GREENBUDGETNEWS NO. 16 – 2/2006

EUROPEAN NEWSLETTER ON ENVIRONMENTAL FISCAL REFORM

Editors:

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

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Quotation of the month:

"Socialism collapsed because it did not allow the market to tell the economic truth. Capitalism may collapse because it does not allow the market to tell the ecological truth."

Øystein Dahle, former Vice President of Exxon for Norway and the North Sea

1. EDITORIAL

Welcome to the 16th edition of Green Budget News

Green Budget Germany has plenty of news about itself for readers in this edition. In May, we organised a productive and informative international 2-day conference in Berlin, once again combining high-level debate and discussion with our Annual General Meeting. At the conference, we awarded the third Adam Smith Prize for Environmental Economic Policy to former Environment Minister Jürgen Trittin. Both the conference and the prize received a great deal of press attention, as did Green Budget Germany's comments on the new Energy Taxation Law which came into force on 2nd August.

This issue also highlights early problems with the next round of emission trading. Not only did nearly all EU Member States fail to submit their National Allocation Plans on time, but late submissions have come under fire from several sources including the Deutsche

Bank. The German government's decision not to auction certificates has also been criticised.

As well, we look at developments in the EU and around the world as regards environmental fiscal reform. Much has been happening in the UK (see also the leading article, below), Germany and France, and we also have articles looking at developments in France, Austria and Hungary as well as the Baltic States and Scandinavia. Perhaps somewhat surprisingly, market-based instruments for EFR have received some positive press in the USA: Lester Brown of the Earth Policy Institute, Gregory Mankiw (Harvard professor and former chief economist for George Bush) and New York Times journalist Thomas Friedmann are just some of the leading figures in the States to have recently called for environmental taxation. What is more, California and Britain have brokered a deal to pool expertise on clean technologies and work together to develop market mechanisms to reduce GHG emissions.

We hope you enjoy this issue of Green Budget News. Please do not hesitate to send us comments, criticisms or articles for our next issue! We would love to hear from you.

Best wishes,

Jacqueline Cottrell (Green Budget Germany)

Climate change goes to the heart of the political agenda

(*Jacqueline Cottrell, Green Budget Germany, May 2006*) The environment was put firmly at the top of the political agenda during April and early May in the UK, as climate change and other environmental issues came to play a significant role in local election campaigns in England and Wales.

As a result, both David Cameron and Gordon Brown made key speeches on the environment in April: David Cameron in Oslo during a so-called 'fact-finding' trip to Norway, Gordon Brown in a speech in the USA, in which he called for a global carbon market.

Mr Cameron expressed support for a tighter limit on emissions from UK industry within the next phase of the European Emissions Trading Scheme and revealed his plan to introduce a carbon levy to address CO_2 emissions more precisely than the climate change levy.

While tweaking the climate change levy to improve its precision as regards CO_2 emissions is laudable, whether Cameron's rhetoric will be backed up by concrete policy proposals remains to be seen. The UK Green Party is not alone in criticising his approach, claiming that he is a 'blank page' when it comes to concrete environmental policy. As well, they cast doubt on his ability to tell Tory-voting drivers of large gas-guzzling 4-wheel drive vehicles to stop, let alone implement the necessary legislation to make it more difficult for them to do so. What is more, the UK Conservatives do not have a reputation for being in favour of market-based instruments, and the realisation that claiming to be 'green' on its own is not sufficient to win voters over to the Tory cause may be just around the corner.

On a more positive note, green posturing on the part of the Conservatives may have been one reason for their resounding victory in the local elections, in which they enjoyed their best results since 1992 and won more than 300 new council seats – a fact they would do well to remember while implementing local legislation.

Meanwhile, Gordon Brown voiced his support for extending and strengthening the European trading scheme as a stepping stone towards a global carbon market, highlighting the enormous economic and employment potential of investing in environmentally friendly technology and urging greater investment in clean sources of energy to reduce carbon dioxide emissions and counter rising energy prices. The Chancellor told the *Financial Times* that the big issue "is whether politicians can move beyond words to talking about the substantial policies needed."

While Robert Napier, Chief Executive of WWF-UK, reacted positively to both speeches in the first instance, saying: "We are very heartened that the urgency of climate change has hit home with two of the most senior politicians in the UK. It is vital that Mr Cameron and Mr Brown have highlighted the crucial importance of emissions trading and an international target-based approach to cutting carbon emissions", others were less optimistic. Tony Juniper, Friends of the Earth Executive Director, said: "Gordon Brown has a crucial role to play in tackling climate change, and it is encouraging that he is making this a major theme of his latest trip abroad. But he has not given the issue sufficient priority at home. His Budgets could have played a major role in making it easier and cheaper for the public to cut their impacts on climate change. But he has merely tinkered in the margins. Green taxes have fallen under his chancellorship, while emissions have risen. Will the Chancellor move beyond words and deliver the substantive policies needed?"

And that, in the end, is the crux of the matter. It seems environmental groups and voters probably feel much the same way about the political climate in the lead-up to the elections: rather suspicious that the hype will turn out to be little more than hot air. In view of past policy making, it seems likely that both sides were talking big about the environment, but are unlikely to follow up with seriously ecological policy decisions. It would be nice if we were all proven wrong – but that remains to be seen.

2. GREEN BUDGET GERMANY NEWS

Conference in Berlin at the Heinrich Böll Foundation: Ecotax not Merkel-tax: The Further Development of the Ecological Tax Reform in Germany

Green Budget's annual conference took place this year in Berlin from 5th – 6th May, in co-operation with the Heinrich Böll Foundation. The focus of the conference was the further development and expansion of the ecological tax reform under the grand coalition. This conference was in response to the similarities between Angela Merkel's approach to the proposed VAT increase and one of the central projects of the previous Red-Green government: increasing indirect taxation and lowering ancillary wage costs. This support for VAT increases constituted a turnaround for the German social democratic party, the SPD, since it had heavily fought and argued against it. But it is somewhat also a turnaround or even an add-on for the German conservative parties, the CDU and the CSU, as they had previously vehemently opposed the ecotax, which after all functions using the same mechanisms. In addition, the Convervatives, though they had the courage to announce an increase of the VAT to finance a lowering of the unemployment security contributions, now abused the opportunity and do only use about one third to lower this contribution, but use two-thirds to simply finance the state budget deficit – a sin they would have never accepted in case of the ETR.

In view of the new political situation in Germany, we felt it was the right time to analyse the economic-ecological project of the previous Red-Green government. What effects had the ecotax had? Which criticisms still remain? Where can and should the ecotax be improved?

And how could the further development of an ecological fiscal reform help to reduce the impact of the unpopular VAT increases and to drive on the process of rendering the social economy more ecological?

For presentations and speeches from the conference (in German) please see:

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

For the response to the conference in the press (also in German, selected articles translated below), please see:

http://www.foes.de/downloads/PresseKonferenz2006.pdf

Besides: When Merkel proposed an increase of the VAT (in German called Mehrwertsteuer) some media and social democrats, then in the red-green government, further named the tax "Merkel-Steuer" given certain similarities of her name and the German term for VAT.

Adam Smith Prize 2006 awarded to ex-Environment Minister Jürgen Trittin

This year's Adam Smith Prize for Environmental Economic Policy was awarded to a politician for the first time, the former Environment Minister Jürgen Trittin, who has served the cause of environmental fiscal reform with a combination of tenacity, farsightedness and political agility.

Dr. Anselm Görres award speech to Mr. Trittin (in German):
http://www.foes.de/downloads/AdamSmithPreisTrittin.pdf

Press release (also in German):
http://www.foes.de/downloads/2006_05%20PM%20Adam-Smith-Preis.pdf

Fotos:
http://www.foes.de/3aktuelles/BilderKonferenz2006.html

Links to other articles (in German):
In the *Süddeutsche Zeitung*:
http://www.foes.de/news39/2artikel1.html
and http://www.foes.de/news39/2artikel3.html

The *Tageszeitung*:
http://www.foes.de/news39/2artikel2.html

Call to restart German energy tax escalator

(ENDS *Europe* DAILY 2092, 8. May 2006) A German lobby group for environmental taxes has urged the government to resume increases in the country's ecotax energy tax programme rather than raising sales tax (VAT). Green Budget Germany discussed the relative merits of the two approaches to increasing tax revenues and lowering non-wage labour costs at a meeting in Berlin on Saturday 6th May.

The ecotax programme was introduced by the previous "red-green" government and saw energy taxes rise substantially between 1999 and 2003, when the increases stalled. The left-right "grand coalition" that took over last year opted against further increases. It plans instead to raise VAT by three percentage points from 2007.

Green Budget Germany said it had calculated that by increasing ecotax rates again and by scrapping "environmentally harmful" subsidies, the government could raise €19bn by 2009. This is not far short of the €24bn it expects to get from higher VAT.

However, an MP from the centre-right CDU/CSU, which now leads Germany's government, reaffirmed his party's hostility to the ecotax. It had "destroyed a million jobs and damaged Germany's economic competitiveness in Europe", Otto Bernhardt told the meeting. Green Budget Germany's chairman Anselm Görres acknowledged the unpopularity of the ecotax with the CDU/CSU and the public.

Separately, the association said that as part of Germany's transposition of the EU energy tax directive, the government was planning to fully exempt four energy-intensive industries from energy taxes. The industries are glass and ceramics, metalworking, chemicals and aluminium.

According to environment ministry official Bettina Meyer, German industry is pushing for even more relief from energy taxes. "Intense lobbying is going on to try to gain another €700m worth of tax exemptions that pre-date the launch of the energy tax programme in 1999," Ms Meyer told the conference.

GBG in the press again following an investigation of Bernhardt's claims: ENDS Europe Daily: "German ecotax group rebuts job losses claim"

Green Budget Germany couldn't let Mr. Otto Bernhardt's claims that the ecotax in Germany led to one million job losses go uncorrected, and for this reason we researched into his source of information – as he claimed, the Federation of German Industries (BDI). However, in response to inquiries we made at the BDI, the association said it knew of “no reliable figures concerning the impact on jobs energy taxes have had.” Nevertheless, Mr Bernhardt told ENDS Daily that he stood by his claim. The results of our investigations were published in ENDS *Europe* DAILY on 15. May 2006.

For an overview of research demonstrating the positive effects of the ecotax please see the Federal Environment Agency homepage:
http://www.umweltbundesamt.de/uba-info-presse-e/2005/pe05-059.htm

GBG Annual General Meeting Looks to the Future

The highlight of our AGM was the unanimous passing of the resolution “Deutsche Klimapolitik muss sich am Notwendigen und am Möglichen orientieren” (German climate policy must be oriented to the possible and necessary) presented by GBG treasurer Andreas Wolfsteiner.

Dr. Anselm Görres, Bettina Meyer and Andreas Wolfsteiner were re-elected, and newcomer Kerstin Bohnsack, a geographer at Euronatur, was newly elected to the GBG board as well. Matthias Seiche resigned due to other commitments and was thanked most sincerely for his efforts, leaving the podium accompanied by heartfelt applause.

German Climate Policy – oriented towards the possible and necessary

(*Andreas Wolfsteiner, GBG, May 2006*) The most important aspects of the resolution can be summarised as follows:

Climate protection policy poses a serious economic challenge. If market-based instruments, such as ecological energy taxation and emissions trading, do not play a key role, then the challenge cannot realistically be met. We cannot do without the advantages of market-based instruments in terms of cost-effectiveness and innovation.

Market-based instruments offer more room for manoeuvre at the national level than regulation or subsidies. Often, the latter are preferred nevertheless, simply because they are politically easier to implement. Urgently needed in this regard is a public information campaign, as well as commitment on the part of politicians to cease polemising against market-based instruments in the interest of their short-term political goals. After all, in principle all parties are in favour of the implementation of market-based instruments.

In the long-term, international obligations for the reduction of GHG emissions are required, to be laid down in a post-Kyoto negotiation process; reductions that keep the impact of climate change within acceptable levels. Current research indicates that this target requires worldwide emissions reductions of 70 percent by 2050.

Prior to such an agreement, Germany can play a decisive role in the development of market-based instruments. Therefore, alongside further improvements to EFR, a further goal should be the implementation of automatic annual increases to ecological energy taxes, which could e.g. take the following parameters into account:

- Degree of ecological impact
- Climate change mitigation efforts of other states (e.g. EU15) – one indicator of this might be energy prices elsewhere
- The global development of the price of crude oil and natural gas prices

Such a mechanism would draw a direct line between ecological requirements and economic possibilities. GBG will continue to pursue this policy of consolidation of market-based instruments. For this reason, we call on experts and other interested parties to propose ways of institutionalising incremental increases on energy taxation. These proposals must come to terms with the challenge of globalisation and fluctuations in crude oil prices, as well as creating a degree of certainty for both citizens and business.

Such a discussion may seem unrealistic in view of today's political climate and current oil price rises – yet dismissing GBG's proposal seems short-sighted. Oil prices will not be the focus of media attention for long. As well, today's oil price rises are also the result of temporary developments; a fall in prices in the medium-term cannot be discounted. On the other hand, the sheer scale of the reduction in GHG emissions required means that politicians and the general public will inevitably become more aware of the problem of climate change. The post-Kyoto process will begin over the next years, thus ensuring renewed publicity for the issue. Discussions will focus on reductions of up to 90 percent GHG emissions in the industrialised world. The question of how these targets can be achieved will be the focus of media attention. What is more, it will also become clear that classical instruments – regulation, subsidies and a voluntary shift towards more environmentally-friendly lifestyles – cannot live up to the scale of the problem.

Some important steps have been made in terms of climate mitigation as a result of market-based instruments. As yet, however, they have not been permitted to have a sufficient effect. As perceptions change, Green Budget Germany should have a series of in-depth proposals for future policy.

This discussion will run in both our English and German newsletters – we are looking forward to hearing your comments and benefiting from your expertise.

The resolution (in German) can be downloaded at:
http://www.foes.de/downloads/ResolutionMV2006.pdf

GBG response to energy taxation law hits the headlines

(*Jacqueline Cottrell, Green Budget Germany, 10.08.2006*) GBG were also in the press following their response to the new Energy Taxation Law, which came into force in Germany on 02. August 2006. The new energy tax rules set out a timescale for the elimination of tax exemptions for biofuels and introduced instead an obligation on suppliers to supply 5.75 percent of motor fuels by 2010, using similar principles as the Renewable Transport Fuel Obligation in the UK (see GBN 14 http://www.foes.de/GBNnews14/8artikel5.html). The law also reiterated the subsidation of coal for domestic use, introduced new reduced tax rates for diesel for maritime use, and rendered energy-intensive industries such as glass, cement and ceramics and metal processing exempt from oil and energy taxes.

Green Budget Germany's comments, put out in a press release on 1st August, once more hit the headlines in ENDS Europe Daily. While the press statement welcomed the biofuels aspect of the new law, pointing out that the obligation would be far more effective than tax breaks in promoting biofuels in the medium term, Green Budget Germany were highly critical of the failure to introduce the taxation of coal for domestic use, and of the creation of new exemptions to the ecotax for ports, as well as glass, ceramics, cement and metal manufacture. We called for the immediate implementation of an energy tax on domestic coal to be increased gradually over a number of years and for an end to new exceptions to energy taxation – an indisputably backward step.

In principle, this energy tax law is a classic example of how lobbyists can prevail over the interests of economy and ecology. Furthermore, the newly implemented tax reductions on industry will create an annual tax shortfall of €60m. These aspects should be revised at the earliest possible opportunity!

Links:

See ENDS article on Green Budget Germany's statements at:
http://www.endseuropedaily.com/articles/index.cfm?action=issue&no=2146

GBG Press release (in German):
http://www.oekosteuer.de/downloads/2006_08%20PM%20Energiesteuergesetz.pdf)

For more information on the energy tax see:
http://www.bundesfinanzministerium.de/

GBG Conference: Sustainable Fiscal Policy Berlin, Friedrich-Ebert-Foundation, 13 September 2006

Green Budget Germany is organising this one-day conference in cooperation with the Friedrich-Ebert-Foundation to critically analyse our experiences thus far with the ecotax and environmental fiscal reform, and will discuss how these instruments can be developed to improve their sustainability. The conference will also discuss current issues such as dismantling environmentally harmful subsidies, the EU Energy Taxation Directive and Emissions Trading.

The Conference language is German:

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

3. GREEN BUDGET REFORM IN THE EU

Three-quarters of ETS NAPs are "too weak"

(*ENDS Europe DAILY 2145, 31 July 2006*)
Fourteen of 19 available national allocation plans (NAPs) for phase two of the EU emission trading scheme fail European commission criteria aimed at ensuring the scheme helps protect the environment, according to an analysis by Deutsche Bank and seen by ENDS.

The bank predicts that of the 19 plans so far published in draft or full, only those of Germany, Italy, Portugal, the UK and Slovenia fully respect three key criteria laid down by the commission. All the others fail on one or more of them, it says.

The criteria assessed are that emission caps must be set in line with the member state's Kyoto target; that they must be based on real emissions in 2005; and that they must take account of the potential for economy-wide carbon intensity improvements.

Based on its own analysis, the bank calculates that all 25 EU states should allocate a total of no more than 1.93-1.975bn tonnes of CO_2-equivalent per year in the second phase.

However, it estimates that the 19 published NAPs already allow for emissions of 1.94bn tonnes per year, meaning the target is certain to be exceeded once the remaining six are added in. The bank reckons that caps in the 19 available plans will have to be slashed by an average of 7 percent if there is any hope of the overall target being respected.

Meeting Deutsche Bank's suggested EU-25 emissions target would require countries to set caps an average of 11 percent lower than in phase one NAPs. In contrast, the commission has suggested that an aggregate 6 percent reduction would be appropriate in the second phase, an estimate it stuck to even when it emerged the publication of verified 2005 emissions data showed that too many allowances had been allocated.

* Meanwhile, green group WWF last Thursday condemned delays, weak national caps, low use of auctioning and heavy reliance on Kyoto's flexible mechanisms in key phase-two NAPs. The group analysed final NAPs submitted by Germany and Poland plus draft NAPs published by Spain, Italy and the UK.

* A commission review of the emission trading scheme – originally due on 30 June – is now likely to be published in the autumn. The commission still hopes to publish a mandate for the working group later this month.

Links:

Deutsche Bank: http://www.deutsche-bank.de/index_e.htm?ghpmeta=DEU_english

See chart of the Bank's predictions:
http://www.platts.com/Coal/Resources/News%20Features/kyoto/chart6.xml

Read more here:
http://www.platts.com/Coal/Resources/News%20Features/kyoto/revision.xml

See also the WWF press release

http://www.panda.org/about_wwf/where_we_work/europe/what_we_do/epo/news/index.cfm?uNewsID=77320

and read their analysis of the NAPs for ETS phase 2:
http://assets.panda.org/downloads/nap_2_backgrounder_final_270706_2.pdf

Dimas calls for market-based instruments to give the right signals and to discuss the inclusion of aviation in emissions trading

The following is an excerpt from the Commissioner for the Environment's speech for the Environment Committee at the European Parliament..

(*Stavros Dimas, Brussels, 20. June 2006*) …Climate change remains the most urgent priority and is – thankfully - on the top of the international political agenda. During 2007, the two dialogues launched at Montreal – one under the United Nations Framework Convention on Climate Change (UNFCCC), the other under the Kyoto Protocol – will reach a decisive stage. The EU is united in its call that the Montreal dialogues should lay the groundwork for negotiations on the future climate co-operation and that these should start in 2008.

We will be putting the following case to our partners: research and clean technology are at the core of any solution to climate change but if we want these technologies to actually be deployed and not to stay on the shelf we need clear market signals.

Mandatory reductions, an international price on carbon and a global cap and trade scheme are necessary. We also have to hear the calls from industry for clear political guidance on the future climate change regime. Increasingly companies recognise climate change as an important issue and are ready to work with us. Political leaders need to give the private sector a stable framework for climate policy. This is why negotiations on the post-2012 system should start as soon as the Montreal dialogues are completed.

2007 will also be the last year of the first emission trading period. With the EU Emissions Trading Scheme we have demonstrated over the last year that the system works even when taxed with market turbulences. It will work even better in the future because we now have high quality independently verified data on actual emissions. The data will be the basis for the Commission's decisions on the second round national plans which it will take during the second half of this year. With these decisions, we will have to ensure that Member States are on track to meet their individual emission target.

The Commission is now preparing to launch the review of the EU trading scheme for beyond 2012 - and any possible legislative changes will be discussed with Parliament and Council during 2007.

We will also be discussing a legislative proposal on integrating aviation emissions into Emissions Trading, which I will present by the end of this year. There is broad acceptance that, with emissions set to double over the next 15 years, the aviation sector must now make its contribution towards emission reductions. I am happy to see that the Environmental Committee supports me in this drive. There will be measures to strengthen other aspects of our climate policy, for instance with a legislative framework for carbon capture and storage that will provide clarity for future investments.

Lastly, we will have set up a Global Renewable Energy Fund of Funds to encourage the deployment of renewable energy in developing countries. This fund, which I intend to propose to the Commission this year, will help reduce the risk for investors in the renewable sector and in this way will contribute to reducing global CO_2 emissions....

For more information see the Stavros Dimas homepage:
http://ec.europa.eu/commission_barroso/dimas/index_en.htm

…and the DG Environment homepage: http://ec.europa.eu/dgs/environment/index_en.htm

European green taxation continues to fall

(*ENDS Europe DAILY 2103, 23. May 2006*) Environmental tax revenues fell as a share of GDP and of total taxation in the EU in 2004, the European statistical agency Eurostat has reported. The trend was driven by declines in energy taxation, which accounts for the large majority of all green tax revenues in Europe.

For the EU-25, environmental tax revenues accounted for 2.6 percent of GDP and 6.6 percent of total tax revenues in 2004. It reports the comparable figures for 2003 as 2.7 percent and 6.9 percent respectively.

Behind the totals, green tax rates generally fell in the old EU-15 but rose in the new EU-10 states. A notable result, reports Eurostat, is that for the first time overall shares of environmental taxation are roughly level between old and new member states.

As in its last annual survey of EU taxation, Eurostat cautions that declining overall environmental taxation does not necessarily mean a reduced priority to environmental protection. High world energy prices act as a disincentive to energy tax rises. Alternative instruments such as emission trading and road pricing are growing more popular.

To analyse this issue in more detail, Eurostat calculates for the first time trends in the “real” implicit tax rate on energy, measured as euros per unit consumed. This shows that “in real terms, taxation on energy has actually been declining, on average, since 1999”, it concludes.

This decline may have harmed efforts to boost energy efficiency, it suggests finally. Rising real energy tax rates in the 1990s correlated with declining energy intensity (energy consumption per unit of GDP) in Europe. Since the real burden of energy taxation started falling “the energy intensity of the economy has more or less stopped falling”.

See the Eurostat press release for more details at:

<http://epp.eurostat.cec.eu.int/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2006/PGE_CAT_PREREL_YEAR_2006_MONTH_05/2-17052006-EN-BP.PDF>

Download the Eurostat report at:

<http://epp.eurostat.cec.eu.int/cache/ITY_OFFPUB/KS-DU-06-001/EN/KS-DU-06-001-EN.PDF>.

MEPs call for resource efficiency drive

(*ENDS Europe DAILY 2139, 17. July 2006*) The EU must set material efficiency and energy efficiency targets and place economic incentives at the core of an effort to improve the efficiency of resource use, concluded environment ministers at an informal ministerial summit in Turku, Finland.

Proposals for greater use of environmental taxation as a key driver of resource efficiency met with resistance however.

Ministers expressed impatience to see an EU action plan on sustainable consumption and production, including targets. Environment commissioner Stavros Dimas reaffirmed the European commission’s promise to issue such a plan by 2007.

Finnish environment minister Jan-Erik Enestam called for this to lead on to an EU eco-efficiency strategy based on material and energy efficiency targets.

To promote changes in consumption and resource efficiency, ministers called on the commission to produce a green, or discussion, paper on the use of market-based instruments. In parallel, they emphasised the need to eliminate environmentally harmful subsidies. They urged the commission to propose "concrete options" in a forthcoming report.

More environmental taxes were mooted as an important possible market instrument to drive resource efficiency by both Mr Enestam and Mr Dimas.

Mindful of the requirement for EU states to agree on tax legislation by unanimity, Mr Dimas floated the idea of a cooperative approach "whose efficiency would depend on the number and size of member states participating".

Cooperation between countries would limit the potential industrial impact of such a tax shift, said the OECD a week ago.

But environmental taxes have been in decline, and both the UK and Ireland reportedly raised objections to the idea at the summit.

Ministers also called for a global integrated approach to eco-efficiency. They also supported the concept of an international panel on natural resources to coordinate information on material and energy efficiency. The full integration of energy and environment policy was identified as particularly urgent.

They further backed an active lobbying role by the EU for the UN environment programme to become a world environment organisation. Ideas developed under the Finnish presidency will feed into the mid-term review of the EU's sixth environmental action programme, due to be concluded in November.

See the official press release for more information:
http://www.eu2006.fi/news_and_documents/press_releases/vko28/en_GB/1152970316944/

And click here for the conclusions of the summit:

http://www.eu2006.fi/news_and_documents/other_documents/vko28/en_GB/1152971004421/_files/75561118850351609/default/chairs_conclusions_env.pdf

Dimas speech

http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/06/461

EEA speech

http://www.eu2006.fi/news_and_documents/speeches/vko28/en_GB/1152944972087/

and World Bank presentation

http://www.eu2006.fi/news_and_documents/other_documents/vko28/en_GB/1152947059605/_files/75559601358438486/default/robert_watson_presentation.pdf

See also Finnish presidency eco-efficiency discussion paper:
http://www.ymparisto.fi/download.asp?contentid=53464&lan=en

and background paper
http://www.ymparisto.fi/download.asp?contentid=53463&lan=en

To read the 6th environment action programme click here:
http://ec.europa.eu/environment/newprg/index.htm

MEPs want "polluter pays" principle applied to air traffic

(*Euractiv.com, 31. May 2006*) A draft resolution voted on by the European Parliament's Environment Committee suggests introducing a tax on kerosene and capping CO_2 emissions from all flights departing and landing in the EU.

MEPs in the European Parliament's Environment Committee have voted unanimously in favour of a draft resolution calling for tough new measures to reduce the global warming impact of aviation and apply the "polluter pays" principle to the airline industry. The report will be submitted to the full House for approval at the July plenary session.

"Aviation is the fastest growing source of greenhouse gas emissions, with airlines currently taking almost no responsibility for the pollution they cause," said Caroline Lucas MEP (Greens/EFA, UK), the author of the draft resolution.

"The report […] recognises the need to level the playing field between aviation and other forms of transport," she said. To achieve this, MEPs supported the introduction of a kerosene tax for all domestic and intra-EU flights as a first step towards a global kerosene tax.

The Environment Committee also supported a Commission proposal to cap CO_2 emissions for all airplanes departing from EU airports. Airlines would be able to trade their potential surplus 'pollution credits' on the EU 'carbon market' (Emissions Trading Scheme).

The Commission is expected to put forward a formal proposal to include aviation in the EU ETS by the end of the year.

For more information on aviation and climate change see:
http://www.euractiv.com/en/sustainability/climate-change-aviation/article-139728

Read the draft resolution at:
http://www.europarl.europa.eu/meetdocs/2004_2009/documents/pr/610/610299/610299en.pdf

Evolution of Fuel Consumption in Europe

(*Science for Environment Policy, 6 April 2006, Issue 17*) In relation to climate change, sustainable development, and policy assessment, reducing energy/fuel consumption and carbon dioxide (CO_2) emissions remain the most important challenges faced by the policy makers, along with the automobile and petroleum industry. In this context, it is important to analyse and predict the efficiency of the policies that aim to reduce fuel consumption, thus resulting in CO_2 emissions decrease. The baseline or "business as usual" scenario acts, in these analyses, as the reference against which the other scenarios are compared. Hence, the necessity of considering a baseline scenario that reflects accurately current trends in technical progress, public behaviour, energy markets, and regulatory policies.

A recent study has revised the assumptions and the fuel economy values (amount of fuel used per unit distance expressed as l/100 km) for the baseline scenario used to forecast fuel consumption evolution in Europe. The study considered historical developments of the last three decades and observable future trends in the United States of America and Europe, which have allowed the authors to take into account the factors that have been ignored or neglected in previous studies (e.g. unavailability of new technologies, heavier and more fuel consuming vehicles, or insufficient improvements in fuel consumption).

As a result of the analysis, the authors proposed new fuel economy values to be used in the baseline scenario for energy/transport policies analysis in the European Union Member States for new gasoline and diesel cars for the years 2010, 2020 and 2030. For example, for a new gasoline car in Europe, the current study proposed to assume (on-road conditions) a consumption of 7.5, 6.8, and 6.5 l/100km, for 2010, 2020, and 2030. These values are higher than those assumed by previous studies, which used more optimistic assumptions for the baseline scenario. For example, the WBCSD's1 Sustainable Mobility Project assumed 5.9, 5.6, and 5.4 l/100km for the same years. Consequently, the authors argued that recent studies carried out in Europe seem to include overly optimistic assumptions with regard to the future fuel consumption of gasoline and diesel cars or the presentation of alternative fuelled cars, thus leading to misleading results.

An interesting finding of the study is that, according to the authors, the European Commission's voluntary agreement with automobile manufacturers may contribute to lower fuel consumption in Europe, although not to the extent predicted by some studies. Therefore, it should not be taken as a major stimulus for vehicle efficiency improvements after 2010.

The current study illustrates how important it is to create and use in policy analysis a realistic baseline scenario that is internally coherent and consistent with the historical trends. Energy/transport policies have to promulgate measures that ensure both real-world fuel consumption gains and minimise rebound effects in order to achieve real improvements in energy consumption.

[1] World Business Council for Sustainable Development

Source: Theodoros Zachariadis (2006) « On the baseline evolution of automobile fuel economy in Europe », Energy Policy, In Press.

http://ec.europa.eu/environment/integration/newsalert/pdf/17na3.pdf#search=%22Evolution%20of%20Fuel%20Consumption%20in%20Europe%22

Fischler: "We need an energy revolution"

(Euractiv.com, 27. April 2006) During a press conference in the Parliament on 26 April, former farm commissioner Franz Fischler criticised the EU's energy green paper for not going far enough and urged the Commission to invest more in renewable energies in general and biomass in particular.

Former agriculture commissioner Fischler was one of the speakers at a renewable energy seminar organised by the EPP-ED Group in the European Parliament on the day of the Chernobyl 20th anniversary. During the press conference preceeding the actual seminar, Austrian MEP Agnes Schierhuber urged the EU to invest more in renewable energies rejecting a possible "nuclear renaissance".

Kent Nyström, the President of the Swedish Bioenergy Association, mentioned the Swedish government plans to end its oil dependence by 2020 because "we are running out of oil and gas". He also advocated more use of bio-energy.

Former commissioner Franz Fischler supported Mrs Schierhuber's view on nuclear power by pointing to three arguments against a nuclear revival:

- it would confirm our energy dependence as the uranium for nuclear also needs to be imported and uranium is a finite resource;
- the disposal of nuclear waste is still not resolved;
- and nuclear power puts the issue of national sovereignty over the energy mix in question as a potential accident never stays within national borders.

Pointing to the policy measures he introduced as farm commissioner to stimulate bio-energy, Mr Fischler said that experts might differ on the date when the oil production will peak, but "we are running out of time" to make the shift from a fossil-fuel economy to a low-carbon one. "We need an energy revolution ("eine Energie Wende") and a common European Energy Policy", Fischler concluded.

For this article and related links see:
http://www.euractiv.com/en/energy/fischler-need-energy-revolution/article-154743

Factor X and the EU: Europe must become world champion in energy and resource efficiency!

How to make Europe the most resource and energy efficient Economy in the World is the title of a study written by Martin Rocholl (Consultant/Friends of the Earth Europe), Stefan Giljum and Arno Behrens (SERI) und Kai Schlegelmilch (GBG) on behalf of the Aachen Foundation. The paper is a clearly structured overview of current initiatives and processes in the EU on resource productivity and energy efficiency. It is a very practical guide for stakeholders including links, to-the-point-descriptions, backgrounds and contacts. It is useful for NGOs, policy makers and all those, which aim at increasing resource productivity in Europe. As is was published in spring 2006 an update is foreseen for October.

The Commission’s ‘Green Paper for a European Strategy for Sustainable, Competitive and Secure Energy’ rightly points out the urgency of the problem: The EU’s energy import dependency is rising dramatically. Without major changes, around 70 percent of the EU's energy requirements will have to be imported in the next 20 to 30 years, compared to 50 percent today. Global oil and gas prices will continue to rise – they have already nearly doubled in the last 2 years. Similar problems are to be expected with other resources. Finally, there is little doubt that climate change is already happening with potentially dramatic negative economic, social and environmental effects, also in Europe. All of these challenges could be met by increasing Europe's energy and resource efficiency.

The winning strategy

Today, there is widespread agreement across the political spectrum that increasing Europe’s energy and resource efficiency will be a winning strategy and a necessity at the same time. Overcoming Europe’s resource dependency would have many positive effects:

- Increasing resource and energy efficiency will boost innovation and job-creation in the European Union. Indeed, it might be one of the few ways of increasing the EU's competitiveness in a sustainable and socially acceptable way.
- With global resource prices continuously growing and the EU spending billions on oil, gas and other resource imports, any increase in resource efficiency will have direct posi-

tive economic benefits and reduce pressures on private and public budgets.

- Global and local environmental problems resulting from the inefficient use of resources and energy will be reduced or overcome – climate change being one of the most burning and prominent examples among many others.
- Eco-efficiency will decrease global resource pressures and allow developing countries to use a fair share of the worlds resources for their sustainable development – a prerequisite for global justice.
- The global competition over limited resources is a potential reason for future wars and a threat to our security, which can be reduced substantially by an efficiency strategy.

Support from all sides

The idea of "*making Europe the most energy and resource efficient economy in the world*" has received full support from politicians, the scientific community and the European Commission alike. The President of the Commission, Manuel Barroso has stated his support (while however not yet being really active on it) and there is overwhelming macro-economic evidence that it would benefit the economy and the environment alike and help reduce unemployment. The EU's Sustainable Development Strategy makes reference to the idea and even the Lisbon Process recalls that eco-efficiency is an important objective of the European Union.

Europe could miss a great chance

Given such widespread support, it is surprising and disturbing how little concrete action has been taken so far. A strategy to systematically adjust policies to promote an eco-efficiency revolution in the EU is completely missing. Even worse, the current dominance of old-fashioned economic thinking (concentrating primarily on labour cost reduction and simple economic growth) could well result in increased pressures on resources and the environment in the near future.

Other countries are starting to be ahead of Europe and we are in danger of losing our leading position in eco-efficiency and environmental technologies. To give just one example: China has just passed legislation defining obligatory energy efficiency standards for new cars. Europe, however, has so far not laid down any binding legislation, and depends on a non-binding voluntary agreement with car manufacturers which is likely to fail. This means that Europe is not pushing its own industry to develop more efficient cars for the future. The result will be that European cars will have problems on the Chinese market and that other continents will be ahead of Europe in developing, marketing and selling the modern car of the future – a car which will be and must be a highly energy and resource efficient one.

Barriers: Ignorance, lack of innovation, old-fashioned thinking and lobby power

The current catastrophic combination of ignorance, old-fashioned economic thinking and dominance of specific, non-innovative industrial interest could result in Europe losing a major chance. It is time for Europe's politicians to wake up and harvest the incredible benefits for Europe's people, economy and environment that will result from dramatically increasing Europe's resource and energy efficiency. They must be supported in this approach by progressive industry and civil society.

The excuses why not much has been done so far are manifold and often embarrassingly wrong. There are plenty of opportunities to promote energy and resource efficiency in the European Union now (see examples below) and there is no excuse for the current inactivity. It is true that the structural set-up of the European Union – such as the unanimity rule for environmental taxes – makes progress in a few areas difficult. This should however not result in inactivity but in a reform process to overcome such obstacles.

Taking concrete steps

European policies can have an enormous influence on the development path of the EU. European Directives and Regulations influence policies and the economy directly. EU programmes – such as the tens of billions of Euro spend every year through the Cohesion policies – can be used to move the economy in a certain direction. Specific programmes can help innovation and research. Such opportunities must finally be used in a coordinated and deliberate way to dramatically increase the efficiency with which we use resources and energy!

The following summarises some of the many policy areas where change can and must happen now. European decision makers must finally set a framework in which eco-innovation and efficiency can strive.

Overarching processes

The Lisbon Strategy, the EU Sustainable Development Strategy as well as the Thematic Strategies of the 6th Environmental Action Program must all give resource and energy efficiency top priority. In their current form, they lack ambition, targets and time-tables and hardly give the overall guidance for a policy shift towards eco-efficiency.

Research

The 7th research framework programme of the EU lacks an emphasis and resources for renewable energies, energy efficiency and energy saving and is still biased towards nuclear and fusion research. This must be urgently corrected, if the EU is serious about becoming the most resource efficient economy in the world.

Greening the EU budget

The EU must use its own budget to drive forward energy and resource efficiency. The tens of billions spend via the Structural and Cohesion Funds every year represent an enormous chance to influence the development path of the European Union – specifically in the new member states where energy and resource efficiency is very low. This does however need a major policy shift, which gives energy and resource efficiency priority in the planning, implementation and monitoring of programmes and projects.

The decisions on the financial perspective of the EU for 2007-2013 have not been a step in the right direction. The budget for rural development (which includes many chances for ecoefficiency) has been dramatically decreased while other parts of the budget, which have little or no positive effects, remain untouched. The review of the EU budget in 2008/2009 must therefore be used to correct these mistakes (including greening the Common Agricultural Policy, aiming for more environmentally friendly and less input-dependent agriculture). State aid rules should be much more consistent: While the environmental state aid guidelines restrict support for environmentally friendly technologies and projects, subsidies to coal and nuclear are still eligible to a very large extent.

Energy and Climate Policy

There is a whole range of directives, policies and processes currently under discussion in the European Union, which can be used to improve Europe's energy efficiency. Among them are the EU's Renewables Energy Directive, the Emission Trading System, the Buildings Directive and the Energy End-use Efficiency and Energy Service Directive, to name just a few. All of them require improvements with reference to their ambitions, the development of concrete targets, timetables and binding regulations.

The Green Paper on Secure, Competitive and Sustainable Energy for Europe, recently published by the Commission, must be substantially improved in order to make a positive contribution. In its current form, the paper fails to make energy efficiency the central element of its strategy. Embarrassingly, the transport sector is largely absent in the paper. The paper lacks vision, targets and concrete proposals and misses the opportunity to propose an integrated strategy which puts energy and resource efficiency and saving in the centre. This must be changed.

In its Green Paper on Energy Efficiency, the European Commission notes that 20 percent of the EU's current energy use could be saved by 2020 at no cost. It is high time that such considerations are followed by concrete action and binding targets. An ecological tax reform – shifting taxes from labor to energy and resources – is one of the most effective ways to boost eco-innovation and efficiency while creating jobs and economic benefits at the same time. The European Union must start an ecological tax reform and at the same time reduce environmentally perverse subsidies, specifically for fossil fuels. To effectively reach this aim, the unanimity requirement for environmental taxation must be abolished. The energy tax directive needs to be reviewed and strengthened soon.

Transport

The unsustainable growth rates in the transport sector make it a major target for achieving resource efficiency. European wide measures, which so far are almost completely lacking – are needed to reverse the negative trend. Among them is, for example, the setting of binding standards for the fuel-efficiency of cars – especially since the voluntary targets are going to be missed by industry. Infrastructure development in the EU must give priority to the most energy and resource efficient forms of transport. The proposals for emission trading for aviation or the ideas for an air ticket tax, as well as the Biofuels Directive are further policy areas which are currently under discussion and can contribute to increasing the resource and energy efficiency of the transport sector.

Other policy areas

The list of policy instruments, directives and regulations, which could be used to promote energy and resource efficiency, is long. This shows that there is absolutely no excuse for the inactivity of many European politicians and stakeholders. The eco-efficiency revolution can start any moment and decisions for or against it are taken every day. Examples for further possible action include:

- The EU and its member states must use the purchasing power of the state to drive forward resource-efficient products. Where necessary, relevant framework legislation for public procurement must be installed.
- The Integrated Product Policy and the 'Directive for setting eco-design requirements for energy-using products' must contain ambitious and binding goals.
- The EU needs a forward looking and ambitious Environmental Technology Action Plan.
- Lending of the European Investment Bank and the European Bank for Reconstruction and Development must be geared away from fossil fuel and towards resource efficiency.

Time to wake up!

Technologies are available, simultaneous benefits for the economy and the environment are possible and the policy instruments exist or could easily be developed. Europe has no time to loose, otherwise the bill of higher costs for resource and energy imports as well as of climate change induced damages (and other environmental problems) will soon be to paid by all of us. Our decision makers must wake up and make Europe the world champion in energy and resource efficiency – in the interest of Europeans as much as in the interest of the people and the environment around the world!

Links:

Download the accompanying study which analyses different political processes in *Factor X and the EU: How to make Europe the most resource and energy efficient Economy in the World*, from: http://www.aachener-stiftung.de/cms.php?id=312

4. GREEN BUDGET REFORM IN SINGLE EUROPEAN COUNTRIES

Unlike Germany, the UK, France and Denmark will not give away CO_2 certificates

(Bernward Janzing, Tageszeitung, 4. July 2006) Germany has retreated from its former bravery – while other countries pursue more radical courses of action. Environment Minister David Miliband announced in early July that from 2008, CO_2 emission trading permits will be auctioned to companies in the UK.

The vast majority of EU Member States, including the UK, have given Emission Trading Certificates to companies free of charge in a so-called ‘grandfathering’ process. This is now going to change. The UK government has opted to raise extra monies for the state and reduce the possibility of windfall profits at the same time. Seven percent of Emission Rights will now be publicly auctioned – corresponding to approximately 17 million tonnes of CO_2 per year. If the current price per tonne CO_2 remains 16 Euros, then the UK will raise about 270 million Euros per year.

The German Environment Minister Sigmar Gabriel (SPD) decided against such a move – justifying his decision by claiming that energy prices would increase as a result, an argument which has little basis in economic fact. Whether given away or sold, experience from the first period of Emission Trading shows that electricity prices do not change in response. It does not matter how companies obtain their certificates – energy prices will be governed by market forces in any case.

This experience is increasingly annoying the Finance Ministers of the EU Member States. For this reason, the British are not the only nation considering selling Emission Trading Certificates. In France, too, it seems likely that the state will sell in the future. In any case, a maximum of ten percent of certificates may be sold according to EU law. In Denmark and Ireland as well, it is likely that certificates will be sold in the future. Denmark already sold five percent of its certificates during the first round of trading. Certificate auctioning is being discussed in Luxembourg and Sweden as well. Certificate auction is not only beneficial for the state budget, but can also play a role in climate change mitigation, if monies raised are invested correspondingly. Denmark has already made its plans public in this regard.

At the start of the first round of trading in 2005, 4 out of 25 EU Member States auctioned certificates – Denmark, Hungary, Lithuania and Ireland. Ireland is almost certain to do so again in 2008. Lithuania auctioned 1.5 percent of certificates largely to cover administration costs. The next NAPs (National Allocation Plans) should have been submitted to Brussels by July 1st – but only Estonia and Germany submitted their plans on time.

And even though Germany has given in its homework on time, it seems that Germany, which always received a gold star for its climate policy in the past, is risking being declared the dunce of the class.

Deutsche Bank Research was also critical of the German government’s decision. Click on the following link for more details: http://www.dbresearch.com/servlet/reweb2.ReWEB?rwkey=u9719421

Carbon Trust calls for urgent change to UK renewables policy framework: New research shows Renewables Obligation needs to be reformed to meet targets

(*The Carbon Trust, 06. July 2006*) New research published on 6th July 2006 by the Carbon Trust shows that the retirement of coal and nuclear generation capacity will open up a gap of at least 14GW between supply and demand by 2015 – equivalent to almost a fifth of the UK’s capacity requirement.

Renewable energy could be significant in making up this balance but is being failed by the current policy approach. The Carbon Trust estimates that under the current framework of the Renewables Obligation, renewables will only meet 10 percent of the UK’s electricity needs by 2020, half the Government’s aspiration of 20 percent by 2020. Not only are targets being missed, but the cost of installed renewable energy is higher than necessary.

Based on this research, the Carbon Trust believes that the Renewables Obligation (RO) should be reformed or replaced. It outlines a number of options in its report – Policy Frameworks for Renewables – and suggests that with changes, renewables can meet up to 13 per cent of the UK's electricity needs by 2015 and 19 per cent by 2020 – nearly double current projections if the status quo is maintained.

Of the carbon-free energy options available in the UK that can be deployed at scale by 2015, the Carbon Trust believes that beyond the continued development of onshore wind, offshore wind offers significant potential to help fill the emerging capacity gap.

The full potential of renewables will only be achieved through a policy framework that supports several different renewable technologies at the same time. The RO in its current form cannot achieve this. The Carbon Trust believes that a switch to a Renewable Development Premium would deliver the most renewable electricity at the lowest cost. This would offer a fixed tariff on top of the wholesale electricity price to each technology depending on their level of commercialisation, which would be reduced over time as the technology matures and costs decline.

Tom Delay, Chief Executive of the Carbon Trust, said: "Renewables, starting with on and offshore wind, can make a material contribution to meeting our energy needs. Renewable energy needs a better support framework in place to bring down costs and fast track its development."

"Our report highlights that the current RO is not working as efficiently as it should and to maximise the delivery of renewables, urgent change is needed. If we get the right framework in place we can reap the benefits of reduced carbon emissions and strengthened energy security, as well as develop leadership in low carbon technologies. Switching to the Renewables Development Premium as a part of the ongoing Energy Review would ensure that renewables play as full a role as possible in the UK's low carbon economy."

The Carbon Trust's analysis also looks at developing renewable technologies in the longer term, recommending that the UK should focus on low carbon technologies where it has a natural lead and is likely to achieve economic benefits, such as marine. The report suggests that if the UK gives wave the support it requires, it could develop an export industry worth up to £4 billion per annum by 2050. The Carbon Trust believes that a 'pull through' revenue mechanism, such as the Renewables Development Premium, would be best suited to support early stage low carbon technologies including marine.

Link to article and related reports:
http://www.carbontrust.co.uk/about/presscentre/070606_renewables_policy_framework.htm
Click here to download the Policy Frameworks for Renewables report.

UK Government to consider personal carbon allowances

(defra press release, 19. July 2006) The Government is contemplating issuing tradeable personal carbon allowances to the public to combat rising emissions from the domestic sector, according to Environment Secretary David Miliband.

Mr Miliband explained the merits of such a system at the Audit Commissions annual lecture. He said he believes it is worthwhile giving people a limited amount of carbon allowances, of which they can sell any surplus for cash should they opt to reduce their emissions.

The scheme would be fairer than tax increases as it offers free entitlements and only penalises those that exceed their entitlement, he added.

Personal carbon allowances cover people's direct use of energy through their electricity, gas, petrol and air travel and make up to 44 percent of the economy's total emissions.

"Imagine a country where carbon becomes a new currency," he said. "We carry bank cards that store both pounds and carbon points.

"When we buy electricity, gas and fuel, we use our carbon points, as well as pounds. To help reduce carbon emissions, the Government would set limits on the amount of carbon that could be used.

“People on low incomes are likely to benefit as they will be able to sell their excess allowances. People on higher incomes tend to have higher carbon emissions due to higher car ownership and usage, air travel and tourism, and larger homes,” he added. “It is more empowering than many forms of regulation because instead of banning particular products, services or activities, or taxing them heavily, a personal carbon allowance enables citizens to make trade-offs.

“It is also empowering because many citizens want to be able to do their bit for the environment and tackle climate change, but there is no measurable way of guiding their decisions.”

Personal carbon tradeable allowances is one of a number of ways the Government is looking at how individuals can be better informed and involved in tackling climate change.

Carbon loyalty cards, league tables, the use of carbon offsets at point of purchase for certain sectors, awareness raising through labelling, and carbon calculators are all being explored as potential long term measures.

Links:

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

Report by the Tyndall Centre, *Decarbonising the UK*: http://www.tyndall.ac.uk/media/news/tyndall_decarbonising_the_uk.pdf

UK Climate Change Act: Earning Money for Excess Energy

(*Department of Trade and Industry, Press Release, 26. June 2006*) New legislation will make it easier for householders who produce electricity from microgeneration technologies at their homes to sell unused power back to their supplier. Other measures in the Act will help small generators to receive the financial benefits of renewable obligation certificates – the Government's mechanism for the expansion or renewable energy production.

Royal Assent has been received for a Government supported Private Member's Bill that will make it easier for householders who produce electricity from microgeneration technologies at their homes to sell unused power back to their supplier.

Mark Lazarowicz's Climate Change and Sustainable Energy Bill aims to reduce carbon emissions and fuel poverty through a series of measures designed to increase installation of micro-wind turbines, solar panels and other localised energy production technologies.

The minister for energy Malcolm Wicks welcomed the Bill on to the statute books during a speech at the Renewable Energy Association's annual conference in London.

He said: "The ability to produce clean, green energy from homes or businesses can help to lessen our carbon emissions and bring down fuel bills.

"We, as individuals, must make a contribution to the fight against climate change, as we can't just expect big institutions or governments to solve the problem for us, we all have to make a difference.

"A micro wind turbine will be installed on my own home shortly and I would like to see local level and community energy production like this becoming more commonplace. This will allow us get back in touch with where our power comes from and understand more about how much we are using or abusing."

The Act will make it easier for excess energy to be sold back to the utilities by encouraging energy companies to establish schemes that reward smaller scale generators for their exported power. This is a key plank of the DTI's recently published microgeneration strategy and is now legally underpinned by the bill's passage through the house.

Opening up the ability to earn money for the sale of electricity produced by these technologies will help to offset the cost of installation and play a part in the expansion of the sector, bringing both environmental and economic benefits.

Other measures in the Act will make it easier for small generators to receive the financial benefits of renewable obligation certificates - the Government's mechanism for the expansion or renewable energy production.

It is also important to support microgeneration technologies that produce heat. These will now benefit from sections in the bill that call for the greater promotion of local level heat and power projects and a clause calling on community and parish councils to encourage energy saving measures in their area.

A further provision added by the Government will help to open up the development of renewable energy projects on the Scottish islands by extending to 2024 a cap on electricity transmission charges. Without this potential cap the cost of connecting to the Scottish mainland could prove prohibitively expensive.

With the bill now becoming an Act of Parliament the DTI will continue its work with the microgeneration industry, Ofgem, local Government organizations and other government departments to promote microgeneration. The objective is to create a realistic alternative or supplementary energy generation source for householders, communities and small businesses across the country.

Links:

See the press release and further information at:

http://www.wired-gov.net/EDP8203R7W/WGLaunch.aspx?ARTCL=39709&ALERT_TYPE=15

For more details on the DTI microgeneration strategy click here:

http://www.dti.gov.uk/energy/energy-sources/sustainable/microgeneration/microgen-strategy/page27594.html

Diesel Particulate Filters: Support for Government Proposals in Germany

(*German MoE Press Release, Berlin, 2. June 2006*) The German government's proposed concept for tax concessions to promote the installation of diesel particulate filters in diesel cars has met with widespread agreement from both car manufacturers and environmental groups. The Environment Ministry invited representatives of all political parties, representatives of the automobile supply industry, automobile manufacturers and automobile associations and environmental groups to a hearing for its new proposal, which was welcomed on all sides.

Parliamentary State Secretary at the MoE Astrid Klug spoke of a clear signal: "Aside from requests for changes to the detail, all parties are agreed that our concept has created the correct framework to create effective incentives for the rapid improvement of diesel vehicles. The revenue neutral promotion of these improvements is one of the most important measures required to combat the problem of diesel particulate emissions, particularly in our cities."

The government plans that the owners of diesel vehicles improved between 2006 and 2008 receive a one-off payment 300 Euros. This is to be financed by increased vehicle tax by 40 Euros, payable on all diesel vehicles not improved before 2008-2009. In addition, from 1st January 2007, an additional 300 Euros of vehicle tax will be levvied on all new diesel vehicles without filter registered.

Participants in the meeting of experts urged the Ministry to take swift action in order to end a long period of uncertainty. "Not only drivers, but also manufacturers of particulate filters, have placed a great deal of trust in this political decision, and another round of talks would draw out the process unnecessarily," said Astrid Klug. "The Environment Ministry would like to find a quick solution, to bring the uncertainty for manufacturers and drivers to a close and to help cities combat the particulate problem. We are pushing hard for a law to be passed before the summer break."

Former energy watchdog slams French climate policy

(*Euractiv.com, 20. April 2006*) Pierre Radanne, the former head of the French environment and energy agency (ADEME), has strongly criticised the lack of cooperation from key ministries on climate change policy.

Background

At a hearing in the French lower house of Parliament, Radanne made full use of his freedom of speech, when he said that the government's climate policy is being undermined by heavy resistance from the finance and transport ministries.

Radanne's criticism comes as France prepares to submit its next CO_2 allowance plan for EU approval.

Issues

The report goes into detail about the French climate policy and calls for a "necessary revision" of the EU Emissions Trading Scheme to incorporate other gases than CO_2 and harmonise member state practices "in order to minimise distortion of competition".

At his hearing, Radanne told Parliamentarians that "the key ministries clearly refuse to cooperate" with the environment ministry on the 'Climate Plan', adopted in 2004. He said the original version of the plan, issued in 2000, contained a tax policy aspect, for instance on fuel taxation, that was never followed-up.

Since then, he said, the finance ministry has "clearly refused tax decisions in connection with the climate change plans," according to a principle whereby measures should "not impact on the budget in terms of expenditure".

"On top of this comes the frank hostility, let us dare say, of the transport ministry", Radanne continued. "We should not forget that 70 percent of French [greenhouse gas] emissions - buildings and transport - fall under its competence".

Radanne then went on to criticise the "total absence of measures in the transport field, whether it be taxation of kerosene, support to collective urban transport and the transfer of road transport to rail or waterways, or the limitation of vehicles' power".

"As we are now in an oil crisis, we see no policy response from the State. […] Whether on oil or energy in general, we have to engage in a re-regulation of the sector that will have to take place as far as possible at European level and not in the national framework," he pleaded.

For this article and other links see: http://www.euractiv.com/en/sustainability/energy-watchdog-slams-french-climate-policy/article-154509

The transcripts of the hearings, conducted at the end of 2005, were published on 12 April as part of a detailed Parliamentary 'information report' on global warming.

France Implements New Renewable Tariffs for Solar, Wind, and Biogas

(*Paul Gipe, Windworks-Org, July 26. 2006*) In a major breakthrough, the announcement doubles payment for solar energy and biogas, putting France on a par with Germany. The French Ministry for Industry, Finance, and Economics today has issued new tariffs for solar, wind, biogas and geothermal energy.

The new tariffs are the result of the regularly scheduled review of the French program that pays for electricity generated by renewable sources of energy.

France has lagged behind other European countries, notably Germany, in developing renewable energy. Previous French tariffs for solar energy were especially noncompetitive with those in Germany and Spain.

The French program of Advanced Renewable Tariffs differentiates the price paid per kilowatt-hour by technology, by location or size of the installation, and the number of years

Advanced Renewable Tariffs in France Summary					
26-Jul-06					
		Tariff	1.43727	1.2629	2.020
	Years	€/kWh	CAD/kWh	USD/kWh	NZD/kWh
Wind Energy on shore base rate	15	0.082	0.118	0.104	0.166
Wind Energy off shore base rate	15	0.130	0.187	0.164	0.263
Photovoltaics base rate*	20	0.300	0.431	0.379	0.606
Photovoltaics building integrated	20	0.550	0.790	0.695	1.111
Photovoltaics Region Rhone-Alps	6	0.600	0.862	0.758	1.212
Biogas <150 kW	15	0.103	0.148	0.130	0.208
*Plus 50% tax credit on hardware for residential use.					

the generator has been in service.

The new tariffs pay Euro 0.55/kWh for building-integrated solar photovoltaics, putting France on a par with world leader Germany. (See below for currency conversion.) France also doubled payment for electricity from rooftop solar panels to Euro 0.30/kWh and provides a 50 percent subsidy on the cost of the solar panels and other equipment.

The regional government of Rhone-Alps in southeastern France also provides an additional payment of Euro 0.30/kWh, bringing total payment for rooftop solar to Euro 0.60/kWh, more than that paid in Germany.

Industry analysts expect the new solar tariffs to result in a boom of new solar construction.

While the new tariffs did not increase the base rate for on shore wind energy in continental France, they doubled the amount of time that wind projects receive the premium payment from five to ten years. This significantly improves the profitability of wind turbines at moderately windy and windy sites.

The new tariffs also substantially raised the tariffs for off shore wind turbines to Euro 0.13/kWh and also extended the premium period from five to ten years.

Politicians didn't forget to include French farmers. Tariffs for biogas were more than doubled to Euro 0.103/kWh for plants less than 150 kW. As in solar photovoltaics, this tariff places France in league with Germany.

France has a very ambitious target of 12,500 MW of wind energy installed on land by 2010. This year France will pass its first 1,000 MW of wind projects. There are nearly 3,000 MW of wind projects in the queue for installation under the previous French wind tariffs.

Links:

For more information see legislation on photovoltaics:

http://www.legifrance.gouv.fr/WAspad/UnTexteDeJorf?numjo=INDI0607867A

Wind:
http://www.legifrance.gouv.fr/WAspad/UnTexteDeJorf?numjo=INDI0607865A

Biogas:
http://www.legifrance.gouv.fr/WAspad/UnTexteDeJorf?numjo=INDI0607869A

France introduces controversial air ticket tax

(Euractiv.com, 30 June 2006) On 1st July 2006, France and Gabon became the first countries to introduce a tax on airplane tickets to finance development aid for poor countries.

In France, the tax will range from one to 40 euros, depending on the distance travelled and the type of ticket, and is expected to raise around €200 million a year. Gabon, which decided to introduce the tax on the same day as France, will impose a levy of one to 4 euros.

France has announced that 90 percent of the funds collected will be given to the International Drug Purchase Facility to pay for anti-AIDS drugs for the poor. The remaining 10 percent will be allocated to the International Finance Facility, launched by the UK with the aim to fund health and development programs worldwide.

The airline levy was a proposal from French President Jacques Chirac and was approved, on a voluntary basis, by EU finance ministers in May 2005, despite strong opposition from the airline industry. The idea is similar to that of the Tobin tax – first proposed in the 1970s, by the economist of the same name – which advocates levying a tax on international financial transactions.

So far, Brazil, Chile, Cyprus, Congo, Ivory Coast, Jordan, Luxembourg, Madagascar, Mauritius, Nicaragua, Norway and Britain have committed to join France in this initiative. The United States does not agree with the tax.

Link to article:

http://www.euractiv.com/en/taxation/france-introduces-controversial-air-tax/article-156496

France Introduces Compulsory Eco-Labels for New Cars

(Edie News, PARIS, May 23, 2006) - Eco-labels reflecting CO_2 emissions became a legal requirement for all new cars sold in France in late May as part of the country's climate change policy.

A series of seven color-coded labels indicate CO_2 emissions per kilometer of all new vehicles sold in France. The French government hopes the labeling scheme will not only inform consumers, but also pushing carmakers to improve their performance as a similar scheme for electrical equipment has successfully done.

Nelly Olin, France's environment minister, said: "We have seen in recent years the effect of the eco-labeling scheme on refrigerator and washing machine sales: manufacturers have changed the products on offer and now, in general, only propose machines classed A or B.

"I am convinced that we will observe a similar effect on the vehicles offered by car manufacturers. We must avoid a drift towards cars that are too big for our towns, too polluting, like in other countries," she said.

New French cars currently produce 152g of CO_2 per kilometer on average, against an EU-wide average of 160g/km for 2005.

Despite a voluntary engagement from European carmakers to cut carbon emissions down to 140g/km by 2008-9, progress has been slow. Environmentalists have warned that the industry cannot be trusted to self-regulate and that significant reductions will never be reached without compulsory measures.

Nelly Olin backed their claims, saying that voluntary commitments from industry will not be sufficient to drive carbon emissions down. France has asked Brussels to consider other, compulsory measures to put pressure on European carmakers, she said.

The car labeling scheme is promoted on the grounds that it reduces fuel costs as well as cutting France's energy dependence and combating climate change.

From July 1, an "energy label" will also become compulsory for French homes.

More information is available on the French Ministry of Ecology and Sustainable Development web site at: http://www.ecologie.gouv.fr/.

Nordic and Baltic Region: Extension of environmental taxes

(*Nordic News, 23. June 2006*) The Nordic and Baltic countries make use of different kinds of environmental taxes. Environmental duties make up 8 - 10 per cent of taxation income in the Nordic countries. The Nordic Ministers of Finance discussed the use of economic instruments in environmental policy at a meeting in Norway on 20 June 2006. A new Nordic report has caused political debate in Denmark.

Recently, the government of Estonia decided to increase environmental taxes as part of the policy to reduce income tax by 6 per cent. In Sweden taxes to the amount of 30 billion kroner are being redistributed from income tax to taxes on energy consumption and pollution as part of a 10-year plan. The Nordic Council of Ministers' new report 'The use of Economic Instruments in Nordic and Baltic Environmental Policy 2001 - 2005' (see publications section for more details) has looked into this question. Professor Mikael Skou Andersen, the National Environmental Research Institute, is one of the editors of the book. To the newspaper 'Idag - Industriens Dagblad', he said:

"We have to take note that Denmark has been as in an enchanted sleep on this issue. In Finland, electricity from sustainable energy resources are exempt from energy and CO_2 duty. In Norway, the tax on waste is proportionate to the discharge from the refuse disposal plants, and in Sweden, some of taxes on cars is dependent on the car's exhaust. However, because of the policy not to increase taxes, the Danish government has not wanted to touch these taxes", added Mikael Skou Andersen.

The Danish Socialist Party SF's environmental spokesman, Steen Gade, encourages the Danish government to make a thorough assessment of environmental taxes: "Environmental taxes must continuously be adjusted and adapted. When there is no tax increase and nothing happens, it undermines the effect of the environmental taxes".

Environmental taxes were introduced in earnest at the beginning of the 1990s and the most recent analyses of their effect on the environment shows good results in many cases: CO_2 emissions, amount of refuse and discharge of waste water have been reduced more effectively. In Finland it is estimated that CO_2 emissions would have been 7 per cent higher without the CO_2 taxes which Finland was the first country to introduce. In Denmark the tax on packaging has meant a reduction of about 400,000 tons of annual waste annually.

The latest economic control methods are the EU's system with negotiable quotas for CO_2 emissions. Power plants and energy intensive industries have to buy CO_2 quotas before they are allowed to increase their emissions.

Duties and taxes are a complex area but the new report gives the interested reader a detailed insight in the current rules and measures taken in each of the Nordic and Baltic countries.

Link to article and further information:
http://www.norden.org/webb/news/news.asp?id=6237&lang=6

Austria: Using Environment Policy to protect the environment and create jobs

The positive development of environment policy 2000-2006: sustainability report of the Austrian MoE published

(Summary of press release, Austrian Environment Ministry, 06. July 2006) 2005 was a good year for Austrian environmental protection. Never before have so many projects been submitted to or accepted by the Austrian Environmental Protection Agency: 3,175 projects worth €276.9 million – an increase of 80 percent. This freed up investments relevant to the environment worth €1,162.5 million, which in turn had a considerable positive impact on the economy and job creation", Environment Minister Josef Pröll announced in early July with reference to the publication of an assessment of environmental protection funding from 2000 to 2006 in Austria, as well as the presentation of the sustainability report of the Environment Ministry.

With reference to the record of the Promotion of Environmental Protection Law (*the Umweltförderungsgesetz (UFG)*) from 2000 to 2006, it was shown that a total of 21,500 projects funded with a total of €2.5 billion generated a total investment volume of €9 billion. This, in turn, secured or created 122,000 jobs. As Minister Pröll pointed out, these figures prove, quite impressively, that the promotion of environmental protection is not only clearly an instrument of environmental policy, but is also a strong driving force for job creation and investment in Austria's environment and economy.

- One central focus for improvements was sanitation. 14,700 sanitation projects were carried out, creating 105,000 jobs and resulting in total investments of €6.7 billion.
- Another point of focus was the promotion of environmental protection at home and abroad. From 2000 to 2006, a total of 6,700 projects worth €346 million of government funding were initiated. Particularly noticeable is the enormous increase in project applications in 2005 and project funding for this year was worth €66 million, highlighting the importance of government funding for environmental protection. These increases are largely attributable to renewable energy projects. 1,017 projects were funded, an increase of 50 percent on 2004. Solar energy project applications increased by 60 percent. Biomass combined heat and power received the greatest proportion of project funding worth €20.6 million. Investment volumes over the period amounted to €1.9 billion and created 17,000 new jobs. In addition, an impressive 3.6 million tonnes of CO_2 were not emitted as a result.
- The emphasis on climate change was increased in 2005. 90 percent of project funding was allocated to projects tackling climate change issues.

- A new point of focus was tackling diesel particulate emissions.
- JI/CDM gained significance for the first time in 2005. In total 12 projects were funded abroad worth €64 million. These mean Austria is an additional 11 million tonnes of CO_2 closer to its GHG emissions targets. The projects have particularly focussed on wind farms in Hungary, New Zealand or China, hydropower in China or Columbia and biomass power stations in India.

This important instrument of Austrian environment policy has been successful in achieving specific environmental goals, in stimulating the development of new environmental technologies, and in job creation. It is a vital instrument of future environment policy for the pioneering role of Austria in the field of environmental policy and technology, said Pröll.

The second sustainability report of the Austrian Environment Ministry focussed on the expansion of the EU's EMAS certification system (Eco-Management and Audit Scheme) to integrate this environmental declaration within the sustainability report. In so-doing, the Ministry hopes to become a driving force within this field and to link more closely integrated environmental management and extensive sustainability reporting of numerous Austrian EMAS-companies.

Stakeholder dialogues were also attributed a significant role, often leading to the development of forward-thinking strategies for the future, including e.g. the Austrian woodland programme, the discussion on countryside development in the 'Green pact' and the creation of the wide-ranging 'climate active' programme for climate protection.

The second report was also oriented towards the globally recognised guidelines of the "Global Reporting Initiative" and was examined by "oekom research". Their verdict: the report not only sets an example for companies, but also and above all for comparable institutions in Austria and elsewhere. The Ministry plans to continue pursuing its pioneering role and to invite other institutions to follow in its footsteps.

Links:

Austrian MoE home (in English): http://www.lebensministerium.at/en

Austria's JI/CDM programme Österreichs JI/CDM-Programm 2005 (2374.01 kB)

Austrian environmental projects Umweltförderungen des Bundes 2005 (2563.3 kB)

Sustainability Report Nachhaltigkeitsbericht des Lebensministeriums (2564.27 kB)

EU Commission Announces Retroactive Approval for Austria's Feed-In Support System

For more details, see press release: http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/953.

Hungary: anti-environmental measures to reduce the state budget deficit

(*Andras Lukacs, Clean Air Action Group, 31. July 2006*) The Clean Air Action Group has turned to the President of Hungary, László Sólyom, asking him not to sign the laws just approved by the Hungarian Parliament within the framework of the government's austerity measures. In its letter to the President, CAAG emphasised that the new laws contradict several articles of the Constitution, including the right to a healthy environment. The most important part of the austerity measures are the raising of taxes on labour, which is completely contrary to the principles of an ecological tax reform. In addition, subsidies for public transport will be reduced. CAAG has recommended alternative measures to reduce one of Europe's biggest budget deficits. These include, among others, the following:

- The introduction of distance-based road tolls on heavy goods vehicles.
- The elimination of the possibilities to account for private car use as business use, which is one of the most widespread means of tax evasion (for details see the following article).
- Stopping subsidies for new housing on greenfield sites.

- The substantial reduction of financing for highway construction.

The President of Hungary finally signed the laws and issued a press release at the same time, explaining that no delay is permissible in reducing the enormous state budget deficit. On a more positive note, he called on the government to also introduce other measures serving sustainable development. As the President generally does not send out press releases when signing a law, this generated a widespread response in the press, where the CAAG was mentioned.

CAAG has decided to take the matter to the Constitutional Court. However, this might be only symbolic, because the Constitutional Court has no deadlines for making its decisions…

Details in Hungarian:
http://www.levego.hu/kiadvanyok_allasfoglalasok/?catID=10&docID=0548&mode=frames

Cars as a Means of Tax Evasion in Hungary

(*Andras Lukacs, Clean Air Action Group, 31. July 2006*) Annually the Hungarian state loses revenues of more than HUF 700 billion (EUR 2.8 billion) from personal income tax and social security contributions because private car use is often illegally included as business use in tax declarations, and because actually undriven kilometre distances are also accounted for (in fact, in this way wages are paid unlawfully and exempt from taxes). This amount corresponds to 3 percent of Hungary's GDP. This is one of the findings of a recent study made by Clean Air Action Group on cars as a means of tax evasion in Hungary.

The study proved to be unique in three aspects:

- It was the first ever to show the enormous amount of tax evasion related to “company use of cars” and company cars.
- It described for the first time the various methods used for tax evasion. (Of course, these have been known by accountants for years, but have not been written down.)
- It made concrete recommendations on how to eliminate (or at least reduce) this kind of tax evasion.

How this tax evasion works

In the case of business journeys travelled by car, when company cars are used, all costs are borne by the company operating the car, whereas if cars owned by private persons (for the sake of simplicity, hereafter: private cars) are used for business purposes, then all the fuel costs plus an allowance of HUF 9 (about EUR 0.04) per kilometre can be paid out free of taxes. However, the use of cars for commuting to work or for private purposes can be documented almost all the time as if the car had been used for business purposes – and the Hungarian tax authorities are unable to control this. Today, for a price of HUF 10 to 20 thousand (EUR 40 to 80), anyone can purchase a computer program to generate perfect, fictitious travel records – you only have to input the company's customer database and the refuelling data.

In addition, practically without any legal consequences, most enterprises can pursue a practice when they keep employees at the official minimum wage and pay their wages above that level as a refund for the expenses of running a car. The tax authorities can only detect this if some factual mistakes are made in the records of business travels, or if it can be proved that company cars are provided, or refunds of expenses for business travels by privately owned cars are paid to such employees whose jobs would not justify making such business trips. The trouble with the latter category is that it is virtually impossible for the tax authorities to prove that this is the case.

For private cars, almost any number of kilometres can be entered in the travel records. As these cars are not company property, tax office personnel do not have the right to check these cars, or even check the mileage reading.

Even when companies own company cars, it is simple to evade tax payments, because the Hungarian Personal Income Tax Act contains a provision saying that no company car tax payment obligations arise as a result of car use for private purposes, if compensation for that car use was paid to the company by the private person involved. If, for instance, a company manager travels with his family to a seaside resort using a company car and he pays the company for the trip, then the company concerned is already exempt from the payment of the company car tax. Therefore, the tax law even allows a loop-hole, which pretty much admits: O.K., you do forge your travel records, but when it comes to a situation where you cannot avoid entering a private-purpose use in the records, then you just pay something on one occasion, and this is enough to provide you with an excuse for your practice.

Recommendations

Below are some recommendations aimed at settling the situation described above, or at least improving it considerably.

- In the case of private car use, the amount of expense refunding could be limited. Technically, the simplest way to implement that is to abolish the HUF 9 per kilometre expense allowance. A possible further restriction could be if fuel would only be permitted to be accounted as an expense item up to a certain volume (e.g. at most 5 litres per 100 kilometres).
- Within the system of expense refunds, only exceptional (i.e. very rare) use of private cars should be allowed. In the event of regular and continuous use, the enterprise concerned should rent the car from the private person and should operate it as a company car. This is also justified because the regular use of private cars for business purposes means that the company compels its employee to let the company use his/her privately owned asset for the purpose and benefit of the company, for which the company only partly reimburses its employee, and by no means in accordance with market conditions, for the use of the car.
- It should be made compulsory that if someone uses his/her private car occasionally for business purposes, then he/she should purchase the fuel for the name of the company concerned and should ask for an invoice which also indicates the registration number of his/her own car. Later on, when accounting the car's running performance, he/she should use this invoice as proof of expenses incurred.
- The Hungarian Personal Income Tax Act's provisions concerning the company car tax should be cancelled, and instead of that a surcharge should be imposed on company cars, connected to the running performance (practicably to the accounted fuel expenses) of the cars, regardless of whether it occurred during use for business or private purposes.
- If the company car’s price was more than HUF 6 million, then the costs proportional to the part of the price above HUF 6 million should not be allowed to be accounted as company costs (i.e. all the taxes should be paid for this part). In fact, there was such a regulation in Hungary until 2004, when this was abolished.

The Clean Air Action Group already highlighted this problem several years ago. The Ministry of Finance, in its letter to the Clean Air Action Group, acknowledged the importance of the problem. Recently, Hungary's Central Statistical Office confirmed that it was indeed on the basis of correct data that the Clean Air Action Group had drawn its conclusions. In spite of all this, no effective measure whatsoever has been taken to modify the applicable rules of law to curb this massive tax evasion. Obviously, such measures would be extremely unpopular.

Neither is the press willing to cover the issue, which, again, is understandable, since first, a large part of their advertisement revenues come from car advertisements, and second, practically every journalist (and/or their family members and friends) make use of the illegal methods described.

The CAAG’s most important task, therefore, is to make the general public and decision-makers understand that the present system is both acutely unfair and also bad for the economy. It should also be publicised that the tax evasion described here did not occur in a single year, but has already been going on for many years. But while past tax evasions can no longer be resolved, at the very least, the Hungarian state should act to ensure that further tax evasion is definitely prevented.

In almost all sectors of the society and the economy – besides transport, especially in regional development – prices which do not reflect costs cause extremely expensive damage, undermine Hungary's competitiveness, degrade the environment and will be very difficult to remedy later. It is impossible to finance such a system – and so, sooner or later, it will collapse. A possible step towards avoiding that would be to severely restrict the refunding of expenses for car use.

Campaign in Hungary: from heavy trucks to rail

(*Andras Lukacs, Clean Air Action Group, 31. July 2006*) This year the Clean Air Action Group (CAAG) started a nation-wide campaign to raise public awareness about the damages and costs caused by heavy goods vehicles, and about the possible solutions. The final purpose of the campaign is to have the external costs of road freight transport internalized by a kilometer-tax, and the revenues gained in this way to be partly used to enhance freight transport on railways. The campaign includes TV-spots, giant posters, advertisements in the press, letters to politicians, public forums and other activities. The campaign has been made possible by a grant from the Oak Foundation (http://www.oakfnd.org/).

For further information see:

- in English: http://www.levego.hu/kamionstop/eng/indexe.html
- in Hungarian: http://www.levego.hu/kamionstop/index.htm

5. GREEN BUDGET REFORM WORLDWIDE

US-Europe: It's Income Tax Time For Americans: And It's Time for the Entire World to Lower Income Taxes and Raise Environmental Taxes

(*Lester R. Brown, Earth Policy Institute, April 12 2006*) As Americans are filing their income taxes, many of their counterparts in several European countries are benefiting from a steady decline in income taxes as governments lower taxes on income and raise taxes on environmentally destructive activities — like burning gasoline or coal. The purpose of this tax shifting is to incorporate the environmental costs of products and services into the market price to help the market tell the environment truth. This rewards environmentally responsible behavior such as reducing energy use.

Among the various environmentally damaging activities taxed in Europe are coal burning, gasoline use, the generation of garbage (so-called landfill taxes), the discharge of toxic waste, and the excessive number of cars entering cities. Germany and Sweden are the leaders among the countries in Western Europe that are shifting taxes in a process known there as environmental tax reform. A four-year plan adopted in Germany in 1999 systematically shifted taxes from labor to energy. By 2001, this plan had lowered fuel use by 5 percent. It had also accelerated growth in the renewable energy sector, creating some 45,400 jobs by 2003 in the wind industry alone, a number that is projected to rise to 103,000 by 2010.

In 2001, Sweden launched a bold 10-year environmental tax shift designed to convert 30 billion kroner ($3.9 billion) of taxes from income to environmentally destructive activities. Much of this shift of $1,100 per household is levied on cars and trucks, including substantial hikes in vehicle and fuel taxes.

Electricity is also being taxed more heavily. This tax restructuring is an integral part of Sweden's plan to be oil free by 2025. Among the other European countries with strong tax reform efforts are Spain, Italy, Norway, the United Kingdom, and France.

There are isolated cases of using taxes to discourage environmentally destructive activities elsewhere. The United States imposed a stiff tax on chlorofluorocarbons to phase them out in accordance with the Montreal Protocol of 1987 and its subsequent updates. When Victoria, the capital of British Columbia, adopted a trash tax of $1.20 per bag of garbage, the city reduced its daily trash flow 18 percent within one year.

Cities that are being suffocated by cars are using stiff entrance taxes to reduce congestion. First adopted by Singapore some two decades ago, this tax was later introduced by Oslo, Melbourne, and, most recently, London. The London tax of £5, or nearly $9 per visit, first enacted in February 2003 by Mayor Ken Livingstone, was raised to £8, more than $14, in July 2005. The resulting revenue is being used to improve the bus network, which carries over 6 million passengers daily. The goal of this congestion tax is a restructuring of the London transport system to increase mobility and decrease congestion, air pollution, and carbon emissions.

While some cities are taxing cars that enter the central city, others are simply imposing a tax on automobile ownership. New York Times reporter Howard French writes that Shanghai, which is approaching traffic gridlock, "has raised the fees for car registrations every year since 2000, doubling over that time to about $4,600 per vehicle — more than twice the city's per capita income." In Denmark, the steep tax on an energy-inefficient new car doubles the price of the car.

An excellent model for calculating indirect costs is a 2001 analysis by the U.S Centers for Disease Control and Prevention (CDC), which calculated the social costs of smoking cigarettes at $7.18 per pack. This not only justifies raising taxes on cigarettes, which claim 4.9 million lives per year worldwide (more than all other air pollutants combined), but it also provides guidelines for how much to raise them. In 2002, 21 U.S. states raised cigarette taxes. Perhaps the biggest jump came in New York City, where smokers paid an additional 39¢ in state tax and $1.42 in city tax – a total increase of $1.81 per pack.

If the cost to society of smoking a pack of cigarettes is $7.18, how much is the cost to society of burning a gallon of gasoline? Fortunately, the International Center for Technology Assessment has done a detailed analysis, entitled "The Real Price of Gasoline." The group calculates several indirect costs, including oil industry tax breaks, oil supply protection costs, oil industry subsidies, and health care costs of treating auto exhaust-related respiratory illnesses. The total of these indirect costs centers around $9 per gallon, somewhat higher than those of smoking a pack of cigarettes. Add these external costs to the average price of gasoline in the United States – just over $2 per gallon in 2005 – and gas would cost $11 a gallon. For Americans, this is shockingly high, but it is not that much higher than the $7 per gallon that Dutch motorists paid briefly in late 2005 or the $6 per gallon that British, German, French, and Italian drivers now regularly pay for gasoline.

Asia's two leading economies – Japan and China – are now considering the adoption of carbon taxes. For the last few years, many members of the Japanese Diet have wanted to launch an environmental tax shift, but industry has opposed it. China is working on an environmental tax restructuring that will discourage fossil fuel use. According to Wang Fengchun, an official with the National People's Congress, "Taxation is the most powerful tool available in a market economy in directing a consumer's buying habits. It is superior to government regulations."

Environmental tax shifting usually brings a double dividend. In reducing taxes on income – in effect, taxes on labor – labor becomes less costly, creating additional jobs while protecting the environment. This was the principal motivation in the German four-year shift of taxes from income to energy. Reducing the air pollution from smokestacks and tailpipes reduces the incidence of respiratory illnesses, such as asthma and emphysema – and thus overall health care costs.

Some 2,500 economists, including eight Nobel Prize winners in economics, have endorsed the concept of tax shifts. Harvard economics professor N. Gregory Mankiw wrote in Fortune: “Cutting income taxes while increasing gasoline taxes would lead to more rapid economic growth, less traffic congestion, safer roads, and reduced risk of global warming – all without jeopardizing long-term fiscal solvency. This may be the closest thing to a free lunch that economics has to offer.”

Accounting systems that do not tell the truth can be costly. Faulty corporate accounting systems that leave costs off the books have driven some of the world’s largest corporations into bankruptcy. The risk with our faulty global economic accounting system is that it so distorts the economy that it could one day lead to economic decline and collapse.

If we can get the market to tell the truth, then the world can avoid being blindsided by faulty accounting systems that lead to bankruptcy. As Øystein Dahle, former Vice President of Exxon for Norway and the North Sea, has pointed out: “Socialism collapsed because it did not allow the market to tell the economic truth. Capitalism may collapse because it does not allow the market to tell the ecological truth.”

This article is adapted from Chapter 12, “Building a New Economy,” in Lester R. Brown, *Plan B 2.0: Rescuing a Planet Under Stress and a Civilization in Trouble* (New York: W.W. Norton & Company, 2006). The book is available for free download at http://www.earthpolicy.org/Books/PB2/index.htm

Additional data and information sources at http://www.earthpolicy.org

For more information on “The Real Price of Gasoline” visit the International Center for Technology Assessment at: http://www.icta.org and to download the report click below: http://www.icta.org/doc/Real%20Price%20of%20Gasoline.pdf

Plans Across the Water: California and U.K. Strike Climate Deal

(GreenBiz.com, 1. August 2006) California and the U.K. government are preparing to create their own climate treaty that sidesteps the Bush administration's official climate policy to create a trans-Atlantic market for greenhouse gases.

California governor Arnold Schwarzenegger and British prime minister Tony Blair on Monday announced their collaboration during their meeting in Los Angeles on Monday. They were joined by business leaders to announce the agreement under which Britain and California will collaborate on research into clean energy technologies and California will study the British experience of greenhouse gas emissions trading.

The European Union already operates such a system, issuing companies in energy-intensive industries with permits to produce a set amount of carbon dioxide.

Blair said the agreement with California "will allow us to explore how both of us ... can combine together in research, in technology, but also in trying to evolve market mechanisms that allow us to reduce carbon dioxide emissions."

Both sides will collaborate on reducing emissions from vehicle transportation, sharing knowledge gained through California’s "Hydrogen Highway" project to encourage use of hydrogen-fueled cars, and the UK’s experience of obliging oil companies to include a certain amount of biofuel in their gasoline and diesel fuels.

The California governor was quick to point out that the agreement is not an attempt to circumvent the Kyoto Protocol, the international treaty on climate that has been signed by dozens of countries including the U.K., but not the U.S. "This is an agreement to share ideas and information. It is not a treaty," said Adam Mendelsohn, Schwarzenegger's communications director. "Right now, all we are doing is talking about sharing ideas."

Blair said the agreement with California "will allow us to explore how both of us ... can combine together in research, in technology, but also in trying to evolve market mechanisms that allow us to reduce carbon dioxide emissions."

But environmentalists were not impressed. Craig Noble of the Natural Resources Defense Council, an environmental group, said the pact had symbolic value, but "the time for talk is over." He urged passage of a proposal, pending in the state legislature, that would make California the first state to cap greenhouse gas emissions from industrial sources. "The bottom line is, voluntary is not enough," Noble said.

Links:

Greenbiz.com - http://www.greenbiz.com/

Australia: Next wave of tax reforms should be green

(*Kerryn Wilmot, The Age, May 8, 2006*) **It's high time for measures that encourage energy efficiency and make polluters pay the full cost of their damage, writes Kerryn Wilmot.**

AUSTRALIA doesn't just need tax reform; it needs ecological tax reform.

Treasurer Peter Costello is presumably relaxed and comfortable with the recent tax inquiry's finding that Australia is a low-tax country.

While the report has done little to quell calls from those paying the top tax rate to lower the tax rate, the Federal Government appears afflicted by reform fatigue, at least over reform of the tax system.

On one hand we have commentators raising expectations of tax cuts in the federal budget, while the Treasurer warns of the economic downturn that will accompany rising oil prices and the inevitable end of the mining boom. What we're not hearing, on the other hand, are serious proposals for how an ostensibly low-tax country should pay for fiscally responsible cuts to income tax.

An overlooked section of Dick Warburton's tax report provides clues. According to the report on comparative taxation, Australia has among the lowest levels of fuel taxation in the developed world and negligible taxation on other activities that damage the environment. So we shouldn't be surprised that Australia, one of the most urbanised nations, has among the highest levels of car ownership, per capita petroleum consumption and greenhouse emissions. Not only do taxes

on "dirty" activities offer an opportunity to cut taxes on employment and other benign activities, they also offer efficient price signals that can place the economy on a more sustainable footing.

The opportunities for reform don't stop at raising taxes on activities that damage our environment. For example, current fringe benefits tax rules actually encourage unnecessary driving through the innocuously titled statutory formula. It adds to peak-hour congestion, air pollution and oil depletion, and its cost to taxpayers is advancing towards $1.5 billion a year: enough for a monthly public transport pass for every man, woman and child in the country. Elimination of this perverse subsidy, as called for by Federal Parliament's Sustainable Cities report, would contribute to more liveable urban centres, and release funds for more socially and economically beneficial programs or tax cuts.

The opportunities for ecological tax reform are extensive: removing import tariff advantages for imported Toorak Tractors; eliminating concessions for covering land in concrete upon which to park cars; putting a price on burgeoning emissions of greenhouse gases; and calculating registration charges based on the amount of road use or fuel efficiency of the vehicle. They offer the potential to lower effective income tax rates while making environmental destruction less financially attractive.

The economic case for ecological tax reform is strong, but ultimately it's bigger than just the economy. The chief executives of some of Australia's biggest companies recently called on the Government to get serious about climate change before the cost of inaction becomes too great. Families pay the increasing daily price of our economically, socially and environmentally unsustainable addiction to oil. Cities are grinding to a halt under the weight of traffic while governments at all levels pay lip service to public transport. Each of these problems has at its heart a tax system that rewards damage to the environment and inefficient resource use.

With predictions of a global peak (then decline) in oil production within the next decade, this is a time for tax reform that strengthens incentives for energy efficiency and innovation, and makes polluters pay the full cost of the damage they do to our children's planet.

Kerryn Wilmot is treasurer of the Public Transport Users Association.

Link to this article in The Age: http://www.theage.com.au/articles/2006/05/07/1146940410090.html

OECD calls for more and better green taxes

(ENDS Europe DAILY 2133, 07 July 2006) There is a "high potential" for governments to introduce more environmental taxes, according to a new report from the Paris-based OECD. The report recommends reducing exemptions and other approaches to ensure taxes are environmentally effective, economically efficient, and politically acceptable.

Environmental taxes and charges are widely used in OECD countries, but in the last few years have lost some of their allure. In the EU, for example, latest data show they are declining as a share of GDP and of overall taxation.

The OECD report discusses how key "obstacles" to their use could be overcome.

One is the widespread fear that green taxes will hit industrial competitiveness. The approximately 375 environmental taxes recorded by the OECD include more than 1,150 exemptions or refunds designed to protect certain sectors, the report notes.

Many of these are total or partial exemptions from energy taxes for energy-intensive industries. As a result the overall burden of environmental taxes falls "almost exclusively" on households and transport. This reduces' taxes environmental effectiveness and contradicts the principle that polluters should pay, it goes on.

One way industrial impacts can be limited and environmental effectiveness preserved is by introducing taxes across many countries, the report says. It demonstrates the point through modelling of possible OECD-wide taxes on CO_2 emissions in the steel and cement industries.

Though there would be some "carbon leakage" due to transfer of manufacturing outside the OECD, in both cases the models predict that global as well as OECD CO_2 emissions will fall. Recycling CO_2 tax revenues to the affected companies would cut these global emission reductions, it adds.

The report draws further lessons from a series of examples of actual environmental taxes ranging from Switzerland's lorry road user fee, Ireland's plastic carrier bag tax and Britain's climate change levy.

Among these, it urges policy makers to analyse costs and benefits before implementation, including an assessment of competitiveness effects, it concludes. Where measures are introduced to reduce competitiveness impacts, it is important that they do not reduce incentives to reduce pollution.

A second key obstacle to environmental taxes is related to their potential to hit poorer households harder. The report concludes that this regressive impact can be compensated through other measures, for example through social security or general tax systems.

The report also emphasises the importance of minimising administrative costs, and of ensuring that environmental taxes gain political acceptance. Finally, it explores how green taxes can be used in combination with other instruments.

Links:

OECD Taxation:
http://www.oecd.org/topic/0,2686,en_2649_34295_1_1_1_1_37427,00.html

New Sea Level Rise Projections under Global Warming

(Science for Environment Policy, 6 April 2006, Issue 17) A rise of the sea level has been foreseen for the next century as a result of global warming. The existing projections vary depending on the different models used for the analysis and on the assumptions made regarding future greenhouse emissions. On average, the results from various studies suggest a 0.387 m sea level rise by 2100. Although the largest contribution is expected from thermal expansion (natural tendency of water to expand slightly as it warms up), melting of mountain glaciers and icecaps will play a significant role in sea level rise as well. The smallest contributions are expected from Greenland and Antarctica.

British scientists have assessed the contribution of mountain glaciers' and icecaps' melting driven by global warming to sea level rise. Their study introduces an improved treatment of volume shrinkage, by using a more realistic glacier shrinkage model than the one used by the IPCC (Intergovernmental Panel on Climate Change) in its 2001 Third Assessment Report. This model allows glaciers to reach a new mass balance state under warming conditions rather than having to melt away completely. The authors applied a glacier mass balance model to the total area of the glaciers and icecaps from seven regions with a complete glaciers inventory data (Axel Heiberg Island, Svalbard, northern Scandinavia, south Norway, the Alps, the Caucasus and New Zealand), thus covering a wide range of glacial and climatic conditions.

The major finding of this study is that the estimated sea level rise from the melting of glaciers and icecaps is about half of the level predicted by previous studies. The authors projected a sea level rise due to melting of mountain glaciers and icecaps of 0,046 and 0,051 m respectively by 2100. The contribution from glaciers is high because they melt faster than icecaps. In fact, the authors show that ice melting of glaciers and mountain areas is accelerating fast, leading to flooding and land slides in mountainous regions.

The present study brings new insights into the possible consequences of global warming on sea level rise. It also highlights the importance of focusing on glacial and mountain areas, as the regions that could contribute more and faster to sea rise and other problems related to overflowing.

Source: Raper S.C.B. and Braithwaite R.J. (2006) « Low sea level rise projections from mountain glaciers and icecaps under global warming », Nature, 439 (19): 311-313.

Emerging Countries should launch Ecological Tax Reforms

(*Rein Eberhard, Brussels, 13 April 2006*)

1. The pace of global warming will largely depend on emerging countries. It is there, in China, India, Brazil, Mexico, Indonesia, Saudi Arabia, that the demand for energy will rise most rapidly. It is therefore essential to encourage these countries to rapidly adjust their tax systems in a way that will induce citizens to reduce their consumption of fossil energy, either by enhanced energy efficiency or by recourse to renewable energies.

2. As a general rule, government revenues in emerging countries are composed of three major sources: import duties, excise taxes, business taxes/profit taxes.

3. Excise taxes on fossil energy – essentially gasoline tax – are generally low by European standards. Governments tend to keep them low because they want to encourage domestic traffic of goods and people and because its suits the interests of the urban bourgeoisie. As a consequence, the revenue from gasoline rarely covers the costs of transport infrastructure, let

alone the environmental costs to the health, buildings or the climate.

4. Brazil is a laudable exception to that dire picture. It has realised the need to be more independent from fossil energy imports and embarked upon a radical programme of replacing fossil fuels by bio- fuels based on its abundant supply of sugar cane. Lower taxation on bio-fuels has been one element of this strategy. The country aims at satisfying essentially all energy needs for transport by bio-fuels as early as 2010!

5. An ecological tax reform in emerging countries should start with the transport sector. They cannot cope with the rapid progress of motorisation. Their mega-cities suffocate and are bound to implode, unless governments take early and radical steps to contain private transport and to replace it by more efficient and less polluting collective transport. Passenger cars should remain a luxury. They should not blindly copy the mistakes made by rich countries. They should abort the process of individual motorisation at all cost.

6. To that end, governments should take a few very simple steps:

- Bring the tax rates for gasoline close to European levels, say € 0.60 per litre.
- Raise the diesel tax rates to the level of gasoline.
- Introduce an attractive tax rate for bio-fuel, say € 0.30 per litre for 100% pure fuel, enough to cover infrastructure costs.
- Make dual engines (allowing to switch between fossil and bio-fuels) mandatory at the earliest possible date, say as of 2010-12.

7. In order to make these harsh measures palatable to citizens, governments should

- Phase in the new taxes over a period of 5-10 years, so as to allow the car industry and citizens to adapt.
- Reduce other taxes by the amounts raised through ecological taxes.
  For the success of any ecological tax reform neutrality of revenues is of paramount importance. The higher gasoline taxes must not become an extra burden to the poorest layers of society. This is easy to respect as poor people have rarely another choice but using public transport.

8. An ecological tax reform focused on the transport sector will encounter huge problems in the oil producing countries, from Mexico to Saudi Arabia or Iran. Here people have acquired the conviction that oil is god-sent and therefore free of charge. Nobody has cared about the irresponsible waste of energy provoked by this low-price policy. No wonder that per capita C02 emissions of the Gulf countries vary between 1.5 and 3.0 tons! That is up to three times the average EU emissions!
   It is urgent to convince their political leadership that there are more effective ways of allowing their citizens to benefit from the oil bonanza, e.g. by giving them a share in the oil profits or the investment funds set up for the future after depletion of fossil resources (cf. Norway and Kuwait)

9. Emerging countries with a significant manufacturing sector, e.g. fertiliser, cement, metallurgy, chemicals, should in addition introduce simple forms of energy taxation on fossil energy inputs, whether fuel, coal, gas or electricity.
   But for this to happen the rich countries have to go ahead. As long as the USA refuses to engage along this path, there is not much hope for emerging countries to take any initiative. They will reject any requests from the rich West as a pretext for preventing them from establishing competitive manufacturing industries.

10. For the coming 10 years it would be wise to focus on countries whose C02 emission levels matter, both in per capita and global terms, e.g. countries like China, India, Ukraine, Iran, South Africa, Mexico, Argentine, Pakistan, Indonesia and Egypt. There is no point in pushing countries in sub-Sahara Africa at this stage.

11. The EU should take the lead in propagating ecological tax reform. It has the most impressive record in ecological taxation. It also demonstrates that high-income levels are perfectly compatible with minimising waste of fossil energy.

12. The European Commission should take the initiative.
As a first step it should commission a study of how best to introduce elements of ecological taxation in emerging countries. On that basis it should convene a series of workshops as of 2007/08 with experts on taxation and environmental policies from emerging countries. It is essential that ownership for the issue pass quickly to a few emerging countries that might then set the example. Brazil comes to mind. But there may be other countries interested.

6. BUSINESS

Investment in energy efficiency set to pay huge dividends predict economists

(Edie newsroom, Sam Bond, August 2006)
Global investment of US$700 billion into energy efficiency over the next 25 years could reap returns in excess of US$1.4 trillion, according to top energy economists. This is the prediction of the International Energy Agency which points to savings from reduced carbon emissions as well as lower operating costs linked directly to fuel consumption. 70 top level thinkers from governments, development banks, NGOs and the private sector gathered at Wilton Park in Sussex to discuss the G8 Plan of Action for Energy Security.
The role of renewables, clean coal and carbon sequestration in driving down carbon emissions were all considered but it was energy efficiency that topped the agenda, with delegates dubbing it 'the biggest fuel' in the fight against climate change.
There was across-the-board recognition of its importance, from big business and banks to environmental campaigners.
"Focusing on both the demand and supply side of energy is the only path to more sustainable, productive and competitive economies. It is no surprise that energy efficiency has now been recognized as the other side of the renewables coin," said Marianne Osterkorn, international director of Renewable Energy and Energy Efficiency Partnership, one of the sponsors of the meeting.
A number of delegates spelled out plans to improve efficiency or described how it was already making impressive financial and carbon savings.
Wang Wanxing from the China Energy Foundation said setting energy efficiency standards for appliances could cut energy consumption in the emerging economy by 12% by 2020 while Thailand reported success for voluntary standards already introduced and Ghana outlined progress made from setting standards for air conditioning systems.
Sauel Tumiwa, senior investment officer at the Asian Development Bank said the institution would be using US$1 billion per year in its Energy Efficiency Initiative.
"Part of the initiative will be to develop an innovative Asia-Pacific Fund for Energy Efficiency that will provide loan guarantees through local financial institutions in developing countries to provide loans for smaller energy efficiency investments, that are numerous but in the past have not been financed by the bank," he said.
While the conference accepted there was some urgency in dealing with the problems of energy security and emissions, the overall feeling was that with a concentrated effort economic growth and reductions in CO_2 levels could go hand in hand and that well-chosen energy efficiency and renewables projects are good business.
Elliot Morley, former Environment Minister and now the UK Government's special representative for the Gleneagles Dialogue, said:"Energy efficiency and diversity of supply, including renewable energy and the cleaner use of fossil fuels are all within our grasp and all can help us to meet both our climate security and energy security objectives".

British industry calls for more climate protection

(*Ralf Sotscheck, Tageszeitung, 08. June 2006*)
Enough is enough, said Prince Charles. The

British heir to the throne brought together leading businesses to call for more action to reduce GHG emissions, as it would provide business with a competitive advantage.

Imagine the following situation: The Managers of Eon, Lufthansa, Telekom and Bayer criticise Angela Merkel for doing too little for climate protection. In the UK this just happened: At a meeting with Prime Minister Tony Blair, British businesses such as Tesco, British Airways, Shell and Vodafone considerably more action for climate change mitigation from the government. Their argument: more reduction in CO_2 emissions stimulates innovation, which would give British industry a competitive advantage for many years to come.

Prince Charles brought the companies together in his programme "Economy and Environment". In the fight against climate change, the sheer scale of the challenge is such that it is impossible to tackle it without the cooperation of industry, he emphasised. And he was right to do so, it seems. "The solutions are within our reach," said Shell Chef James Smith, "we just need to find the will to apply those solutions."

A new kind of atmosphere in the UK. Previously, the CBI had always called for cutting ambitious emissions reduction targets. If not, the organisation warned (using the same language as the German BDI), the competitiveness of UK businesses would be at stake. Now the Prince Charles initiative is arguing something else – that stricter laws geared towards preventing climate change would increase the profits of UK businesses, because in the medium-term, they would gain a competitive advantage in the development of new technologies.

Blair has so far remained ambivalent to these comments. He did promise to put climate change firmly at the top of the agenda during the next G8 summit. But in its report in March, the government admitted that its goal of producing 20 percent less CO_2 by 2010 will not be achieved – while reductions of 15 percent seem possible. In the Kyoto Protocol, the UK committed itself to reducing GHG emissions by 2012 (in relation to 1990 levels) by 12.5 percent – and in this, but little more, the UK will succeed.

These businesses are not the first to call for more climate protection measures from Blair. At the start of the same week, the British insurers Lloyd's announced that "a rethink of the industry is long overdue" and published a report warning that the insurance industry may die out. Previously insurance payments were based on past experience, the insurers claimed, while in the future, the unpredictable results of climate change will have to be taken into account if insurance companies wish to survive, the report pointed out. Rolf Tolle, a Director at Lloyd's, said that close cooperation between insurers, government and industry is absolutely vital in this regard.

Blair acknowledged that it was important for business to play a leading role after the meeting with industry chiefs, and agreed that industry can help to develop new, clean technologies and to give the government the assurance it needs to implement far-reaching political measures.

For more information see:
http://www.cpi.cam.ac.uk/bep/clgcc/downloads/pressrelease_2006.pdf

Environment Ministry and Federation of German Industries (BDI) hold policy talks

Exploiting the potential of environment policy to create growth, innovation and jobs.

(*Ministry of Environment Press Release, 18 May 2006*) The German MoE and the Federation of German Industries (Bundesverband der Deutschen Industrie – BDI) have launched a public dialogue to bring industry and environmental policy closer together. BDI and the German MoE met on 17th May for in-depth talks regarding future policy measures. Environment Minister Sigmar Gabriel and BDI-President Jürgen R. Thumann were in attendance, as were Secretary of State Matthias Machnig and Dr. Carsten Kreklau, member of the Federation's management team. They were accompanied by experts on both sides, and both sides are convinced that in spite of their disagreements on various political issues, that it is necessary to discuss constructively and deliberately to find ways of combining the interests of industry and environment.

One central issue of the meeting was, alongside the relationship between environment policy and industry the field of energy and resource efficiency, as well as the European and international dimensions of environment policy.

Both sides wish to continue talks in the future. They also comitted themselves to improving the cooperation between business and political representatives in Brussels. The president of the BDI, Jürgen R. Thumann, emphasised the importance of working together at EU level, where so many decisions today are made. This would ease matters of implementation on a national level, he noted.

Environment Minister Sigmar Gabriel commented that where shared interests of environment and economy exist, measures taken should be taken together between the two. Environmental policy has a significant effect on potential for growth, innovation and job creation in Germany – and the goal of our dialogue is to exploit this potential more fully and thus to live up to our shared political and economic responsibilities.

BP and GE to Develop Hydrogen Power Plants and Technologies

(Greenbiz.com, July 20, 2006) BP and GE have announced their intention to jointly develop and deploy hydrogen power projects that dramatically reduce emissions of the greenhouse gas carbon dioxide from electricity generation.

The world will continue to make extensive use of fossil fuels, such as natural gas and coal, for power generation for the foreseeable future, but technology now allows this to be done more cleanly by creating hydrogen from fossil fuels while capturing and sequestering the carbon as carbon dioxide in deep geological formations. To facilitate this advancement, BP and GE will collaborate on power, carbon capture and sequestration technologies.

"The combination of our two companies' skills and resources in this area is formidable, and is the latest example of our intent to make a real difference in the face of the challenge of climate change," said BP's Vivienne Cox. "BP and GE's strategic approaches to developing increasingly cleaner, lower carbon power options are closely aligned and our skills and strengths are highly complementary."

"Tomorrow's energy mix will include hydrogen – and GE and BP are taking the lead in ensuring progress begins today," said David Calhoun of GE. "This initiative will demonstrate that our companies' leading-edge technologies can make hydrogen production efficient, reliable, and economical for large-scale, commercial power production. Our financial strength will ensure it happens now globally, changing the way we envision our energy future."

BP has already announced plans for two such hydrogen power projects with carbon capture and sequestration in Scotland and California, both of which will use GE technology. Subject to appropriate regulatory and fiscal regimes being in place, and necessary due diligence, the companies have an ambition to progress 10 to 15 further projects over the next decade, including the plants in Scotland and California. Subject to further exploration, the current expectation is that the most appropriate structure may be through creation of a joint venture to invest in hydrogen power projects and a joint development agreement for development of related technology. As a first step, BP and GE would jointly participate in the two hydrogen power projects with carbon capture and sequestration BP has announced - at Peterhead in Scotland and at Carson in Southern California where Scottish and Southern Energy and Edison Mission Energy are partners respectively.

Such low carbon power projects use fossil fuels such as natural gas, petroleum coke or coal for power generation combined with carbon dioxide capture and storage technology. They generate significant quantities of base-load power while capturing and storing some 90 percent of the carbon dioxide that would otherwise be emitted, in deep geological formations.

BP and GE will apply some of the world's leading technologies, project experience and assets to optimise the integrated design. The collaborative effort will draw upon the companies' technologies and experience in areas such as coal gasification, reforming technology, gas turbines and carbon capture and storage.

"The combination of coal gasification and carbon capture and sequestration is crucial for clean coal development and presents great opportunities for countries with substantial reserves of coal such as the USA, China and India," says Lewis Gillies, BP's Director of Hydrogen Power.
"GE and BP are combining our resources to develop economically attractive, breakthrough technologies in the area of hydrogen to power. This will allow power producers to use abundant, low-cost fossil fuel resources to generate electricity with very low carbon dioxide emissions," said Edward Lowe, general manager of GE Energy's gasification business.

In addition to the complementary nature of the technologies and experience of the two companies, the collaboration is expected to be further strengthened by the global reach of each of the partners. GE's operations in Houston and BP's operations in London will form the core groups for the hydrogen power collaboration.

Boost for small companies tackling climate change

(Shell, 10 August 2006) Oil giant Shell is once again offering cash to SMEs producing products or services which help reduce greenhouse gas emissions. Under its Springboard scheme, the company is offering awards worth between £20,000 and £40,000.

To be eligible, business must be sole traders, partnerships, limited companies or commnuity interest companies which have been up and running for at least three months, operate in the UK, and employ less than 250 people. Their product or service must lead to GHG reductions and be innovative and commercially viable.

The closing date for applications is November 10, 2006. Full details of the Shell Springboard programme are available at the following link: (http://www.shellspringboard.org/?c=1).

7. EVENTS

Sustainable Fiscal Policy, Friedrich-Ebert-Foundation, Berlin, 13 September 2006

For more information on this conference, organised by Green Budget Germany in cooperation with the Freidrich-Ebert-Foundation, please see section 2 on Green Budget Germany News.

"Towards a New Energy Policy for Europe? Reflections on Competitiveness, Sustainable Development and Security of Supply", Leuven, 21-23 September 2006

The annual conference of the Institute of Environmental and Energy Law of the Faculty of Law of the University of Leuven. The conference will discuss the impact of the EU Commission's Green Paper on competitiveness, security of supply and sustainable development – the "Energy Green Paper".

For more information see:
http://www.law.kuleuven.ac.be/imer/nieuws.html

Download the programme here:
http://www.law.kuleuven.ac.be/imer/Conf%20sept%2006/Programme%20Energy%20Conference%20September%20WS.pdf

Examining European Energy Policy And Innovative And Alternative Energy Options To Drive Efficient Energy Use, Brussels, 28 September 2006

ENDS Europe Daily's Energy Efficiency conference will update you on the EU Energy Efficiency Action Plan due shortly from the European Commission and arm you with the practical advice you require to cost-effectively implement energy reducing measures.

More details see: http://haymarket.ec-messenger.com/re?l=1hlc4vIf4fpueI0

Book online: http://haymarket.ec-messenger.com/re?l=1hlc4vIf4fpueI1

Carbon Finance 2006: Risks and Opportunities in Emissions Markets London, 9-10 October 2006

At Carbon Finance 2006 you will hear from top-level executives from a broad range of organisations including: the European Commission, Morgan Stanley, Veolia, Citibank, EBRD, Mitsubishi Research Institute, CDM Executive Board, Natsource, BP, WRI, Hunton & Williams, EcoSecurities, Sindicatum Carbon Capital, European Climate Exchange, Climate Wedge, UNFCCC, Climate Focus, E3 International, First Environment, Econergy, Energy & Environmental Capital.

Full speaker and programme details at: http://www.environmental-finance.com/conferences/2006/CF06/intro.htm

Second Annual European Energy Policy Conference, Brussels, 16-17 October 2006

As part of a five-year commitment to the development of debate in the area of energy, this year's conference will focus upon the key policy related issues that are impacting upon both the EU and the wider world.

Important consideration will be given to security of supply, taking a look at the work required within the internal market and its role in securing future energy requirements. In addition, the conference will pose the question: does energy policy need to be better incorporated into the wider perspective of EU external relations? For some the answer may seem obvious, however the detail is far from certain.

For more information go to: http://www.epsilonevents.com/eps_current_event.asp?id=26&type=current

Register for the conference at: http://www.epsilonevents.com/eps_register.asp

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

The theme of this year's conference is moving from theory to practice. The conference program will present research that examines the role of fiscal and other economic instruments in helping society transition to environmentally sustainable, just and prosperous economies. Research presented at the conference will be grouped within the following six subthemes: political feasibility; competitiveness; subsidies; instrument choice; valuation and measurement; and case studies.

For more information visit the conference homepage at: http://www.environmental-tax-conference.uottawa.ca/

The RIO 6 - World Climate and Energy Event, November 17-18, Rio de Janeiro

RIO 6, a follow-up to the successful RIO 5, RIO 3 and RIO 2 World Climate & Energy Events, is being held again in Rio de Janeiro to secure the implementation of renewable and energy saving strategies. This event brings together leading experts from science, industry and politics to report on the latest research results, demonstrate new products and services, present successful policies and implementations, and show access to project financing via governmental policies, utility funds and international carbon trading via effective networks.

For more information please see: http://www.RIO6.com

LAREF 2006 - Latin America Renewable Energy Fair, in the context of the World Climate and Energy Event, Nov 17-18, Rio de Janeiro

Following the successful Latin America Renewable Energy Fairs in 2003 and 2005, national and international companies, professionals, institutions and NGOs from the renewable energy sector will present their products and services at LAREF 2006, taking place at the Rio Othon Palace Hotel in Copacabana, Rio de Janeiro, Brazil. Last year 300 registered conference delegates from 23 countries from all five continents and more than 1,000 visitors of LAREF 2005 have been participating.

Information for Exhibitors or website at: http://www.LAREF2006.com.

8. LINKS AND PUBLICATIONS

"Climate Policy 2005 and Beyond - Japanese/German Impulses"

The new Wuppertal Spezial "Climate Policy 2005 and Beyond" reports on a conference and a workshop on climate policy that was organised by the Berlin Office in Tokyo as part of the "German Year in Japan 2005/2006". The experts and participants, including GBG president Dr. Anselm Görres, evaluated the experiences with market instruments in Germany/ Europe and Japan and discussed the further involvement of stakeholders in the climate policy process (business, local communities and NGOs).

This issue can be downloaded as pdf file: http://www.wupperinst.org/Publikationen/Wuppertal_Spezial/ws33.pdf

Ex-post estimates of costs to business of EU environmental legislation

One of several reasons for why the costs of EU environmental legislation are overestimated seems to be a failure to anticipate technological innocations. In response to divergences in cost estimates between e.g. Environment Ministries and industry, this report addresses the question to what extent the ex-ante and ex-post estimates of costs to business resulting from EU environmental legislation differ, how these differences can be explained, and what the implications are for cost assessments.

Download the full report at: http://ec.europa.eu/environment/enveco/ex_post/costs.pdf

"Resource Productivity, Environmental Tax Reform and Sustainable Growth in Europe"

As part of the AGF's new project, Creating Sustainable Growth in Europe, one of the main topics of research is entitled "Resource Productivity, Environmental Tax Reform and Sustainable Growth in Europe". For more details see: http://www.agf.org.uk/currentprogramme/Environment.htm

"Developing Green Taxation"

The Swedish Environmental Protection Agency has completed a report entitled "Developing Green Taxation" examining future possibilities for the development of environmental fiscal reform in Sweden and analyses how EFR can better serve the aims of environmental policy.

Download the report at: http://www.naturvardsverket.se/bokhandeln/pdf/620-8190-X.pdf

"Phase out coal subsidies in Europe"

Please see link below to a joint CAN-E/EEB letter sent to EU Commissioner Andris Piebalgs. The letter is in response to DG TREN's (Directorate General for Energy and Transport) request for NGO input (letter sent to CAN-E and EEB) to a public consultation they had carried out for which there was no ENGO response.

Link: http://www.climnet.org/resources/060711_CoalAidReview_CANEEB_Final.pdf

Working group on waste prevention and recycling

The results of OECD working group on waste and recycling are now available online at http://www.oecd.org/department/0,2688,en_2649_34395_1_1_1_1_1,00.html

or go to

http://www.oecd.org/dataoecd/51/28/36707069.pdf for the full report as a pdf file.

Energy and environment in the EU: Tracking progress towards integration

This EEA report calls for the EU to seize the opportunity presented by the replacement of its ageing power plants to massively invest in more environmentally-friendly forms of energy. Plans to build new nuclear plants in some member states must not "starve" new technologies of financial support or undermine the current emphasis on energy efficiency, the agency warns.

The report calls for a long-term framework to help deliver large-scale investments through instruments ranging from grant support to tariffs and quotas, depending on the stage of development of each technology and demands greater integration of environmental considerations into the energy sector.

The report can be downloaded at http://reports.eea.europa.eu/eea_report_2006_8/en

Clearing the Air: the Myth and Reality of Aviation and Climate Change

This report from the Climate Action Network Europe and T&E Transport and Environment dismantles some common myths as regards air travel and analyses the current state of play with reference to possible policy developments to curb air traffic emissions in the future. Download the publication at: http://www.transportenvironment.org/docs/Publications/2006/2006-06_aviation_clearing_the_air_myths_reality.pdf

Pricing for (sustainable) transport policies – A state of the art

Coordination Action IMPRINT-NET (Implementing Pricing Reforms in Transport Networking) has published. You can download the file from http://www.imprint-net.org/reports/deliverables/

envecon 2006: Applied Environmental Economics Conference

We are pleased to announce that papers and presentations from the envecon 2006: Applied Environmental Economics Conference, which took place on the 24th March 2006 at the Royal Society, London, are now available for download from the conference webpage: http://www.eftec.co.uk/home.php?section=8&uknee=2

The Australia Institute "Competitiveness and Carbon Pricing: Border adjustments for greenhouse policies"

The paper presents analysis showing that only a handful of Australian industries would face significant competitiveness risk as a result of the adoption of a carbon tax or emissions trading. This removes the most common argument against Australia ratifying the Kyoto Protocol.

A limited system of border adjustments is proposed to preserve the international competitiveness of at-risk energy-intensive industries whilst maintaining the carbon price signal within the domestic economy. Assessed against a range of criteria – including effectiveness in offsetting competitiveness effects, maintaining environmental integrity, minimising economic costs, and administrative simplicity – border adjustment, the paper argues, is the most promising policy option for solving the carbon leakage problem.

Download the paper at: http://www.tai.org.au/Publications_Files/DP_Files/DP86%20Sum.pdf

OECD: Subsidy Reform and Sustainable Development: Economic, Environmental and Social Aspects

Subsidies are pervasive in OECD countries and are among the most powerful public policy instruments. But they often introduce unintended consequences, such as budget deficits, pollution, unemployment and trade distortions. This report contains the proceedings of an OECD workshop on subsidy reform held in October 2005 under the auspices of the OECD programme on sustainable development. It provides an overview of approaches for assessing subsidies and associated taxes, and looks at country experiences in reforming subsidies in the agriculture, fisheries, industry, and transport sectors.

From OECD publishing, for more information see: http://www.oecdbookshop.org/oecd/display.asp?TAG=XYAI08XX4X5889684LUV8T&CID=&LANG=EN&SF1=DI&ST1=5L9V8TDR7PVB

"Innovative sources for finance after the Paris conference"

The initiative "Action against Hunger and Poverty", launched by the presidents of Brazil, France, and Chile, laid the groundwork for a breakthrough in the Paris conference on innovative ways to fund development in February of 2006. After Chile and France enacted legislation for the implementation of a small air-ticket tax for development, the conference resulted in 11 additional countries joining in this commitment. The current political awareness marks an opportunity to bring development finance back to centre stage.

A recent Friedrich-Ebert-Foundation briefing paper provides an analysis of the different proposals for new sources of development finance and discusses how this new-found development momentum can be sustained. The paper, "Innovative sources for finance after the Paris conference", is on the frontpage of their website at: http://www.fes.de/globalization.

Schlegelmilch, Kai: Ecological Tax Reform in Germany: History, Design, Marketing, Experiences and Impacts

In Critical Issues in Environmental Taxation, International and Comparative Perspectives, Volume III, edited by Alberto Cavaliere, Hope Ashiabor, Kurt Deketelaere, Larry Kreiser, Janet Milne, p.373-382, http://www.richmondlawtax.com/envirotax3.shtml.

UK Energy Review 2006

The long-awaited UK energy review for 2006 was published in July. For more information and to download the review see the Department of Trade and Industry website at: http://www.dti.gov.uk/energy/review/

UK Treasury report on the Climate Change Levy:

The climate change levy package was introduced 5 years ago. This paper takes stock of the impact of the package and highlights how it has helped to put the UK on course to meet its Kyoto commitment to reduce greenhouse gas emissions by 2012 whilst supporting the contribution of British business to long-term economic growth. Download the report at: http://hm-treasury.gov.uk/media/1E1/03/bud06_climate_169.pdf

The Impacts of the European Emissions Trading System on Competiiveness & Employment in Europe - ZEW Literature Review

WWF has commissioned the Centre for European Economic Research (ZEW, Germany) to analyse all scientific studies and models available on the impacts of the European Emission Trading Scheme (EU ETS) on competitiveness and employment in Europe.

The analysis shows that dire warnings about devastating EU ETS impacts as expressed by companies and industry associations from various sectors lack justification. According to the report, the scheme will not be responsible for major job losses or for a reduction of EU competitiveness. Compared to other regulation methods to achieve Kyoto compliance the EU ETS – Europe's key instrument to tackle climate change – is the cheapest option and can have positive effects on competitiveness.

Download the report: http://assets.panda.org/downloads/zew_eu_ets_impacts_full_report.pdf

Executive summary available at: http://assets.panda.org/downloads/zew_eu_ets_impacts_exec_summary.pdf

Conference Documentation: Impacts of Linking the EU ETS

On 29-30 May 2006 the Wuppertal Institute organised the conference "Linking Schemes: Potential Impacts of Linking the EU Emissions Trading System with Emerging Carbon Markets in other Countries" in Brussels.

The conference website with a documentation, including a summary of findings, and downloads of all presentations is online now: http://www.wupperinst.org/Sites/Projects/rg2/3214e.html

Conference Documentation: "Securing Energy in Insecure Times"

A book of executive summaries has been published detailing the 250 presentations given at the 29th IAEE International Conference from 7-10 June 2006.
To order go to:
http://www.gee.de/publikationen.htm

Peter Wahl: "From Concept to Reality. On the present state of the debate on international taxes"

With the implementation of the French air-ticket tax, the highly controversial debate on international taxes for development has entered a new phase.

Peter Wahl analyses the impact of globalization on the functioning of nation-state based parliamentary democracy and national taxation. He develops a new rationale for international taxation as a means of regulating globalization and developing new policy options for the hassled national state. Further, he gives an overview of discussed models for international taxation.

Download the report from the Friedrich-Ebert-Foundation website at:
http://www.fes-globalization.org/publications/Briefing%20Paper-%20Wahl_International%20Taxes.pdf

The Use of Economic Instruments in Nordic and Baltic Environmental Policy 2001-2005

This new report commissioned by the Environment and Finance Group of the Nordic Council of Ministers continues the tradition of reviewing the use of economic instruments in environmental policy in the Nordic countries by providing a comprehensive overview. At the same time, this report extends the country coverage and content of the report. The application of economic instruments is not only discussed for the five Nordic countries, but also for the three Baltic countries. In addition, a discussion on the opportunities and shortcomings associated with the use of economic instruments in the field of environmental policy has been undertaken. Green Budget Germany's research and work is also cited in this report.

Download the report at: http://www.norden.org/pub/miljo/ekonomi/sk/TN2006525.pdf

New Carbon Disclosure Project Website

The CDP is very pleased to announce the launch of the new CDP website at http://www.cdproject.net. The new site has been redesigned with a simple interface and we hope that it will enable more users to access the response data. We welcome your comments on the design and functionality of the new site.

9. VACANCIES

Faculty Position - Political Science, Bren School, UC Santa Barbara

The Donald Bren School of Environmental Science & Management (www.bren.ucsb.edu) invites applications for a tenure-track Assistant Professor position, to start July 1, 2007. Applicants should possess a PhD or have completed all requirements for the degree by the time of appointment. Although the initial appointment will be without tenure, we encourage candidates who are currently assistant professors to apply.

We seek a scientist who is committed to research and teaching that brings the models, methods, and data of political science to bear on human-environment relations. The successful candidate will become a major player in the Bren School's research cluster on *Governance for Sustainable Development* and take an interest in collaborating with colleagues working in the areas of *Environmental Economics* and *Corporate Environmental Management.* Strong preference will be given to candidates whose existing or emerging research program engages with one or both of the School's research clusters dealing with the *Sustainable Management of Water Resources* and *Ecological Sustainability.* The successful candidate will have demonstrated skill in identifying and using methods suitable for the study of problems arising from human/environment interactions and is likely to have a high level of competence in statistical and quantitative methods.

The Bren School is a graduate school providing rigorous, multi-disciplinary training in environmental science and management to Master's and PhD students. The faculty is drawn from the natural sciences, social sciences and management. Although this appointment will be wholly within the Bren School, a 0% affiliation with the Political Science Department is possible.

Send applications to: Political Science Search Committee, Donald Bren School of Environmental Science and Management, University of California, Santa Barbara, CA 93106-5131; e-mail mailto:polisci@bren.ucsb.edu ; fax (805) 893-7612. Electronic submission of the application as a single package is highly desirable and must include a curriculum vitae, names of three references, a statement of research interests and teaching experience, and copies of up to three publications or research papers. Applicants should arrange to have three letters of reference emailed to the Search Committee. For fullest consideration, all materials should be received no later than September 1, 2006, although the position will remain open until filled.

We encourage applicants who would like to discuss the position at the 2006 APSA Conference to contact Professor Lorelei Moosbrugger (mailto: moosbrugger@polsci.ucsb.edu) before August 1st to arrange for a meeting.

The University of California is an Equal Opportunity/Affirmative Action Employer. We encourage all qualified applicants to apply, including minorities, women, and persons with disabilities. The school is especially interested in candidates who can contribute to the diversity and excellence of the academic community through research, teaching and service.

10. READERS' GUIDE AND IMPRINT

Readers' Guide:

To read our newsletter, follow the instructions below:

- First, you should make certain that you always have sufficient free memory in your e-mail account. If not, you won't receive the mailing. Our Newsletters will have up to 425 Kilobytes per copy.

- Do not try to print the HTML-Version in your mail account, because it won't work! For a printable version click on the link at the top (http://www.eco-tax.info/downloads/GBN16.pdf). Then you can download a printable PDF version of the newsletter.
- You can read all our newsletters in our archive on this page: http://www.eco-tax.info/2newsmit/index.html In the newsletter archive you can access individual topics by clicking on them in the directory. You don't to view the whole document.

We hope you enjoy reading your copy of GreenBudgetNews!

Best wishes from the editors!

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