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EUROPEAN NEWSLETTER ON ENVIRONMENTAL FISCAL REFORM

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1. EDITORIAL

Aviation tax and the European Union

[Jacqueline Cottrell, Green Budget Germany] It seems that significant progress has been made over the past few months towards including aviation emissions of CO_2 in the European Union's emissions trading scheme (ETS), once again the focus of a special section in this edition of Green Budget News. Not only did the European Environment Commission confirm their support for proposals for the inclusion of aviation emissions last autumn, but senior EU official Jos Deleke recently guaranteed its inclusion in the debate by early next year. This prospect is undoubtedly bolstered by the British

government's pledge to place the matter at the top of the agenda during its presidency next year.

Regrettably, these positive developments have been overshadowed recently by serious disputes over National Allocation Plans for the ETS in several EU member states and, more specifically, by a recent report from the UK parliament's Environmental Audit Committee which concluded that the inclusion of CO_2 emissions caused by aviation would undermine the ETS and render reduction targets "unachievable and meaningless" if transport policy is not completely overhauled.

A rethink of transport policy on aviation in all member states of the European Union is long overdue. While most forms of transport pay charges or taxes that internalise some of the costs of infrastructure and some of the externalities of their use, aviation is taxed in a way that sends all the wrong environmental signals to passengers and airlines alike: per-passenger tax ensures that there is little incentive to fill planes; aviation infrastructure is artificially cheap; pollution costs nothing at all and kerosene is tax-exempt, so neither engine efficiency nor emissions reduction are prioritised – in short, numerous subsidies enable aviation polluters to operate beyond market forces - all this although there has been a legal framework in place since the adoption of the EU energy tax directive on 1st January 2004 for the taxation of kerosene, which was, believe it or not, not eligible before.

Subsidisation of this particularly environmentally damaging form of transport should have been stopped long ago. While a study conducted by the International Civil Aviation Organisation (ICAO) already concluded in 1998 that aviation emissions do fall if the price of flying for the consumer increases, cheap airlines are booming nevertheless. A ridiculous situation has arisen where certain bargain-basement airlines (naming no names) even pay passengers to fly with them! Those passengers who can afford to take their time can fly main routes from Britain to Europe for as little as one Euro cent plus tax.

Ridiculously cheap air ticket prices entice people to fly more frequently and shorter distances than ever before. Airlines flying short routes such as Munich-Berlin or London-Edinburgh routes, which the everyday traveller would never have flown twenty years ago, are able to compete with and indeed undercut the comparatively clean but sadly underfunded rail industry.

To make matters worse, planning for new runways continues unabated in many states of the European Union, in spite of objections from locals, who are forced to live with the noise, the pollution and the loss of green-belt land to make way for runways and airport buildings, and in spite of national and international environmental pressure groups such as Friends of the Earth and Green Budget Germany, who campaign to draw attention to the environmental damage caused by aeroplanes.

Airlines might have legitimate concerns about not being able to compete internationally if aviation were included within the second phase of the ETS in 2008, but the ETS is all about emissions, so all polluting airlines operating within the EU would be included – i.e., inclusion within the ETS would mean taxing the environmental damage caused by air travel to, from and within Europe and not only European airlines. After all, the thinking behind polluter-pays taxation is that industry should pay for its polluting activities – and why should aviation be any different?

More to the point, a report entitled "Emissions Trading in International Civil Aviation" published in January 2004 by the Institute for Applied Ecology and commissioned by the German government concluded that including the aviation industry in the ETS could generate cheaper carbon credits than the current expected price of reduction credits from CDM projects. The Institute estimated, for example, that CO_2-reducing operative measures, such as flying at lower altitudes and improved air traffic control would cost between US$0.20-3.00/t$CO_2$e. Such calculations should reassure the industry that its worst fears will hardly come true. Ultimately, in allowing market forces to operate on emission reductions, inclusion in the ETS would even give airlines incentives to reduce emissions beyond their allowances and enable them to trade them at a profit.

In short, it is clearly too early to say that it is too late to make the necessary adjustments to transport policy in the EU to enable the inclusion of aviation emissions in the ETS by 2008. Sufficient will and determination are absolutely fundamental to push through real changes in transport policy, not only for aviation policy, but also for the latest wrangles over the eurovignette.

Download the Institute for Applied Ecology's report at:
http://www.oeko.de/mitte_new1356260204_engl.htm

Ecotaxes in Germany and the United Kingdom – a Business View, 25th June 2004, Berlin

[Jacqueline Cottrell, FÖS, 18.03.2004] Green Budget Germany is organising a conference along with the Anglo-German Foundation and the Heinrich-Böll-Foundation on "Ecotaxes in Germany and the United Kingdom – a Business View". Prestigious speakers from British and German businesses and associations, policymakers, academics, and environmental NGOs have been invited to the one-day conference in June to compare and contrast features of the German and British ecological taxes.

The main objectives of the conference are the comparison of the different features of the recently introduced ecotax/climate change levy in Germany and United Kingdom for the business sector, proper communication of tax effects, and consideration of possible approaches for better EU-wide coordination. The conference hopes to provide considerable insight into the different concepts of ecotaxes in Germany and the United Kingdom (the ecological tax reform and Climate Change Levy), analyse the special rules that apply to businesses, and explore the differences between real and perceived tax burdens resulting from the two taxes. The conference will constitute a basis for further research and include a press conference for the swift dissemination of initial results. A conference report detailing the proceedings will be published on the Green Budget Germany homepage.

The conference will take place on the premises of the Heinrich-Böll-Foundation in Berlin on the 25th June 2004, 10 AM to 5:30 PM. Simultaneous interpreting between German and English will be provided.

2. SPECIAL: GREEN TAXES AND EMISSIONS TRADING

Deadline for Submission of National Allocation Plans Approaches

[Jacqueline Cottrell, FÖS, 22.03.2004] The deadline for the submission of National Allocation Plans (NAPs) for the European Union's Emissions Trading Scheme (ETS), due to commence on 1st January 2005, is 31st March 2004. However, at the time of going to press, few countries had submitted a final draft of their NAPs and of these, many have come under fire for making too many concessions to industry: indeed, some NAPs – notably those of Austria and Denmark – have even allowed for increased emissions – while other member states are struggling to meet the deadline due to ongoing domestic disputes.

At present, disagreements over Germany's NAP are perhaps the most heated in the European Union. As Europe's environmental pioneer and single largest CO_2 emitter, many other countries are looking to Germany to provide a lead. A generous German NAP that gives in to the demands of industry will set a poor example for other European member states, which might then question the need for their NAPs to set ambitious targets. Hence, several articles below examine the German case.

Furthermore, the European Commission has already expressed its concern that NAPs may not reduce GHG emissions sufficiently – and it is the Commission that will assess the NAPs for compatibility with the legal framework of the ETS (in particular criteria contained in an Annex to Directive 2003/87/EC). If an NAP is not in line with the Directive or the Treaty, the Commission may reject it in part or in full, which threatens to cause delays in ETS implementation if many member states submit unacceptable drafts. The following section examines these issues in more detail.

European Commission warning over emission trading plans

The European Commission has expressed serious concern that the National Allocation Plans of EU member states, to be submitted by 31st March, will fail to reduce GHG emissions sufficiently.

[Environment Daily no.1621, 04/03/04] Some member states could be preparing to give their industry too many greenhouse gas permits in the first round of climate emission trading, the European Commission's top climate change official has warned. "For some member states we have con-

cerns that there is some over-allocation [being considered]," Jos Delbeke, a director in the environment directorate told Environment Daily on 4th March 2004.

Trading is scheduled to begin in January 2005; member states are required to send the Commission a national allocation plan (NAP) detailing how many initial permits each participating installation will receive by the end of March. No member state had submitted a final draft by early March as Delbeke's comments were made, but Commission officials have been in informal talks with authorities as they develop their plans. "We've made it clear that for some we have questions," Mr Delbeke said, speaking after a briefing for journalists organised in response to the rise in importance of emissions trading up the political agenda. Draft plans being developed by some other member states were "solid", he added. He declined to say which countries were raising concern, but did say that the UK's draft plan, the first to be published, contains "some fairly good work" and "goes in the right direction".

Under emissions trading legislation the Commission has the right to veto any plan it thinks is too generous to industry and inconsistent with Kyoto protocol targets. If a government refuses to amend its distribution of allowances to an acceptable level the Commission can take court action. Mr Delbeke said the Commission would move quickly if member states failed to cooperate.

Meanwhile, in talks on draft legislation to link the emissions trading scheme to the Kyoto protocol's flexible mechanisms, Mr Delbeke said it was looking more likely that the EU would allow firms to buy foreign credits regardless of whether the treaty enters force. The Commission had initially opposed this but was becoming resigned to accepting it as part of a quick compromise deal, he said.

For more information go to:
http://europa.eu.int/comm/environment/climat/home_en.htm

Disputes in Germany over the National Allocation Program

Cabinet ministers in Germany are at loggerheads over Germany's much-disputed NAP: a compromise between Jürgen Trittin and German industry remains elusive.

[Roland Jahn, FÖS, 09/03/2004; Jacqueline Cottrell, FÖS, 17/03/2004] The German parliament passed a Emissions Trading Act on the trading of greenhouse gases on 12/03/2004 to enable trading of emissions allowances throughout Europe to begin as planned on 01/01/2005. The law integrates into German law Directive 2003/87/EU adopted by the European Parliament and the Council of the European Union for a trading system of greenhouse gas emissions certificates. Directive 2003/87/EU envisages trading for greenhouse gas emissions allowances from 2005. At first, the system will only include trading for CO_2. From 2008, member states will also be able to trade in other gases included in the Kyoto protocol, such as methane, nitrous oxide, chlorofluorocarbons, perfluorinated hydrocarbons and sulphur hexafluoride. A basic requirement for the law, and also a constitutive part of it, is a national allocation plan (NAP) for emissions certificates. The Federal Ministry for the Environment's first draft of the German NAP is currently being discussed and should be passed on to the European Commission by March 31st, following a final decision to be made by the German cabinet.

For the moment, only emissions from emission-intensive sectors identified by Appendix I of Directive 2003/87/EU have been included. In Germany, this will affect approximately 2,300 businesses, particularly the power industry and metal, paper and cement industries. These companies' emissions averaged 501 million tonnes annually from 2000 to 2002, representing approximately 60% of all CO_2 emissions in Germany.

Each company is to submit the number of certificates required to trade off the company's previous year's emissions to an appropriate authority by April 30th of each year beginning in 2006. Each certificate allows for the emission of one tonne of CO_2. A sufficient number of emissions allowances are required to permit plants to operate at all, and allowances are only valid for a certain period. The first period will last from 2005 to 2007 and will be followed by a series of five-year allocation periods, in which each period will allocate fewer emissions rights to polluters than the previous one. Polluters must apply for emissions allowances at the appropriate authorities, although the information provided to the authorities regarding emissions must be verified by an independent body of experts. If a company emits more than it was allocated, it is required to purchase the appropriate number of emissions certificates. For this reason, emission allowances can be traded throughout the EU. Furthermore, the law intends to make emission credits

from CDM (Clean Development Mechanism) projects and JI (Joint Implementation) projects - projects that lower CO_2 emissions in other countries - valid currency for emissions trading, as stipulated in the Kyoto protocol. In addition, emission allowances from third countries with binding emissions limits, as listed in Appendix B of the Kyoto protocol (e.g. Russia, Ukraine), are also to be recognised as currency as long as these third countries have ratified the Kyoto protocol and signed a bilateral agreement on emissions trading. To enable emissions trading to take place, a federal authority in Germany will keep a register of emissions, in which companies can check the balance of their emissions account. The emissions allowances will be deleted after their submission by the authority.

The draft NAP produced by Environment Minister Jürgen Trittin has been seriously criticised by German industry. Although Trittin's draft NAP simply codifies the minimum volume of reductions previously stipulated by industry's self-imposed obligations, the government's concessions have still not gone far enough for the German Industry Association (BDI) or the German utilities RWE, E.on and Vattenfall. Although Trittin has assured companies that early-bird emission-reduction measures would be taken into account when stipulating emissions allowances and confirmed that extra certificates would be made available for the decommissioning of nuclear power stations, industry nevertheless continues to demand additional safeguards for the coal industry and – even more shamelessly – not only the renunciation of further reductions in industrial emissions, but also an increase to permitted emissions of 50 million tonnes more than 1998 levels until 2010/12.

Industry's demands and their retreat on their self-imposed obligations are not particularly surprising; although Germany is one of the few states which has been able to reduce its greenhouse gas emissions considerably since 1990, the greater part of these reductions took place in the first half of the decade according to the German Institute for Economic Research. Thus, the success of these preventive climate protection measures should be seen in the light of the decommissioning of the larger part of Eastern German industry and indeed are easily explained by it: where there is no industry, there are no emissions. Data collected recently for the NAP on emissions of affected industries between 2000 and 2002 show why industry is fighting the BMU allocation plan: industry is obviously not capable of reducing CO_2 emissions, or rather, is not prepared to pay for the necessary adjustments.

Contrary to their self-imposed obligations, in which German industry pledged in 2001 to reduce emissions annually by 20 million tonnes by 2005, industrial CO_2 emissions have increased from 491 to 506 million tonnes. This is an increase of approximately 6 million tonnes per year, mainly attributable to the power industry – indeed, manufacturing emissions dropped during the same period (from 39 to 37 million tonnes), while energy-associated emissions increased from 452 to 469 million tonnes. Total German CO_2 emissions (including transport and household emissions) also fell during the same period from 857.6 million tonnes in 2000 to 837 million tonnes by 2003.

In plain English, this means that industry has now openly given up on its declared aim of reducing emissions by a quarter between 1990 and 2005. A report by the German Institute for Economic Research comes to the same conclusion. Now, the internationally agreed aim of reducing greenhouse gas emissions by 21% by 2008/2012 is applicable – yet the current demands of industry in the NAP debate to increase emissions by 50 million tonnes cast doubt on even this more modest goal. This would mean, however, that responsibility for the 21% reduction in CO_2 emissions since 1990 – as has been agreed in EU burden-sharing policy for the reduction of greenhouse gas emissions as in the Kyoto protocol – would fall on households and transport users. Thus, the German power industry is trying to shrug off its responsibilities, despite its being responsible for more than 50% of Germany's CO_2 emissions.

It has become increasingly clear that German disputes are set to continue. On March 17th, Clement vetoed an alleged agreement between his ministry and the Environment Ministry to allocate 499 million tonnes of $C0_2$ annually to companies covered by the EU ETS, although this figure represents a significant compromise by Trittin, whose initial target for a cap on CO_2 emissions was set at 488 $MtCO_2$ annually (in line with the above-mentioned voluntary agreements between industry and the government). Since then, the dispute has escalated considerably, not least following Clement's questioning of the ecological tax, cogeneration mechanisms, and the Renewable Energy Resources Act, arguing that they should be reviewed in 2006 and 2007 to assess whether they will "still be necessary, or at least necessary to the same degree" once the ETS is functioning. These remarks represent an attack on fundamental aspects of the SPD/Green gov-

ernment's energy and environment policy and led to calls for Clement's resignation among some Green politicians. Trittin has remained somewhat more reserved, but he did blame German industry for the deadlock in a statement to German newspaper *Die Welt*. Negotiations are set to continue as Trittin emphasised on March 19th that a decision on the NAP will be made by the German cabinet on the day of the European Commission deadline, March 31st 2004.

Environmental Experts Favour Controversial Concept for Emissions Trading

The German Advisory Council on the Environment expresses its support for Jürgen Trittin's draft NAP and criticises German industry's uncompromising stance on CO_2 emissions.

[Frankfurter Rundschau, Vera Gaserow, 24.02.2004, transl. by Jacqueline Cottrell] The German Advisory Council on the Environment (SUR) has released an unusually forthright expression of their support for the Green Party's Federal Minister of the Environment Jürgen Trittin concerning the ongoing conflict between him and his SPD/Green Party cabinet colleague Wolfgang Clement.

Trittin's suggestion for a national allocation plan, currently at the centre of a controversy with the Federal Minister of Economics and Labour, Wolfgang Clement, and German industry itself, was labelled a "sensible compromise" by a council of experts from the German Advisory Council on 23rd February. The academic advisors of the German government pointed out that the plan already contained "very important concessions" to industry and advised the federal government not to make any further environmental concessions. The Council pointed out that Trittin has not only agreed to the free distribution of emissions certificates to industry, but he has also allowed for additional polluting rights for the decommissioning of nuclear power stations.

"If the Federal Government were to comply with the objections raised by the German Industry Association (the BDI: Bundesverband der Deutschen Industrie), this would ultimately result in the rejection of the globally observed, initially all-party German climate policy", the policy statement of the German Advisory Council on the Environment – advisors of the federal government for more than thirty years - declared. If the government were to concede to the BDI's demands, this would mean another real increase in greenhouse pollutants.

Recent investigations into preparations for emissions trading have shown that in spite of commitments made by German industry for the mitigation of climate change, their emissions have increased considerably over the past three years. More than other industries, energy providers have noticeably increased their emissions of greenhouse gas CO_2. The Council observed "with great concern" that industry has been pushing its luck and partly using misleading information to obtain "as many emission rights as possible", said their Secretary-General Christian Hey. In this case, the BDI was obviously hoping for favours from the German Chancellor.

The Environmental Council labelled current disagreements focussing on the allocation plan "particularly worrying"; above all, the two large utilities RWE and Vattenfall seem to have set the tone in their struggle for the future of coal power. If the German power industry places its future hopes for the modernisation of power station networks on coal, this would risk setting erroneous economic trends in motion. If Germany were to opt for coal power, this would represent a move against current European trends, as other European countries are planning for more gas power stations and investing in renewable energies. However, Minister of Economics and Labour Clement and the BDI want to keep open at the very least an option for equivalent rights to emissions trading for coal. They criticise Trittin's allocation plan, saying it favours other sources of energy.

Germany must submit its plans for the allocation of pollution rights to the European Commission by the end of March. A similarly serious dispute between the Minister of Economics and Labour and the Minister of the Environment concerning renewable energy was resolved and a compromise finally found following discussions in the Chancellor's office.

Germany's NAP at the Crossroads

The German NAP will set the standard for the NAPs of other EU member states.

[Axel Michaelowa, Senior Analyst, Carbon Market Europe, 12/03/2004] Depending on the German

Government's decision on the national allocation plan (NAP), which will have an impact on all those countries that have not yet submitted their plans, the European trading scheme will go one of two roads. The route that emitters' lobbyists prefer would lead to an oversupplied system with low liquidity and low prices, where governments eventually have to buy a lot of CERs and ERUs to cover looming emissions gaps in the transport and household sectors. As government acquisitions would likely be a few, large transactions, the Kyoto mechanisms would be sent on a roller-coaster ride. German emitters ask for an allocation that is much more lenient than the original voluntary agreement between industry and the Government. Moreover, they want unlimited recognition of "early action", extra allocation for the nuclear phase-out, unlimited transfer of
allowances for replacement of plants, fuel-specific benchmarks and a reserve for new entrants which is fed by Government purchases of CERs and ERUs. Given the high share of ageing coal-fired power plants that can be substituted by gas, Germany could have a high allowance surplus in the long term. The other route would lead to a system with considerable demand, high liquidity and a lot of private demand for CERs and ERUs. This route has been chosen by Denmark, which auctions 5% of its allowances and allocates allowances covering only 93% of base year emissions. This will create a vibrant market; Denmark has learned from the low liquidity of its domestic emissions trading system in the electricity sector.

Danish NAP gives no incentives for GHG reductions in Denmark

The Danish NAP allows for a 7% increase in CO_2 emissions relative to 1990

[Søren Dyck-Madsen, The Danish Ecological Council, 04/03/2004] The Danish government's proposal for a the Danish NAP was released on February 19th. The NAP allocates allowances for emissions of 33.5 million tonnes of CO_2 per year for 2005-7. This is 2.1 million tonnes more than actual average emissions in 1998 – 2002 and represents a 7% increase in Danish emissions. The Danish Kyoto-target is a 21% decrease in 2008-12 over 1990.

The NAP allocates as many allowances for industry as they need, leaving no special positive treatment for companies that have made energy savings and emission reductions in past periods.

The NAP also allocates as many allowances for the energy sector as they need (and a little more) for domestic energy supplies, but leaves the energy sector to reduce or trade emissions if they export electricity to Norway, Sweden or Germany.

The NAP does withhold 5% of allowances for auctioning, so that the Danish State could get "a piece of the cake" to finance the loss of revenue, which will happen if the Carbon tax is removed in the trading sectors as planned.

Therefore, it is hard to believe in real trading from 2005-7 if the picture is the same all over Europe : if every installation gets sufficient allowances for their emissions 2005-7.

The Danish NAP does not make any predictions at all about allocations for 2008-12. This leaves Denmark facing a very dangerous uncertainty: whether the same allocation principle will be used again for 2008-12 - i.e., just giving all industries what they want while leaving the energy sector to do the job, paid for by the consumer.

If industries believe in this, it will be advantageous for them to increase emissions from 2005-7 in the hope of getting more allowances from 2008-12, when the price for allowances might be higher. Therefore, the Danish Ecological Council along with other NGO's – and many more – are calling for guidelines for allocations in 2008-12 that will favour early action, and indeed action in 2005-7, and punish those that have done and will do nothing. Benchmarking will have to be used for allocation for the period between 2008-12, along with evaluations of technical possibilities not yet used.

The Danish Energy Agency has predicted that the Danish energy sector will earn an extra 50 million Euros annually from the introduction of the EU trading system due to expected increases in electricity prices. Even the offshore industry will earn money, because it will receive the same treatment as industry, rather than being regarded as an energy producer. In this way, the companies will receive the amount of allowances that were needed in 1998-2003, when their emissions were the highest, giving them economic advantages and even accidental gas outlets.

Taking money from the consumer and giving it to the energy sector and the offshore sector is very disadvantageous for society in general, and the environment in particular, especially because the NAP offers no incentives whatsoever for these compa-

nies to invest in emission-reducing technologies. In addition, if the money paid by the consumer had been directed to the state instead of the companies via taxes, the use of the revenue for income tax deductions would create more economic advantages and jobs for Denmark.

The Danish NAP is relatively honest. It does not try to introduce false reductions in the sectors not covered by the ETS in order to be able to allocate even more allowances to the ETS sectors. On the other hand, this fact also leaves the NAP without any hint of political incentives for the sectors not covered.

Huge reductions in GHG emission can be achieved in sectors not covered, such as by introducing a more environmentally friendly taxation system and moving taxes from income and industry's labour costs to resource use and pollutive behaviour.

Not linking reduction efforts between the sectors included and excluded risks making necessary reductions too expensive for energy intensive industries and the energy sector. It also risks distorting the competitive situation within and between sectors, as well as internationally.

If the sectors excluded by the NAP do not have at least equal economic incentives for reducing emissions as those sectors covered by the ETS, many cheap reductions will not be made, and the Danish NAP will not lead to cost-effective reductions.

Portugal Announces Carbon Dioxide Allocation Plan

Portugal announces its NAP and permits a small increase in CO_2 emissions relative to 2000-2003.

[17.03.2004, Carbon Market News] Portugal announced on March 17th that the companies covered by the EU emissions trading scheme will be allocated a total of 116.7 million tonnes of CO_2 ($MtCO_2$) in the period 2005-2007, in addition to a free reserve of 5.6 Mt for new entrants. That means that a small increase will be allowed from the base years 2000 to 2003. 225 Portuguese installations are included in the EU ETS at this stage. The Portuguese ministries of economic affairs and environment published the national allocation plan (NAP) on global and sector basis on March 17th. The installation-level NAP will follow next week.

A total of 116.7 $MtCO_2$ will be allocated in the first phase of the EU ETS, 2005 to 2007, corresponding to 38.9 Mt annually. In addition, a free reserve of 5.6 Mt (1.87 Mt annually) will be allocated to new entrants, under the "first come, first served" principle. Any non-used allowances will be auctioned at the end of the period, while new entrants that come in at a stage where the reserve is exhausted must buy all their allowances in the market. In addition, allowances from closed installations will be transferred to the free reserve. Banking between periods is not allowed.

The NAP is based on historical emissions data adjusted with updated information at installation and sector level. Two different time series have been used as base years: 2000-2002 (excluding the year with the lowest amount of emissions) for some installations, and 2001-2003 for others (same exclusion).

The amount of allowances to be allocated will allow for a slight increase of emissions from the base years. Portugal has already surpassed its Kyoto target of limiting its emissions growth from 1990 to the 2008 to 2012 period by 27 per cent. Still, the Portuguese Government is confident that the NAP is in line with the European Commission's guidelines on allocation, as the NAP should be seen in connection with the Portuguese climate action plan, defining measures for greenhouse gas emissions reductions of some 20 million tonnes (including 25-30 per cent through purchase of credits from JI and CDM projects). These proposed measures also include a carbon tax that has not yet been accounted for.

Follow the following link for the NAP (in Portuguese)
http://194.65.153.237/documentos/PNALEdp.pdf

Irish government carbon trading plans will not reduce emissions, say opposition

The Irish government has been seriously criticised for the conditions set down its draft NAP, which the opposition claims will not reduce CO_2 emissions sufficiently

[Sorcha Clifford, Edie Weekly Summaries, 13.02.2004] The Irish government will purchase enough carbon credits within the next three years to allow industry to continue to emit 96-98% of its current carbon dioxide levels. The Government's intentions for the pilot phase of the emissions trading scheme has angered politicians and environmentalists, leading some to suggest the Minister for the Environment Martin Cullen would be more comfortable with a portfolio for industry. The Irish

government will purchase 67.5 million carbon credits between 2005 and 2007, allocating 22.5 million per annum to emissions trading industries. These yearly credits will be enough to cover up to 98% of industry emissions - effectively causing little reduction of the greenhouse gas.

Announcing the plans Minister Cullen said: "The government gave very careful consideration to the necessary balance between environmental ambition and the protection of overall competitiveness. This is critical in the initial 'learning by doing' phase of emissions trading. For this reason the overall allocation to the emissions trading sector will represent, on average, an estimated 96-98% of expected emissions by the sector." The government will issue most of the credits to companies free of charge, in keeping with EU legislation, which stipulates that at least 95% of the total allowance made by the government should be free.

Labour's spokesperson on the Environment, Eamon Gilmore TD, criticised the decision and warned of tax burdens on the non-business sector. "By allowing major industries to 'trade' out their environmental obligations, there is a real danger that the burden of meeting our Kyoto commitments will now fall on households, car owners and farmers."

Estimates by the government suggest that emissions of CO_2 over the amount allocated would incur costs of about €10 a tonne. However, estimates by campaign group Friends of the Irish Environment (FIE) suggest that if the rest of Europe follows in the trend of Ireland, this figure could rise six-fold, costing the taxpayer up to €1.1 billion, a spokesperson for FIE told *edie*.

Austria has also been criticised for setting CO_2 levels at rate too high to encourage the reduction of emissions. Austria has set targets for 2005-2007 at 2 million tonnes above the rate of CO_2 currently emitted, a move which Greenpeace says will set CO_2 prices too low to encourage reduction.

Belgium to buy 12.3 $MtCO_2e$ during Kyoto period

Belgium plans to purchase 12.3 million tonnes of carbon dioxide to fulfil its obligations in the EU

[Stian Reklev, Carbon Market News, 11.03.04] The Belgian Federal Government had announced only part of its strategy to reach its Kyoto target by mid-March. In addition to domestic measures, Belgium will buy an annual 2.46 million tonnes of CO_2 equivalents ($MtCO_2e$) through JI and CDM projects in the period 2008 to 2012. While the Belgian regions are putting the final touches on the work with their national allocation plans (NAPs) under the EU emissions trading scheme (ETS), the Federal Government lent a helping hand this week, when it announced some means for Belgium to reach its Kyoto target (reducing GHG emissions by -7.5% relative to 1990 levels in the period 2008-12).

It was announced that Flanders will have to reduce its emissions by 5.2 per cent in the period, while Wallonia must reduce emissions by 7.5 per cent. The Brussels region will be allowed to increase its emissions, but not by more than 3.5 per cent. In addition, the Federal Government itself will contribute to reducing emissions. It will buy 2.46 $MtCO_2e$ annually from Joint Implementation (JI) and Clean Development Mechanism (CDM) projects. According to a representative of the Flanders Ministry of the Environment, the Federal Government has also taken it upon itself to reduce emissions by 4.8 $MtCO_2e$ annually through domestic measures.

As the NAPs under the EU ETS, due to be submitted to the European Commission by 31 March, will have to outline a strategy on how to reach the Kyoto target, this announcement, and particularly the burden placed on the regions, will help the regional governments finish their allocation plans.

Greece may miss NAP deadline

Greece may face fines from the European Commission if it misses the March 31st deadline for the submission of its National Allocation Program.

[Point Carbon, 19.02.2004] Greece looks set to join Germany and Spain – and possibly others – in missing the official deadline for submitting National Allocation Plans to the European Commission.

A company expecting to be included in the scheme confirmed to Point Carbon today that the Government had not yet made a formal request for the historical data that the allocation might be based on in part.

“My feeling is [the Government] won’t be ready by the end of March,” the company official said.

The Ministry of Development only awarded the contract for drafting the NAP earlier in January this

year. The consortium which won the contract includes the National Observatory of Athens , as well as consultancy firms KPMG, EPEM and LDK.
No decisions had been made yet as to the total allocation, the treatment of new entrants or the right to bank from the first phase of the EU scheme into the second phase (2005-7 into 2008-2012).
Greece may not be alone in failing to meet the NAP timetable. Spain's NAP is officially on hold until general elections are held and Germany's NAP may only be finalised in the third quarter of the year due to constitutional procedures. Officials from other countries have hinted they may be late as well, including Sweden and Finland. Now it seems Greece could join them in missing the end-March deadline.

3. GREEN BUDGET REFORM ON EU-LEVEL

Aviation next for climate emissions trading?

The European Union is currently considering the possibility of extending climate emissions trading to include aviation emissions.

[Environment Daily 1622, 05/03/04] The EU could well launch as early as next year a substantive debate about extending climate emissions trading to aviation, it has emerged. Signs of interest have been multiplying, with even long-running talks in the International civil aviation authority (Icao) making progress.
Speaking to journalists on March 4th, senior European Commission official Jos Delbeke said the EU executive would kick-start a debate on transport and climate change from 1 January 2005, once Europe's industrial carbon dioxide (CO_2) emission trading scheme has been launched. Aviation emissions would be a priority, he said. Emissions trading is highly likely to figure in this debate for several reasons, the first being that EU environment commission Margot Wallström backed the idea in principle last autumn (see Environment Daily 14/10/03). More concretely, the UK has indicated that it will push for inclusion of aviation in the EU trading scheme from 2008 during its six-month presidency of the council of ministers next year.
Providing a following wind, Europe's aviation industry is actively seeking to discuss emissions trading with the EU. Ms. Wallström herself was responding to a proposal by Britain's main airports operator to integrate aviation into the EU's trading after 2008. The Association of European airlines (AEA) is almost pleading with the Commission to launch talks. "We say [the Commission should] make an assessment even if it decides that action should be limited to the intra-community level", AEA official Le Thi Mai told Environment Daily. She likened the Commission's engagement with the issue so far to a desert. "We are prepared to make our own contribution to Kyoto - it couldn't be a more positive message", Le Thi Mai continued. Trading at either EU or global level are conceivable outcomes, subject to the detailed discussions that now need to start, she said.
Fully fledged international emissions trading for aviation still looks a distant prospect, but even here progress is being made. In February, Icao's environment committee discussed interim findings in an options report from consultants ICF. It rejected the idea of Icao developing its own emission trading instrument, but supported further work on approaches integrated into other regional or international trading systems, and on voluntary trading systems.
In an attempt to spur debate, German officials distributed their own consultancy report recommending an ambitious aviation emissions trading system to curb the sector's global warming impacts. The study has just been made publicly available by the consultancy, koinstitut. It backs an open system, integrated with other trading sectors, rather than one limited to aviation alone, a position also supported by Icao and AEA. More controversially it recommends that trading should take into account all climate impacts, not just CO_2 emissions, which it says could account for as little as 21% of aviations overall global warming contribution. Any system should be designed on a cap-and-trade model rather than the alternative baseline and credit approach, it says, enabling an absolute cap on emission rights to be established and aviation's contribution to be clearly defined. Airlines should be the obligated parties and allowances assigned on the basis of flight departure and destination, not country of domicile, it says. Where flights are between

states participating in the Kyoto protocol, each should be assigned half the emissions. Where only one is "at least 50%" of emissions should be assigned to the participating state.

Links: http://www.icao.org including ICAO press release; Ö*koinstitut* at http://www.oeko.de including press release and report on Emission Trading in International Civil Aviation at:
http://www.oeko.de/oekodoc/186/2004-002-en.pdf?PHPSESSID=8ed388f159addcb6d3fe68848cf93332

Progress Towards the Realisation of Kyoto Throughout the European Union

This article discusses recent progress in the European Union towards realising the provisions of the Kyoto Protocol on GHG emissions

[Jacqueline Cottrell, FÖS, 17.03.2004] On 11/02/2004 the European Parliament and the Council adopted Decision no. 280/2004/EC "concerning a mechanism for monitoring Community greenhouse gas emissions and for implementing the Kyoto Protocol". This decision renders all remaining requirements of the 1997 Kyoto Protocol legally binding in all member states and in effect makes all provisions of the Kyoto Protocol EU law. Moreover, this significant progress was followed by the adoption of the European Parliament's Environment Committee report on its directive to link the EU emissions trading scheme to Kyoto Protocol project mechanisms. This was agreed on March 16th with 43 votes in favour and only 9 against. According to rapporteur MEP Alexander de Roo, a member of the Dutch Green Party, it seems that the EU is now "ninety-nine-point-nine percent certain" to finalise the directive by April 2004. As rapporteur, it is de Roo who will now continue discussions with the Council of the European Union – the Parliament's legislative partner – in a bid to agree on a final text. If all goes well, then this could then be adopted by the Parliament as a whole at first reading, which has been tabled for the week beginning on March 29th. This would allow parliament's plenary body to ratify it later in April and thus, permit the law to enter into force before trading commences on January 1st 2005.

A key amendment to the European Commission's proposal has been labelled as yielding to the wishes of EU member states. The issue of the "cap on credits" favoured by de Roo had proven to be a serious hurdle to agreement between the parliament and the council. Thus, member states will now be allowed to decide individually how the number of flexible mechanism credits made available to companies are to be administrated. Moreover, the draft also confirmed that credits should be available from 2005 instead of 2008, as member states had demanded. This amendment could be regarded as a victory for the Council, indeed CAN Europe campaigner Rob Bradley criticised the MEPs for failing to back a harmonised EU figure, saying that it amounted to a "pre-concession" before negotiations to reach a first reading agreement have even begun. In a statement to Environment Daily he highlighted the risk of one member state's generous cap enabling businesses to bypass tighter caps set by other governments, saying; "Unless the [same] cap applies to everyone, you don't have a cap that applies to anyone".

Other aspects of the impending law will formulate ground rules for the purchase of CDM and JI credits abroad to help meet their emissions targets laid down by the EU trading scheme. In this respect, the Committee agreed that the link with CDM would start on 1 January 2005, while the link with JI would not start until 1 January 2008. The link would not be dependent on the Kyoto Protocol's entry into force. The adopted report would nevertheless require member states to set a cap on the amount of CDM credits (CERs) and JI credits (ERUs) that each company will be permitted to convert into EU emissions allowances. Thus, each EU country would have to restrict its reliance on Kyoto mechanisms to 50% of their reduction efforts under Kyoto. An further amendment was also adopted that lowered the limit on the size of hydropower plants that are eligible from 20MW to 10MW.

In spite of criticisms raised regarding amendments to the report prior to its adoption, Mr de Roo said he was nevertheless happy with the result; for example, concerted efforts by centre-right MEPs to allow sinks projects to count towards targets and make large hydropower projects ineligible had been scuppered.

Article on the Linking Directive at Point Carbon at:
http://www.pointcarbon.com/article.php?articleID=3386&categoryID=147

Parliamentary press release on the Linking Directive at:

http://www2.europarl.eu.int/omk/sipade2?PUBREF=-//EP//TEXT+PRESS+NR-20040316-1+0+DOC+XML+V0//EN&L=EN&LEVEL=2&NAV=X&LSTDOC=N

European Commission press release 10.03.2004 at:
http://europa.eu.int/comm/environment/climat/greenhouse_monitoring.htm

MEPs vote through f-gas control regulation

This article examines the EP's opinion on draft EU controls on climate-altering fluorinated gases and its decision to favour a ban on using these gases in all car air-conditioning systems by 2014.

[Environment Daily, 16.03.2004] The European parliament's environment committee adopted its opinion on draft EU controls on climate-altering fluorinated gases (f-gases) on March 16th in a complex and often very close series of votes that were still being analysed by interested parties as this edition of Environment Daily was published.

Following a proposal by parliament's rapporteur, Robert Goodwill, one of the committee's key interventions was to reject a proposed quota system for f-gas use in mobile air conditioning systems (macs) in favour of a ban. Mr Goodwill had argued that this would bring a similar environmental benefit but with simpler procedures.

The committee voted to ban f-gases (essentially HFCs) in macs in new vehicle models from 1 January 2009, in line with the Commission's proposed start for a quota system and three years earlier than Mr Goodwill had recommended. The ban should apply to all new vehicles from 1 January 2014, the committee decided. In a related change, the committee voted to include in the ban all f-gases used in macs with a global warming potential over 50, rather than 150 as proposed by the Commission. This will exclude use of f-gas mixtures or HFC 152a, the main potential alternative to the current standard f-gas in this application, HFC 134a.

European car makers' association Acea declined to comment on the change on the day it was announced. Sources in the European parliament's Green group, which wanted the ban to apply earlier than finally agreed, told Environment Daily that the committee's vote would actually mean a slower phase out than proposed by the Commission.

Environmental group Climate action network regretted the loss of incentives for early removal of HFCs in macs, but a spokesperson concluded that the 2014 ban deadline at least "sends a clear signal that there will be a phase out". Regarding controls on stationary air conditioning, refrigeration and foams, a series of amendments calling for more substances to be banned in more applications was rejected, sometimes by the narrowest possible of margins. For these applications, therefore, the committee has retained the Commission's emphasis on f-gas containment, with bans only in a few specified areas.

There were some exceptions, however. The committee voted to exclude exceptions to a general ban on the use of sulphur hexafluoride (SF6) in magnesium die-casting. MEPs also voted for mandatory recovery of f-gases from all parts of refrigeration, air conditioning and heat pump equipment - in other words from insulating foams as well as cooling circuits. Whereas the draft regulation was proposed as an internal market measure, the committee voted to base it equally on the EU treaty's internal market and environment articles. Proposals by the parliament's socialist group and the UK government to split the regulation into separate internal market and environment-based parts were rejected.

European f-gas manufacturers' association EFCTC expressed concern about the change, suggesting some countries might impose stricter controls than others, introducing market distortions. According to a parliamentary Green group official, however, the shift, while potentially positive, would more likely end up with the reference to the treaty's environmental article being deleted again in the council of ministers.

The full parliament is due to give its definitive first reading position on the regulation later this month.

For more information see the European parliament environment committee, the meeting documents and the parliamentary press release at:
http://www.europarl.eu.int/comparl/envi/default_en.htm
http://www.europarl.eu.int/meetdocs/committees/envi/20040315/ENVI20040315.htm
http://www2.europarl.eu.int/omk/sipade2?PUBREF=-//EP//TEXT+PRESS+NR-20040316-1+0+DOC+XML+V0//EN&L=EN&LEVEL=2&NAV=X&LSTDOC=N

Campaigners bid to green EU road charging

The EU's plans for the Eurovignette have been criticised on the grounds that the monies raised will be ear-

marked for infrastructure improvements, thus undermining the ecological basis of the tax.

[Environment Daily 1582, 07/01/04] A draft EU plan to introduce a common road charging structure for freight hauliers is deeply flawed and must be rewritten to allow governments to recoup the real external costs of lorry use, according to campaign group T&E. The European Commission proposed the plan last summer in the form of a revision to the 1999 eurovignette directive. It recommends that member states should not be obliged to charge for road use but lays out accounting procedures to be followed if they do. It also defines how charging revenue can and cannot be spent.

T&E has claimed that the proposal fails to meet governmental calls for action to internalise all external costs of road haulage. It also identifies a string of other alleged shortcomings. "The aim of the Commission's revision has nothing to do with charging true prices," T&E says in the latest edition of its newsletter.

Instead the legislation has been "hijacked by interests who wish to see transport infrastructure projects built, despite evidence that not all of them would contribute to economic prosperity," it charges. To buttress its arguments it presents a critique of the plan commissioned from Swedish economist Per Kågeson of Nature Associates.

Mr Kågeson takes aim at what he calls a "serious deviation" from the principles set out in EU's 2001 transport white paper. This is the Commission's proposal to prevent authorities from counting health, noise or environmental damage costs when setting the level of charges. Secondly, he says, the plan to ring-fence the revenue for road infrastructure projects would cause a "loss of welfare" to society since other competing projects, such as environmental ones, might have higher cost-benefit ratios. It also violates the EU's subsidiarity principle, he says. T&E wants distance-based charging - that is, tolls - to be mandatory, but accepts this is a political non-starter. Therefore, it says, member states should at least be given more freedom to decide their own charging levels and what they do with the money.

On a more positive note, debates in the Council of the European Union on the draft Directive 1999/62/EC have as yet failed to reach agreement, although the Irish EU presidency has timetabled weekly meetings on the directive, in the hope of reaching political agreement by the end of March. Differences of opinion were evident during the 2568th meeting of the Council on Transport, Commuications and Energy on March 8th and 9th of this year, in which the Council invited the Permanent Representatives Committee to continue its examination of the Commission proposal. The greatest obstacle to agreement, the Council noted, was failure to reach agreement on the much-criticised principle of hypothecation, i.e. the re-use of revenues from tolls for road infrastructure. The protocol of the Council meeting from March 8-9th can be read at:

http://ue.eu.int/newsroom/up.asp?MAX=&BID=87&DID=79411&File=/pressData/en/trans

For more details on the T&E report see:

http://www.t-e.nu

http://www.t-e.nu/docs/Publications/2003%20Pubs/Eurovignettefinal.pdf

http://www.t-e.nu/print.php?sid=36

4. GREEN BUDGET REFORM IN SINGLE EUROPEAN COUNTRIES

EU Authorises Tax Exemption for Biofuels in Germany

The European Commission gives Germany the go-ahead to exempt its biofuels from taxation until 2009.

[Jacqueline Cottrell, FÖS, 16.03.2004] On February 18th of this year, the European Commission authorised the tax exemption of biofuels in Germany until 2009. Germany's Environment Minister Jürgen Tritten welcomed the EU's authorisation; "This long-term tax exemption creates incentives to manage traffic in a more environmentally friendly way. It represents an important step towards the further reduction of CO_2 emissions in this area. We need more successes in this sector to fulfil our climate protection responsibilities".

Traffic is the problem area of climate protection; indeed, CO_2 emissions had risen 15% from their 1990 levels by 1999. The ecological tax reform introduced by the German government has made a significant contribution towards reversing this

trend, and since 2000 CO_2 emissions from the traffic sector have fallen steadily. Today, they are only 8.5% above their 1990 levels.

At the end of 2003 the German government extended the scope of tax exemptions on biofuels to include all biofuel/fossil fuel mixtures and all biomass heating fuel mixtures. Biofuels have thus cleared the way for more drops in CO_2 emissions: pure bio-diesel and pure bio-ethanol, which can now be mixed with tax-advantaged diesel or petrol, produce 50% less CO_2 emissions than conventional diesel or petrol engines. For many years, the most-used biofuel has been bio-diesel, which is exempt from mineral-oil taxes and the ecotax.

The German government also created considerable incentives in favour of the use of natural gas as an environmentally-friendly fuel. A very low tax rate is to be set by 2020.

For more information see the EU press release at:
http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/04/228|0|RAPID&lg=EN&display

Austria: Two Steps Forward, One Back

The 2005 Austrian tax reform represents a serious setback for environmental tax reform in Austria

[Herbert Greisberger, ÖGUT, 23.03.2004] Whereas the Austrian tax reform 2004 included positive aspects for environmental fiscal reform, the Austrian tax reform 2005 proposed by the Austrian Government is primarily targeting a tax cut for taxpayers and companies. The proposal is aiming for tax cuts of €2.5 billion in total, of which approximately 50% will fall away from the tax bills of employees and companies. The main goal of the proposed tax reform is to reduce the tax burden for the taxpayer and improve the competitiveness of Austrian industry in an enlarged Europe, but does not shift the tax burden towards the environment.

From the perspective of environmental fiscal reform, the proposal represents a step back from the tax reform of 2004, where an increase in energy taxation of €400 million Euro was realised, including new taxation laws for coal and an increase of taxation for fossil fuels. On the contrary, the proposed tax reform includes an increase in commuter allowances of €20 million (i.e., an increase of 15%) and an reduction of the energy tax for diesel used in agriculture of €50 million per year. The proposal does not include any reduction of environmentally counterproductive subsidies.

For more information see:
http://www.bmf.gv.at/steuern/NeueGesetze/stref2005/StReformges1.pdf

Spain's new PM Zapatero to support Kyoto

The election of Zapatero in Spain bodes well for the future of ecological tax reforms and environmental protection in the region

[Carbon Market News 13-15.03.2004] Spain's new Prime Minister José Luis Rodríguez Zapatero is expected to throw his weight behind the Kyoto Protocol, if he keeps to pre-election promises. He also said prior to his victory in the 14.03.2004 elections that he would decommission nuclear power in Spain and boost renewable energy sources. The Spanish Socialist Party PSOE won with 42.5 per cent of the votes and 164 seats in Parliament, compared to 148 seats for the centre-right Popular Party (PP). Although Zapatero did not mention Kyoto in the first 24 hours of his new job, if he keeps to pledges made in the run-up to the election on Sunday March 14th his policy would be in marked contrast to the outgoing Government, where some Ministers had pushed for Europe to renegotiate its Kyoto target. Speaking to the Spanish press ahead of the elections, Zapatero had said the withdrawal from nuclear power would be in “an organised manner with the maximum social consensus”. He would increase renewable uptake and get Spain on track to meet its Kyoto Protocol commitment. Not to do so would cost Spain €4bn in buying credits from the international market, he said.

Ecological Tax Reform in Andalusia

This article provides a detailed explanation of a new ecological tax reform on gas emissions, effluents, nuclear and dangerous waste in Andalusia.

[Kai Schlegelmilch, FÖS, 02.03.2004] The Andalusian Parliament has recently adopted a law (to enter into force on 1 January 2004) that creates what could be considered a real “Ecological Tax Reform” in this region of Spain. There is a chapter in this Law entitled "Ecological Taxes", which intro-

duces "common rules" (articles 11 to 20) that, among other things, establish the expressive environmental aim of these taxes (the aim of all of them being to encourage the protection of the environment). Within the same chapter, four new taxes have been created, as explained below.

1. Tax on gas emissions to the atmosphere (articles 21 to 38)

The taxable event is the emission of CO_2, NO_x and SO_x from certain industrial installations (excluded emissions from burning of biofuels and from landfill sites where biological waste is deposited). There is a complex tax-rate structure, depending on the volume of the emission:

The tax base is proportionate to the contamination from each industrial installation measured in "pollution units". The pollution units are the result of dividing the total quantity emitted of every substance by the following "reference values", depending on the substance:

a) CO_2 100,000 tons/year

b) NO_x 100 tons/year

c) SO_x 150 tons/year

This division will result in a number (3.17, 52.76, etc). The tax base will be the result of subtracting three units (- 3) from this number (0.17, 49.76, etc.).

The amount due of this tax will be the result of the application of this "progressive" tariff to the tax base:

Up to 10 pollution units: €5,000 per pollution unit = i.e. €0.05/t CO_2

From 10,001 to 20 pollution units: €8,000 per pollution unit

From 20,001 to 30 pollution units: €10,000 per pollution unit

From 30,001 to 50 pollution units: €12,000 per pollution unit

More than 50 pollution units: €14,000 per pollution unit = €0.14/t CO_2

From this amount, a percentage of the money invested for the control, prevention and correction of the atmospheric pollution can be deducted within certain limits. This percentage will be in general 15%, except for those investments that obtain a EMAS or ISO 14000 certificate on environmental management, for which the percentage will be 25%. The maximum of this deduction is 50% of the previous amount (before making any deduction). If it is higher, it can be deducted from this tax in the following 3 years.

2. Tax on effluents to littoral waters (Articles 39 to 55)

The taxable event is the "throwing out" of this effluent. The tax base is again proportionate to the resulting contamination, measured after analysing the different polluting agents that can be found in the water.

The tax rate is €10 per "pollution unit" and the amount due is the result of applying the coefficient established by article 49, which depends on the type of effluent and on the place where the effluent is made.

Example: An industrial installation produces, in a "natural area" (article 49), a total effluent of 10,000 litres of water that contains three contaminating substances: organic carbon, aromatic hydrocarbons and nitrogen. We analyse a sample of the effluent and find out that it contains the following quantities of the pollutants:

Total organic carbon: 4.5 milligrams per litre

Aromatic hydrocarbons: 1.6 milligrams per litre

Total nitrogen: 2.0 milligrams per litre

To find out what tax that has to be paid by the owner of this installation, we first go to the table that can be found in Annex I:

nº(in Annex I)	Parameter	Unit	Reference Value
2	Total organic carbon	Mg/l	450
30	Aromatic hydrocarbons	Mg/l	0.20
33	Total nitrogen	Mg/l	55

10 (x1,000 litres) x (4.5x450+1.6x0.20+2.0x55) = 2,135.3 polluting units

€10 per polluting unit => €10 x 2,135.3 = €21,353

The coefficient of article 49 (effluent made in a "natural area" by an industrial installation) = 1

So the tax that has to be paid by the owner of this installation is:

1 x €21,353 = €21,353

3. Tax on nuclear waste (articles 56 to 64)

The taxable event is the disposal of waste. The tax base is the volume of waste, and the rate is €7,000 per cubic metre of nuclear waste. The tax becomes payable upon disposal and the owner of the landfill, who must pay the tax to the Tax Administration, is required to apply to the entity that performs disposal for final payment of the tax.

4. Tax on dangerous waste (articles 65 to 77)

The taxable event is the depositing of the dangerous waste in private or public landfills. The rate depends on whether the waste can be recycled ("valorización") or not.

The rate is higher (€35 per ton of dangerous waste) if this alternative use of the waste is possible, to encourage people to use it (to choose the most environmental friendly treatment) (art. 72). And the rate is lower (€15 per ton of dangerous waste) if this alternative use is not possible.

Fees

Additionally, a fee on "services (provided by the regional Administration) related to the environment" has been modified (articles 105 to 108) and a fee "on prevention and control of pollution" has been created (articles 109 to113).

1. The fee on "services related to the environment" refers to certain services provided by the regional Administration, for example:

Administrative authorisation to dump waste
Administrative permission to do an activity related to dangerous waste
Administrative inspection related to environmental protection
Measurements or samples taken from a chimney by the Administration
There are two tariffs: one for the tramitation of requests to use a protected area, €53.08; one for the tramitation of requests to become a "collaborating entity", €165.08.

2. The new fee on prevention and control of pollution has the taxable event of, for example, the proceedings to ask the Administration for an authorisation related to environmental protection.

The amount payable can be, for example, the following:

- Proceedings to grant an authorisation: €1500
- Renewals of authorisations: €1000
- Changes in authorisations: €1000

For further details of the law see:
http://europa.eu.int/abc/maps/regions/spain/andal_en.htm.
This law can also be found in the web page of the Spanish National Official Bulletin:
http://www.boe.es/boe/dias/2004-01-30/pdfs/A03889-03925.pdf.

UK: Much ado about aviation tax

Aviation tax in the UK is the subject of considerable debate and has sparked criticism of the UK government from several different sources

[Jacqueline Cottrell, Green Budget Germany, 17/03/2004] The British government's position on aviation tax has been criticised from many sources over the past month. In a keynote speech on March 1st 2004, Liberal Democrat leader Charles Kennedy announced the need for environmental incentive mechanisms to encourage greater environmental responsibility and target polluters more specifically. Focussing on the need for more sustainable development in the UK, Kennedy criticised the present government's approach to environmental issues, labelling its record as "truly pathetic" and highlighting the government's failure to acknowledge that environmental damage was costing the British economy at least £65 billion annually. He also seriously criticised the government's apparent brushing aside of warnings that climate change poses a more serious threat than terrorism. Kennedy cited announced his support for the introduction of an aviation tax to encourage environmentally friendly aviation, by reducing passenger airport departure taxes and imposing a duty on flights - both passenger and freight - to promote more efficient aeroplane use. He criticised the present aviation taxation systems because they do not provide incentives for operators to fill their flights, but instead tax planes per travelling passenger. Mr. Kennedy also emphasised the importance of cooperation at European level on the subject and confirmed his support in principle of the introduction of taxation on aviation fuel at European level, to ensure that aviation begins to pay the true economic and environmental costs of flying.

Furthermore, a report published by the UK Environmental Audit Committee on March 15th 2004 has seriously criticised British government policy on CO_2 aviation emissions. The report pointed out that if international aviation emissions were to be included in GHG inventories, the UK would be unable to meet the 60% carbon reduction target by 2050 set by the government last year. Furthermore, it criticised the Department of Transport for not researching sufficiently into key issues to underpin the incorporation of aviation into the EU ETS

(Emissions Trading Scheme) and expressed the opinion that it may already be too late for the UK to achieve the government's professed intention of incorporating aviation in the second phase of ETS, starting in 2008. The UK government has previously claimed that it intends to push for the EU to include aviation in the ETS during its EU Presidency in the second half of 2005.

The committee of MPs labelled the Department of Transport's actions a failure and pointed out that "it is completely inconceivable that any emissions trading system could generate sufficient credits to allow aviation to expand as forecast" by the government last December. The Department of Transport has completely failed to recognise the disparity between its policy on aviation and the major commitments the Government has given to reduce carbon emissions and develop a sustainable consumption strategy. The all-party group of MPs warned that the government's current actions on carbon emissions will have a "massive" impact on global warming over the next thirty years if it is not checked.

For further information see:
http://news.scotsman.com/latest.cfm?id=2652045
http://www.pointcarbon.com/article.php?articleID=3392&categoryID=147

British Airports Authority to introduce environment tax

The BAA plans to introduce a new taxation system on aviation at Heathrow airport which incorporates incentives to fill planes and replace 'dirty' planes and engines with more modern, economical models

[Jacqueline Cottrell, Green Budget Germany, 01.03.2004] BBC London news has exclusively revealed that BAA plc plans to levy an environmental tax on airlines taking off from Heathrow airport from 1st April 2004. Their intention is to reward airlines that cause the least air pollution (testing for benzene, nitrogen dioxide and carbon monoxide) while fining those that cause the most. Already in July 2003 BAA acknowledged that the current primary vehicle for aviation tax, Air Passenger Duty (APD), does not provide sufficient incentives for improved environmental performance and expressed its support in principle for global mechanisms such as an international emissions trading and certification regime and fines for aircraft that exceed certain noise limits.

BAA claim trials have shown that 76 Heathrow airlines would have benefited from the scheme, while 50 would have paid fines as a result. The fines collected from 'dirtier' airlines - estimated at £2 million annually - will be used to reward 'cleaner' airlines by reducing their landing charges at the airport and thus will be revenue neutral. Larger carriers will probably benefit from the plan as they can afford to purchase newer, 'greener' planes more often than their competitors, although it is also possible to replace plane engines, thus reducing emissions more cheaply.

BAA's plans are comparable to a scheme already in place at Zurich airport, which levies an emissions surcharge to its landing fees. The monies raised are subsequently used to finance emissions reduction measures at the airport. Furthermore, ten Swedish airports have been operating a similar revenue neutral scheme since 1998. On a final positive note, BAA is also trialling technologies to provide electricity and pre-conditioned air at stands so that planes can plug in to heat or cool their plane's interior which, if introduced, would enable aircraft engines to be switched off when planes were on their stand.

London Congestion Charge Celebrates its First Birthday

The congestion charge in London has come to be regarded as a great success throughout the world

[Jacqueline Cottrell, 17.03.2004, FÖS] The London congestion charge, a £5 daily charge for entering or parking in the central zone, had a great deal to celebrate on its first birthday on Tuesday, February 17th, 2004. Figures published by the Transport for London Authority (TfL) in their report, *Congestion Charging: Update on Scheme Impacts and Operations* underscored the success of their package of measures to reduce congestion and improve public transport (particularly bus services) in London. The scheme's success contrasts sharply with a recent European Commission report, which recorded that only 6 out of 17 European cities have succeeded in persuading more car drivers to use public transport, whereas in London, 400,000 have converted to using public transport since 1999.

The Transport for London Authority report provided ample evidence of a significant shift in trans-

port use, as the following figures show: an extra 1.1 million people take the bus each day in London; bus journeys to central London have increased by 47% to 103,000 per day; even the number of passengers using overcrowded trains and tubes has increased by 5-10% since 1999. Since the introduction of the congestion charge, 50,000 fewer vehicles have entered central London every day (a year-on-year reduction of 27%) and the number of bicycles, mopeds and motorcycles has increased by 20%. TfL recorded an average 30% drop in congestion within the zone, and the RAC (Royal Automobile Club) has stated that vehicle speeds on key routes in London have increased from 2.9 to 7.4 mph.

However, the congestion charge does still have to field criticism from motoring organisations, such as the AA (Automobile Association), who claim that the charge is being enforced unfairly – for example in cases where a motorist has entered the charge zone seconds before the cut-off time – although such criticisms should be put into context, as three quarters of the 35,000 appeals against fines made thus far have been won by drivers and plans to reform payment systems are in the pipeline. Furthermore, the Conservative opposition party has claimed that the congestion charge has not raised sufficient revenue; and indeed, the charge has raised £68 million rather than the predicted £200 million. However, this is a reflection of the charge's powers of persuasion, as far more transport users have changed to public transport than was initially expected. Furthermore, TfL has estimated that congestion charging contributes the equivalent of around £50 million of net transport benefits to London's economy per year, mainly through quicker and more reliable journeys for road and bus users.

Significantly, fears of falling profits expressed by businesses in central London appear to have been exaggerated, as a study published by London First shows: 72% of businesses think that the congestion charge is working and 65% of businesses have not noticed any impact on their bottom line. Ultimately, an extremely positive outcome for ecological tax reforms in general is the congestion charge's perceived positive impact on the image of the city of London – 58% of businesses stated that the impact of the charge on the city's image had been positive.

The success of the scheme is also reflected in comments from transport expert Professor David Begg, chairman of the Commission for Integrated Transport, who has called for a toll system covering the whole of Britain. The capital cities of Edinburgh and Cardiff are also in little doubt of the congestion charge's success and are planning to introduce similar charges within the next two years. Many other cities, including Stockholm, São Paulo, San Francisco and Barcelona, have also expressed interest in introducing similar schemes. Finally, French Environment Minister Roselyne Bachelot has also stated that a congestion charging scheme in Paris is one possible solution to the problem of air pollution in the French capital, which led to police introducing speed restrictions three times in September last year.

For further information see:
http://www.london-first.co.uk/key_sectors/newsreleasedetail.asp?L2=105&NewsReleaseId=2317)
http://www.tfl.gov.uk/tfl/downloads/pdf/congestion-charging/cc-12monthson.pdf (report from one year on)

5. GREEN BUDGET REFORM WORLDWIDE

Technology transfer through the CDM

This article by Wytze van der Gaast analyses the workings of the clean development mechanism and rebuffs its critics

[Wytze van der Gaast, Foundation Joint Implementation Network, the Netherlands; mailto: jiq@northsea.nl] Since its inclusion in the UN Framework Convention on Climate Change (UNFCCC) in 1992, the concept of emissions trading through project co-operation (Joint Implementation and, as of 1997, the Clean Development Mechanism) has been controversial. Sceptics believe(d) that such projects would just be a cheap way out of industrialised countries' abatement commitments. Their arguments centred on such phrases as: "picking low hanging fruits", "avoiding responsibilities", "eco-colonialism", "slow-down of technology innovation", etc. In the Kyoto Protocol

of 1997 and the subsequent Marrakech Accords of 2001 several modalities were formulated to make sure that the Clean Development Mechanism (CDM) will become a solid mechanism that both contributes to a global reduction of greenhouse gas (GHG) emissions and sustainable development in developing countries.

This contribution addresses a number of questions that relate to using CDM projects for achieving the Kyoto Protocol targets:

1) Will CDM projects **pick low hanging fruits** so that developing countries face higher marginal abatement costs by the time they adopt commitments of their own?
2) What could be the long-term contribution of the CDM to **sustainable development** in host countries?
3) To what extent could the CDM slow down or stimulate **technology innovation** in the investor countries?

Low-hanging fruits

The 'low-hanging fruits' argument in the context of the CDM relates to the concern that project investors would first seek the cheapest GHG reduction options in developing countries. With these low-cost options gone, developing countries would, should they adopt GHG abatement targets in the future, be left with the more expensive options. So, in return for transferring cheap credits to industrialised countries, the argument goes, developing countries would face higher marginal abatement costs in the future.

Although the concern could be largely true if CDM projects would not involve a transfer of state-of-the-art technology, the argument has considerably lost importance in the international debate. First, the argument overlooks the technology diffusion effects that could take place in developing countries as a result of the technology transfers through the CDM. In other words, through technology diffusion the marginal abatement cost curves shift to the right so that in the future marginal costs could reduce, thereby creating new low-hanging fruits in the future.

Second, as a result of negotiation processes it is likely that the CDM will lead to emission reductions that will accrue to the host countries once the crediting lifetime of projects will be over. For example, the Netherlands government presently purchases GHG credits through CDM projects based on emission reductions up to 2012. After 2012, however, the emission reductions resulting from the project will remain in the host country. Should a CDM host country in a future Climate Protocol, *e.g.* as of 2012, adopt GHG abatement targets with its emissions level in, say, the year 2000 as a reference (similar to 1990 as the reference year for Kyoto commitments), this country could use the emission reductions achieved by hosting CDM credits for meeting its Protocol target. As such, the low hanging fruits are picked and paid for by the investor country, but can be used by the host country for achieving future commitments as well.

Long-term contribution of CDM to sustainable development in the host countries

With a view to both the medium and the longer term, well-designed CDM knowledge and technology transfers support host countries in following a sustainable development path. Such a path would typically help developing countries find a balance between economic and social development and environmental protection. Designing projects and systems for sustainability benefit delivery and can also feed back into investor country practice (see below). In order to enable such well-designed CDM transfers, it is important that host countries have a sufficiently developed state administration, a legal framework and support from university research and education.

The CDM could specifically contribute to removing barriers that prevent technology from implementation in developing countries. Several energy-sector technologies, for example, have already proven their 'technological potential' but have not yet shown a 'market potential'.[1] Typical examples of energy-saving technologies that could be pushed forward by the CDM in developing countries are:

- Transport systems based on natural gas (CNG), preferably natural gas produced on a biomass-base (emissions-neutral), especially with a view to public transport in host countries.
- Decentralised energy systems, such as combined heat and power (CHP) production, but also mini solar home systems, mini-grid diesels and mini-grid biomass (for rural electrification) or bio-ethanol fuel cells.
- Energy efficiency improvement in built environment, including insulation technologies and technology regarding air conditioning, cooling,

[1] See also: Sathaye, J. et al., 2001. Barriers, Opportunities, and Market Potential of Technologies and Practices, Climate Change 2001, IPCC TAR, WG III, CUP, Cambridge MA, USA, pp. 345-98.

freezing, *etc*.

- Renewables, such as hydro, wind and solar, as well as energy use from biomass, especially from landfills.

These technologies all have the potential to significantly contribute to sustainable development, to have a serious mitigation impact in countries with economies in transition and developing countries, and to gain market potential in the foreseeable future. Moreover, these technologies may generate both large-scale and a large number of small-scale investments in JI/CDM host countries (the latter being typically attractive for developing countries where large-scale investments might be too risky or not technically or commercially suitable).

The impact of the CDM on the process of technological change in EU countries

The Kyoto Protocol commitments of industrialised countries will eventually be translated into a mix of policies and measures (that may vary between countries). These policies and measures will in their own turn affect energy technology development, diffusion and implementation. With regard to the relationship between the CDM and technological change in industrialised countries, two broad views can be identified.

On the one hand, there has been a concern that the availability of relatively cheap CDM credits would slow down the progress of technological change in industrialised countries and prevent modernisation of energy systems into the medium to long term from taking place. On the other hand, on a more optimistic note, it has been argued that CDM projects may, for several reasons, result in a different, rather than slower technological development trajectory in industrialised countries. A clear example of a potential positive *spill-over* effect would be CDM-based investments in small-scale decentralised energy systems (which seems especially attractive in several developing countries). From such projects valuable experience and learning could be fed into industrialised countries' medium to long-term practices (*e.g.* research and development strategies) to move from a grid-based to more efficient and 'greener' decentralised energy systems (*e.g.* combined heat and power plants, CHP), and CDM experience therefore could promote sustainable technology implementation in the industrialised world.

Well-designed projects

This contribution has argued that the CDM is not merely a cheap way out of industrialised countries' international commitments. The challenges in this context are to make sure that CDM projects contribute to achieving sustainable development in host countries and to enable a diffusion of energy-sector technologies through the CDM from which valuable experience can be gained that could be fed into the R&D strategies in industrialised countries thereby supporting the development of new technologies.

Additionality Criterion Cripples CDM

This article explains why Christiana Figueres of the Center for Sustainable Development in the Americas is critical of the current CDM and discusses possibilities for its redesign

[Carbon Market News, 17.03.2004] The current interpretation of additionality in Clean Development Mechanism (CDM) is a disincentive for developing countries to develop decarbonising policies, a recent study claims. One of the three main goals of the CDM is to contribute to sustainable development in developing countries. Christiana Figueres, until recently Executive Director at Center for Sustainable Development in the Americas (CSDA), has studied CDM experiences in Latin America and the Caribbean, in order to assess whether the CDM actually contributes to sustainable development. Her answer is no, and one of the main reasons how the additionality criterion is interpreted.

"The current interpretation of additionality is a disincentive for developing countries to develop decarbonising policies. If climate-friendly sectoral policies are put in place, projects are considered non-additional and therefore excluded from the CDM. An example is how Costa Rica is penalised for its progressive climate-related policies [see Regional survey of Central America and Mexico in CDM Monitor November 2003].

Another example is how several climate friendly policies have been kept back in the city of Mexico not to spoil CDM project opportunities. This perverse incentive is crippling the CDM," said Figueres. The issue of CDM and perverse incentives is currently under discussion in the CDM Executive Board.

A further core point questioned in the study is the

feasibility of maintaining CDM as a project-based mechanism.

"In designing the CDM it made sense politically to create a project-based mechanism. However, individual projects cannot contribute substantially to sustainable development, except in tiny economies. As we move toward the future of the climate regime, the contribution from developing countries should be redesigned. The current CDM does not contribute effectively to mitigate emissions," Figueres said.

Figueres and her colleagues are currently working on a way to redesign the CDM, maintaining core elements like monitoring and verification, but taking on a sector-wide approach rather than a project-based approach.

"One way of dealing with the shortcomings in the current CDM would be for developing countries to establish carbon efficiency standards in their most carbon-intensive sectors. Any project that would upgrade to that standard would be considered a CDM project, contributing to the decarbonisation of that specific sector, Figueres said.

For more info see CDM Monitor 11.03.2004 http://www.pointcarbon.com/wimages/_DM_Monitor_11_March.pdf

Switzerland set to stay out of EU ETS first phase

Switzerland is not likely to link up with the EU Emissions Trading Scheme before 2008

[Carbon Market News, 13.02.2004] Swiss companies have been expected to be linked to the EU emissions trading scheme (ETS), but this now seems unlikely to happen prior to 2008. Meanwhile, a CO_2 tax might be introduced in Switzerland from 2005. The EU ETS will be launched 1 January 2005, with a three year long first phase ending 31 December 2007. Jürg Grütter at the Energy Agency for Industry in Switzerland deems it unlikely that there will be a link between the EU scheme and Swiss companies in that first phase. "Companies in the EU must already adhere to certain goals, but Swiss firms only in 2008," he told Swissinfo.

The Swiss Government is working on establishing a domestic emissions trading scheme, and are in discussions with some 600 firms to set emissions reduction targets for the 2008-2012 period. But without a Swiss scheme up and running from next year, linking Swiss firms to the EU scheme will be pointless.

The Swiss cabinet is expected to be close to making a decision on whether to introduce a SFr50/t CO_2 tax, a decision which would have to be approved by Parliament. "We have known for years that voluntary agreements without a certain amount of pressure are worthless," Jürg Grütter told Swissinfo. "But the tax is politically controversial. Interest groups such as the oil lobby are trying to sabotage the CO_2 tax."

Green Budget Reform in Hungary: Successes and Failures in 2003

This article by András Lukács and Lázár Pavics examines green tax reforms in Hungary and suggests ways in which they could be improved in the future.

[András Lukács and Lázár Pavics, 09.03.2004, Clean Air Action Group, Hungary] Some key elements of the new Hungarian tax laws and the 2004 State Budget Act are in line with Clean Air Action Group's green budget reform proposals. Many more of them, however, are at variance with our recommendations, which aim to ensure enhanced protection for the environment and increased employment. The decisive difference is that the extra revenues, due to higher taxes on activities causing serious environmental pollution and health damage, are not allotted to the tasks that we proposed (education, culture, healthcare, public transport, etc.), but rather, are being spent on motorway construction, which entails severe destruction of the environment.

Without intending to provide an exhaustive account, in the following passages we will list the new developments that affect the Hungarian green budget reform favourably or adversely.

New types of taxes have been introduced to improve the state of the environment:

- Value-added tax has been levied upon building plots, with an applicable rate of 25 per cent. (This may put some restraint on real estate speculation, slow down the process of building on green areas, and prompt more rational land use practices and more intensive development methods.)
- Environmental load fees* have been introduced, and they are expected to bring about revenues worth some HUF 14 billion in 2004. (However,

the introduction of the fee has not been sufficiently differentiated, and is not accompanied by stronger incentives to promote prevention. As a consequence, the population is not able to offset the radically growing burdens adequately.)

- Energy taxes have been imposed. The applicable rate is even 40 per cent higher than the minimum requirement set by the European Union. Revenues of HUF 11 billion will be raised from this source in 2004.
- Registration tax, introduced to replace consumption tax, has been specified in a manner that makes imports of used motorcars much more difficult. (However, the actual practical impact of this measure is only expected to appear in the next few months and on the other hand, new luxury cars are subject to payment of a lower tax rate than before …)

**** The environmental load fees for air, water and soil are new environmental charges in Hungary. The air load fee is to be paid for emissions of sulphur dioxide, nitrogen oxides, carbon monoxide and non-toxic particulate matter into the atmosphere. The water load fee is to be paid for emission of various polluting substances into waters. The soil load fee is imposed when waste water is not discharged into the waste water canals in places where such canals already exist.***

Taxes on some environment-polluting activities have been raised:

- Taxes on company cars have been doubled.
- Motor vehicle taxes have been raised by more than 20 per cent.
- Collection procedures of motor vehicle taxes have been modified to make it more difficult to evade payment.
- As from 2004, VAT paid on car repairs can no longer be reclaimed.
- Electricity has been reclassified from the preferential 12% VAT rate into the 25% rate, which will increase the profitability of energy efficiency enhancement measures. In 2004 extra revenues of HUF 44 billion will be realized from this source – out of which HUF 30 billion are carried by the general population, and HUF 14 billion are paid for by large energy consumers. (On the other hand, simultaneous compensation, urged by Clean Air Action Group, is not satisfactory, and the support provided for energy efficiency enhancement projects and for household energy saving is very small.)
- State subsides granted for home-building and the purchase of flats have been significantly reduced. (As a consequence, the pressure to build on green areas has been eased, and in principle more funds have been made available for the construction of social tenements, which help enhance labour mobility and efforts to ensure equal opportunities for people on low incomes. Nevertheless, this modification has the major inadequacy of making the renovation and modernization of the existing stock of flats even more difficult.)
- Excise duties on cigarettes and cut tobacco have been raised considerably. (This measure has caused cigarette prices to increase by 44%. International experience shows that this price rise can be expected to result in cutbacks in smoking, primarily among young people).
- The rate of value-added tax payable on books has decreased from 12 per cent to 5 per cent. (Unfortunately, schoolbooks have been moved at the same time from the 0 per cent category into the 5 per cent VAT rate, while the rate applicable to newspapers and periodicals has been increased from 12 to 15 per cent.)

Progress on the expenditure side of the state budget:

- Normative public transport subsidies have been introduced for large towns (although at a much lower rate than the one proposed by Clean Air Action Group.)
- A National Civil Fund has been set up with a budget of HUF 6.1 billion.

Ambiguous modifications of taxes and contributions charged on wages:

- Personal income tax rates have been reduced. (As a consequence of the abolished tax allowances and the raised health insurance contribution rate, however, the actual cost of labour has increased overall. In turn, this leads to a situation where energy- and raw material-intensive activities gain relative advantages over more labour-intensive activities, which consequently have a smaller environmental burden.)

Some new measures will worsen the situation:

- HUF 260 billion have been allocated for motorway construction in 2004.
- Required state funds have not been allotted to the railways to prevent their further deterioration; this will also contribute to an undermining of the competitiveness of the railways. What is more, in 2004 the railways will receive HUF 3.7

billion less in state subsidies in real terms than in 2003.

- Financial resources have been withdrawn from several areas that are important from the viewpoint of environmental protection and Hungary's competitiveness in the European Union (healthcare, education, research, culture, energy efficiency enhancement projects, agrarian environmental protection, etc.).
- The 12 per cent VAT rate has been increased to 15 per cent, which has an adverse impact on – among other areas – public transport, food production and culture.
- Health insurance contributions have been raised.
- Starting in 2004, value-added tax on state subsidies can no longer be reclaimed. There are some exceptions to this rule, such as motorway construction and the 4th metro line project in Budapest. On the other hand, the scope of these exceptions is not extended either to the communal investment projects of Hungarian local governments struggling with endless budget problems or to information technology development and railway subsidies.
- On account of the rate of inflation, the real value of excise duties on fuels has dropped. This also runs contrary to the energy-saving endeavours.
- Severe financial restrictions and ensuing extensive workforce reduction measures afflict certain state agencies that play a key role in environmental protection (National Customs and Finance Guard, National Public Health and Medical Officer's Service). This will render it even more difficult to properly control compliance with the legal regulations that have been adjusted to EU requirements through long and hard work. Ensuring such control would also be in Hungary's vital interest in terms of Hungary's international competitiveness. Country surveys of the European Union have revealed insufficiencies in this respect on several occasions.
- Otherwise, no significant changes have taken place. Natural resources will continue to be wasted, and there are no adequate incentives in place to encourage a better utilization of human capital and to appreciate education, healthcare, and research and development. As a matter of fact, under these conditions the increased inflation rate also gives preference to activities that destroy the environment.

All in all, things in Hungary are not improving but are, in fact, changing much for the worse. On the other hand, we can perceive a growing interest in Clean Air Action Group's proposals for a green budget reform. We regard it as a great success that the Ministry of Finance has prepared a detailed evaluation of our green budget proposals, with conclusions that are very favourable in many respects. The Ministry of Economy and Transport has also responded to our proposals by sending us a multipage letter in which they expounded their position.

New CDM Projects Agreed Between Denmark and Chile and Between Canada and Cuba

CDM projects have recently been agreed between Denmark and Chile, as well as between Canada and Cuba

[Carbon Market News, 08.03.2004 and 09.03.2004]

Canada and Cuba have signed a Memorandum of Understanding opening the way for Clean Development Mechanism projects between the two countries, according to the Helios Centre.

The Cuban authorities have already established their Designated National Authority for CDM projects. It is chaired by the Ministry of Science and Technology, which has compiled a portfolio of ten potential project ideas with estimates of potentially ten million tonnes of CO_2 equivalent reductions over ten years.

Cuba ratified the Kyoto Protocol in 2002. It emitted 38m tCO_2e in 1994, its baseline year. The island is dependent on fossil fuel combustion for its power generation and many power plants are obsolete. Its energy consumption has risen since 1994.

Denmark and Chile signed a Memorandum of Understanding on 8th March 2004 to provide for cooperation between the two countries on Clean Development Mechanism (CDM) projects. It could facilitate the sale of CO_2 emissions reduction credits [certified emissions reductions, the CDM currency] and the development of renewable energy projects, a spokesperson for Chile's environmental authority Conama told BNamericas.

Denmark's environment minister Hans Christian Schmidt and Chile's presidential minister Francisco Huenchumilla signed the agreement, the Chilean government said in a statement.

The agreement is designed to stimulate the development of projects to reduce greenhouse emissions

in line with the Kyoto Protocol agreement and facilitate the transfer of clean technology, the statement said.

According to the article, Chilean clean energy projects could generate as much as US$25 million a year from 2004 through the sale of CERs.

The article cites the Chilean government claiming a 7% share of the "global carbon credits market", which it wants to increase by encouraging new renewable energy projects and selling their associated credits.

Companies including Chilean generator AES Gener, Denmark's main business organisation Dansk Industri and Canada's Transalta will participate in a roundtable on the private sector's experience in carbon emissions trading at a seminar hosted by Conama in Santiago on March 9th.

Full stories at:

http://www.pointcarbon.com/article.php?articleID=3352&categoryID=147

http://www.pointcarbon.com/article.php?articleID=3357&categoryID=147

North America: New England and Eastern Canada Fail to Reduce GHG Emissions

Pledges to fulfil the Kyoto protocol are proving difficult to fulfil due to difficulties in the implementation of carbon trading and resistance from the federal US government

[Jacqueline Cottrell, Green Budget Germany, 27/03/04] In 2001, in spite of the federal government's failure to ratify Kyoto, the states of New England, together with Eastern Canada, pledged to reduce their GHG emissions by 12% by 2010. This pledge is particularly significant because the New England region alone is the 12th largest GHG emitter in the world. In real terms, the pledge represents a return to 1990 emissions volumes - and it has already become clear that the target will not be easy to fulfil, let alone the declared secondary step of reducing emissions by 10% below 1990 levels by 2020.

This conclusion is shared by the New England Climate Coalition, a broad-based group of environmentalists, clergy and municipal groups, which stated recently that federal energy use projections could mean a 13% increase in CO_2 emissions by 2010 over 2000 levels. In a report issued by the coalition last autumn, it was claimed that New England is on target to meet less than one-third of its goals – indeed, emissions have not decreased in the region but appear to be growing.

Even so, the region's strongest environmental critics have praised New England's efforts, such as capping power plant pollutants and installing more energy-efficient traffic lights. The problem is, however, that New England's state governments face a great deal of opposition from the federal government, which is deeply reluctant to reduce GHG emissions. Furthermore, introducing policies such as trading clear air credits is proving to be extremely complex, particularly with federal government support and assistance markedly absent.

In an attempt to combat these problems, scientists from New England and Canada met in mid-March at Suffolk University Law School to plan new steps to reduce GHG emissions and to discuss how the region will have to adapt to cope with the effects of global warming. This meeting was long overdue, as many measures were geared towards 'picking low hanging fruits' rather than introducing fundamental structural change. Although the states of New England have been taking some steps to reduce pollution from power plants and to promote alternative energy sources, these have not been as wide-ranging or as drastic as was originally hoped. Nevertheless, in Massachusetts, for example, the dirtiest power stations are being forced to clean up their act by 2008 and already 1% of all electricity must come from renewable sources – a percentage share to be increased each year. Furthermore, New England is also part of a larger regional effort to allow power plants to trade in carbon credits. Nevertheless, many measures in New England are having little more than a symbolic effect.

Aside from political problems within New England itself, one important cause of this ineffectiveness is the stubborn policy of the American federal government, which has consistently rejected calls to set stricter CO_2 limits for vehicles and power plants or even to label CO_2 a pollutant. As a result, environmental groups, three cities and 12 states including Massachusetts sued the US Environmental Protection Agency in October 2003 for failing to regulate GHG emissions. This is not the only legal wrangle on emissions currently being fought out in the US. As reported in this issue of Green Budget News (see below), the state of California is currently trying to introduce a law to limit CO_2 emissions from car exhausts – a law that is being challenged on the grounds that it interferes with the regulation of the fuel economy, an area which remains strictly within the legislative territory of federal government. New

England will be watching the impending legal case very carefully.

In spite of only partial success, the most significant aspect of New England's pledges and policies is that they go to show that, even without American ratification of the Kyoto Protocol, it is possible for states within the USA to fulfil their Kyoto obligations and thus make an important contribution to the mitigation of global climate change. Moreover, the German Advisory Council on Global Change (WGBU) sees considerable cause for optimism in this respect. It recently produced a special report, *Climate Protection Strategies for the 21st Century: Kyoto and Beyond*, in which its team of scientists expressed optimism that in the medium term, the USA will support the Kyoto process, citing as evidence the numerous climate change mitigation activities in a number of states of the USA and the potential for economic innovation stemming from climate protection policy. If the U.S. electorate opts for the relatively speaking environmentally aware Democrat John Kerry in the presidential elections on November 2nd, the WGBU's optimism might just prove to be justified.

For further information on the WGBU see:
http://www.wbgu.de/wbgu_home_engl.html
Download the report at:
http://www.wbgu.de/wbgu_sn2003_engl.pdf

Connecticut moves to cut GHG emissions

Considerable progress has been made in the New England state of Connecticut to cut down GHG emissions

[Carbon Market News, 11/03/04] The Governor of Connecticut, USA, has accepted a set of recommendations that are estimated to reduce the state's greenhouse gas emissions by 4.05 $MtCO_2e$ below projected levels in 2010, a reduction of 8.5 per cent. The recommendations from Connecticut's Steering Committee on Climate Change includes restoration of the Conservation and Load Management Fund, establishing conservation funds for oil and natural gas, energy efficiency and CHP measures, a renewable energy strategy, forest and agricultural land preservation and more.

"Governor Rowland's decision to accept the stakeholder recommendations to cut greenhouse gas emissions will put Connecticut in the forefront of US states taking action to reduce climate change," said Ned Helme, Executive Director of the Center for Clean Air Policy, in a press release. "Connecticut is the first state to develop a comprehensive climate change action plan and immediately translate it into legislative and administrative proposals for implementation."

The measures will enable the State to achieve 52% of its overall 2010 goal of stabilizing emissions at 1990 levels, the target established by the New England Governors and Eastern Canadian Premiers Climate Change Action Plan of 2001, said the press release.

"The Connecticut plan also tackles the rapidly-growing transportation sector, calling for path-breaking efforts in transit, smart growth, land use policy, and freight policy, as well as recommending legislative adoption of the California tailpipe standards to reduce carbon dioxide and conventional air pollutants from cars and light trucks", said Steve Winkelman, Manager of the Center for Clean Air Policy's Transportation program. "As the first state to address the global warming impacts of 'black carbon' emissions, Connecticut will also enjoy major health benefits."

The Center for Clean Air Policy facilitated the yearlong Connecticut Climate Change Stakeholder Dialogue, during which the greenhouse gas reducing policy recommendations were developed and subsequently submitted to the Governor's Steering Committee on Climate Change. Representatives throughout Connecticut from business and industry, academic institutions, environmental and public interest organizations, and state and local government agencies participated in the Dialogue. The Center also provided in-depth technical analysis of a wide range of policy measures proposed by the stakeholders.

Connecticut joins New Jersey, New York, California, Massachusetts, New Hampshire, Oregon, Rhode Island and Washington as states that have taken some specific actions to reduce greenhouse gas emissions. Together these states represent 3.9% of global CO_2 emissions and 17.2% of US emissions.

New carbon fund launched in the USA

A US-based foundation was recently launched for the purchase and retirement of CO_2

[Carbon Market News, 10.03.04] The US-based Carbonfund.org Foundation was recently launched,

aiming to purchase some 50,000 tonnes of CO_2 this year – and retire it. It aims to double this volume within a year or two. Credits will be purchased from a variety of markets across the world. The Carbon Fund, registered as a non-profit organisation in Delaware, USA, is environmentally rather than commercially motivated, and will not sell its credits on to other actors for a profit. Instead, its founders promise to retire all the purchased CO_2, in order to offset emissions caused by its investors.

The fund seeks investments from both companies and private persons, expecting the two groups to contribute equally much. "How much we will be able to buy annually will obviously depend on donations, but our goal is to purchase about 50,000 tonnes in the first year, and about twice that in a year or two," said the Fund's Eric Carlsson. "We will purchase credits from the EU emissions trading scheme, the UK scheme, the Chicago Climate Exchange and through various brokers. We will also support carbon reduction projects where we can certify carbon reductions. This process will be somewhat flexible as the trading and certification methods become more unified, but we will only purchase certifiable reductions," he told Point Carbon.

The current price asked by the fund for a tonne of CO_2 is $5.50. The price will fluctuate over time, but not necessarily in tact with the market.

Could Alaska trade forest restoration for money?

Forest restoration in Alaska may be boosted by emissions trading under the Kyoto Protocol

[Timothy Inklebarger, published online in the JUNEAU EMPIRE, 03.02.2004] Restoration of forests, wetlands and other habitat that offset carbon dioxide emissions by cars and factories could raise million of dollars for Alaska, according to Rep. Ethan Berkowitz, an Anchorage Democrat.

Under a new global commodities market, manufacturers and other companies that emit greenhouse gases can purchase credits from entities that offset such emissions through methods such as reforestation.

Berkowitz's proposal, heard on Monday 2nd February by the Senate Resources Committee, directs the state Department of Natural Resources to investigate how Alaska can participate in trading greenhouse commodities. He said there is potential for generating $450 million in revenue for the state.

Berkowitz said international pollution agreements such as the Kyoto Protocol have established limits on the amount of carbon dioxide that can be emitted into the atmosphere.

"Even if the U.S. does not sign the protocol, in order to conduct business with signatory countries, U.S. companies will need to either reduce their carbon emissions below the baseline established in the Kyoto Protocol or obtain carbon sequestration credits to offset the amount that exceeds the established level," according to a sponsor statement by Berkowitz.

Tim King, director of the Carbon Technology Transfer Center in Washington state, said international oil companies such as British Petroleum, Amoco, Shell, Texaco and Exxon have carbon credit divisions that invest in projects such as reforestation to mitigate greenhouse emissions.

He said tree planting projects in Washington state have captured $100 to $200 per acre for landowners that have reforested their property.

And an emerging market in Chicago, known as the Chicago Climate Exchange, trades carbon credits to various energy companies for about 95 cents a piece, King said. "There's no set system as yet here in the U.S., but Sydney, London and Tokyo have a fairly set carbon market," he said. "And the carbon credits in Europe sell for about $3-$4 a credit." Each credit accounts for about 1 ton of carbon dioxide, King said.

Restoration of one acre of spruce trees devoured by bark beetles in the Kenai Peninsula would probably equal about one carbon credit each year, King said. But that acre continues to have value every year that acre of land is being managed, he said. The Senate Resources Committee still must approve Berkowitz' House Bill 196 before it goes to the full Senate for consideration.

Californian Automobile Industry Critical of New Law to Cut GHG Emissions by 30%

A new ecological tax on vehicle emissions is hopefully soon to be introduced in California

[Jacqueline Cottrell, Green Budget Germany, 18/03/04] Officials from the California Air Resources Board (CARB) have commenced drafting plans to implement legislation requiring "maximum

feasible and cost-effective" reductions in the California's GHG emissions. Former Governor Gray Davis (D) signed the legislation into law in 2002. If they are adopted, the standards proposed in the law will force car manufacturers to reduce GHG emissions by up to 30% by 2006 and would apply to all cars by 2009. CARB vehicle program specialist Charles Shulock said; "We think that there are many technologies available that can lead to significant reductions of greenhouse gas emissions."

Unsurprisingly, the automotive industry does not agree with Shulock's conclusions and has warned that, if adopted, the law will prompt significant price increases to vehicles sold in the state of California. Car manufacturers will be able to achieve new emissions targets by planting trees, although CARB does intend to cap the amount of credits that can be obtained by such methods, as it is the law's intention to improve vehicles themselves.

Governor Arnold Schwarzenegger has pledged to support the new rules and defend them against expected legal challenges. "California has always led the nation in clean air programs, and federal law gives us the right to adopt standards more stringent than those in other states […] California's landmark legislation to cut greenhouse gases is now law, and I will work to implement it and to win the expected challenges in court along the way."

State officials will have to defend the law against charges that it was implemented in an effort to regulate fuel economy and set fuel efficiency standards, a matter reserved for federal government policy-making. While the law does not in itself specifically mandate fuel price increases, there is currently no other means of curbing vehicle GHG emissions.

This is not the first law of its kind in California: in 1990, a law was passed requiring that 10% of cars sold in California should produce zero or near-zero emissions by 2003, but the law was overruled by the supreme court – a fate which, it is to be hoped, is not soon to be that of the new regulations.

Eron Shosteck, spokesman for the Alliance of Automobile Manufacturers has claimed that "Californians may lose the choice to buy the vehicles they need for their families and work" and has accused "unelected bureaucrats" and the "Air Resources Board" of wanting to have "everyone driving around in golf carts". As such environmentally irresponsible and small-minded criticisms cannot be taken seriously in a court of law, it is to be hoped that this is all that the Alliance of Automobile Manufacturers finds to criticize about the proposed law. Shosteck pointed out that consumers can already buy small, fuel-efficient cars but noted that combined sales of the 10 most fuel-efficient cars in America represent only 1.5% of the vehicles sold. Rather than concluding that this figure might reflect ignorance of the true impact of greenhouse gas emissions and irresponsible consumer behaviour, Shosteck expressed his concern that "consumers are going to be angry when they find they can't have the SUV, or pickup, or minivan they want."

Further information at:
http://www.heartland.org/Article.cfm?artId=14550

Oil Reserve Estimates Unreliable?

Radical revisions to the Shell Group's proven reserve estimates triggers oil price rises

[Jacqueline Cottrell, Green Budget Germany, 29/03/04] The latest BP statistical review of world energy has predicted that UK proven oil and gas reserves will last, respectively, only 5.4 and 6.8 years at present rates of use. It has been estimated that by 2020 the UK could be dependent on imported energy for 80% of its needs. The US energy department has calculated that net imports of oil, already at 54%, will rise to 70% by 2025 because of growing demand and declining domestic supply. For the oil industry, the energy crisis that has long been looming seems to have finally arrived.

Mistrust of allegedly proven oil reserves has increased since the Royal Dutch/Shell Group's radically revised their proven reserve estimates, slashing them by 20% in January 2004 - the equivalent of about 3.9 million barrels of oil. In yet another PR debacle on the part of the Royal Dutch/Shell Group, the concern's top executives appear to have known about the shortfalls in reserves two years ago. The Securities and Exchange Commission (SEC) is investigating Shell's deliberate overstatement of reserves and several shareholders appear to be preparing to sue the concern for deliberately damaging their interests.

Many other smaller companies have been forced to restate their reserves as well. Nevertheless, oil giants Chevron Texaco Corp., Total SA, Conoco Phillips, Exxon Mobil Corp and BP PLC have stated since Shell's revelations that they do not expect to have to reclassify their reserves. On the other hand, while predicting a production growth

rate of 3%, Exxon saw growth of only 1% in 2003 due to declines in mature oil fields. Such developments have also heightened underlying concerns that the world's oil reserves may not have been accurately predicted – particularly as identifying reserves of oil and gas is notoriously difficult. In a time when the supply-demand balance of the world's energy markets is delicate and when prices are widely expected to continue to increase, many experts are being forced to consider how markets might cope with the additional news of shrinking future supply.

Fears of shrinking supplies exacerbated by the crisis at Shell and fears of other reserve revisions, OPEC's cleverly managed restrictive oil supply policy and increasing consumption in China and the US have all contributed to perceptions of scarcity becoming more widespread, and have thus had a considerable impact on oil prices, which have increased by as much as 6.8%.

These problems are reflected in US crude inventories for March; though they have risen by 1.3% to 279.5 million barrels, they are still 7% below the five-year average. This scarcity has already resulted in higher prices at the pump, indeed, petrol prices are likely to hit a record $0.48/litre (i.e., €0.39/litre) within months. In California, Hawaii and Nevada, prices have already breached the $0.53/litre mark. While these price rises may seem ludicrous to drivers in the European Union – in the UK prices reached €1.23/litre and in Germany €1.12/litre on March 29th – they may nevertheless be enough to spur US policymakers into rethinking their dependence upon oil and consumers to favour fuel-efficient vehicles. Little evidence of such a turnaround can be identified in UK policy, however: shortly after Tony Blair's recent visit to Libya, a groundbreaking deal worth as much as $1billion (£550 million) and expected to meet at least some of Britain's gas needs was signed by the Royal Dutch/Shell Group on March 25th in Tripoli.

Nepalese Supreme Court Questions Government on Pollution Tax

Leading lawyers take government to court in Nepal for failing to introduce agreed ecological taxes

[Bhoj Raj Ayer, General Secretary of SHELGA, 02/2004] The Supreme Court of Nepal has ordered the government to submit a written explanation by 10th March 2004 on why it has failed to levy a pollution tax of Rs. 0.50 per litre of petrol and diesel sold in Kathmandu. The show cause was issued by Justice Kedar Prasad Giri of the Supreme Court, in response to case filed by Society for Human Rights, Environment, Law and Government Activities (SHELGA). Considering the importance of the issues raised in the petition, the court asked its administration to give the case priority.

The provision for the pollution tax was first introduced seven years ago by Finance Act 2053 and has been mentioned in Finance Acts every year since then. The money raised from this tax is to be utilized for pollution control measures. However, the government has failed to raise this tax even when it has had the authority - and indeed the obligation - to do so.

According to the Nepal Oil Corporation, 40,408 kilo litres of petrol and 48,296 kilo litres of diesel was sold in the Valley in fiscal year 2059/60. At the rate of Rs. 0.5 per litre, the total pollution tax on this amount totals Rs. 44,352,000. This means that the government has failed to collect approximately Rs. 300 million for pollution control over the past seven years.

Lawyers from SHELGA – Bhoj Raj Ayer, Kumar Raj Joshi, and Narayan Belbase – have argued that because of the inability of the government to raise this fund, pollution control efforts have not been effective. They have argued further that this has affected the right of the public to live in a clean environment, as guaranteed in the Constitution of Nepal and the Environment Protection Act, 2053.

For more information see Clean Energy News, http://cen.org.np/archive/vol4no14.htm

6. EVENTS

20-21/04/04, Amsterdam: Carbon Market Insights 2004

Point Carbon is organising this conference presenting concise viewpoints on recent carbon market developments and likely future directions from high-profile speakers. Carbon Market Insights 2004 provides a unique and timely opportunity to be updated on the developments in the carbon markets following the submission of all NAPs for the EU Emissions Trading Scheme by 31st March, and aims to explore their potential consequences for industry and business. The program includes speakers from EU Commission, Shell International, Center for Clean Air Policy, PWC, Holcim, UNDP, Chevron Texaco, J-Power. There will be in-depth sessions on the status and prospects for the CDM on day two.

View the conference program and homepage at:
http://www.pointcarbon.com/article.php?articleID=2786&categoryID=192

Sign up at:
https://pointcarbon.com/article.php?articleID=3049&PHPSESSID=ebdfd16f0f993a692f9a65e813304e1d

22-23/04/2004, Martigny: 9th Energie-Cités Conference

Energie-Cités will host its 9th Annual Conference in Martigny (Switzerland) on the topic of **public-private partnerships.** This conference has been organised together with the municipality of Martigny and is supported by the Swiss Federal Office of Energy and the European Commission (DG TREN).

Defining local sustainable energy policies is a responsibility of **local authorities**, yet their implementation requires expanding links with the private sector. In concrete terms, this means improving the capacities of the municipal public sector to find **the most suitable financing schemes** for implementing its projects: loans, third-party financing, service level agreements, etc. while remaining in control.

Simultaneous interpretation will be provided in English, French and German.

For the programme and registration forms see:
http://www.energie-cites.org/conference

22-23/04/04, Berlin: Between Standstill and Fresh Awakening: Environmental Policy in the New Europe

This is the International Annual Conference of the Öko-Institut – the Institute for Applied Ecology. The topic of the conference is environmental policy in the enlarged European Union. On 1 May 2004, ten new countries are due to join the EU and doubtlessly, European politics will experience change in many respects. But what will be the particular consequences for environmental policy? Is there a risk of standstill or will there be a fresh awakening?

The goal of the conference is to highlight environmental policy consequences, identify opportunities and warn of risks. Further details at:
http://www.oeko.de/mitte_index_engl.htm

12/05/04, Toronto City Hall: Conference of the Reducers

A major international conference designed to address the challenge of how to accelerate the reduction of greenhouse gas (GHG) emissions globally. Delegates will hear first-hand from leading GHG emissions reducers from corporations and national and regional governments. This Conference will provide the forum to showcase international best practice and current thinking on emissions reductions. Key issues such as the role of finance; government approaches; the challenge for corporations; and strategies and targets for GHG emissions reduction will be presented and discussed.

Register from 22 March 2004 at:
http://www.theclimategroup.org

13/05/04, Utrecht, the Netherlands: Pellets for Bioenergy

Organised by the European Biomass Association and in parallel with the exhibition 'VICTAM International', the conference aims to address major issues of pellet bioenergy production, such as policy, market development, standardisation, industrial visions and technical development.

Further details and registration at:
http://www.ecop.ucl.ac.be/aebiom/Pellets%20conference/Pellet-information1.htm

11.-12/06/04, Bonn: International Conference For Renewable Energies

On 11 and 12 June 2004 Germany will be hosting the International Conference for Renewable Energy. The Conference was announced by the Federal Chancellor Gerhard Schröder at the World

Summit on Sustainable Development in Johannesburg in September 2002.
More information can be found on the website:
http://www.renewables2004.de/

25.06.2004, Berlin: Ecotaxes in Germany and the United Kingdom – a Business View

Green Budget Germany is planning a conference with the Heinrich-Böll-Foundation on "Ecotaxes in Germany and the United Kingdom – a business view". Main objectives of the conference are the comparison of the different features of the recently introduced eco tax/climate change levy in Germany and United Kingdom for the business sector, the proper communication of tax effects and the consideration of possible approaches for a better EU-wide coordination.
It will take place on the premises of the Heinrich-Böll-Foundation in Berlin on the 25th June 2004 from 10.00-17.30.
mailto:foes@foes-ev.de

01-02/07/04, Stuttgart: First European Conference of Municipal Energy Managers

Shrinking municipal budgets, rising energy prices, public service obligations, climate protection, model functions - cities and towns in Europe have to confront these challenges, especially when managing their own facilities. Finding out about economically and ecologically effective potentials for energy savings and improving the operation of municipal buildings by implementing appropriate, modern technology: many European cities and towns work towards these aims by means of municipal energy management. The conference invite representatives of cities and towns form all over Europe engaged in energy management to a productive exchange that is sure to strengthen international cooperation.
For further information, see:
http://www.managenergy.net/

09-11/09/04, Pavia: Fifth Annual Global Conference on Environmental Taxation Issues, Experience and Potential

The Pavia 2004 Conference is the fifth in a series of international meetings. Its aim is to collect a wide variety of experience from different States of the use of environmental taxes and charges and a scientific assessment of the environmental, economic and social impact of their introduction can be an important tool to face those barriers, which can be to an extent problems of fear of the unknown.
For further information, see:
http://www.unipv.it/iuss/esasgia

7. LINKS AND PUBLICATIONS

Climate Protection Strategies for the 21st Century: Kyoto and Beyond

On 25th November 2003, the German Advisory Council on Global Change (WBGU) submitted to federal ministers Edelgard Bulmahn (Research) and Jürgen Trittin (Environment) its new report "Climate Protection Strategies for the 21st Century: Kyoto and Beyond". In their report, the Council's scientists underscore that dangerous climate change can now only be prevented if climate protection targets are set at substantially higher levels than those currently agreed internationally. In particular, anthropogenic carbon dioxide emissions must be cut globally by 45-60% by the year 2050 relative to 1990. This means that industrialized countries have to reduce their greenhouse gas emissions by at least 20% by 2020. Industrialized countries have committed to reducing emissions by 5% by 2012 relative to 1990. For more information see the WBGU press release and report at the links below:
http://www.wbgu.de/wbgu_sn2003_presse_engl.html
http://www.wbgu.de/wbgu_sn2003_engl.pdf

European Council Contribution to the Spring European Council 2004

The European Council's (Environment) contribution to preparations for the 2004 Spring European Council in Brussels were published on 4th March 2004 and gave reason for cautious optimism for renewed momentum for the environmental dimension of the Lisbon strategy. It emphasised the impor-

tance of the role of appropriate, flexible market-based mechanisms to encourage reform of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development and invited the Commission to establish a list of criteria for environmentally negative subsidies with a view to eliminating them. It also called upon the Commission to present a natural resources strategy by June 2005, to finalise the review of the SDS (sustainable development strategy) by the end of the year and emphasised the need for swift consideration of the Eurovignette directive. For the report in full see:
http://www.foes-ev.de/downloads/st06981_en04.doc

Oil Crises & Climate Challenges (2004) -- 30 Years of Energy Use in IEA Countries

This publication examines how energy efficiency and other factors such as economic structure, income, lifestyle, prices, and fuel mix have shaped developments of energy use and CO_2 emissions in IEA countries since the organisation was founded 30 years ago. The study provides some challenging findings. For example, the rate of energy savings in IEA economies has slowed since 1990, as has the decline in CO_2 emissions relative to GDP. This shows that the changes caused by the oil price shocks in the 1970s and the resulting energy policies did considerably more to control growth in energy demand and reduce CO_2 emissions than the energy efficiency and climate policies implemented in the 1990s.

Oil Crises and Climate Challenges: 30 Years of Energy Use in IEA Countries provides energy and climate policy-makers with important data and insights that will help shape ways to use energy efficiency and lower-carbon fuels to achieve a more sustainable future.
http://www.iea.org/dbtw-wpd/bookshop/add.aspx?id=174

Energy Subsidies: Lessons Learned in Assessing Their Impact and Designing Policy Reforms

Edited by Anja von Moltke, Colin McKee and Trevor Morgan, foreword by Klaus Topfer

Published in Association with the United Nations Environment Programme

Based on ground-breaking work undertaken by UNEP and the International Energy Agency, this book aims to raise awareness of the actual and potential impacts of energy subsidies and provide guidance to policy-makers on how to design and implement energy-subsidy reforms. It provides methodologies for analysing the impact of subsidies and their reform, and reviews experiences with energy subsidies in a number of countries and regions. Drawing on these case studies, it analyses the lessons learned as well as the policy implications, and provides guidance on how to overcome resistance to reform.

EU: The macroeconomic evaluation of energy tax policies with the GEM-E3-Europe model

By Nikos Kouvaritakis and Leonidas Paroussos, NTUA, and Denise Van Regemorter, CES-KULeuven

This report presents the results of a study on the economic and environmental impacts of energy tax policies in the EU with the general equilibrium model GEM-E3 and critically concludes that the reform has negligible positive environmental effects. The report can be accessed at:
http://www.europa.eu.int/comm/taxation_customs/taxation/economictaxation_final_report.pdf

Reforming Transport Taxes

This report examines the economic principles for efficient systems of taxation and provides a framework for international comparisons of transport taxes and charges. It investigates the price and tax changes likely to result from the reform of transport charges to maximise efficiency, and their impact on motorists, hauliers and users of other transport services. The report also assesses the impact of national differences in taxation on the competitiveness of hauliers internationally. Browse the report, or buy it, at:
http://oecdpublications.gfi-nb.com/cgi-bin/OECDBookShop.storefront/EN/product/752003101P1

Energy and Climate Policies in the EU and Denmark

Soren Dyck-Madsen of the Danish Ecological Council has translated the above booklet on energy and climate into English. It can be downloaded at:
http://www.ecocouncil.dk/english

Energy Policy

The latest issue of Science Direct's Energy Policy, volume 32, issue 11, pp.1253-1351 (July 2004) includes articles on the Kyoto Protocol and the cost of climate policy. It can be read online at: http://www.sciencedirect.com/science?_ob=IssueURL&_tockey=%23TOC%235713%232004%23999679988%23481191%23FLA%23display%23Volume_32,_Issue_11,_Pages_1253-1351_(July_2004)%23tagged%23Volume%23first%3D32%23Issue%23first%3D11%23Pages%23first%3D1253%23last%3D1351%23date%23(July_2004)%23&_auth=y&view=c&_acct=C000050221&_version=1&_urlVersion=0&_userid=10&md5=ad40b97c952bed2242e6f015402d364e

Linking CDM & JI with EU Emissions Allowance Trading

The Wuppertal Institute has analysed the proposed directive linking credits from CDM and JI projects to the EU emissions trading Directive. To download it, click: http://www.europarl.eu.int/comparl/envi/pdf/externalexpertise/ieep/flexible_mechanisms_brief.pdf

The Impact of the EU ETS on the price of Electricity in the Netherlands

This publication from the Energy Research Centre of the Netherlands discusses the EU Emissions Trading Scheme's potential impact on the price of electricity in the Netherlands and, hence, its potential implications for Dutch power producers and consumers. Read it at: http://www.ecn.nl/library/reports/2004/rx04015.html

8. SPECIALS

Dr. Richard W. England, Professor of Economics and Natural Resources, University of New Hampshire (USA), would like to announce that he is available to lecture or consult at institutions in Germany or Poland during summer 2004. Dr. England is presently a visiting research fellow at the Lincoln Institute of Land Policy, Cambridge, Massachusetts (USA). For the past three years, his research has concentrated on the use of land value taxation to stimulate local economic development and discourage rapid land-use change. His scholarly articles on this subject have recently appeared in Land Economics, Agricultural and Resource Economics Review, and State Tax Notes. Please contact Dr. England at mailto:richard.england@unh.edu

9. READERS` GUIDE AND IMPRINT

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