuel.

Being an engineer, Mr. Kleber has heard of E85. And after spending $58 to fill his 1998 Plymouth Voyager with regular unleaded on September 4 – “staggering,” he said – he did some research. He discovered that a station nearby sold E85 for 71 cents a liter. At current prices that could save him more than $14 on each tank of gas.

“I think we go through fossil fuel like a kid in a candy store without any concern about what happens when it runs out,” he said.

But ethanol is an unlikely solution to what some analysts believe is a coming shortage of oil. For one thing, it is not widely available. There are roughly 180,000 gasoline stations nationwide and fewer than 500 with E85. In addition, huge tracts of farmland would have to be converted to corn production to provide enough fuel for significant protions of the American automobile fleet.

A recent study published in the journal BioScience forecasts that for all cars and trucks to run on ethanol by 2048, “virtually the entire country, with the exception of cities, would be covered with corn plantations.” And E85 cannot be transported through gasoline pipelines, because it sucks up grime and water. E85 is also less energy dense than gasoline, so a car does not go as far as it does on a similar amount of gas.

No one doubts that it would take a radical change to wean the country off foreign oil. Still, more than ever before, the nation’s roads are a moving laboratory of alternatives to gasoline combustion engines, often being driven by average Americans, if in small numbers.

There are cars powered by natural gas, by hydrogen fuel cells and by cooking grease. There are lectric cars and hybrid electric cars.

What separates E85 from other alternative fuels is that in the United States more than four million cars and trucks have the ability to run on it right now, even though the majority of people who own these so-called flex-fuel vehicles are not even aware of it. Already, Brasil has turned to the ethanol en masse, though the fuel there is derived from the prevalent local crop, sugarcane.

Another benefit to ethanol is that most studies indicate that it reduces emissions of both smog-forming pollutants and global warming gases.

David Friedman, a senior analyst at the Union of Concerned Scientists, an environmental group, said, “ethanol has great potential to help the U.S. kick our oil habit, but that’s 20 or 30 years away.”

Why Cheap Gas Is a Bad Habit Higher pump prices would help push Americans away from gas guzzlers.

[Robert J. Samuelson, Newsweek, 19/09/05] What this country needs is $4-a-gallon gasoline or, maybe, $5. We don't need it today, but we do need it over the next seven to 10 years via a steadily rising oil tax.

Coupled with stricter fuel-economy standards, higher pump prices would push reluctant auto companies and American drivers away from today's gas guzzlers. That should be our policy. The deafening silence you hear on this crucial subject from the White House, Congress and the media is a sorry indicator of national shortsightedness.

Story continues here:

http://www.msnbc.msn.com/id/9285514/site/newsweek/#storyContinued

Saudi king urges countries to reduce fuel tax

[New Europe, 23-25/10/05] Saudi Arabia’s King Abdullah urged the main oil-consuming countries to reduce taxes on oil products, the official Saudi news agency SPA reported on 19 October 2005. Abdullah’s comments came on the night of 18 of October in Jeddah during a meeting with Managing Director of the International Monetary Fund (IMF), Rodrigo de Rato. Abdullah urged the IMF to advise the main oil-consuming countries to tax oil products in an equitable manner that would benefit consumers.

Maintaining taxes at current levels would impact in the future on investment in oil producing countries and on the petrol market in general, the monarch told the IMF head, according to SPA.

The pair discussed Saudi Arabia’s oil policy and its role in maintaining stability in the international oil market. Saudi Arabia is implementing a 50 billion dollar plan to increase oil production to 12.5 million barrels per day by the beginning of 2009. Meanwhile, with soaring crude oil prices threatening many African economies, Libyan leader Moamer Gaddafi has called for an emergency meeting of oil producing countries in Africa, the Libyan embassy in Abuja said on 20 of October. A statement from the Libyan embassy quoted the Libyan leader as suggesting that the meeting be held “as soon as possible”, but did not suggest any date. The statement said the meeting would aim at working out a plan to save poor African countries whose economies were facing serious difficulties due to high oil prices. Signed by Mansour Osman, Libyan ambassador to Nigeria, the statement named, Libya, Nigeria, Algeria and Angola as nations expected to meet. It said that Libya was prepared to host the meeting, which would be attended by economic experts drawn from across the continent.

UK: Darling Takes Action To Make Transport Fuels Greener

[Department of Transport Press Release, 10/11/05] Transport Secretary Alistair Darling has announced new measures to make transport fuels greener by requiring 5 percent of all UK fuel sold on UK forecourts to come from a renewable source by 2010.

The move - known as a Renewable Transport Fuels Obligation - was announced at the Environmentally Friendly Vehicles Conference in Birmingham, where representatives from international Governments and industry met to discuss ways to promote greener vehicles.

Alistair Darling said:

"Taking action to tackle climate change is essential. The Renewable Transport Fuels Obligation I am proposing today is predicted to save around 1 million tonnes of carbon dioxide emissions in 2010 - the equivalent of taking 1 million cars off the road. Carbon savings could also increase in future years. This will help reduce the impact of transport on climate change, and bring environmental benefits for us all."

"I am determined that transport should play its part in addressing the threat of climate change. Making vehicles more efficient and investing in public transport are important aspects of our strategy, but renewable fuels are equally important. This Obligation is vital in continuing to promote a shift towards cleaner, low carbon road transport."

Drivers filling up at petrol stations will see very little difference, as biofuels do not change the performance of cars.

The Government also published the results of a feasibility study today, setting out how the obligation will work. It will require the major oil companies and importers to ensure that a growing proportion of their fuel sales are from a renewable source. By 2010, that proportion must be 5 percent, which will mean a 20 fold increase in biofuels sales over today's levels.

Today most biofuels come from crops like oilseed rape and wheat, which can be mixed with petrol and diesel and run in ordinary cars. In the future we could see more advanced biofuels made from waste and possibly even renewable hydrogen.

To ensure that biofuels are sourced sustainably, the Government proposes to develop a carbon and sustainability assurance scheme as part of the obligation. Obligated companies would be required to report on the level of carbon savings achieved and on the sustainability of their supplies.
The Government will consult on the detail of how the Obligation will work in due course. This will cover issues like what level the obligation should be set at in future years and how long each obligation period will last.

Alistair Darling also highlighted the Government's intention to investigate further the potential for hydrogen fuel in the UK. He said:

"In the longer term, we need to look seriously at the fuels we are using to power our transport - which is why we are piloting the development of hydrogen fuelled transport….A lot of work is being done in this field, for example, the hydrogen highway in California….As a next step, we need to have a hard look here in the UK at the practical steps we would need to take to build a hydrogen infrastructure."

Notes to editors

The Government currently supports biofuels through a 20 pence per litre duty incentive. This has stimulated sales of around 10 million litres a month - about 0.25 percent of all road fuel sales. The Government announced that it would consider an obligation last year to answer industry calls for longer term certainty.

The Renewable Transport Fuels Obligation (RTFO) will work through a system of certification. Oil companies will receive certificates from an administrator to demonstrate how much biofuel it has sold. If the company sells more than its 5 percent obligation, it would then be able to sell those certificates to other companies who need more to meet the obligation.

The primary powers that would enable the Government to introduce an obligation are contained in the Energy Act 2004.

The original press release is online at: http://www.dft.gov.uk/pns/displaypn.cgi?pn_id=2005_0116

For feasibility studies and more information on the RTFO go to:

http://www.dft.gov.uk/stellent/groups/dft_roads/documents/divisionhomepage/610328.hcsp

The 2004 Energy Act is available at: http://www.opsi.gov.uk/acts/acts2004/20040020.htm

The Use of Economic Instruments in Chile

[Translated by Elitza Todorova from an original publication by the Chilene Ministry for Economic Affairs and CONAMA, 2005] For the last two decades, economic instruments have raised a great deal of interest on part of environmental economists, academics, governmental authorities and international organisations dealing with environmental and natural resources protection.

The application of incentive instruments for the realisation of environmental objectives aims at integrating in decision-making environmental impacts resulting from decisions and the opportunity for decisions-makers to strike balance between their individual effort stowards mitigation and the one that possibly agrees with the rest of the society, instead of the market. Such flexibility enables, in most of the cases, an important minimisation of the fulfilment costs, without sacrificing the initial environmental objectives.

This advantage has particular importance for an emerging country like Chile, where the achievement of environmental goals at the lowest expense for the production sector and without harming the industry competitiveness is fundamental.

In spite of the benefits of the use of economic instruments, their application in Chile, as well as in other both developing and industrialised countries, does not seem extended at a first glance. After an initial publication and an international seminar in 1995, the Government did not develop a more comprehensive and systematic handbook for application of economical instruments.

The absence of such a handbook should not be mistakenly accepted as a sign of lazyness, with regard to the implementation of economic instruments. On the contrary, today, ten years after the first seminar and publication, a wide range of economic instruments are being implemented. An effort has been made and an improvement has been achieved in the use of various specific instruments, which are often not classical ones such as environmental taxes, and which do not always include a clear and comprehensive economic incentive. Nevertheless, environmental costs are being internalised using the market and adapted to the country's reality. Examples include rate-setting for electricity and water, as well as the bidding of streets for the pubic transport and the economic incentives they contain. And, for these last years, not only have new instruments been created, supporting the introduction of environmental technologies for example, but also, instruments for improved internalization of environmental objectives, like in the case of modifying Law 701, on Forestry Discount (Bonificación Forestal).

Some instruments, like the Law on Bonds for Decontamination (Ley de Bonos de Descontaminación), are undergoing discussion in the Parliament and it is expected that the resulting legal implications will lead to a more adequate formulation of these bonds.

In the meantime, various other instruments are being analyzed and will continue to be analyzed by the Government e.g. differentiated rate-settings for solid waste, or the system for charging sewages to water.

The Law on Environmental Regulations (Ley de Bases de Medio Ambiente) does not establish a procedure for the elaboration of economic instruments. On the other hand, a great variety of these exists from taxes, specific charges, and the system for transferable rights, through to labelling systems. Of course, this fact contributes to the non-existence of a "centralised administration" or a "single point of contact" for such instruments in Chile. It is more important, still, to carry out the creation of the handbook, in order to show the practical side and the great variety of instruments, and the administrative means for their implementation. As it remains clear from the interpretation of this instruments, and taking into account the absence of proceedings for their elaboration, the introduction and implementation of these instruments depends to a large extent, aside from overcoming some of the legal, technical and/or ideological obstacles, on the creativity, persistence and innovative spirit of the actors involved.

In a modern environmental management system, based on the coordination of instruments, the search for efficient instruments and their coordination, for public-private cooperation, and for the use of such instruments is fundamental and will always constitute an important element and complement to the direct regulation.

The present summary incorporates a description of the economic instruments in force and the one undergoing discussion in the Parliament. The specifications are carried out by the same professionals who are in charge of the elaboration and/or the implementation of the respective instruments. Certainly, this handbook is not thorough, but, rather indicative of the present situation.

Without harming the existence of the instruments administrated by the state government, many other instruments of economic and market nature exist, functioning in private in Chile: between others are the systems for forestry certification, with two functioning systems in Chile, and the system for deposit of bottle refunds.

For the purpose of this publications economic instruments are organised in two categories: one, contains instruments which aim at issues like atmospheric contamination, water and the generation of waste; and the other includes instruments for protection of natural resources. Admittedly, it is not always possible to make such a clear distinction: for example, in the case of setting a rate on water or electricity, environmental costs are being internalized in terms of contamination, as well as costs in terms of use of natural resources.

We hope that this handbook, beyond serving as a reference for the current situation in Chile, will inspire public officials and private agents to continue working on this matter, in order to help make our environmental management more effective and efficient.

Read the full document [Spanish]: The Use of Economic Instruments in Chile

India: The new dirty deal

[Sunita Narain, Centre for Science and Environment, Editorial, 06/09/05] Did India play into the dirty hands of the US in signing a joint agreement with it and Australia on climate change? The Asia Pacific Partnership for clean development and climate change has been signed by India, China, South Korea and Japan -- all signatories to the multilateral Kyoto Protocol -- with two protocol-renegade nations, Australia and the US. The partnership is about doing 'things' together, so that the world can be saved from future devastating impacts of climate change.

How innocuous. The US and Australia rejected the Kyoto Protocol because it sets legally binding targets for their emissions. They rejected it because it does not set such targets for China, India or South Korea, because -- let us remember; this was agreed upon -- these countries need economic, and ecological, space to grow. The two renegades want to create bilateral instruments, showcasing them as more effective in combating climate change. Their style of global cooperation, built on utilitarian self-interest -- they wish to showcase -- is better than the Kyoto Protocol.

10. LINKS AND PUBLICATIONS

European Commission Green Paper

The European Commission has published recently a Green Paper called: "The European Commission Green Paper on Energy Efficiency" that can be viewed at: http://europa.eu.int/comm/energy/efficiency/index_en.htm.

The Climate Group : Carbon Down, Profits Up

[UK Environmental Headlines, 17/10/05] The Climate Group, in conjunction with HSBC and Rockefeller Brothers Fund, has published the second edition of the report "Carbon Down, Profits Up." The report outlines how a select group of companies and governments have successfully reduced their greenhouse gas emissions and achieved financial and economic benefits as a result. Report available at: http://www.theclimategroup.org/assets/CDPU.pdf

Tax-based EU own resources: An assessment

[Philippe Cattoir, Taxation Papers, Tax-based EU own resources: An assessment, Working paper No 1- 04/04, European Communities, 2004, Belgium] […] it is useful to present a structured analysis of some of the pros and cons of giving taxing powers to the Union. Such an exercise has already been made in the past, notably in the context of Agenda 2000, which presented the European Commission's position concerning the EU financial framework for the period 2000-2006 [European Commission, 1998]. Several candidates for a genuine or tax-based own resource ("EU tax") were presented and assessed. However, that

analysis needs to be revised and updated to take into account the considerable evolution of EU objectives and policies in recent years and to include an assessment of new possibilities, such as, for instance, a climate charge on aviation emissions. The present revision of previous work also provides scope for a deepening of the existing analysis and an adaptation of criteria for the evaluation of possible candidates.
The working paper makes specific assumptions concerning the practical aspects of some of the suggestions for an EU tax. These assumptions should not be considered as political choices. They rather represent what the author views as the most sensible technical options for a future EU tax in the current EU context. The 'central scenarios' presented here do not exclude alternative options. They do however provide an idea of the main pros and cons of any possibility.

It should also be clear that a discussion on EU taxation can only provide partial information as to the feasibility of a proposed EU financing system. The coherence and sustainability of a financing system very much depends on the interaction of its constituent parts. Hence, some drawbacks related to specific taxes may well be irrelevant in the wider context of a future EU financing system. This Taxation Paper does not attempt an overall assessment of either the present or a possible future financing system for the Union. Instead, it focuses on the examination of possible individual taxes that could be assigned to the European Union. A broader analysis, presenting the European Commission's position on the future financing system of the EU, can be found in the recent Communication on the Policy challenges and budgetary means of the Enlarged Union for 2007-2013 [European Commission, 2004].

[…] In other words, this paper does not address the eminently political question of whether there should be a new European own resource, but merely analyses possible candidates for an EU tax.

Read the full document: Taxation Papers, Tax-based EU own resources: An assessment

UK: Climate Commitment: Meeting the UK's 2010 carbon dioxide emissions target

[Tony Grayling, Tim Lawrence, Tim Gibbs, 31/10/05] This report shows how the Government's manifesto commitment to reduce the UK's carbon dioxide (CO_2) emissions by 20 per cent from the 1990 level by 2010 can be met. Our starting point is the DTI's updated emissions projections published in November 2004, which suggested about a six per cent shortfall by 2010, corresponding to excess emissions of about 10 million tonnes carbon equivalent (10MtCe). However, our proposals do not wholly depend on the accuracy of the emissions projections. If, as widely expected, revised projections suggest higher emissions in 2010 without new measures, then under our proposals the notional saving from the EU Emission Trading Scheme would also increase. Other measures would also need to be revised and enhanced.

Read the full document: http://www.ippr.org.uk/ecomm/files/climate_commitment.pdf

Smarter Choices – Changing the way we travel The influence of soft factor interventions on travel demand

[*Kerstin Meyer, EEB, 10/05*] This study by the UK Ministry of Transport […] shows that people are indeed willing to choose alternatives to the private car, if they are offered smart alternatives.

Link: http://www.dft.gov.uk/stellent/groups/dft_susttravel/documents/page/dft_susttravel_029830.pdf

NCAR Advanced Studies Program

Postdoctoral Fellowship Program

The postdoctoral program provides an opportunity for recent-Ph.D. scientists to continue to pursue their research interests in atmospheric and related science. The program also invites postdoctoral physicists, chemists, applied mathematicians, computer scientists, engineers, and specialists from related disciplines such as biology, geology, science education, economics, and geography, to apply their training to research in the atmospheric sciences.

The primary goal of the program is to develop the careers of recent Ph.D. graduates. The ASP also encourages independence and creativity while providing an environment in which fellows interact with and receive advice from experienced scientists at NCAR.

Deadline for 2006 applications is 5 January 2006.

If you have any questions! please contact the Advanced Study Program at asp-apply@ucar.edu

See what Sciencecareers.org has to say about NCAR and the ASP postdoctoral fellowships

The IAI postdoctoral program provides an opportunity for recent-Ph.D. scientists from any of the nineteen member countries to come to NCAR and continue to pursue their research interests in atmospheric and related science. The program also invites postdoctoral physicists, chemists, applied mathematicians, computer scientists, engineers, and specialists from related disciplines such as biology, geology, science education, economics, and geography, to apply their training to research in the atmospheric sciences.

Deadline for 2006 applications is 5 January 2006.

Above From ASP Website: http://www.asp.ucar.edu

SERE Lab Website: http://www.sere.ucar.edu/

Institute for the Studi of Society and Environment (ISSE):

http://www.isse.ucar.edu/

11. NEW EU-COUNTRY-REPORTS : MALTA AND HUNGARY

Maltese government doubles water and electricity rates

[New Europe, 30/10/05-5/1105] Maltese consumers will have to pay almost twice as much for water and electricity from November 1 after Prime Minister Lawrence Gonzi's cabinet announced a hike in energy bill surcharges. The current 17 percent surcharge on water and electricity bills is to be increased to 55 percent from November, and by a further 1.1 percent from January 1. Gonzi also announced that petrol prices will go up by three Maltese cents (seven euro cents) a litre from November 1. The price of unleaded fuel is currently 4 Maltese cents (1.02 Euro) a litre. The price of diesel will not go up. Gonzi said that the measures were necessary to make up for a projected 50 million liri (166 million Euro) increased in fuel costs for Enemalta, the state energy corporation, which enjoys a monopoly on the sale and distribution of fuel and energy products. Enemalta stands to make a 30 million liri (70 million Euro) loss, which will be covered by state guaranteed loans. Gonzi said the water and electricity surcharge will henceforth be revised every month, to reflect movement on international markets. Gonzi, who is also finance minister, will be presenting his annual budget to parliament on October 31.

http://www.enemalta.com.mt/

http://www.eco-tax.info/downloads/MaltaEcotaxes.pdf

http://www.eco-tax.info/5EUecotax/Malta.htm

Anti-green tax changes in Hungary

[András Lukács – Lázár Pavic, Clean Air Action Group] In its autumn legislative session, the Hungarian Parliament passed its new tax regulations for 2006. Here we evaluate these changes from an environmental point of view, without aiming at completeness.

Favourable changes:

The entire value of local public transport passes granted to employees became exempt from taxes (up until now, only a small part thereof could be accounted free of taxes). The Clean Air Action Group has been recommending this step for many years. (It poses a problem, however, that the amount of tax-exempt allowances – which may comprise other items as well – was limited in HUF 400 thousand[i] per year.)

As from 1st January 2006, the excise duty imposed on fuel additives will be identical at any given time with the lowest tax rate of the fuel type for which these additives are used. Hopefully, this will contribute to further restraining fuel manipulations.

Taxes imposed on cigarettes and other tobacco products will increase even in real terms, i.e. the rise will be somewhat larger than the joint impact of the VAT rate reduction and of the expected inflation rate.

Overall, the registration taxes of motorcars, motorcycles and quads will be higher in real value. In contrast to previous practice, as from 1st January 2006, no value-added tax is imposed on the registration tax; the rise, however, will more than counteract the impact of that measure and of the cut of the VAT rate to 20 per cent. It is also favourable that such level of registration tax is imposed on used motorcars which will contribute to curbing the import of obsolete cars.

Subsidization granted to district heating of flats will also become tax-free. This eases somewhat the competitive disadvantage of district heating; but a real solution could only be attained through the energy efficiency modernization of buildings and equipment, as well as the application of legal and economic instruments promoting such modernization (energy prices which take into account externalities, reduction of the payback period of modernization, etc.).

As from 2006, the Hungarian Act on Corporate Income Tax and Dividend Tax directly supports the protection of historic buildings and monuments. In the case of restoration or renovation of real properties declared to be historic buildings through the use of state-guaranteed credits, the accounted interests (but as a maximum the tax payer's pre-tax earnings) is an item decreasing the pre-tax earnings, provided that the taxpayer keeps record of the real property concerned under the heading of assets.

Unfavourable changes:

As from 1st October 2005, the VAT rate on fuels was reduced from 25 percent to 20 percent. This entails the following disadvantages:

- The general public has been given the erroneous idea that the rise in world market petroleum prices can be counteracted by Hungarian governmental measures.
- Further support was granted to a seriously environment-polluting activity.
- This support only encouraged private consumption, since VAT can be reclaimed when fuels are used for production purposes.
- The Hungarian state budget deficit became even larger. It is perceptible already today that this resulted in new restrictions in several key areas.
- It rendered the Hungarian economy's structural modernization - the reduction of its energy-intensity, and the wider use of energy-saving technologies – even more difficult.
- Providing encouragement to fuel consumption further accelerates the swelling Hungarian foreign trade deficit (owing to the rising prices of energy sources, in 2005 Hungary spent by 1 billion dollars more on imported energy sources than in 2004).
- Hungary is acting against the European Union's official policy and regulations.

As regards all other products and services, which were previously subject to the 25 percent VAT, as from 1st January 2006, this rate will be lowered to 20 percent. The impacts of this measure are difficult to assess since – contrary to statutory requirements – no analysis whatsoever had been prepared about the impact of this action on the national economy. We can, however, state that such cut of the VAT rate entails the following risks:

- In all probability, differences within Hungarian society will grow even further, and the constitutional principle of proportionately bearing the burden of taxation will be violated even more seriously than before. Richer social strata consume much more from products subject to the 25 percent VAT rate than poorer social groups; thus, the reduction primarily favours the former group. What is more, nearly half of the expenditures of poorer people are spent on goods subject to the 15 percent VAT (mostly foodstuffs), whereas this share is significantly smaller in the case of richer citizens..
- It is to be feared that the VAT cut will unfavourably influence Hungary's competitiveness, also because the overwhelming majority of imported products fall into the 25 percent VAT category. Consequently, as of next year, imports will be granted such preference. It is questionable whether the more favourable position gained by domestic products subject to 25 percent VAT can counterbalance the ensuing deterioration of Hungary's competitiveness, especially if we take into consideration that a very significant part of domestic products and services belong to the 15 percent (and a small part to the 5 percent) VAT category.
- It can be anticipated that VAT reductions will have an unfavourable impact on the environment. For instance, some non-renewable energy types, as well as the operation of cars and trucks, will become cheaper. It is true that the prices of certain products and activities serving the

purpose of environmental protection will also become lower; all in all, however, the balance of these changes does favour the activities which place a heavy load on the environment.

- The tax change will exacerbate by hundreds of billions of HUF the state budget's already extremely large deficit. Hungary's competitive position will severely deteriorate as a result, and it will discredit Hungarian economic policy. Moreover, the 2006 state budget bill, submitted to the Parliament in the meantime, already shows that the resulting revenue losses will lead to serious curtailments and disorder in numerous areas (railway freight transportation, public transport, state administration, courts of law, etc.).

The kilometre allowance which can be deducted for private cars used for official and business purposes (over and above the incurred fuel costs) was raised from HUF 3 to HUF 9. This gives further impetus to the tax fraud of mass proportions going on in this sphere, which deprives the Hungarian state budget from tax and social security contribution revenues worth about HUF 800 to 1000 billion annually (for more details see Clean Air Action Group's study titled “Transport Subsidies”:

http://www.levego.hu/konyvtar/olvaso/kozl_tam.pdf in Hungarian,

http://www.levego.hu/english/environmental_fiscal_reform/statesubs_tans.pdf summary in English). Another issue pertaining to this matter is that back in the spring of 2005, the Hungarian Parliament passed an amendment of law, pursuant to which employers could increase from HUF 3 per kilometre to HUF 9 per kilometre the tax-exempt cost reimbursement granted to the car use of employees commuting to work from villages or towns other than the ones their workplace is located in. In many cases this provided additional encouragement to car use; for example, it granted supplementary preference to all those who drive from neighbouring settlements to their workplace in Budapest, causing huge traffic jams day after day. (Clean Air Action Group sent a letter to Hungary's Prime Minister and Minister of Finance warning them of this measure's detrimental impacts: see http://www.levego.hu/kiadvany/allamhaz/szgk-gyurcsany_05.pdf in Hungarian.)

In 2006, state budget revenues from personal income tax will grow by 10.1 percent (as per the state budget bill, in nominal value) as compared to 2005 (from HUF 1477.43 billion to HUF 1569.1 billion), i.e. to a substantially greater extent than either the planned inflation rate (2 percent) or the gross domestic product (7.1 percent). As a consequence, the ratio of such revenues to the GDP will increase from 6.7 percent in 2005 to 6.8 percent in 2006. This is contrary to the European Union's Lisbon and Göteborg Objectives, as it further damages employment and places in a comparatively more advantageous position those seriously environment-polluting activities which consume excessive amounts of natural resources. This has been objected to not only by environmentalists but also by employers’ representative bodies.

All in all, we can conclude that despite some progressive elements, the Hungarian tax system has been changed to become even more unfavourable in 2006 as regards environmental protection and the efficient use of human labour.

http://www.eco-tax.info/downloads/HungaryETR.pdf

http://www.eco-tax.info/5EUecotax/index.html

12.

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