GREENBUDGETNEWS 3 – 7/2003

EUROPEAN NEWSLETTER ON ENVIRONMENTAL FISCAL REFORM

Editors:

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1. EDITORIAL

Dear Friends of the Environmental Fiscal Reform,

In this edition we would like to report briefly about the Fourth Annual Global Conference on Environmental Taxation Issues, Experience and Potential in Sydney (in the next edition we will tell you more about it) and a conference about ecotaxes in Hamilton (New Zealand).

We would appreciate it very much if you would continue to notify us of people and organisations we could send our newsletter to. You are also more than welcome to send us some articles about the situation in your country concerning environmental taxes, possibly written in a journalistic style. Please contact us beforehand.

Your Editors

In New Zealand, the motto seems to be, "God, make us chaste, just not yet"

[Anselm Görres, Green Budget Germany] How are we to imagine a Conference on Environmental Taxation in New Zealand? Does it signify the same thing as in Europe? Let's begin with the major differences: in Germany, the conferences on this issue are highly polarized, with the proponents meeting most often among themselves – typically in the academies of the protestant church – and the detractors meeting among themselves in business or association surroundings. Things are more integrative in New Zealand. It is quite natural for academics to meet with representatives from the government and the economy. There is less rhetoric and mud-slinging and more of a sort of common bond of helplessness. New Zealanders are afraid that energy taxes will be too great a burden on their long transport routes, and hence on the few export industries they have, such as agriculture. The government has only exacerbated the sense of insecurity. On the one hand, it has already announced the key data and upper limits for a CO_2 tax (based on a tax review by McLeod Reports 2001) to take force in 2007. On the other hand, it has left open most of the questions about how this plan will be implemented, including the possibility of partial subsidies by means of certifications to cover the tax.

In addition, not only the professional, but also the ethnic heterogeneity of the participants is greater than in Germany. For example, at the opening of the conference a short prayer was directed at "Father Heaven" and "Mother Earth", who were beseeched to protect the air, the water, and the soil. And of course, this prayer was said in Maori by a Maori researcher from the university. The two young scientists who lectured on New Zealand's largest river, the Waikato, also toggled between Maori and English. As Maoris, they know that a river is much more than just an economic resource, and they are convinced that, " If we care for the river, the river will care for us." Overall, around a half a million Polynesians now live in New Zealand – more than on all of the other Pacific Polynesian islands combined. Many of the participants are of Malay or Chinese descent; Waikato University makes a conscious effort to get students undergraduate and graduate students from eastern Asia. The drop in matriculations from these countries due to SARS has considerably worsened this year's budget and already led to layoffs. In a sense, Hamilton is the Maori capital, for it is the centre of the Maori Kingdom, which was only founded in 1860.

Due to the large number of dams for hydropower and the use of geothermal power, New Zealand already gets more than 25 percent of its power from renewable sources. On the other hand, there are repeatedly power and water shortages. Some of the water fees are flat rates, i.e. not based on consumption. Energy efficiency is considered the worst in the OECD; houses, for instance, are mostly made of wood and poorly insulated. Hence, people are quite willing to start thinking about raising prices for power and water.

However, while people basically approve of higher prices for energy and water in theory, in practice a fearful wait-and-see attitude is prevalent and expressed by the experts with the phrase "further research is required". This attitude reminds me of church father Augustine, who in his early years quickly recognized the virtue of chastity for Christianity in theory and prayed to God to make him chaste, but just not yet. Unfortunately, the scriptures do not explain whether Augustine also wanted to use the time to conduct the further research on chastity that was required…

My point is that what we need today is not further research on the effects of ecological tax reform, but rather a willingness to act on the wealth of knowledge we have. Most of the participants agree that the New Zealand government should quickly implement the plans it has announced, even if this would initially just mean stipulating what the schedule announced will look like in detail. Almost everyone at the conference called for more leadership from Wellington.

The difference between the New Zealand's British tradition and the anti-tax tradition in the US makes itself clear, for instance, in the open acceptance of the "Crown's" claims for tax revenue from natural resources. For New Zealanders, the idea that the government is a representative of the commonwealth and not just – as American conservatives would have it – a kind of robber of private property is nothing new for New Zealanders, who have a long tradition of social welfare. Long before Britain, the colony of New Zealand had granted women the right to vote and established state-funded old-age pension plans. And of course, semantics is an issue. What would sell best: green taxes, eco-taxes, or something else? My proposal – "resource efficiency taxes" – met with great approval. Resource efficiency just somehow sounds more modern than the old-fashioned idea of "saving".

I also felt like I had been sent back to Europe at the opening of the conference when the New Zealand Herald wrote (29 May 2003) about a study of the Boston Consulting Group that simulated a solution to Auckland's traffic problems: a petrol price of two NZ dollars per litre and a city toll fee of five dollars. Today, a litre of unleaded costs around one dollar, i.e. around 50 euro cents. Of course, the consultants emphasized that such considerations were merely speculative. Likewise, New Zealand's automobile club duly condemned such propositions and claimed that new roads were the remedy for traffic congestion. And anyway, at the moment the government of Prime Minister Helen Grant has too many other problems to be making more enemies with energy taxes. Her critical stance on Bush's Iraq policy ("We wouldn't have had this war if Gore had won") has upset Americans, and the free trade agreement between New Zealand and the US has been put off indefinitely. For the time being, New Zealanders will thus have to make do with the theoretical contemplation of the virtues of energy taxes in lieu of the absence of such in practice. After all, we can always become chaste later…

A report on our experience at the Ecotax Conference in Sydney

[Andreas Kuss, Green Budget Germany] From the 5th to the 7th of June, the Fourth Annual Global Conference on Environmental Taxation Issues, Experience and Potential took place in Sydney. 150 people from 25 countries attended, making this year's conference the largest one yet. Most of those taking part were scientists and politicians or from public administration and NGOs; they presented their latest research findings and practical experience in various sessions. For instance, Dr. David Kemp, Australia's Environmental Minister, Dr. Jean-Philipp Barde, the Environmental Director of the OECD, and Dr. Kerry Schott of Australia's Environment Protection Authority were among the most prominent speakers. We were thus able to make a lot of new contacts and gain a lot of new readers and authors for the English newsletter *GreenBudgetNews*.

The speeches and discussions clearly showed that the level of knowledge and decision-making differs greatly from country to country, with the discussions in Europe being quite advanced in comparison. On the other hand, in other parts of the world, the problems to be solved are much different: for example, the low income levels in developing countries make it hard to tax energy and water, and there is often not sufficient information about the industrial sector, so that taxes there would be extremely inefficient. In addition, the types of environmental taxes differ greatly: while Germany is mostly focusing on taxing energy in its Ecological Tax Reform, Australia taxes water, Ireland plastic bags, and Canada is thinking about how to use taxes to maintain biodiversity.

Here, too, the conference produced a broad range of approaches. The experience in various countries was discussed, including ways to use environmental taxes in agriculture, the connection to climate change and renewable energy, and quite theoretical issues such as models for environmental effects and discussions about the double dividend.

The openness of the presentations and most of the attendants made for interesting talks in the breaks across all age and hierarchy boundaries. The issue of GreenBudgetNews we were able to present at the Conference Dinners met with great interest, so that the conference paid for itself in this respect as well. And the feeling of being part of a worldwide movement and effort with a common goal despite the numerous differences between the participants was very motivating.

The 5th conference will take place next year from the 9th to the 11th of September in Pavia (contact mailto:majocchi@unipv.it).

In the next newsletter, Anselm Görres will talk about his impressions of the conference.

2. GREEN BUDGET REFORM ON EU-LEVEL

Charging for transport infrastructure use: the Commission proposes a revision of the current Community framework

The European Commission proposed improvements to the framework for national road use fees in the interests of the proper functioning of the single market.

[European Commission Press Release, July 23, 2003] Member States are increasingly taking the initiative to introduce a system of infrastructure charging which passes on to users the costs associated with road use. The regulatory patchwork resulting from such isolated national initiatives risks compromising the smooth functioning of the internal market. The existing Community charging framework must therefore be reinforced "Transport users have the right to know what they are paying for and why. It is therefore necessary to promote systems in which the costs related to infrastructure use are translated into the prices users pay for transport, without this affecting access to a quality service throughout the whole of EU territory," declared Loyola de Palacio, Commission Vice-President with special responsibility for Energy and Transport.

The Commission today proposed to align national systems of tolls and road use charges on common principles. Isolated initiatives on the part of Member States exacerbate the fragmentation of transport taxes and charges in the European Union. This fiscal patchwork gives rise to unequal treatment of operators on the various road networks. Current European legislation[a] on the charging of heavy goods vehicles for the use of certain infrastructures needs to be supplemented to ensure fair competition between operators.

The Commission's proposal provides a framework that will enable Member States, with due regard for the subsidiarity principle, to give economic incentives to transport in the form of a price structure that better reflects the costs to society. It is not so much the level of charges on transport as the structure of the charges and the manner in which they are applied to the various categories of user that need to change. Infrastructure fees offer the possibility of greater differentiation by vehicle type, time and place, and hence of more accurately reflecting costs in different situations without increasing the overall burden of taxes and fees in the road sector.

Whereas the existing Community rules apply only to heavy goods vehicles of at least 12 tonnes, the system proposed by the Commission would apply to all lorries exceeding 3.5 tonnes used for goods transport. Such vehicles are widely used for intra-Community goods transport, and must therefore be covered by the toll systems set up for commercial transport.

The proposed framework covers the trans-European road network[b] and any other road to which traffic may be diverted from the trans-European road network and which is in direct competition with certain parts of that network. Such traffic diversion has serious consequences in terms of traffic regulation and congestion, not to mention accidents; it was therefore appropriate to include them in the scope of the Community directive. In accordance with the principle of subsidiarity, the Member States remain free to apply tolls on roads not covered by the proposal for a directive, provided they comply with the rules and principles laid down in the Treaty.

The objectives of the framework proposed by the Commission today are as follows.

Passing on costs more accurately. The existing legislation links charges only approximately to damage to infrastructure, congestion or accident risks. The proposed directive therefore gives Member States the possibility of varying tolls according to a number of factors: distance travelled; the damage caused to roads according to the type of vehicle; the environmental impact in terms of the EURO emission standards for heavy goods vehicles; the time of day;

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[a] Directive 1999/62/EC (OJ L 187, 20.7.1999, p. 42) lays down certain rules defining the conditions under which such fees may be applied.

[b] Within the meaning of Decision 1692/96/EC of the European Parliament and of the Council of 23 July 1996
on Community guidelines for the development of the trans-European transport network.

and the level of congestion on the road concerned.

Member States which choose to apply such a system of road charging can offset the introduction of tolls by reducing or eliminating the annual vehicle road tax.

Improving the quality of service. The revenue from infrastructure charges should be used for the benefit of the transport sector. In certain cases, there should be scope for cross-financing of infrastructure providing an alternative to road transport. To that end, the Commission's proposal lays down that the revenue from the charging system must be ploughed back into road infrastructure and into the transport sector as a whole, taking due account of the balanced development of the transport networks.

Allowing the cross-financing of infrastructure construction in sensitive areas. The proposal for a directive allows the Member States to apply mark-ups to tolls for using roads in particularly sensitive areas, notably mountainous regions. Such mark-ups will be used to cross-finance the investment costs of other transport infrastructures of a high European interest (railways). The construction of such rail infrastructure is increasingly necessary in view of the density and growth of traffic in such regions.

Reaction to the Commission's proposals

The European Commission has today proposed changes to the existing Eurovignette directive[3]. The Federation for Transport and Environment (T&E), warns it is a recipe for greater environmental destruction across Europe.

[T&E News release, 23 July 2003] "The present legal framework badly needs to change, to allow countries to charge fair prices for infrastructure use," said Magnus Nilsson, T&E Vice-President. "But what we have needs to be made better, not worse. The Commission is trying to sell us a wolf in sheep's clothing. If Parliament and Council approve it they will set the clock back ten years."

The most important problems with the Commission's proposal are:

- Confuses 'pricing' and 'financing'. Fair and efficient pricing should provide incentives for the best use of existing transport infrastructure, not raise money for transport investment. "Requiring most money from road pricing to be used for roads is against all economic and environmental logic," commented Nilsson. "It will mean a huge influx of cash for road transport, and with it, great environmental and possibly economic harm. It also goes against the subsidiarity principle."
- Does not encourage environmentally sustainable transport. Member States must decide for themselves whether they want pricing and how to implement it. However, Member States will find it harder to apply the user- and polluter-pays principles than under the present system.
- Insufficient scope. The proposal only allows user charges on the TENs[4] (and other main roads under certain conditions). Member States must get the Commission's approval for any pricing beyond the TENs.

The Commission College made last minute changes to the proposal which allow member states to include environmental costs in their pricing schemes (earlier drafts had excluded it altogether). However, transport commissioner Loyola De Palacio told reporters in today's press conference that the scheme would not make road transport prices rise. Nilsson: "In principle charging for environmental costs should make us happy. But requiring the revenue to be used for roads guarantees problems for years to come. The Commission should therefore withdraw its proposal and develop a better one, before member states or the European Parliament even have to get involved."

See http://www.t-e.nu/Factsheets/2003/7-2003-EurovignetteRevision.pdf for a fuller review.

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[3] The Eurovignette Directive (1999/62) is a road pricing scheme for trucks. It is outdated and there have been calls for years for it to be changed.

[4] Trans-European Transport Networks

MEPs push for further changes to greenhouse gas trading scheme

Report on the Council's common position for adopting a European Parliament and Council Directive establishing a scheme for greenhouse gas emission allowance trading within the Community and amending the Council Directive.

[http://europarl.eu.int/press/index_publi_en.htm, 2 June 2003] Today, the European Parliament adopted a legislative resolution on a directive establishing a scheme for greenhouse gas emission allowance trading. Eager to avoid conciliation with the Council, the MEPs remain united on the need to improve an ambitious new directive for trading greenhouse gas emission rights throughout the EU. By adopting compromise amendments co-signed by all political families, MEPs guarantee a good chance of reaching agreement with Council. It now remains unlikely that the legislation will be discussed in a conciliation committee.

In its second reading, the House continues to support the broadening of the scheme proposed by the Commission to include all greenhouse gases and not just carbon dioxide, and to widen the range of industries covered by the new legislation. Other amendments were adopted, such as how emissions permits should be allocated to the Member States and whether there should be a cap on the number of permits allocated to Member States.

The aim of the directive is to ensure that the EU continues to lead the rest of the world in tackling climate change by adopting its own scheme for trading greenhouse gas allowances ahead of the international scheme to be set up in 2008 under the Kyoto Protocol. The directive would create a market in greenhouse gas emissions in the EU by introducing a system of permits authorising emissions from industrial installations to be allocated by national authorities. The scheme should cut the cost to the EU of meeting its Kyoto Protocol targets by EUR 1.3 bn a year. It would enter into force in two stages, with a trial phase running from 2005 to 2007 and the second stage covering 2008 to 2012.

Parliament's position has consistently been to widen the range of industries covered by the new legislation. Parliament wanted at first reading to include chemical and aluminium industries in the directive over and above the industries proposed by the Commission, which were the energy sector (combustion, refineries, coke furnaces) and the ferrous metals, paper and mineral industries. Council rejected this demand.

As the common position currently stands policies and measures should be implemented at Member State level across "all sectors of the EU economy and not only within the industry and energy sectors" (am 32), in order to generate substantial emissions reductions. MEPs adopted today the position that "the Commission will consider policies and measures at Community level in order that the transport sector makes a substantial contribution to the Community and its Member States meeting their climate change obligations under the Kyoto Protocol".

Furthermore, the Commission shall make a proposal on how and whether the Annex I should be amended to include "other relevant sectors, inter alia the chemicals, aluminium and transport sectors" with a view to further improving the economic efficiency of the scheme.

On the contentious issue of whether the scheme should be mandatory from the outset, the Council agreed in principle to Parliament's first-reading amendment. This had said that Member States should be required to take part in the scheme from 2005, as the Commission proposed, but that governments should have (limited) rights to exempt individual installations, thus meeting the concerns of mainly British, Finnish and German MEPs. The Council, however, extended the possibility of temporary exclusion - only envisaged by Parliament for individual plants - to include whole industrial activities. This would open the way to various sectoral opt-outs, which were likely to upset the efficiency of the scheme.

Parliament underlined today that member States may apply to the Commission for installations to be temporarily excluded until 31 December 2007. This amends the Council common position, in which such provision would apply for "certain" installations as well as "activities".

Furthermore, the House agreed to a new amendment tabled by the Council allowing the Member States to authorise exceptions for individual plants in cases of force majeure. However, MEPs urge the Commission to provide guidelines on this issue.

On another thorny issue, namely how to allocate the emissions permits to the Member States, MEPs passed at first reading an amendment providing for a "hybrid scheme" whereby - for the whole of the 2005-2012 period - 15 per cent of the permits would be sold and the rest allocated for free (the latter being the "grandfathering" system preferred by the Commission). Parliament justified this hybrid scheme by saying it would ensure the progressive application of the polluter pays principle, cause less distortions of competition and acknowledge the merit of companies which make reductions in emissions earlier. Council had agreed to this principle but changed the wording and interpretation: in the first period the allocations would be completely free and from 2008 at least 90 per cent would still be free.

In order to seek a compromise with the Council, Parliament backed today a compromise amendment calling for Member States to allocate at least 95% of the allowances free of charge for the three-year period beginning 1 January 2005.

Furthermore, the MEPs insisted for further harmonisation of the method of allocation to include auctioning for the time after 2012.

At first reading, Parliament also wanted a cap on the number of permits issued to each Member State, in order to prevent distortions of competition. It said ceilings must be lowered after the new Member States join the EU to prevent a surplus of emissions. Quantities should be consistent to achieve the Kyoto targets. In accordance with Parliament's vote, "the total quantity of allowances to be allocated shall not be more than is likely to be needed for the strict application of the criteria of this Annex. Prior to 2008, the quantity shall be consistent with a path towards achieving or over-achieving each Member State's target under the Kyoto Protocol".

To conclude, MEPs emphasised that priority should be given to domestic action. Project-based mechanisms, such as Joint Implementation (JI) and Clean Development Mechanism (CDM) should be supplemental to national rules.

The EU Parliament passes emissions trading directive

Emissions trading will start in 2005. The use of credits awarded to overseas emission-reducing projects is still a crucial issue.

[http://www.e5.org, July 2, 2003] The World Wildlife Fund today welcomed the European Parliament's adoption of the world's first binding plan on trading emissions of carbon dioxide - the primary heat-trapping gas responsible for global warming.

U.S. government agencies and businesses historically have been the primary proponents of using market mechanisms such as emissions trading in order to reduce the cost of emissions reductions. The Parliament adopted a compromise agreement on an EU-wide greenhouse gas emissions trading system, achieved after hard negotiations with the Council of Environment Ministers. The trading system will be the centerpiece of EU climate policy and key to achieving the EU's Kioto Protocol targets. It will put a cap on the total emissions from energy-intensive industry and the power sector, currently responsible for nearly half the CO_2 produced within the EU.

"The Europeans have pulled ahead of the US on this issue, leaving US businesses standing at the station as the train leaves," said Katherine Silverthorne, director of World Wildlife Fund's U.S. Climate Change Program. "We expect to see European businesses jump ahead in development of climate solution technologies and international carbon markets-leaving looming questions of how much U.S. companies will ultimately suffer for our government's inaction."

The agreement today should allow the emissions trading system to start in 2005 as planned. Now, member states have to prepare their National Allocation Plans, a document setting out the targets that each sector and firm must meet. This needs to be approved by the European Commission by April 2004.

A crucial issue still to be decided is the extent to which participating firms will be allowed to use credits awarded to overseas projects that reduce heat-trapping emissions. The link to the Kioto Protocol's Joint Implementation and Clean Development Mechanism is the subject of a second proposed directive, yet to be officially published by the European Commission.

"WWF welcomes the leadership that the European Union has shown by adopting this legislation," Silverthorne said. "This should silence those who implied that Europe's commitment to the Kioto Protocol was no more than lip service."

http://www2.europarl.eu.int/omk/sipade2?SAME_LEVEL=1&LEVEL=3&NAV=X&PUBREF=-//EP//TEXT+REPORT+A5-2003-0207+0+DOC+XML+V0//EN

3. GREEN BUDGET REFORM IN SINGLE EUROPEAN COUNTRIES

Finland: Government and NGO approaches to ETR

Due to general election in March this spring, two different documents handling environmental tax reform were published in Finland.

[Sarianne Tikkanen, University of Helsinki] First, the Finnish Association for Nature Conservation released a proposal for environmental tax reform in Finland. Second, in the new government programme environmental fiscal reform is mentioned as a tool for promoting sustainable development. Thus, there might be increasing implementation of environmental tax reform in Finland in the near future. The government programme remained mainly the same after the Prime Minister resigned and the government was re-nominated in June. The three-party coalition is led by the Centre party and also includes the Social Democrats and the Swedish People's Party.

In the environmental policy section of the new Government programme, it's said that *"the structure of taxation will be revised so as to promote sustainable development"*. The main objectives of environmental taxes are to reduce the use of non-renewable natural resources, prevent environmental damage, and promote the recycling and eco-efficiency of products as well as their consumption and energy use. What new taxes will be introduced has not been specified yet. The potential for cutting environmentally harmful subsidies will also be explored.

Tax cuts – especially taxes on labour - are emphasized in the taxation policy section of the Government programme. One of the main objectives is to promote employment through cutting labour taxes, at least by € 1.12 billion. Particular emphasis will be placed on measures reducing personal income taxation. *"To promote employment, the tax reductions will focus on the low and middle-income brackets. To boost demand for low-wage jobs, selective reductions in indirect labour costs will be made",* the programme states. In spite of these aims of the programme, the actual reduction of personal income taxation from the 1st of July 2003 onwards is designed so that there will be a reduction of one percentage unit for all income groups. This cutting of personal income taxation will cut estimated tax revenues annually by € 295 million.

On the fiscal neutrality aspect of environmental tax reform in Finland, tax reform has reduced revenue, i.e. reform has constituted net tax cuts. The reduction in personal income taxation and social security contributions exceeded the revenues generated from increases in environmental taxes during the 1990s. Thus, the cuts in labour taxes have only partly been covered with environmental taxes. It seems that the motivation behind tax reform is focused on double dividend effects, including employment benefits. Does this mean that we should speak more of labour tax reform instead of environmental tax reform in Finland? This negative-revenue approach to tax reform seems to have been continued in the government's programme, which can be found in English at http://www.valtioneuvosto.fi/vn/liston/base.lsp?r=696&k=en.

Within the NGOs, environmental tax reform is promoted more explicitly and with more environmental motivation. Finnish Association for Nature Conservation (FANC) put out a concrete proposal called *Environmental Tax Reform as Basis for Government Programme* in March before the election. The aim of the proposal is to give a concrete example of how environmental tax reform could be further implemented in Finland. The objective of revenue-neutral tax reform is to promote sustainable production and consumption patterns. The proposed tax base covers emissions, fertilizers, and natural resources like water, gravel, fossil fuels, and disposable products, as well.

Accordingly, tax revenues from environmental taxes could be increased annually by € 2.4 billion, or up to 10 % of total tax revenues. Revenues from natural resource taxes would represent € 0.8 billion, revenues from product taxes € 0.6 billion, and revenues from increased emission and energy taxes € 1.0 billion in the first stage. The overall objective is to increase revenues from environmental taxes to up to 20 % of total tax revenues by 2010.

According to the proposal, revenue recycling should mainly come from reductions in labour taxes. The focus should be particularly on reducing social security contributions for environmentally sustainable and labour-intensive sectors, but personal income taxation should also be cut. Another recycling option is differentiation of VAT on environmental grounds, e.g. lower tax rates for organic food, eco-products, public transportation, and repair services. The entire proposal can be found (in Finnish) at http://www.sll.fi/vaalit/ekoverouudistus .

Denmark: Governmental Report about "Green Market Economy" is very disappointing

The government's proposals are very industry-friendly and lack plans for real action.

[Soeren Dyck-Madsen, The Danish Ecological Council] The long-expected Danish governmental report "Green Market Economy" came out in April 2003. The report was introduced as a substitute for the former government's Environmental Fiscal Reforms when the government came into power. Therefore, it was expected that the report would present the Danish government's position on the further use of green market instruments such as green taxes as part of a Danish green tax reform, the use of deposit/refund systems, the use of emissions trading schemes, etc. In this light, the report is very disappointing.

The report does not argue for the use of economic instruments for environmental purposes at all. It states many times that we should get the most environmental improvement for the least money. And when it comes to real examples of the statements, the report only lists the following actions to be taken:

- Waste treatment and incineration must be privatised in order to create competitiveness.
- Drinking water production and the treatment of sewage could be privatised to create competitiveness.

The proposal for the privatisation of the production of drinking water has been met with especially great protests from almost all sides of society. The Minister for the Environment thus quickly retreated on this issue in a recent interview and finally withdrew the proposal.

In addition, the report states:

- Current green taxes must be re-arranged to make them more environmentally effective
- Economical instruments must be better co-ordinated internationally, and tradable emissions permits must be used more
- Information about products should be simple and credible, and a dialog about cleaner products should be established with the stakeholder – no mention of eco-labels
- Research should be linked closer to industry (though the OECD points at the opposite)
- Flexible mechanisms should be used to fulfil the Danish Kioto target – see above
- Producers should be made more responsible for the use of hazardous chemicals, and more information should be given to producers and retailers
- Economic partnerships should be made in the nature and forest areas

No examples or plans for action are included.

All in all, the present Danish government seems to be able to pay lip service to the issue endlessly. But they have been undermining the work for improving the environment, and at best they do nothing. By doing so, the risk that this governmental policy will undermine the Danish position on the international market for energy-efficient products and renewables is slowly growing.

The report can be read in Danish only at this website: http://www.mst.dk

Sweden: Stockholm follows London – cars pay

Stockholm follows the British example and introduces a fee for entering the capital by car.

[Environmental News Network, May 6, 2003] Motorists hoping to get into the Swedish capital Stockholm will have pay between 10 to 20 kronors (€1.16 to € 2.02), in part to alleviate growing congestion and stem pollution. Earlier this year, London adopted a similar plan, charging motorists on weekdays to enter a 20-square-kilometer (eight-square-mile) zone.

In a 51-49 vote Monday, Stockholm's City Council approved the fee, led in part by governing Social Democrats, who also play a leading role in governing the Scandinavian country. Travellers will be charged according to designated zones throughout the city and by the time of day they're driving. City-and state-run buses, motorcycles, and taxis won't be charged. Final details were being worked out.

http://www.enn.com/news/2003-06-05/s_4792.asp

Norway: No car taxing system based on environmental criteria

There will be no taxation based on CO2-emissions or engine noise.

[Guri Tajet, The Future in our Hands, Norway] On assignment of the Norwegian government, a workgroup has evaluated the possibilities of changing the Norwegian car taxing system. The aim was to change the car taxes (a one-time fee that consumers pay on a new car) to promote more ecologically beneficial cars. The workgroup published its report in the beginning of May. Both environmental organizations and the drivers own interest organization are disappointed and agree that the suggestions in the report are not very concrete, not at all creative, and that the changes suggested are marginal.

If there had been any real will, one could have shaped an environmentally based tax system, where the car taxes would rise proportionally with the emission levels. ”The polluter pays” principle could have been made fully valid through the car taxes, says Arild Hermstead, leader of the environmental organization The Future in Our Hands.

The present car tax system in Norway is based on weight, piston displacement and motor effect. The workgroup has considered the possibility of replacing piston displacement with other components such as CO_2-emissions, local emissions and noise.

The workgroup concludes that it is not adequate to replace today’s piston displacement component in the car taxes with a CO_2-component, because this will hardly make people choose cars with lower CO_2-emissions. Their argument is that there is a rather close connection between a car’s piston displacement and its CO_2-emissions. It is argued that a CO_2-component in the car taxes will lead to double taxation, since we already have a CO_2-tax on fuel. The workgroup also argues that a CO_2-component could contribute to an increase in the number of diesel cars at the expense of gasoline fuelled cars. More diesel cars would mean lower CO_2 emissions, but greater emissions of NO_x and particles.

In terms of local emissions to air from NO_x, HC and particles, the workgroup argues that emissions from new cars will be minimized once the new EU emission demands take effect in 2005/2006. They also refer to calculations showing that the yearly external costs connected to local emissions to air (NO_x, HC and particles) from new cars are already low.

The workgroup advises against differentiating the car taxes by engine noise, because noise measurements do not give a representative picture of the car’s collective noise potential.

In the present Norwegian tax system, vans, estate cars / station wagons, minibuses and trucks have lower taxes than private cars. These differences have been made to benefit economic life. The result has been that households have started to buy tax-reduced cars meant for corporate use. The workgroup points out that this is problematic and that the environmental effects of these big cars are negative, but the group is not clear on what type of measures that should be effectuated to stop this from happening. The environmental movement cannot agree on a remedy.

Why don’t the authorities just require documentation when people want to buy a car for corporate use? Or maybe it is time that the industry also get a price signal that make them choose the most sustainable cars? It is a problem when an increasing number of people buy combined cars and even trucks to avoid the car taxes. It is complete madness that the tax system awards those who choose the environmental sinners, concludes Arild Hermstead, leader of The Future in Our Hands.

Norway: Low flaring level from off-shore oil and gas production because of CO_2-tax

[Guri Tajet, The Future in Our Hands, Norway] A study conducted by the Directorate of Oil concludes that the focus on flaring on Norwegian off-shore oil and gas production and the introduction of a CO_2-tax in 1991 have reduced torching from the oil and gas operations. The flaring level in Norway is very low compared to the levels in other countries, and the level has been stable the last few years. Norway flares less then half as much as Denmark and Great Britain per produced unit.

The study can be found here (in Norwegian only):
http://www.odin.dep.no/oed/norsk/aktuelt/pressem/026031-070206/index-dok000-b-n-a.html

Norwegian tax on single-use grills

Voluntary arrangements with the industry preferred by the government are criticised by environmental groups.

[Guri Tajet, The Future in our Hands, Norway)] The Norwegian Minister of Environment, Børge Brende, wants to make the single-use grills more expensive by forcing the manufacturers to pay for the waste. "The people who put the single-use grills on the market have a clear responsibility to contribute to solve the environmental problems the grills are causing", says the Minister of Environment, Børge Brende, from the Norwegian Conservative Party.

He asks the industry to find a voluntary arrangement that will contribute to cover the extra expenses that local authorities and outdoor councils get to get rid of the single-use grills. The department thinks that such an arrangement should become operative rather quickly, but it is not certain how much more the grills will cost. The environmental groups say the initiative could be a step in the right direction but are sceptical because the arrangement Brende introduced is voluntary and would prefer a deposit arrangement or a ban on production and distribution.

Italy: Fiscal Reform discussion in Italian parliament

Some suggestions for further EFR were made in the debate.

[ÖGUT, Austria] During the last five years Italy has gone through several fiscal reforms that also included environmental taxes, e.g. a low-carbon tax. A real environmental tax reform was made dependent on EU-wide harmonisation of taxes and was finally postponed by the government.

When the Italian Parliament discussed a new tax reform in March of this year, this was meant to change the system of taxation on a higher level by reducing the overall tax burden and simplifying the complete system. At that time, Vittorio Emanuele Falsitta, a politician of Forza Italia, made a few very "green" suggestions for an ecological tax-reform and several new laws on environmental issues. They included a new form of financial credit for enterprises that want to invest in better and more environmentally friendly energy systems. In the end, the ecological tax reform had to persuade enterprises to invest into the environment, Falsitta said. But he even went further, demanding that everybody change to biodiesel by 2007.

Italy: OECD requires Italy to use more economic instruments

In the report about Italy's fiscal and economic situation a cut in cuts of renewable energy is suggested.

[ÖGUT, Austria] On July 1st, the OECD published a report about the fiscal and economic situation of Italy. In this report, the OECD criticized the Italian Government in various fields. One point was that electricity prices in Italy are higher than in other European countries – but not because of higher taxes but because of the high costs of generation. The costs of renewable energy tend to be especially high in Italy and should be cut, the OECD recommended. Another important suggestion was to make more use of market forces to achieve the goals of sustainable development and to cut the costs of labour. As that report was not the first one by the OECD to criticize Italy's economic system, the opposition took the chance to demand more reforms on a fiscal level.

The OECD's Economic Survey on Italy 2003 can be read on the Internet:

http://www.oecd.org/document/13/0,2340,en_2649_201185_2968909_1_1_1_1,00.html

Spain: Catalonia introduces Spain's first landfill tax

The Catalan parliament approved a tax on municipal waste dumping.

[Environment Daily 1460, June 11, 2003] From January, landfill operators will have to pay €10 per tonne of waste accepted. The tax is expected to raise €13.5m in its first year. According to Jordi Macarro of the Catalan waste executive the tax "has no precedent in Spain". Its initial objective, he said, is to reduce land filling to just 31% of municipal waste by 2006. The regional government of Spain's capital, Madrid, is expected to introduce a similar initiative shortly. See also: http://www.gencat.es/mediamb/eng/aindex.htm

Spain: First experience of pay-as-you-throw scheme

Torrelles de Llobregat is a small town with a population of 4,100 in the metropolitan area of Barcelona (Spain). Environmentally sound waste management has always been a priority of the Council. Now it has introduced a new waste tax.

[Ignasi Puig Vintosa, ENT Environment and Management, Spain] In 2002, Torrelles de Llobregat had already achieved a significant level of composting and recycling, accounting for some 45% of the total waste generated. However, this level stabilised, which meant that a considerable percentage of the population was not using the selective collection scheme that was implemented, consisting of separate containers for paper, glass, bio waste and non-bio waste, and a recycling centre.

To overcome this barrier, the Council decided to implement a door-to-door selective collection scheme, following the steps of other Catalan municipalities that had implemented this system since 2000 with excellent results. In these systems, the various waste materials are collected on different days, with citizens and commercial enterprises leaving their waste at the entrance of their buildings for collection.

However, the main innovation that the Council of Torrelles de Llobregat decided to introduce was a new waste tax. Until 2002, as in the majority of the Spanish municipalities, the waste tax was a flat annual charge, the same for every household. In the case of commercial enterprises, the tax was paid according to the type of activity. This tax was deemed unfair since people or activities generating small amounts of waste were actually subsidising higher producers.

To overcome this problem and particularly to foster waste recycling and minimisation, Torrelles de Llobregat decided to implement a pay-as-you-throw scheme, linking the actual payment to the amount and type of wastes generated. This is the first example in Spain of such a scheme and was supported by both the regional Government (Junta de Residus, Generalitat de Catalunya) and the Metropolitan Area of Barcelona (Entitat Metropolitana del Medi Ambient).

Since 14 January 2003, the new collection system and tax have been fully active. Citizens and commercial enterprises leave their waste in front of their building for collection every night. Bio-waste and paper/cardboard are collected free of charge three times and once a week, respectively. Glass is the only material still collected in containers, also free of charge. All other waste (mainly packages and refuse) has to be left for collection inside special standardised bags provided by the Council. The cost of these bags makes up part of the waste tax, and they are distributed through local retailers, with a 40-litre bag costing 0.60 €/u. Bags of larger capacity (100 litres at 1.50 €/u) are available for commercial enterprises. This way, the more bags used, the more tax paid, creating an incentive towards waste reduction and recycling.

In addition, large commercial producers of bio-waste are charged annually for a bin for their particular waste. The charge depends upon the size and the collection frequency of the bin. Not surprisingly, three months after the system started, levels of recycling have increased to more than 70%, the quality of the collected materials is very high and some attitudes have changed among consumers. Despite some initial reluctance by some citizens, the use of standardised bags has become the norm. The number of users of the recycling centre has almost tripled, primarily because some materials can be disposed of free of charge, if properly sorted, whereas otherwise they would have to be handed to the collection service using standardised bags and consequently entailing the waste tax.

During the first year, the Council designed the variable tax to smooth the transition to the new system to collect 40% of the total cost and 40% by means of a flat tax (similar to the one in place the previous year, but approximately half the value). The other 20% will be paid from the municipal budget as in previous years.

The new tax is fairer, more transparent and capable of fostering waste minimisation and recycling. The new scheme was inspired by collection schemes primarily active in Italy, Belgium and the United States. Schemes of this nature have been running successfully in many towns of these countries and several others for years.

Due to its size and type of urbanisation, the characteristics of Torrelles de Llobregat make it ideal to implement such a scheme. A project like this would require essential adaptations if it was to be implemented in larger compact cities. Nevertheless, in Spain there are literally thousands of municipalities with similar characteristics, and schemes like the one in Torrelles de Llobregat could be implemented with minimal changes. Therefore, we are likely to see a spreading of these models throughout Spain, as soon as their benefits become more widely recognized. Hopefully the experience of Torrelles de Llobregat will be a catalyst towards a larger scale movement.

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Spain: Tourist tax and water sway Spanish voters

[Environmental Daily, May 27, 2003] A question mark is hanging over the Balearic islands' tourism ecotax following a surprise victory for the right-wing Popular Party in Sunday's regional elections. The party had promised to scrap the tax in an election campaign dominated by a crisis in the islands' tourist industry. Meanwhile, the Popular party (which forms Spain's national government) suffered big defeats in Aragon, the principal water donor region under the government's controversial hydrological plan, while winning comfortably in Mediterranean regions meant to be the main water recipients.

Spain: Hot discussion about EFR in Andalusia

The Andalusian government wants to introduce a new law on environmental taxation but the opposition says it is not enough.

[ÖGUT, Austria] On April 24th, a hot discussion took place in the Parliament of Andalucia, the Junta de Andalucia, in Sevilla. The president of the Andalusian Government, Manuel Chaves, was asked to answer parliamentarian questions about the new law on environmental taxation (la Ley de Fiscalidad Ambiental), which is going to be presented at the end of this summer.

While the President announced that this new law will help to fight climate change and therefore be an important step towards the Kioto goal, the opposition sees a terrible and environmentally dangerous delay. One of their speakers, Ricardo Chamorro, believes the law might not be strong enough to force the different sectors of the economy to obey the new rules. In a worst-case-scenario he spoke about the opposition's fear that the strongest enterprises of Andalucia might even succeed in stopping the creation of that law.

Despite all that, President Chaves said he planned a fiscal reform that was going to reward those who adopted measurements against contamination and punish the others. In any case, the new law on environmental taxation will not be anything but a first step in the fight for the Andalusian environment.

http://www.andaluciajunta.es

EFR in Spain: Results of conference published

Energy taxes were preferred by experts taking part in the conference last October.

[ÖGUT, Austria] The discussion about an environmental fiscal reform in Spain also proceeds on a more theoretical level: At the beginning of June, IV CONAMA, the Fourth National Congress on Environment, published the results of a conference on that issue, which had taken place in October of last year.

Economic and legal experts demanded cost truth through environmental taxation. Some experts criticized the tremendous variety of environmental taxation systems that exist all over Spain and longed for harmonisation. Altogether the speakers recommended making the existing system of taxation more appropriate to environmental taxes instead of inventing a completely new system for taxation. Their preferred taxes were those on energy, while they thought that other taxes would not be as efficient on the Spanish market.

To find more information about that conference, visit: http://www.conama.es/viconama/gt/gt25.htm#conclusiones (in Spanish)

Portugal: Energy consumption & transport sector pollution: the contribution of the pricing system

Despite a high level of fuel and vehicle taxation, Portugal has not been able to reduce emissions. This article tells you the reason.

[Claudia Dias Soares, London School of Economics and Political Science] Most environmental problems in Portugal are connected to energy consumption and the transport sector. According to the environmental economics literature, the prolonged high level of fuel and vehicle taxation observed in the country was expected to have produced good environmental results (*v.g.*, HOELLER and WALLIN, 1991). However, the data on energy efficiency and air pollution emissions do not indicate any improvement. Portugal was not able to reduce its NOx and NMVOC emissions, whose main source is the road transport sector. In fact, Portugal was the EU Member State that experienced the highest increase in this kind of emissions during the period 1980-1998, only closely followed by Spain with a 15% increase (EUROSTAT, 2001).

Portugal shows an unsustainable evolution pattern in air pollution. Compared with most European OECD Member countries, at the beginning of the 1990s Portugal had low atmospheric emissions in terms of population but was close to the European average in terms of GDP, and rates of growth in emission levels were generally higher than the average. By the end of the 1990s, Portugal had not yet decoupled its air pollutants emissions from economic growth, car traffic and related CO_2 emissions had increased at rates higher than those of GDP. And, overall, little progress has been made in improving energy efficiency (OECD, 2001). Portugal is well above its linear Kioto target paths, and still requires a significant effort to meet its targets (COM(2001) 708 final).

Although the rate of vehicles per inhabitant is still one of the lowest in the EU, the country's commuting pattern is overly focused on private automobiles. The car increased its share of passengers transport and occupancy rates decreased. This trend was a result of the general decline in world oil prices as well as price ceilings on diesel fuel, gasoline and fuel oil and was not conductive to energy efficiency. The decline in real motor fuel prices helped lower the cost of road transport, which was an important factor in stimulating demand for transport, whose external costs were decreasingly reflected in prices (OECD, 1993). The high average age of vehicles, the great traffic intensity and the low fuel-efficiency and strong oil dependence of the transport sector makes it responsible for a big share of the energy consumption and the atmospheric pollutants.

The energy and transport sectors are directly linked to economic development. The environmental impact of these sectors in Portugal shows the country was not able to decouple economic growth from environmental damage and follow a sustainable development track in spite of the high tax burden on the polluting bases more directly responsible for them (fuel consumption and vehicle use). And the energy pricing has not succeeded in internalising environmental externalities or in reflecting its relative scarcity (BRONCHI and GOMES-SANTOS, 2001).

The strong revenue component from the environmental taxes in the Portuguese tax system along the 1980s and 1990s was just a consequence of the need to use indirect taxes to raise revenues. This genetic process created several incongruities that prevented the behaviour stirring effect attributed by the environmental economics literature to these taxes (OECD, 2001b; BRONCHI and GOMES-SANTOS, 2001). It was possible to find in the Portuguese tax system two mutually excluding rationalities – behaviour change and revenue raising. Sometimes the tax rate was not set high enough to deter unsustainable behaviour patterns (*e.g.*, the ISP on the use of dirty energy sources). Also the tax differentiation between goods or behaviours with different environmental impacts might have been sometimes contradictory with environmental concerns (*e.g.*, the use of old vehicles is favoured against the purchase of new cleaner vehicles). And, in some taxes, the revenue concern shown by the regulator was even expressed through a strongly environmental degradation stimulus feature, as happened, *e.g.*, with the ISP when it was used as a oil price stabiliser every time the price of this fuel rose in the world market.

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Hungary: Proposals for an environment-saving housing policy

The development of Hungary's housing stock is crucial not only in terms of social welfare, but also its considerable impact on the economy, the amount of public spending, and the state of the environment.

[Clean Air Action Group, Hungary] Subsidies granted from the state budget to the building and construction sector should be raised to the EU average, i.e. to 1.6 per cent of the GDP instead of the current 0.9 per cent in Hungary. At least 50 per cent of this support should go to the renovation of existing buildings and the revitalization of public areas. In pursuit of protecting the natural areas of Hungary, preserving the compact structure of towns and villages and improving the efficiency of the infrastructure, in a portion of at least 70 per cent, the construction of new flats should only be permitted in already used areas (brown fields). On the basis of the principle of ploughing back (public) expenditures, proportionate land protection fees should be imposed, which are differentiated by different types of areas. For the construction of new flats, subsidies should only be granted in accordance with the local housing programme.

Social, economic and environmental considerations alike are in favour of the renovation of existing buildings. Homeowners should be encouraged by tax allowances (VAT and personal income tax) to spend their savings on the renovation of existing buildings. Proceeds of the sale of real properties should be given the same tax allowances in the case of renovation as in the case of purchase of new flats. One of the efficient implements for sustainable settlement development, the ground tax, is still not used in Eastern Europe.

The energetic quality of buildings in Hungary should reach the average value of EU countries with similar climatic features by 2020. In addition to improving the environment and the public areas, inhabitants should also be encouraged by personal income tax allowances to invest their money in energy-saving renovation.

Condominiums should only be granted non-repayable renovation subsidies for emergency renovation work carried out to preserve the building's stability. When utilizing public funds, besides repairing the defects of buildings that pose dangers to human life and to the safety of the property, and besides publicly owned flats, priority should be given to the renovation of communal buildings (schools, hospitals, etc.) and to the improvement of public areas.

Read more here: http://www.levego.hu/kiadvany/Hook-Banking1.htm

Hungary: Are motorways economical?

The Hungarian governments of the last few years, one after the other, have tried to outdo their predecessors by planning to build even more motorways. At the same time, more and more people question the rationality of these investments, but such opinions hardly gain any publicity.

[Clean Air Action Group, Hungary] Enhancing the quality of transport does not necessarily bring about financial gains and new jobs for the country as a whole, or even for the region concerned. Even if such benefits do emerge, constructing high-speed roads is generally not the most economical way to attain them.

Resources are very limited, so the money spent on motorway construction has to be drawn from other areas of the transport sector, for example from the upkeep of the existing roads, the operation of the public transport system, the maintenance of the railway network or the improvement of conditions for bicycle and pedestrian traffic. It is clear that "job creation" through motorway construction is tantamount to squandering enormous quantities of public funds.

Although it needs major repair and improvement, the technical base of rail freight transportation is available in Hungary and all over Eastern Europe. The road network, however, is in general poorly developed, particularly to the east of Hungary. Therefore it would require additional capital investments of several hundreds of billions of Euros to connect the Eastern European region into the Europe-wide road network, which does not seem to be financially feasible in the near future. Thus, the scope of any transport policy in Hungary is fairly restricted; the railway network, after significant improvement, should be the base of transport between the EU and Eastern Europe to meet the interests of Austria and Germany, which are in line with the interests of Hungary as well. Compared with roads, railways have particular advantages in transporting large volumes of goods over long distances.

Hungary should focus its limited resources upon the socio-economic modernization and a knowledge-based society (as also stated in the Programme of the Government), instead of granting support to the extremely energy and raw material intensive road transport and to the construction of motorways, which generate further road traffic.

Read more here: http://www.levego.hu/kiadvany/hutransp.htm

Germany resists packaging tax temptation

The German environment ministry has stamped on a proposal by retailers' association HDE to introduce a packaging tax instead of deposits on one-way drinks packaging intended to support the market share of refillable containers.

[Environmental Daily, May 26, 2003] Such a move could provide the administration with €1.5bn of extra revenue, the group said in a letter to chancellor Gerhard Schröder. It would also enable it to recover some €300m in VAT revenue being lost since deposits were introduced in January. HDE has forcefully opposed the introduction of deposits at every step of the way. Its new move was clearly designed to tempt a government facing terrible economic figures including near recession, a large budget deficit and fast falling tax revenues. However, the environment ministry quickly quashed any possibility of a tax saying that the government had no intention of rescinding its deposits policy. A tax would be "poison to the economy" it said. Furthermore it would absolve the drinks industry of its responsibility for the proliferation of one-way drinks containers.

Germany: Green Taxes Make Bad Goods Better

An interview with the Chairman of Green Budget Germany, Anselm Görres, about the German experience with the ecotax.

[Craig Morris, Telepolis, June 5, 2003] Prices should not be confused with costs. Green taxes exemplify this basic rule of economics well. While energy prices in the United States are lower than in the European Union – gas costs around half as much – Americans nonetheless spend just as much on energy as Europeans because they waste so much. The disparity in prices is so great that some – such as the Global Governance Project in its paper "Implementing the Kioto Protocol Without the United States: The Strategic Role of Energy Tax Adjustments at the Border" from March 2003 (http://www.glogov.org/workingpapers/workingpaper5.pdf) – speak of unfair competition. A quick study of the figures in the paper reveals that energy prices in Germany are lower (with one exception) than the EU average, both of which are consistently higher than the US average. Military costs were not included in the calculation.

With prices that low, who is interested in conserving? Indeed, as the Energy Park at the World Fair 2000 in Hanover, Germany stated: "If the current average gas mileage of American cars were increased to the level of German cars, the annual savings would equal the annual total consumption of petroleum in Africa, China, and India together." Note the wording: Americans do not have to drive less; they can just switch to some of the European cars that get 80 mpg.

Just raising the miles per gallon will not, however, do the trick. That would probably just make driving cheaper if gas prices did not increase, probably leading people to drive more. In contrast, higher prices would bring about efficient products without any further legislation. Trying to enforce better fuel consumption without changing the prices is doomed to fail, but raising prices will do the trick nicely.

The green tax movement in Europe is already strong, but growing even further. Green taxes in the EU range from the tax on tourism in Majorca, where a charge is levied per hotel night based on number of stars the hotel has, to the recent "ecotax" in Germany, which added a few cents to each liter of gas sold and a similar amount to other forms of energy.

The revenue generated from green taxes is not always used exclusively for environmental purposes, which has created some confusion. In Germany, for instance, the ecotax has mostly been used to offset the rising costs of labor; German employers have to pay half of their employees' health care and pension plan installments, and these non-wage costs have been rising. But what the critics often forget is that simply raising the costs of energy reduces consumption, which is in itself good for the environment.

And indeed, the German "ecotax" has led to lower consumption of gasoline since it was introduced a few years ago: 3.1 percent less in 2002 and 3.0 percent in 2001. Sales of more efficient cars and efficient technology have risen. More people are traveling by local public transport. Prices may have risen, but costs are stable thanks to lower consumption.

I recently spoke with Anselm Görres, Chairman of Green Budget Germany, about the German experience with the 4.6 cents per liter of gas (about 18 cents per gallon) that Germans called the ecotax. You can find this interview also in German:
http://www.heise.de/tp/deutsch/html/result.xhtml?url=/tp/deutsch/special/zen/14589/1.html&words=G%F6rres

Craig Morris: Mr. Görres, the green tax is quite unpopular in Germany. Why?

Anselm Görres: It is an effective pill, but a bitter one. And of course, people do not understand that they pay the green tax to themselves. In the final analysis, it doesn't cost a cent. Whatever you pay extra for gas, you get back when health care and social security contributions are lowered. And if we didn't have the green tax, we would certainly have higher sales tax.

The press does not help when they only report – as they did before the German elections in 2002 – how the tax platforms of the political parties would affect people's net income without ever mentioning how these taxes would be spent. A party might charge less for gas, but also cut spending on kindergartens, for example, but the spending side is often never mentioned.

Absolutely. You have to look at the overall macroeconomic picture. And I am disappointed that we do not display more intelligence in the public discussion of tax issues. In the end, the green tax not only does not cost us anything; it even saves us money because we move to more efficient technology and do not have to import as much oil.

What about the complaint from environmentalists that this green tax is not green at all because it is not used for environmental purposes?

As I always say, the capital gains tax is not for the capitalists either. Having said that, a good environmental tax prevents conduct that damages the environment, for instance by making energy so expensive that people consume less of it. But we should not forget that, though most of the revenue from the green tax is used to lower labor costs by reducing health care and pension plans, part of it does go to subsidize renewable energy, insulating houses and shifting towards efficient heating.

In other words, we need a certain amount of tax money to run the public sector, and we can use design the taxes collected to control the conduct of citizens at the same time.

Exactly. You shift the burden within the overall system, without having to raise the tax rates overall. In fact, we can even try to lower the overall tax burden while we shift the taxes from good ones to bad ones.

And the bad ones are – aside from non-wage labor costs – the sales tax because it does not make a distinction between good and bad behavior?

The sales tax is one of the very bad taxes. In Germany, the 16 percent sales tax is one of the reasons why the black market is booming: a painter simply costs much less when a homeowner does not have to pay the 16 percent "extra".

It sounds like the green tax has always been there. Taxes on gas in Germany have been very high for decades.

That's the way it should be. In this case, people realized early on that energy consumption leads to other costs, such as road construction, etc.

Critics of the green tax in Germany claimed that diesel would become so expensive that truckers would drive from Poland to France without filling up in Germany. Is Germany trying to be different?

The only thing that is different about Germany's approach to the green tax is the tendency of political conservatives to let the German industry itself de cide how much environmental protection it wants to have in so-called "voluntary agreements." You don't have anything like this in other countries. The polluter pays principle is rigorously enforced in England, with harsh penalties. German industry would like nothing better than to have the government let them decide how much they should do for the environment.*

Contrary to what these critics are saying, green taxes are the rule in almost all European nations. And on March 21th, a resolution was passed in Brussels to raise the minimum tax rates on energy for all EU countries, including the 10 new eastern European members. With the stroke of a pen, green taxes were adopted in ten eastern European countries. The green tax is a pan-European fact, not a German exception.

Finally, do you see a connection between the war in Iraq and green taxes?

Yes, in several respects. I am not one of those who believe that the USA only waged this war for oil. It is one important factor among many. But to the extent that it is a reason, it is not a good one. We can't be waging wars so we can waste energy endlessly. The more we industrialized nations wean ourselves from oil, the less we will be tempted to try to create order in oil-exporting nations, who should be taking care of such things themselves.

Second, environmental protection requires global instruments. The USA has clearly expressed its contempt for the global instruments we spent so much time and effort trying to create in the past few years, be it the Kioto Protocol or the International Court of Justice or the recent disdain of the UN. We need to have respect for the UN. It's the only global instrument we have. We need to strengthen our international institutions, not only for the sake of the environment, but also for the sake of peace.

**Author's Note: Germany is the only country in the EU to have liberalized its electricity and gas markets without setting up a regulatory body. However, on March 24th a decision was reached to create such a body after 2003. American readers should keep in mind, though, that deregulation has run relatively well in Europe and Germany – no blackouts or price hikes here – and consumers are even allowed to get all of their power from green sources at little extra charge. Only in the Nordic countries did prices peak in 2002 due to a shortage of water power and excessive use of electricity for heating – a very inefficient approach.*

German agency backs "harmful subsidy" cuts

A bid by Germany's Green party to slash "environmentally harmful" subsidies has received a moral boost from a study published by the national environment agency.

[Environment Daily 1464, June 17, 2003] The study concludes that cutting housing and agricultural subsidies would not only save the government badly needed money but also considerably lower emissions of carbon dioxide (CO_2), the principal greenhouse gas.

The study, conducted by independent researchers, found that cutting Germany's housing subsidies by €6bn per annum - or 25% - until 2005 would lead to falls in CO_2 of between 18m and 25m tonnes. Current spending is no longer justified by a housing shortage, as existed after reunification in 1990, and leads to overdevelopment of rural areas, they add.

The researchers also suggest linking part of reduced housing subsidies to fulfilment of environmental criteria during construction. They add that the government could plough savings back into programmes designed to make buildings more energy efficient and environmentally sound. Turning to agricultural subsidies - worth €1.7bn in 2002 - the researchers said the government should be less indiscriminate in its approach and target them towards more environmentally friendly farming. Ending subsidies for farmers' use of diesel fuel was an absolute must, they added.

The study follows a call by the Greens, the SPD's junior partner in government, for the scrapping of €23bn in "environmentally harmful" subsidies. It was launched at a time when the SPD desperately wants to cut government spending to deal with an immediate budget crisis as well as to pay for possible tax cuts.

You can find the study in German here: http://www.umweltdaten.de/uba-info-presse/hintergrund/subvention.pdf

Subsidizing Germany's hard coal is economically and ecologically detrimental

Keeping jobs in hard coal mining is an expensive venture. In terms of the number of employed, there was about EUR 82,000 spent in subsidies per job in 2001. In addition, there are significant consequential damages caused by mining and pollution. It is therefore counterproductive in economic and ecological terms to maintain hard coal subsidies in the long term.

[Press Release 14/2003, Federal Environmental Agency, 03.07.2003] This is shown by updated computational models made for the Federal Environmental Agency by the Institute of Economic Structures Research in Osnabrück, according to which a shift away from hard coal subsidies in favor of the promotion of solar heating, the use of biomass, or the energetic rehabilitation of buildings would promote economic growth. It would also create jobs and reduce the emissions of climate-damaging carbon dioxide. "Hard coal subsidies can no longer be justified. Their elimination would relieve the strain on the environment and promote employment, especially if the funds they free up were used to lower taxes and for the ecological modernization of the economy," said Prof. Dr. Andreas Troge, President of the Federal Environmental Agency.

In various computational models the scientists investigated alternative uses of hard coal subsidies. Using the funds to consolidate the federal budget would have a short-term negative impact on the labor market since the number of people employed in coal mining would decline. In a second scenario, the promotion of solar heating and biomass to generate heat would have positive effects on employment and carbon dioxide emissions. 9,000 additional jobs would be created by 2010, and climate-damaging carbon dioxide emissions would be reduced by almost 50 million tons in the same time period. Support for the energetic rehabilitation of buildings would even create 30,000 more jobs by 2010—and six million tons less carbon dioxide would be emitted. At the same time, some of the negative ecological and financial consequences of coal mining, such as subsidence, could be avoided.

German hard coal is made artificially competitive on the global market by massive state subsidies. About 30 percent of all federal subsidies for the German industrial economy go to German hard coal. Although some EUR 100 billion in taxpayer money has been spent on hard coal mining since 1980, the balance sheet is quite sobering from an economic and employment point of view: from 1980 to 2001 the volume of coal mined in Germany sank from 87 to 27 billion tons, and the number of those employed in the industry declined by 72 percent to about 53,000.

Another argument for the speedy dismantling of subsidies is the damage caused by mining, the extent of which is so considerable as to cause growing protest among the population against development of new pits. In addition, there is the heavy pollution caused by the coal. Coal combustion releases more carbon dioxide than other fuels such as gas, which is why the heavy subsidization of this source of energy contradicts sustainable, environmentally friendly energy policy.

The Organization for Economic Cooperation and Development (OECD) and the International Energy Agency (IEA) have long called for the abolishment of coal subsidies in Germany. This would not jeopardize the guarantee of supply, for coal is copious and distributed geographically throughout the world. Neither would the export opportunities for German power plant technology be reduced since they are dependent on the use of coal in power plants and not on the mining of domestic coal. In order to avoid social hardship caused by the abandonment of hard coal mining, a part of the funds saved should be used to aid adjustment in the coal mining sector.

The import of coal is not a goal in and of itself but rather energy savings and more efficient use of energy. Any remaining energy consumption can be covered by renewable energies.

There is a detailed background paper available online in German on the subject of hard coal subsidies and their elimination based on the results of computational models. The German title is *Abbau der Steinkohlesubventionen – Ergebnisse von Modellrechnungen* and can be located at http://www.umweltbundesamt.de, under the heading *Presse*.

Austria: FutureTaxes. Is the current tax reform an ecological one?

A report about a discussion meeting recently held in Austria.

[ÖGUT, Austria] On July 7, 2003 the *Forum Österreichischer Wissenschaftler für Umweltschutz* (Forum of Austrian Scientists for Environmental Protection) sent invitations to a very interesting discussion entitled *Zukunft(s)Steuern. Is the current tax reform in Austria ecological?* There were two reasons for this event: first, the current tax reform in Austria, which increases the taxes on energy, and second the new edition of *Science and Environment* of the *Forum Österreichischer Wissenschaftler für Umweltschutz* about environmental instruments. This publication covers a wide range of thematic contributions of experts to environmental instruments and especially to an ecological tax reform.

The panel discussion *Zukunft(s)Steuern. Is the current tax reform in Austria an ecological one?* took place in the Austrian Federal Ministry of Finance. Five experts were invited to discuss the topic with the audience.

Anton Rainer, Austrian Federal Ministry of Finance, started the discussion with his statement. In his opinion the current tax reform heads for an ecological tax reform. For the first time, coal is taxed, and the tax difference between diesel and petrol is going to be reduced. Wolfgang Seitz, Federation of Austrian Industry, stated that the reduction of the wage-related taxes is too small so that the industry, especially the energy-intensive industry, is still heavily burdened. Erwin Maier, Greenpeace Austria, cited an opinion poll where consumers were questioned about an ecological tax reform. The opinion poll says that consumers are far less sceptical about an ecological tax reform than politicians believe. For consumers, it seems to be very important what will happen with the tax revenues and how great the benefit for the environment is. Herbert Greisberger, chief editor of the current edition of *Science and Environment* and General Secretary of the Austrian Society for Environment and Technology (partner in the EEB-project on EFR [http://www.ecotax.info]) feels that the tax reform points in the right direction, but at the same time he calls for a larger volume of ecological taxes to create new jobs and for structural change in the Austrian economy.

The subsequent discussion with the audience was - at least partly - very emotional. The representative of the Federation of Austrian Industry had to stress once more that Austrian industry had already saved energy and reduced plenty of emissions for many years. Higher energy taxes would burden the industry to an extent that would endanger the competitiveness of Austrian industry. In general, the experts agreed but also saw some potential for reducing energy consumption further. Another aspect in the discussion was about the steering of tax. In general, the experts' opinion was that a tax has a considerable steering effect but that one should be careful not to give false signals which could lead to a fuel switch, which is not desired.

In sum, great efforts seem to be necessary to reduce the huge resource flows. To deal with that, the experts call for a mix of instruments and for transparency towards the consumers to increase the acceptance of the wide range of environmental instruments. In addition, time plays an important role: can we wait for new energy technologies, or would that be too late? Much discussion has already taken place on this topic, and many experts have been involved. All the same, it seems that little has happened. The moderator closed with his statement not to lose courage and, in addressing the young people, to take part in the still lively debate on ecological tax reform.

United Kingdom: Big CO_2 cuts beat industry climate change targets

British industry cut carbon dioxide releases into the atmosphere by a massive 13.5million tonnes last year, almost three times above target.

[Department for Environment, Food and Rural Affairs, April 7, 2003] Thousands of UK companies reduced the amount of CO_2 they produce by more than ten million tonnes above targets signed up to under Climate Change Agreements (CCAs), designed to help reduce damaging greenhouse gases and combat climate change. Most of the cuts were achieved by the steel sector, but the rest of industry also beat their targets by almost one million tonnes of CO_2 reductions.

Results published today show that:

- CCAs delivered a total reduction in CO_2 emissions of 13.5million tonnes against an estimated 2000 baseline (or 15.8 million tonnes against pre-2000 baselines).

- Of 12,000 individual sites covered by CCAs, 10,500 (88 per cent) met targets and have had their Climate Change Levy discounts renewed.
- Around 12 per cent of sites either did not submit data, dropped out or failed to meet targets and did not have agreements renewed.
- Companies in CCAs traded almost 600,000 emissions allowances to meet targets, either selling or keeping the equivalent of four million tonnes of CO_2.

Sustainable Energy Minister Lord Whitty said:

"This is good news for business, and good news for the environment. Industry has shown that it is prepared to play its part in the effort to reduce greenhouse gas emissions. The results of our agreements demonstrate real gains in energy efficiency, achieved in a cost-effective way."

The now formal Environment Minister Michael Meacher added:

"The UK leads the world in meeting the challenge of climate change, and today's figures are another boost for the government's aim to cut our carbon emissions by 60 per cent by 2050. Estimates show that UK CO_2 emissions fell again last year, and industry's contribution under CCAs is significant."

Department for Environment, Food and Rural Affairs (DEFRA): http://www.defra.gov.uk/

Ireland: Plastic bag levy experiences

Lessons from the experience with the Irish plastic bag levy.

[Prof. Frank J. Convery and Simon Mc Donnell, Deparment of Environmental Studies, University College, Dublin] There have been occasional ad hoc efforts to influence consumer behaviour by the imposition of product taxes that in some sense reflect the external costs imposed by such products that are not included in the price of the product itself. In the spirit of this idea, in 2001 Ireland introduced a 15 Euro cent tax on plastic bags. Anecdotal evidence indicates that it has had a dramatic effect on the use of same in retail outlets- preliminary estimates indicate that the reduction in use is of the order of 90 per cent. This paper will analyse this policy initiative from the perspective of economic efficiency, environmental effectiveness, and equity, and provide some general guidelines and insights for other jurisdictions planning similar proposals.

You can download the full paper here: http://www.eco-tax.info/downloads/FinalSydneyPaper.doc

Ireland: pioneer of the plastic-bag tax plans fees on three other litter sources

Ireland, which has drawn environmentalists' praise worldwide for its taxing crackdown on plastic bags, announced plans to introduce punitive fees on three other key sources of litter.

[Environmental News Network, 16 July 2003, http://www.enn.com/news/2003-07-16/s_6608.asp] The government will introduce a bill this year to levy special taxes on chewing gum packets, receipts from cash machines, and polystyrene packing from fast food chains, Environment Minister Martin Cullen announced. "If we are serious about tackling litter, we have got to take bold steps," Cullen said.

The government said it would consult the targeted industries, environmentalists, and the general public before announcing details of the fees, which would be the most wide-ranging of their kind in the 15-nation European Union.

Last year, Ireland imposed a 15 euro cent (17 U.S. cent) surcharge on every plastic bag provided by grocery stores and other shops. Use of the once-free bags has plummeted, and they no longer linger as wind-blown litter on Irish streets and rural hedgerows. The money collected has gone to an Environmental Fund that plans to spend 35 million euros (US$40 million) this year on recycling centers.

Cullen said gum, polystyrene packaging, and cash-machine receipts could be removed with the same punitive tax.

To pay for removing gum on the street, he proposed a charge of 5 to 10 euro cents (6 to 12 U.S. cents) per pack.

"I believe that those who use chewing gum should pay for its clean-up," said Cullen, who noted that the 80 million packs sold annually in Ireland produced up to 500 tons of gum that has to be scrubbed off the pavements.

Swiss green taxes rise towards EU average

Energy and transport taxes accounted for the biggest part of all green tax revenues.

[Environment Daily 1443, May 14th 2003] Swiss environmental taxes yielded SFr8.8bn (€5.8bn) in 2001, the national statistical office reports. The proportion of tax revenues coming from environmental taxes rose from 5% in 1990 to 6.1% in 2001, just below the EU average of 6.5%. Energy and transport taxes accounted for 92% of all green tax revenues. The balance related to other resources, such as water, or emissions, such as volatile organic compounds (VOCs). Just 3% of green tax revenues were spent on environmental protection. Nearly 40% helped to finance road transport infrastructure works. See press release:

http://www.statistique.admin.ch/news/pm/0350-0303-10.pdf

Swiss put climate tax options on the table

The Swiss government is considering the introduction of a new climate levy on fossil fuels used in transport to bolster the country's measures to meet its Kioto target of an 8% cut in carbon dioxide (CO_2) emissions by 2008-12, compared with 1990.

[Environment Daily 1467, June 20th 2003] Some form of energy tax was anticipated in Switzerland's 1999 CO_2 law, should the country not be on track to cut CO_2 emissions by 2004, but this is the first discussion of specific measures.

With the Kioto target unlikely to be met through voluntary instruments alone, ministers will now look at four tax options of between one and 30 SFr-cents (eurocents 0.65-19.5) per litre. The lowest levy is the "cent for the environment" proposed by the association representing fuel suppliers. Potentially worth SFr70m a year, it could be used to fund the purchase of CO_2 certificates abroad and national climate measures, the association says. Two options combine this proposal with a government energy tax. The final option envisages imposing an energy tax of 30 centres a litre alone, and would not require the purchase of CO_2 certificates. Any of the four options would enable Switzerland to meet its CO_2 target, the environment agency says.

See also: http://www.uvek.admin.ch/gs_uvek/de/umwelt/co2/index.html

4. GREEN BUDGET REFORM WORLDWIDE

Russian cloud over global climate talks

The UN climate change convention's two subsidiary bodies ended a fortnight of talks in Bonn, Germany on Friday. Continuing Russian hesitation over ratification of the convention's Kioto protocol hung over the meeting.

[Environment Daily 1463, 16.06.2003] Without Russia´s ratification the world's chief instrument for tackling global warming will not enter into force. Debate in Bonn ranged widely, aimed principally at working up agreements for the next conference of parties, to be held in Italy in December. Progress in some areas was balanced by stalemate in others. There was no agreement, for example, on "good practices" in policies and measures. Likewise on the issue of potential "adverse effects" caused by policies and measures. Participants called for further work to improve estimation and reporting of greenhouse gas emissions from international aviation and maritime transport - two key economic sectors currently not covered by the Kioto protocol. Also discussed was the development of a "special climate change fund" aimed at developing countries.

Meanwhile the executive board of the Kioto protocol's clean development mechanism (CDM) created a stir by rejecting every one of the first 14 proposals submitted to it for emission baselines and monitoring methodologies to ensure that greenhouse gas mitigation projects are "additional" to what would have happened anyway. Environmental group Climate action network welcomed the move, claiming that, far from killing off the CDM, the decisions would "strengthen submissions and lead to projects with real benefits to host countries and the environment".

5. LETTERS TO THE EDITOR

Dear Eco-tax newsletter editors - I just received a forward of your recent eco-tax newsletter from a friend -it's great, thank you! I'm excited to read more. (Karen Smallwood Fink)

Thank you very much for this very interesting information! (Ph DEFEYT, Secrétaire fédéral ECOLO)

6. EVENTS

23.8.2003 - 28.8.2003, Praha, Czech republic: Public Finance and Financial Markets

59th Congress of the International Institute of Public Finance

Committee is chaired by Professor Roger Gordon (University of California at San Diego) and Professor Alfons Weichenrieder (University of Frankfurt). While the main theme of the Conference will be positive and normative studies of the role of government in financial markets, contributed papers on any topic in the field of public economics will be considered.

Program and contact: http://www.iipf2003.cz/

29.08. – 30.08, Leuven, Belgium: Environmental Rights in Europe after the UN/ECE Aarhus Convention

International conference organized by Institute for Environmental and Energy Law, Faculty of Law, University of Leuven, Maastricht European Institute for Transnational Legal Research, Faculty of Law, and Ius Commune Research School (Section on Transboundary Environmental Law), Maastricht University, Center for Environmental Law, Faculty of Law, University of Amsterdam, Institute of Advanced Legal Studies, University of London, Flemish Environmental Administration, Belgian Federal Department of the Environment

Registration as soon as possible, but no later than July 31, 2003

Prof. Dr. Kurt Deketelaere, IMER-KU Leuven, Tiensestraat 41, 3000 Leuven, Belgium, mailto:kurt.deketelaere@law.kuleuven.ac.be

02.09. – 05.09, Jyväskylä, Finland: Bioenergy 2003

Topics of this conference are Bioenergy in the Nordic and EU Countries; Bioenergy Policy and Strategy, Legislation; Bioenergy Business in the Nordic Countries; Local and National Programmes; Financial and Market Instruments; Administration, Services; R&D results; Bioenergy Technologies and Management; Green Values and Certificates; Information and Training.

For further information have a look at: http://www.finbioenergy.fi/bioenergy2003/

11.09.03, Berlin, Germany: From the social free-market economy to the ecological-social free-market economy

Meeting of the Stiftung für Ökologie und Demokratie e.V. and Green Budget Germany to the "day of ecological-social free-market economy" in the Federal Environmental Agency.

Information: Stiftung für Ökologie und Demokratie e.V., Siemensring 54, 76761 Rülzheim, Germany, Fon: ++49-7272-3648 Fax ++49-7272-76612, mailto:Stiftung-fuer-Oekologie-u-Demo@t-online.de, http://www.stiftung-oekologie-u-demokratie.de

13.10. – 14.10, Berlin, Germany: Governance of Sustainability

Incentives for Sustainability- Markets in Japan, Germany and other countries.

Organized by the Wuppertal Institute and others

More information can be found here: http://www.gosd.net/pdf/berlinConference.pdf

11.11. – 14.11.03, Wittenberg, Germany: Workshop "Business and Emissions Trading"

The workshop is part of a three years project to bring together young scientists from various backgrounds (economics/management/social sciences, theoretical/empirical, descriptive/explicative/prescriptive) to chart the course on new issues for corporate sustainability.

The workshop is a joint workshop with the workgroup “OR in environmental management” within the Society for Operations Research e.V. (GOR). The workshop will provide an open and creative atmosphere to discuss new ideas and recent findings. It aims to identify research questions for future work in the field of Business and Emissions Trading.
http://www.wiwi.uni-halle.de/lui/bwl/umwelt/index.php?folder_default_netfolderID=11006

7. LINKS AND PUBLICATIONS

Eco-Taxes: Ecological Tax Reform as an Instrument for Sustainable Development

Authors: Hans Diefenbacher, Volker Teichert, Stefan Wilhelmy

Protestant Institute for Interdisciplinary Research, Germany

You can download the paper here: http://www.eco-tax.info/downloads/FEST_ETR_booklet_Wilhelmy.pdf

New Instruments of Environmental Governance? National Experiences and prospects

A new book edited by Andrew Jordan, Rüdiger Wurzel and Anthony Zito about environmental policy instruments.

About the book:

Many highly industrialised countries are rapidly adopting 'new' environmental policy instruments (NEPIs)
including eco-taxes, tradable permits, voluntary agreements and eco-labels. This apparently profound shift
has prompted widespread claims that NEPIs have eclipsed regulation as the preferred tool of environmental policy. This volume offers a fresh perspective on evolving environmental policy by providing a systematic analysis of the politics surrounding the adoption and use of the main NEPIs. Blending state of the art political theories with fresh empirical material, the contributors to this interdisciplinary volume assess the claim that NEPIs are heralding the new era of environmental governance in which the state plays a secondary role in policy-making.

About the editors:

Andrew Jordan is a Manager of the UK ESRC's Programme on Environmental Decision-Making at the UEA,
Norwich.

Rüdiger Wurzel is a lecturer in the Department of Politics at the University of Hull.

Anthony Zito is a lecturer in the Department of Politics at the University of Newcastle.

EU energy tax deal "ineffective"

[Environment Daily 1464, 17.06.2003] The EU deal reached in March to create an energy taxation framework will have "very little effect in terms of sustainability" according to a new report by green group coalition the European environmental bureau (EEB). The new paper is the latest shot in the EEB's campaign for environmental fiscal reform in Europe. Timed to coincide with debate on a future constitution for the EU, it contains familiar calls for qualified majority voting on tax issues and a new round of energy tax directives.

See paper:
http://www.ecotax.info/EFRpublicationJune03.pdf

Europe's environment: the third assessment

This is the third pan-European state of the environment report produced by the European Environment Agency (EEA).

It was prepared for the 'Environment for Europe' Ministerial Conference being held under the auspices of the UN Economic Commission for Europe in Kiev, Ukraine on 21-23 May 2003. This assessment is the most comprehensive up-to-date overview currently available of the state of the environ-

ment on this continent. In contrast to previous reports issued in 1995 and 1998, it covers for the first time the entire Russian Federation and the 11 other Eastern European, Caucasus and Central Asian (EECCA) states. The report also analyses how the main economic driving forces put pressure on the European environment and identifies key areas where further action is needed.
http://reports.eea.eu.int/environmental_assessment_report_2003_10/en

Property rights for the Global Commons - feudal or democratic?

Paul Metz, member of the advisory board of Green Budget Germany, gave a presentation at the Paris Peak Oil Conference in May 2003 on this issue.

Summary: In Sustainable Development policies our governments try to compensate for the well-known - and little understood - deficiencies in economic science called "externalities", of both economic, social and environmental natures. Many governments are experimenting and the OECD annually reports on the results of these experiments, mainly the success stories.

Little attention is given to the role that property rights could play, despite some well-established practices considered successful and the dominance of property rights in mainstream economics. Most fossil fuel reserves are under the control of states, and for the management and sustainable exploitation of things that cannot easily be captured or privatised, like the atmosphere, the oceans, the electromagnetic spectrum - and perhaps also biodiversity and groundwater - lessons can be learned from the Alaska Permanent Fund.

Putting this Alaska model of 'fossil equity' into worldwide practice for the Global Commons can solve many of the fairness and financing problems in international policies for Sustainable Development and Globalisation, including the range of energy and other transitions currently considered. An Earth Dividend model will be presented, which would end "environmental colonialism", stop further growth of the "ecological debt" of the North to the South and generate purchasing power in a 'bottom up' way that is beneficial for clean, local businesses worldwide.

Author's note: You are right when you observe that taxation is not mentioned in this summary, but in the presentation itself it is!

The presentation can be found here:
http://www.peakoil.net/iwood2003/ppt/MetzPresentation.ppt

UK: Tax and the environment: using economic instruments

HM Treasury has published a report on „Tax and the environment: using economic instruments“ . Some issues: „Sustainable Development Objectives and Indicators”, “Setting Environmental Objectives and Standards” and “Choosing Policy Instruments”. You can find the report here:
http://www.hm-treasury.gov.uk/media/466CB/adtaxenviron02-332kb.pdf

Global Environmental Problems – Can be Solved using Economic Instruments

Green Tax and Budget Reforms in Europe and Public Acceptance: a booklet by the Danish Ecological Council.

Editor: The Danish Ecological Council, June 2003

Author: Soren Dyck-Madsen

The Booklet has been issued in a provisional version in January 2003, but is now corrected in language, updated and extended with a new chapter about the Dutch ”Regulatory Energy Tax”. Content: Economic instruments - such as environmental tax reforms - are key to efforts towards reaching a more sustainable development. This booklet describes a broad range of conditions, experiences and recommendations that have to be taken into consideration when using economic instruments to improve the environment.

The booklet includes:

- A description of a number of environmental problems that are suitable to be solved by economic instruments, including the conditions necessary to do
- The story of the EU proposal for minimum energy taxation
- A description of the German Eco-tax Reform *Ökosteuer Reform,* with reactions and recommendations
- A description of the *British Climate Change Levy*, with reactions and recommendations
- A description of the Dutch *Regulatory Energy Tax*
- The abandoned Danish effort for green tax reforms
- The necessity of carefully designed green taxes that avoid social distortions and industrial competitiveness losses when the

revenue is returned

- Furthermore, the booklet emphasises the need to inform the public in order to gain acceptance for the use of economic instruments to improve the environment.

The booklet can be read and downloaded free of charge from the website of the Danish Ecological Council: http://www.ecocouncil.dk/index_eng.html

Energy-related taxes in the Nordic countries

Does the polluter pay? A report by the National Statistical offices in Norway, Sweden, Finland & Denmark.

The use of environmental taxes and especially energy taxes has been recognised as an efficient means to limit the use of harmful substances. The Nordic countries have some of the highest rates of environmental taxes as a percentage of the total taxes and as a percentage of GDP. Earlier, there was a focus on energy taxes as a whole, the relationship between total energy taxes and GDP, and between energy taxes and total taxes. This project, on the other hand, focuses on energy taxes broken down by industries in the Nordic countries and addresses in particular the connection between who uses the energy and who pays the taxes.

Industry-specific taxes combined with information on energy use, air emissions and value added give unique possibilities to analyse whether there is a match between who pollutes and who pays the energy taxes. Or in other words: Does the polluter pay?

You can download the report here: http://www.eco-tax.info/downloads/Nordic_Energy_Taxes-EUROSTAT.doc

New Web site: FiscallyGreen.ca

The Pembina Institute and Environment Canada are pleased to announce Canada's first Web site dedicated solely to ecological fiscal reform (EFR).

Fiscallygreen.ca is a one-stop shop for information on fiscal policies for environmental objectives in Canada and around the world. Fiscallygreen.ca describes ecological fiscal reform in simple terms and gives examples of ways it has been implemented. One of the most exciting components of this site is the section on experience with EFR policies in Canada and beyond. Fiscallygreen.ca will be useful to anyone interested in fiscal policies for environmental objectives, including elected officials, policy makers, scholars, executives, social and environmental non-government organizations, university students, think-tanks, tax and accounting professionals, and economists. Of course, GBG is also one of the links on their site.

http://www.fiscallygreen.ca

Environmental Tax Shifting in Canada: Theory and Application

The Pembina Institute's Ecological Fiscal Reform program has released a report on environmental tax shifting (ETS).

The report, titled "Environmental Tax Shifting in Canada: Theory and Application," presents the latest information on environmental tax shifting and describes a possible application of ETS in Canada related to greenhouse gas emission reductions. Authored by the Pembina Institute, the report was prepared in collaboration with the Triple E Tax Shift Research Collaborative, a collaborative comprising the Pembina Institute and leading energy and resource companies in Canada.

Download the report from http://www.pembina.org/publications_item.asp?id=155

Political Economy of Environmental Policy Choice

Single-Instrument Policy of Taxes or Direct Regulations vs. Policy Mix with Subsidies- a paper by Soo-Cheol Lee.

[Soo-Cheol Lee, Nagoyagakuin University, Japan]

In this paper we focus on two points of public choice of environmental policy instruments. The first one is to examine how much environmental policy instruments, such as direct regulations, taxes and policy mixes with subsidies, affect the social welfare and income distribution of the interest groups concerned. The second one is to carefully consider the political character of environmental subsidies that preceding studies did not deal with sufficiently. As a result, we find that it is very difficult for strict direct regulations or taxes to be actually selected as single instruments despite being effective or efficient because of the high political cost of introducing them. Instead we notice the ease with which these single-instruments mixed with subsidies can be chosen, so that a target level of environmental quality can be achieved.

Please download the paper here: http://www.eco-tax.info/downloads/Lee_Paper.doc

Contact: Soo-Cheol Lee, Department of Economics, Nagoyagakuin University, 1350 Kamishinano-cho, Seto 480-1298 Japan, Tel.: +81-561-42-0350, Fax.:+81-561-42-1144, mailto:lee@ngu.ac.jp

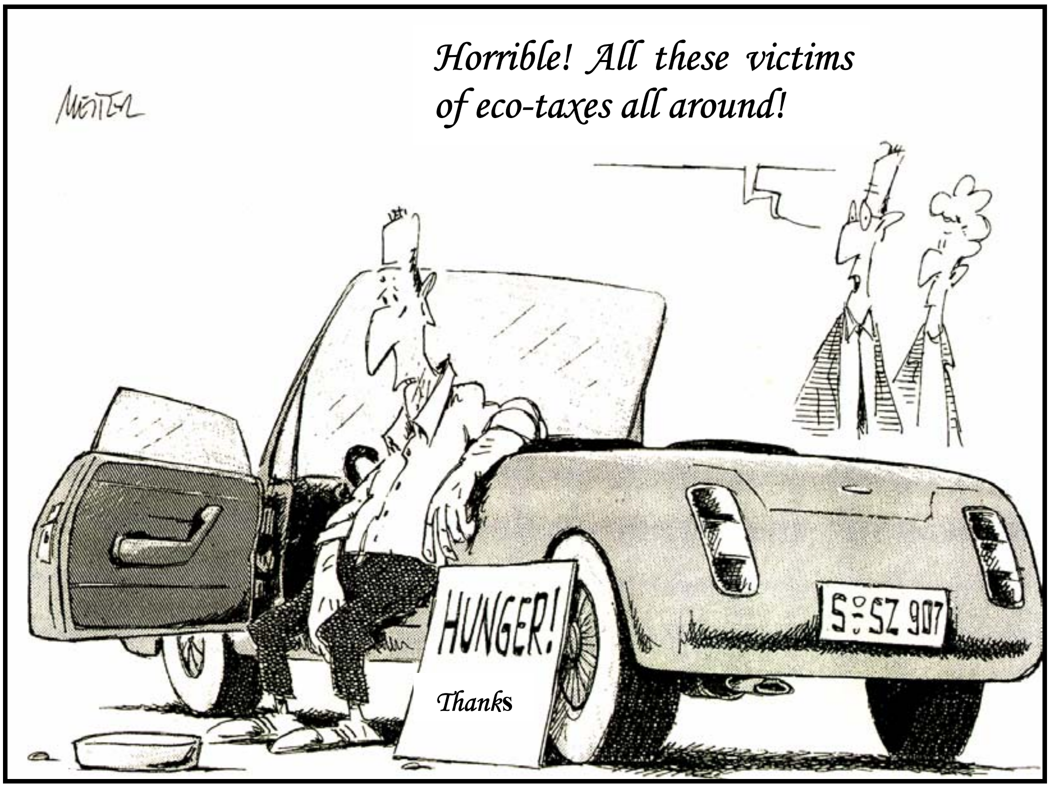
Japan: new report by METI

The Japanese Ministry of Economy, Trade and Industry (METI) has published a new report on its webpage on "Perspectives and Actions to Construct a Future Sustainable Framework on Climate Change". The report deals with background information about the Kioto protocol and greenhouse gas emissions in industrialised and developing countries. You can find an abstract and the full article here:
http://www.meti.go.jp/english/policy/index_environment.html

Subsidy Watch Newsletter

Subsidy Watch contains information on the latest publications on subsidies from around the world, including newspaper articles, academic and government publications, and other English-language sources.
The International Institute for Sustainable Development (IISD) summarizes each source with a brief paragraph, includes an excerpt or uses the author's own abstract. A full citation for the original source and/or an Internet link is also provided. Subsidies are broken down by sector and country, so readers can concentrate their searches. Newsletters are e-mailed every other week.
http://iisd.ca/subsidywatch/

8. SPECIALS



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