GREENBUDGETNEWS NO. 19 – 4/2008

EUROPEAN NEWSLETTER ON ENVIRONMENTAL FISCAL REFORM

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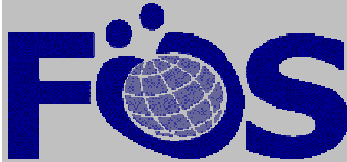

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1. EDITORIAL

Dear Readers and Friends of GBG,
Green Budget Germany has increased its reach and relevance considerably in the last year, especially since the Eighth Global Conference on Environmental Taxation in Munich, the biggest international conference ever organised by GBG. For more details, see the Special Edition of GBN sent out before Christmas 2007. The majority of the filmed conference-presentations is available at: http://www.worldecotax.org/videos.php . At the same time, the worldwide environmental discussion has been widening in scope with e.g. the UN ecological reports on the free market. As well, new topics like certificate and emission trading and the reduction of environmentally harmful subsidies are ever more on the agenda. GBG is responding to the challenge by improving its European lobby work in the form of "Green Budget Europe", a new EU-wide platform on MBI for environmental policy. In September 2008, a launching conference in Brussels has been scheduled with conference partners the European Environmental Bureau (EEB). For more information, watch this space!
In Germany, too, something is changing and remarkable topics, such as ambitious environmental aims and market-based instruments, are coming to the fore. The Social Democratic Party and the Green Party have been discussing a new 'climate bonus' model for EFR, while the Conservative Christian Democrats of Baden-Württemberg are supporting the introduction of an air ticket tax. Finally, we have drawn up a very interesting programme for our annual conference in Kassel from May 30th to June 1st 2008.
Green Budget Germany is taking advantage of all these windows of opportunity to further the cause of Environmental Fiscal Reform, particularly by widening our focus to include the European perspective.
As you know, new and inspirational projects always need an initial financial boost, and so does Green Budget Europe. We thank for your contributions: Account Holder: Förderverein Ökologische Steuerreform, at GLS Gemeinschaftsbank, IBAN: DE87430609678043713000, BIC/ SWIFT: GENODEM1GLS.
Your GBG Editorial Staff

Critical Issues in Environmental Taxation: International and Comparative Perspectives

Stop press! Volume V of the *Critical Issues* series, documenting the GCET conference series, is out now. This volume brings together papers from the 7th GCET which took place in Ottawa, Canada, in 2006 and includes articles from Anselm Görres, Kai Schlegelmilch and Jacqueline Cottrell.
Watch this space for the GBG edited volume covering the 2007 Munich GCET.
To order, go to: http://www.oup.co.uk/

News about our office!

Two positive events have resulted in some major changes at Green Budget Germany: in January 2008, our Managing Director Andrea Sauer, our long-standing and very professional Managing Director, went on maternity leave for one year. We wish her all the best, in particular for the first steps of her second child Luca (a son). On January 27th 2008 our Managing Director Christian Meyer was elected as Member of the Lower Saxony Parliament for the Green Party. After more than 4 years of successful work for Green Budget Germany, we wish him all the best for his new career. He still continues to give us his valuable contribution as Green Budget Germany member and advisor.
As a recent and newsworthy substitute, the newly graduated Sebastian Schmidt was employed in 2007. He has proved himself to be an important resource for GBG with his knowledge of the science of public administration and management, e. g. the field of emissions trading. He graduated in Potsdam in administrative sciences and wrote his degree thesis about the governance of the allocation of emission rights in the first period of the European emissions trading in Germany. His knowledge of the emissions trading system fits perfectly with our work, which deals with far more than environmental taxation, covering all market-based instruments for environmental policy.
Since April 2008, Green Budget Germany has also employed its second new Managing Director Damian Ludewig. A very well-known member of the German NGO-Community, Damian is a member of the DNR-Board, the umbrella organisation

of German environmental NGOs, and also member of the Climate Alliance Steering Committee. He is an economics graduate and wrote his degree thesis about the taxation of national resources.

2. ECOLOGICAL TAX REFORM

New climate treaty will be 'more ambitious' than Kyoto

[abc.net, April 1st 2008] The United Nations concedes finding consensus between more than 160 nations meeting in Bangkok for climate change talks is a daunting task.

The meeting in the Thai capital hopes to agree on a battle plan to stop the world's temperatures from rising, building on the so-called 'Bali Road Map', which called for a new treaty on global warming by the end of 2009 - three years before the current Kyoto protocol expires.

Bali was marred by ongoing friction between rich and poor nations battling it out over who should carry the greater responsibility for global warming and who should make the bigger carbon emission cuts.

The spokesperson for the United Nations Climate Change Secretariat, John Hay, has told Radio Australia's Asia Pacific program if talks proceed as planned, a new treaty is expected to emerge from Copenhagen talks in 2009.

"We'll have a treaty in place which is far more ambitious than the existing Kyoto Protocol, which will dramatically reduce productions in line with what science is telling us is needed," he said.

"That means a 50 per cent reduction in global emissions, compared to 1990 levels."

Mr Hay says Bangkok is the first stage of the process leading up to negotiations, and the contentious balance between emissions from rich and poor countries is not expected to slow the talks at this stage of the process.

"The mood is generally very positive," he said.

"There is a sense of urgency, there is a sense that we have... less than two years to conclude this work program, so we're actually quite positive that we'll make it."

http://www.abc.net.au/news/stories/2008/04/01/2204987.htm

New York Major Bloomberg accuses candidates of failing to address tough climate issues and calls for a carbon tax

[Nathanial Gronewold, special to E&ENews PM, 11th February 2008] New York City Mayor Michael Bloomberg (I) blasted presidential candidates for not properly addressing climate change, saying the front-runners are merely telling voters what they want to hear rather than facing up to hard truths.

In anticipation of nationwide legislation to control heat-trapping greenhouse gases, Bloomberg said he believed a tax on carbon dioxide emissions would be more successful than a "less direct" system of cap and trade.

Talking to reporters after delivering a speech at a two-day series of talks and panel discussions on climate change at U.N. headquarters, Bloomberg expressed his dismay at how little the issue has come up in the presidential campaign. His prediction from a few months back that important environmental issues would scarcely be mentioned in the current election cycle has "proven right," he said.

"It is one of the seminal issues of our time, and I think all the candidates on both sides of the aisle should be asked explicitly: Where do you stand and what will you do?" Bloomberg said. "They want to say 'I can give you something for nothing, and you can have it quickly.' And nobody wants to talk about the risks or the costs of plan B if it doesn't work."

Earlier in the day Bloomberg boasted of New York's leadership on the climate issue to an audience of government representatives, private businessmen and U.N. officials. Bloomberg highlighted four of his recent initiatives in his remarks: New York's move to convert the city's taxi fleet to hybrid vehicles in five years, his controversial congestion pricing plan, efforts to improve the city's energy efficiency and reduce the carbon emissions of city buildings, and an effort to plant 1 million new trees over the next 10 years.

Late last month Bloomberg's proposal to charge $8 to vehicles entering below 60th Street in Manhattan during peak weekday traffic times won approval from a state commission. The plan still faces stiff opposition among city and state lawmakers and has to win approval from Albany and the City Council to be enacted. If congestion pricing wins approval by March 31, New York will be

eligible to receive $354.5 million in federal funds to improve mass transit.

"New York City can shrink our carbon footprint 30 percent from current levels by the year 2030," Bloomberg told the audience. "And recent authoritative studies indicate that the U.S. could do something very close to that, too -- and at nearly zero net cost, because so many of the energy efficiency strategies involved actually save money in the long run."

Bloomberg added: "I believe the U.S. should enact a tax on carbon emissions." He asserted that a cap-and-trade system for dealing with emissions was "an approach that I believe would be less direct and therefore less successful. But either alternative would be superior to our current inadequate status quo. Instituting either would mark a major and welcome commitment to addressing climate change."

Bloomberg also blasted the energy bill recently adopted by Washington lawmakers, saying that the federal money to support corn ethanol included in the bill amounts to a subsidy for 10 percent of crop growers and would contribute to food insecurity worldwide.

"I have thought and said repeatedly that the last energy bill that the United States Congress passed and the president signed would raise food costs in this country and also around the world, and people literally will starve to death in parts of the world," he said.

http://siliconinvestor.advfn.com/readmsg.aspx?msgid=24303537

International climate change conference highlights carbon tax as an alternative to carbon trading

[*Robert J Shapiro, Business Spectator, November 15th 2007]* At the International Climate Change conference, which begins today in Sydney, keynote speaker Robert J Shapiro will argue that the current global focus on carbon trading as a means of tackling climate change is misguided. The article below is an edited extract of his paper, in Climate Change: Getting it right, published by the conference host, the Committee for Economic Development of Australia.

A solid consensus has emerged among scientists and most public officials around the world that emissions of greenhouse gases from burning fossil fuels, especially carbon dioxide (CO_2), contribute significantly to climate changes which could have very serious, adverse effects.

The two most prominent strategies for reducing greenhouse gases are a global system of national caps on the emissions and tradable permits, modelled on the Kyoto Protocol, and global, harmonised, net carbon-based taxes.

Recent economic analyses and evidence strongly suggest that carbon taxes would be a more environmentally effective and economically efficient way to address climate change than a cap-and-trade system, and provide stronger incentives to develop alternative fuels and more energy-efficient technologies.

Both of the two principal policy approaches necessarily result in higher prices for fossil fuels, but in different ways.

Carbon taxes raise the price of carbon-based energy directly, predictably and in a constant manner, imposing the greatest costs on those firms and economies that produce the most emissions. In so doing, carbon taxes create direct incentives to reduce carbon-based energy use or substitute cleaner forms of energy, until the cost of doing so is greater than the tax.

A serious cap-and-trade program applies no direct charge to emissions up to its cap, but the cap for the system is set below its current or forecast emissions.

The two approaches differ in several important ways. The critical economic distinction is that cap-and-trade directly controls the quantity of emissions, while carbon taxes directly control their price.

The result is that cap-and-trade can produce a designated quantity of emissions, but with much greater potential volatility in energy and energy-related prices, while carbon taxes will produce more certain prices for energy and energy-intensive goods, but greater uncertainty about the quantity of total emissions.

These two trade-offs are not equivalent.

By regulating the quantity of emissions, a strict cap-and-trade program will drive the price of permits to whatever level is required to bring emissions under its cap.

The price of permits and their underlying energy source will rise sharply when emissions increase, because, for example, an industry or country’s growth accelerates or the winter weather is colder than expected.

This price volatility is both evident and substantial

in both the emission permits traded under the US acid rain program, the major US example of cap-and-trade, and in the first 22 months of CO_2 permit trading under the European Emissions Trading Scheme (ETS).

A carbon tax does not increase or accentuate the volatility of energy prices because it raises the unit-cost of energy by a constant amount (depending on its carbon content), regardless of how fast a company, industry or nation's emissions are growing.

While the tax will reduce emissions by raising the relative price of more carbon-intensive fuels (and lowering the relative price of less carbon-intensive alternatives), no one can predict the precise extent of those effects for any particular level of carbon tax, and consequently the tax may be set too low to achieve a particular emissions goal in a given year. However, this shortcoming is more easily offset than the price volatility of cap-and-trade.

The environmental costs of greenhouse gases occur over a long term, and in principal a government can raise or lower the carbon tax rate year by year to achieve the long-term emissions reductions it seeks.

While some proposals for cap-and-trade systems include provisions to reduce price volatility by auctioning or distributing additional permits when permit prices increase sharply, these provisions address the price volatility after it has already occurred and taken a toll on investment.

A second important difference is that global carbon taxes have generally comparable effects from country to country, while a global cap-and-trade program usually does not.

A global cap-and-trade system creates a range of effects and incentives across countries, depending on the base from which it calculates the emissions targets for each country. Once a cap-and-trade agreement determines that a country's emissions should be reduced by a certain percentage relative to its current emissions or to its emissions in a previous base year, the country may be able to meet its target without taking any steps if its economy slows – or it could take serious measures to reduce emissions and still fail to meet its target because its economy is growing faster than normal.

The third important difference is that cap-and-trade programs are more difficult to administer and more vulnerable to evasion, corruption and manipulation than carbon taxes.

The administration of a net carbon tax is straightforward: Each country would apply a tax rate to every energy source, which, after counting the country's current energy taxes and subsidies, would produce the global net carbon tax rate. Each country could also collect the receipts using the same mechanisms it relies on for existing energy or business taxes. Under cap-and-trade, each country first has to create a new system to distribute its national cap among its energy-related industries and their thousands of companies and plants in the form of permits; then it must set up a monitoring system to track energy production at every site before and after permits are traded.

Cheating also poses a more serious problem for cap-and-trade than carbon taxes. While some companies will try to evade their taxes, the government on the other side of the transaction has a strong interest in discovering and stopping it. Under cap-and-trade, if a company fraudulently understates its energy production and emissions so it can sell permits for some of them, the buyer on the other side of the transaction has no incentive to uncover or reveal the fraud.

As a result, Yale economist William Nordhaus has concluded that "cheating will probably be pandemic" under cap-and-trade.

Given these drawbacks, cap-and-trade's principal attraction appears to be political feasibility. Many environmental activists assume that a global cap-and-trade program is more achievable than global carbon taxes, because much of the world agreed to Kyoto and most people resist higher taxes.

People and companies in every country resist higher taxes. Yet Sweden and Denmark have applied carbon taxes, or their equivalent, and are now among the most emission-efficient economies in the world.

On balance, if the world community intends to take serious steps to slow and ultimately reverse climate change, the evidence strongly suggests that a global carbon tax would be preferable to a global cap-and-trade system on economic, environmental and even political grounds.

http://www.businessspectator.com.au/bs.nsf/Article/The-great-carbon-debate-8XBYH?OpenDocument

California proposes a global-warming fee on businesses - Bay area firms would be charged based on emissions

[Paul Rogers, Mercury News, September 2nd 2007] In the first such program in California, and perhaps the United States, Bay Area air pollution regulators are proposing to charge an annual fee to thousands of businesses based on the amount of greenhouse gases they emit.

The fee - 4.2 cents per metric ton of carbon dioxide - would affect everything from oil refineries to power plants, and landfills, factories and small businesses like restaurants and bakeries.

The largest emitter of greenhouse gases in the Bay Area, the Shell oil refinery in Martinez, would pay $186,475 a year for its 4.4 million annual metric tons of emissions. The largest emitter in Santa Clara County, the Hanson Permanente Cement Plant in Cupertino, would pay $44,507 a year for its 1.05 million tons.

After years of voluntary measures, the fees, proposed this week by the Bay Area Air Quality Management District, set a precedent as the first time that businesses and government agencies would face financial consequences for contributing to global warming. If successful, the fees could be copied all over the state and country, perhaps ultimately at much higher prices.

"The climate is changing, and we think that everybody needs to help with the solution and pay their fair share to reduce greenhouse gases," said Jack Broadbent, executive officer of the Bay Area Air Quality Management District in San Francisco.

"This is the next step in addressing the problem. The public is demanding that we be part of the solution."

The air district, a state agency, for the past 50 years has regulated smog in the nine counties around San Francisco Bay - Santa Clara, Alameda, Contra Costa, Marin, San Francisco, San Mateo and Napa, and portions of southwestern Solano and southern Sonoma counties.

The air district's board will begin discussing the rule as early as late February and could take a final vote by May.

Almost certain to draw controversy and national attention, the proposal is designed to raise $1.1 million a year, Broadbent said. It is not a "carbon tax," but a cost recovery fee, he said, because the money would not go into a general fund, but would be used instead to pay for the air district's global-warming-reduction programs.

The proposal also is being closely watched around the state, since it would represent the first time that companies have been hit with fees based on their greenhouse gas emissions. Nearly every program in the United States to reduce greenhouse emissions has been voluntary to date.

Environmentalists Friday called the proposal a watershed event.

"There are costs associated with emitting carbon dioxide, and the people who emit it should pay the costs," said Carl Pope, national executive director of the Sierra Club.

Pope noted that in April the U.S. Supreme Court ruled that carbon dioxide is a pollutant that can be regulated under the Clean Air Act just like other chemicals that cause smog. That changes everything, he said.

"That ruling is going to trigger a whole series of regulatory responses like this," Pope said. "This is the first one that has a fee associated with it. You are going to see fees, and emissions standards, and permits for coal-burning power plants turned down. The country has now decided we are going to clean up carbon dioxide like we clean up other types of air pollution."

Industry officials reacted warily to the plan.

Tupper Hull, a spokesman for the Western States Petroleum Association in Sacramento, said hitting oil refineries and power plants with fees could end up hitting consumers in the pocketbook.

"This proposal will raise the cost of producing energy and fuel for California consumers, and at a time when consumers have concerns about what they are paying," he said. "We can't say how much that is, but it is a significant concern."

Hull also said that if some of the other 30 air districts in California - or cities or counties - begin copying the idea, the state will have a confusing patchwork of rules right at the time it is trying to craft a statewide solution to global warming under a law signed by Gov. Arnold Schwarzenegger two years ago.

Under the proposal, all 10,000 "stationary sources" of air pollution that the air district regulates would be subject to the fee, including businesses and government agencies. They would pay it annually as part of getting their overall air quality permit renewed. Small businesses would pay perhaps $10 or less. Large businesses that burn lots of fuel and use large amounts of energy would see costs in the tens of thousands of dollars.

The fee does not affect homeowners or motor vehicles.
Of the 10 largest greenhouse gas emitters in the Bay Area, five are oil refineries in the Martinez-Richmond area, and four are large power plants in the same area. Only one, the Hanson Permanente Cement plant in Cupertino, isn't a power plant or oil refinery. The district has computed rankings on everything from landfills to the United Airlines maintenance facility at San Francisco International Airport, the 30th-largest Bay Area greenhouse-gas emitter, with 114,427 metric tons of greenhouse gases. It would have to pay $4,805 under the proposed rule.
Once a carbon fee is in place, critics worry, it could easily increase. But that's the best way to cut greenhouse gases, say some experts.
"I think this is tremendously gutsy," said Dan Kammen, a Harvard University-trained physicist who is director of renewable energy programs at the University of California-Berkeley.
"Emissions in California are still going up. All the nice paperwork is not going to make emissions go down until we put a price on what we don't want - which is greenhouse gas emissions."
Europe set up a carbon-trading market after its countries signed the Kyoto agreement. Under that "cap and trade" system, companies are limited in the amount of carbon dioxide they can emit. If they emit less, they can sell credits to other companies that exceed their limits. Currently, the market cost is about $40 a ton, Kammen noted. California is studying creating a similar carbon market, and all three leading presidential candidates - Sens. Hillary Clinton, Barack Obama and John McCain - have said they support creating a national mandatory cap-and-trade program. Northeastern states also are setting up a similar market for power plants.
"What the air district is doing is what every economist knows is coming - but somebody has to go first," he said.
A majority of climate scientists agree that the Earth is warming because of the buildup in the atmosphere of carbon dioxide from the burning of fossil fuels, which trap heat. The 10 hottest years since modern records began being kept in the 1880s all have occurred since 1990, according to the National Climatic Data Center, a federal agency in North Carolina.
More information: http://www.mercurynews.com/valley/ci_8215767

3. EMISSION TRADING

European Parliament votes (in second hearing) on the aviation ETS

[Evert Hassink, Friends of the Earth, May 2008] Next week the European Parliament will vote (in second hearing) on the aviation ETS. Pressure from the Council of Ministers and the airline industry to accept a "symbolic", ineffective ETS is strong. Your help is needed to make the MEPs support an effective ETS! Go to the website and mail MEP's today! Forward this information to friends and aviation campaigners in your country. please see here: http://www.foe.co.uk/campaigns/transport/press_for_change/eu/index.html . The e-mail action is available in many languages: English, Slovenian, Swedish, Spanish, Italian, Dutch, When your language is not available your e-mail will be sent in English.
It is very important that as many people take part in this action as possible. Time is running out before the upcoming vote. Thank you once again for all your help!

Japan to consider emissions trading

[*carbonpositive.net, 3 rd March 2008]* Japan says it will consider implementing an emissions trading scheme from 2013 as it develops policy measures to rein in ballooning greenhouse emissions. The government confirmed on Friday a cap-and-trade scheme would be part of the discussions on developing a stronger response to climate change when the current Kyoto Protocol commitment period runs out in 2012.
This follows an apparent softening of the stance of the powerful Ministry of Economy, Trade and Industry (METI) last month against setting compulsory emissions caps on industry and trading emission rights.
The issue of carbon trading has been a thorny in Japan for years with big business and METI up to now united in opposition to such measures. Government policy has instead relied on voluntary measures but these have not been enough to cut emissions and the country remains well above its Kyoto target.
The government has long said it hadn't ruled out emissions trading but little progress has been made in light of strong business opposition. Even now, further voluntary measures on behalf of in-

dustry and households are also under consideration with an official panel due to report on the range of options recommendations by June.
The Tokyo Stock Exchange has said it is “eager to act as the trading market for emission rights” in the country and is drafting a plan with government officials, academics and financial houses.
The Japanese government is in the process of striking agreements with eastern European countries including Russia, Ukraine and Hungary for the purchase of surplus emissions rights to help meet its target.
Japan holds the rotating presidency of the G8 and will host its leaders’ summit in July. With its own Kyoto effort lagging the government under prime minister Yasuo Fukuda has already signalled it wants to demonstrate international leadership on climate change. There are reports in local media that the government will also soon announce a contribution of almost $2 billion to a new fund to promote clean technology transfer in developing world.
http://www.carbonpositive.net/viewarticle.aspx?articleID=1008

Australia gears up for emissions trading

[carbonpositive.net, March 18th 2008] Australia’s new Labor government has confirmed that emissions trading will begin nationally in 2010, sticking to a pledge made when in Opposition.

Climate change minister Senator Penny Wong announced a timetable for development of a mandatory emissions trading scheme (ETS) that will see a policy green paper on scheme design released in July and draft legislation by the end of the year. Business and community consultations are included in the timetable.

The policy paper will be influenced by the report of economist Ross Garnaut, commissioned by the Labor Party to investigate best approaches to reducing greenhouse gas emissions and carbon pricing including which sectors should be covered and when.

It is also likely to draw on the work of two taskforces set up by State governments and the former Howard federal government which recommended firm emissions caps be set ten years out, most emissions permits be auctioned, vulnerable consumers be compensated and the competitiveness impact on trade-exposed, energy-intensive industries taken into account.

Senator Wong described the scheme to put an economy-wide price on carbon as "the most significant economic and structural reform undertaken in Australia since the trade liberalisation of the 1980s."

Heavy emitters will have to conduct detailed measuring and monitoring of their greenhouse gas emissions from July under a new monitoring scheme, already enacted, to underpin the ETS.

The government has set a long term target of reducing emissions by 60 per cent below 1990 levels by 2050 and will announce an interim 2020 target later this year following the final report of the Garnaut Review. Prime minister Kevin Rudd’s first act on coming to power last November was to ratify the Kyoto Protocol.

See:
http://www.carbonpositive.net/viewarticle.aspx?articleID=1026

Australia: the National Emissions Trading Taskforce (NETT)

[emissionstrading.nsw.gov.au, 2008] State and Territory Governments in Australia recognise the importance of addressing climate change, and are considering a range of effective policy responses to ensure a flexible way of achieving greenhouse gas abatement in the transition to a carbon constrained future.

A key measure being investigated is a national emissions trading scheme (NETS). A carefully designed NETS could provide a mechanism for the Australian economy to transition more smoothly to a carbon constrained future, and potentially link Australia to international carbon markets.

The European Union has recently established its own emissions trading scheme, and other regions and nations are actively considering emissions trading approaches. Creating a market for greenhouse gas emissions and emissions reductions has the potential to provide flexible and low cost abatement options while accelerating the adoption of existing and new technologies.

Australian State and Territory Governments established the National Emissions Trading Taskforce to develop a multi-jurisdictional emissions trading scheme for consideration by State and Territory Governments.

This website provides an outline of the Taskforce’s work program, key documents for download, and details of the stakeholder consultation process

that is essential to the success of the NETS initiative.

If you would like to stay up to date with the Taskforce's progress, please register your details on our email list.

We look forward to your contribution to the design of a National Emissions Trading Scheme for Australia.

NETT's relationship with the Prime Minister's Task Group on Emissions Trading

The Prime Minister has recently announced a joint Commonwealth-business Task Group to advise on the nature and design of a workable global emissions trading system in which Australia would be able to participate. The Prime Ministerial Task Group will also advise and report on additional steps that might be taken, in Australia, consistent with the goal of establishing such a system.

The Prime Minister's Task Group is entirely separate to the National Emissions Trading Taskforce (NETT). The NETT is not represented on the Task Group or its Secretariat.

Given the differences in focus between the work of the NETT and of the PM's Task Group, the NETT will continue with its work on the development of a design for a possible national emissions trading scheme, with a view to recommending a preferred scheme design in the second half of 2007.

However, given the substantial prospects for interaction between the two work streams, and to avoid duplication of work effort, the NETT will seek opportunities to engage with the Prime Minister's Task Group, and to share the results of the NETT's stakeholder consultation process. We will provide future updates on our progress on this website.

See: http://www.emissionstrading.nsw.gov.au/

UK publishes 2006 results for EU Emissions Trading Scheme

[defra.gov.uk, 5th February 2008] The EU Emissions Trading Scheme worked smoothly in 2006, but was adversely affected by a low carbon price caused by overallocation of allowances in some Member States, a report detailing the 2006 results, published by Defra today, has shown.

In 2006, there was 100% compliance from the 12,000 installations monitoring and reporting emissions.

The report shows that the UK had a deficit of 33 million allowances in 2006, demonstrating that the UK had set a realistic emissions cap for its industries. The unusually high international price of gas also drove more coal-fired electricity generation, causing a further shortfall of allowances in the UK.

The report also shows that across the EU there was a significant oversupply of allowances in 2006, which led to the Phase I allowance price dropping throughout 2006.

The issue of overallocation in some EU Member States was a problem identified in Phase I, and the European Commission took strong and welcome action to ensure that there was real scarcity in the market for Phase II, which started this year. The strong carbon price so far in Phase II is an encouraging indication that this problem has been resolved.

The report draws together the results across the UK industry sectors covered by the EU ETS and looks at the key factors that affected the results e.g. fuel prices, energy prices and emission projections.

The report also indicates where industry were given the opportunity to comment on how the scheme has affected them and what abatement opportunities they are taking up as a result of the EU ETS.

The results of the first year were released in late 2006 and represented a key milestone for the EU ETS.

Defra published a series of summary reports focusing on the UK 2005 results across each sector. In April 2007 the European Commission released provisional results for 2006, which summarised the results for UK installations in the second year of trading.

The report is available on the EU Emissions Trading Scheme pages on the Defra website.

http://www.defra.gov.uk/news/2008/080205a.htm

Europe's fledgling carbon market shrugs off emissions figures

[Mariangela Lupo,GBG, April 2008] According to the EU market for carbon, Europe's big polluters emitted lower levels of carbon dioxide than was actually permitted last year. The EU grants major polluters such as power generators, cement and steel makers allowances that permit them to emit a considerable level of carbon dioxide each year. If they exceed their targets, they have to buy permits to make up the difference or pay financial sanctions. Provisional figures show that the emis-

sions of industries covered by the EU scheme amount to around 1.88bn tonnes of carbon dioxide, against combined allowances of 1.91bn tonnes. Differences split the European countries: while France and Germany don't exceed their permitted levels, countries such as the UK, Italy and Spain go over their targets.

A slump in prices in 2006 due to the over-allocation of permits seemed to undermine the effectiveness of the cap-and-trade system, known as the emission trading scheme (ETS), in the process of carbon dioxide levels reduction. In the new second phase of the EU ETS, the European Commission has introduced much more stringent limits to cut the number of permits by around 9% between 2008 and 2012 and to increase the proportion of permits companies will have to buy, rather than be given free.

Henrik Hasselknippe, director of emissions trading analysis at Point Carbon, said: "Our analysis suggests that emissions are up about 1% from 2006. Now this is in line with our expectations and it reflects both industrial production in 2007, it also reflects the demand for electricity in Europe.

"The number increases the confidence in our emissions forecast for phase 2 where we currently see the need for a higher carbon price than the current price. We expect an average price of €30 per tonne for 5 years in phase 2".

Today the price of EU allowances (carbon permits) is estimated to be around €23.4.

There is considerable potential for the EU ETS to become the focal point for the development of a global carbon market in the medium term.

European CO_2 emissions up in 2007

[euractiv.com, April 3rd 2008] Early analyses reveal a slight increase in EU industrial CO_2 emissions in 2007, casting doubts as to the bloc's ability to honour its CO_2 reduction commitments on time. However, analysts predict emissions will drop in coming years as the Commission begins to tighten the EU's carbon belt.

EU industrial installations publicised data on their CO_2 emissions in 2007. The figures, which may be subject to adjustment by national authorities, indicate a 1.1% overall increase, according to an initial analysis by the carbon market consultancy Point Carbon.

Member states like Germany saw a 2% rise in emissions, and the UK emitted 85 million tonnes more CO_2 than it was allocated.

The increase was "no surprise" to market watchers like Cédric Bleuez of Carbon Market Data, a UK-based carbon market research firm, since the EU's carbon market collapsed early on in its first phase (2005-2007) due to an over-allocation of emission allowances which caused prices to crash.

On today's 'spot' or immediate market, one tonne of CO_2 is effectively free, with the price hovering slightly above €0. But the market is set to be relaunched in the coming months as the second phase (2008-2012) of the EU Emissions Trading Scheme (EU ETS) begins.

In October 2007, the Commission cut emission allowances for the second phase by 10% in order to re-establish a viable price for CO_2. Most analysts expect a CO_2 price tag of around €23, though the actual price will vary according to market forces and the level of economic growth in the EU.

The EU has set itself a tight schedule to reduce overall CO2 emissions by 20% by 2020, compared with 1990 levels. For industrial emissions covered under the EU ETS, this means a cap of 21% less CO_2 emissions in 2020 compared with 2005 levels.

But the 'carbon scarcity' needed to push the price of CO_2 per tonne to a level that can spur large-scale investments in low-carbon technologies is not expected until the third phase of the EU ETS (after 2013), casting doubts on the bloc's ability to honour its CO_2 reduction commitments on time.

In addition, many of the EU's newer member states argue the reduced emission allowances for 2008-2012 will hurt their fledgling industries (EurActiv 22/08/07).

And as the EU's carbon market becomes tighter, the bloc's energy intensive industries insist they need to be given free emissions allowances or be protected from competition by firms operating in countries with less environmental constraints.

The Commission has given its assurances that the concerns of key sectors will be addressed, though Brussels has refrained from giving details.

http://www.euractiv.com/en/climate-change/european-co2-emissions-2007/article-171327

Voluntary carbon standards compared

[carbonpositive.net, March 19th 2008] Amid ongoing criticism of the voluntary carbon market, WWF and the Stockholm Environment Institute

have released the first detailed comparison of the different emerging accreditation schemes for voluntary offsets.

Carbon offsets are credits generated from projects designed to reduce emissions of greenhouse gases from human activities. They are in demand, and ultimately funded, by organisations and individuals wanting neutralise the impact of their own emission producing activities. Offset credits are often packaged as tradable financial instruments called Verified Emission Reductions (VERs).

Controversy surrounding the credibility of offset credits for emission reductions in the unregulated, voluntary carbon market was a major motivation for WWF in compiling the report. But it acknowledges the substantial potential offsets have to help in the global push to rein in greenhouse gas emissions, spreading emission reduction activity wider and quicker than mandatory measures can, allowing organisations to prepare for future mandatory carbon schemes, driving innovation among project developers in emission cutting activities and supplying lower cost reductions.

A number of environmental and other non-government organisations have produced accreditation standards in recent years to create benchmarks in the industry to tackle the controversy and help providers establish integrity of their projects.

The key content of the WWF report is a comparison table that puts seven standards side by side against the benchmark of the Clean Development Mechanism (CDM), the mandatory offsets scheme run by the UN under the Kyoto Protocol. The seven are the Gold Standard, the revamped Voluntary Carbon Standard 2007, VER+, the Chicago Climate Exchange's offset programme, the Voluntary Offset Standard, the Climate, Community and Biodiversity Standards and Plan Vivo.

The table compares these accreditation standards on the basis of market share and project focus as well as the strength of their processes covering additionality tests, independent verification of emissions reductions and project approval. It also shows indicative ranges of offsets prices for each standard based on the typical prices charged by offset providers developing projects to that standard.

WWF says there is no real leader emerging from the pack with the seven standards having different focuses appealing to different segments of the offsets market.

What emerges from the comparison is the wide variation in the prices of offsets across the market, from €1 to €20. Disappointing is the report's lack of any comparative information on the costs to providers of meeting the various standards – a factor that varies widely between standards and is one of the many potential factors affecting the final price of offsets.

Also significant is the rating of the additionality testing under each standard and the finding that all except Chicago Climate Exchange impose as good a test as the CDM test, or better in the case of the Gold Standard. A test applied by WWF on the integrity of standards checks the separation of the processes of project validation and final approval. Under the CDM, third-party auditors scrutinise project design in a first approval stage and then it goes before the CDM executive board for a second and final approval.

Only the Gold Standard and the CCX offer this two-step process, which the WWF maintains is important to counter potential conflicts of interest among auditors.

Downloads

Report: A comparison of carbon offset standards WWF/SEI-US

Table: : WWF/SEI Offsets Comparison Table [PDF 50KB]

See:
http://www.carbonpositive.net/viewarticle.aspx?articleID=1027

4. GREEN BUDGET REFORM WORLDWIDE

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IEA questions role of markets in climate change fight

[euractiv.com, 23 May 2008] With global energy demand on the rise despite significant fossil fuel price hikes, the EU should "not expect too much" from carbon pricing and other market-based instruments in their green economy quest, says the International Energy Agency (IEA).

Since 2004, European consumers have been paying a 'shadow carbon price' of approximately €85 per tonne of CO2 in the form of higher taxes on vehicle fuels, for example, but the higher prices have had little impact on consumer behaviour, Birol told a small audience during a lecture organised by the Lisbon Council, a think tank.

"We should not leave everything to the market," he said.

The EU is currently reviewing its Emissions Trading Scheme (EU ETS) for the period after 2012, when the bloc's flagship carbon market is set to be re-launched with a tighter cap on EU-wide CO2 emissions. Brussels hopes the scheme will push the carbon price, meaning the cost per tonne of CO2 emitted, to a level that will encourage industries to invest in clean technologies.

But carbon pricing alone will be insufficient to put the EU on a cleaner development path, according to Birol. Particularly in a context of economic growth and greater individual spending power, individuals will not necessarily choose 'greener' habits but may simply agree to pay a higher price for energy, he said.

This dynamic is particularly applicable to China, Birol noted, where government fossil fuel subsidies and steadily rising incomes have kept energy demand and spending on the rise despite record prices for crude oil, which reached an all-time high of $135 per barrel this week.

The IEA economist offered several recommendations to EU policymakers, beginning with the need for more energy efficiency measures, where the EU needs to triple its efforts, he said. In addition to calling for more renewable energy use and the construction of more nuclear power reactors, Birol also emphasised the need for support from EU governments in the development of carbon capture and storage (CCS) technologies.

The technical and financial challenges currently blocking the uptake of CCS can be overcome "if governments take the issue seriously," he said. Birol signalled that the IEA will press G8 leaders on the issue of CCS development during their upcoming summit on 7-8 July in Japan.

http://www.euractiv.com/en/climate-change/iea-questions-role-markets-climate-change-fight/article-172617

Decentralisation for a post-carbon society

[Professor Jacqueline McGlade, April 2 nd 2008] Last October, the European Environment Agency published its assessment of state of the environment and outlooks under the auspices of the UN Environment for Europe for the 53 countries stretching from western Europe to the edge of Russia. The results were stark: environmental pressures were growing, 100 million people were still without access to safe drinking water and decoupling in the east between economic growth and environmental impacts was yet to happen. Climate change is simply making conditions worse in many regions.

Globally, the climate change debate is linked to population growth and increasing energy demand and consumption. Here oil is the real problem because it is the fuel for transport.

But energy analysts, such as Douglas Westwood, point to three mitigating factors in its continued supply: first the oil left in the ground is getting increasingly difficult to extract, the offshore industry is supported by an ageing infrastructure and energy contractors are overwhelmed, with order books filled for at least the next three years.

Peak oil is happening because of these factors, plus the economics of oil and the significant shift in ownership and licensing from international to national owned oil companies. Gas and its delivery as liquid natural gas around the world is the other element in the mix, but the enormous environmental challenges caused by flaring will need to be addressed otherwise the gains made under the Kyoto protocol will be undone. Offshore this leaves renewable energy from tidal streams and waves as a prime candidate for a post-carbon future.

But as you might have gathered, most of the current discussions and policies are driven by the needs of today's economy rather than the environmental realities of our situation.

Being pragmatic, many environmentalists, wishing to see improvements or changes in policies and practices, have hooked up their arguments to the climate change and energy bandwagon, opting

to use reductions in the use of oil, gas and coal as their cause célèbre to achieve a greener way of life.

Critics would say that this was forcing us into doing the right deeds for the wrong reasons. But, I believe that this would be wrong. Reliable scientific arguments exist for building a post-Kyoto agreement on the basis of the environment and ecosystem services rather than simply based on meeting energy demands.

First of all, it is important to understand what climate change mitigation delivers and what it does not. If you were to stand on top of the Alps, you would be looking down on half of the atmosphere in terms of its mass; so what happens near the surface of the earth is very important.

In its fourth assessment, the Intergovernmental Panel on Climate Change concluded that the emissions of greenhouse gases from anthropogenic activities was the root cause of global warming.

Here in Denmark, Henrik Svensmark has concluded that it is the interplay of the Sun and cosmic rays that affects the climate rather than human-made carbon dioxide.

Bill Ruddiman working on air bubbles trapped in the Greenland and Antarctic ice sheets concluded that the volume of methane – a powerful greenhouse gas – was mostly controlled by the Milankovich cycles, which describe the changes in the Earth's orbit and hence the intensity of the sun's rays.

Paul Crutzen and others named a new geological period - the anthropocene – which began thousands of years ago when humans took control of methane and carbon dioxide production through the widespread expansion of wet agriculture – such as rice paddies, fish weirs, and Taro – and through the burning of fossil fuels.

Potentially all these processes are involved in climate change, and so the delicate nature of the climatic stability that we experience on the earth's surface is vulnerable to cosmic, planetary and human processes.

An example of how this vulnerability can affect us is the planetary process linked to the El Niño-La Niña cycle in the Pacific Ocean; a small rise in the sea surface temperature led in 1976 and again in 1998 to a series of worldwide phenomena, which in the1997-98 event became immortalised as the year the world caught fire.

It led to a number of permanent changes - burned forests that will not recover on any meaningful human timescale, a rise in the surface waters of the central western Pacific ocean temperature from an average of 19°C to the present day where it rarely goes below 25°C, shifts towards heat tolerant species living inside corals and a northwards shift in the jet stream.

This type of phenomenon shows us how vulnerable we really are to tipping points all around the world, not just necessarily those linked to increasing temperatures and carbon dioxide levels. Indeed ecosystem analysts can point to many examples of where overharvesting of resources or changed patterns in land use have triggered social and economic changes leading to shifts towards a more intensive use and reliance on carbon rather than the other way around.

Getting to grips with both large and small scale processes, is very difficult. Observations of what is happening in the environment are generally limited, even in Europe, so we have increasingly come to rely solely on models to help design our course of action without proper reference to ground-truthing. This week's round of international climate change talks in Bangkok is no exception.

But a post-carbon society, will need more than models - it will need to build on a strong environmental basis, having access to in situ information and knowledge about how to adapt and how the local environment will respond to climate change, and how vulnerabilities might arise from global geophysical and ecological processes.

This is particularly true for many aboriginal and poorer communities; it is adaptation that now matters. Mitigation will not necessarily help in the short term.

Last year, the European Environment Agency produced a film about climate change adaptation in Tasilaq in east Greenland. The hunters in the village have already had to reduce the number of days that they can spend out on the ice hunting with their dogs and sleds for seals and polar bears, shifting instead towards more fishing from boats; even short journeys around the coast have become more difficult as the sea-ice is less reliable. No amount of mitigation today will alter the speed of change for this and other settlements along the coast over the coming decade.

The net result is that to keep their traditional ways, the community in Tasiliaq will need to combine hunting with adventure tourism. Simply put, their way of life, which was understandable because of its long history within a stable set of

ecosystem services and environmental conditions, is changing very rapidly. To be successful in the future, the community will need access to information about what is happening in their own local environment as well as innovative solutions for clean technologies that can work on a small scale and under extreme environmental conditions.

So back to the post-carbon society, where one aim is to be climate neutral. Much is happening on this front. UNEP has launched the Climate Neutral Network to catalyse a transition to a low carbon world and four countries, four cities and five corporations have become the pioneering founders of this initiative to de-carbonize the global economy. But the question remains as to whether today's model of governance and investment is really appropriate for a post-carbon society in which using resources locally, more efficiently, consuming less and co-operating and sharing resources will be the norm.

Let me illustrate this last point with one more example from the energy sector.

Last week two related but very different events took place. The first was when an 80 metre crane barge from Norway, arrived to transport SeaGen, the world's largest tidal generation system and the first to be connected to a local electricity grid, to Strangford Lough, Nothern Ireland a site with special conservation status. Once installed, it is expected to generate sufficient, clean renewable electricity for some 1,400 homes.

The UK has about half of all the European tidal stream potential and between 10 and 15 percent world wide. The Pentland Firth – the channel between Orkney and the north Scottish mainland - could be considered the Saudi Arabia of marine energy; every second enough water to fill 1000 Olympic pools passes through at a speed of up to 12 knots.

The second event took place in a football stadium in London between President Sarkozy and Prime Minister Brown as part of the entente formidable in which the two leaders agreed to proceed with a programme of nuclear renaissance around the world, starting with reinvestment in a new generation of power stations in the United Kingdom.

Whilst both represent a response to the demand for non-fossil fuel energy, they differ fundamentally in the scale and underlying model of ownership and distribution. And this is the dilemma for governments and society because choices will need to be made for us to move towards a post-carbon society.

Ever since the first national grid was constructed in Europe in the 1930s, governments have sought to maximise centralisation: it has always been seen as easier to build a few large power plants that rely on a large number of smaller ones.

Renewable energy however comes in small packages and is distributed for free: the diffuse nature of the energy from the sun, winds, waves and tides means that it is far better suited to a decentralised generating system. Decentralised energy is more efficient, as it suffers fewer distribution losses, is cheaper as the International Agency for Energy has pointed out and paradoxically more secure. It also represents the democratisation of energy.

The dilemma is that in many countries, renewable energy and large power plants are mutually exclusive because they both need government support as well as the same national grid infrastructure to distribute electricity. Carlo de Riva, of EDF put it more firmly when he said "If you provide incentives for renewables. that will displace the incentives built into the carbon market. In effect, carbon gets cheaper. And if carbon gets cheaper, you depress the returns for all other technologies like nuclear power." From an environmental perspective there is a dividend-more renewable energy and less carbon accumulated.

So if you did not think life was complicated enough, the complexities of generating energy for our ever expanding demands is enough to reduce even the most hardened Keynesian to tears. As Sir Nicholas Stern pointed out in his report large year "Climate change represents a unique challenge for economics: it is the greatest and widest-ranging market failure ever seen". I would add that the market place of an environmentally sound post-carbon society should not repeat the mistakes of the past but should reflect local needs rather than global greed.

See:
http://www.eea.europa.eu/pressroom/speeches/decentralisation-for-a-post-carbon-society

U.S. Moving Toward Ban on New Coal-Fired Power Plants

[Lester R. Brown, Earth Policy Institute, February 14 th 2008] In a report compiled in early 2007, the U.S. Department of Energy listed 151 coal-fired power plants in the planning stages and talked about a resurgence in coal-fired electricity. But during 2007, 59 proposed U.S. coal-fired po-

wer plants were either refused licenses by state governments or quietly abandoned. In addition to the 59 plants that were dropped, close to 50 more coal plants are being contested in the courts, and the remaining plants will likely be challenged as they reach the permitting stage.

What began as a few local ripples of resistance to coal-fired power is quickly evolving into a national tidal wave of grassroots opposition from environmental, health, farm, and community organizations and a fast-growing number of state governments. The public at large is turning against coal. In a September 2007 national poll by the Opinion Research Corporation about which electricity source people would prefer, only 3 percent chose coal.

One of the first major coal industry setbacks came in early 2007, when environmental groups convinced Texas-based utility TXU to reduce the number of planned coal-fired power plants in Texas from 11 to 3. And now even those 3 proposed plants may be challenged. Meanwhile, the energy focus within the Texas state government is shifting to wind power. The state is planning 23,000 megawatts of new wind-generating capacity (equal to 23 coal-fired power plants).

In May, Florida's Public Service Commission refused to license a huge $5.7-billion, 1,960-megawatt coal plant because the utility could not prove that building the plant would be cheaper than investing in conservation, efficiency, and renewable energy sources. This argument by Earthjustice, a non-profit environmental legal group, combined with widely expressed public opposition to any more coal-fired power plants in Florida, led to the quiet withdrawal of four other proposals for coal plants in the state. Republican Governor Charlie Crist, who is keenly aware of Florida's vulnerability to rising seas, is actively opposing new coal plants and has announced that the state plans to build the world's largest solar-thermal power plant.

The principal reason for opposing new coal plants is the mounting concern about climate change. Another emerging reason is soaring construction costs. And then there are intensifying health concerns about mercury emissions and the 23,600 U.S. deaths per year from power plant air pollution. (See data.)

Utilities have argued that carbon dioxide (CO_2) from coal plant smokestacks could be captured and stored underground, thus helping keep hope for the industry alive. But on January 30, 2008, the Bush administration announced that it was pulling the plug on a joint project with 13 utilities and coal companies to build a demonstration coal-fired power plant in Illinois with underground carbon sequestration because of massive cost overruns. The original cost of $950 million when the project was announced in 2003 had climbed beyond $1.5 billion by early 2008, with further rises in prospect. The cancellation effectively moves the date for any coal plants with carbon sequestration so far into the future that this technology has little immediate relevance.

Some utilities are being refused licenses for coal plants because they have not examined alternative methods of satisfying demand, such as increasing the efficiency of electricity use. For example, insulating buildings greatly reduces energy needs for heating and cooling. Shifting to more-efficient light bulbs would save enough electricity to close 80 U.S. coal power plants.

The Sierra Club, the national leader on this issue, is working with hundreds of local groups to mount legal challenges in state after state. Other national groups that are actively involved include the Rainforest Action Network, the Natural Resources Defense Council, and Environmental Defense. Information on the grassroots momentum to oppose coal plants is tracked on the Web site: http://cmnow.org/ .

States that are working to reduce carbon emissions are banding together to discourage other states from building new coal plants simply because it would cancel their own carbon reduction efforts. In late 2006, for instance, the attorneys general of California, Wisconsin, New York, and several other northeastern states wrote to Kansas health officials urging them to deny permits for two new coal power plants of 700 megawatts each. The permits were subsequently denied, citing that carbon dioxide is an air pollutant and should be regulated, as determined in an April 2007 Supreme Court ruling. And in a letter on January 22, 2008, a similar grouping of states urged South Carolina's Department of Health and Environmental Control to refuse a permit for the proposed 600-megawatt Pee Dee coal plant.

Coal's future is also suffering as Wall Street turns its back on the industry. In July 2007, Citigroup downgraded coal company stocks across the board and recommended that its clients switch to other energy stocks. In January 2008, Merrill Lynch also downgraded coal stocks. In early February 2008, investment banks Morgan Stanley, Citi, and

J.P. Morgan Chase announced that any future lending for coal-fired power would be contingent on the utilities demonstrating that the plants would be economically viable with the higher costs associated with future federal restrictions on carbon emissions. On February 13, Bank of America announced it would follow suit.

In August 2007, coal took a heavy political hit when U.S. Senate Majority Leader Harry Reid of Nevada, who had been opposing three coal-fired power plants in his own state, announced that he was now against building coal-fired power plants anywhere in the world. Investment banks and political leaders are beginning to see what has been obvious for some time to climate scientists, such as NASA's James Hansen who says that it makes no sense to build coal-fired power plants when we will have to bulldoze them in a few years.

In early November 2007, Representative Henry Waxman of California announced his intention to "introduce legislation that establishes a moratorium on the approval of new coal-fired power plants under the Clean Air Act until EPA finalizes regulations to address the greenhouse gas emissions from these sources." If a national moratorium is passed by Congress, it will mark the beginning of the end for coal-fired power in the United States.

If the United States imposes a moratorium on such construction, as Denmark and New Zealand have already done, it would send a powerful signal to the rest of the world, bolstering the effort to cut carbon emissions. The next steps are to quickly exploit the vast worldwide potential to raise energy efficiency and to massively develop renewable sources of energy, such as wind, solar, and geothermal, in order to phase out existing coal-fired power plants.

The world is moving toward a political tipping point on the climate issue. If it comes soon enough, we may yet avoid catastrophic climate change.

Lester R. Brown is President of the Earth Policy Institute, data and additional resources at www.earthpolicy.org

Eco-bonus in Ireland

[Mariangela Lupo,GBG, April 2008] The Irish government is working on a scheme to reduce greenhouse gas emissions which could represent an important model for the other countries.

The project is promoted by the green energy and environment ministers, who are governing in coalition with the Fianna Fáil party. However, although the climate change bill – the so-called "cap and share" legislation to reduce carbon emissions – was a requirement of the coalition agreement with the Green Party, we still have doubts about the realization of this ambitious project.

Cap and share is an important step in carbon rationing and it is also a way of incrementing the price of fossil fuels and recycling revenues to citizens. Carbon permits are created to share carbon trading revenue among all adult citizens and not to regulate individual consumption. For instance, if a large company such as Shell wants to sell petrol, it needs to buy more permits from Irish citizens, who could receive more than £100 to balance the rising prices at the pump. In this way, cap and share utilises the price mechanism instead of introducing a new currency in carbon to buy and sell petrol. But at the same time, the petrol price will continue to go up in consequence of the need to reduce carbon emissions. It is in this process, or rather in the final result, that "cap and share" will show its benefits, because the extra revenue deriving from these higher prices will be recycled to ordinary consumers instead of going to companies or the government. The higher price will be perceived positively by consumers, as a fair way to establish a low-carbon lifestyle, which will in turn garantee a new, balanced economy, where the poor will not be adversely affected by environmental fiscal reform, and where the rich will have to pay for their higher emissions.

Cap and share will be adopted in different stages: in the beginning, it will include only the road transport sector. The next step will be those industrial emissions covered by the European Union's Emissions Trading Scheme (EU ETS). It will refer only to the cases where consumers buy fossil fuels directly, such as domestic heating or transport.

If properly managed, "cap and trade" could be a meaningful starting point for the regulation and reduction of greenhouse gas emissions. It is also an important signal of a rising consciousness in the development of a coherent change in thinking in terms of climate policy, especially in comparison to the UK government, which has already introduced a rather timid climate bill and is not pursuing more fundamental change seriously.

France Warns Climate Change Triggers Global Conflict

[DW staff, Deutsche Welle, 18 th April 2008] The French president struck a gloomy note as the MEM wound down in Paris on Friday, April 18, telling the world's biggest carbon polluters that global warming was becoming a driver of hunger, unrest and conflict, and urging them to abandon their defensive strategies in the face of developments he described as catastrophic.

"We must act," Sarkozy told the delegates. "Bad news continues to emerge. Scientific models and empirical observations indicate that the events unfolding now confirm the experts' most gloomy scenarios," he stressed.

Sarkozy also called on emerging nations, such as China and India, to fight global warming.

"You cannot want to have the rights of great economic powers that you are becoming and abstain from your responsibilities," he said. "Fairness demands that all participate in the common effort, even if the developed countries must accept more stringent constraints than the developing countries," he stressed.

Climate change as a trigger of conflict

The event which took place is this week was the third in the MEM series first launched in September 2007. Its stated goal was to prepare for the December 2009 Copenhagen conference and draft a successor agreement to the Kyoto protocol, which expires in 2012.

"Climate change is already having a considerable impact on security," Sarkozy said in his speech to ministers from the 16 economies that together account for 80 percent of the planet's greenhouse-gas emissions -- including Australia, Brazil, Britain, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, South Africa and the US.

"Water scarcity and rivalry for farmland and fishing resources were emerging as "major challenges," he said, pointing to the African example. "In Darfur, we see this explosive mixture from the impact of climate change, which prompts immigration by increasingly impoverished people, which then has consequences in war."

"If we keep going down this path, climate change will encourage the immigration of people with nothing towards areas where the population do have something, and the Darfur crisis will be only one crisis among dozens of others," he stressed.

UN Secretary General Ban Ki-moon last June was the first to suggest that the Darfur conflict arose "at least in part" from climate change.

Reacting to food crisis

In his speech, Sarkozy also weighed into the debate over food prices, saying the current food crisis called not only for an immediate response but also for an ambitious strategy to support agriculture, and pledging to double France's emergency food aid this year to 60 million euros ($100 million).

"We cannot remain indifferent to the unrest among those people who, in the developing countries, can no longer satisfy their hunger," he said.

Soaring prices for basic grains such as rice, wheat, soybean and corn, have provoked protests and rioting in at least half a dozen developing countries in past months, reports AFP.

Experts have pinpointed climate change as a factor here too, arguing that rising temperatures and shifting rainfall patterns may be contributing to water scarcity.

Biofuels, championed to help reduce carbon emissions and ease dependence on fossil fuels, have also started to become contentious. With programs such as those in the US and Brazil converting grains, sugar and soy beans into ethanol and biodiesel, the boom in biofuels has become key to the food crisis.

Bush-bashing

Tempers had flared at the meeting on Thursday when criticism was leveled at US President George W. Bush's new climate plan.

Bush said on Wednesday that he wanted US emissions to peak by 2025, a measure dismissed as too little too late by the EU and Germany, with German Environment Minister Sigmar Gabriel describing the plan as "Neanderthal."

The White House on Thursday played down Germany's criticism.

"You're always going to see lots of hot-blooded reaction to anything said on climate, and so you should just be prepared for that," said Tony Fratto, a White House spokesman.

Fratto said climate change is such a contentious issue that it was no surprise that Bush faced criticism over his proposal.

"Slings and arrows would have been thrown no matter what we said, and that's the nature of the debate on climate change," Fratto said. "And you're never going to make everyone happy on it."

Sarkozy refrained on Friday from referring directly to the US feet-dragging, but his message was clear.
"We cannot afford the luxury that one of you remains behind by the roadside because the whole planet needs every one of you," he said. "I would like to pass on a simple message to you: the situation is urgent."
http://www.dw-world.de/dw/article/0,2144,3276161,00.html

China: Car owners likely to be taxed for emissions

[Li Xiaohua, China.org.cn, November 20 th 2007] At the 2007 Forum on China Energy Sustainable Development in Beijing last weekend, an official from the State Environmental Protection Administration (SEPA) disclosed that it was quite likely car owners in China would be taxed for their car emissions in the future.
According to Yang Chaofei, Director of the SEPA Policy Department, authorities inside the Ministry of Finance, the State Administration of Taxation and SEPA are now conducting research on taxation for pollution and other emissions.
Yang explained that drivers would be taxed for the pollutants emitting from their cars, for example, carbon monoxide and sulfur dioxide. They might have to pay the tax when purchasing petrol. A separate pollution tax would target enterprises; companies would pay for producing products that discharge high levels of pollution.
According to Yang, the policies are now in the research stage and are expected to go into effect during the 2006-2010 period. The Ministry of Finance and the State Administration of Taxation are both responsible for policy design and enforcement. The State Environmental Protection Administration will provide technological support, such as setting up pollution and emission standards, emission inspection stations, etc.
Many experts have advocated implementing an environmental tax. In June the State Council published a comprehensive work plan that advocates saving energy and diminishing pollution and states that China is also considering implementing an environmental tax.
http://www.china.org.cn/english/environment/232500.htm#

The greening of Wall Street - Tackling the carbon crisis amid the credit crisis

[Eyevine, The Economist print edition, March 13 rd 2008] When better to further the cause of financial greenery than St Patrick's Day? On March 17th the first carbon-linked derivatives contracts will begin trading on the Green Exchange, a joint venture between the New York Mercantile Exchange, Evolution Markets, a broker, Morgan Stanley, Merrill Lynch and others. America already has a small emissions-trading market in the Chicago Climate Exchange, run by one of the founding fathers of financial derivatives, Richard Sandor. Nevertheless, the NYMEX venture is seen as America's boldest step yet towards the carbon-trading big league.
Thanks to its participation in the Kyoto protocol on climate change, Europe dwarfs America in carbon trading. The bulk of the €40 billion ($62 billion) of credits traded last year—up 80% on 2006—changed hands on European markets. But with the science of climate change no longer widely disputed and all three remaining presidential candidates in favour of bringing a similar cap-and-trade system to America, Wall Street is taking the environment a lot more seriously. The potential rewards are huge. New Energy Finance, a research firm, thinks the American market for carbon emissions could reach $1 trillion by 2020 if the front-runner among the several climate-change bills wins approval in Congress. Add in derivatives and it could be many times bigger, points out Blythe Masters of JPMorgan Chase.
Though America pioneered a cap-and-trade system in two acid-rain gasses in the 1990s, European financial institutions are still some way ahead on greenery. A recent report from Ceres, a coalition of investors and environmental groups, put HSBC and ABN AMRO at the top of the pile. But the Americans are catching up. Citigroup has pledged $50 billion to green initiatives over ten years, including $31 billion for clean technologies. Bank of America (BofA) has made a $20 billion commitment. Alone among big banks, it has also said it will put a price on carbon dioxide (of between $20 and $40 per ton) when scrutinising loan requests from industry. Citi, JPMorgan Chase and Morgan Stanley recently unveiled a set of “carbon principles” that will tighten financing terms for smoke-belching power plants.

A number of Wall Street banks are also offering green-tinged merger advice. Goldman points to its role in last year's takeover of TXU by a private-equity consortium. The buyers won plaudits for crafting a deal that allowed the utility to scale back its building programme for coal plants. Mark Tercek, Goldman's green guru, argues that the key for advisers faced with heavy polluters is "not to disengage, but to make bad situations better."

Banks also see plenty of consumer opportunities in global warming. BofA, for instance, offers green credit cards (where purchases earn carbon offsets) and mortgages ($1,000 cashback for energy-efficient homes). It even offers $3,000 to employees who buy a hybrid car. It sees great potential in solar-panel leasing. Green mutual and exchange-traded funds are booming, says Deutsche Bank's Mark Fulton. He has counted some 250.

Wealthy investors are piling in too. One bank says it has fielded a dozen enquiries recently from individuals each looking to invest between $50m and $100m. One attraction is that carbon is uncorrelated with other markets—though poor regulation can knock prices for six, as it did in Europe in 2006. Hedge funds like it because it is an immature market, and thus offers arbitrage opportunities. Peter Fusaro of Global Change Associates, a consultancy, knows of 75 environmental hedge funds, up from a couple three years ago.

Not everyone is convinced. Steve Milloy of the Free Enterprise Action Fund, a mutual fund run by climate-change sceptics, claims the banks' environmental initiatives are "at best greenwashing, and at worst value-destroying". Its shareholder-resolution targets include Citi and Lehman Brothers (whose green initiatives are run by Theodore Roosevelt's great-grandson). Jim Rogers, the boss of Duke Energy, a big power company, says the banks are being disingenuous: they may cut funding for a power-plant project, but they will not tighten loan terms for its parents.

The question now is whether the management distractions and financial demands of the credit crunch dull Wall Street's enthusiasm for greenery. After all, something similar happened in the 1990-91 crash, after years of pre-Kyoto excitement. Michael Klein, co-head of Citi's markets and banking group, insists not: Citi continues to beef up in the area, despite its own troubles. Others also seem determined. Giddy oil prices, meanwhile, will only increase interest in alternative energy. There is strong social pressure not to sink back into old habits. This time the revolution looks to be for real.

http://www.economist.com/finance/displaystory.cfm?story_id=10855003

An American Way for a Zero Carbon Future

[Roy Morrison roymorrison.net, 2008] If we're concerned about global warming, endless wars for oil, nuclear proliferation, and our economic future then we need to face four very convenient truths.

Combining four very American enthusiasms: the automobile, electricity, free renewable fuel, and market opportunities, makes a zero carbon future ours for the taking.

That's right. In this zero carbon future we can drive with no gas and no pollution, turn on our computers to connect us to a smart global grid, and get checks in the mail every month for our troubles.

The technologies are at hand or need just the slightest push. New plug-in electric cars using lithium-ion batteries will be charged at night from a renewable grid and help provide peak daytime power while we're at work. This is doable. Just a small percentage of our millions of cars can give us much of the energy needed to balance and stabilize a renewable energy grid system.

Copious wind resources on farm and ranch land from the Dakotas to Texas will be combined with solar electric concentrators and PV panels from the South West and local PV arrays covering our roofs and parking lots. DC power lines, underground if necessary, will facilitate moving the power to where it's needed.

The system will be integrated and coordinated through a smart electric grid using real time price control to optimize energy use and energy generation. We'll buy power when it's cheap, and sell it back into the grid when it's expensive.

By using renewable energy hedges, like the one negotiated between Southern New Hampshire University and PPM Energy, every energy consumer and car and PV panel owner will have a profitable stake in our common renewable energy future. We can use our energy purchases and investments in plug in vehicles and photovoltaics to fix our net annual energy expenses for a generation, and receive monthly income for buying our grid tied cars and home PV systems.

We don't need to subsidize nukes and watch more countries build bombs while we pile up the waste.

We don't need to subsidize corn ethanol and turn food for a hungry world into fuel that raises food prices for the poor and does little to reduce net carbon. We don't need to lop off the top of our mountains and subsidize "clean coal", or try to capture and inject carbon dioxide into the ground in the hopes it will stay there for five-hundred years. We don't have to send our kids and loved ones to fight wars for oil when we have more than enough energy from the sun and wind.

And yes there's more. Combined heat and power that turns every heating system into a micro-generator, and district heating from existing urban power plants should play a part. Compressed air, capacitors, and flywheels can help balance the renewable grid. We need to adopt high efficiency standards and zero pollution industrial ecological practices using "waste" from one process as input for another. We can use duck weed and water hyacinths fed by our sewage plants and agricultural runoff to produce enormous amounts of biomass for bio-fuels.

We can make the whole thing work rather painlessly by phasing out income taxes, abolishing the IRS, and phasing in ecological consumption taxes on all goods and services. If something pollutes more, it will cost more. If something pollutes les, it will cost less. The market price, not just regulation will tell us what to do.

Wake up America. Let's use our cars, electricity, free renewable fuel, and the market to build a zero carbon, sustainable, and peaceful future.

Roy Morison is Director of the Office for Sustainability at Southern New Hampshire University. His latest book is Markets, Democracy & Survival available online at www.RMAenergy.net. He can be contacted at sustainability@snhu.edu. www.roymorrison.net

B.C.'s carbon tax shift is smart public policy

[*Clive Mather, Nancy Olewiler and Stewart Elgie, Globe and Mail, November 29 th 2007]* B.C. Finance Minister Carole Taylor's idea of introducing a carbon tax, matched by cuts in other taxes, is a smart one: good for the climate and good for the economy. It is probably the single most effective step B.C. could take toward achieving the major cuts in greenhouse-gas emissions that Premier Gordon Campbell has promised.

Although many experts agree that a carbon tax of some sort would be a vital weapon in combatting climate change, Canadian politicians have been reluctant to go that route, for fear of being seen to raise taxes. B.C. is wisely steering clear of this conundrum by proposing a "tax shift," one that would offset the carbon tax revenues with tax cuts and incentives in other areas.

Economists have understood for nearly a century that a fundamental flaw in our market economy is its failure to fully account for impact on the environment. Indeed, in most of Canada, carbon is released into the atmosphere without any charge (and with few regulatory restrictions). That's despite the fact that global warming will impose massive costs on society - as is already being witnessed in B.C.'s devastated pine forests, Ontario's lowering Great Lakes, and the Arctic's melting permafrost.

An elegant solution proposed by economists has been to intervene in what they call this "market failure" by charging the emitters a fee or a tax reflecting the cost of their emissions. In the case of carbon, applying a tax is simply the most efficient way of kick-starting reductions in greenhouse-gas emissions.

Would such a tax shift raise overall costs for industry and consumers? Likely not on the whole. Certainly, prices will move; carbon-intensive goods and services will become more expensive, while other goods and services will become relatively cheaper. And that is a good thing: Companies that lower their emissions will become more competitive, and consumers will have an incentive to buy green products.

Tax shifting can achieve this win-win because it is revenue neutral; it raises taxes on harmful emissions (which we want less of) and lowers taxes on things such as income, employment or investment (which we want more of). Some of the revenues from a carbon tax, for example, could be used to reduce income taxes, and some could go into a green technology fund that would leverage industry investments in new clean technologies. Such an approach would spur innovation to find low-cost ways of lowering greenhouse-gas emissions.

So a carbon tax shift stands a real chance to link the health of the environment with the health of the economy, and to bolster both. And that's exactly what's begun to happen in countries that have set a price on carbon. The canonical example is Germany. In 1999, it began to phase in higher taxes on electricity, gasoline, fuel oil and natural gas. The government used the new tax revenues to

finance reductions in social security contributions from both employers and employees. The reforms included special protections for vulnerable industries and low-income individuals to ensure they weren't disproportionately affected (an important lesson for B.C. to follow). The result: 250,000 new jobs and a reduction of 20 million tonnes of carbon dioxide emissions in 2003 alone (according to Germany's Environment Department) - and a significant step toward the much deeper cuts needed to prevent dangerous climate change.

Germany is just one of several European countries that have successfully experimented with green taxes in the past decade. A recently-completed economic analysis funded by the EU (called COMETR) found that these policies, in addition to greatly reducing pollution, also have a net positive effect on GDP.

In Canada, a growing chorus of voices is now calling on our politicians to follow suit. A recent GlobeScan poll found that four out of five Canadians favour raising taxes on energy sources that cause climate change if other taxes are reduced by the same amount. And last month, 70 professors of economics and business in B.C. wrote to Ms. Taylor urging her to include a revenue-neutral carbon tax in her next budget. Blue-chip economists, think tanks, businesses and environmentalists are urging governments to put a price on carbon emissions.

There is no simple answer to climate change. To stabilize and then reduce carbon in the atmosphere will require change on an international scale. Businesses and consumers will need to pay more attention to managing their carbon emissions. But, as a first step, sound fiscal policy will provide a vital incentive and increase awareness. A cleverly designed carbon tax - one that is phased in over time, recycles the revenue, and protects vulnerable members of society - will prove that government can serve the environment and the economy at the same time. It lays the foundation for truly sustainable prosperity.

No wonder B.C. is looking at a carbon tax shift - it's smart public policy. The big question is whether B.C.'s political leaders have the courage to implement it.

Clive Mather retired as president and CEO of Shell Canada in June. Nancy Olewiler is a professor of economics and director of the public policy program at Simon Fraser University. Stewart Elgie is a professor of environmental law at the University of Ottawa. All are members of the Sustainable Prosperity Initiative.

http://www.uofaweb.ualberta.ca/govrel/news.cfm?story=69848

British Columbia: Carbon tax guinea pig

[carbonpositive.net, *February 28th 2008]* The Canadian province of British Columbia (BC) will introduce North America's first carbon tax under measures announced in its government's Budget handed down last week by Finance Minister Carole Taylor. While emissions trading schemes have emerged as the preferred solution among market mechanisms to cut greenhouse gas emissions, the BC plan will be one of the first major tests of the alternative.

A tax will begin on July 1 at $C10 ($US10.20, €6.75) per tonne of carbon emissions and be applied to all fossil fuels; petrol, diesel, gas, coal and other home heating fuels. The tax would add 2.4 cents a litre to the cost of petrol initially, rising to 7.2 cents a litre as the tax rate rises to $30 a tonne by 2012. For average vehicle usage, the government estimates the tax will see motorists paying an extra $20 a year if driving to a Toyota Prius, to $70 a year for a pick-up truck.

Taylor said the tax measure was to designed to help protect the environment in a way that doesn't undermine the economy. Her plan is revenue neutral – all the proceeds from the tax will be returned to consumers and businesses by way of income tax cuts and credits. These include a one-off $100 payment for each BC resident on the eve of the tax's introduction.

In theory, this is a case of imposing a tax to bring about what's seen as a favourable reallocation of resources – in this case, away from fossil-fuel-based energy, and products that use it, towards clean energy and low-carbon outputs. Whether it turns out to be enough to change behaviour and drive spending and investment towards clean energy and technology will be considered in a review after five years.

Fossil fuel producers will pass on the tax to consumers in BC, who will be compensated via other tax avenues. While this makes sense politically, compensation reduces the incentive for consumers to change their behaviour. A University of Victoria climatologist Andrew Weaver says the real value in tax will be the signal it sends to the market that carbon has a price. "And that, in itself, is e-

nough to do a paradigm shift as to how we do stuff," he said.

While a carbon tax puts a firm price on carbon emissions and allows emitters to choose how much to lower emissions and avoid the tax, the more popular approach emerging worldwide is for emissions trading schemes to be used to cut emissions. Such schemes, such as the EU ETS and carbon market mechanisms of the Kyoto Protocol, set the desired level of emissions reduction and let the price of carbon vary as emitters go about finding the cheapest ways to meet their reduction targets.

Official estimates suggest the BC tax can contribute 5 percentage points of a targeted 33 per cent reduction in greenhouse gas emissions by 2020.

Vancouver Sun 19/2/08, CSMonitor.com 27/2/08, The Times Colonist

See:
http://www.carbonpositive.net/viewarticle.aspx?articleID=1006

Canada demands carbon capture by 2012

[carbonpositive.net, March 12 th 2008] The Canadian government has announced new measures to rein in greenhouse gas emissions, including mandatory carbon capture standards on future oil sands operations and coal-fired power plants, and an emissions trading scheme with a role for offsets.

Canada is just beginning to tap into vast oil reserves mixed with sand and soil in Alberta that have been deemed uneconomic to recover until recently. Environment minister John Baird says that any oil sands mining operations that start up in 2012 or afterward will have to capture carbon emissions and bury them.

The Canadian Association of Petroleum Producers says the plan will restrict investment in the growing industry and has called for the rules to be delayed beyond 2012. Environmental group ClimateforChange says 2012 is too late because most of the big oil companies will be up and running by then.

The new rules also apply to new coal-fired power stations, Baird said. “We've effectively ended the era of dirty coal plants in terms of new production, and we think this will be an integral part of getting to our absolute 20-per-cent reduction," Baird told CTV Canada.

Carbon capture and storage (CCS) technology has not yet be proven to be viable on a large scale required for use in power stations and mining operations and there are doubts that working infrastructure could be built in to either mining operations or power plants as soon as 2012.

The emissions trading scheme would be based on targets to reduce greenhouse emissions intensity in 17 industrial and agricultural sectors of the economy, Baird said. Targets would start at 8 per cent over the next three years, and then 2 per cent reductions every year thereafter. A carbon offsets regime would be part of the scheme to help reduce costs to industry.

Environmental groups have again been critical, saying that setting only intensity targets rather than targeting reductions in the absolute level of emissions will not deliver real cuts to greenhouse gases of the magnitude needed to ward off dangerous climate change.

The conservative Harper government has previously announced a climate change strategy which rejects the country’s Kyoto Protocol commitments as too hard to achieve and instead sets goals that would effectively reduce emissions by 20 per cent below 2006 levels by 2020. By 2006, however, Canada’s emissions were already 30 per cent or more above 1990 levels, the common international base year for targets, meaning the new target would leave the country above 1990 levels by 2020.

CTV 10/3/08, Reuters, Bloomberg 11/3/08

See:
http://www.carbonpositive.net/viewarticle.aspx?articleID=1022

CCS:
http://www.carbonpositive.net/viewarticle.aspx?articleID=44#CCS

Emissions trading scheme:
http://www.carbonpositive.net/viewarticle.aspx?articleID=42

Carbon offsets:
http://www.carbonpositive.net/viewarticle.aspx?articleID=34

Commission mulls U-turn on Spanish road project

[ENDS Europe DAILY 2516, April 4th 2008] The European commission is to undertake an "urgent analysis" of its decision last year to freeze infringement proceedings against Spain in return for a commitment from the Madrid regional government to carry out a retrospective environmental

impact assessment (EIA) on a partially-completed road-widening scheme (EED 21/02/08).

The commission's decision move follows the regional government's decision to appeal against a verdict from the Madrid high court in February declaring the M-501 road project illegal and ordering the restoration of protected habitats.

The Commission says the Madrid region's appeal and on-going road-widening work is "inconsistent" with its earlier implicit admission, when it agreed to the EIA, that it had infringed EU law.

Environment spokeswoman Barbara Helfferich told ENDS the commission would "look at all available options" and "decide whether our actions have been enough or detrimental". These options include reviving infringement proceedings against Spain and "taking interim measures, meaning injunctions," she said, citing an earlier precedent involving Poland (EED 30/07/07).

Spanish Green MEP David Hammerstein welcomed the commission move. The project is a "test case of infrastructure activity that goes against European law," he said. But the commission's earlier deal on the retrospective EIA was "obscene" and "an acceptance of faits accomplis," he complained.

The Commission has "had to rectify [the situation] because of enormous public pressure and after being corrected by a Spanish court" Spanish NGO Ecologistas en Acción said. The Madrid government had made the commission its "accomplice" by using the EU executive's decision to freeze infringement proceedings as the central plank of its appeal against the high court verdict.

Follow-up: European commission: http://ec.europa.eu/index_en.htm tel: +32 2 299 1111;

See also Spanish Green party: http://www.verdes.es/web/QuienesSomos.htm

Ecologistas en Acción: http://www.ecologistasenaccion.org/

http://www.endseuropedaily.com/articles/index.cfm?action=issue&no=2516

UK and France pledge climate cooperation

[ENDS Europe DAILY 2511, March 28th 2008] France and Britain expressed joint determination to combat climate change on Thursday, at the end of a two-day state visit to the UK by French president Nicolas Sarkozy. The two countries promised to work for a strong post-2012 international agreement on global warming and effective EU action to reduce greenhouse gas emissions.

Mr Sarkozy and UK premier Gordon Brown said they would make "every possible effort" to secure agreement before the end of the year on the package of laws on climate change and renewable energy tabled by the European commission in January. France will play an important role in these talks as it takes over the rotating EU presidency from Slovenia in the second half of this year.

The two countries called for "urgent analysis" of the risk of "carbon leakage" in the form of industry leaving Europe should the EU end up cutting emissions alone (EED 14/03/08). They urged the commission to make specific proposals for building between ten and twelve carbon capture and storage (CCS) demonstration plants at power stations by 2015.

Their communiqué pledges closer cooperation between British and French nuclear power regulators aimed at speeding up the construction of new nuclear capacity. This cooperation "could be extended to other interested European partners," the statement continued.

The two leaders also reflected on their current campaign for sales tax cuts on green goods. Both countries said they would urge the commission to include the proposals in legislative proposals to be examined during the French presidency (EED 13/03/08).

http://www.endseuropedaily.com/articles/index.cfm?action=article&ref=25114&link=feed

India plans non-targets climate action

[carbonpositive.net, March 11 th 2008] India has foreshadowed new measures to tackle climate change - with no commitment to halt the growth in rising greenhouse gas emissions.

In India, Prime Minister Manmohan Singh said his government would release a climate change action plan in mid 2008 that would focus on spurring clean technology investment, energy efficiency measures and mitigating the impacts of climate change.

Singh reiterated India's stance on the subject of internationally-agreed binding targets saying the country would only commit to capping per-capita emissions at no greater than the average of the industrialised world.

Such a policy gives India enormous scope for allowing emissions to grow along with the rapidly expanding economy – its emissions are only a-

round one tonne of CO_2 equivalent per person on average compared to 19-20 tonnes for each person in the biggest per-capita emitting nations, the United States and Australia.
Singh enunciated a principle of "climate justice" saying the high per-capita emitters must not be allowed to maintain high emissions and that India would not commit to cutting overall emissions while lifting its people out of poverty.
A number of industrialised nations outside Europe don't want to commit to new targets to cut emissions in absolute terms until leading developing world emitters India and China agree to do the same.
Reuters 8/2/08
See:
http://www.carbonpositive.net/viewarticle.aspx?articleID=989

South Korea plans to cap emissions

[carbonpositive.net, March 25 th 2008] South Korea would become the first nation not already obligated by the Kyoto Protocol to commit to capping greenhouse gas emissions under a plan put forward by the environment ministry of the country's incoming government.
The new government of President Lee Myung-bak won office last month and has also signaled an interest in a reforestation initiative in North Korea in return for carbon offset credits to lessen the burden of emission reduction in the South.
Although South Korea is not obligated to cut emissions, the environment ministry has tabled a plan to cap emissions at current levels over the first Kyoto period. It is the world's 10th largest emitter of greenhouse gases at 591 million tonnes of CO2e per year. It is classified as a developing country under Kyoto - among the Annex 1/B countries that face no emissions target for the first commitment period of the treaty up to 2012.
"We want to join international efforts to cut emissions, following the international agreement in Bali last December," Park Chun-kyu, an official at the environment ministry's department of climate change told Associated Press.
The self-imposed target would, however, be less stringent than the Kyoto targets of developed countries which seek an average 5 per cent cut below 1990 levels. South Korea's emissions are currently 90 per cent above 1990 levels after rapid industrialisation over the last two decades. Local green groups criticised the proposal for not going far enough.
The main motivation in the ministry may be to prepare for future targets - the country is likely to be added to the developed country grouping in any future global agreement to extend Kyoto beyond 2012.
Other big developing world emitters led by China and India have so far rejected taking on emission caps.
The ministry proposes to freeze emissions via energy efficiency measures aimed at non-manufacturing sectors including households, commercial buildings, transport and government departments. The plans for transport could effect the automotive industry, however, with tighter auto emissions standards under consideration. The previous government was reported to be considering an emissions trading scheme on industry.
Lee has directed his Cabinet to look into reforestation over the border where heavy land clearing in face of economic hardship has seen significant land degradation. Lee says cooperation on reforestation would produce a number of benefits including repairing the land, cutting land-use emissions, preparing for national unification and lowering the cost of emissions reduction in the South.
Financial Times, International Herald Tribune 21/3/08
See:
http://www.carbonpositive.net/viewarticle.aspx?articleID=1030

5. GREEN BUDGET REFORM ON EU-LEVEL

Consultation period of EU-budget review extended until June 2008

[Damian Ludewig, GBG, May 2008] In May 2006 The European Parliament, the Council and the Commission agreed that the Commission should undertake a fundamental review of the EU budget. In a world of the rapid change Europe-wide reflection is needed on how to meet the challenges of the next decade and beyond and how the EU budget needs to be adapted to new realities. A budget of the future cannot be designed on the basis that it once served the policy priorities of 1988, nor even that it has been fully modernized to re-

flect the priorities of today. It has to become a precise and efficient instrument of the implementation of commonly agreed political priorities.

The budget review is a unique, once-in-a-generation, opportunity to undertake a comprehensive assessment of how the EU budget can serve the Union's policy priorities. The Commission says that it comes to this review with no preconception what so ever.

All interested parties at local, regional, national as well as European level are invited to participate in the debates, contribute their opinions and submit proposals. Up until now, 227 contributions came in from all over the EU and even from beyond the Union. While most EU governments and various organisations have responded, some have not yet positioned themselves.

Given the interest the consultation has triggered across Europe, the consultation period has been extended by two months to enable all interested parties to submit a contribution in due time. The new closing date is now 15 June 2008.

The submissions should be sent to budget-review@ec.europa.eu by 15 June 2008 at the latest, accompanied by a summary if necessary. They will be published on the special "budget review" website
http://ec.europa.eu/budget/reform/index_en.htm unless the senders concerned have explicitly objected to it.

The key messages and trends conveyed in the contributions will be presented at a large scale conference to be organized after the end of the consultation period in 2008.

More information
http://ec.europa.eu/budget/reform/issues/issues_en.htm
Submit your contribution
http://ec.europa.eu/budget/reform/issues/submit_en.htm
Read other contributions
http://ec.europa.eu/budget/reform/issues/read_en.htm

Stricter rules urged for EU renewables law

[ENDS Europe DAILY 2513, April 1st 2008]

MEPs made clear that they will demand stricter enforcement in the draft EU renewable energies directive at a European wind energy conference in Brussels this week.

Shadow rapporteur MEP Britta Thomsen from the Socialist group advocated binding interim targets for increasing the share of renewables in EU energy consumption to 20 per cent by 2020. Currently, only the 2020 target itself is binding (EED 23/01/08).

EU governments may object. A UK official called for the "indicative trajectory" to remain just that, while a German colleague emphasised the binding target for 2020 as "the most important thing".

Ms Thomsen called for the European commission to have the power to reject parts of member states' national action plans if they are inadequate. There are doubts this can be done according to the current proposal (EED 31/01/08).

Rapporteur MEP Claude Turmes from the Greens told delegates he is working with lawyers to devise "more immediate" tougher penalties for member states than the EU's long-winded and toothless infringements process.

European commission representative Hans Van Steen called enforcement provisions in the current proposal "sufficient" and said member states would be in breach of the law if they did not set up credible policies to meet the 2020 goal.

Better guidelines and enforcement of national action plans are vital, said Mr Turmes, because of the debacle over energy end-use efficiency and services plans (EED 23/01/08).

Eurelectric secretary general Hans ten Berge told delegates extra penalties were unnecessary because a high carbon price would be the main driver of renewables. Eurelectric supports full auctioning of EU carbon allowances from 2013 for the power sector, he said, surprising many present.

Mr ten Berge opposed priority grid access for renewables. "I agree we shouldn't choose technologies when markets work," responded Christian Kjaer from the European wind industry group (Ewea), "but priority access needed in the absence of full unbundling." (EED 19/09/07). The commission agreed.

Proposals for trading renewable guarantees of origin (GOs) met with considerable scepticism. A Polish official said company-level trading would destroy the country's national renewables support scheme. He asked how the commission would enforce the directive if countries had planned to buy GOs but there were too few on the market.

EU energy commissioner Andris Piebalgs told the conference the commission will issue an action plan for offshore wind – addressing grid connection, planning permission and how to bring down costs – by the end of 2008.

* Meanwhile, Ewea released new wind energy scenarios to 2030. Thirty per cent of new EU energy capacity installed in 2000-7 was wind, it said, though globally the US, China and India are now the biggest drivers. The global wind market grew by 145 per cent in 2005-7, it added.
See:
http://www.endseuropedaily.com/articles/index.cfm

New EU green aid guidelines enter force

[ENDS Europe DAILY 2514, April 2nd 2008] New rules determining how EU governments are allowed to subsidise environmental improvements by companies entered force on Tuesday with the publication of revised state aid guidelines in the bloc's official journal. The guidelines were unveiled by competition commissioner Neelie Kroes in January alongside commission proposals for new EU climate and energy legislation (EED 23/01/08). *Meanwhile, on Wednesday, the commission cleared a Bulgarian government programme to finance the environmental clean-up of former coal mines. See EU state aid for environment guidelines and commission Bulgaria state aid decision: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/498
See:
http://www.endseuropedaily.com/articles/index.cfm

EU to consider VAT cuts on green goods

[euractiv.com, March 17 th 2008] Heads of state and government from the EU's 27 member states agreed to consider a Franco-British proposal to cut value-added tax (VAT) on certain environmentally-friendly goods, such as energy efficient light bulbs and insulation materials.
The plan to change the EU's tax rules – first pushed for by UK Prime Minister Gordon Brown and French President Nicolas Sarkozy in July 2007 – initially looked doomed to failure, due to a lack of support from other nations.
Yet, the final conclusions from the Spring Summit meeting, released on 14 March, invite the Commission to "examine areas where economic instruments, including VAT rates, can have a role to play to increase the use of energy-efficient goods and energy-saving materials" - a feat appararently achieved thanks to Brown's intense lobbying of other EU leaders.
According to him, products that could benefit from a reduced VAT rate of 5%, rather than the current minimum of 15%, include cars with reduced CO_2 emission, insulation materials, efficient light bulbs and energy-efficient domestic appliances.
The move came as leaders restated their commitment to cutting greenhouse emissions and combating global warming (EurActiv 17/03/08).
However, the real test will come once the Commission – generally in favour of a greater harmonisation of VAT rates and the use of taxes as a tool for "greening" the EU economy – presents its new VAT plans in the summer.
They will require the unanimous backing of all 27 EU member states. Yet, any change in VAT rates across the EU remains a very sensitive issue, with many countries fearing the move could make them lose out on vast revenues generated by their VAT.
Another issue will be that of selecting which products are to be included in the list, with some saying a static list will not work, as technology evolves so fast that what is energy-efficient today won't be tomorrow.
Positions:
"I think people have been persuaded by the argument that we should look at this very carefully," said UK Prime Minister Gordon Brown, after the meeting, insisting the statement made by leaders on VAT was a sign of "substantial progress" on the issue.
"VAT is a uniquely European tax. Europe has now got an energy policy to cut carbon emissions […] If - whether it be lightbulbs, or fridges or household goods generally, or whether it be the insulation materials that make for more energy efficient homes - if we can cut the rates of VAT, then I believe that will be a good thing for Europe," he said.
"Over the next few months I think other countries will join the debate that France and Britain have already started," he added.
French President Nicolas Sarkozy said he was "very satisfied" that green VAT was mentioned in the summit conclusions, although he conceded that the debate was far from over and that a number of countries remained opposed.
"We have not taken the decision - not yet - but the Council is asking the Commission to reflect and make proposals on the matter. You know that [discussions on] reduced VAT are a hell of a fight, so we are not there yet. But I can see more density in the Council's communications. When you re-

call the rigidity of debates on the issue of VAT, this is an event.

While green NGOs are generally favourable to such VAT reductions to support the purchase of energy-efficient products, industry is divided on the question. According to t he European Renewable Energy Council (EREC), the current VAT rules create a "perverse incentive in favour of energy consumption, which conflicts with the goals of the EU in terms of energy and environmental policy". But, the European association of household appliance manufacturers (CECED) cautioned against any reduction of VAT rates to promote the uptake of energy-efficient goods. It said this would "lower the value of the product in the eyes of the consumer […] contrary to the signal we should be sending out, which is that energy efficiency has a value".

Next steps

Summer 2008: Commission due to bring forward new legislative proposals on harmonising EU VAT rates.

More information: http://www.euractiv.com/en/sustainability/eu-consider-vat-cuts-green-goods/article-171000

Merkel urges EU leaders to act on 'carbon leakage'

[euractiv.com, March 13rd 2008] German Chancellor Angela Merkel will press EU leaders meeting in Brussels today and tomorrow to back urgent measures to prevent heavy industries such as cement and steel from fleeing the continent, as the bloc debates tighter limits on CO_2 emissions after 2012.

"The European Council recognises that carbon leakage in energy-intensive sectors exposed to international competition needs to be addressed urgently," according to draft wording that Germany is pushing to be inserted into the summit conclusions.

In Germany's view, the matter must be addressed "urgently", before a potential international agreement is struck to replace the Kyoto Protocol.

"Until an international agreement is concluded, auctioning of greenhouse gas allowances should not apply to sectors with a significant risk of carbon leakage," according to the text pushed for by German diplomats. "In such sectors, increased electricity prices due to emissions trading need to be taken into account."

Energy-intensive industries such as glass, cement and steel have stepped up warnings about the potential for 'carbon leakage', meaning the relocation of energy intensive factories and jobs beyond the EU's borders (EurActiv 27/11/07).

But until now, the Commission has only given them partial assurances, saying they may be given free emission allowances in the post-2012 phase of the EU emissions trading scheme. "It is not in the interest of the European Union that in the future production moves to countries with less strict emissions limits," the EU executive said in a communication in support of the metals sector, presented on 25 February.

However, at the same time, it has also resisted calls for immediate measures, saying the priority should be to conclude an international climate change agreement that would potentially resolve the 'carbon leakage' issue.

"The emphasis is of course on the conclusion of an international agreement, which could sort out most of the problems that we are encountering on carbon leakage," said Jos Delbeke, Deputy Director General at the Commission's environment directorate.

Speaking to EurActiv in a recent interview, Delbeke sought to clarify the Commission's approach. "The Commission has said that it would define the sectors in which carbon leakage would continue to exist after the conclusion of an international agreement, and that, in a second step, it would make proposals - at the latest by 2011."

Positions:

Speaking ahead of the Brussels European Council, a senior British official told journalists it is the "level of ambition" of the EU's climate policy which is at stake at the summit.

He defended the Commission's focus on concluding an international climate agreement before making any decision. "We shouldn't be legislating now for failure," he said, in reference to German pressure to act sooner on 'carbon leakage'.

Slovenia, which currently holds the rotating EU Presidency, appears to agree. "I think one should be very cautious and not invest too much hope in any form of protectionism," said Žiga Turk, the Slovene minister for growth in a recent interview with EurActiv. "In the short term, of course it may seem nice to protect something in order to survive. But, in the long run, you are hurting your economy if you are not exposing it to the harshest environment possible."

Earlier in January, European public employers association CEEP warned about the potentially painful costs of climate action. "Any European energy and climate policy must be seen in the context of a global economy. Our industries, services and products must remain globally competitive. Making cleaner industry an asset in a global economy is a challenge. But a lopsided European approach leading in the end to a shrinking economy and to less employment has to be rejected."

Philippe Lamberts, spokesperson for the European Green Party, criticised the German push in support of energy-intensive industries: "The attempt by […] Germany and Austria to obtain exemptions for large industry is another worrying example of an attempt to further weaken the EU's climate strategy and must be resisted. EU leaders must stand firm against those who want the EU to shirk its responsibility to take a leading role in the fight against climate change."

Claude Turmes, a Green member of the European Parliament, goes further in criticising the motives of the energy-intensive industries, saying they are trying to get a "free lunch" by creating excessive "hype" about the threat of delocalisation.

"According to the energy intensive industry lobby, EU industry is heavily exposed to global competition. But exposure to non-EU competition is not even 2% for the EU's lime and cement industry, and around 5% for EU refineries. For the steel sector, competition does not reach 20%," says Turmes in a paper on carbon leakage circulated ahead of the summit.

According to Turmes, "the real agenda of companies like Mittal/Arcelor and Lafarge is to get completely off the hook from EU climate change efforts". He says the way is to follow the example of Denmark and Sweden, which both faced similar problems in the nineties when they introduced CO_2 taxes for their industries.

"Denmark and Sweden established the principle of earmarking of the revenues from these energy taxes. This was the right way to go: the industry actors had to integrate fully into their investment decisions the price of pollution, but received state aid for investments under certain strict environmental criteria."

Turmes believes a similar system can be replicated in the EU by supporting Commission proposals to auction 100% of the pollution credits distributed under the emissions trading scheme.

"All or at least parts of these revenues should be earmarked to be re-invested in upgrading the energy performance of existing and new industrial installations. In order to prevent distortions in the EU's internal market, the approval of this state aid will be done by the EU's competition authorities (DG Competition)."

Meanwhile, in a joint statement, the European Environment Bureau (EEB), the European Trade Union Confederation (ETUC) and the Social Platform have urged EU leaders to up the bloc's emissions reduction targets to 25%-40% and put in place border tax adjustments in order to "protect EU-based industry from unfair competition."

Next steps:

•13-14 March 2008: Spring Summit

•Nov.-Dec. 2008: Poznan, Poland climate conference (COP 14) mid-way point of international climate negotiations

•Dec. 2009: Copenhagen climate conference (COP 15) - projected completion of UN climate negotiations on post 2012 framework

•2010: In light of outcome of global climate talks, Commission to determine which energy-intensive industries are at risk of carbon leakage

•2011: Based on this analysis, the Commission may then table measures to prevent carbon leakage.

See: http://www.euractiv.com/en/trade/merkel-urges-eu-leaders-act-carbon-leakage/article-170944

European Commission weighing up options on CO_2 border tax

[euractiv.com, Nikki Tait, February 27 th 2008]

There is still a lot of technical work to be done before the Commission makes a proposal on a possible "adjustment mechanism" to compensate EU industries which find themselves at a competitive disadvantage over countries with less stringent CO_2 regulations, according to Jos Delbeke (interviewed below), a top official at the Commission's Environment Directorate.

In its recent proposal to revise the EU emissions trading scheme, the Commission seems to leave the door open to so-called sectoral approaches whereby heavy industries like steel or cement would forge global deals to reduce CO_2 emissions. So how does Delbeke actually see this happening?

"We see the sectoral approaches within the context of the EU-ETS, so it is not one or the other, it is the two combined, I think this is the first important point.

The second is that in the sectoral approaches, we see business as the main driver. So if business starts talking around the globe to their colleagues in the same

Q: Could CDMs be the starting point for a truly global emissions trading scheme?

"If well designed, yes, but better designing still needs to be done. So far, it's a credit-generating machine, it has to be geared up as a first stepping stone towards a trading mechanism."

Q: The Commission has said it will propose a 'compensation mechanism' to prevent 'carbon leakage' whereby EU industries covered by the EU–ETS move to other parts of the world, like China or India, where there are no constraints on CO_2 emissions. However, the US and the UK have warned that this could open trade problems. What is your view on this?

"The Commission has actually not made proposals on this. The Commission has said that it would define the sectors in which carbon leakage would continue to exist after the conclusion of an international agreement, and that, in a second step, it would make proposals - at the latest by 2011.

That proposal could basically be an internal solution or an external solution. An internal solution is that we could continue with free allocation - we could differentiate the allowances sector, exchange ideas, exchange technologies or cooperate on strategic issues - that's fine with us, but the emphasis is on businesses to act.

At a later stage, once these businesses come forward with more refined ideas and evidence - because frankly we have not that much evidence about the production of steel or aluminium or chemical-based products in China or India – once we have that evidence then we can really talk business and that evidence lies in the private sector. So if the private sector is organising itself in the first stretch, that's great - then we can open up the discussion and see what public authorities can do with that material."

Q: Do you expect a sectoral component in the forthcoming international agreement on climate change to replace the Kyoto Protocol after 2012?

"I would see a sectoral component, as you are rightly putting it, but not as an alternative. I think we should be realistic that the UN set up is among sovereign states. And I would not think that countries like China, India, Brazil or South Africa are going to surrender their authority to act to [businesses in] those sectors and at the same time withhold from any decision-making processes at the UN level. So it is a component, but it is not taking over."

Q: How does the Commission see international trading of emissions reduction certificates (so-called CDM) developing after 2012 within the context of the EU emissions trading scheme?

"First, we create a very stable perspective for the use of CDM for the period until 2020, even in the absence of an international agreement, that's one.

Two, we offer banking of credits from CDM between the current period and the next period. That is not foreseen in the current directive. And three, we want to have a good discussion on CDM at international level.

We see that some major players like the United States and Canada are hesitant about CDM and it cannot be the EU on its own that is giving life to the CDM.

So what can be improved for the CDM? - A debate on baselines, administration, bureaucracy, continuity and on stable decision-making processes. And we are very much open to having that discussion."given for free to a certain number of companies - or we could go for an external solution, which is the one that French President Sarkozy mentioned when he was on a visit to China.

Now, on the external solution, there are a number of important elements that need to be sorted out: WTO compatibility, retaliation, but also the technical nitty-gritty.

The new investments being made in the emerging economies in state of the art technology are actually being made by our companies. So before we move into compensation at the border, we'd better compare the energy and carbon efficiency of the investments in which we think we have a competitive disadvantage.

I think a lot of technical work needs to be done there, that's why the Commission is giving itself a bit of time to do the work. Not that we are going to let it linger on but there is a little bit of homework to be done.

But the emphasis is of course on the conclusion of an international agreement, which could sort out most of the problems that we are encountering on carbon leakage.

Regarding the possible continuation of free allocations: This system has been highly criticised already during the first phase of the EU-ETS so obviously it cannot be taken as a credible option by the Commission…

Well, we haven't yet gone through the whole issue that industry is bringing to the table of setting technical standards - or benchmarks - against which allocation is going to be done. Benchmarks are defining a kind of "anchor-point" technology that would be recommended: beyond the use of that technology, you would get a reward and if you are not going for that state-of-the-art technology you would get less.
I think we have not yet gone through the entire exercise on this. We are opening a discussion with industry on this issue and we are going to have a stakeholder consultation with industry, with the member states, with stakeholders and NGOs."
Q: So benchmarking among some industrial sectors would be the basis for this potential compensation mechanism?
"Yes, with one caveat: there seems to be a wide variety of definitions of what bechnmarking actually means. I would cautiously say it is technical standards for installations, for products, etc."
See: http://www.euractiv.com/en/climate-change/commission-weighing-options-co2-border-tax/article-170587
See: http://www.foes.de/en/GBN17-5Art12.html

EU agrees tight schedule for climate and energy deal

[euractiv.com, March 17th 2008] Europe's leaders have pledged to find agreement on controversial CO_2 reduction and renewable energy laws before the end of the year, in a bid to maintain a strong position in international climate change negotiations. Energy intensive industries were given assurances that the measures would safeguard their competitiveness.
"Comprehensive deliberations" between Council and Parliament on the Commission's proposals should produce a deal "before the end of 2008 and consequently allow for their adoption within the current legislative term, at the latest early in 2009", according to conclusions agreed during the Spring European Council in Brussels on 14 March.
With a major international meeting on climate change scheduled for Copenhagen in December 2009, the EU is under pressure to agree internally on how to deal with the threat of climate change before pushing other states to agree a post-2012 global climate deal to replace the Kyoto Protocol.
But member states still need to iron out a number of differences before they can present a united front in Copenhagen.
While the Commission's proposals have been generally welcomed by national capitals (EurActiv 29/02/08 and 04/03/08), differences remain over how CO_2 reduction and renewable energy efforts are to be divided between EU countries.
And Europe's energy-intensive industries have put pressure on key member states, notably Germany, to get insurances from Brussels that their global competitiveness will not be undermined by the EU's tightening 'carbon belt'.
The argument put forward is that sectors like steel, cement and aliminium will be forced to take their operations outside of Europe if other states do not adhere to binding greenhouse gas (GHG) reduction measures. This would result in major job losses and so-called 'carbon leakage', meaning an increase in GHG emissions outside of the EU's borders.
German chancellor Angela Merkel made industry's case during the summit on 13 March, and pushed for the inclusion of specific language in the Council's conclusions: "The European Council recognises that carbon leakage in energy-intensive sectors exposed to international competition needs to be addressed urgently" (EurActv 13/03/08).
The conclusions do address the apparent urgency of the matter. But the text also notes that "an international agreement remains the best way of addressing this issue", a reflection of the Commission's position.
Commission President José Manuel Barroso on 14 March pledged that "clear assurances" will be made to energy-intensive in the post-2012 period of the Emissions Trading Scheme (EU ETS).
But Brussels remains optimistic a global deal can be reached, and will not elaborate until 2010 any details about what kind of protective measures would be applied in case international negotiations fail.
Positions:
ETUC, the European Trade Union Confederation, called the summit a major step forward, but argued that "social and employment considerations must be taken into account". To protect EU jobs, ETUC favours a border 'adjustment mechanism' such as a tax on importers operating in countries with less stringent climate regimes.
The summit received poor marks from environmentalists. The Greens in the Parliament said the "Spring Council has proved that economic interests still rank higher than environmental protection".

"The half-successful attempts to grant exemptions to energy intensive industries before it is known if there will be an ambitious international post-Kyoto agreement, is a fatal signal. With this attitude EU leaders demonstrated their scepticism for the chances of a successful outcome of the next round of international UN climate talks", according the Greens' Vice-Presidents Rebecca Harms and Claude Turmes.

Greenpeace called it a "non-summit", and "a carbon copy of last year's deal, supplemented by some misplaced protectionist language to appease heavy industry," said Mahi Sideridou, the groups climate and energy policy director.

Stephan Singer, Head of European Climate and Energy Unit at WWF, said "European leaders continue to focus on the dinosaurs in the energy intensive industry rather than on the potential for innovation, jobs and export opportunities that measures to reverse climate change could create".

Development NGO Oxfam said EU leaders should "cut their carbon emissions by at least 30% and stand up to the industry lobby that is already attempting to water down the EU's target. Only then will we truly begin to tackle climate change and safeguard a future for the world's poorest people".

Next steps:

•13-14 March: Spring European Council;

•End 2008: political agreement on package foreseen under French EU Presidency;

•Mid 2009: European Parliament elections and expiry of current Commission term;

•End 2009: major climate change meeting in Copenhagen.

See: http://www.euractiv.com/en/climate-change/eu-agrees-tight-schedule-climate-energy-deal/article-170999

EEB welcomes Environment Committee's evaluation of European environmental policy

[*European Environmental Bureau, Press Release, February 26 th 2008]*_The European Environmental Bureau (EEB), Europe's largest federation of environmental citizens' organisations, welcomed today's adoption of the "Report on the Mid-Term Review of the 6th Community and Environment Action Programme" by the Environment Committee of the European Parliament. The report covers the progress made on EU environmental policies since 2002 and describes what steps are necessary to further the EU's environmental goals. Adoption of the report passed by a large majority, with only one vote against.

The EEB welcomes the report, which evaluates implementation of the 6th Community and Environment Action Programme (6th EAP) thus far mainly by assessing the mid-term review on the 6th EAP, which was published by the European Commission in 2007. The Environment Committee's report gives an honest picture of progress and risks and provides clear direction for the coming years.

John Hontelez, Secretary General of the EEB, says, "The Environment Committee rightly warns that under *status quo* conditions, the EU will achieve neither its goal of halting biodiversity loss by 2010 nor its objective of reducing natural resource use and waste, in addition to its health protection objectives being compromised with the adoption of REACH legislation on chemicals."

The Committee expressed its belief that "wider use of market based instruments, taking the environmental impact of all production and distribution processes and consumption patterns into consideration, is needed."

John Hontelez responded, "The Committee rightly points to the possibility of taking EU action on environmental tax reform by combining the 'open methods of coordination' and 'enhanced cooperation,' two tools to overcome the Treaty requirement of unanimity for tax-related decisions. Such a strategy is necessary to make sure prices start reflecting environmental costs while reducing the cost of labour."

The EEB also strongly welcomes the call to EU budget authorities to ensure the Commission will have all the necessary financial and human resources to ensure the "most efficient monitoring of implementation and enforcement of existing legislation."

John Hontelez commented, "Indeed, DG Environment does not have sufficient means to enforce the EU environmental *acquis* as it should. This situation should change, not at the expense of other tasks, but as a result of increased resources."

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Contrasting reactions to European climate plans

[Mariangela Lupo,GBG, April 2008] Political leaders have greeted the European Commission proposal for new EU climate and energy policies enthusiastically. The Slovenian presidency has promised to enforce the EU proposal by early 2009 and to drive other countries towards finalising a global agreement to limit gobal emissions, as well as emphsaising the importance of funding new technologies. British environment minister Hilary Benn considered the package a comprehensive and effective agreement to tackle climate change, while the German minister Sigmar Gabriel defined the commission's proposals as a "brave step", while at the same time suggesting "discussions on the detail".

Among the positive chorus, there were also some concerns raised over the biofuels target. Hannes Swoboda of the Socialist group and Caroline Lucas, a Green MEP, pointed to scepticism among MEPs on the target to promote biofuels, underlining the deficiency of the proposed sustainability criteria and the difficulty of enforcing them. In the same way, Anne Laperrouze of the liberal group Alde stressed the demand for the European industries to reduce their carbon footprint and the concern of not wishing to penalise them in the global market place.

Different points of view were also raised by European industry groups, who have met the European Commission's climate and energy plans with contrasting receptions. Some expressed concerns regarding their impact on competitiveness, while renewable energy groups were jubilant.

According to the association BusinessEurope and other business organisations, including the British CBI, it is necessary that companies are informed by 2010 about whether or not they will get receive carbon market allowances. They also contended that the plans would raise electricity prices "significantly" and that there are tight restrictions on buying foreign carbon credits.

The steel sector body Eurofer also opposed the EU proposal, considering the included shortcomings unacceptable. The European electricity body Eurelectric encouraged policymakers to ensure that final versions of the law guarantee the maximum use of market-compatible mechanisms, especially for incentivising renewable energy sources.

Meanwhile, renewable energy spoke up for the EU proposal. Christian Kjaer of the wind power group Ewea considered the proposal a way of achieving market stability and increasing investor confidence. In the same vein, the solar thermal body Estif endorsed with interest the integration of renewable heating and cooling into EU legislation.

Other industries expressed different concerns: the paper association Cepi, for example, criticised the new EU guidelines on state aid for environmental investments, while the farming group Copa-Cogeca said that the renewables targets would "open up a number of generally positive perspectives for agriculture and forestry which harbour production potential that has until now remained untapped".

The green community welcomed with the EU’s climate and energy proposal with scepticism. Stephan Singer of the WWF complained of the weakness of the proposal in the face of a problem which could lead to Arctic melting and displacement of millions of people in developing countries, and suggested more “determined and drastic” improvements.

Greenpeace considered the Commission’s standards inadequate to guarantee sustainability – criticising the EU for its mistaken approach to biofuels and denouncing the application of carbon capture and storage, which they alleged was little more than an excuse to continue building coal-fired power plants.

All environmentalists have also warned the Commission for basing its package on a cut in greenhouse gas emissions of 20% by 2020, rather than a 30% cut, and said that this general pessimism regarding international climate talks could undermine the Bali consensus that developed countries must cut emissions by 25-40% by 2020 to avoid dangerous climate change.

MEPs confirm opposition to EU car CO_2 deadline

[Mariangela Lupo,GBG, April 2008] The European Parliament has confirmed its opposition towards the 2012 EU car CO_2 deadline to reduce the amount of carbon dioxide (CO_2) produced by cars in Europe. The European Commission had suggested that average CO_2 emissions from cars must be limited to 130g/km by 2012, but MEPs restated

their preference for 125g/km by 2015, reflecting concern for the future of the EU car industry.

EU-US 'green' trade plan comes under fire at Bali

[euractiv.com, 10th December 2007] A joint EU and US proposal to remove all tariffs on a select list of 43 goods deemed to be environmentally friendly, such as solar panels and wind turbines, were criticised at Bali over the weekend by developing countries who say the plans are incomplete and biased towards developed countries.

Background:

On 30 November, the EU and the US announced what they termed "a ground-breaking proposal" for a WTO-wide deal on the full elimination of tariffs on 43 products identified by the World Bank as environmentally friendly. The deal would come under the current "Doha" negotiations on trade liberalisation.

The notion of a special tariff regime for 'green' goods is part of a wider discussion on the use of taxation and customs policy to facilitate the transition towards a low-carbon economy by simultaneously promoting green goods while protecting more traditional energy intensive industries (see EurActiv 07/12/07).

Within the EU, there have been calls both for higher duties on industrial goods from countries with less stringent environmental regulations and tax breaks on environmentally friendly goods and services in the EU.

North-South divide?

Celso Luiz Nunez Amorim, Brazil's minister of foreign relations, questioned the EU-US proposal, saying the list of 43 goods is 'incomplete' and that the plan is not an effective measure against climate change.

Brazil is concerned that the list of goods does not include biofuels, in particular ethanol made from sugar cane, a key export for Brazil.

Amorim also said the plan was a distraction and questioned whether it is in line with free trade principles. "What are we [in Bali] for? Are we here to make three things mutually supportive - development, trade and climate change - or are we here to discuss protectionist ways to slow down the process?", he said.

Pakistan also questioned the proposals, saying their real intention was to give an advantage to technology exporters in rich countries. "This is obviously against us, because we have not the capacity to produce goods in an environmentally friendly way," said Ali Baz, Pakistan's Ambassador to Indonesia.

The trade-climate change link

But Pascal Lamy, head of the World Trade Organisation (WTO), said that some developing countries were leaders in green technologies and could benefit from the plans, adding that a special tariff reduction scheme could be made more equitable by being included in a wider global climate change regime.

"The relationship between international trade and indeed the WTO and climate change would be best defined by a consensual, international agreement on climate change that successfully embraces all major polluters," he said.

It is unclear if special tariffs on green goods could be agreed as part of a wider deal involving rich country technology transfers to poor countries as an alternative to a legally-binding international agreement to reduce CO_2 emissions (see EurActiv 06/12/07).

http://www.euractiv.com/en/trade/eu-us-green-trade-plan-comes-fire-bali/article-168985

EU ministers urge action on sustainable transport

[ENDS Europe DAILY 2440, 30th November 2007] The EU should make greater use of economic instruments to encourage the development of more sustainable modes of transport, EU transport ministers said on Thursday. Such instruments are needed to provide "the appropriate incentives and disincentives" for greening the transport sector, they agreed.

The call followed a ministerial debate on a progress report by the European commission on the EU's renewed sustainable development strategy. The commission concluded progress on reducing the sector's environmental impacts has so far been "very limited" (EED 24/10/07 http://www.endseuropedaily.com/24152).

Earlier this month, finance ministers failed to reach agreement on legislative proposals to base car taxation increasingly on vehicles' carbon dioxide emissions (EED 14/11/07 http://www.endseuropedaily.com/24283). In October, the commission launched a package of measures designed to reduce the environmental impact of freight transport (EED 18/10/07 http://www.endseuropedaily.com/24113).

In written contributions submitted prior to the debate, several member states stressed the importance of planned legislation to limit CO_2 emissions from new cars (EED 24/10/07 http://www.endseuropedaily.com/24151).
The Netherlands stressed the EU should set emission standards for cars that are "more ambitious than those currently under discussion". Poland argued EU efforts to promote sustainable transport must not excessively limit "the possibility of further dynamic development of 'non-EU 15' economies".

See: European council of ministers http://www.consilium.europa.eu,
plus council minutes
http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/trans/97330.pdf (p24-25)
and member states' written contributions
http://register.consilium.europa.eu/servlet/driver?page=Result&lang=EN&typ=Advanced&cmsid=639&ff_COTE_DOCUMENT=14583%2F07&ff_COTE_DOSSIER_INST=&ff_TITRE=&ff_FT_TEXT=&ff_SOUS_COTE_MATIERE=&dd_DATE_DOCUMENT=&dd_DATE_REUNION=&dd_FT_DATE=&fc=REGAISEN&srm=25&md.

"Green" transport projects to receive fresh EU cash

[euractiv.com, 22th November 2007] Railways and inland waterways will receive the lion's share of EU funding for trans-European transport network (TEN-T) projects for the period 2007 to 2013, the Commission has announced.
Background:
The construction of a trans-European transport network (TEN-T), where national networks for all modes of transport are accessible, interconnected and interoperable, is fundamental to securing a single market with free movement of passengers and goods, as well as for reinforcing economic ties and social cohesion and promoting competitiveness and sustainable development in the European Union.
After lengthy negotiations, member states downgraded the Commission's proposals to spend as much as €20 billion to the development of the trans-European transport network, and a total of €8.013 billion was finally allocated to under the multi-annual financial framework 2007-2013 – of which €5.1 billion for 30 priority projects, deemed essential for completing cross-border connections among the EU's 27 member states.
The Commission published a first call for proposals for these projects in May 2007, in the hope that the 30 priority axes could be completed by 2020.
The EU is only entitled to contribute to projects at maximum rates of 10 to 30% - depending on the type of project (see LinksDossier on TEN-Ts). The rest of the money must come from national or private budgets.
The EU's limited funds available for financing transport infrastructure across Europe, for the period 2007-2013, will be concentrated on projects related to "critical cross-border sections" and on "the most environmentally-friendly transport modes – inland waterways and rail", the EU's Transport Commissioner Jacques Barrot told members of Parliament on 21 November.
The Commission received 221 project proposals from member states, with support requests totaling over €11.5 billion. However, with a Community budget limited at just €5.1 billion, the Commissioner explained that he preferred to concentrate these funds on a limited amount of important projects, rather than spreading them out among all of them. He said this would help create a "leverage" effect and accelerate the realisation of projects important for removing remaining transport bottlenecks and for the effective functioning of the single market.
Underlining the EU's commitment to sustainable development, Barrot pointed out that inland waterways would receive "maximum possible funding", receiving as much as 11.5% of the total budget. Railways will get 74.2% of total funds, while roads receive just 2.7%.
The Commission is also proposing to allocate funds to two "traffic management" projects aimed at optimising existing infrastructure:
- €350 million to the SESAR project, which aims to create a 'single European sky' that will help deal with the increasing number of flights that arriving and departing from European airports, while also helping to contribute to fuel savings and cutting CO_2 emissions.
- €100 million for intelligent road transport systems, to help optimise infrastructure capacity, promote intermodality and improve the safety of road networks.
http://www.euractiv.com/en/transport/green-transport-projects-receive-fresh-eu-cash/article-168617

EU handbook aims to internalise transport costs

[Mariangela Lupo,GBG, April 2008] The European commission has prepared a handbook on strategies for internalising the external environmental and social costs for all modes of transport and a proposal to revise the Directive on the charging of vehicles, the EU's so-called "Eurovignette". The handbook also includes existing studies and can be a point of reference to assess the external costs of transport and to serve as a basis for the internalisation of external costs in the transport sector.

Britain could be forced to quintuple its renewable resources

[Mariangela Lupo,GBG, April 2008] During the session to set compulsory targets on greenhouse gas emissions, the European Commission has stated its plans for the third phase of the EU's emissions trading scheme (ETS), which will force power generators, refiners and eventually other industries such as steel, cement and paper to bid for permits to emit carbon dioxide. In this way, Britain could be forced to increase fivefold its renewable sources from 3% to 15% by 2020. According to the new EU ETS, emission permits from 2013 will be put up for auction so that two-thirds of permits for some 11,000 plants covered by the scheme should be subject to bidding. In this way, industries will have to cut their emissions to 21% below 2005 levels. British government is directing the auctioning of permits towards the electricity generating industry.

In order to ensure a long-term price for carbon, it is necessary to strengthen the ETS by curbing permitted emission levels. According to the European paper industry lobby (CEPI), it will lead to the doubling of the carbon price from its current levels of €20/tonne to €40. As a consequence, much more investment will be attracted to zero or low-carbon power generation such as on- and off-shore wind farms, solar, wave and tidal power, as well as new technologies such as carbon capture and storage.

Jake Ulrich, managing director of Centrica Energy, also endorses the policy of a high price on carbon emissions to create a scarcity value for permits: "only then will there be an incentive to really go out and invest more in cleaner but more expensive generation plants, such as clean coal with carbon capture, offshore wind and nuclear. We need to see carbon prices rise sharply from their current €22 for such investments to become economic."

Countries such as Sweden and Britain are already expressing disagreement with the Commission's planned scheme for increasing the use of renewables from 8.5% to 20% by 2020. The draft directive would allow under-performing countries to "buy" towards their targets from others. A meaningful possibility to help the UK government could be the building of a hydro-electric barrage across the River Severn, which could generate 5% of UK electricity demand.

6. EVENTS

"Der Markt im Klimaschutz", 30th May - 1st June 2008, Evangelische Akademie Hofgeismar

On our Annual GBG-Conference, which we organise in cooperation with the BUND and the Evangelische Akademie Hofgeismar we will discuss the current post-Kyoto prospects. There will be experts from science and politics to evaluate different instruments and strategies for the Federal German Government and the European Union to achieve their climate targets. On Sunday 1st of June, we will hold our GBG general meeting.

Conference Program: http://www.foes.de/de/downloads/Veranstaltungen2008/2008.05.05.Programm_aktuell.pdf

„Grüne Marktwirtschaft. Die große Transformation " 4th June 2008, 19.30, Panel Discussion, Gallery of the Heinrich-Böll- Foundation, Berlin

With: Matthias Machnig (State Secretary in the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety), Reinhard Bütikofer (President of the Confederation 90/The Greens), Ralf Fücks (Executive Board Heinrich-Böll-Foundation)

Details: http://www.boell.de/calendar/viewevt.aspx?evtid=3737&crtpage=4

16th ANNUAL CONFERENCE of the EUROPEAN ASSOCIATION OF ENVIRONMENTAL AND RESOURCE ECONOMISTS (EAERE) Gothenburg, Sweden, 25th- 28th June 2008

The organizers of EAERE are very pleased to invite you to Gothenburg, Sweden, to participate in the 16th annual conference. The conference will be held at the School of Business, Economics and Law, Göteborg University, situated right in the centre of Gothenburg. The city of Gothenburg is the second largest city in Sweden, still it is small and cosy. The conference is a general conference and all topics are welcome. We will however have a special focus on environmental issues in developing countries as well as on climate. This will be reflected in some of the plenaries and sessions. We are very keen to ensure the academic quality of all sessions, to deepen and broaden our views. One of the ways in which we are striving to do this is through inviting not only members but specially targeting also other communities of researchers. This includes both good general economists, particularly public economists and behavioural economists as well as others who are close to our field, such as climate, fishery, agricultural and ecological economists. We are also making a special attempt to reach economists in the USA in Eastern Europe as well as in developing countries.

Co-chairs for the EAERE Conference

Thomas Sterner, Professor of Environmental Economics, Göteborg University, Sweden

Frank Convery, Heritage Trust Professor of Environmental Policy, University College Dublin, Ireland

Further information: http://www.eaere2008.org.

Launching Conference for Green Budget Europe, September 25th 2008 in Brussels

Encouraged both by our experiences as a specialised NGO, which has supported EFR since 1994, and the resonance and recognition we received at the Global Conference on Environmental Taxation we organised in Munich in October 2007, we feel that the time is ripe for the formation of a similar platform to Green Budget Germany at the European level.

The conference will serve to launch the Green Budget Europe platform on Market Based Instruments (MBIs) officially in Brussels.

The conference will be back-to-back with the EEB Annual Conference, and it is hoped that participants and speakers attend both conference days. The EEB is an important partner in the GBE platform and we are most grateful for its support in organising this launching event. More information will be available on our website very soon.

The Ninth Global Conference on Environmental Taxation

Singapore, 6th- 8th November 2008

The 9th Global Conference on Environmental Taxation will be hosted by the Asia-Pacific Centre for Environmental Law (APCEL), Faculty of Law, National University of Singapore (NUS). Other partners include the Centre on Asia and Globalisation at the Lee Kuan Yew School of Public Policy, NUS; the Association of Chartered and Certified Accountants in Singapore (ACCA), the IUCN Academy of Environmental Law, and the International Tax and Investment Centre (ITIC) in Washing ton DC, USA.

The conference will focus on the special problems of the urban environment and the challenges which confront cities and megacities. Issues to be examined include energy generation and consumption, transportation, pollution, population growth, housing, urban development and public health. The role and efficacy of fiscal policies and market-based instruments will be evaluated, particularly from the perspectives of developed and developing countries. The conference aims to create a venue for discussions and the sharing of experiences on the use of fiscal instruments to guide policy makers toward ensuring the sustainability of urban environments in the wake of rapid industrialization, depleting natural resources, continued population growth, and climate change.

More information is available here: http://law.nus.edu.sg/apcel/conference/gcet/callforpapers.html

7. Links and Publications

Critical Issues in Environmental Taxation: International and Comparative Perspectives (Vol V), Chalifour et al (eds.), Oxford University Press 2008

This publication is linked to the Global Conference on Environmental Taxation, organised by GBG in 2007, and brings together the best papers presented at the conference, peer-reviewed and edited by the GCET steering committee and the organiser of the respective conference. Volume V brings together papers from the 7th GCET which took place in Ottawa, Canada, in 2006.
To order, see: http://www.oup.co.uk/

A German Perspective on the U.S. Carbon Tax debate

Our vice president Kai Schlegelmilch wrote an article with the title "A German Perspective on the U.S. Carbon Tax debate".
For further information see: Plan B ÖSN 43
Kai Schlegelmilch 2007: *Tax Analysts*, Volume 117, Number 7, November 12, 2007, S.713-7.

Innovation, Technology and Employment – Impacts of EFR and MBIs

Written by Jacqueline Cottrell, Anselm Görres and Kai Schlegelmilch, this article summarises the highlights of the 2007 GCET conference in Munich.
The article can be found in Environmental Policy and Law, Vol 38, No.1-2, February 2008, pp.65-70.

Environmental harmful Subsidies - A Threat to Biodiversity Executive Summary

Written by Christian Meyer, Sebastian Schmidt,Bettina Meyer, Kai Schlegelmilch, Jacqueline Cottrell, Martin Schlereth this article gives a summary of the study, presented in March 2008.
See the article under http://www.foes.de/en/downloads/Events/bodiversitysummaryen.pdf
You can find the full study in german under http://www.foes.de/de/downloads/studien/subventionsstudie.pdf

8. Readers' Guide

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 450 Kilobytes per copy.
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We hope you enjoy reading your copy of GreenBudgetNews!

GreenBudgetNews No. 19 – 4/2008

Best wishes from the editors!

Green Budget Germany's Team of Editors

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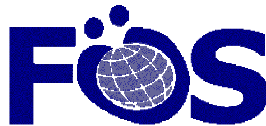

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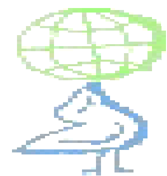

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