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European Newsletter on Environmental Fiscal Reform

Editors:

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

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1. Editorial

As you can see from our list of events, Green Budget Germany continues to lobby on national and international level for improvements to existing ecological tax reform and for the implementation of further reforms. As part of our project focussing on the introduction of ecological fiscal reform in the new EU Member States (for more information: http://www.foes.de/englisch/3events/NewEU.html), we recently participated in and supported the organisation of an extremely successful and popular conference in Budapest focussing on the potential of green reform to reduce state budget deficits. A series of events in the new EU Member States are still to come. Watch this space for further details, reports, etc.

Once again this year we are continuing our tradition of combining our Annual General Meeting with an international conference, this year in Berlin, at the Heinrich-Böll Foundation, on 5-6 May. The conference, entitled “Ecotaxes versus VAT? – The future of Ecological Fiscal Reform”, sets out to examine the impact of the Ecotax in Germany since its implementation in 1999 and to consider future options in Germany for ecological fiscal reform. One object is to explore the possibility of replacing VAT increases – government plans are to increase it from 16% to 19% from 2007 – with the more precise fiscal mechanism, ecological fiscal reform.

In this week’s newsletter, a number of positive developments in EFR can be identified. The European Commission has forecasted an important year for climate change policy, which they have labelled the “outstanding theme” environmental policy this year. The European Commission has issued a Communication on Reducing the Climate Change Impact of Aviation last September which concluded that aviation should be included in the EU Emissions Trading Scheme. An EU Directive on renewable energies for heating and cooling can be expected before the end of 2006 after a massive show of support in the European Parliament. President Chirac has finally agreed to implement an Air Ticket Tax – and convincing another dozen countries to follow his example! –, while Ireland has launched its greenest budget ever. Sweden has announced it is aiming to become the world’s first oil-free economy, while Stockholm has introduced a congestion charge. Meanwhile in the UK, 63 percent said they approved of a green tax to discourage behaviour that harms the environment in a recent survey. Even George Bush has acknowledged that the US “addiction” to oil is no positive thing. What is more, our series of reports on ecological taxation in the new EU Member States also reveals that here too ETR and EFR can reasonably be anticipated in the not too distant future.

So, on that positive note, happy reading!

Jacqueline Cottrell

Will Martin Bursik introduce the Ecological Tax Reform in the Czech Republic?

Our GBG-Advisory Board Member Martin Bursik has a good chance of being elected to the next Czech Parliament, and, because his Green Party might potentially hold the balance of power following the election in June, of even being kingmaker of the new government.

He presented his ideas for an Ecological Tax Reform at the last GBG-Conference in Berlin:

http://www.ecotax.info/downloads/CzechBursik.pdf

Greens call for Ecological Tax Reform

[*Czech News Agency , 9 March 2006]* The concept of a 15 percent flat tax, promoted by the senior opposition Civic Democrats (ODS), is unacceptable for the Czech Republic’s Green party and will prevent them from forming a possible coalition with the right-wing ODS, Green Party Chairman Martin Bursik told public Czech Television (CT).

Bursik said in the CT discussion programme *Vaclav Moravec's Questions* that flat tax cannot be introduced simultaneously with the environment-friendly tax reform proposed by the Greens. They want to impose higher taxes on the commodities the production of which harms the environment.

However, ODS leader Mirek Topolanek said in the TV debate that in his opinion both tax concepts need not be contradictory.

PM and Social Democrat (CSSD) election leader Jiri Paroubek, as well as Communist (KSCM) Chairman KSCM Vojtech Filip, labelled the Green Party's course right-wing in reaction to Bursik's statement that his party would not support any government cooperating with the Communists, not even a CSSD minority cabinet with KSCM silent support.

However, asked what party the Greens would not form a coalition with and why, Bursik named the ODS. According to the latest polls, the Greens are the only extra-parliamentary party with a good chance of crossing the five percent threshold and entering the lower house in the June general election. What is more, a flash STEM poll conducted for CT shows that the Greens might gain up to 11 percent of the vote in the capital of Prague, while the ODS would win there with 31 percent.

The ODS traditionally enjoys the strongest support in Prague, where it won 34 percent of the vote and 10 mandates four years ago, followed by the Social Democrats (CSSD) with 26 percent. The Greens gained 2.5 percent of the vote in the 2002 general election.

Czech press survey

[*Lidove noviny (LN), 15 March 2006*] The Green Party fits neither into the left nor the right-wing scheme, which is one of the reasons for the party's sudden popularity, Jan Kubita writes in the daily Lidove noviny (LN). He asks why the Greens might potentially attract such a high number of potential voters all of a sudden.

Kubita writes that other parties' fears of the Green Party are justified, as according to polls, the Greens are to gain up to 8 percent of the vote, which would be some 5 percent more than they had in the past. This is also why Social Democrat (CSSD) PM Jiri Paroubek started to attack the Greens as a potential rival.

Paroubek called the party right-wing, because Greens chairman Martin Bursik refused to sit on a cabinet supported by the Communists. On the other hand, chairman of the Independent Democrats and former Nova TV general director, Vladimir Zelezny, labelled the Green Party "extreme left," Kubita notes.

These statements only prove the general confusion provoked by the Greens. It plays into their hands, as thanks to the ambivalent approach, the party can gain support from both the right-wing and the left-wing spectrum.

The two largest parties, the CSSD and the Civic Democrats (ODS), now feel threatened by the Greens, but the ODS is more careful in its judgement as it might need another coalition partner other than the Christian Democrats (KDU-CSL) after the June general election, Kubita writes.

The confidence of Greens leader Martin Bursik in the media is justified, as his party has a chance to become the ‘kingmaker’, deciding on the character of the next Czech government, Kubita writes in conclusion.

Green reform to cut the state budget deficit in Hungary

[*Christian Meyer, GBG*] The Clean Air Action Group and Green Budget Germany organized a conference in the Hungarian Academy of Science in Budapest on 24th February 2006. The chairpersons of the conference “Green reform to cut the state budget” were Katalin Szili, Speaker of the Hungarian Parliament and János Szlávik, Doctor of the Hungarian Academy of Sciences. State budget deficit is a serious problem of the Hungarian economy. CAAG and GBG investigated how green budget reform could improve this situation without jeopardising Hungary's competitiveness, while promoting the country's progress towards a knowledge-based economy at the same time.

András Lukács, President of the Clean Air Action Group and **Lázár Pavics,** Economist and retired Chief Counsellor of the Ministry of Finance, presented detailed concepts for greening the Hungarian budget.

Sándor Demján, President of the Federation of Hungarian Entrepreneurs and Laszló

Parragh, President of the Hungarian Chamber of Commerce and Industry (MKIK), commented on the proposal. Both agree that greening the budget should be intensively discussed by the newly elected parliament.

The German experiences with ETR were presented by Kai Schlegelmilch of the German Ministry of Environment and Christian Meyer from Green Budget Germany. They presented the benefits for environment, economy and finance due to the Ecological Tax Reform in Germany from 1999 until 2003.

After that, leading politicians from the parliamentarian parties discussed the demands of CAAG for the elections in April 2006.

All in all, it was a very impressive high-level conference with about 120 participants from the economy, NGOs, science and media.

You will find the program and some speeches at:
http://www.levego.hu/zoldreform2006/index.htm

2. GREEN BUDGET EVENTS

ENVECON 2006: Applied Environmental Economics Conference, 24 March 2006, the Royal Society, London

This one-day conference will bring together environmental economists from public and private sectors, academia and consultancy to share results of recent research, discuss issues relevant to the practical application of environmental economics in the UK and elsewhere and allow for networking opportunities.

This year's programme features an exciting variety of papers using different tools for different policy issues, covering a wide geographical scope. There are examples of economic valuation, instruments and appraisal for environmental policy, as well as applications of these in the cultural heritage sector. The usefulness of these tools is illustrated through applications in the UK, the EU and further afield. While some papers present broad methodological issues relating to economic valuation and equity considerations, others focus on specific policies on water use, climate change, renewable energy, road transport and waste management.

The conference fee includes access to two pairs of parallel sessions, conference pack, buffet lunch, annual membership of UKNEE and an evening drinks reception. Discounted rates apply to students and groups (three or more delegates from the same institution).

If you wish to attend, please try to register before the 17 March 2006.

For more information about Envecon 2006 or UKNEE please visit the webpage: http://www.eftec.co.uk/home.php?section=8&uknee=2

How environmental fiscal reforms and renewable energies create promising jobs! Munich, 24 April 2006

Conference with Johannes Lackmann, President of the German Renewable Energy Federation (BEE) and Dr Anselm Görres, Chairman of Green Budget Germany, on the occasion of the 20th anniversary of the Chernobyl disaster and the start of the solar age.

The stone age did not end because there were no stones any more. We did not switch from the horse to the car because there was no hay any more to feed the horses, but because we invented the internal combustion engine. Why are we not heading for the solar age where the sun gives us all the energy we need on a daily basis?

The fossil energy carriers oil, coal and gas have two essential drawbacks: they are limited in supply and their combustion causes environmentally harmful emissions with considerable consequential damages and costs. The development of renewable energies is therefore not only sensible but also beneficial to the national economy as a whole. Ecological fiscal reform increases the price of environmentally harmful, old energies and gives consumers incentives to save energy, use it more efficiently and to switch to new energy sources.

We cordially invite you to discuss these questions with the President of the German Renewable Energy Federation (BEE), Johannes Lackmann, and the Green Budget Germany's Chairman, Dr Anselm Görres.

Gregor Louisoder Umweltstiftung, Brienner Street 46, Munich, Monday 24 April 2006, 6 p.m.

Here you can find the programme of this conference

Ecotaxes versus VAT? – The future of Ecological Fiscal Reform 5-6 May 2006, Berlin

Our annual conference, organised this year by Green Budget Germany in co-operation with the Heinrich-Böll Foundation, will take place in Berlin on 5 and 6 May. It will focus on possibilities for the further development of ecological fiscal reform under the current grand coalition government in Germany.

Angela Merkel's approach of increasing VAT shares remarkable similarities with one of the central projects of the previous Red-Green coalition government – *increasing indirect taxes and lowering labour costs*. The former opposition is now in favour of an economic program based on mechanisms they demonised throughout their years in opposition, yet are now willing to utilise.

Two significant differences remain, however: While VAT undiscerning increases the price of each product and service, the ecotax reform targets environmentally harmful activities and rewards energy-efficient innovations. The second difference is 100 percent revenue neutrality: in 1998, all advocates of the ecotax had to swear that they would recycle each cent to lower social insurance contributions or other taxes like for biofuels.

Time for us to take stock of Red-Green's central fiscal-ecological project. What impact has the ecotax reform had? Where is criticism justified and where is there a need for further development? Could progress in the development of ecological fiscal reform help to undermine the unpopular increase in VAT and decisively hasten the shift towards an ecological-social society?

The aim of our two-day conference in Berlin is to discuss these and other related questions.

http://www.foes.de/3aktuelles/veranstaltungen.html

Green Budget Germany General Meeting: 6 May 2006 – Students most welcome at a very low rate only

Subsequent to the conference *Ecotaxes vs VAT? – The future of Ecological Fiscal Reform*, Green Budget Germany's general meeting will take place on Saturday 6 May from 5 to 8 p.m.

All Green Budget Germany members will receive a separate invitation. New members are very welcome. To join download the form at: http://foes.de/downloads/beitrittsformular.doc

Please note that Green Budget Germany now offers students membership at a reduced fee of €30.

Ecological taxes in Switzerland and in Europe, Thursday, 1 June 2006, Berne, organised by "Praktischer Umweltschutz Schweiz Pusch"

New ecological taxes and charges raise discussions in Switzerland time and again. The experiences of European countries show that such taxes and charges can be very effective and efficient; and they are also compatible with current economic trend towards the power of the market. Energy taxation has a positive impact on climate protection, innovation, the economy, and employment. During this conference, Switzerland's experiences with market-based instruments will be discussed, as well as the country's position in comparison with other European countries. Another discussion point will be the potential positive effects on the Swiss economy and environment which may be achieved through prompt action. One of the speakers is Anselm Görres, Chairman of Green Budget Germany, who will speak on ecological taxes in Europe.

Website: http://umweltschutz.ch/agenda/

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.

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

Advertisement:

3. ECOLOGICAL FISCAL REFORM IN GENERAL

Lorry Tolls Vote Delays Inclusion of Health And Environment Costs

[European Federation for Transport and Environment, 15 December 2005] T&E regrets the European Parliament vote on rules that govern lorry tolls because Member States will be prevented from including environmental and health costs for several years. T&E now urges Member States to introduce tolls that take advantage of the limited environmental benefits that the new rules could bring, now that some of the worst restrictions of the current scheme will be lifted.

The compromise agreement agreed today prevents Member States from including the costs of environment and health damage caused by lorries into tolls. Instead, the European Commission has been requested to propose a further revision to the regulations within two years that will again have to be agreed by the Parliament and Ministers.

T&E's Markus Liechti said: "It is disappointing that the Parliament has finally given in to pressure from EU transport ministers on the inclusion of health and environment costs. EU citizens will continue to pick up a EUR 170 billion bill every year that we wait for a new Commission proposal and yet another agreement."

"Thankfully, there is some limited scope to reduce the environmental impact of road transport in the new rules, but even this will be meaningless unless Member States take action. Now is the time to deliver the goods."

From now on, Member States will be able to charge lorries for using the entire road network, not just motorways. In addition, smaller vehicles of 3.5 tonnes and above will be covered, an improvement on the current 12 tonnes minimum.

As with current rules, it will be possible to charge higher tolls for the more polluting lorries. But from 2010 it will be mandatory to differentiate charges on this basis.

Member States will also be allowed to charge up to 15 percent more for roads that go through sensitive mountain regions.

Sources:

– INFRAS/IWW, External costs of transport, Update study, Zurich/Karlsruhe, October 2004 http://www.infras.ch/

– OECD, External costs of transport in Central and Eastern Europe, Paris, May 2003 (Poland, Hungary, Slovak Republic, Slovenia, Czech Republic) http://www.oecd.org/

Busy Year Ahead for EU Environmental Policies

[Environment Daily 2011, 06 January 2006] Notwithstanding continuing pressure for greater European competitiveness, 2006 will be a busy year in EU environmental policy-making. We are pleased to offer the following summary of some of the highlights.

Politically, the outstanding theme will be climate change. A host of policy and legislative initiatives will be proposed or finalised. At international level, talks will begin in earnest on a post-2012 global climate change framework.

2006 will also be a vital year for the EU's sixth environmental action programme 2002-12. All seven thematic strategies promised under the programme will finally be issued, and digested by governments and the European parliament, by the end of the year.

Overlaying environmental policy discussions will be a continued focus on the EU's better regulation and Lisbon competitiveness strategies. Heads of government will in June formally adopt a revised sustainable development strategy, the overarching framework for all EU environmental, social and economic policies.

Under the climate change umbrella, the European Commission will propose changes to the EU emission trading scheme. Meanwhile, EU states must by June submit draft national allocation plans for the scheme's second phase.

The Commission is to issue an energy efficiency action plan and a long-term renewable energy strategy. In the background, the second European climate change programme will develop further climate change policies.

Draft legislation on fluorinated greenhouse gases should be finalised by the end of this month. A directive on end-use energy efficiency and energy services will be completed later this year.

Of the seven thematic strategies pledged under the 6EAP, four have been issued by the Commission and three more are due. Austria, which took over the EU presidency from Britain on 1 January, hopes to draft council conclusions on air quality in March, and on waste in June. It will also prioritise talks on the urban environment strategy, due from the Commission next week.

The other four strategies will make more progress under the Finnish presidency in the second half of the year, an Austrian official told Environment Daily. These comprise the natural resources and the marine strategies, and the other two yet to be issued by the Commission, on soil protection and pesticides.

With the Cafe strategy to the fore, debate on air quality will be lively. Austria will try to broker a ministerial agreement on Euro 5 vehicle emission norms in June. Also due is a review of current EU rules on vehicle fuel quality.

After creating fireworks in 2005, debate on the Reach chemicals policy has gone quiet for now but will bubble up again soon. The European parliament must now deliver its second reading. Final legislative agreement is hoped for under the Finnish presidency late this year.

Meanwhile, the European Commission is to propose three new laws restricting marketing of specific chemicals, plus a regulation on classification and labelling of hazardous substances. The international Saicm process on chemicals management will move forward.

Using its discretion as EU presidency, Austria will seek to re-energise discussions on environmental technologies. Environment ministers will debate the issue, alongside the urban environment thematic strategy, at an informal meeting in May.

Meanwhile, the EU legislative conveyor belt will continue to churn out new laws. Before the summer, for example, conciliation talks between governments and the European parliament should finalise two pieces of legislation on fluorinated greenhouse gases, a directive on batteries, and a regulation applying the Århus convention on environmental democracy to the EU institutions.

Other laws could be finalised at second reading on groundwater protection, and the Inspire geographic information system. Further back in the pipeline, governments should complete first readings on a measure to improve flood protection, and on the EU's Life and environmental project funding scheme.

Follow-up:

Austrian EU presidency, Austrian/Finnish 2006 operational programme, plus Austrian council work programme (Coreper 1). See also European Commission 2006 work programme, and EEB verdict on UK presidency and tests for Austrian presidency.

EU Biofuel Plan Could Soothe EnergyTensions

[*EUObserver, Teresa Küchler, 8 February 2006*] Brussels has decided to boost the production of alternative fuels such as bio diesel, in an attempt to reduce the EU's dependence on oil and natural gas from Russia and the Middle-East. The European Commission on 8 February adopted an “EU Strategy for Bio fuels”, to raise production of fuels from agricultural raw materials like sugar beet, animal waste and cereal, among others.

For the whole article please see: http://euobserver.com/?aid=20859&rk=1

For more information please see:

http://www.noticias.info/asp/aspComunicados.asp?nid=144794&src=0

http://europa.eu.int/comm/agriculture/biomass/biofuel/index_en.htm

Article on Ecological Financial Reforms

[Financial Times, Jacqueline McGlade, Executive Director of the European Environment Agency, 10 February 2006] A "new economic thinking" has been called for to help us deal with climate change ("Will it cost the earth?", Comment & Analysis, February 3). This new thinking may also help us deal with two other issues: the increasing use of natural resources (and environmental space for their wastes), and the ageing European population. We offer two complementary contributions to this debate.

First, we need to be much more efficient in our use of natural capital.

Europe already has an advantage here, having achieved an almost 50 per cent reduction in the material resources used to generate €1,000 of gross domestic product over the past 20 years. However, as GDP has been rising faster than eco-efficiency, the overall use of natural resources has increased. European eco-efficiency needs to improve radically if resource availability and price constraints, arising from global consumption, are not to threaten our economic stability. Both demand reductions and improvements in the efficiency of resource and energy use, and both need to be incentivised.

Second, we need to internalise the environmental and health impacts of using natural capital into market prices. These negative and positive "externalities" are difficult to estimate but are not trivial. For example, the costs of transport externalities from climate change, accidents and health damage and so on appear to be around 8 percent of European Union GDP. On the benefits side, the ecosystem services from natural capital are substantial. The Chinese recently estimated that the water and soil retention value of trees in the Yangtze catchment area, following the disastrous floods of 1998 which cost $30bn, was three times greater than the value of the cut timber.

Most of the environmental costs and benefits of using natural capital, however, remain outside market prices, a market failure observed by Arthur Pigou, the British economist , many years ago. Well-designed taxes and tradable permits can internalise these externalities into more realistic prices. Much of the new revenue generated could then be used to lower income and social charges on labour, thereby stimulating eco-innovation and employment.

The resulting shift in a substantial part of the overall tax base, from the incomes of the shrinking working population of Europe to their increasingly long lifetime consumption, would also help meet the financial challenges of our ageing population.

The success of these proposals depends upon the devilish details of their implementation: the equity and competitiveness impacts of shifts in the relative prices of natural and human capital; and the need to keep eco-tax revenues stable in line with improving eco-efficiency by gradually raising the unit "price" of pollution and resources use.

The kind of "ecological financial reform" proposed here, which should include removal of large subsidies to agriculture, fossil fuels and metal mining, will require gradual implementation over decades.

Unfortunately, "western democracy has become disdainful of the long view", as Philip Stephens recently pointed out ("The decline of old certainties has created a world of disarray", February 3). Climate change is quintessentially a long-term issue: does it require a new political science as well?

Dimas sets out 2006 priorities

[European Commission, Press Release IP/06/178, 16 February 2006] Environment Commissioner Stavros Dimas on 16 February set out his broad priorities for this year as the European Commission published its annual Environment Policy Review (EPR) for 2005. The Review underlines that last year EU and global climate change policy made a major advance and that the foundations of the next generation of EU environment policy were laid through the first four in a series of Thematic Strategies. The new policies show that protecting the environment and boosting economic growth can go hand in hand. Over the course of 2006, Commissioner Dimas intends to build on this progress with a series of further climate change initiatives and continued action to simultaneously protect the environment and stimulate economic growth through technological innovation and better regulation. Preserving biological diversity will also be a major focus this year, and efforts to ensure Member States implement EU environment laws properly and on time will be stepped up.

For further information please see:

http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/178&format=HTML&aged=0&language=EN&guiLanguage=en

Michael Müller: Germany Continues to Support Estonia in the Field of Pollution Control – and starts Cooperation on the Ecological Tax Reform

[*Federal Ministry for the Environment, Press Release Nr 030/06, 22 February 2006, translated from German*] Germany and Estonia want to deepen their co-operation in the field of pollution control. This was emphasised by Michael Müller, Parliamentary State Secretary of the Federal Ministry for the Environment, on 22 February in Tallinn. At a meeting with the deputy Environment Minister Olavi Tammemaee, Müller said: “Ecological modernisation must be a hallmark for the growing together of Europe. Europe is the continent which is particularly committed to the idea of sustainability.”

The main focus of the discussions were energy-political questions in the Baltic area, as well as a future German-Estonian exchange of experience about the environmental fiscal reform. A further topic was the continuation of joint projects within the EU’s Twinning-Programme.

Müller valued highly Estonia’s success concerning the implementation of the European Environmental Law and the building-up of efficient environmental agencies in the course of its accession to the EU. He reinforced Germany’s determination to continue to support Estonia. Müller said: “The Baltic States have a high importance for European co-operation.”

The reason for the Parliamentary State Secretary’s journey was the successful completion of a joint project with which Germany supported Estonia in the build-up of a system for the control of fuel quality. The German-Estonian co-operation in the field of pollution control dates back to a signed agreement in 1992 between the German and Estonian ministries of the environment.

To read the original Press Release in German: http://www.bmu.de/pressemitteilungen/pressemitteilungen_ab_22112005/pm/36673.php

4. AVIATION

Chirac’s aviation ticket tax initiative approved

[European Federation for Transport and Environment Bulletin, No 145, February 2006] The French parliament has approved plans for a tax on airline tickets which will come into effect on 1 July. The vote on 22

December was the last legislative obstacle for the measure proposed last year by the country's president Jacques Chirac as a way of raising money to fund Aids, malaria and tuberculosis programmes in the developing world.

The tax will range from €1 to €40 per ticket on flights leaving France, depending on the distance travelled and the class of ticket.

The United Nations secretary-general Kofi Annan has called on governments around the world to follow France's lead. France says up to 70 countries support the measure, and Chile's president Ricardo Lagos said in September his country would introduce a similar charge of €2 per ticket, though he has since lost the presidency.

Though the aviation industry is strongly opposed to the tax, fearing it will lead to fewer passengers, its introduction will come as both air travel and air freight continue to rise.

Air growth

The latest growth figures from the EU's statistical office Eurostat (for 2004) show both passengers and freight rose by nearly 10 percent, and there is growing evidence that affluent people taking low-fare flights are a significant part of the growth.

The 2004 figures show total passengers transported by air in the 25 member states up by 8.8 percent to 650 million. Of these, 24 percent were carried on national flights, 42 percent on intra-flights, and 34 percent involving outside countries (European and intercontinental). The busiest airport was London's Heathrow, with Paris Charles de Gaulle second and Frankfurt third.

Air freight rose by 9.6 percent to almost 10.7 million tonnes, 80 percent with non-EU countries. German and British airports handled almost half the total.

Meanwhile, a survey of low-fares airlines by the British aviation authority CAA shows the richest quarter of society accounts for more than half of all flights operated by budget airlines, with the poorest quarter of society taking just 10 percent.

The significance of the survey lies in the fact that the boom in low-fares airlines has been driven from Great Britain. It predicts the trend will continue: "As affluence increases, so does the willingness to spend money on foreign holidays."

Brendon Sewill of the Aviation Economics Group, which assesses the social and economic impact of air travel, said the report undermined the British government's policy that air travel is essential to the economy. He said: "It is distressing for people whose homes are affected by flights to discover they are suffering not for the economy but to allow the better-off to enjoy weekends abroad."

Environmental groups in Spain have criticised a "rewritten" environmental impact assessment which has enabled building work to recommence on a controversial airport at Ciudad Real. They say the new assessment is no better than the original one, which was so poor it caused work on the airport to be suspended.

Warning on EU aviation emission trading plan

[*Environment Daily 2035, 09 February 2006*] The EU lacks a long-term strategy to safeguard the aviation sector while cutting its climate emissions, according to committee of Britain's upper parliamentary chamber, the House of Lords. Plans to impose carbon caps on airlines through the EU emission trading scheme might cripple the sector and hit the wider EU economy, especially if other world regions do not follow suit, the committee says in a report released on Thursday. "The effects on competitiveness of the EU going it alone have not been sufficiently thought through," it warns. See:

http://www.publications.parliament.uk/pa/ld200506/ldselect/ldeucom/107/107.pdf

Working Group on Aviation set up under the European climate change programme

[forum.europa.eu.int] On 27 September 2005 the Commission adopted a Communication on Reducing the Climate Change Impact of Aviation (COM(2005)459). A key conclusion of the Communication was that aviation should be included in the EU Emissions Trading Scheme (ETS). Annexed to the Communication was the Terms of Reference for a working group to be set up under the European Climate Change Program to consider in further detail the modalities related to doing this.

http://forum.europa.eu.int/Public/irc/env/eccp_2/library?l=/work_group_aviation&vm=detailed&sb=Title

5. RENEWABLES

Renewable energy gets second wind on AIM

[The Sunday Times, Angus McCrone, 29 January 2006] At first sight, a fuel-cell membrane that makes it easier for television addicts to watch their favourite programmes on a mobile phone has little in common with a 17-tonne metal buoy floating in the sea close to Pearl Harbor in Hawaii.

In fact the two are the little and large of the British stock market's burgeoning alternative-energy sector. This now has almost 20 companies with a combined market value that broke through £1 billion at the end of last year and soared to £1.3 billion after last week's launch of the government's energy review.

Renewable power is an industry that fires the imagination, with its innovative wind, wave, solar, bio-fuel and fuel cell technologies. However, it also poses more valuation problems for British investors than anything since the rise of the dotcom and biotechnology stocks in the late 1990s.

http://www.timesonline.co.uk/article/0,,2095-2014297,00.html

"Alternative energy sources explored at UN conference in Dubai"

[UN News Centre, 6 February 2006] Roads made out of sugar, ships powered and propelled by the sun and grease-consuming bacteria are among the environmentally-sound technologies being unveiled at an international United Nations conference in the United Arab Emirates on 6 February 2006.

The technologies, ranging from renewable energies and waste-reduction systems to solar-powered fridges for storing vaccines, are on show at a special session of the UN Environment Programme (UNEP) Governing Council/Global Ministerial Environment Forum.

"Technology has a vital role to play in delivering a cleaner, healthier and more stable world," said Klaus Toepfer, UNEP's Executive Director. "Here in the United Arab Emirates we are showcasing the imaginative, creative and practical ideas of local and international companies."

He voiced hope that their technologies, aimed at solving the energy crisis up to reducing water, soil and air pollution, will inspire governments, civil society and industry leaders.

"Indeed, these technologies are proof that, with the right policies, countries can catalyze creative minds to solve some of the pressing and environment and development issues facing this planet while generating new industries and new jobs," said Mr. Toepfer.

UNEP is promoting a technology called SolarChill designed specifically to bring reliable and affordable refrigeration to developing countries in order to fight disease and realize part of the internationally agreed Millennium Development Goals (MDGs), a set of time-bound antipoverty targets.

http://www.un.org/apps/news/story.asp?NewsID=17406&Cr=UNEP&Cr1=

"Parliament wins new EU law on renewables for heating"

[Euroactiv.com, 15 February 2006] Energy Commissioner Andris Piebalgs has promised to table a proposal for a new Directive on renewable energies for heating and cooling before the end of 2006 after a massive show of support in the European Parliament.

The Parliament on 14 February threw its weight behind a resolution drafted by German Socialist MEP Mechtild Rothe calling for a new Directive to promote heating and cooling from renewable energy sources.

Speaking in plenary after the vote, EU Energy Commissioner Andris Piebalgs announced that he would follow suit by proposing new legislation before the end of the year.

According to the European Forum for Renewable Energy Sources (Eufores) – a MEP network chaired by Rothe – the Directive should set a target to at least double the share of renewable energies in heating and cooling by 2020.

Over 40 percent of the primary energy consumption in Europe is used for heating buildings, for domestic hot water production and for heating in industrial processes, Eufores points out.

Rothe said she is confident that the massive show of support for her resolution will send a strong signal to the spring summit of EU leaders in March, which will focus heavily on energy supply security issues. "Renewable energy has to be supported and strengthened for a more secure energy supply, a better and sound environment as well as for the competitiveness and the potential of innovation within Europe," Rothe said.

In a simultaneous development, the International Energy Agency (IEA) issued a new publication on 14 February calling for more R&D investments in the renewable energy sector. The publication shows that IEA countries have experienced a serious decline of R&D budgets for renewables compared to the period following the oil shocks of the 1970s. "Countries must improve their market deployment strategies for renewable energy technologies and above all, increase targeted renewables for RD&D [Research, Development and Deployment]," said Claude Mandil, Executive Director of the IEA.

http://www.euractiv.com/Article?tcmuri=tcm:29-152613-16&type=News

6. CLIMATE CHANGE

South Africa: "Fighting climate change at home"

[southafrica.info, 14 February 2006] "We can all do more. We should all do more – in every office and every home in South Africa." This was the message of South African Environment Minister Marthinus van Schalkwyk, announcing the energy-efficiency conversion of his home to mark the first anniversary of the implementation of the Kyoto Protocol on Monday.

South Africa is one of the signatories to the protocol, an amendment to the United Nations Framework Convention on Climate Change according to which countries commit to reduce their emissions of carbon dioxide and five other greenhouse gases, or engage in emissions trading if they maintain or increase emissions.

To read the whole article please see:

http://www.southafrica.info/ess_info/sa_glance/sustainable/update/kyoto-140206.htm

Australia: "I was gagged over climate change, says scientist"

[*guardian.co.uk, 14 February 2006]* A former government scientist in Australia claims officials stopped him raising concerns about climate change.

Graeme Pearman, former climate director for the Commonwealth Scientific and Industrial Research Organisation, an independent body funded by the government, says he was prevented from speaking about the risks of climate change "at least half a dozen times".

Australia and the US are the only major industrialised countries not to have signed the Kyoto Protocol on global warming. "I was told I couldn't say anything that indicated I disagreed with government policy," he told the ABC.

http://www.guardian.co.uk/australia/story/0,,1709202,00.html

Study finds Arctic threatened by climate change

[ctv.ca, 15 February 2006] An extensive international study on the effects of climate change in the Arctic has reached some startling conclusions on issues ranging from how fast polar ice is melting to the impact on Inuit communities.

About 120 scientists from 11 countries involved in the Canadian-led research project, which started in 2002, are meeting in Winnipeg this week to present and discuss their findings.

One of the most surprising for David Barber, a sea ice specialist at the University of Manitoba, was the fact polar ice is melting at a rate of about 74,000 square kilometres each year – an area about the size of Lake Superior – and has been for the last 30 years.

http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20060215/arctic_climate_060214/20060215?hub=SciTech

Climate change bigger problem than world resource shortages

[letsrecycle.com, 16 February 2006] Climate change should be tackled as a priority ahead of worrying about any potential global shortage of resources or materials, the European Commission has said.

Paul Speight, a member of the Commission's Sustainable Consumption and Production Unit, was explaining Europe's new thinking on waste policy to a cross-sectoral audience in Westminster.

Mr Speight – who has helped write the Commission's proposed Thematic Strategy on the Prevention and Recycling of Waste – said future EU regulations on waste would take account of the entire environmental impact of the life cycle of materials and resources – not just the impact of their treatment when wastes.

http://www.letsrecycle.com/legislation/news.jsp?story=5334

Climate Change Could Endanger Food Supply For 20 Million In Africa

[noticias.info, 22 February 2006] Climate change that strengthens the El Nino weather patterns could endanger food supplies for more than 20 million people in Africa, a new study warns, reports The Associated Press.

A new analysis of 40 years of African crop and livestock records shows a close association between El Ninos (a warming of the water in the tropical Pacific Ocean that is associated with changes in air pressure and the movement of high-level winds that can affect weather worldwide) and variations in production of corn, sorghum, millet and groundnuts such as peanuts. In the past, El Ninos have occurred every four to seven years, but many climate experts worry that continuing global warming will lead to stronger and more frequent events. Researchers, funded by the University of Oslo, Norway; the World Bank and the Norwegian Agency for Development Cooperation said that the danger could be reduced by increasing irrigation and by changing land use, including planting alternative crops.

The New York Times writes that the study, by Leif Christian Stige of the University of Oslo and colleagues, utilized United Nations data on annual food production in various countries over more than 40 years, coupled with climate data involving both El Nino and a weaker atmospheric phenomenon, the North Atlantic oscillation. They found strong correlations between El Nino and production of sorghum, millet, ground nuts and maize, particularly in southern Africa, where declines of 20 to 50 percent were seen in extreme El Nino years. Maize was affected the most. In addition to the estimation that the average decline in production between normal and El Nino years amounted to enough food for about 20 million people, the findings further suggest that food production in Africa will suffer more if there are more El Nino-like events, as is predicted by many climate-change models. The study also found an effect on the productivity of grazing land for livestock. The findings were reported in “The Proceedings of the National Academy of Sciences.”

http://www.noticias.info/asp/aspComunicados.asp?nid=148666&src=0

7. EMISSIONS TRADING

German Steel Industry calls for halt to EU emissions trading

[euractiv.com, 26 January 2006] The German steel industry association has called on the Commission to put the EU CO_2 emissions trading scheme on hold until the method used to allocate CO_2 pollution permits is revised.

Germany's iron and steel industry believes it is facing "unequal treatment" in how its CO_2 pollution credits were allocated compared to industries in countries of similar size, ultimately putting a "massive strain" on its competitiveness situation.

Cited in the *Financial Times Deutschland* on 25 January, the leader of the German steel industry association, Dieter Ameling, says that Germany has suffered a much stricter national allocation plan than countries like France and Britain.

In comparison, these countries have fewer restrictions and "can therefore extend their production without buying additional allowances", argues Mr. Ameling.

He calls for the Commission to revise the allocation criteria used to grant pollution permits, in time for the second trading period (2008-2012). Until this is done, Mr. Ameling thinks the EU-ETS should be put on hold. EU countries have to hand in their National Allocation Plans for the second trading period by 30 June 2006.

Germany's energy and industry sector has been allocated a maximum of 503 Mt CO_2 per year for the period 2005-2007. The provisional figure for 2008-2012 amounts to 495 Mt.

EU Emission Trading Scheme: Stricter caps necessary

[*Acid News No.1, February 2006]* New guidelines from the Commission for the next trading period.

Before the end of June EU member states must inform the Commission of their draft plans for allocation of carbon allowances in the second phase of the EU emission trading scheme (ETS). These plans must be finalized and then approved by the Commission before the end of the year.

The Commission says its experience with the first round of National Allocation Plans (NAPs), covering the 2005-2007 trading period, has shown that the plans need to be more transparent and easier to implement. The Commission has therefore published guidelines that offer a consistent methodology for EU member states.

Member states not on track towards their overall Kyoto emission commitments will have to set stricter emission caps in phase two, the Commission says. In Austria, Belgium, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Slovenia and Spain more needs to be done – but this does not imply that further measures are not necessary in other member states as well.

The Commission suggests that if the ETS is used to contribute "proportionately" to emission cuts, the total number of allowances in the EU25 should be around six per cent lower in phase two than in phase one, but with a great variation between countries.

The countries can however choose to demand larger cuts from other sectors or to buy emission rights from outside. But the Commission says governments will have to justify any such decisions before it will allow more generous allocations under the ETS.

The end of June is the deadline not only for member states to submit their NAPs for 2008-2012 to the Commission, but also for the Commission to report to the Council and Parliament on experience to date with the ETS as a whole and to make proposals as appropriate. Preparations for the review are ongoing.

http://www.acidrain.org/pages/publications/acidnews/2006/AN1-06.asp#EU_ETS

More about the trading scheme at www.europa.eu.int/comm/environment/climat/emission.htm

Read other articles from Acid News No.1, February 2006: http://www.acidrain.org/pages/publications/acidnews/2006/AN1-06.asp

Emission trading credits could boost profits in region

[*Budapest Business Journal, Katalin.Toth@bbj.hu, 13 February 2006*] Hungarian, Czech, Slovak and Polish firms may be able to realise extra profits in the coming years through the sale of surplus carbon dioxide emission allowances, Gergely Szabó, an expert of Vertis Environmental Finance Kft, an investment and financial advisory firm specialising in emissions trading and environmental markets, told the BBJ last week. He added that the surplus is significant in all the aforementioned Central European countries, though slightly less in Hungary; in the other three countries, it may reach as high as 10-15 percent.

Nowadays, the trading of EU emission allowances is the fastest-growing area of the world's commodities market, and may double within two years, according to Bloomberg. A report by the news agency said that volumes of emission trading reached record levels in the first two weeks of 2006, while allowances for 2006 reached a six-month high on 6 February.

The fact there is ever growing interest in buying emission allowances for delivery during phase two (2008–2012) of the EU's Greenhouse Gas Emission Trading Scheme (EU ETS) is evidence that market participants expect a long-term shortage of allowances, observers say. And despite the fact that not a single national allocation plan (NAP) has been submitted to the European Commission, confidence in the 2008 market has grown.

The details can be found in this week's Budapest Business Journal:

http://www.bbj.hu/?module=displaystory&story_id=256359&format=html

"Brussels rejects Mandelson bid to lift UK emissions quotas"

[The Independent, Saeed Shab, 22 February 2006] The European Commission is poised to reject the UK's attempt to increase its allocation of carbon dioxide emissions, despite the last-minute intervention of Peter Mandelson.

The British Government has been fighting to add 20 million tonnes to the amount of carbon dioxide that UK industry is allowed to emit each year. It won a court case in November, which forced Brussels to look again at the issue.

Last week Mr Mandelson, Europe's trade commissioner, intervened on Britain's side, but he has been seen off by his environment counterpart, Stavros Dimas. It is understood that Mr Mandelson found himself "completely isolated" on the issue among Europe's commissioners.

http://news.independent.co.uk/business/news/article346976.ece

"UK mulls appealing second CO_2 emission plan rebuff"

[euractiv.com, 24 February 2006] The UK government is considering appealing a Commission decision to reject its request for additional CO_2 emission allowances to British industry for the first trading period of the EU emissions trading scheme (2005-2007).

http://www.euractiv.com/Article?tcmuri=tcm:29-152894-16&type=News

8. GREEN BUDGET REFORM IN SINGLE EUROPEAN COUNTRIES

Ireland launches "greenest ever" budget

[Environment Daily, 08 December 2005] Ireland's finance ministry has announced €105m in tax relief for transport bio fuels over the next three years under the 2006 national budget. The measure, which requires EU approval, will help Ireland reach a 2 percent bio fuels share by 2008 and cut 0.25m tonnes of CO_2 per year, the ministry said. More money is to be made available after 2008, it added.

Meanwhile, Ireland is to create a carbon fund of €20m to help buy carbon credits through the Kyoto protocol's flexible mechanisms. Irish greenhouse gas emissions are currently well above the country's Kyoto commitment. Purchasing credits for emission cuts made abroad will therefore have to be an important component of its compliance strategy.

Other budget allocations include €65m in grants to boost bio fuels, combined heat and power, biomass commercial heaters and domestic renewable heat. Local authorities will receive an additional €20m in capital funding for waste recycling and landfill remediation. Environment minister Dick Roche strongly welcomed measures. "This budget has delivered like never before", he commented.

Follow-up: Irish finance ministry, and budget pages. See also environment ministry press release.

German policy switch on bio fuels sparks protest

[Environment Daily, 13 December 2005] German hauliers have protested against a plan by Germany's new government to scrap a tax incentive for transport bio fuels and introduce instead a requirement for minimum levels of bio fuels in petrol and diesel.

The switch was part of the SPD and CDU/CSU coalition contract and is aimed at boosting use of biofuels in transport more effectively. Like other EU countries, Germany is aiming to achieve the non-binding target of a 5.75 percent share of transport biofuels by 2010 set in the bloc's 2003 biofuels directive.

In a letter to the finance and transport ministries, transport association BGL called for a grace period for the existing tax incentive to allow its members to recoup investments in biofuel infrastructure. Removing the tax incentives, which were introduced in 2004 to run until 2009, would increase the sector's costs, it said.

Germany's policy switch is part of a broader European trend towards biofuel obligations identified recently by the European commission in an action plan on biomass energy. The EU executive hinted that it may take steps to further accelerate the transition in a communication due next year.

*Follow-up: *See press release

<http://www.bgl-ev.de/web/presse/index_detail.htm&news=2005DA07122005092955.NEW> .

Gas dispute "shows need for more renewables"

[Environment Daily 2013, 10 January 2006] Austria wants to hasten adoption of the EU biomass energy action plan in response to the recent Russia-Ukraine natural gas row, farm

minister Josef Pröll said. The plan is on the agenda for discussion at the first EU agriculture council under Austria's presidency on 23 January. Europe must develop a broad mix of "environmentally sound" energy sources such as biomass; Nuclear power is not an alternative, Mr Pröll said. See press release and related statement by EU green party: http://www.eu2006.at/en/News/Press_Releases/January/0801proell.html

Sweden plans to be world's first oil-free economy, 15-year limit set for switch to renewable energy. Biofuels favoured over further nuclear power

[The Guardian, John Vidal, February 8 2006] Sweden is to take the biggest energy step of any advanced western economy by trying to wean itself off oil completely within 15 years – without building a new generation of nuclear power stations.

The attempt by the country of 9 million people to become the world's first practically oil-free economy is being planned by a committee of industrialists, academics, farmers, car makers, civil servants and others, who will report to parliament in several months.

The intention, the Swedish government said on 7 February 2006, is to replace all fossil fuels with renewables before climate change destroys economies and growing oil scarcity leads to huge new price rises.

"Our dependency on oil should be broken by 2020," said Mona Sahlin, minister of sustainable development. "There shall always be better alternatives to oil, which means no house should need oil for heating, and no driver should need to turn solely to gasoline."

According to the energy committee of the Royal Swedish Academy of Sciences, there is growing concern that global oil supplies are peaking and will shortly dwindle, and that a global economic recession could result from high oil prices.

Ms Sahlin has described oil dependency as one of the greatest problems facing the world. "A Sweden free of fossil fuels would give us enormous advantages, not least by reducing the impact from fluctuations in oil prices," she said. "The price of oil has tripled since 1996."

A government official said: "We want to be both mentally and technically prepared for a world without oil. The plan is a response to global climate change, rising petroleum prices and warnings by some experts that the world may soon be running out of oil."

Sweden, which was badly hit by the oil price rises in the 1970s, now gets almost all its electricity from nuclear and hydroelectric power, and relies on fossil fuels mainly for transport. Almost all its heating has been converted in the past decade to schemes which distribute steam or hot water generated by geothermal energy or waste heat. A 1980 referendum decided that nuclear power should be phased out, but this has still not been finalised.

The decision to abandon oil puts Sweden at the top of the world green league table. Iceland hopes by 2050 to power all its cars and boats with hydrogen made from electricity drawn from renewable resources, and Brazil intends to power 80 percent of its transport fleet with ethanol derived mainly from sugar cane within five years.

Last week George Bush surprised analysts by saying that the US was addicted to oil and should greatly reduce imports from the Middle East. The US now plans a large increase in nuclear power.

The British government, which is committed to generating 10 percent of its electricity from renewable sources by 2012, last month launched an energy review which has a specific remit to consider a large increase in nuclear power. But a report by accountants Ernst & Young on 7 February 2006 said that the UK was falling behind in its attempt to meet its renewables target.

"The UK has Europe's best wind, wave and tidal resources yet it continues to miss out on its economic potential," said Jonathan Johns, head of renewable energy at Ernst & Young.

Energy ministry officials in Sweden said they expected the oil committee to recommend further development of bio fuels derived from its massive forests, and by expanding other renewable energies such as wind and wave power.

Sweden has a head start over most countries. In 2003, 26 percent of all the energy consumed came from renewable sources – the EU average is 6 percent.

Only 32 percent of the energy came from oil – down from 77 percent in 1970.

The Swedish government is working with carmakers Saab and Volvo to develop cars and lorries that burn ethanol and other bio fuels. Last year the Swedish energy agency said it planned to get the public sector to move out of oil. Its health and library services are being given grants to convert from oil use and homeowners are being encouraged with green taxes. The paper and pulp industries use bark to produce energy, and sawmills burn wood chips and sawdust to generate power.

Czech Environment Minister Libor Ambrozek believes increased use of biomass fuels could provide the key to unlocking alternative energy sources in the country, potentially providing 42 percent of the Czech Republic's alternative energy by the end of the decade.

Stockholm charge has immediate positive impact

[European Federation for Transport and Environment, No 145, February 2006]

Stockholm introduced its congestion charge last month, with an immediate drop in car journeys, a decrease in journey times, and a shift onto public transport.

On the first day the overall number of cars travelling to and from the city centre was down by 25 percent. In some places at the most expensive times of day it was down by 35 percent, with an overall average after the first full week between 25 percent and 30 percent.

"This is beyond our expectations, and the system is also working well technically," a finance ministry expert told the French news agency AFP.

Many of Sweden's most sceptical media suddenly changed their view. Those who were expecting chaos suddenly found themselves reporting on the success of the charge, with one tabloid even running the headline "City reclaimed!"

The Swedish capital has largely followed the model of the London congestion charge introduced in February 2003, but with certain differences. The main one is a toll ring rather than charge zone – motorists having to pay in both directions, with the charge differentiated according to the time of day.

But many of the impacts of the Stockholm charge have followed those observed in London. The effect of the charge in getting people out of cars and onto public transport was greater than the predicted willingness to pay.

As a result, projected income from the charge is 20-30 percent lower than expected, but SL the public transport company which made extra capacity available as the charge began, has reported increased usage and no problems with overcrowding. In addition, new "Park & Ride" car parks at tram and underground stations outside the toll ring have proved popular.

Buses, taxis and distribution vehicles have reported reductions in travel times, and a city spokeswoman said the time needed to drive from one side of the city to the other in rush-hour was only 45 percent longer than during off-peak hours, compared with 200 percent normally. Traffic levels on the roads just outside the outer charge band were up a little, but much less than had been feared.

If the London experience is reliable, the impact of the charge may be reduced as people get used to it, but Stockholm has a target reduction of 15 percent, and London has settled on a level of traffic around 15percent less than before its charge.

The Swedish charge is a seven-month experiment that will end in July. Then there will be a referendum on whether to continue with it, though party politics could mean voters vote not just on what they think of the charge.

Will the Stockholm success beat the political doubts

[European Federation for Transport and Environment, No 145, February 2006, Magnus Nilsson, transport campaigner with the Swedish Society for Nature Conservation and a vice-president of T & E] There is no doubt that the Stockholm congestion charge is a success, and it certainly confirms that London is not the only city where congestion charging can work. Perhaps the most impressive aspect is that such an advanced system could be set up and made to work so well so quickly. But this does not necessarily mean that this system or other effective economic tolls will survive.

Both the London and Stockholm charges were introduced against the wishes of the electorate. In both cases the mayors who introduced them were very unpopular until people had seen that the charges brought an improvement in city reality. Is the lesson here the somewhat uncomfortable one that mayors have to be temporary dictators to introduce measures for the social and environmental good of the people?

The mayor of Stockholm, Annika Billström, can only hope so, for the way she conducted the congestion charge's introduction angered many for its lack of honesty. Three weeks before the 2002 elections, Billström, the Social Democrat candidate in the mayoral elections, promised the electorate live on TV that if she came to power there would be no congestion charges. A month later, she had formed a new local majority with the Greens and the Left, which was made possible only after her party had agreed, at both local and national level, to include an agreement to introduce congestion charging (it had to be agreed nationally because under the Swedish constitution local congestion charges can't be introduced without parliamentary approval).

No-one can deny the congestion situation has improved considerably since the tax was introduced, but will that be enough for those who are angry with Billström to vote Yes in September's referendum? The answer may well be yes. All transport professionals know that the only alternative to congestion charging is chaos, yet the electorate would not have voted for the charge without the trial, without having seen the results for itself. So maybe the only way to convince the electorate was to override public opinion, however undemocratic that may be? As the editor of the evening tabloid Expressen explained his own and his paper's extremely pragmatic U-turn from No to Yes a week after the trial started: "The decision-making process has been terrible, but everyone I know thinks the charge is good. And you can't be against a good thing, can you?"

And yet the Liberal-Conservative opposition is already trying to turn the voters´ focus away from the obvious traffic improvements and make the referendum a vote of confidence in Billström, rather than on the future of the charge and the traffic and environmental situation. The criticism of Billström´s "betrayal of the voters" has dug so deep into the public consciousness that a majority may still be prepared to vote No, even though they will be aware that a win for the No camp will block all reasonable possibilities to improve the traffic situation in the capital for at least a decade. So despite the success on the ground, the destiny of the Stockholm congestion tax is still very uncertain.

Whatever the outcome, the Stockholm trial has shown once again that congestion charging is by far the best, and maybe the only realistic, way to tackle congestion problems in larger cities. And the truth is that if the Social Democrats had played with open cards before the 2002 elections, they would for sure have been heavily defeated, and the charge would never have happened. We therefore have to accept the democratic doubts and hope a Yes in the Stockholm referendum will happen – and make it easier for serious politicians in other cities to get support for sound transport policy measures.

Czech Environment Minister says biofuels could provide 42 percent of alternative energy by 2010

[*co2e.com, 10 February 2006*] In the local [Czech Republic] conditions, biomass is definitely the most prospective alternative source of energy", Ambrozek wrote in reply to Interfax enquiries, adding that he expects biomass to account for approximately 42 percent of the total volume of alternative energy generated in the country in 2010.

Ambrozek expects renewable energy resources to account for 8 percent of total electricity production in the Czech Republic by 2010, from the current level of 3.9 percent.

To read the whole article please see:

http://www.co2e.com/News/story.asp?StoryID=2440

Tories downplay green tax rises, deputy chairman of Tory green policy unit says taxes are not necessarily the answer to environmental problems

[*Accountancy Age, Alex Hawkes, 20 February 2006*] The Tories have poured cold water on the idea of new increased environmental taxes should they come to power.

Zac Goldsmith, deputy chairman of the party's commission on the environment and editor of The Ecologist magazine, was reported in The Times saying that tax increases would not necessarily be a good idea.

'Most environmentalists would come out with a huge increase in taxes' as a solution to green problems, he said. 'I don't agree. The Conservative Party doesn't like forcing people to do anything and I don't think we have to – most of the obstacles are from bad governance,' he said.

"Most Britons willing to pay green taxes to save the environment"

[*Guardian, David Adam and Patrick Wintour, 22 February 2006*] Most British people would accept new taxes on goods and services that damage the environment, according to a Guardian/ICM poll which reveals a widespread willingness to make personal sacrifices to tackle the threat of climate change. Some 63 percent said they approved of a green tax to discourage behaviour that harms the environment, while 34 percent said they would not accept such price rises.

The poll comes as ministers face increasing pressure from environmental campaigners to combat global warming by increasing taxes on polluting flights, homes that waste energy and cars with poor fuel efficiency. This month Tony Blair ruled out a green tax on air passengers and said he preferred to wait for new technology to reduce aircraft emissions.

About a third of the UK's greenhouse gas pollution comes from domestic heating, and the poll reveals that people would be willing to spend an average of £331 to make their homes more environmentally friendly, even if the move brought them no direct cost saving. Only 16 percent said they would not pay anything, with 32 percent willing to invest over £100 and 8 percent more than £1,000. More than half (51 percent) said they or their family had boycotted a company because its products damage the environment.

The poll suggest that voters do not share the prime minister's assertion that policies to drive the economy forward should take precedent over those to address climate change. Asked which two areas should be priorities for the government, 28 percent highlighted action to tackle climate change and 16 percent wanted the economy to grow faster. The signal from those aged 18-24 was clearer: 35 percent picked climate change and 9 percent the economy.

At a conference of environment ministers in London last year, Mr Blair said: "The blunt truth about the politics of climate change is that no country will want to sacrifice its economy in order to meet this challenge."

Overall, improvements to the health service (71 percent) and education (50 percent) scored highest on the list of priorities, with 28 percent choosing the fight against terrorism. The poll revealed that voters judged Conservative leader David Cameron as more likely than Mr Blair or Gordon Brown to protect the environment. A third thought Mr Cameron, who has used green issues to highlight the Tories' determination to change, as the most likely green leader, with 24 percent favouring Mr Blair and 19 percent favouring Mr Brown.

The poll also suggests that the message that small changes in people's domestic lives can make a difference appears to be hitting home: 83 percent said they or their family had turned the television off instead of leaving it on standby to protect the environment. Some 82 percent of households said they had turned the central heating down, 75 percent had installed low energy light bulbs, 25 percent had cycled at least one journey instead of using the car and 24 percent said they had decided against a holiday that involved flying.

Ninety-two per cent said they recycled as much rubbish as possible, while 38 percent said they were likely to install solar panels, and 28 percent a wind turbine. Almost three-quarters (73 percent) said they would upgrade their home insulation.

The poll found 80 percent support for a plan by the Office of the Deputy Prime Minister for builders to include a mandatory £600 worth of measures to reduce the environmental impact of new homes, with the cost passed on to the house buyer.

ICM interviewed a random sample of 1,002 adults aged 18-plus by telephone between February 17 and 19.

France aims for green progress via the market

[Environment Daily, 22 February 2006] The French government has launched a taskforce to devising new economic instruments to meet national environmental objectives. MPs, economists, NGOs and companies are represented on the group, which will issue recommendations next year in the fields of climate change, water pollution, air quality and biodiversity. Key considerations include meeting objectives at the lowest cost, avoiding overall tax rises and maintaining industry competitiveness. Speaking at the launch, industry and environment ministers argued that economic instruments were "vital" for meeting environmental goals.

See Press Release from the French Ministry of Economics (in French):

http://www.finances.gouv.fr/presse/communiques/c0602221.php

9. SPECIAL: ECOTAXES IN THE NEW EU – OVERVIEW

EU policy background

[Laure Revertera, Green Budget Germany] In 1992, the Rio Earth Summit increased awareness of sustainable development, while the “EU 5th Environmental Action Programme” focused on new policy tools such as economic instruments (ecotaxes, emission trading, ecolabels, product policy, etc.).

At the same time, the EU set minimum tax rates on motor fuels and some other energy products. As a result, Member States were able to apply higher rates (most actually do) but not lower. The same year, the European Commission put forward a new Energy/CO2 tax Directive, with a strong environmental protection content, that failed to be adopted.

In 1997, following the failure of the 1992 proposal, the European Commission proposed a new energy taxation Directive, that would extend the minimum rates to natural gas, coal and electricity, and would considerably increase the 1992 minimum rates on energy products.

In 2001 the European Commission proposed a directive for an EU-wide Emission Trading System.

On 20 March 2003, the Economy and Finance Council of Ministers (ECOFIN) agreed on the 1997 Energy Taxation Directive. The final text, however, is significantly different from the original text, notably in that the tax increases that are much lower.

In September 2003, the Parliament and the Council adopted the Emission Trading Directive.

Also in 2003, the European Commission proposed a Directive on diesel taxation (gradual harmonisation of the tax rates on diesel for commercial use, alignment of the tax rates of diesel for private use to that of petrol).

The development of energy taxation in Europe (15)

EU eco-tax in general

[Laure Revertera, Green Budget Germany]

The European Union establishes generalised arrangements for the taxation of energy products and electricity. The Community system of minimum rates, which was confined for a long time to mineral oils, is now extended to coal, natural gas and electricity.

This system sets the minimum rates of taxation applicable to energy products when used as motor or heating fuels and to electricity. Its aim is thus to improve the operation of the internal market by reducing distortions of competition between mineral oils and other energy products.

In line with the Community's objectives and the Kyoto Protocol, it encourages more efficient use of energy so as to reduce dependence on imported energy products and limit greenhouse gas emissions. Also in the interests of protecting the environment, it authorises Member States to grant tax advantages to businesses that take specific measures to reduce their emissions. […]

Energy products and electricity are only taxed when they are used as motor or heating fuel, and not when they are used as raw materials or for the purposes of chemical reduction or in electrolytic and metallurgical processes.

On the basis of this principle, the Directive sets minimum rates of taxation for motor fuel, motor fuel for industrial or commercial use, heating fuel and electricity. The "levels of taxation" applied by the Member States may not be lower than the minimum rates set in the Directive. […]

Motor fuels

[*Laure Revertera, Green Budget Germany*]

No later than 1 January 2012, the Council acting unanimously after consulting the European Parliament must, on the basis of a report and a proposal from the Commission, decide upon the minimum levels of taxation applicable to gas-oil for a further period beginning on 1 January 2013.

The Directive allows Member States to differentiate between commercial and non-commercial use of gas-oil used as propellant, provided that the Community minimum levels are observed and the rate for commercial gas-oil used as propellant does not fall below the national level of taxation in force on 1 January 2003, notwithstanding any derogations for this use laid down in the Directive.

This differentiation enables Member States to reduce the gap between the level of excise duty applicable to non-commercial gas-oil used in cars and that applicable to petrol, since there is no environmental or other justification for the lower minimum rate currently applicable to the use of gas-oil in cars. […]

See the graph: The minimum levels of taxation applicable to motor fuels are the following: Graph 01

Fuels for industrial or commercial use

[*Laure Revertera, Green Budget Germany*] The Directive specifies that industrial and commercial uses are:

Agricultural, horticultural or piscicultural works, and forestry;

Stationary motors;

Plant and machinery used in construction, civil engineering and public works;

Vehicles intended for use off the public roadway.

The minimum levels of taxation applicable to fuels for industrial or commercial use are the following: Graph 02

Heating fuels and electricity

[*Laure Revertera, Green Budget Germany*] The Member States which on 1 January 2003 were authorised to apply a monitoring charge for heating gas-oil may continue to apply a reduced rate of EUR 10 per 1000 litres for that product. This authorisation will be repealed on 1 January 2007 if the Council, acting unanimously on the basis of a report and a proposal from the Commission, so decides, having noted that the level of the reduced rate is too low to avoid problems of trade distortion between the Member States.

Differentiated rates of taxation

[*Laure Revertera, Green Budget Germany*] Differentiated rates of taxation may be applied by Member States, under fiscal control, in the following cases:

When the differentiated rates are directly linked to product quality.

When the differentiated rates depend on quantitative consumption levels for electricity and energy products used for heating purposes.

For the following uses: local public passenger transport (including taxis), waste collection, armed forces and public administration, disabled people, ambulances.

Between business and non-business use, for the energy products and electricity referred to above.

Exemptions and reductions

[*Laure Revertera, Green Budget Germany*] The following are exempt from taxation:

Energy products and electricity used to produce electricity and electricity used to maintain the ability to produce electricity.

Energy products supplied for use as fuel for the purpose of air navigation other than in a private use.

Energy products supplied for use as fuel for the purposes of navigation within Community waters, including fishing, other than in a private use.

Member States may apply total or partial exemptions or reductions in the level of taxation to inter alia:

Energy products used under fiscal control in the field of pilot projects for the technological development of more environmentally-friendly products or in relation to fuels from renewable sources.

Biofuels.

Forms of energy which are of solar, wind, tidal or geothermal origin, or from biomass or waste.

Energy products and electricity used for the carriage of goods and passengers by rail, metro, tram and trolley bus.

Energy products supplied for use as fuel for navigation on inland waterways (including fishing) other than in private pleasure craft, and electricity produced on board a craft.

Natural gas and LPG used as propellants.

The Directive takes account of the competitiveness of businesses by providing for measures to alleviate the tax burden on energy intensive businesses and/or businesses that undertake to achieve environmental protection objectives or to improvements in energy efficiency.

It also provides that Member States may refund, fully or in part, taxes paid by businesses that have invested in the rationalisation of their energy use. This refund may be as much as 100 percent in the case of energy intensive businesses, and up to 50 percent for other businesses.

Community acquis

[Laure Revertera, Green Budget Germany]
The key elements of the energy acquis (Community Law) are "Treaty provisions and secondary legislation, particularly concerning competition , State aid , the internal energy market (including directives on electricity, price transparency, gas and electricity transit, hydrocarbons licensing, emergency response and, in particular, security stock obligations), nuclear energy , energy efficiency and respect for the environment.
The Community acquis in the field of nuclear energy today comprises a framework of legal and political instruments, including international agreements. It currently addresses issues of health and safety (including radiation protection), safety of nuclear installations, management of radioactive waste, investment, promotion of research, creation of a nuclear common market, supplies, safeguards and international relations.

The White Paper (preparing the associated CEECs for integration into the EU internal market) underlines, in the section on energy, the need for full application of key internal market directives in combination with EC competition law. As for the nuclear sector, the White Paper refers to problems of supply, safeguards and waste shipments.

Transitional periods

[Laure Revertera, Green Budget Germany]
For some Member States the Directive defines transitional periods during which they are required to gradually reduce the gap between their rates and the new minimum rates of taxation. However, when the difference between the national rate and the minimum rate does not exceed 3 percent of the minimum rate, the Member State may wait until the end of the period to adjust its national level.

Apart from the transitional periods, Member States are authorised to continue applying their various derogations until 31 December 2006, subject to prior review by the Council on the basis of a Commission proposal.

Furthermore, notwithstanding any specific transitional arrangements, Member States with difficulties in implementing the new minimum levels of taxation are allowed a transitional period up to 1 January 2007 to avoid jeopardising price stability.

Following requests from the Member States entering the European Union on 1 May 2004, the Commission has proposed transitional arrangements for these countries.

The New Member States

[Laure Revertera, Green Budget Germany]
The EU-Directive 2003/96/EC that is entered into force on the 1st January 2004, is applicable for each new member state:

Increase of the minimum mineral oil tax as agreed in 1992, namely €245 per 1000 litre of diesel.

Second increase up to €330 per 1000 litre of diesel planned for 2010.

Comprehension of new products with minimum revenue : gas, electricity, coal,

No CO_2 tax but introduction of incentive effect in order to reduce CO_2 emissions.

Possible exception to the minimum taxes for energy intensive firms, that would be otherwise heavily burdened.

Taxes reduction for Renewable Energy Sources, biomass, fuel…

Concerning the ten New-Member states that joined the EU on the 1st May 2004, under the terms of the accession negotiations, those countries were obliged to transpose the environmental *acquis* into national law by the date of accession. However, in the case of very recent EU legislation, which entails significant investments or infrastructure, acceding countries were allowed to negotiate a transition period. Slovenia was granted a 12-month extension and the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia, Cyprus, Malta and Poland a 24-month extension.

Sources:

http://www.eeb.org/activities/env_fiscal_reform/background.htm

http://www.europa.eu.int/scadplus/leg/en/lvb/l27019.htm

http://www.europa.eu.int/scadplus/leg/en/lvb/e14107.htm

Reference:
Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity.

Related acts:
Proposal of 28 January 2004 for a Council Directive amending Directive 2003/96/EC as regards the possibility for certain Member States to apply, in respect of energy products and electricity, temporary exemptions or reductions in the levels of taxation [COM(2004) 42 final - Not yet published in the Official Journal].

You can also read the Definition of the Key Terms used in the act.

More information about European energy policy and action can be found on the official website of the European Union.

10. SPECIAL: ECOTAXES IN THE NEW EU – COUNTRIES

Cyprus: The development of environmental legislation in relation to the Community acquis

[Laure Revertera, Green Budget Germany]
More than ten years ago, in July 1993, a report from the European Commission considered that, in view of its accession to the European Union, Cyprus would have to adapt its legislation to satisfy Community requirements in the field of energy.

A couple of years later, in the late nineties, the majority of the acquis still needed to be transposed, especially in such areas as the "internal market", "energy efficiency" and "emergency preparedness", but Cyprus seemed to have the institutional structures and capacities to implement it. During this period, several studies, primarily covering the "security of the energy supply" and "the liberalisation of the energy sector", had been undertaken so as to assist the development of a national energy strategy and the transposition of important areas of the energy acquis.

In November 2001, another report from the European Commission noted that Cyprus had made some progress in the energy sector, especially in the field of "energy efficiency". However, a number of measures still needed to be adopted in the fields of "security of supply", "competitiveness" and the "internal energy market", where no legislative development could be reported.

One recommended for instance that Cyprus's efforts should focus on adopting outstanding legislation and ensuring its full and timely application, in particular with regard to the internal energy market (by rectifying the monopoly position of the Electricity Authority) and the financing of an oil stocks and storage capacity.

Two years later, in 2003, another report stressed that Cyprus was now satisfying most of the requirements arising from the accession negotiations on "energy efficiency", "renewable energy", "nuclear energy and safety", and should be in a position to implement the acquis in these areas upon accession.

Thus overall, the adoption of the acquis is satisfactory, but further sustained efforts are required, especially in terms of "security of supply" and "oil stocks".

In the field of competitiveness and the internal energy market, the Electricity

Authority, a governmental organisation, still has a monopoly position on electricity generation and distribution, which should be altered in the following years. The law on the transparency of gas and electricity prices for the industrial end user was approved by the House of Representatives in 2001. There is an urgent need for Cyprus to complete alignment of its legislation with the electricity Directive by adopting the implementing provisions.

Greater consideration should be given to administrative structures because, although Cyprus has proper institutional systems, it lacks a performing regulation mechanism required by the internal energy market.

As regards energy production, Cyprus is continuing to examine the possibilities for the future development of a gas sector. At present there is no consumption of natural gas. It must also ensure that its legislation is aligned with the gas directive of the EU. As Cyprus does not have any coal mines, the "solid fuel" sector is of little significance, although a new oil fired power plant is under construction which may also be converted for coal. Cyprus still has no plans for any on-shore/off-shore oil exploration. Furthermore, the country does not produce any nuclear energy and has no plans to do so.

Nonetheless, Cyprus is concerned by other aspects of nuclear safety applicable to radioactive materials (from sources other than power generation). In June 2001, the Council of the European Union took note of a Report on Nuclear Safety in the Context of Enlargement, which contains recommendations on nuclear issues of relevance to Cyprus, particularly regarding the management and disposal of institutional radioactive waste. Special attention should also be given to preparing the implementation of Euratom safeguards. Indeed, Cyprus is a member of the International Atomic Energy Agency and has concluded a full-scope safeguards agreement with the IAEA as well as an additional protocol.

In terms of "energy efficiency" and "renewable energy" sources, an action plan submitted to the Council of Ministers provides, inter alia, for incentives for the promotion of photovoltaic, wind, solar, thermal, biogas and other energy resources.

On the specific area of Eco-tax reform, Cyprus appears to be the country that has the lowest eco-tax level among the ten new EU-Members. Indeed, only mineral oil and automobile use are taxed.

However, it is worth emphasising that the European standard established in 2004 for the taxation of diesel is now fulfilled by Cyprus. Thus, the tax on diesel has now reached 248 euros per litre, which is higher than the minimum 245 Euros stipulated.

Cyprus still has very low mineral oil prices compared to the other new EU countries. The average diesel price amounts to 0.73 Euro per litre compared to 0.86 Euro in the EU-15 group. In the same way, petrol prices averaging 0.76 Euro are clearly under the EU-15 average of 0.94 Euro.

For an overview of ecological tax rates in Cyprus, follow this link:

http://www.ecotax.info/5EUecotax/Cyprusecotaxrates.htm

Sources:

http://www.europa.eu.int/scadplus/leg/en/lvb/e14111.m
http://www.oekosteuer.de/12EU Besteuerung/index.html

Czech Republic

[*Laure Revertera, Green Budget Germany*]

Since 2001, the Czech Republic has made considerable progress with regard to the internal energy market, in particular through the adoption of a new Law on Energy, which seeks to bring Czech legislation in line with the Community acquis and constitutes an important development in the energy sector. It provides for the progressive liberalisation of the electricity and gas markets.

The Czech Republic has also set up a number of agencies monitoring application of legislation in this area. However, more progress is needed in energy efficiency. As regards nuclear energy, progress has been made in improving nuclear safety, in particular at the Temelin nuclear power plant. The Czech Republic has reached agreement on this subject with its neighbour Austria. The safety of the plant had caused concern in Austria. The provisions in this area needed to be further improved.

In 2003, a Commission report points out that the Czech Republic is essentially meeting the commitments and requirements arising from the accession negotiations in the energy sector. The Czech Republic needs to progressively build up oil stocks in line with the schedule agreed during the negotiations, and it must complete alignment by adopting the implementing legislation required in the gas sector.

Progress has been made with regard to security of supply. The Law on Strategic Oil Reserves adopted in November 1999 provided for the 90 days-worth of stocks required under the acquis to be reached in 2005. The Czech Republic has further increased its oil reserves, bringing them to a level close to that required (80 days).

The Czech Republic has made progress with regard to competitiveness and the internal energy market. The Law on Energy provides for progressive liberalisation of the electricity market from 2002. The market should be fully opened up in 2006. In 2003, the Czech Republic introduced various measures in order to prepare the opening of the gas market. Market opening in the gas and electricity sectors is taking place in line with the commitments made in the negotiations.

With regard to nuclear energy, the European Union has repeatedly emphasised the importance of a high level of nuclear safety in the candidate countries. Today, overall practices for regulating the nuclear industry in the Czech Republic are comparable with those in Western Europe. An amendment to the Atomic Act was approved and entered into force in 2002. However, the Czech Republic should ensure compliance with Euratom requirements and procedures, in particular with regard to Euratom safety checks.

Concerning solid fuels, the Czech Republic must continue to prepare for the application of EU state aid regulations for the hard coal industry and will have to abolish any import restrictions for hard coal upon accession.

As regards energy efficiency, the Government adopted the first Annual State Support Programme for Energy Saving and the Use of Renewable Energy Sources, based on the National Programme for Economic Energy Management and Use of Renewables. The administrative structures needed in this area are in place but need to be strengthened.

The Czech Republic has a broad range of relevant Eco-taxes. *Inter alia* we can mention:

A tax on gas emissions like SO_2 and NOX

A tax on mineral oil

A tax on water consumption and sewerage

However, the Czech Republic is not far from having a true Ecological Tax Reform (ETR). Indeed, in the year 2000, the Ministry of Finance and the Ministry of Environment came forward with a proposal for an ecological tax reform, but the government declined it.

Two years later, in June 2002, the party of the social-democrats won the elections, and a governing coalition between the Liberals and the Christian-democrats was considered. From this moment, the topic of ETR appeared as a project of the new government, but its concrete implementation was not really clarified. Anyhow, on the 1st of January 2006 a tax on electricity should be introduced.

A certain number of commitments relating to ETR and environmental policy were taken over by the Czech government at the time of its accession to the European Union in 2004. However in the long run, those commitments should become real and shift from the political level to become an economic reality.

In 2004, another proposal from the Ministry of Finance relating to the implementation of a consumption tax and VAT (Value Added Tax) was developed. The legislative proposal of this consumption tax was nearly similar to the rates fixed in the European Union guidelines on energy taxation required for accession into the Community.

Today, most of the eco-taxes introduced in Czech Republic are at a higher level than the minimum required by the EU. For instance, the price of petrol will be raised to 370 Euros per 1000 litres, even though EU guidelines prescribe a rate of 359 Euros per 1000 litres.

Here you can download a detailed study about environmental taxes in Czech Republic: "Environmental Taxes and charges in in CEEs" from ECOTEC.

For an overview of the Czech Eco-Tax system in numbers, follow this link: http://www.ecotax.info/5EUecotax/Czechrepublicecotaxrates.htm

Sources:

http://www.europa.eu.int/scadplus/leg/en/lvb/e14107.htm

http://www.foes.de/12EU-Besteuerung/index.html

Estonia Ecological Tax successfully launched

[*Valdur Lahtvee, Stockholm Environment Institute (SEI), Tallinn Centre, 02.2006*]

Implementation of the Ecological Tax Reform (ETR) in Estonia started successfully during 2005. As one of the few new Member States of the European Union (EU), Estonia has taken comprehensive steps to strengthen integration of environmental concerns into sector policies and further implement principles of sustainable development, with particular focus on the "polluter pays" principle. The government of Estonia has understood that environmental taxation is a necessary tool to respond to the negative trends in environmental quality and the rapid exploitation of certain non-renewable natural resources, and to do something about the low decoupling rate of economic growth and emissions. At the same time, the Estonian government, like any government, is under constant pressure to reduce taxes that affect labour costs. These two incentives led to the strategy that now has been approved and implementation started.

Environmental taxes and fees prior ETR

Fiscal instruments for environmental protection have been used in Estonia since the beginning of the 1990s. In 2004, revenues from environment related taxes constituted about 1.9 percent of GDP in Estonia, and this is likely to grow to 2.2 percent in 2005. Besides this, emission fees and fees for use of natural resources represent some 0.3 percent of GDP. The total environmental revenues for 2005 are therefore expected to amount to 2.5 percent of GDP, or 3.8 billion Estonian Crowns (243 million Euros). In percentage terms, Estonia currently finds itself in the lower range of the EU countries (see table).

Environment-related taxes in 2004 constituted about 1.9 percent of GDP, and prognoses for 2005 foresee revenues from environmental taxes to grow to the level of 2.2 percent of GDP.

See graph: Environmental taxes and fees in EU, % GDP

Additionally, in Estonia there are established environmental revenues (emission fees and fees for use of the natural resources), the revenues of which amounted to about 0.3 percent of GDP over the last few years.

See graph: Emission fees and fees for use of the natural resources: total revenues between 1994-2004

Altogether in 2005, according to existing legislation (adopted tariff levels until to the end of 2005 at

http://www.riigiteataja.ee/ert/act.jsp?id=780277), there are foreseen environmental revenues (taxes and fees) amounting to about 3.8 billion Estonian Crowns (1EUR=15,64664 EEK) which is equal to 2.5 percent of GDP. From the overall tax base of about 33 percent of income, environmental fees constitute a marginal share, as the table under this link shows: Share of environmental fees in tax income between 1994-2004

Despite the existence of these fiscal instruments, the impact of environmental taxes has been poor due to high inflation and EU accession-driven economic growth has caused rapid exploitation of certain non-renewable natural resources in recent years; as well, due to low decoupling rate of economic growth, total emissions have been increasing and monitoring results show negative trends in environmental quality. According to several indicator systems (WB Net Adjusted Savings, Environmental Sustainability Index of Yale University, Ecological Footprint, etc.) Estonia's sustainability has been declining in recent years.

Preparation of ETR

In 2001 and 2004, the Estonian Government incorporated the obligation to prepare strategy for ETR and start public discussion on possible implementation in its work programs. Tax issues in the government are led by the Ministry of Finance (MoF). The Ministry for Environment of Estonia (MoE), recognising of unwillingness of MoF to start the process, decided to take the lead and in July 2004 invited the Stockholm Environment Institute Tallinn Centre (SEI) to prepare a study on experiences of ETR in selected EU countries. The report was submitted by the SEI on September 2004 to MoE and focussed mostly on the experiences of Germany, the UK, Denmark and Sweden, and contained recommendations for possible measures to strengthen fiscal instruments in Estonia and an outline of the process for the preparation of an ETR was immediately used by the Minister for the Environment to encourage the Minister of Finance to proceed with preparation of ETR.

During the period September 2004 to February 2005, SEI had consultations with the staff of the Tax Policy Department of the MoF and carried out seminars for relevant stakeholders (MoE, MoF, Ministry for Economy and Communications (MoEC), Environment Committee of Parliament, etc.) for raising awareness on ETR. As consequence of these initiatives, the Minister for Finances, in accordance with the provisions in the government coalition treaty, appointed an inter-ministerial ad hoc working group to draft a national strategy for ETR in February 2005. Besides civil servants, SEI staff were invited to the MoF's drafting group, as well to the parallel working group of the MoE to coordinate the MoE's input to the process.

At the first meeting of the drafting group of ETR strategy on 11th March 2005, the SEI proposed a complex set of measures and environmental fees, tariffs and tax levels for ETR based on an ecosystem approach. Extracted from national environmental monitoring data, critical ecological sectors affected by intensive resource use and emission loads linked to important economic sectors causing the most severe impacts were identified, and relevant measures (environmental taxes and resource use fees resructuring, tariff levels and new fees/taxes) were proposed, together with preliminary calculations for the impact of ETR on the economy, by the SEI. As all ministries agreed with the comprehensive approach and argumentation presented, SEI's proposal was taken as the central core for the ETR strategy. After further development, the strategy document was finalised and submitted by the Ad Hoc Working Group to the minister on May 2004, and after consultations, the MoF submitted the draft strategy to the cabinet. Government approved the strategy for ETR on July 7th, 2005, and strategy was immediately taken for implementation by different government institutions.

As part of Phase I of ETR strategy, the MoE has prepared new Draft Act on Environmental Use Fees, which stipulates all provisions of ETR strategy. The draft was approved by the Government on September 9th 2005, was processed by parliament as a high priority, and the act was adopted in November of that year. During last months of the year, decrees from the government and the Minister of Environment were prepared and adopted, allowing new fees structure and tariff level, which became valid from 01.01.2006.

Next steps within Phase I of the ETR in Estonia, after strengthening of resource fees, are preparation of car-use taxes by the Ministry of Finance in the first half of 2006 and preparation of energy taxes by the Ministry of the Economy. More attention is expected to be devoted to the discussions with major stakeholder-groups concerning overall stategy and then single steps.

The Goals of the ETR

The general objectives of the strategy are the following:

- Shift taxes in order to reduce labour costs and to encourage sustainable use of natural resources and protect the environment
- Reduce the negative environmental impact of energy production
- Promote renewable energy production
- Increase effectiveness of energy and resource use
- Raise environmental awareness.

The strategy is planned to be carried out in two phases: for the 1st phase (2006-2008), the measures have been agreed and will be implemented. The impact and effectiveness of these measures will then be evaluated and thereafter additional measures will be implemented during the 2nd phase, between 2009 and 2013.

The reduction of labor costs is an essential part of the strategy. In 2004, the average income tax was 26 percent. In 2005, this will go down to 24 percent. From 2006 till 2009, each year this level should decrease by 1 percent more, to reach the level of 20 percent in 2009. In addition, it has been decided, from 2006, to increase the minimum taxable income level to 24,000 Crowns/year (1534 Euros).

ETR intends to address major environmental problems relevant to Estonia as follows:

1) Increase of energy and resource use efficiency and minimisation of hazardous emissions.

Increase of CO_2 fee 11.3>15.65>31.5 EEK/t and expansion of the tax base to all energy suppliers;

Doubelling the air emission fees (excl.merkaptan > 10 percent/y)

Increase of water emission fees 2x (excl. sulfates and solids)

Increase of municipal waste fees 30.0>>>156.5 EEK/t

Increase of oil-shale wastes fees 7.5>15.65 EEK/t

From 01.01.2009, introduction of excise tax to electricity (likely to replace CO_2 emission fee)

Increase of resource fees as average 2X (peat 3X)

Levelling of water use fees for energy sector

2) Improvement of urban air quality and reducing car use.

Introduction of car registry fee (at level 500-1200 EEK/y)

Accelerated increase of fuel exise to EU minimum level

Increase of road use fees for trucks and expansion to trucks below 12 tons (*Eurovignette*)

Excise-recycling to increase the public transport subsidies

Expansion of local govt. tax base with car-use targeted taxes

3) Reduction of waste generation and promotion of recycling

Gradual increase of packaging excise to promote recycling, as well as expanding the list of packages – not expected to increase budget income.

Expansion of classification system to products, in order to include them and/or increase their *end-of–life* removal from use and safe management (because of their hazardous nature). As the 1st phase of the ETR has just started, it is too early to draw any conclusions about the impact of measures applied. In addition, the prior implementation of unforeseen measures in certain areas means that more information is needed in order to come up with and implement other measures. The Ministry of Finances has given the government a list of background studies to be carried out in order to develop proposals for the restructuring of the tax base and/or change taxes or plan mitigation measures for the sectors impacted by planned measures. Planned research work also includes also the foreseen preparation of indicators set to measure the progress of implementation of the ETR strategy and monitor possible impacts of different measures implemented within it. For further information, mailto:valdur.lahtvee@seit.ee

Hungary: Anti-green tax changes in Hungary

[András Lukács, Lázár Pavic, Clean Air Action Group, 02.2006] 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 to be comprehensive.

Favourable change:

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 taxexempt allowances – which may comprise other items as well – was limited to HUF 400 thousand per year.)

As of 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 restraining further 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 of 1st January 2006, no value-added tax is imposed on vehicle registration tax; the rise, however, will more than counteract the impact of this measure and of the cut of the VAT rate to 20 percent. It is also favourable that such levels of registration tax are 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 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 has been prepared about the impact of this action on the national economy. We can, however, state that such a cut in 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 many more 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 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 the Clean Air Action Group's study titled “Transport Subsidies”: in Hungarian or its 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 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 from HUF 3 per kilometre to HUF 9 per kilometre. 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.)

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 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.

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

For further information on this topic see: http://www.eco-tax.info/5EUecotax/index.html

Latvia

[Laure Revertera, Green Budget Germany] In September 1997, the Latvian Government adopted a National Programme for Energy covering policy up until 2020, as well as policies on the power and heating sectors. The Energy Law entered into force in October 1998, and was designed to increase competition in the sector as well as addressing pricing and tariffs, third-party access, emergency planning, conservation and environmental protection. In March 1999, regulations on the supply and use of electrical energy, gas and heat were amended. In November 1999, the authorities defined a global policy for the energy sector, covering areas such as electricity and heating and providing for diversification of energy sources.

With regard to security of supply and more particularly oil stocks, Latvian legislation and the stocks themselves do not yet comply with the requirements of the UE. In February 2000, the Government adopted a strategy document on the establishment of oil stocks and considered in 2000 that it would need a period of 10 to 25 years to build up the required oil stocks equal to 90 days' consumption. The private sector is expected to participate. A regulation aiming at compliance with EU legislation on maintaining oil stocks was approved. Regarding oil supply crisis management measures, the progress has continued in 2002 with the adoption of restrictions in the energy consumption.

Latvia needs to pay special attention to competitiveness and the internal energy market. In November 2000, the Minister of the Economy endorsed the programme to restructure Latvenergo, the public energy-producing company. Latvia has also made progress concerning the liberalisation of the internal electricity and gas market. Nevertheless, other measures still need to be resolved before an internal energy market can be set up, such as restructuring and privatisation programmes, the opening of the market, and the arrangements for access to the networks. Complete alignment with the EU directives to set up the internal electricity and gas markets is far from being achieved. Remaining gas and electricity price distortions need to be removed as soon as possible and the gas and electricity Directives adopted need to be transposed.

Latvia signed the Kyoto Protocol in 1998 and ratified the Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects in October 1998. In March 1999, the Consumer Rights Protection Law was passed, including provisions on labelling. However, in the area of energy efficiency, alignment with the community *acquis* is only partial. Implementing legislation was adopted in 2002 to promote the use of renewable energy sources and domestic production of heat and electricity in combined heat and power plants.

Today, the necessary institutional structure to ensure administration and regulation of the sector has been set up, but the 2000 Report noted that it needed to be strengthened further and made more independent. The new regulatory authority, the Commission for Regulating Public Services, became operational in September 2001. It replaced the former Council for Regulating Energy. The new organisation seeks to separate the functions of devising and following up energy policies from those of regulation. The administrative structures which are in place need to be strengthened.

As regards nuclear energy**,** Latvia's only nuclear research reactor, in Salaspils, was shut down in June 1998 and is currently being decommissioned. In July 2001, Latvia set up a radiation protection centre responsible for surveillance and monitoring in the area of radiation protection and nuclear safety. Latvia became a member of the Nuclear Suppliers Group in 1997. In June 2001, the European Council adopted a report on nuclear safety in the context of enlargement. The report recommends all the applicant countries pursue their national programmes on the safe management of used fuel and radioactive waste, as well as the safety of their nuclear reactors. Regarding nuclear material safeguards, Latvia has concluded a Full Scope Safeguards Agreement with the IAEA (International Atomic Energy Agency) and an additional protocol. In this context, Latvia has continued to make progress in finding solutions for managing spent fuel from the research reactor and radioactive waste. In 2003, Latvia submitted additional information covering recent progress made in various fields of nuclear safety, including legislation, the Radiation Safety Centre, the radioactive waste management agency RAPA, administrative capacity, the new radioactive waste strategy and the strategy for decommissioning the Salaspils reactor.

As regards the specific area of ecological tax reform, it has been a long time since Latvia instituted a tax on gas emissions like sulphur dioxide, but there is no tax on CO_2. Today, to be in line with EU guidelines, Latvia should raise its tax on diesel from 154 to 246 Euros per 1,000 litres, so as to be 1 Euro higher than the minimum fixed of 245 Euros. However, in spite of this increase in taxation, the price of diesel in Latvia is still the lowest of all the New-EU members with 0.7 Euro per litre in 2005. Indeed, the price of diesel among the 15-EU members is far higher, averaging about 0.86 Euros per litre. The price of petrol, with 0.68 Euros per litre, is also one of the lowest within the EU, and is far behind the average in the old EU-countries of 0.94 euro per Litter.

For an overview of the ecological tax rates in Latvia:
http://www.eco tax.info/5EUecotax/Latviaecotaxrates.htm

Sources:
http://www.europa.eu.int/scadplus/leg/en/lvb/e14104.htm
http://www.foes.de/12EU-Besteuerung/index.html

Lithuania

[*Laure Revertera, Green Budget Germany*] In 2003, a report from the EU Commission stressed that Lithuania was meeting the commitments and requirements arising from the accession negotiations in the energy sector. However, efforts were still needed – notably on the security of supply, the internal energy market, the oil stocks and the nuclear energy.

Despite plans for diversification throughout the energy sector, Lithuania remains heavily dependent on Russian energy supplies (notably oil, gas and nuclear fuels). Lithuania concluded a deal securing a second source from a Russian refinery and aiming at complementary privatization. This should improve security of supply. A finance plan must be established for this field. In 2002, Lithuania adopted the Law on the State Oil Product Stocks, but must ensure in addition that the financial means for the necessary investments in building up oil stocks are available.

With regard to competitiveness and the internal energy market, progress has been made, although there have been delays with restructuring and privatization of the sector. A close watch must still be kept on this point, in the electricity sector in particular. In February 2000, Lithuania, Estonia and Latvia decided to create a common Baltic electricity market and establish links between the three countries. This project should have been completed by 2002. Lithuania exports electricity to four other countries: Latvia, Estonia, Poland, and to Belarus once again, after settlement of a debt. Lithuania adopted the Law on Electricity and the Law on Natural Gas. The former, the Law on Electricity, was adopted in July 2000 and provides the initial basis for alignment, preparing the opening of the market and increasing the monitoring powers of the National Control Commission for Prices and Energy.

In the natural gas sector, the Law on Natural Gas entered into force in July 2001. This provides for opening up 80 percent of the market. In October 2001, the government also decided on the model for privatization of the gas company. As regards administrative capacity for the internal energy market, the National Control Commission for Prices and Energy should be strengthened in order to secure its independence.

In the area of energy efficiency and renewable energy, Lithuania continued to improve energy efficiency and adopted an energy efficiency program for 2001-2005. Nevertheless, the European Commission considers that Lithuania should do more to improve energy efficiency and that the relevant agency should be strengthened.

In the nuclear energy sector, safety has gained fresh importance with the decommissioning of Ignalina. In March 2000, the government adopted a new civil protection plan to cope with any accidental leaks from the Ignalina site. In 1999, it also adopted a Law on Radiation Protection and a Law on the Management of Radioactive Waste. Work is continuing on the implementation of the second (1997-2005) nuclear safety improvement program. The European Union has repeatedly emphasized the importance of nuclear safety and in June 2001 the European Council adopted a report on nuclear safety in the context of enlargement. The report includes a general recommendation for all candidate countries to continue their programs on safe management of their research reactors and radioactive waste. It also makes specific recommendations for each country. Care must now be taken to ensure the implementation of Euratom safeguards. It must be added that Lithuania has concluded a Full Scope

Safeguards Agreement with the International Atomic Energy Agency (IAEA) and an Additional Protocol to the same Agreement.

Concerning the specific area of ecological tax reform, like most of the other new-EU members, Lithuania instituted a couple of taxes on gas emissions, but nothing on the production of CO_2. In 2004, the tax on diesel was already in the line with the minimum rate of 245 Euros required by the EU. However, this rate will have to be raised by 2010 to stay in the line with EU guidelines. At 0.72 Euros per litre, the price of the diesel is cheaper than in the other EU-countries, where the price averages around 0.86 Euro.

For an overview of the Lithuanian eco-tax system, follow this link: http://www.foes.de/12EU-Besteuerung/index.html

Sources:
http://www.europa.eu.int/scadplus/leg/en/lvb/e14104.htm
http://www.eco-tax.info/5EUecotax/Lithuaniaecotaxrates.htm

Malta

[*Marie Briguglio, Malta Environment & Planning Authority, 02.2006*] Malta, a small island of barely 312 square kilometres, with a population of almost 400,000 is the most densely populated country in Europe, and the third most densely populated country in the world. It is hardly surprising that with increasing pressures on scarce natural resources, and with impacts being increasingly felt by the national and visiting population, environmental issues have been gaining prominence on the Maltese social and political agenda. Now environmental issues also look set to make stronger inroads in the economic agenda.

Upon Malta's accession to the European Union (EU) on 1st May 2004, Malta became responsible to implement the EU Environmental Acquis. This translated into clear obligations stemming from over 200 EU directives, regulations and other policy instruments in the fields of waste, water, nature protection, radiation protection, industrial pollution control, air quality, noise, chemicals, and horizontal issues. The status of environmental issues shot up from issues to be considered to issues to be actively tackled. The overall objective: to reduce pollution and improve environmental quality. The regulator: The Malta Environment and Planning Authority (MEPA).

Traditional approaches to regulating pollution in Malta have been of the "command and control" type: A law is adopted and enforced if activities are in breach of its provisions; "Permits" are issued and their conditions are enforced… The economic approach to regulating pollution – the use of market based instruments – so far has lagged behind. A proper strategy to address this potential has not yet been agreed. A green tax reform has not, to date, materialized.

Yet the basis to do this exists. The basic legislative framework enables the use of such instruments and recent years have seen an increase in the number of environmentally damaging activities that are subject to some form of economic instrument and hence incentive to reduce environmental damage.

Examples of Economic Instruments currently in existence in Malta

In the transport sector, upon registration of vehicles, importers, wholesalers and individual buyers must pay the Motor Vehicle Registration Tax, which varies according to engine capacity, motor vehicle type and purpose of use. Vehicle users also pay the Motor Vehicles Annual Road license fee, which varies according to the engine size. There is also a surcharge applicable to enter the congested capital city (electrically driven cars are exempt). In the field of air transport, a number of charges apply, including the existing departure taxes and airport taxes.

Within the energy sector, consumers of water and electricity pay a consumption charge in accordance with the established rates depending on the types of use and socio-economic factors. This charge, together with that on water consumption, witnessed a 47.5

percent increase as from January 2005; an increase which will be revised every two months. A refund of 25 percent is given to households on the use of solar energy and wind energy equipment and roof insulation of private homes subject to a limit of €250. A refund of 25 percent is also given to households on the purchase of photovoltaic equipment subject to a limit of €1,250. Then Enemalta (the state-owned electricity distributor) buys surplus photovoltaic energy produced by households. Fuel consumption is subject to charges on the sale of liquid petroleum gas, petroleum, diesel and unleaded petrol. Currently the prices of fuels are being revised every month and vary according to fluctuations in the stock markets and rates of currency exchange.

In the area of waste, construction and demolition, waste going to landfill is regulated through a waste management charge (which however does not go beyond the operational cost] There is also a deposit-refund system for soft drink bottles and certain containers, through which consumers are encouraged to return containers. The deposit price of the container is included in the selling price of the product and refunded upon return. This scheme tends to work well, is self-enforcing and helps to decrease the amount of waste going to landfill. It is envisaged to extend this scheme to other beverage containers. In September 2004, the Maltese government introduced an eco-contribution on specific products as a measure to internalise environmental costs and in January 2005 this scheme was further extended to a larger number of products. A producer can be exempted from eco-contribution if s/he takes back and recovers the empty containers rather than letting them end up in landfill.

Land use is controlled by development permit fees and infrastructure services contributions, which are imposed on applications for development by MEPA, and vary according to location, type and purpose of development.

In August 2005, the Maltese Government published a pre-budget document entitled ‘A Better Quality of Life 2006-2010’ as part of the 2006 pre-budget consultation process to illustrate its intentions to review those fiscal measures that discourage work and undermine productivity. The document pointed towards a shift from direct taxation to environment-related taxes. It also indicated that this would not be a measure intended to increase revenues but a re-engineering of direct taxation revenue streams which would introduce concepts based on the polluter-pays-principle.

In December 2005, and in line with Government direction, MEPA launched an EU funded project entitled 'Building capacity to Introduce the Polluter Pays principle through Economic Instruments to Implement the EU Environmental Acquis’. The project will result in an assessment of instruments currently in place, and a three-year plan for the introduction of a package of instruments. This project is intended to bring together the various economic initiatives in the field of environmental regulation and realign them strategically. This project, in short, will bring about a green tax reform – and one that will be shaped by key players and stakeholders. It is an initiative led by the MEPA together with the Ministry of Finance, but other government and non-governmental stakeholders will have important roles to play as the project develops. Training workshops and a communication campaign are also part of the package, as is an ex-post evaluation of the instruments’ performance.

This project comes at the right time. It is a time when the range of environmental objectives to be reached has drastically increased, a time when fiscal reform is required and a time when EU policy is increasingly encouraging the use of economic instruments to reach environmental objectives.

Poland: present status of the Ecological Tax Reform

[*Ewa Świerkula, Institute for Sustainable Development, 02.2006*] The National Development Plan for 2007-2013, the most important document setting out the programme and direction for the development of Poland, which was adopted by the Council of Ministers in September 2005, makes no mention of the ecological tax reform at all.

This idea has never had and has not now many supporters among the ruling elites. However, in the light of the objectives presented by the new government (October 2005), particularly combating unemployment e.g. through the reduction of non-salary labour costs, the ecological tax reform could be a measure which would assist in their achievement.

The Ministry of Finance proposes (in February 2006) a reduction in the pension contribution rate (one of the obligatory social insurance items) from 13 to 10 percent; in conjunction with the simultaneously announced increases in the levels of ordinary and disability pensions, this may make it necessary to seek additional revenues for the state budget. Economic growth can be observed in Poland, but it is doubtful whether it will ensure financing for these promises. VAT, PIT and CIT rates are not expected to change. Therefore, perhaps excise duty may change. In Poland, 0 percent VAT rate applies to natural gas, coke and coal (under Directive 2004/74/EC Poland has the right to a transition period until 2012).

Thus, it is possible to combine two objectives: the ability to implement the programme to reduce unemployment and the limitation of CO2 emissions. Certainly, this programme of change would have to be well prepared and consulted (e.g. through public debates).

However, given the strong relations between politics and the coal sector, it would rather be impossible to adopt excise duty on this environmentally most harmful energy carrier. The energy market depends on coal (95 percent of electricity production, 77 percent of heat production). This is favoured e.g. by the Energy Policy and the attitude to coal, which is treated as the cheapest source of energy. This is mistaken in view of its long-term subsidisation (it is estimated that in the period 2003-2006 the hard coal restructuring costs will exceed EUR 7 billion) and the damage to the environment and human health, i.e. the external costs. The adoption of excise duty on coal would contribute to the process of improving energy efficiency and shifting costs from labour to raw materials.

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Slovakia

[*Laure Revertera, Green Budget Germany*] In 1997 the European Commission expressed the view that Slovakia would have to make more effort in order to comply with most of the EC energy legislation in the next few years. In particular, matters such as the adjustment of monopolies (including import and export issues), access to networks, energy pricing, the establishment of mandatory oil stocks, state intervention in the solid fuels sector, energy efficiency and fuel quality standards needed to be closely monitored. With regard to nuclear energy, the Commission did not foresee any major difficulties for compliance with Euratom provisions. However, nuclear safety required continued attention, and the issue of safety standards should be tackled appropriately and realistic programmes implemented quickly. Longer-term solutions for waste should also be examined.

A legislative framework for strategic oil reserves entered into force in June 2001. This framework constitutes the legal basis for an increase in stocks up to a level corresponding to 90 days of consumption, as required by the acquis. Nevertheless, efforts should continue to be made to increase reserves since they amount to only one-third of the required level.

With regard to the establishment of the internal energy market, Slovakia has made progress in the electricity and gas sectors and has taken additional steps to align with the acquis. The privatisation of the gas and electricity state enterprises is continuing. However, the preparations for the market still necessitate new measures, in particular as regards legislation and restructuring. The measures required include the establishment of a transport network operator.

As regards energy efficiency and renewable energy, government decrees aiming at improving energy efficiency through the labelling of electrical household appliances entered into force in 2002. Legislation was in place in 2003, with the exception of the newest acquis, which should be transposed according to the timetables provided for in the directives concerned.

In the field of nuclear energy, Slovakia operates two nuclear power plants located at Bohunice and Mochovce. Two of the four units at Bohunice have been classified as non-upgradable, and must be shut down. The government has drawn up a decommissioning plan. In the case of Mochovce, the two reactors should be upgraded and nuclear safety measures should be taken. Slovakia has made progress in this area. In November 2000 it adopted the framework procedure and timetable for the decommissioning of the two Bohunice units which cannot be upgraded. The Slovak authorities have taken additional measures as regards nuclear safety in the other two units. The programme to improve safety compared with the Mochovce nuclear power station has been completed for half the power station, with the exception of post-accident monitoring. The EU Council adopted a report in June 2001 on nuclear safety in the context of enlargement. This report advocates seven specific measures for Slovakia which has accepted the report's recommendations.

The two V1 reactors of Bohunice Nuclear Power Plant are subject to early closure commitments. In 2003, Slovakia confirmed its commitment to closing Unit 1 of the Bohunice V1 nuclear power plant by 2006, and Unit 2 by 2008. Slovakia should continue to pay particular attention to further strengthening the capacity of its radioactive waste management agency currently being established.

In addition, in 2003 Slovakia reinforced the Slovak Nuclear Regulatory Authority and its expertise has been regarded as satisfactory by third-party bodies. It must also ensure full compliance with Euratom requirements and procedures, in particular preparations for the implementation of Euratom safeguards and reporting for the movement of nuclear materials and inventories.

In the special field of environmental taxes, Slovakia introduced a tax on gas emissions like NO_X and SO_2, but nothing on CO_2 emissions. Other taxes, like water pollution tax and waste tax, have been decided, as have taxes on special products like batteries, electric bulb, tyres and paper.

The taxation of diesel in Slovakia for the year 2004 was as high as in the other new EU-Member States, amounting to 315 Euros per 1,000 litres. Thus, the level of diesel taxation is already far above the minimum rate required by the EU of 245 Euros per litre, and even meets the requirements of the 310 Euros per 1,000 litres fixed for 2010, which is not the case for several countries of the EU-15. Consequently, the oil prices are also amongst the highest in the EU Member States. Petrol prices are also pretty high, at 0.83 Euro per litre.

Slovenia

[Laure Revertera, Green Budget Germany] In 1999**,** the European Commission expressed the view that Slovenia should be in a position to comply with most of the EU energy legislation in the next few years. However, further efforts were nevertheless necessary in the following areas: preparation of the internal energy market, including the adjustment of monopolies, access to networks, energy pricing, establishment of a mechanism for regulation, emergency preparedness,

restructuring programmes and state interventions in the solid fuels sector and improvement of energy efficiency. The Commission also pointed out that the European Union was determined to keep nuclear safety issues under close review.

In 2002, another report emphasized that progress had been made on aligning with the *acquis* in the energy sector. Overall, good progress has been made, notably with regard to oil stocks, the internal energy market, particularly the electricity and gas sectors, and the improvement of energy efficiency and the promotion of renewable energy. The European Commission concludes that Slovenia needs to continue to progressively build up oil stocks, remove the remaining electricity price distortions and transpose the most recent *acquis* on energy efficiency.

Today, we note that satisfactory progress has been made in the area of security of supply**.** Constituting oil stocks to cover 90 days' consumption has been pursued according to the government plan which aims to reach the equivalent of 47 days by the end of 2001. Slovenia currently has a third of the required reserves. However, Slovenia is not equipped with sufficient infrastructure to store these reserves. Consequently, an agreement was concluded with Germany in May 2001, enabling Slovenia to store part of its oil reserves there.

Slovenia has maintained steady progress as regards energy competitiveness and the internal energy market**.** A number of decrees have been adopted preparatory to the opening of the energy market and concerning, *inter alia*, the setting-up of an independent regulatory authority. The internal electricity market was opened in April 2001 thus authorising major consumers of electricity to choose their supplier.

In 2003, 65 percent of the electricity market and 50 percent of the gas market were open for competition. The regulatory body, the Energy Agency, whose task it is to oversee the gas and electricity markets, has been established but needs to be strengthened further. Slovenia should transpose the recently adopted electricity and gas directives in line with the timetable provided for by this *acquis*.

Slovenia has continued to promote a number of initiatives, such as awarding financial incentives to improve energy efficiency**.** Nevertheless, further progress must be made in this area. Since 2002, the market for electricity produced outside Slovenia has been partially opened and a Decree on the rules for setting producer prices was issued. The National Energy Efficiency Programme 2001-2005, also addressing renewable energy issues, has been updated and is being implemented.

Concerning the administrative capacity**,** Slovenia has set up the necessary institutions, namely an Energy Agency, an agency for rational energy use, an agency responsible for oil product stocks and a nuclear safety administration.

Nuclear safety is particularly important in the context of the enlargement of the Union. In finalising the programme to modernise the Krsko facility between 1998 and 2000, Slovenia has continued to make progress in this area. In addition, the Slovenian and Croatian Governments have signed an agreement concerning their joint ownership of this facility. Its level of nuclear safety is comparable to that of western European nuclear plants. However, additional measures must still be introduced. The Council adopted a report on nuclear safety in the context of enlargement in June 2001. This report identifies five specific measures to guarantee the safe operation of the Krsko facility and other nuclear sites, which include, *inter alia*, seismic qualification of the facility and the adoption of a national emergency plan. Slovenia will also have to ensure that it complies fully with Euratom requirements and procedures.

Slovenia has ratified the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management, and in March 1999 acceded to the Paris Convention on Third Party Liability in the field of nuclear energy. Slovenia has also concluded a Full Scope Safeguards Agreement with the International Atomic Energy Agency (IAEA). In 2002, the Slovene Parliament adopted the Act on protection from ionised radiation and nuclear safety. The Act regulates the field of nuclear and radiation safety and defines security procedures for the workers and individuals exposed to ionised radiation.

Concerning the specific area of ecological tax reform, Slovenia and Estonia have the highest tax on gas emissions. Slovenia will soon introduce an eco-tax on CO_2, NO_X and SO_2. However, there is not yet a tax on products such as tyres or plastic bags. With a tax on diesel of 302 Euros per 1,000 litres, Slovenia is in the line with the lower limit given to the EU-15 countries, whereas the limit for the new members is set at 245 Euros per 1,000 litres. This means that Slovenian eco-taxes are not far off reaching the minimum level of tax given by the EU for 2010, which has been set at 300 Euros per 1,000 litre. The prices of petrol and the diesel were steady at 0.82 Euros per litre, below the prices of the EU-15 countries of 0.88 euros for diesel and 0.94 euros for petrol.

For an overview of the Slovenian Eco-Tax system in numbers, follow this link: http://www.eco-tax.info/5EUecotax/sloveniaecotaxrevenues.htm

Sources:
http://www.europa.eu.int/scadplus/leg/en/lvb/e14104.htm
http://www.foes.de/12EU-Besteuerung/index.html

11. GREEN BUDGET REFORM WORLDWIDE

Energy Tax Incentives Act

[ClickPress, 23 January 2006] Congress recently passed the Energy Tax Incentives Act of 2005. This legislation provides more than $14 billion in tax breaks, primarily for businesses in the energy sector. Many of the incentives are targeted at improving the national power grid to prevent major blackouts like those in the Northeast and Midwest two years ago.

The Act also provides some incentives for individuals and businesses to make certain energy conservation or alternative energy expenditures. While these credits and deductions may not net you a significant tax break, you should consider them if you – or your business – are planning energy-efficient improvements or purchases, and want to save money while doing your part for the environment.

For more information please see:

http://www.clickpress.com/releases/Detailed/8222005cp.shtml

http://www.boston.com/business/taxes/articles/macpa/new_2006/energy_efficient/

Californians set to battle over energy tax plan

[Reuters.com, Bernie Woodall, 2 February 2006] A California constitutional amendment taxing oil production to fund a range of alternative energy efforts may go to voters this November, setting up a nine-month battle between environmentalists and oil companies.

Some big names in California business including movie producer Steven Bing and Silicon Valley venture capitalist Vinod Khosla will help fund the "Californians For Clean Alternative Energy" effort to get the measure on the ballot and convince voters to approve it.

For more information please see: http://today.reuters.com/news/newsArticle.aspx?type=domesticNews&storyID=2006-02-02T221252Z_01_N02410563_RTRUKOC_0_US-ENERGY-CALIFORNIA-TAX.xml

Why a US gas tax is politically unthinkable

[International Herald Tribune, Robert H. Frank, The New York Times, 17 February 2006] Suppose a politician promised to reveal the details of a simple proposal that would, if adopted, produce hundreds of billions of dollars in savings for American consumers, significant reductions in traffic congestion, major improvements in urban air quality, large reductions in greenhouse gas emissions, and substantially reduced dependence on Middle East oil. The politician also promised that the proposal would require no net cash outlays from American families, no additional regulations and no expansion of the bureaucracy.

As economists often remind their students, if something sounds too good to be true, it probably is. So this politician's announcement would almost surely be greeted sceptically.

Yet a policy that would deliver precisely the outcomes described could be enacted by Congress – namely, a $2-a-gallon, or E3.78-a-liter, tax on gasoline whose proceeds were refunded to American families in reduced payroll taxes.

To read the whole article please see:

http://www.iht.com/articles/2006/02/16/business/gastax.php

Bush encourages spending on energy-saving products

[The Seattle Times, 21 February 2006] President Bush visited one of the nation's leading producers of energy-efficient technologies and hailed the company's innovations as proof that the United States can one day wean itself off foreign oil.

Speaking at Johnson Controls, a Fortune 500 company that produces batteries for hybrid vehicles and energy-saving devices for buildings, Bush said, "In order to seize the moment, this country needs to remain technologically advanced."

Reiterating his belief that the nation is "addicted to foreign oil," the president renewed his call for increased spending on science research, development and education and greater government incentives for the makers and users of alternative sources of energy.

To read the whole article please see:

http://seattletimes.nwsource.com/html/businesstechnology/2002818566_bush21.html

"UN chief urges action on climate change"

[chinaview.cn, 7 February 2006] UN Secretary-General Kofi Annan urged world leaders to use the United Nations-backed Kyoto Protocol to move on climate change and called for governments, businesses and citizens to adopt a new mindset on energy resources.

"Now that the Kyoto Protocol has entered into force, the world has a dynamic tool for stabilising and reducing emissions and supporting climate-friendly projects in developing counties," said Annan when accepting an environment award in Dubai.

The UN leader was accorded the 2005 Global Leadership for Environment award for his work with the environment.

The Kyoto Protocol is the 1997 landmark treaty designed to curb the greenhouse gas emissions that have been determined to cause global warming. The binding pact, which entered into force last February, requires 35 industrialized nations to reduce greenhouse gas emissions below 1990 levels between 2008 and 2012.

In his speech at the Dubai gathering, Annan warned that the world remains "perilously wedded to oil and other fossil fuels," and called for the use of cleaner technology. The text of the speech was also distributed at the

UN headquarters in New York.

"All humankind must get the maximum benefit from every barrel, gallon or litre consumed – much as we try to do with water, where 'more crop per drop' is our mantra," he said.

Annan also advocated alternative, renewable sources of energy such as solar, wind and biofuel. "The soaring demand for oil is concentrating the minds of the world as never before," he pointed out.

He emphasised that "everyone has a role" to play in changing the current energy mindset, including governments and businesses.

http://news.xinhuanet.com/english/2006-02/07/content_4145104.htm

China to Create Strategy for Oil Alternatives

[planetark.com, 14 February 2006] China is devising a long-term plan to increase the use of alternative fuels such as coal gas and renewables in order to reduce dependence on oil, according to comments by an official published on 13 February.

The recommendations, put forward by a central government working group, form part of an "oil alternative strategy", the official China Daily cited Wu Yin, an energy official with the National Development and Reform Commission, as saying.

The working group's recommendations would be incorporated into the country's next five-year plan, due to be approved by the legislature in March, the paper cited Wu as saying.

The report provided no specific targets, but it cited Zhang Guobao, vice-minister of the commission, the country's top economic planning body, as saying China would look primarily to nuclear, wind and solar power to trim its reliance on coal and oil.

However, the government would also further develop energy sources such as coal gas, biomass and ethanol, the paper said.

The report said the government would significantly widen the availability of ethanol as a fuel for vehicles. It is currently used in just five provinces.

Coal liquefaction would be another focus of efforts to diversify away from oil, the paper said, in an effort to make better use of the country's massive coal reserves.

It cited the China Oil News as saying that over the next five to 10 years the government planned to invest $15 billion in coal liquefaction plants capable of producing 16 million tonnes of oil products each year.

China has already set a target of obtaining 15 percent of its energy through renewable sources by 2020, up from around 7 percent currently.

http://www.planetark.com/dailynewsstory.cfm?newsid=35090&newsdate=14-Feb-2006

Kyoto Protocol: Climate treaty one year old, but emissions still rising

[Friends of the Earth, Press Release, 15 February 2006] Governments are failing to take the necessary action to ensure delivery of the Kyoto Protocol, Friends of the Earth said on 16 February, one year after this global treaty came into force to cut greenhouse gas emissions. Emissions data from countries signed up to Kyoto reveal that many of the worlds's industrialised countries are still failing to bring carbon emissions under control – with emissions in Italy, Canada, and Austria all increasing since 1990. UK emissions are also now rising – putting the UK's Kyoto commitments in jeopardy.

To read the whole article please see:

http://www.foe.co.uk/resource/press_releases/climate_treaty_one_year_ol_14022006.html

Shanghai implements tough new auto emissions standards

[forbes.com, 15 February 2006] Shanghai has introduced tough new automobile emission standards that will see high-polluting cars banned from entering the bustling Chinese city's center. Of the city's 960,000 privately

owned vehicles, about 64 percent will need to take an emissions test, according to a statement issued by the Shanghai Environmental Protection Bureau. Vehicles that do not carry an official 'green' certificate stating they have passed the test will be forbidden from entering Shanghai's most central area, Xi Ailing, an official with the bureau, told Agence France-Presse. For the whole article please see:

http://www.forbes.com/markets/feeds/afx/2006/02/15/afx2527610.html

India: Focus on carbon prices leaves specialists frustrated

[Will Rhode, Carbon Finance, February 2006] Some Indian companies' obsession with the price of carbon is leaving many market specialists frustrated and could ultimately benefit other developing countries active in the CDM, says Will Rhode.

To read the whole article please see http://www.foes.de/GBNnews15/11artikel3.html

„India to promote carbon market for GHG reduction"

[insnet.org, 15 February 2006] India will take a proactive approach to ensure that the international carbon market as a means to decrease global emission of greenhouse gases stays continues to strengthen and grow, said Indian Environment Secretary Pradipto Ghosh at the Delhi GHG Forum 2006.

The Forum, organised for the third consecutive year by the WBCSD in cooperation with TERI, IETA and the World Bank, provided a platform for participants to discuss and interact with senior policymakers and business representatives on the development of the GHG market and CDM project opportunities in India.

India already has some 300 industrial projects in the pipeline that are linked to carbon trading and clean development mechanism (CDM), said Gosh, adding that many more projects in the public sector industries would come up in the future. He continued that the global carbon market is a reality and the world community has given a signal that it is committed to a long-term regime to reduce climate change.

To read more please see:

http://www.insnet.org/ins_headlines.rxml?cust=2&id=2401&url=http://www.wbcsd.org/plugins/DocSearch/details.asp?type=DocDet&ObjectId=MTgwMzY

Japanese firms in carbon reduction rush

[*Asia Times online, Hisane Masaki, 16 February 2006*] Japanese businesses are on an investment spree of greenhouse-gas reduction projects abroad, especially in Asia, as the nation is in hot water over its target for slashing emissions of such gases under the Kyoto Protocol on global warming. The "credits" these firms earn in return for gas-reduction investments in developing countries can be counted as cuts for their own emissions – and in turn, for Japan – under a system called the Clean Development Mechanism (CDM), one of the three so-called Kyoto mechanisms introduced under the protocol to help industrialized countries meet their reduction targets. Developing nations that take part can receive technology transfers from their industrialized partners.

For the whole article please see: http://www.atimes.com/atimes/Japan/HB16Dh01.html

Australia: Tougher regime on big polluters

[The Age, Jason Dowling, State Politics, February 19, 2006] Some of Australia's largest companies face a stricter regime in coming clean about greenhouse gas emissions as part of a move towards mandatory reporting of pollution.

For the first time, companies such as Shell Geelong Refinery, BP, Esso, Mobil Oil, Foster's and Toyota would have to jointly report their emission levels, giving the State Government greater powers of scrutiny.

Previously, it was up to the companies to choose to individually report pollution levels.

The move is part of a pilot program being launched by Environment Minister John Thwaites on 20 February. The minister will announce at a climate change conference in Adelaide that 26 companies had agreed to release detailed information on their greenhouse gas emissions in April.

To read the whole article please see:

http://www.theage.com.au/news/national/tougher-regime-on-big-polluters/2006/02/18/1140151851231.html

Draft treaty between the EU and USA: 'Open skies' air treaty threat

[The Guardian, Andrew Clark, transport correspondent, 20 February, 2006] Britain could lose its ability to impose environmental taxes, restrictions and safeguards on airlines under a draft treaty between the EU and US which curtails the power of national governments. The draft treaty, meant to liberalise aviation, includes a little noticed clause requiring EU states to reach agreement with each other and with the US before taking measures to tackle noise or pollution from airlines.

http://www.guardian.co.uk/frontpage/story/0,,1713677,00.html

Oil independence is possible, but does America want it bad enough

[mercurynews.com, Kevin G. Hall, 21 February 2006] President Bush's State of the Union pledge to end America's oil "addiction" and his tour of emerging energy technology centers this week have touched off a national debate on how to achieve energy independence.

"The answer is pretty simple. We will never get to energy independence while we are using oil as the major fuel," said Severin Borenstein, director of the University of California Energy Institute in Berkeley.

There are ways to break America's oil addiction, experts say, but it won't be easy. Cures include stricter conservation, higher fuel-economy standards, alternative fuels made from common crops and next-generation batteries for hybrid cars that could get more than 100 mpg.

These and other options are promising, but all would require sacrifice and trade-offs. And, importantly, none are yet cost-competitive with oil. That's the biggest challenge to escaping America's oil-based economy. Although growing global demand has strained supplies, oil remains widely available and relatively cheap, even at today's high prices.

For more information please see: http://www.mercurynews.com/mld/mercurynews/news/politics/13926319.htm

Carbon Trading Treaty by 2012

[Advertiser Adelaide, Australia, Kara Philipps, 22 February 2006] A GLOBAL carbon trading system could be in operation by the next decade, the Australia-New Zealand Climate Change & Business Conference in Adelaide was told on 21 February.

Nick Rowley, former senior policy adviser to British Prime Minister Tony Blair, talked on 21 February about the prospect of a global treaty post-2012 and the need for a worldwide carbon trading system to halt global warming.

http://www.theadvertiser.news.com.au/common/story_page/0,5936,18231074%255E910,00.html

12. OTHER EVENTS

Energy Globe 2006 contest

The Energy Globe 2006 contest has started again, and best practice projects which have achieved a sustainable use of our resources and use alternative energies can be submitted once more. Deadline for project submission is May 12th, 2006. Every year hundreds of projects from all over the world take part in the Energy Globe Competition. The best of them are selected by an international jury and are awarded annually during an international event – like this year at the EXPO in

Aichi/Japan. The winning projects are presented in a TV documentary which is broadcast by international TV stations and can be seen by more than 3 billion households.

This year's winners come from Uganda, India, Indonesia, Israel/Jordan/Palestine, Switzerland and Austria. Details about the winning projects and pictures showing the projects are available for download at www.energyglobe.info.

We cordially invite you to send us your project or spread news about the Energy Globe so that other outstanding projects have a chance to participate.

Bioenergy Europe 2006, London 16-17 March 2006

This two-day conference will provide an in-depth analysis of incentive schemes and finance options to boost the use of biofuels and biomass in Europe.

Bionergy Europe 2006: markets and finance for biofuels and biomass, London, 16-17 March 2006, sponsored by Taylor Wessing, supported by European Biomass Industry Association (EUBIA), The European Forum for Renewable Energy Sources (EUFORES) and The Renewable Energy Association. For full programme details and to register please click through to:

http://www.environmental-finance.com/ads/BIO.pdf

http://www.environmental-finance.com/conferences/2006/bio/intro.htm

7th oikos PhD summer academy 2006, "Sustainability and Corporate Strategy", August 21-25, 2006 University of St.Gallen/Hotel Krone, Switzerland

[Dr. Jost Hamschmidt, University of St.Gallen, oikos foundation for economy and ecology] The oikos foundation invites doctoral candidates to submit a paper for the 7th international oikos PhD summer academy, hosted by the University of St. Gallen, Switzerland. The basic idea of the academy is to provide PhD students in the fields of sustainability management, business administration, economics, policy and law a forum to present and discuss their on-going research projects with fellow students and senior faculty. Feedback will be given by Petra Christmann, Professor of Management and Global Business, Rutgers University (USA), Juan Alberto Aragón Correa, Professor for Strategy and Management, University of Granada (Spain), Rolf Wüstenhagen, Senior Lecturer, University of St. Gallen (Switzerland). To allow in-depth discussions the oikos PhD summer academy is limited to 15 PhD students. Please, send us your proposal abstract (max. 2-3 pages), a short curriculum vitae and a letter of interest by March 15 2006. For more details please visit the website or download the call for papers at:

http://www.oikos-foundation.unisg.ch/academy2006/callforpapers.pdf
http://www.oikos-foundation.unisg.ch/academy2006/index1.html

Business Forum Event on What "Green" Consumers Want, March 2 2006 (Portland)

[Christina Smith, Oregon Environmental Council (OEC)] Consumers are increasingly interested in healthy, sustainably produced products. This new market, dubbed "Lifestyles of Health and Sustainability" or "Cultural Creatives," is heavily represented in Oregon. From green power to natural foods, Oregon consumers are on the progressive edge of these national trends. Our two speakers will address how businesses can reach this growing market: Laurie Demeritt, President of the Hartman Group, a leading consumer market research and consulting organization; and Kevin Sweeney, a strategy consultant and UC Berkeley lecturer on socially responsible business.

For more information about OEC, visit our Website: www.oeconline.org

13. LINKS AND PUBLICATIONS

Reducing Greenhouse Gas Emissions from Aviation

The conference report to the Green Budget Germany / eftec conference "Reducing Greenhouse Gas Emissions from Aviation", which took place in London at the Anglo-German Foundation, kind sponsors of the conference, is now available for download on the Green Budget Germany website:

http://www.eco-tax.info/downloads/GBG%20eftec%20Aviation%20Conference%20Report.pdf

The influence of lobby groups on Ecological Fiscal Reform in Germany

A study by Niels Anger, Christoph Boehringer and Andreas Lange from the Centre for European Economic Research examines the success of different lobby groups on the development of Ecological Tax Reform in Germany.

Download (in English, German version also available):
„Differentiation of Green Taxes: A Political-Economy Analysis for Germany"

Promotional film for Ecological Fiscal Reform

You can find an interesting film on pollution control and ecological fiscal reform on the website of the organisation "Noé 21" in French „Demain j'arrête" and in English „Tomorrow I quit ".

The Hungarian version is available from Clean Air Action Group: levego@levego.hu

Project report on the use of subsidies, taxes and charges in the EU transport sector

[Dr Burkhard Huckestein, European Environment Agency] In 2005 the EEA commissioned a project – performed by Ecologic and TU Dresden – on the use of subsidies, taxes and charges in the EU transport sector. The project report, finalised in November 2005, summarises current knowledge on existing transport subsidies within European countries and reviews the literature on this issue. Existing subsidies are classified by incidence and mode.

Furthermore, a literature database has been developed with information about more than 100 studies on transport subsidies. The database may be helpful for finding studies and relevant information on subsidies on infrastructure, vehicles, energy, services and users of transport within the EU.

See:
http://www.ecologic.de/projekte/3ea/subsidies/php/index.php.

In 2006, the EEA's work on this issue aims at identifying the influence of existing transport subsidies on the level playing field between transport modes and its environmental consequences.

Article on Ecological Tax Reform in Spain

An article on environmental fiscal reform ("Reforma fiscal ambiental"), written by Matthias Seiche, has been published in the "el ecologista", n° 46, in the winter edition 2005/2006. This paper underlines the positive impact of an environmental fiscal reform. It also deals with the arguments which are often put forward against this instrument and explains why they prove to be incorrect. The paper points out that the environmental fiscal reform can be a tool with a great deal of influence on environmental policy. However, for a successful reform in Spain, the lessons from other countries also have to be taken into account.

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

Study on "NGO strategy for honest food prices: How to increase the use of EU financial instruments for better environmental performance of the agricultural and food sector"

[Jan de Vries, Stichting Natuur en Milieu, December 2005] Boosting the transition towards sustainable practices in agriculture is one of the main ambitions of the Dutch Society for Nature and Environment (Stichting Natuur en Milieu; N&M). The N&M-project "Honest food prices" is one of the activities contributing to this goal. This project aims to build a European NGO-platform to campaign for environmental fiscal reform in the context of EU agricultural policies.

This memorandum intends to foster the process of coalition building and to focus its campaigning program. Firstly, after referring to present-day unsustainable practices in EU agriculture, it introduces (categories of) fiscal instruments (Ch. 2: State of affairs). Then, it investigates in a very condensed way the perspectives for extended use of fiscal instruments, related to agriculture, both on EU-level and by Member States (Ch. 3: Provoking sustainable agriculture by fiscal instruments). Finally, in chapter 4, some recommendations for the intended NGO-platform are given.

http://www.eco-tax.info/downloads/AgricultureJanuary2006.pdf

Paper on "Decoupling eco-efficiency and environmental taxation"

[Mikael Skou Andersen, Public Policy Research, vol. 12, issue 2] This essay intends to shed light on whether environmental taxation can help to decouple environmental pressures from economic growth, a policy outcome widely desired and particularly pressing in the context of climate change, where radical measures are needed to curb CO2 build up.

http://www.eco-tax.info/downloads/2006Danmark.pdf

EEA Report, "Using the market for cost-effective environmental policy"

[*European Environment Agency, January 2006*] This report presents an assessment of the main and most recent developments in the use of market-based instruments in European environmental policy. The report covers a range of instruments which are used as tools to achieve environmental objectives. These instruments include: environmental taxes, charges and deposit-refund systems, environmental tax reform, emissions trading schemes, subsidies, and liability and compensation requirements. The report finds a steadily growing application of market-based instruments across Europe. It also identifies the need for cost-effective policy measures in order to make authorities more aware of the advantages of implementing MBIs.
http://reports.eea.eu.int/eea_report_2006_1

The report "Market based instruments for environmental policy in Europe" is a longer version of this report.

(Technical report No 8), published at http://reports.eea.eu.int/technical_report_2005_8

FiFo-Newsletter Number 2 January 2006

The newsletter – published in January 2006 – by the Cologne Centre for Public Economics comprises the works of the institute and the papers of the seminar on public finance of the University of Cologne, published in autumn and winter 2005.

For further information please see the website:

http://www.wiso.unikoeln.de/finanzfors/newsletter%20aktuell.pdf
http://www.fifo-koeln.de

New Book by DEFRA: „How much climate change can we take?“

[*Department for environment, food and rural affairs, 30 January 2006*] Over the last year we have seen growing evidence of climate change. Indeed, statistics suggest that 2005 is the second warmest year on record. The Arctic sea ice shrank to its lowest extent last summer and devastating hurricanes show how sensitive even developed societies are to extreme weather. Temperatures are expected to continue to rise and extreme events are likely to become more frequent with climate change. But how much climate change can we take? How can we avoid levels which can be considered dangerous?

The "Avoiding Dangerous Climate Change" book, which is being launched by Defra, explores these questions. The book gives an account of the most recent developments on the science of climate change, explores how much climate change is too much and how can we avoid it. It examines the consequences of different levels of climate change in terms of impacts for different sectors and regions, as well as the world as a whole. And it considers technological options that can be deployed to achieve different levels of climate change as the world moves to a lower carbon economy.

The book has been prepared by an editorial board led by Professor Hans Joachim Schellnhuber, and is published by Cambridge University Press, price £70.

More details are available at: http://www.cambridge.org/0521864712

A pdf of the book is available on the Defra web-site: http://www.defra.gov.uk/environment/climatechange/internat/dangerous-cc.htm

An accompanying document, with a foreword by Dennis Tirpak, chair of the conference international scientific steering committee, is also available at: http://www.defra.gov.uk/corporate/publications/pubcat/env.htm#climate

Defra home: http://www.defra.gov.uk

Diagrams on energy prices and taxes

The Federal Ministry of Finance has online information on the breakdown of petrol, diesel and fuel oil prices; the development of petrol and diesel prices in Europe and comparisons between different countries; and the development of petrol, diesel and crude oil prices, of the dollar rate of exchange and of the mineral oil tax. See the following website for more details:

http://www.bundesfinanzministerium.de/cln_02/nn_31916/DE/Steuern/Energiebesteuerung/Energiepreise/001.html

Legal construction of an Air Ticket Tax

A study from the Federal Environmental Agency on the introduction of an Air Ticket Tax is available in English http://www.umweltbundesamt.de/verkehr/index-verkehrstraeger.htm and in German http://www.umweltbundesamt.de/verkehr/downloads/Recht-liche_Ausgestaltung_einer_Ticketabgabe_auf_den_Flugverkehr.pdf

This strategy paper discusses the legal framework put in place by the German fiscal regime as well as Community and international law in so far as it has a bearing on the construction of an ATT in Germany. At the same time, it also discusses the specific features that would characterise an ATT if it were levied by the European Community or an alliance of like-minded states. In each case, the paper sets out concrete proposals for action that would be both legally permissible and effective if implemented.

Costs of Inaction and Costs of Action in Climate Protection – Assessment of Costs of Inaction or Delayed Action of Climate Protection and Climate Change

[Claudia Kemfert, Katja Schumacher, German Institute for Economic Research, Dept. Energy, Transport, Environment] This study sets out to calculate the costs of inaction, i.e. the absence of policy initiatives, contrasted with the costs of action, i.e. the costs of climate policy. The study intends to shed some light on what might happen if concrete climate policy started today, or started at a later point of time. In particular, the study focuses on the costs of inaction, and

thus potential economic damage from climate change.

For the whole paper please see:

http://www.diw.de/deutsch/produkte/publikationen/diwkompakt/docs/diwkompakt_2005-013.pdf

German Ecotax Results

Information on the Ecological Tax Reform from the Ministry of Finance (in German):

http://www.bundesfinanzministerium.de/lang_de/DE/Service/Downloads/Abt__IV/061,templateId=raw,property=publicationFile.pdf

http://www.bundesfinanzministerium.de/cln_03/nn_3380/DE/Steuern/Energiebesteuerung/node.html__nnn=true

Renewable energy sources in figures – national and international development

The Federal Ministry of the Environment has Published "Renewable Energy Sources in Figures – National and International Development" (Status December 2005) on the following website:

http://www.erneuerbare-energien.de/files/pdfs/allgemein/application/pdf/erneuerbare_energien_zahlen_dezember.pdf

RUSE Newsletter N°2

[*Christophe Frering, Energie – Cites*] The new RUSE Newsletter n°2 provides information about the structural funds that are relevant for sustainable energy projects, focussing on four new Member States – the Czech Republic, Lithuania, Poland and Slovakia.

http://www.ruse europe.org/newsletter.php3?id_rubrique=405

Newsletter n°1 presented the RUSE operation and focused on how structural funds may help to improve energy efficiency:

http://www.ruse-europe.org/newsletter.php3?id_rubrique=399

Take off for small-scale highly efficient cogeneration

[*Energie – Cités, COGEN CHALLENGE campaign press release, 9 February 2006*] Combined heat and power production is an essential means of reaching EU energy and environmental goals. Yet small-scale CHP is not very well developed for several reasons, including financial and technical barriers, and sometimes simply because of a lack of information!

The COGEN CHALLENGE project aims to overcome these barriers: raising awareness of small-scale cogeneration, enhancing local and regional capacity for the successful development of projects, transferring good practice and know-how between local actors, and improving the markets for energy services and new technologies.

Download the COGEN CHALLENGE press release:

http://www.energie-cites.org/page.php?lang=en&dir=1&cat=6&sub=1#bvym37u7

New Report Links Renewable Energy to Climate Change Solutions

Renewable energy must play a major role in the global energy supply to meet the increasingly serious environmental and economic threats of climate change, according to a new report from the Renewable Energy Policy Network for the 21st Century (REN 21).

See the UNEP and REN 21 press release at: http://www.ren21.net/climatechange/060208_REN21_PR_CC.pdf

Air pollution policies save billions of dollars

[*insnet.org, 10 February 2006*] Policies to reduce air pollution can save governments billions of dollars, according to data compiled by the UN Environment Programme (UNEP) for its GEO Year Book 2006.

The book presents a survey of the global environment and is the third in an annual series. This year's edition includes a special section on energy and air pollution.

Several examples compiled for this chapter show the economic benefits that can be achieved by air pollution programmes. Among them is the US Clean Air Act, which the US Environmental Protection Agency has estimated will save around $690 billion between 1990 and 2010 – six times the cost of implementing the regime. The majority of these savings are expected to come from a reduction in premature deaths and lower health care costs, says UNEP.

A study by the World Bank, also mentioned in the book, estimates that a 10 percent reduction in ozone in Mexico City would reduce productivity losses and medical costs by $493 million annually.

"The world is crying out for more energy in order to lift people out of poverty and deliver the internationally agreed Millennium Development Goals. But we know that we cannot rely on the energy structures of the past if we are to deliver a healthy environmentally stable world," says Klaus Toepfer, UNEP's executive director.

"We need to urgently diversify the world's energy and electricity-generation base, we need to promote energy efficiency, we must foster more efficient and cleaner fossil fuel use alongside renewables and we must bring power to the rural areas."

Polluting households face green taxes

[politics.guardian.co.uk, Matt Weaver, 8 February 2006] Households that recycle waste and save energy and water would be taxed less under a major fiscal shake-up put forward by an environmental think tank. The proposals, published in a report commissioned by the Green Alliance, were aimed at discouraging people from leading environmentally damaging lifestyles.

They included inefficiency charges on polluting or wasteful products such as disposable batteries, single-use cameras, garden sprinklers and traditional incandescent light bulbs. The report also called for council tax and stamp duty reductions for households that installed energy efficiency measures such as cavity wall and loft insulation and energy efficient light bulbs. The council tax idea was modelled on a scheme run by Braintree council in Essex, which gave households a £100 tax cut in return for installing green measures in their homes.

The report was based on research by the Institute of Policy Studies, which warned that consumers were currently "locked in" to wasteful and environmentally damaging behaviour patterns. It said households needed financial motivation to change their lifestyles.

Other proposals included extra charges for households that didn't recycle their rubbish, and a nationwide rollout of water meters. The report also proposed increasing VAT on the construction of new homes together with a VAT reduction for older homes if they were refurbished in a sustainable way.

Domestic households currently account for 28 percent of the UK's greenhouse gas emissions, more than half its water consumption and 10 percent of its waste. The report's author, Rebecca Willis, said: "People are concerned about the environment but don't know what they can do to help. The government needs to set the framework to take the pain out of being green and the tax system has a crucial role to play in making that happen."

Guy Thompson, director of the Green Alliance, said: "With rising oil prices and David Cameron raising the stakes, the chancellor must be looking over his shoulder and pondering his green credentials. "He needs to raise the Treasury's game on the environment. A package of green tax measures linked to behaviour change is right on the button," he said.

http://politics.guardian.co.uk/green/story/0,,1705172,00.html

Download a summary of the report at: http://www.greenalliance.org.uk/publications/GreenLivingReport/

New European funded research project IMPRINT-NET (Implementing Pricing Reforms in Transport Networking)

IMPRINT-NET co-ordination action addresses in particular the costs of transport infrastructure use. It will provide a discussion platform for policy makers, transport operators, researchers and other stakeholders to exchange views on the implementation of new pricing regimes, cost calculation methods, derivation of tariffs to be levied and on successful approaches to overcome barriers and to affect attitudes and perceptions.

For more information please see:

http://www.imprint-net.org/

If you would like to join the IMPRINT-NET network, please register your interest and indicate your main expert group of interest:

E-Mail: register@imprint-net.org

Paper on „Satisfaction with Democracy and the environment in Western Europe – A Panel Analysis"

[Alexander F. Wagner, Friedrich Schneider, University of Zurich and University of Linz, February 2006] We construct a panel of satisfaction with democracy (SWD) and economic, institutional, and environmental variables for 1990-2001 for fifteen European countries. In this sample, controlling for a number of factors, we find that average SWD is higher where (1) there exists an energy (CO2 tax), where (2) government expenditures on the environment are higher, where (3) certain environmental regulations like packaging rules are in place, and (4) where the government puts in place environmental offices or other official bodies charged with addressing environmental concerns. We also find that, on the environmental quality side, (5) more cars on the roads, (6) less unleaded fuel, and (7) higher pesticide use intensity all decrease SWD.
To download the whole paper:

http://www.cesifo-group.de/portal/page?_pageid=36,161420&_dad=portal&_schema=PORTAL&p_itemid=1874827

Paper on "Energy Taxation in the European Union. Past Negotiations and future Perspectives"

[Jacob Klok of the Danish Ministry of Taxation, Doc. N° 21/05, Instituto de Estudios Fiscales] In October 2003 the European Union (EU) Council of Economic and Finance Ministers (ECOFIN) adopted a comprehensive EU Energy Taxation Directive (ETD) covering all main energy products with minimum rates of taxation and a common legal framework. Before had gone a process of more than ten years of hard negotiations conducted by the Member states and the Commission in the Council. This working paper provides a detailed historical account of the policymaking and negotiation process leading up to the final adoption of the ETD.
To download the paper: http://www.ief.es/Publicaciones/Documentos/Doc_21_05.pdf

14. READERS' GUIDE AND IMPRINT

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We hope you enjoy reading your copy of GreenBudgetNews!

Best wishes from the editors!

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