GreenBudgetNews No. 8 – 6/2004

European Newsletter on Environmental Fiscal Reform

Editors:

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

Contents

1. Editorial

Dear friends of the ecological tax reform,

The most important event since the last edition of Green Budget News was – at least for the citizens of the European Union among us – the European election over the weekend from 10 – 13 June 2004, although the results were not as positive for environmentalist parties as many of us had hoped (see the leading article in section 2, below).

The most important thing for Green Budget Germany at the moment is its upcoming conference in Berlin at the Heinrich-Böll-Stiftung on 25 June from 10am – 5.30 pm:

"Ecotaxes in Germany and the United Kingdom – A Business View"

Speakers include big names from British and German industry, such as Sir Charles Nicholson of BP and Dr. Franz-Martin Dübel, former Ford manager, politicians such as Sue Doughty MP and Dr. Reinhard Loske, and researchers such as Michael Kohlhaas and Prof. Stephen Smith. There are just a few places left, so contact us now at foes@foes-ev.de to reserve your seat! You can download the program at http://www.eco-tax.info/3events/main.html .

In the run-up to the conference, we have included several articles comparing and contrasting climate policy in the UK and Germany, revealing things are not all that they seem in the purportedly environmentalist Germany and the supposedly environmentally disinterested UK. At least the European election results on Monday 14 June confirmed all our prejudices, as 16% of UK voters came out in support of the UK Independence Party and more than half in favour of parties opposed to UK membership of the EU. UK voters, be warned: the Emissions Trading Scheme to implement Kyoto would not be possible without the EU!

Talking of Kyoto, one other major theme of this edition are recent hopes of Kyoto finally coming into force following the increasing likelihood of Russian ratification. Sadly, we have rather less positive news from Australia, where conservative prime minister John Howard recently rejected calls for emissions trading or carbon tax.

New Start for GreenBudgetNews

The (if we may say so) extremely successful "English Language Ecological Tax Newsletter" – more commonly known as Green Budget News – project, funded by the European Commission, came to an end in March of this year. Since January 2003, we and our partners, the Clean Air Action Group, The Ecological Council and the Austrian Society for Environment and Technology, have published 7 editions, supported by other interested parties from all over the world. Please accept our heartfelt thanks for this support.

The positive feedback we have received and the fact that our readership has grown to over 3,000 – many of whom forward the newsletter to friends and colleagues – has encouraged us to continue the newsletter on our own, without financial support. The EEB has also expressed interest in taking part in the newsletter project and we anticipate cooperating with them from summer 2004. Because we don't have as much time as before for the newsletter, we are relying on our readers as well to give us a helping hand.

Please send us articles about your activities, developments in your home country, commentaries, letters, event dates and anything else you think might be relevant. This will ensure that we can continue to supply all our readers with in-depth information on ecological fiscal reform all over the world.

We are looking forward to working with you!

2. GREEN BUDGET REFORM ON EU-LEVEL

Euro-elections transmit mixed green message

[Environment Daily, 14/06/04)] European parliamentary elections, concluded on Sunday 13 June, have produced an assembly that looks very like its predecessor overall, but in which pro-environment parties have lost ground (see table below).

The vote has increased the dominance of the centre-right EPP as the assembly's largest party. Analysis by environmental groups before the election showed that in the outgoing parliament EPP deputies were particularly reluctant to vote for environmental measures.

The same analysis showed the Socialists – the second biggest party in the parliament –, the Liberal ELDR, the Greens/EFA coalition and the left-wing EUL/NGL coalition all had strong records of voting for environmental measures. Of these groups, only the ELDR has improved its share of seats. The Greens/EFA and EUL/NGL coalitions have both fallen back significantly. Overall, these pro-environment parties now have under 48% of seats, compared with 51% before the elections.

Environmentalist reaction to the poll suggests that these statistics should be taken seriously. John Hontelez of coalition group EEB expressed disappointment that: "for many citizens, the EU is not recognised as the body that works for a better quality of life and for a safe and prosperous future."

"The European parliament has always been the main ally of the environmental movement in Europe, and it will become even more important in the coming years when the new constitution enters into force," said Mr Hontelez. "We hope that the new parliament will take its responsibility seriously."

Daniel Cohn-Bendit of the Green group complained that the election campaigns across Europe had debated only national issues, fostering euro-scepticism. "The Greens will do everything in our power to establish a centre-left majority for Europe", he added.

Party positions after the 2004 European elections

	Share of seats Jan 2004	After elections	
		Seats	Share
Centre-right (EPP)	37%	276	38%
Socialists	28%	201	27%
Liberals (ELDR)	8%	66	9%
Greens (Greens/EFA)	7%	42	6%
Left (UEL/NGL)	8%	39	5%
Nationalists (UEN)	4%	27	4%
Nationalists (EDD)	3%	15	2%
Non-aligned	5%	66	9%
Total		732	

Source: European parliament

EU Member States Fall a Long Way Short of Kyoto Targets

[News Sonnenseite, 01.04.04, translated into English by Jacqueline Cottrell] EU member states have committed themselves to meeting the Kyoto target of reducing greenhouse gas emissions by 8 percent in relation to 1990 levels on or before 2008/2012. But by 2001, emissions had been reduced by a mere 2.2 percent. As a result, the EU must reduce greenhouse gas emissions by 245 million tonnes by 2008/2012 to achieve their goal.

Thus far, only England, France, Sweden, Luxembourg and Greece have met their Kyoto targets, although it is worth noting that these were very different. France, for example, did not have to reduce emissions at all, largely due to its reliance on a large number of nuclear power stations for power generation. Sweden was permitted to produce 4 percent more greenhouse gases – although emissions were nevertheless reduced by 3.1 percent.

Luxembourg is clear European Champion in terms of climate protection. The tiny country agreed to reduce emissions by 28 percent, but in the end reduced them by 44! At the other end of the scale, Greece was permitted to emit 25 percent more CO_2, which it has almost fulfilled, with an increase in emissions of 24.6 percent.

Germany has committed to reducing its emissions by 21 percent. By 2001, it had already succeeded in reducing emissions by 18 percent, although this task was largely accomplished by closing down the highly-polluting factories of the former German Democratic Republic. It has since proven rather more difficult to attain the last 3 percent, particularly in the light of the current dispute between Trade and Industry Secretary Wolfgang Clement and Environment Minister Jürgen Trittin. In 2002 and 2003, greenhouse gas emissions increased slightly in total in Germany, particularly as a result of higher transport emissions.

Other EU member states	Target	Up to 2001
Ireland	+ 13 percent	+ 31,5 percent
The Netherlands	- 6 percent	+ 4,6 percent
Belgium	- 7,5 percent	+ 5,5 percent
Portugal	+ 27 percent	+ 36,3 percent
Spain	+ 15 percent	+ 33,1 percent
Finland	0,0 percent	+ 4,7 percent
Denmark	- 21 percent	+ 0,3 percent
Austria	- 13 percent	+ 10 percent
Italy	- 6,5 percent	+ 7,1 percent

For the original document in German, see: http://www.sonnenseite.com/fp/archiv/Akt-News/4657.php

For more information, see the Annual European Community greenhouse gas inventory 1990-2001 and inventory report 2003 at: http://reports.eea.eu.int/technical_report_2003_95/en

To download the report follow this link: http://reports.eea.eu.int/technical_report_2003_95/en/tech_95.pdf

Russian Kyoto ratification could cause price hike in EU ETS

[Stian Reklev, Carbon Market Europe, 01.06.04] If Russia elects to ratify the Kyoto Protocol, the likely consequence for the EU emissions trading scheme (ETS) would be a short- to mid-term increase in the allowance price, while enabling the system to operate within a stable legal environment at the same time, experts said.

On Friday 28 May, Russian President Vladimir Putin announced that the agreement with the EU over Russian WTO membership could only have a positive effect on the Russian process of ratifying the Kyoto Protocol, and that the ratification process would now be sped up. He did not in fact say more than that, so press stories roaming the Internet claiming that Putin has promised to ratify Kyoto should be treated with caution.

There is still rather a long way to go. However, Putin's comments did put the subject of Russian ratification firmly back on the agenda, so there should be reason to start asking how the entering into force of the Kyoto Protocol could affect the EU emissions trading scheme.

"To the extent that Putin's statement increases the likelihood of the entry into force of the Kyoto Protocol, it also increases the need for Member States to reduce emissions in trading as well as non-trading sectors," commented Atle Christiansen, Point Carbon's Director of Research.

"This is important, not least since emissions in sectors like transport show a steady upward trend, while implementing appropriate abatement measures has proved difficult. Hence, the signals from Russia may provide additional leverage to the Commission in enforcing the requirement that Member States should allocate in a manner that is consistent with a path leading towards the achievement of each country's Kyoto target. In sum, this may imply a tightening of the NAPs submitted this far," Christiansen said.

The chance that EU allocation plans, and targets elsewhere in the world, could become stricter once the Kyoto Protocol suddenly becomes reality is an idea supported by Laurent Segalen, Director, Head of Climate Change at PricewaterhouseCoopers (PwC).

"If Russia ratifies the Kyoto Protocol, and it enters into force, this will send a very strong political signal to regulators around the world. In Europe and Canada it might lead to more stringent NAPs, as OECD regulators might no longer use the 'non-ratification' argument to justify over-allocation above their Kyoto targets," he told Point Carbon.

"On the other hand, Russian ratification would lead to increased access to ERUs (and even CERs), and more generally the use of flexible mechanisms will be easier as the international legal system of international trading will gain regulatory robustness. There are still developing countries reluctant to authorise Kyoto credit eligible projects because of its non-entry into force," Segalen argued.

So, in the context of the Kyoto Protocol, EU ETS companies would be left with harder targets, but greater access to compliance credits. Good or bad?

"All in all, companies within the EU ETS would enjoy a higher degree of long-term certainty through Russian ratification. Management and investment policy would be somewhat easier for them, as a more stable legal environment would be created. Companies can always find a way to react to increased costs, but regulatory uncertainty is much harder to manage," Segalen concluded.

While the offer of project credits would increase, at least in the mid- to long-term, so would competition for them. Kyoto entering into force would force European governments, as well as Canadian and Japanese companies, out into the market. If the Kyoto risk was removed, many buyers currently sitting on the fence would quickly start searching for viable projects.

A recent Point Carbon analysis suggested there would not be much for them to purchase, however; several major project developers and brokers have sold out almost all their portfolio. Numerous projects are being developed, though, especially in India. Removal of the Kyoto risk would imply a project development boom as project developers would have less difficulty obtaining local financing and would expect higher CER prices. Prices might increase in the short-term due to the combination of surging demand and constrained supply if Kyoto were to enter into force quite soon, as developing new projects takes at least 1-2 years. This would provide a bullish signal for EUAs.

All this is hypothetical for a while still, however, as illustrated by broker Paddy Shord at GFI: "Prices for EUAs have not reacted in any particular fashion to the news about Russian potential ratification. This is most likely explained by the continued uncertainty, the fact that the market is not focussed on trading in phase 2 (for which Russian JI credits would be relevant) and the market being more concerned by immediate issues such as the actual final NAP levels," Shord told Point Carbon.

Commission set to move away from renewables target

[Carbon Market News, 13.05.04] The European Commission is set to abandon its long-term targets for use of renewable energy sources. It will miss its 12 percent target of energy use from renewables by 2010, and only manage 10 percent.

According to draft EC proposals, the Commission has concluded on the basis of the missed target to drop further long-term goals, according to EUpolitix.

A commission spokesman defended the move, saying; "When you haven't managed to do something there is no point in saying you'll do something more difficult instead…If we are talking about law, not dreams, the member states have said they will never, ever accept compulsory targets," he continued.

It was only earlier this year that the European Parliament stated that the EU should get 20 percent of its energy from renewable sources by 2020.

A spokesman for Greenpeace told EUpolitix.com that relying on other climate change measures such as emissions trading to bring energy consumption down was "premature to say the least". She added that the statistics used by the commission to get its ten percent figure were three years old and out of date.

For further information see EUpolitix at: http://www.eupolitix.com/EN/

Please note that in spite of the European Commission's retreat from renewable energy use targets, the international renewables 2004 conference in Bonn saw some 165 statements on and commitments to the development and funding of alternative energy sources. For further details see: http://www.renewables2004.de/

Increasing fears expressed that the EU will not be tough enough on NAPs

[Jacqueline Cottrell, FÖS, 16.06.04] Companies have been predicting that the European Commission will make only limited use of its powers to veto over-generous national allocation plans (NAPs), according to emissions broker Natsource.

Dirk Forrister of Natsource attributed the falling forward market price of allowances, which slumped from €13 per tonne in February to €7 in mid-May to over-generous allocations of emission allowances to industry. He said; "the prevailing view [among firms already trading forward contracts for allowances] is that the NAPs are not going to be tightened up that much [and that] the consensus is that the scheme is going to have a fairly modest start". He pointed out that the European Commission's scope to intervene could be limited by political and time constraints: "The question is, does the Commission have the political muscle to ratchet [the NAPs] down? It's not going to just go through the motions, but there's a tight time frame, they want the scheme up and running, and the politics are difficult. There'll be endless speculation for the next few months."

Two speakers from the European Commission declined to comment on the NAPs at a the 2nd Annual Brussels Climate Change Conference on 11 and 12 May, except to repeat general concerns about over-allocation. Environment commissioner Margot Wallström has previously insisted the EU will take robust action against any NAP it feels may undermine the scheme. Head of the Commission's environment directorate Catherine Day told delegates that the Commission was also worried that plans by several member states to hold back some allowances for "new market entrants" might distort the market towards the end of the scheme.

In the month after the conference, the UK environment ministry and the Confederation of British Industry (CBI) called upon the European Commission to take a stringent line on weak NAPs submitted by other EU states in a joint statement issued on 9 June. In so-doing, the British government hopes to secure "the credibility of emissions trading as a mechanism for engaging other key countries, including the United States".

The prime concern of British business is financial. The statement reads; "many other EU countries face a stiffer challenge [than the UK] simply to meet their Kyoto targets…The Commission must see to it that their plans at the very least deliver on these commitments. British business sees it as vital that they are operating on level ground."

Links: Natsource home at: http://www.natsource.com conference organised by http://www.ceps.be/Default.php Conference details see: http://www.euconferences.com/climatechange04.htm

For details of EU Conferences see**:** http://www.euconferences.com/index2.htm

UK Environment Ministry: http://www.defra.gov.org, joint statement from Margarett Beckett and CBI Director General Digby Jones at http://www.defra.gov.uk/news/statements/040609.htm.

See the CBI homepage at: http://www.cbi.org.uk/home.html

Wind power offsets 15Mt CO_2

[Carbon Market News, 05.05.04] In 2000, some 15 million tons of CO_2 emissions - the main greenhouse gas contributing to climate change - were avoided across 28 European countries through wind energy generation.

This figure could quadruple by the end of the Kyoto Protocol commitment period, according to a report by the European Wind Energy Association (EWEA), and the European Commission's Directorate General for Transport and Energy (DG TREN), called "Wind Energy - The Facts" launched in the week beginning 11 June 2004.

The report provides a comprehensive overview of wind energy's past, present and future in the EU-25 covering: technology, costs and prices, industry and employment, environment, market development and R&D.

The wind industry has changed significantly over the past decade. Global installed capacity has increased from 2,500 MW in 1992 to just over 40,000 MW at the end of 2004, at an annual growth rate of near 30 percent. Over 75 percent of this capacity has been installed in Europe.

EWEA President Professor Arthouros Zervos said: "Wind energy provides electricity equivalent to the household needs of 35 million European citizens today, but few people know this - one symptom of the widespread lack of knowledge about the technology".

Penetration levels in electricity production have reached 20 percent in Denmark and about 5 percent in both Germany and Spain. The north German state of Schleswig-Holstein has 1,800 MW of installed wind capacity, enough to meet 30 percent of the region's total electricity demand, while in Navarra (Spain) 50 percent of consumption is met by wind power.

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This carbon offset could be ramped up with the uptake of wind power. According to the report, in a conventional scenario, the world wind energy market would reach some 80,000 MW by 2007 and 161,000 MW by 2012. In the advanced scenario, the world market would reach 106,000 MW by 2007 and 311,000 MW by 2012.

Gunther Hannreich, Director of New Energies and Demand Management at the European Commission's DG TREN, said: "This energy option will have a large impact on meeting the targets contained in the EU directive on renewable electricity and will contribute to fulfil the Kyoto commitments and to foster economic growth and employment."

EWEA projects that wind power will achieve an installed capacity of 75,000 MW in the EU-15 (the report predates the enlargement of the EU) by 2010 if positive policy support continues to develop. This would represent an overall contribution to electricity supply of 5.5%. By 2020, this figure is expected to increase to more than 12%, with wind power providing electricity equal to the demand of 195 million European household consumers.

European Wind Energy Association home: http://www.ewea.org/

"Wind Energy: The Facts" project website at: http://www.ewea.org/06projects_events/proj_WEfacts.htm

Linking Directive 'may revive JI'

[Camilla Taylor, Carbon Market News, 17.05.04] The new EU 'linking' Directive could breathe new life into the Joint Implementation market, according to Camilla Taylor of Vertis Finance.

The linking Directive was adopted by the European Parliament on 20 April 2004. It allows European companies to use from 2008 carbon credits (ERUs) from JI projects against their emissions reduction caps under the EU trading scheme. The Directive changes the JI host country league table, published by Point Carbon and Vertis Environmental Finance.

The view taken in the JI host country rankings published prior to amendment and approval of the Linking Directive was that the JI potential in the New Member countries had withered, with the Visegrad countries (Czech Republic, Hungary, Poland and Slovakia) being overtaken by Romania and Bulgaria as the most promising suppliers of ERUs.

The key issue is that project baselines must be equivalent or below the standards imposed by the body of EU law, or Acquis Communautaire. With the linking Directive set in law, the Acquis will still impose restrictions on the emission reductions eligible for JI crediting in the new EU member states.

What has changed are the provisions introduced to deal with the conflict between JI and the EU ETS. With a bold revision, the new text in the Directive provides a mechanism for Governments to approve and credit JI projects that lead to either a direct (developed by a trading sector participant) or indirect (developed by a non-trading sector participant) reduction in emissions covered by the EU ETS.

Projects outside the trading sector, whose JI emission reductions lead to indirect displacement of trading sector emissions (the wind farm example), may also receive ERUs, but EU allowances equivalent to the displaced emissions must be deducted from the total available to the trading sector during 2008-12.

This could be a great opportunity for Central Europe, allowing JI projects to take place that were either previously ruled out or would have materialised later as EUA deals - delayed until knowledge of second phase allocation. In addition, the supply of first phase EUAs could be strengthened with EU ETS participants motivated to accelerate project development and so benefit from eight years of carbon finance.

As always, this will be dependent on political decisions, and clear communication of support.

Indeed, incorporating the linking policy updates into the JI Host Country Rankings alters the previous pecking order, moving the Slovak and Czech Republics to equal first place with Romania, followed by Bulgaria. The other new EU members remain ranked in the same order with more optimistic scores

However, unless certainty on the national mechanisms for JI crediting is provided swiftly, ERU deal flow may be sub-optimal. There is a reasonably small window for JI activity – especially given the likely enlargement (sectors and gases) of the ETS trading sector from 2008.

As the date of publication of second phase NAPs approaches, there will be diminishing returns for Central European companies considering JI. Project developers may prefer to forward sell EUAs once they know their 2008-12 allocation; transaction costs of JI will start to outweigh the benefits of the ability to lock in to certain cash flows through sales of ERUs.

EU air pollution rules "don't harm industry"

[Environment Daily, 04/05/04] There is virtually no evidence that EU air pollution legislation has significantly damaged the competitiveness of European industry, according to a consultancy study released by the European Commission's enterprise directorate. The study was ordered following an EU conference on industry's environmental performance inNovember 2003, at which competitiveness concerns were a prominent theme.

Focusing just on air pollution legislation, the Commission's study picks apart the various ways in which it has been claimed EU controls could be damaging industry and demolishes them.

Air pollution standards in the EU and major trading partners the USA and Japan are broadly similar, despite detailed differences. European legislation tends towards "command and control" regulation more than America's, but in both regions there is a trend towards greater use of economic instruments, which tend to have lower costs to industry.

The costs to industry of all these laws is similar: industrial environmental expenditure as a percentage of gross value-added is 0.1 percent in Japan and 0.4 percent in both the EU and USA, the study says. More important than the four-fold difference is the fact that all the costs are so small as to be unlikely to have competitiveness effects.

EU air pollution controls are indeed stricter - and more strictly enforced - than in non-OECD trading partners such as China, the study concedes. However, China does have a substantial body of legislation, in some cases comparable with OECD countries, and there is growing pressure for air quality improvements.

Even allowing for lower air pollution standards in developing countries, there is no real evidence of industry relocation in response. In any case, it is clear that labour costs and access to market are much more important than environmental legislation, the study concludes.

In general, air pollution legislation costs less in practice than is predicted before it is passed. And though there is some evidence of increased costs, these are usually small in relation to wider price effects or other factors. One example given is that whereas it was predicted that EU vehicle emission controls introduced since 1993 would boost new car prices by up to 20 percent, in practice prices fell by 7 percent in real terms.

While attempting to set the historical record straight, the study suggests that the same arguments will have to be fought again over future air pollution changes. Specifically, it notes that the EU is continuing to tighten its legislation, whereas there are no such plans in Japan, and draft US policy would actually weaken controls in some respects.

Important EU laws affecting industrial emissions are not yet fully implemented, namely the integrated pollution prevention and control (IPPC) directive, the national emission ceilings directive, daughter laws to the air quality framework directive, the amended large combustion plant directive and, most recently, the EU's greenhouse gas emission trading scheme.

Next year, the European Commission is due to propose a new EU strategy on air pollution growing out of the Clean air for Europe programme. Taken together, these initiatives “are likely to have very large effects on future air pollution policy and EU industrial performance,” the study notes.

Links: European Commission: http://europa.eu.int/comm/enterprise/

Download the study at: http://europa.eu.int/comm/enterprise/environment/reports_studies/reports/study1.pdf

3. GREEN BUDGET REFORM IN SINGLE EUROPEAN COUNTRIES

UK: Climate Change is the Most Important Long-Term Global Issue says Tony Blair at Launch of the Climate Group

(British Embassy Berlin, 28.04.04) UK Prime Minister Tony Blair has pledged his support for a new organisation dedicated to accelerating the world's response to the biggest issue facing the planet today - climate change.

Launched in London on 27 April, The Climate Group is a unique, global, not-for-profit organisation. It brings together leading corporations; financial institutions; civil organisations; and state, city and national governments including the UK and Germany. By creating an arena for a formal exchange of ideas and practical experience, The Climate Group is poised to become a catalyst for accelerating progress to reduce greenhouse gas emissions.

Tony Blair, UK Prime Minister, said, “Climate change is the single most important long-term issue that we face as a global community. We are committed to the Kyoto Protocol. We believe it is essential that it is implemented”. He highlighted the need to push the climate agenda at a senior level: “for Britain's chairmanship of the G8 next year, there should be two issues for us: one is Africa, the other is climate change”.

Climate Group Chief Executive Dr Steve Howard said, “The Climate Group is looking beyond Kyoto. We know that there are many leading companies and governments dedicated to meeting or exceeding the Kyoto targets… I am delighted that we already have the support of many of the world's leading reducers including the UK Government which has committed to put its emissions on track for a 60% reduction by 2050.”

Over the next few months, The Climate Group:

1. Has held a major conference for leading 'reducers' in Toronto in mid-May. Subsequent meetings are planned in Europe, California and Australia.
2. Will launch a range of working groups to identify best practice and define leadership on a range of areas including, banking, transport and retailing.
3. Will launch a 'Carbon University' in early 2005, which will become a centre of learning and best practice for organisations wanting to improve their performance in reducing carbon dioxide emissions.
4. Will publish a globally comprehensive Climate Index every year, starting in June 2004. This will be a tool allowing companies and local and regional governments to assess their range of actions to reduce emissions and identify best practice.
5. Will document and publish a growing series of case studies on leaders in the field of reducing emissions.

Further Information and links:

The Climate Group's supporters include HSBC, NorskeCanada, Swiss Re, Jysk, Lafarge, BP, Shell, the Government of Victoria Australia, the UK Government, the German Government, the City of Toronto and environmental groups such as WWF-UK.

The Climate Group is a registered charity in the UK, founded by the Rockefeller Brothers Fund (RBF). For a transcript of Tony Blair's speech go to: http://www.number-10.gov.uk/output/page5716.asp

For more information see The Climate Group homepage at: http://www.theclimategroup.org

UK: Blair wavers on fuel tax increases in the face of protests

[Jacqueline Cottrell, FÖS, 12.06.2004] UK prime minister Tony Blair has pledged to review his government's planned fuel duty increases in September – by 1.9 pence per litre – seemingly due to his fears of widespread protests. His actions were able to prevent all but one protest going ahead – a planned disruption in Cardiff still went ahead because it was "too late in the day to postpone", said protest organisers. A series of events had been planned, including a "go slow" around cities including Newcastle, Birmingham, Manchester, Liverpool and London.

However, Blair's announcement will not put an end to the debate. The UK Green party and the environmental lobby are urging the government to stand behind their decision to increase the petrol tax in September. Speaking on the BBC's Breakfast programme, Mr Blair said ministers should understand the problems facing businesses and motorists because of the rise in world oil prices, while refusing to put a figure on just how high pump prices would have to soar before the tax increase was scrapped. He said, "I think it's sensible to keep it under review, because what's happened with oil prices and world demand and the worries over terrorism has meant the oil price has gone up." Those factors were not the result of government decisions, said Mr Blair, but the tax increase obviously was a decision for ministers.

Blairs comments follow Gordon Brown's announcement that a final decision on whether to go ahead with the increase would be delayed until late summer. "Rather than opportunistic, short-term, day-to-day reactions to fast-changing events - which do nothing for stability - I will review progress in August," the chancellor said.

Thankfully, Environment Minister Elliot Morley took a more environmental stance. Criticising protestors for their choice of tactics, he said; "demonstrators should think carefully about the world situation before heading out with their placards…Part of the price increases are driven by nervousness in the markets – threats of disruption won't help." He went on to point out; "It's right that the people who use the most fuel and pollute the atmosphere the most should pay for the damage they are causing. On average over the last 10 years the overall cost of motoring [in the UK] has if anything fallen in real terms - that's a point that seems to have been forgotten."

The UK Green party also responded to Blair's statement, pointing out that the environmental costs of transport should be reflected in a higher fuel tax. Dr Caroline Lucas, the Greens' principal speaker and MEP for the South of England, said; "Fuel prices don't reflect the huge hidden costs of road transport - its contribution to climate change, pollution-related ill-health and so on, as well as the costs of road building and accidents." These costs, she continued, amount to an estimated £40bn a year. The Green party have published a report, "Fair on Fuel, Fair on the Future", in support of the case for higher fuel taxation, which, Lucas claims, "shows how we can support small hauliers through difficult times, without being deflected from the urgent need to cut traffic to help stop climate change."

In a letter to chancellor Gordon Brown, green groups - including the leaders of Transport 2000, Green Alliance, Friends of the Earth, Greenpeace UK, WWF-UK and the RSPB - urged the government to make clear to road users that there is a link between road transport and climate change, as well as calling for increased investment in alternative means of transport, and incentives or regulations to encourage manufacturers to make cars more efficient.

Stephen Joseph, director of Transport 2000, said: "Increasing current supply and freezing duty may reduce fuel prices in the short term and take the heat off the situation, but will not address the pressing issue of climate change and the need to reduce our dependence on oil…The government should make the need to tackle climate change the focus of its response to any protests."

Links: Download the Green Party report, Fair on Fuel, Fair on the Future at:

http://www.greenparty.org.uk/files/reports/2004/FAIR%20ON%20FUEL,%20fair%20on%20the%20future%20Jun%20

04.htm
Transport2000 home at: http://www.transport2000.org.uk/

UK: Climate Protection: England takes the lead!

[Sonnenseite, 21.04.04, translated by Jacqueline Cottrell] Not Germany, as is often claimed, but England sets an example for the Rest of Europe in terms of climate protection.

Since April 2003, trading of hot air has been taking place in the UK, a topic of so much dispute that German government ministers Clement and Trittin were only recently – and many would say unsatisfactorily (editor's addition) – able to resolve it. 35 business, including Shell and BP, but not including a single concern from the power generation industry, are clubbing together to see who reduces emissions by the greatest amount – and the concern that reduces the most by 2006 will win.

British – in contrast to German – industry has a generally positive approach towards emissions trading. Emissions trading is "a cost-effective way to reduce greenhouse gases", said a speaker of the CBI, the Confederation of British Industry. With such levels of support, the Blair government plans to reduce CO_2 still further than planned, by 22 percent instead of 12.5. In Germany, Minister for Economics and Labour, Wolfgang Clement, is aiming to achieve just the opposite.

In Germany, it is more likely that a settlement with business is reached than with the Minister for Economics and Labour of the red-green government. The EU has committed itself to reducing climate damaging greenhouse gases by 8 percent by 2010 in the Kyoto Protocol, but thus far, EU states have achieved reductions of only 2.2 percent overall.

See the original article (in German) at Sonnenseite: http://www.sonnenseite.com/fp/archiv/Akt-News/4695.php

UK and Germany to see highest power price hikes: new report

[Carbon Market News, 04.05.04] A new report on the relationship between power and carbon reckons that power prices will rise by up to 40 percent in the UK and Germany.

This estimate is at the higher end of the range of estimates in a plethora of reports that have been circulating for the last few years.

Global Insight (formerly DRI-WEFA) published its annual European Power Price Report in the week beginning 3rd May in which it found that the impact of the EU emissions trading scheme (ETS), while increasing electricity prices in all major European markets, will be materially different across these countries due to their very different mixes of generating plants.

According to the study, Germany and the UK will see the largest electricity wholesale price rises, due to their strong reliance on coal plants to generate electricity, resulting in electricity prices increasing as much as 40 percent by 2010.

Power prices in Italy are forecast to rise 15 percent given current CO_2 market prices but could increase by up to 30 percent if those prices double. The smaller forecast impact on Italian prices, when compared to those in the UK and Germany, are due to its unusual mix of zero-carbon hydropower and high-carbon oil-fired plants.

Spain and the Netherlands are forecast to fare much better, with electricity prices rising only between 10 percent and 20 percent by 2010, depending on the market price for CO_2. Both countries rely primarily on gas-fired low carbon emitting power generation. Spain also benefits from its hydropower plants.

The study also found that Italy, Spain and the Netherlands will not be able to rely on emissions reductions from their power sectors to make progress against their Kyoto obligations and will need to import their CO_2 reductions from other countries.

Dr. Trevor Sikorski, Head of Global Insight's Power Service observed, "The expected price rises and windfall gains of some generator plants raises a serious question: Will governments stand by and allow industrial and household consumers to pay the higher electricity rates, with the main financial beneficiaries being the power generators' shareholder?”

Germany: e5 slams the German National Allocation Plan

[Stian Reklev, Carbon Market News, 28.05.2004] The European Business Council for Sustainable Energy, e5, has slammed the German National Allocation Plan (NAP), claiming that within the power generation sector it significantly counters the idea of emissions trading as a tool to reduce emissions at a low cost, as well as the imperative of free competition.

In a position paper on Germany’s allocation plan, e5 concluded that since the plan uses different benchmarks for coal and gas based power generation, “coal fired power plants get a much higher incentive per ton of reduced CO_2 than gas-fired ones.” The business organisation also claimed that the German NAP discriminates against potentially highly energy efficient newcomers.

“Grandfathering in general should allow the further operation of existing plants under the slight pressure of the fulfilling factor. It should not establish a competitive advantage on the basis of high historical emissions,” it said. “The actual transmission rule is only available for operators of old plants, although e.g., building high efficiency cogeneration by new competitors could lead to higher reductions at lower costs. The actual draw of the NAP discriminates newcomers against operators of existing older power plants with high specific emissions.”

e5 also proposes to feed unused certificates for old power plants back to the reserve, which would result in higher fulfilling factors.

Links: European Business Council for Sustainable Energy: http://www.e5.org

Italian companies left to ponder ETS impact

[Stian Reklev, Carbon Market News, 10.06.04] The draft Italian National Allocation Plan (NAP) sets realistic overall emissions targets, but a number of technicalities are left open, which makes it difficult to evaluate the quantitative impacts of the EU emissions trading scheme, according to Italian utility Enel.

The Italian draft NAP when published in April was subject to criticism, as many perceived it much too generous. At the Carbon Expo in Cologne today, however, Daniele Agostini of the Italian Ministry of Environment said he was surprised that people were surprised by the NAP.

“The important thing is the targets compared to the business as usual scenario,” Agostini said. He showed data illustrating that Italian companies covered by the ETS were asked to reduce emissions by 7.9 percent compared to the BAU scenario.

He added that people should notice that the NAP was in full accordance to the national climate change action plan, which recently has been adjusted. For example, the Italian Government’s use of flexible mechanisms has been set at 50 per cent, meaning that the country aims to buy 50-60 million tonnes CO_2 of emissions reductions annually.

Giuseppe Montesano of power giant Enel expressed pleasure over the overall emissions targets in the NAP, but added that so many technicalities were left open that it was very hard to do any sort of impact assessment at the time being.

His company is advocating the widest possible use of CDM and JI in order to ensure maximum flexibility for ETS participants.

“We have not yet designed a concrete CDM and JI strategy ourselves, as we still do not know where the NAP will leave us. Having said that, we do have activities in the Balkans and in Central America, and if some of our projects there can generate credits, we will take advantage of it,” Montesano told Point Carbon.

The Italian emissions trading act is currently being discussed in the Italian Parliament, and is expected to be adopted in early September. Only then will the country design an installation-level allocation plan. Daniele

Agostini admitted that this would make it troublesome for Italy to make the late-September deadline of submitting the final NAP, but expressed confidence that by 1 January 2005, Italy would be fully ready to participate in the EU ETS.

Draft Spanish NAP pushed back

[Ana Gutierrez Dewar, Carbon Market News, 15.06.04] Though declarations made in the second week of June 2004 by the Spanish Minister of Environment have filled the press with rumours of an immediate release, official sources today confirmed to Point Carbon that Spain's NAP is still being discussed and will not be out much before the end of June.

The European Commission has given Spain an extra month, until 1 August, to submit its NAP. In exchange, the three month evaluation period will be reduced to two. The extra month will be used by Spain, according to most experts, to carry out the obligatory public consultation procedure. The plan will most probably opt for the least radical route, following the Irish model, and take into account those sectors or industries which have introduced anticipated reduction measures. The aim is to achieve compliance of Kyoto targets with a double approach of flexibility for industries affected by the directive and strict measures in non-regulated sectors such as agriculture, transport and private energy use.

The final text will be presented at the Delegate Commission for Economic Affairs, which takes place every Thursday. Though most of sectors affected by the directive have claimed "catastrophic" effects of a strict NAP, the unrealistic assumptions taken to reach some of the predictions have created uncertainty in the Administration as to the real extent of the impact. The deep division of views within the electricity sector – with Endesa and Unión Fenosa on one side and Iberdrola on the other – is creating further complications during negotiations within the sector.

The draft text sets two clearly differentiated periods, in accordance to the Directive. During the first three years (2005-2007), companies will have to start reducing emissions, but with a flexible approach and with 'margins' for penalization for non-compliance. From 2008 to 2012, a sharp emissions cut will be enforced. It seems the proposal will take historic emissions into account, with calculations made from 2000. Another of industry's demands, voluntary pooling, has also been included. Please note that this is according to non-official information circulating amongst the many stakeholders waiting impatiently for concrete information.

New Landfill Tax In Catalonia, Spain

[Ignasi Puig Ventosa, ENT Environment and Management, 11.05.2004] On 13 June 2003, the regional government of Catalonia (Generalitat de Catalunya) passed a law creating a new landfill tax (Llei 16/2003 de finançament de les infraestructures de tractament de residus i del cànon sobre la deposició de residus), which came into force on 1 January 2004.

The rate of the tax is €10 per tonne of urban waste. Municipalities and any other users pay this amount to landfill managers, who are responsible for passing the money on to a special fund (Fons de Gestió de Residus) created by the regional government. The law determines that the tax is earmarked and that at least 50 percent of the funds generated must be used to reduce the cost of managing biowaste coming from household source separation. At present, the remaining revenue is used for funding the cost of collecting biowaste and recyclables; reducing the quantity and toxicity of landfill refuse; and developing public information campaigns.

Revenue raised by the fund is channelled back to the municipalities where source separation is active, based on the following rates (for the year 2004):

Concept	Rate
1. Biowaste treatment	€32.5 / tonne

2. Biowaste source separation and collection	€11.2 / tonne
3. Paper / cardboard source separation and collection	€27.0 / tonne
4. Active recycling centre in the municipality	€0.5 / inhabitant
5. Treatments to reduce the quantity and improve the quality of land-fill refuse	€1.6 / tonne

Rates for concepts 1 and 2 are multiplied by a coefficient dependent on the level of impurities in the collected biowaste, as detailed below:

Biowaste quality	Maximum level of impurities	Coefficient
Optimal	10 percent	1.2
Intermediate	20 percent	1.0
Low	30 percent	0.7

In addition, the rates for concepts 2, 3, 4 and 5 are adjusted using the following coefficients based on the size of the municipality:

Type of municipality	Population	Coefficient
Rural	Less than 5,000	1.50
Semi-rural	5,000 – 49,999	1.28
Urban	More than 50,000	1.00

In future years it would be interesting to include home composting and source separation of green wastes among the concepts that benefit from the revenue from the tax.

As a result of the tax incentives it is likely that new municipalities will implement source separation. It is therefore projected that the fee per tonne paid by the fund to the municipalities will decrease in the future. To prevent this and to enhance the positive effects of this taxation scheme, the regional administration is already analysing a possible increase of the tax rate in 2005.

The Catalan Government is also considering the possibility of creating a new tax (between €5-10/tonne) on waste incineration. Unfortunately, the rest of Spain shows no signs of advancing towards the use of economic incentives to promote changes towards a more environmentally sound waste management system.

Liberalisation of waste treatment gets difficult without common environmentally based minimum tax levels

[Soren Dyck-Madsen, The Danish Ecological Council, 17.06.04] Just a few years ago it was unthinkable that Danish waste incineration firms should fight to get enough waste. Waste producers and transporters were told to bring waste to the nearest site where the waste could be treated properly by the local authorities and a degree of overcapacity was seen as a means of securing proper treatment.

Due to the increasingly pressured market situation in this sector, the situation today has been turned completely upside down. Now overcapacity has become a threat to the financial survival of each waste treatment company, especially those that have invested in modern waste incineration plants which release minimal levels of environmentally harmful substances.

In Denmark, this increasingly competitive market has triggered a situation where every waste producer opts for the cheapest solution, unmindful of the risk that this might imply a higher output of harmful substances or require longer transport distances to bring waste to the cheapest incineration plant rather than the best or the nearest.

This boom in waste transport is attributable to the many different market and taxation conditions applicable to the waste incineration sector in Denmark. These conditions are not the same for all waste incineration plants, and they cannot change by themselves.

First of all, Denmark has a rather high and differentiated waste disposal tax introduced to provide incentives for waste reduction, waste re-use and waste recycling and to provide incentives to incinerate flammable waste in order to re-use the energy it contains and to prevent waste disposal in dumps. This system of different taxes does work very well in Denmark – but since there is no such taxation in Sweden, it triggers some waste tourism, where waste is transported from Denmark to Sweden to be burned in Swedish waste incineration plants. Of course, this leads to an even greater degree of overcapacity in Danish waste incineration plants, and has triggered pressure on the Danish authorities to allow waste import from Germany, for example. Reducing such environmentally harmful waste transportation requires a common minimum rate of taxation at EU-level.

Secondly, some Danish industries, such as cement manufacturers, also seek to attract supplies of waste as a fuel, since it is cheaper for them to burn waste instead of other more heavily taxed fuels.

Thirdly, Denmark has introduced a tax on heat produced for district heating systems by waste incineration. The tax base is the heat itself, but it remains unclear who is going to have to pay the tax – the waste incineration plant or the district heating company. In addition, some waste incineration plants do even have their own district heating systems, allowing them to redirect the tax costs directly to heat consumers, leaving the incineration plants in a better competitive situation than those plants that pay the tax and are unable to pass these costs on to heat consumers. As a consequence, the tax must be added to the price paid by waste producers instead – leaving these plants in a difficult position within the market.

Since all bigger waste incineration plants do produce both electricity and heat, their financial survival is very dependent on the price they can demand for the heat and electricity they produce. The price of electricity does not pose any particular problem, since the price is almost the same all over Denmark, but price of heat results in still more inequalities for individual waste incineration plants. This is because the pricing of heat – which normally equals the marginal price for similar heat that can be bought by the district heating company from other producers, typically co-generation plants – and this price is certainly not the same for all district heating companies and therefore not the same for all waste incineration plants either.

If the market for waste incineration is liberalised still further, and if local authorities are no longer permitted to demand that waste produced in households and in certain industries must be treated properly and in the near vicinity, then the situation could become unbearable for some of the most environmentally viable incineration plants in Denmark. This could result in a situation where waste transportation is very common, even including waste for incineration abroad – and the lack of proper waste treatment taxation in Sweden is the biggest problem in this respect. It could result in a situation where plants with older environmental equipment will attract more waste because their prices are lower than those plants that perform best environmentally.

The results of further liberalisation of the waste treatment 'market' will lead to substantial environmental damage if this policy is implemented without thorough investigation of the present situation and without creating common minimum requirements for taxation and pricing to reduce or prevent domestic and international waste transport and tackle the current price incentives for treatment in the oldest incineration plants.

An even better suggestion would be to stop the ongoing liberalisation of the waste treatment market, introduce strict regulations for its environmental impact, and use monopoly controlling authorities to regulate price and cost regulations.

Norway: Environmental Harmful Subsidies

[Soren Dyck-Madsen, The Danish Ecological Council, 17.06.04] According to the Norwegian NGO "The Future in our Hands", the Green Tax Commission in Norway had already proposed phasing out a number of Norwegian State subsidies harmful for the environment in 1996. In the short-term, they recommended phasing out subsidies for construction and maintaining forest roads and ditches, forestry in difficult areas, transport subsidies for agriculture, subsidies for fishing boats, subsidies for coalmining on Svalbard, transport subidies for petrol and diesel, and investments in regional road projects.

An investigation by "The Future in our Hands" shows that these State subsidies have clearly been reduced. In 1996, a total of 470 million NKR in environmentally harmful subsidies was paid out to a number of sectors. In 2000, subsidies added up to approximately the same amount. But after this date, subsidies were very much reduced. In 2004, the state budget for these environmental harmful subsides has been set at between 150 – 200 million NKR – the equivalent of 17 – 23 million Euro.

"The Government would have deserved praise if this had been a sustainable development and the result of a clearly defined and consistently pursued policy. However, this does not appear to be the case, since a new transport subsidy agreement has been introduced, applicable from 1 January 2004. It will cover the additional costs for transport for those industries situated further away from more central areas and rough estimates show that this transport agreement will cost about 200 million NKR (23 million Euro) every year" said Guri Tajet of "The Future in our Hands".

More information – in Norwegian: http://www.fivh.no/index.php?artikkelid=1272&back=1

Swiss Government forced to consider fuel tax

[Carbon Market News, 19.04.04] The Swiss Environment Agency says a tax on carbon dioxide emissions is inevitable, as Switzerland will not meet its targets on cutting greenhouse gases. The agency's latest figures show that Switzerland cannot hope to reduce levels by ten per cent by 2010. The Agency said existing measures were insufficient and would only lower emissions by 3.8 per cent.

"We'll have to take additional measures to fulfil… the goals of the [Swiss] CO_2 law and our commitment to the Kyoto Protocol [to reduce greenhouse gas emissions to pre-1990 levels]," said Thomas Stadler, head of the agency's economy and climate section.

Friday's figures confirm earlier findings and compel the government to introduce a fuel tax in order to fulfil the law on CO_2 emissions introduced in May 2000. The law aims to reduce levels by 2010 to ten per cent below what they were in 1990.

Climate levy

To achieve this, Switzerland has pledged to reduce consumption of all heating fuels by 15 per cent and of all motor fuels – petrol and diesel – by eight per cent. These measures include a set of voluntary pledges by 1,000 Swiss companies to cut their plant and factory emissions by 15 to 20 per cent by 2008.

The agency has put forward two proposals to the government. Bern could either tax both heating and motor fuels, or it could tax the former and introduce a levy of one centime per litre on petrol and diesel. "For the traffic sector, the idea of this climate levy is to generate revenues of perhaps SFr100 million per year to finance measures to reduce CO_2 emissions," Stadler told swissinfo. CO_2 emissions account for around 80 per cent of all greenhouse gases.

Prognos consultancy, which produced the report for the Swiss environment agency, took into account growing population trends, stagnating economic growth, heavier motor traffic and the efficiency of current measures. The firm predicted that CO_2 emissions from motor fuels would rise by 8.8 per cent by 2010, rather than drop by 8.0 per cent – a difference of 2.6 million tonnes. CO_2 emissions from heating fuels, on the other hand, are expected to fall 11.4 per cent – but this is still short of the target of 15 per cent.

The decision-making process to establish which of four options for fuel tax Switzerland's government will introduce is unlikely to be concluded much before the end of 2004. A consultation is planned in autumn, and the results of this would then need the approval of the upper house. The measures are not expected to come into force until 2006. See the Swiss government's press release below for more details of possible policy strategies to be debated and for an overview of the decision-making process.

Several environmental organisations, including WWF Switzerland and Greenpeace have condemned the idea of a "climate-cent" tax, arguing that it allows higher CO_2 emissions in Switzerland and only serves the oil industry.

Links: Swiss Info at: http://www.swissinfo.org/sen/Swissinfo.html?siteSect=511&sid=4220093

Swiss Upper house to have consultation on CO_2 emissions levy

[Press release from the Federal Department of Environment, Transport, Energy and Communications, Generalsekretariat UVEK, 11.06.04, translated by Jacqueline Cottrell] Before passing the legislation on climate policy goals, the Swiss upper house plans to insert further measures to the law, including four possible variations on climate policy protection. Three of these include CO_2 emissions, one includes voluntary 'climate centime' payments on greenhouse gases. During the discussion, the upper house decided to submit these variations to consultation in autumn. Which one will then be definitely put forward by parliament will depend on the results of the consultation, procedures in other European countries and the competitive situation of the Swiss domestic economy. A definitive decision will be made following evaluation of the consultation results.

Climate experts anticipate global warming of between 1.4 and 5.8 degrees celsius by the end of the century. As far as we know today, this is as a result of massive increases in greenhouse gas emissions (particularly CO_2). This has very probably resulted in more frequent occurrence of extreme weather conditions, such as extremely hot weather and heavy storms. In Switzerland, this will probably lead to an increase in the area under threat from landslides and flooding. To slow down this climate change, the international community negotiated the Kyoto Protocol, ratified by Switzerland, which stipulates the reduction of greenhouse gas emissions by 8 percent in the period 2008-2012. The law passed by parlimant is crucial for the realisation of this climate policy in Switzerland.

The latest outlook in terms of CO_2 shows that measures thus far taken in Switzerland have not been sufficient for meeting targets set by the CO_2 law by 2010. If no further measures are taken, then CO_2 emissions by 2010 will only fall by 3.8 percent in comparison to 1990 levels, rather than by 10 percent, as stipulated by the CO_2 law. Loopholes still remain in relation to solid and liquid fuel. The law stipulates that the upper house must introduce and agree on the rates of a CO_2 emissions levy, if the climate policy goals cannot be reached.

The upper house praised the voluntary efforts of businesses to reduce CO_2 emissions. More than 600 businesses have agreed voluntary targets with the Swiss Federal Department of Environment, Transport, Energy and Communications. Of these, 300 wish to receive exemptions from possible levies in the future. However, it has become clear that these measures will not be sufficient to fulfil the law.

For this reason, the upper house feels there is room for further negotiation. In a consultation, to take place in autumn, it wishes to sound out the carrying capacity of different versions of a CO_2 levy and 'climate centime' payments on fuels. One reason to impose a levy on CO_2 is the efforts already made by business – only a CO_2 levy can prevent some companies being penalised for having undertaken voluntary efforts in the past. The following variations will be discussed:

- A CO_2 levy on fuel for heating and transport. The levy is planned to amount to approximately 9 centimes per litre on "extra-light" heating oil and levies on other fuels will be progressively increased from 15 centimes per litre to between 20 and 30 centimes per litre at a later date.
- Moderate levies on CO_2 deriving from fuel for heating and transport, from which a share of the proceeds will be used to purchase certificates abroad. The rate of the levy will be restricted to 15 centimes (rather than 30 as in variation 1, above). This partial earmarking will require a revision of the CO_2 law.
- Introduction of a CO_2 levy on heating fuels of approximately 9 centimes per litre on "extra-light"

heating oil. Climate payments should be voluntary at first on fuels for transport. The CO_2 levy remains an option in this case, if the 'climate centime' payments are not sufficiently effective.

- Introduction of 'climate centime' payments on liquid fuels. Revenues from this source would be used to finance measures in the solid and liquid fuel sectors. A levy on CO_2 will not be introduced at first and instead, trust will be placed in voluntary 'climate centimes'. The CO_2 levy remains an option in this case, if the 'climate centimes' are not sufficiently effective.

The CO_2 levy is not a tax, but a steering mechanism, the revenues of which are returned to the economy and the public. The 'climate centime' is a voluntary measure, the profits of which will be used to forward energy efficient and cost savings measures and for the purchase of certificates from abroad.

The upper house has asked the Swiss Federal Department of Environment, Transport, Energy and Communications to draw up a suitable legal framework and to submit it to the consultation in autumn. Financial, economic and climate-political effects in particular are to be inserted in their different variants. Following delivery of the results of the consultation, the upper house will decide what measures will be taken.

Offsetting Measures Abroad

With or without 'climate centime' payments, the CO_2 law will give the upper house the power to take CO_2 reduction measures undertaken abroad into account. The upper house will use this information and stipulate a framework in a parliamentary regulation. The following points will be stipulated in detail:

- Quality requirements and proof of measures taken to reduce CO_2 emissions abroad
- Quantity of measures to be offset from abroad ("supplementarity")
- Quantity of heating fuel measures to be offset from fuel goals.

This parliamentary regulation on the offsetting of measures abroad from CO_2 goals should be passed by the upper house at the same time as the decision on the variations above is passed.

UVEK homepage: http://www.uvek.admin.ch/index.html?lang=de

For the original press release in German see:

http://www.uvek.admin.ch/dokumentation/medienmitteilungen/artikel/20040611/01924/index.html?lang=de

Czechs and Slovaks Move Toward Lorry Tolling

[Environment Daily, 24/05/04] Heavy goods vehicles using the Czech Republic's main roads will have to pay electronically calculated tolls from 2006, the government decided on 19 May. Only vehicles over 12 tonnes will pay tolls initially, but these will quickly be extended to all vehicles over 3.5 tonnes to stay in line with current proposals to further harmonise the existing EU framework on lorry charges, the so-called eurovignette.

Currently, 3.5-12 tonne and over-12 tonne vehicles pay an annual charge of EKr7,000 (â‚¬450) and EKr14,000 respectively to use Czech motorways. This is a symbolic payment that takes no account of the true cost of damage, maintenance costs and the burden of building new roads, according to the transport ministry.

The ministry estimates heavy vehicles will pay around EKr3-4 extra per kilometre when the new toll system is introduced on 3,000 kilometres of motorways and main trunk roads. "More efficient charges will be a step in the direction of making heavy vehicles meet the true costs of the infrastructure they use, encourage more efficient transport and raise money for the transport sector," said spokeswoman Ludmila Roubcova.

The Slovak government is also considering the introduction of electronic tolls by 2006 on heavy vehicles. Spokesman Tomas Sarluska said there were signs that a similar system could be introduced in the Visegrad Four countries (the Czech and Slovak Republics, Poland and Hungary).

Links: Czech transport ministry http://www.mdcr.cz/ , Slovak government http://www.government.gov.sk/ , Ends Daily article on incentives for greener mining in the Czech Republic: http://www.environmentdaily.com/articles/index.cfm?action=article&ref=16845

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International renewables conference sparks ambitious renewables targets

[Carbon Market News, 04.06.04] The international renewables conference in Bonn from 1 – 4 June saw some 165 actions and commitments announced on the use and financing of renewable energy. According to German Environment Minister Jürgen Trittin, the commitments will reduce CO_2 emissions by some 1.2 billion tonnes annually by 2015.

Germany launched an action plan on renewables during the conference, through which it will make €500 million available for increased renewable capacity over five years from 2005. The money will be put into a new finance facility administered by Kreditanstalt für Wiederaufbau (KfW). This will take Germany's spending on renewables to €1 billion since 2002, a press release from the Ministry of Environment said.

Along with Germany, China, the Philippines and the Global Environment Facility (GEF) will play vital roles in saving the 1.2 billion tonnes of CO_2 per year (currently, the total global greenhouse gas emissions are some 30 billion tonnes CO_2e).

China announced at the conference that it intends to increase the use of renewables to some 10 per cent of total installed energy capacity by 2010, or 60 GW installed. 50 of the 60 gigawatts would be small hydro, the rest spread between wind power (4 GW), biomass (6 GW) and solar power (450 MW). To reach this target China will have to invest, together with its partners, €50 billion.

The Philippines aims to become the world's largest user of geothermal power plants. The country plans to double its renewable capacity by 2013, adding another 4.700 MW through geothermal and wind.

GEF said it would support renewable energy projects in developing countries by $US100 million a year, while the World Bank promised to increase its annual contribution to renewable energy and energy efficiency by 20 per cent over the next five years.

"With the results from Bonn the world is on its way. The age of renewables has begun," announced Trittin as the conference ended.

Review of the international renewables conference 2004: http://www.renewables2004.de/

For more information on renewable energy see the above article, "Commission set to move away from renewables target".

Targeting Russian emissions trading scheme

[Stian Reklev, Carbon Market News, 11.06.04] The Russian Energy Carbon Facility, an entity established by "Unified Energy Systems of Russia" (RAO "UES") has begun work to establish a voluntary domestic emissions trading scheme in Russia.

Mikhail P. Rogankov, Chief Executive Officer at the Energy Carbon facility, told a conference in Cologne that the initiative had been taken to establish a scheme in Russia where companies can buy and sell emissions allowances. For the time being the initiative has been presented to the management of RAO "UES" – a company that represents 2 per cent of global CO_2 emissions, roughly the same amount as all of Canada.

"The work has just begun, and for the management this is still a completely new concept," Rogankov told Point Carbon. "We have only started sharing experiences with companies such as Shell, and are looking at whether it is worthwhile – which I think it is," he said.

He stressed that such a scheme, regardless of how strict it would be, would increase energy efficiency, cause energy savings and help the growth of renewable energy use in Russia.

"There is a long way to go, but I am confident that it is realistic to establish such a scheme. A concept has been presented to management, and it would be beneficial if it was approved during 2004," he said.

One stumbling block for the plan could be the current reorganisation of the gigantic company. It could be split up into several smaller entities, which could end up as competitors in a Russian ETS, according to Rogankov.

“The concept is not limited to RAO ”UES“, though. It should be open to anyone who would want to participate.”

Rogankov told Point Carbon that he thought the concept could be done even if Russia does not ratify the Kyoto Protocol. It would be voluntary in the early phase, but would look to become compatible with the EU ETS in the long run.

“It is all a matter of allocation, and the scheme could not carry large penalties, like the EU ETS. In the beginning it woull merely function as stimulation for environmental managers, but its long-term potential is far greater,” Rogankov said.

On the prospect of Russia ratifying the Kyoto Protocol, Rogankov told the conference that President Putin is a man of his word, so there could no longer be a discussion of if Russia will ratify, but when.

Russian Ratification of Kyoto: International Organisations Still Optimistic

[Jacqueline Cottrell, FÖS, 16.06.04] In hindsight it seems that the confirmation by EU Ministers of the connection between Russia's WTO entry and Russian ratification of the Kyoto Protocol at an informal ministerial meeting of EU ministers in Ireland in mid-May was a little too premature. At the time, EU ministers recognized that Moscow sees WTO accession and Kyoto Protocol ratification in parallel. "From their perspective, the whole WTO process and Kyoto obviously have a symmetry about them," said Irish environment minister Martin Cullen to Reuters. The signals coming from Russia were, EU environmental ministers said, very positive. Martin Cullen was reported as saying that he expects “a conclusion in not too distant future,” while British environment secretary Margaret Beckett confirmed that Russia continues to claim they do wish to ratify at some point.

However, the negotiations do not appear to have been quite as successful as they first appeared. Immediately after the weekend of negotiations, the Russian Academy of Sciences published their long-awaited report rejecting the Kyoto Protocol on 18th May – and argued that the agreement is of a discriminatory nature, would entail economic risks for Russia and is not at all in keeping with Russian interests, as well as being without scientific foundation. Although not all members of the Academy take such a negative view, the declaration was unsurprising in the face of widely and loudly voiced opposition to the Kyoto Protocol at the academy.

Nevertheless, President Putin claimed on 21 May at a press conference that although the Kyoto decision had been postponed for three months the previous day, he fully intended to “speed up Russia’s movement toward the Kyoto Protocol’s ratification”. In a statement reported by ITAR-TASS, Putin is recorded as saying; “We support the Kyoto process, but we have some concerns in connection with the commitments we have to undertake”.

Stephan Singer of WWF welcomed the presidential statement: "it will make some governments and businesses realise that Kyoto's here and they'll have to get used to it," he said. But he warned there were "still a lot of anti-Kyoto people" in the Russian power hierarchy and that ratification was not cut and dried. This realisation may well be behind the EU's guarded reaction. Mr Putin said Russia still had "certain concerns as to the liabilities we shall be expected to assume"; the country's parliament must give its approval before ratification can happen.

Klaus Toepfer of UNEP corroborated Putin’s declarations, telling Reuters on 7th June 2004 that he believed that Russia is likely to ratify the Kyoto Protocol this year, thereby salvaging the Kyoto agreement and finally permitting it to come into force. Although Putin has not set a deadline, UNEP head Klaus Toepfer told Reuters that he expected Russia to ratify by the next meeting of Kyoto signatories, scheduled for December in Buenos Aires. "I hope they will do it before the next conference of the parties, and I believe that there is quite good information backing this," he said on the eve of World Environment day. The next conference of the parties is in December in Buenos Aires. A UNEP source said Toepfer had never been so optimistic about getting Russia on board.

Russian ratification is so important because Kyoto cannot come into force unless it is ratified by countries responsible for 55 percent of rich nations' "greenhouse gas" emissions. Since the USA abandoned Kyoto in 2001 Russia's participation has become critical to meeting the target. It has reached 44 percent and Russia's 17 percent will tip the balance.

If Russia were to sign, it would represent a powerful political boost for the EU as it has championed the Kyoto protocol internationally and aligned its climate change policies closely to the treaty, to the extent of committing to meet Kyoto gas reduction targets under the emissions trading scheme ETS even if the protocol doesn't enter force (see the Special on Green Taxes and Emissions Trading in Green Budget News Edition 7). Rising concerns in Europe's business community over climate change policy have been strongly linked to fears that Russia might not ratify, which would potentially leave the EU politically and economically isolated. The same fears prompted EU energy commissioner Loyola de Palacio to suggest that the EU needed a "plan B" in case the protocol never entered force.

Additionally, ratification is expected to result in an increase in the market price of credits form the Kyoto project mechanisms CDM and JI that many EU governments and firms expect to use to meet their green house gas reduction commitments. Once the protocol enters force both Japan and Canada are expected to enter the market as significant buyers. Tim Atkinson of carbon market broker Natsource told Environment Daily on Monday that prices had not yet moved, however. "[Putin's statement] sends a signal that Kyoto is getting ever closer, but it will take time to filter through to the market," he said.

Not only that, but the example of legal obligations on richer countries could also make it easier to bring big developing-world polluters India and China into the fold, Toepfer said. Moreover, Kyoto's entry into force will trigger a flow of aid to help the developing world tackle its emissions problems, U.N. officials say. "As long as there is not a chance to prove...that developed countries are committed to implement what they are asked to do in Kyoto, it will be very difficult to convince anybody else to have in mind any commitment for a secondary phase," Toepfer said.

ChevronTexaco, Valero, Devon commit to emissions reductions

[Carbon Market News, 17.05.04] Faced with shareholder resolutions requesting reports on their preparedness for world constraints on carbon dioxide emissions, U.S. oil and gas companies have taken two distinct directions in response.

Two companies have made commitments to develop policies on carbon dioxide emissions and one company pledging to reduce emissions, while three more refused the requests and were hit with large percentages of shareholders voting against management on the resolutions last week.

Working with shareholders, San Antonio-based Valero, the largest independent refiner in the US, committed to reducing its 2008 emissions levels by 5% (1.8 million tons/year), and greatly expanded the climate change disclosure on its website. Oklahoma City-based Devon had its resolution withdrawn when the company committed to expanded disclosure on climate change. And ChevronTexaco, in the wake of a resolution requesting further investment in renewables last year, has become a quiet industry leader on climate change. The company has become the first (and only) oil company to disclose its entire greenhouse gas footprint, including the emissions associated with the use of its end product (e.g. emissions from cars that consume its gasoline). The company has taken the fundamental step of assuming a cost for carbon (of $5-$20/ton) whenever it considers a new capital investment, and is considering a major investment in renewable energy. All of these measures, say the investors, are key to protecting the value of investments in the industry.

Other companies refused to address shareholders' concerns and found record numbers of investors voting against management on the proposal. A record 37% of Houston-based Apache shareholders, 28% of Anadarko shareholders, and 27% of Marathon shareholders voted in favor of the resolution, which requested:

"...the Board to prepare a report (at reasonable cost and omitting proprietary information) by September 1, 2004, explaining how the company is responding to rising regulatory, competitive and public pressure to significantly reduce GHG emissions."

The shareholder filers, collectively representing over $250 billion in assets, include the New York State pension funds, a foundation, socially responsible investment firms, and a number of major religious pension funds associated with the Interfaith Center on Corporate Responsibility (ICCR), a coalition of 275 religious institutional investors that helped coordinate the filings. The resolution filings also were coordinated in part by CERES, a coalition of investors and environmental groups that has been active in promoting investor awareness of global warming risks.

Proxy measures were filed with the above companies, as well as with ExxonMobil and Unocal, both of which have annual meetings later in May, by: American Baptist Churches, Boston Common Asset Management, Christian Brothers Investment Services, Inc., Domini Social Investments, Ethical Funds, General Board of Pension and Health Benefits of the United Methodist Church, Nathan Cummings Foundation, the New York State Common Retirement Fund, Province of St. Joseph of the Capuchin Order, Sisters of St. Dominic of Caldwell, NJ, State of Connecticut Retirement Plans and Trust, State of Maine Trust Funds, Trillium Asset Management, and Walden Asset Management.

Caroline Williams, Chief Financial and Investment Officer, Nathan Cummings Foundation, and filer at Valero, said: "We commend Valero on its forward-looking response to manage a very serious risk facing the oil and gas industry. We also look forward to working together to make sure that the company is positioned to benefit from, not be blindsided by, the growing public and investor awareness and concern about climate change, GHG emissions, and long-term shareholder value."

Steven Heim, Director of Research, Boston Common Asset Management, and a filer with Apache, contrasted the companies' approaches: "While others in the industry have felt it prudent to address climate change at the highest levels of their organizations, Apacheąs only public statement on climate change and the risks of emissions constraints has been on the 2004 proxy, in arguing against our proposal. But lack of examination does not make for lack of risk. We hope that the enormous number of investors a record 37% requesting this disclosure will spur Apache into action to safeguard long-term value."

Leslie Lowe, Director of Energy and Environment Programs at the Interfaith Center on Corporate Responsibility said: "Religious pension funds are concerned about stewardship of the planet as well as stewardship of their substantial holdings, and so have been requesting this type of information for a long time. We are heartened to see this industry starting to wake up to the reality that not only should it respond, but that it has the capital and the technical know-how to lead into the new energy realities of the 21st century. We hope all companies will head in this direction."

This was the first year when shareholders broadened their concern to smaller, independent exploration and production companies, such as Devon and Apache. These companies, the shareholders say -- which only drill for and produce oil and gas and are not diversified with distribution or retail operations -- are even more vulnerable to regulatory- or market-based limits on carbon dioxide emissions worldwide.

Andrew Logan, Oil Industry Analyst, CERES, said: "All oil companies essentially operate in the same global markets and are susceptible to the same emerging regulatory structures around the world so the disparity of response among the companies is disturbing. We are heartened to see some major U.S. companies pushing past the insularity caused by lack of policy at the Federal level, and responding to shareholders' requests that they manage the risks, and seize the opportunities presented by the worldwide desire to limit carbon dioxide emissions."

Unocal faces a similar resolution later this month. ExxonMobil successfully challenged the resolution at the Securities and Exchange Commission after putting out a report it claimed, and investors disputed, documented the companies' plans on the issue. ConocoPhilips, responding to resolution last year, is expected to put out a comprehensive climate change policy later this year.

Link to the original article, published by Greenbiz.com: http://www.greenbiz.com

The ISEO World Sustainable Energy Mix Scenario for Environmentally Compatible Energy Strategies

[Gustav R. Grob, F.IP, Executive Secretary ISEO, Geneva, mailto:info@uniseo.org] The energy supply for a growing world population is facing fundamental change for three reasons:

1. Depletion of the mineral energy resources coal, oil, gas and uranium within a few generations
2. Hazards and risks from the emissions of conventional thermal power plants and engines
3. Conservation of the fossil feed-stocks for the chemical and metallurgical industries

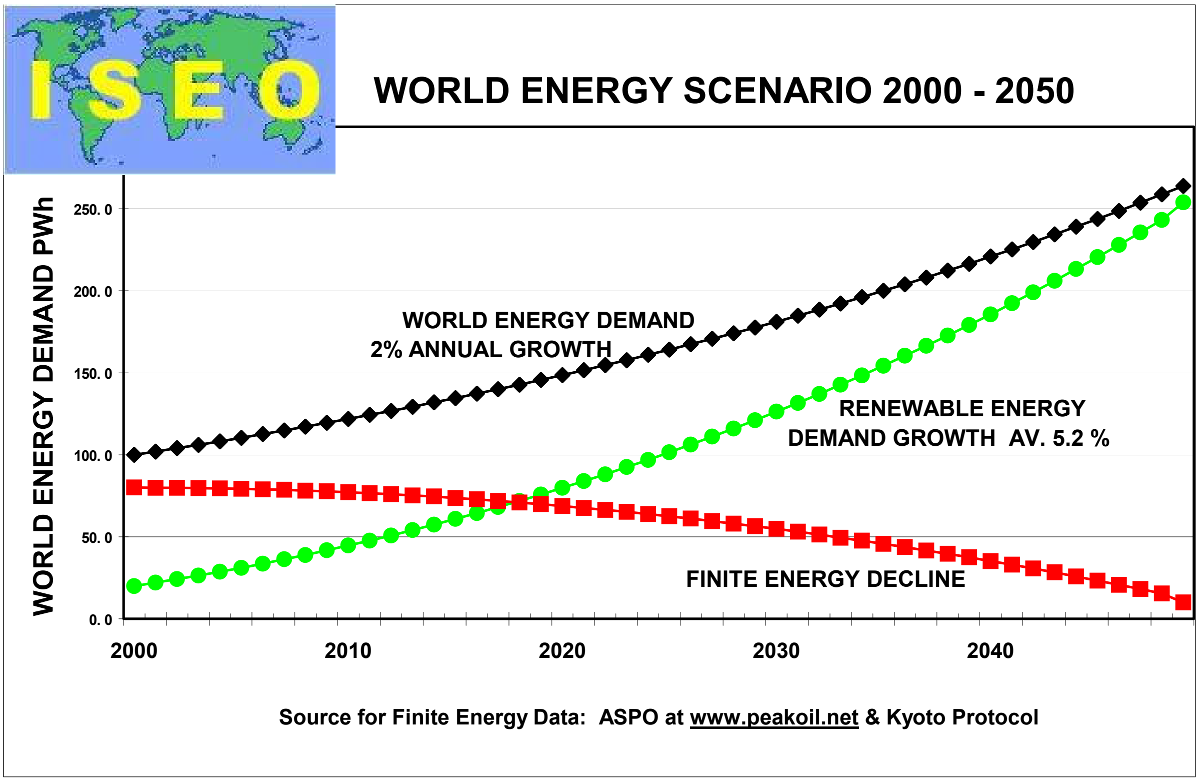
To cope with these serious problems, benign, renewable energy systems must be multiplied within a few decades to replace conventional thermal power and heating systems and vehicle drives.

Alternative solutions are investigated by an ISEO task force for the period 2000 – 2050, with a projection of the new, long-term sustainable energy mix for a prosperous survival on Earth.

The ISEO energy model, characterized by increasing sustainability, assumes that the annual world energy consumption growth will be limited to a cumulated average of 2 % as shown in the graph with the black curve, which means in practical terms a convergence of the energy consumption of affluent nations with developing nations to a reasonable average of some 20'000 kWh per capita.

The red depletion curve of mineral energy resources is based on current reserve assessments and the urgent need to reduce such consumption to safeguard the health, biosphere and climate.

For the resultant green curve comprising "Green Power & Heat" and "Clean Vehicle Fuels" detailed forecasts are shown for all energy options, enabling the transition to a sustainable energy mix, resulting in an annual world energy investment volume of some 1000 billion USD/EUR.



From an Abstract for the ***International Energy Workshop*** jointly organized by the Energy Modeling Forum (EMF), International Energy Agency (IEA including ETSAP) and IIASA, to take place from 22nd-24th June 2004 at the IEA, Paris, France.

Links: download the original document at: http://www.iiasa.ac.at/Research/ECS/IEW2004/docs/2004A_Grob.pdf

Access the workshop program at: http://www.iiasa.ac.at/Research/ECS/IEW2004/program.html

Vote on US climate change bill delayed; climate change strategy launched in Massachusetts

[Carbon Market News, 04.05.04 and 06.05.04] Republican lawmakers in the Connecticut House of Representatives succeeded on Monday 3rd May in postponing a vote on legislation designed to help reduce greenhouse gases in the state, saying it would be a burden on businesses and may force some companies to leave the state.

Their efforts came shortly after US Sen. Joe Lieberman, D-Conn, and a group of lawmakers, including a few Republicans, announced the legislation was headed for certain approval, reported Associated Press.

But by mid-afternoon, Republicans in the House succeeded in having the climate change bill routed to a committee for further consideration. Legislative leaders in the House said they will take up the bill for a vote Tuesday 4th May.

The bill passed the Senate unanimously in the last week of April. The end of the legislative session is at midnight Wednesday 5th May. It creates a framework for New England states and eastern Canadian provinces to work together to reduce greenhouse gas emissions. According to the legislation, levels would be reduced to 1990 levels by 2010 and 10 per cent below 1990 standards by 2020, wrote the Associated Press.

On a more positive note, Governor Mitt Romney unveiled a comprehensive agenda on climate change on 6th May, which officials said would make Massachusetts the first state to consider the impact on greenhouse gases when state regulators evaluate highway projects and other public construction plans.

Massachusetts, which was the first state to regulate carbon dioxide emissions from power plants, would go further by basing its transportation planning and funding decisions in part on the greenhouse gases that projects would produce. The plan also suggests giving the owners of hybrid cars tax breaks and the right to use high-occupancy vehicle lanes even without passengers.

The Massachusetts Climate Protection Plan represents the state's effort to meet regional emissions goals that New England's governors and Eastern Canada's premiers embraced in 2001.

The plan was cheered by environmental groups, which had hoped for a strong signal that Romney would extend the previous administration's efforts to limit greenhouse gases. "Governor Romney is making it clear that he understands that failure to act on climate change is not an option," said Frank Gorke, of the Massachusetts Public Interest Research Group. "And that he understands that, to rise to the challenge of reducing pollution, states have to lead by example."

The plan features roughly 70 policy initiatives – including proposed laws, incentive programs, and regulatory changes - some of which are in the works. Since the plan does not estimate how much its measures will reduce emissions, it is unclear whether it will meet its stated goals of reducing greenhouse gases to 1990 levels by 2010 and by what amounts to a further 10 percent by 2020.

The administration did not provide an estimate of how much the plan would cost.

The final plan backed off one key provision of an earlier draft obtained by the Globe: a commitment to reduce greenhouse gases by 75 percent to 85 percent by the year 2050. That deadline would have made Massachusetts the first state to set a date for achieving the reductions many climate specialists say are needed to slow global warming.

The administration had planned to release the report at an Earth Day event on April 24, but delayed the report for nearly two weeks for review by the governor, state agencies, and business and environmental groups. The final plan calls for the same long-term reductions, but does not set a target date.

That change drew fire from some environmentalists.

"Timing does matter," said Kevin Knobloch, president and chief executive of the Union of Concerned Scientists, a national scientists' group concerned with environmental issues. "Greenhouse gas emissions stay in the atmosphere for over 100 years and our ability to avoid those worst impacts for our children in their lifetimes is dependent on our aggressively reducing emissions in the first half of this century."

Australia boosts climate change funding but shies away from emissions trading and CO_2 tax

[Carbon Market Europe, 11.05.04 and 15.06.04] The Howard Government of Australia is investing AUS$463.6 million over the next four years in strengthening of its climate change programmes. $70.3 million of new funding will build on existing commitments. The Government's $463.6 million investment includes $260 million for eleven new measures that aim to limit Australia's greenhouse gas emissions while maintaining a strong and competitive economy.

Spending by the Australian Greenhouse Office in 2004-05 will be $116.6 million – an increase of $19.5 million over 2003-04. $2.6 million is also being provided to the Office of the Renewable Energy Regulator (ORER) in 2004-05 for the continued administration of the Mandatory Renewable Energy Target (MRET). The 2004-05 Budget takes the Howard Government's total funding allocated for climate change measures to more than $1 billion, the Government announced on 11th May.

The Government will invest $463.6 million over the next four years in:

- Emissions management - $334.4 million to position Australia to further reduce its greenhouse signature as the economy continues to grow strongly. This includes $130.8 million for new measures and $203.6 million for existing emissions management programmes;
- International engagement - $22.6 million to strategically contribute to global climate change policy;
- Strategic policy support - $28.5million to advance whole-of-government climate change policy-making;
- Impacts and adaptation - $14.2 million to address the risks, capture opportunities and prepare Australia for the impacts of climate change; and
- Science and measurement - $63.8 million to build understanding of the science of climate change, and capacity to accurately measure greenhouse emissions trends.

Approximately four weeks later, on 15th June, Australia's Prime Minister John Howard also unveiled an energy white paper. It rejects calls for emissions trading or a carbon tax, introducing instead incentives and research money for renewable energies.

The centrepiece of the Prime Minister's white paper, Securing Australia's Energy Future, is a $500 million investment fund to promote technologies that reduce greenhouse gas emissions. There is also $134 million to develop renewable energy and $75 million for a solar cities trial in Sydney and Adelaide households, to run for five years starting in 2006.

Recent opinion polls confirm that the environment is back on the political agenda and could play a big role in this year's federal election. On announcing the white paper, PM John Howard issued a statement rejecting calls to impose a carbon tax on producers and consumers, which economists say would encourage carbon trading and eliminate the need for governments to "pick winners" to reduce greenhouse emissions. He also reaffirms his resistance to signing the Kyoto protocol, unless the US reverses its stand and supports the treaty, even though Australia is on track to meet its Kyoto commitment.

Sydney and Adelaide residents will qualify for subsidies when they install solar panels, new home insulation and "smart meters" to sell excess electricity they generate back to the power grid as part of the federal Government's A$700 million environment programme. The trial will include installation of the smart meters, which will wind backwards if excess solar power is generated and send it back to the grid.

The Government wants the $500 million investment fund to go towards developing solar power, geosequestration and traffic measures to reduce congestion. It also wants to promote geothermal power generation.

Successful applicants will receive $1 in government funding for every $2 they invest. The $134 million renewable energy fund will be provided over seven years to help get new technology onto the market.

The Government's huge boost to environment funding comes as Russia has revived the Kyoto protocol on greenhouse gases, a film about global warming has become a worldwide blockbuster, and the green activist Peter Garret has joined the Labour Party.

But is it unclear whether the Government will extend its solar electricity rebate program, for which funding has not been confirmed beyond the middle of next year. The rebate gives householders up to $4000 to pay for solar energy systems.

Kyoto threatened as Conservatives lead Canadian polls

[Olga Gassan-zade, Carbon Market News, 15.06.04] The announcement of the Canadian Conservative Party that it will pull out of the Kyoto Protocol acquired a somber poignancy in the week beginning 14th June when the polls were released showing Conservatives in the lead in the up-coming parliamentary elections in Canada.

Canadian Conservatives reject Kyoto on an ideological basis. A party deep-rooted in oil-rich Alberta, they share many views with the Bush administration in the US. Should they win, Conservatives plan to replace Kyoto with a Clean Air Act, re-directing climate change funding to other environmental issues, such as smog and conventional pollutants.

Although about 80% of the Canadians are supportive of Kyoto, they are disillusioned with the performance of the current Liberal government. Kyoto is not an election issue in the debate dominated by health care, economy, and government accountability.

Dismissive mood in Canada means trouble for Kyoto elsewhere. If the Canadians withdraw, Kyoto critics in Russia would be quick to hail it as yet another sign that Kyoto is “fatally flawed,” while for President Putin lack of international support for the treaty would make ratification an even harder political decision.

With Canada and Russia outside of Kyoto, Japan, which already has difficulty controlling greenhouse gas emissions domestically, would want to be out too - a truly cataclysmic scenario for Europe.

Right now it is hard to foresee mechanisms that can be deployed to get Canada out of its Kyoto commitments. Technically a Conservative Prime Minister would be able to do so unilaterally, without the support of the legislature. Yet this scenario will be likely only if Conservatives are able to form a majority government.

The Tories are the only party in Canada that is currently opposed to the Kyoto Protocol, which means in case a minority government is formed under their leadership, they will face a political backlash in the House of Commons should they try to pull out of the Kyoto Protocol unilaterally.

“If there will be a Conservative minority government, I don’t think Kyoto is threatened,” Alex Boston of Vancouver-based David Suzuki Foundation told Point Carbon. “Such an unpopular, unilateral move would mean losing the next confidence vote in the House of Commons… It would not be able to pass the budget, for example, and the government would collapse.”

In Canada, it takes 155 seats to win a majority in the new 308-seat House of Commons. The polls published in Canadian press forecast that the Conservatives would win 114 to 118 seats, and the Liberals 104 to 108. The Bloc Quebecois, the social-democratic party representing Quebec, would hold the balance of power with 61 to 65 seats, while the National Democratic Party of Canada (NDP) is likely to get 21 to 25 seats.

The race being so tight, it’s hard to predict what will actually happen on 28th June. It is certainly a date to watch for carbon market observers.

5. EVENTS

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

As noted in the editorial, 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 on 25th 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. To register for one of the last places left, contact Green Budget Germany at: foes@foes-ev.de

Download the programme at: http://www.eco-tax.info/downloads/GB-D_Konferenzprogramm.pdf

29.-30.06.2004, Brussels, Second Annual European Environmental Markets Conference

The conference, arranged by the Emissions marketing Association in Brussels, Belgium, will take place on 29th and 30th June and will focus on the status of implementation of the EU ETS and the development of Renewable Energy Credit (REC) trading in Europe.

For more information, see: http://www.emissions.org/conferences/brussels04/

02.-03.09.04, Budapest, Environmentally harmful subsidies and ways to eliminate them

Organised by the Clean Air Action Group, Hungary, European Environmental Bureau and the Hungarian Academy of Sciences, with the financial support of the European Commission (Phare Access) and the Hungarian Ministry of Environment and Water, this conference focuses on direct and indirect state subsidies harmful to health and the environment.

Direct and indirect state subsidies for activities harmful to the health and the environment place a huge burden on society. Much less needs to be spent on environmental and health tasks if these subsidies are eliminated. This will also enhance considerably the efficiency of the economy. The governments are keen on reducing the state budget deficits, however generally have not yet ventured to contemplate the benefits of removing direct and indirect subsidies, which finance seriously health-damaging and environment-polluting activities. The aim of the present conference is to stimulate the process of eliminating such subsidies.

The international conference will take place in the Hungarian Academy of Sciences, Budapest, Budapest V., Roosevelt tér 9. Download the draft conference programme here: LINK to details and programme (in Green Budget News 8, SubsidiesConferenceDraftAgenda.doc and .pdf also)

6. LINKS AND PUBLICATIONS

Communiqué from Creating the Climate for Change: Sustainable Energy Finance

On 1-2 June 2004, the Sustainable Energy Finance event "Creating the Climate for Change" brought together 260 members of the finance community, government officials and project developers from 37 countries in Bonn as part of the International Conference for Renewable Energies. Download the communiqué from SEFI, a platform to provide financiers with the tools, support and networks to drive financial innovation that improves the environmental performance of the energy mix at http://sefi.unep.org/docs/Communiquefinal.doc , find out more about SEFI at: http://sefi.unep.org/about.htm

Energy subsidies in the European Union: A brief overview

This report synthesises data from a range of sources to estimate the size of subsidies to the energy sector in the 15 pre-2004 Member States of the European Union. It finds that the level of subsidies to fossil fuels remains high despite their environmental impacts, while support for renewable energy sources is increasing steadily.

Download the report at: http://reports.eea.eu.int/technical_report_2004_1/en

Energy Policy (Elsevier Science)

The most recent issue of this publication contains articles on CO_2 abatement policies and renewables.

Link at:

http://www.sciencedirect.com/science?_ob=IssueURL&_tockey=%23TOC%235713%232004%23999679985%23496878%23FLA%23display%23Volume_32,_Issue_14,_Pages_1567-1670_(September_2004)%23tagged%23Volume%23first%3D32%23Issue%23first%3D14%23Pages%23first%3D1567%23last%3D1670%23date%23(September_2004)%23&_auth=y&view=c&_acct=C000050221&_version=1&_urlVersion=0&_userid=10&md5=2529f30ceb16098114cf831f6eacddcc

Information on Ecological Tax Reform in Germany in French, English and Spanish

This link is for German Ministry of the Environment, information on ecotax reform in Germany - in French, German, Spanish and English. English link: http://www.bmu.de/en/800/js/download/b_oekosteuerreform_en/

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

This UNEP report can be downloaded at:http://www.unep.ch/etu/publications/energySubsidies/Energysubreport.pdf

Dutch Energy Policies From A European Perspective

A new report from the Energy Research Centre of the Netherlands, entitled "Dutch energy policies from a European perspective" highlights four major national topics that dominated policy discussions in the Netherlands during 2003, including the introduction of the EU ETS.

Download at: http://www.ecn.nl/docs/library/report/2004/p04001.pdf

Towards An Effective Implementation Of CDM Projects In China

This paper aims to address how CDM projects will be effectively implemented in China by examining the major CDM capacity building projects in China with bilateral and multilateral donors, the treatment of low-cost, non-priority CDM projects, and how a system for application, approval and implementation of CDM projects is to be set up in China and what roles the main institutional actors are going to play in the system. It can be downloaded from: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=555906

The EU Nap Process: Implications For Future Prices

The report is the first in a series of four reports providing price forecasts for the EU ETS. The current report focuses on the NAP process and its implication for future EUA prices.

For more information, see: http://www.pointcarbon.com/category.php?categoryID=158&expand=158

Interdisciplinary Environmental Review

The current issue of this journal contains the article "Can Kyoto Protocol Parties Induce the United States to Adopt a More Stringent Greenhouse Gas Emissions Target?". Published by Rowman & Littlefield:

For further information, see: http://www.rowmanlittlefield.com/RL/journals/IER/Index.shtml

Conference report of the 5th British-German environment forum

The report of the conference, that took place in Berlin, 5-6 February 2004, can now be downloaded from the Anglo-German-Foundation website: http://www.agf.org.uk/pubs/publications.shtml

Download the complete report as .pdf at: http://www.agf.org.uk/pubs/pdfs/1457web.pdf or Robert M Worcester(MORI)'s presentation on "Public Opinion in Germany & Britain regarding energy/environment and other issues" at http://www.agf.org.uk/BGEF/BGEF2004opinion.pdf

More about the British-German Environment Forum: http://www.agf.org.uk/BGEF/BGEF.shtml

7. READERS' GUIDE AND IMPRINT

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