GREENBUDGETNEWS NO. 21 – 11/2008

EUROPEAN NEWSLETTER ON ENVIRONMENTAL FISCAL REFORM

Founders:

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

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The United Nations Climate Change Conference (UNCCC) in Poznań, Poland-COP 14, 1st-12th December 2008

The Poznań Climate Change Conference provides the opportunity to draw together the advances made in 2008 and move from discussion to negotiation mode in 2009. Such an outcome at Poznań would build momentum towards an agreed outcome at Copenhagen.

Provisional agendas and further details: http://unfccc.int/meetings/cop_14/items/4481.php

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Quotation of theAutumn

Not only will I, but I will make a commitment that Al Gore will be at the table and play a central part in us figuring out how we solve this problem. He's somebody I talk to on a regular basis. I'm already consulting with him in terms of these issues, ***but climate change is real. It is something we have to deal with now, not 10 years from now, not 20 years from now.***

Barack Obama, 2008

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1. EDITORIAL

Dear Readers and Friends of GBG,

Another year is drawing to a close, which brought us many new developments – most of them joyfully received by the global audience. The people of the United States of America elected a president, whose intelligence and seriousness gives us hope, that problems as the climate crisis and the inadequate regulation of economic activities might be migitated in the next years. At least we can hope, that the right path will be chosen by one of the most powerful nations of the globe. **The tasks are great and call for great personalities to solve them.** More critical views of this issue can be read on page 28 and the subsequent pages.

Green Budget Germany, too, as many of your institutions play their humble role in this game as well. Finally, the foundation of the European expert platform **Green Budget Europe** (GBE) has taken place and was a great succes. Informations about the conference and the next steps can be gathered at:

http://www.foes.de/en/GBE_Launching_Conference.html

As soon as possible, we want to strengthen our activities to include further projects on a European level, in some cases also on the level of individual national states or groups of countries. It will be one of the first tasks of the Steering Committee of GBE to define project priorities and organize the fundraising for these priorities. As a rule, GBE in all cases should look for cooperation partners and try to find institutions that will support, institutionalize and continue work we have begun within our projects. The first telephone conference of the Steering Committee will take place in the first week of december 2008.

On the national level GBG is currently organising several informal stakeholder conferences, in which crucial questions of the evolution of the German marked-based environmental policy equipment are evaluated. Particularly the social dimension of those instruments is focussed.

On the global scene GBG is offering a seminar on **capacity development for Environmental Fiscal Reform** (EFR) together with GTZ for Policy Makers, Administration Officials, and NGO Representatives. The seminar employs innovative methods and uses all opportunities available for interactive group work. The main issue of the seminar will be to develop an understanding of the EFR concepts and definitions, as well as to adopt the gained knowledge in the most effective way in developing countries. It can be flexible according to the needs of the clients which are likely government institutions. Further information available here:

http://www.foes.de/en/downloads/articles/GTZ%20EFR-Training_%20Description%20(3).pdf

As accustomed this newsletter provides you with actual informations about environmentally relevant ficsal reforms in Europe and all over the world.

One topic, we would like to stress, is that one of our founders was once more honoured for his exemplary engagement for a sustainable future: In 2008, **Prof. Ernst Ulrich von Weizsäcker** (69), Dean of the Donald Bren School of Environmental Science & Management at the University of California (Santa Barbara), received Europe's most lucrative environmental prize, the German Environmental Award, presented by the Deutsche Bundesstiftung Umwelt (DBU). Read more on page 3.

We wish you a pleasurable reading!

Your GBG Editorial Staff

2. GREEN BUDGET REFORM IN GERMANY

Sigmar Gabriel: Budget of Federal Environment Ministry almost doubled since 2005

[BMU Press Release No. 198/08, September 9th 2008] "Assuming that budget figures reflect policies, this federal budget shows the great importance the German government attaches to environmental and climate policies", Federal Environment Minister Sigmar Gabriel said September 9th during the budget debate of the German

Bundestag. “Since 2005 the budget of my ministry has almost doubled. This increase is mainly spent on specific projects which benefit consumers, households, schools, municipalities and companies. This was only possible because this German government pursues a sound financial policy.” The minister emphasised that climate protection in particular offered great economic opportunities. “Sound work and a sound environment go hand in hand.” Gabriel welcomed the agreement on emissions trading reached within the federal government. “We clearly agreed that starting in 2013, 100 percent of all emissions allowances needed for electricity generation will be auctioned. There will be no exceptions for new power plants – and no subsidies for construction. In this way we prevent energy utilities from making windfall profits without rendering a service. The companies have already passed on 100 percent of the costs to their customers although they are currently receiving 90 percent of emissions allowances free of charge.”

The Federal Environment Minister added that the first and foremost aim of international climate protection negotiations was to create equal competition opportunities for enterprises. “As long as companies in Europe have to adhere to stricter climate protection requirements than, for example, their competitors in China, we have to find special solutions. Driving enterprises out of Germany will not reduce CO_2 emissions. Therefore, we advocate that in particular carbon intensive industrial sectors which compete internationally should continue to receive the necessary allowances free of charge beyond 2013.” By allocating free emission allowances, the German government wants to compensate companies that hardly produce CO_2 emissions but which have high energy consumption rates, for example aluminium smelters or electric steel plants, for their disadvantage in international competition. In future, free allocations will be based on the most environmentally friendly technology. “We will only be successful in international negotiations if we show that climate protection and economic growth are compatible”, said Gabriel.

With its current budget draft the German government clearly makes renewable energies and energy efficiency key issues of its agenda. The funds for the Federal Environment Ministry’s climate protection initiative will increase by 60 million to 460 million euro in 2009. Of this sum, 120 million euro are earmarked once more for international measures in the following year. The volume of the market incentive programme, which supports the use of renewable energies in the heat sector, will be raised to more than 400 million euro; in 2005 in real figures only 130 million euro were available for that purpose.

The total budget of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) in 2009 will be 1.32 billion euro. This is around 477.2 million euro (about 56 percent) more than in 2008. And the BMU budget is only a share of the federal government’s spending on environmental protection. Expenditures of a total of around 5.5 billion euro are earmarked for environmental protection in the federal budget 2009.

http://www.bmu.de/english/current_press_releases/pm/42222.php

We want to become a much more elegant country

[Taalke Nieberding, DBU, September 30th 2008] In 2008, Prof. Ernst Ulrich von Weizsäcker (69), Dean of the Donald Bren School of Environmental Science & Management at the University of California (Santa Barbara), received Europe’s most lucrative environmental prize, worth 500,000 euros, the German Environmental Award, presented by the Deutsche Bundesstiftung Umwelt (DBU). Prof. von Weizsäcker is being honoured for his decades of outstanding work in promoting sustainable management strategies in politics, business and society worldwide. He became the prize together with Dr Holger Zinke (45), founder of the biotech company BRAIN AG (Zwingenberg), in the Rostock Town Hall on 26 October, presented by German President Horst Köhler.

DBU: Professor von Weizsäcker, you have just heard that you are to receive the 2008 German Environmental Award. What does this mean to you?

von Weizsäcker: “It is the crowning moment of my career in environmental research and politics.”

DBU: In the 90s, you played a major role in establishing the Wuppertal Institute for Climate, Environment and Energy. Then you were in the German Bundestag, before leaving for California in 2005 as Dean of a School of environmental science and management at the university in Santa

Barbara, a rare subject in the USA. Why did you move there?
von Weizsäcker: “The Donald Bren School of Environmental Science and Management is a prestigious graduate institution and has the only environmental graduate program west of Chicago in America. I was looking forward to a great new challenge.”

DBU: Was it one of your objectives for this scientific work to play a greater role in applied politics?
von Weizsäcker: “Not at all. As a foreigner I am not supposed to engage in American politics. But if the School’s quality makes politicians turn to our professors and hire our graduates, that’s a legitimate way of influencing the debate here. Much of that could happen after I have left.”

*DBU: You’re leaving the Bren Schoo*l?
von Weizsäcker: “I told my friends in California from the outset that I’ll accept the job for a mere three years. I was, of course proud having a contract for five years that could be extended to ten years. But I am cutting it short so that I can return home before the Alzheimer phase. I can pursue my international assignments from home in Germany.”

DBU: What has changed at the Bren School since youve been Dean?
von Weizsäcker: “The Bren School has been an excellent place for environmental sciences, environmental economics, nature protection management and many other important fields. So in a sense, it could have been sufficient just continuing that avenue of success. However, I also saw opportunities for the School in making better use of the wonderful campus of the University of California in Santa Barbara, with its five Nobel Prize winners and a very elite kind of academic environment: So I engaged in connecting the School better to engineering, political sciences and global studies, environmental media, and humanities, in addition to the existing ties with economics and the natural sciences. Environmental sciences benefit greatly from interdisciplinary approaches. Part of my mission, as I saw it, was also to help establish an option for our students to specialise in climate and energy. The faculty is now all behind it. In this context, we are also going to hire a new professor of energy and resource productivity, which, I believe, will be the first of its kind in the US. Then, in terms of fundraising, I believe that, in a team with Assistant Dean Jennifer Deacon, we have been quite successful in attracting money to the tune of ten million dollars or so – which is not bad for such a small school – and the attraction of the Donald Bren School for students has definitely increased.”

DBU: More than ten years ago, in your book “Factor Four”, you calculated how to double wealth while halving resource use. Next year comes “Factor Five” – a new calculation?
von Weizsäcker: “It is more or less the same philosophy, but it involves quite a number of details that are different. First, it has a much stronger geographical focus on Asia. Secondly, it is a bit stricter on economic instruments that make the dramatic improvement of energy and resource productivity profitable. On today’s market many efficiency improvements are not profitable and have to wait for a change in the political frame conditions to become profitable. Factor Five will have a stronger emphasis than Factor Four on systems improvement as opposed to isolated technical advances. Let me give an example. Replacing old light bulbs by LED lighting, - that’s technology. Reducing the need for lighting by better architecture and automated switch-off devices, - that’s systems design. Other systems improvements relate to the logistics of a supply chain or an optimised transport infrastructure in a city. The systems approach alone can make the difference between quadrupling and quintupling overall efficiency.”

DBU: Which technology do you think promises the greatest increase in efficiency?
von Weizsäcker: “Well, as I said, it is not really a question of one technology – there are many, there are thousands. At the time of the steam engine invented by James Watt 200 years ago, this was a leap forward in labour productivity. But this did not mean that all America or Britain would become steam-engine countries. Hundreds of other innovations came around the same time, or later, to constitute what is now known as the Industrial Revolution. The melody of that revolution was the twenty-fold increase of labour productivity. In our days, however, labour is not in short supply. The real scarcity is natural resources. **The next technological revolution will have to be about resource productivity.** Increasing it five fold and one day twenty-fold will make our countries a lot more elegant. All the dinosaur way of a wasteful use of energy, water and other resources

has to be thrown over board in favour of much more elegant, technologies and systems."

DBU: Especially during the last years, energy has become very expensive. Is it in your opinion still too cheap?

von Weizsäcker: "I am of course touched by the fate of people suffering from drastically increased energy prices over the last two years or so. However, the trouble is not the price itself: it has been the shock. Had there been a development like the one in Denmark or in Japan, where energy prices remained high all the time, there would not have been any shock, so these countries rather thrive in our days. In the US and other countries, very low energy prices during the 1980s gave rise to a new boom in urban sprawl with houses financed with ridiculously poor securities. Low energy prices also encouraged Detroit to create a new car fleet of SUVs, or sport utility vehicles, which again are dinosaurs from the fuel efficiency point of view. The mortgage crisis and the automakers crisis could have been avoided under a trajectory of slowly and predictably rising energy prices. This analysis then leads to my message for today: Make it happen that energy prices go up in parallel with energy productivity gains, as has been the case with labour 'prices' - gross wages - that went up in parallel with labour productivity. Then you will see the next Industrial Revolution have the energy and resource productivity as its melody."

DBU: You advise leading business figures and governments – for example, the Chinese government. What are the main problems today?

von Weizsäcker: "Well – giving advice is a very individual kind of thing. You cannot come with common platitudes; it's better to be concrete. So if I am going to speak with Chinese officials, I know that, for their concept of a harmonious society, it will be absolutely essential to increase the energy efficiency of the country, because otherwise they can't overcome the present pollution and other environmental problems. But social equity and prosperity have an equal weight with energy efficiency. Talking with business leaders, my message circles around credibility linked with environmental records. A different theme in my work has been the unfortunate weakening of the state since the early 1980s, exaggerated since the mid 1990s. The neo-conservative ideology of leaving everything to the markets, chiefly the financial markets, has been a nightmare for me since a long time. The recent meltdown on Wall Street has finally brought it home to everybody that something was fundamentally wrong with this doctrine. My political advice since the mid 1990s has been to work toward and establish a new good balance between public and private goods, and between the public and private sectors. You can't be successful on climate and the environment in a world that ignores or ideologically opposes long term thinking and public interests and leaves everything to individual greed and the orchestrating powers of the markets."

DBU: How openly do you address ecological problems? Do you say frankly what you think?

von Weizsäcker: "Of course, I try to be as honest as possible, but you always have to recognize the needs and preoccupations of your partner. Speaking in China, you won't get anywhere by blaming the Chinese on their high energy use and carbon emissions. You have to recognise what it means to build infrastructures for more than a billion people. But in the context of their concept of a harmonious society, they may be susceptible to my idea of a trajectory of gradually increasing energy prices in proportion to energy productivity gains, because, by definition, it implies no additional suffering. Acknowledging and honouring the conditions under which your partner is working, is not at all dishonest. It is just some kind of a compromise of Realpolitik."

DBU: What has been the biggest success of your career in environmental politics for you personally?

von Weizsäcker: "Perhaps the biggest success was the launching of the concept of a factor of four. The idea actually originated from my friend Friedrich Schmidt-Bleek who would go for a factor of ten, but in the field of energy, that number was a bit outlandish, as I saw it. The factor thinking mindset means that we should not be content with gains of a shabby ten or twenty percent of energy efficiency, and than lean back, but should rather think more boldly in terms of 300 percent, which is a factor of four, or 400 percent – a factor of five, or 900 percent – that is a factor of ten. And we should make this bold objective the perspective of my company, of my country, of our civilisation, of our technological progress! Then we have a chance answering the climate challenge or the international resource challenge. Today, I see with a great deal of satisfaction that international organisations, such as the United Nations Environment Program, the OECD, the European Union and others, have been supportive of the new mindset of a multifold increase of resource productivity. Some say that it goes to merits of our wonderful team at the Wuppertal Institute that this new concept has made into the language of leading politicians and business people."

DBU: On 26 October in Rostock, you are going to receive 250,000 euros in prize money. Do you already know what you are going to do with the money?
von Weizsäcker: "There is a possibility that my wife Christine and I will establish a small institute or think tank in the city of Emmendingen, near the Swiss and French borders, on environmental topics including biodiversity, climate and Factor Five. Some up-front money may be very welcome for this new enterprise. Moreover, we are a large family with five children and so far seven grandchildren and were never plagued by not knowing what to do with our money."

DBU: You are receiving the award jointly with the company manager Dr Holger Zinke, the founder of the biotechnology company BRAIN AG – what do you have to say about your fellow prize-winner?
von Weizsäcker: "I am delighted to see a creative biologist working in so-called white biotechnology, which is very good for industry and helps save scarce resources. I am fully aware of the need in our world for excellent scientists and creative engineers and I wish him all the best in his adventure at BRAIN."

http://www.dbu.de/123artikel28152_770.html

Germany plans tax breaks for green cars

[DW-wolrd.de, October 30th 2008] "We want to introduce an automobile tax exemption for cars that are particularly clean," Environment Minister Sigmar Gabriel told ARD public television on Thursday, Oct. 30. "That is the proposal that the finance minister will present. But we still need the approval of the federal states."

Automobile taxes are raised by Germany's 16 states and Gabriel said Finance Minister Peer Steinbrueck would negotiate with the states about how to make up for the resulting tax shortfall.

"We of course do not want the states to shoulder the burden on their own," Gabriel said.

The tax breaks are likely to last one or two years depending on the car's particular specifications.

Criteria not strict enough, say environmentalists

Environmentalists attacked the proposal saying the criteria for the tax exemption were so lax they would include most new cars including gas guzzlers such as sport utility vehicles, which since 2005 have had to meet new emissions standards.

"Petrol-thirsty automobiles with big motors will benefit," the NGO German Environmental Aid said in a statement, calling Chancellor Angela Merkel's grand coalition as "car-driven."

"This is a giant purchase incentive for climate killers," it said.

The deputy leader of the Greens' parliamentary group, Juergen Trittin, has attacked the move, saying the government was acting blindly. He said Cabinet members were organizing a sell-off of pollution-spewing gas guzzlers.

"If people are to be encouraged to buy, then they have to promote the purchase of low-consumption cars – of vehicles that produce less than 120 gram of CO_2 per kilometer," the former environment minister urged.

The German newspaper Rheinische Post said the tax break would probably cost 2 billion euros in 2009, citing government sources.

Older cars would not be eligible for the exemption, which Gabriel said the Cabinet planned to approve next Wednesday and roll out on Jan. 1.

Gabriel said Berlin aimed to eventually introduce a sliding scale for car tax pegged to the amount of carbon emissions that they produce rather than the size of their engines. CO_2 emissions are blamed for driving global warming.

German carmakers welcome the plan

The car industry in both Europe and the United States has been appealing to governments to act to revive sales in the financial-crisis struck sector. The VDA, the German automobile industry's biggest interest group, welcomed the plan.

"The tax holiday proposed today for new cars can provide an impetus to spur sales of vehicles, stabilize the economy and thus ensure jobs in Germany," VDA President Matthias Wissmann said in a statement. He also added that the industry would welcome a tax based on the level of CO_2 emissions.

With credit scarce and sales plunging, EU Industry Commissioner Guenter Verheugen threw his weight on Wednesday behind a call to give the bloc's carmakers cheap loans worth up to 40 billion euros to invest in the development of eco-friendly cars during the financial crisis.

The car industry is a key pillar of Europe's biggest economy, home to giants including Volkswagen, BMW and Porsche. Up to now, the sector has been rather resistant to moving away from its traditional niche market of large, luxury cars with big engines.

http://www.dw-world.de/dw/article/0,,3754306,00.html?maca=en-aa-top-861-rdf

3. GREEN BUDGET REFORM ON EU-LEVEL

Successful GBE Launching Conference

Encouraged both by our experiences as an unusually specialized NGO in Germany, supporting economic instruments since 1994, and by the enormous resonance and recognition we received at the GCET 2007, we organized the formation of a platform to promote EFR and MBIs on the European level. This new organisation will – for the first few years at least – operate as a project within Green Budget Germany and will function as a competence centre and discussion platform, primarily addressing insiders such as the European Commission, government institutions, NGOs, industry associations, and experts.

The launching conference for Green Budget Europe (GBE) took place on **September 25th 2008** in the Maison des Associations Internationales in Brussels. The conference, entitled

"MBIs for the Environment – Prospects for Progress in the EU"

focussed on dismantling Environmentally Harmful Subsidies and the EU Energy Tax Directive. It was organised with our conference partner, the European Environmental Bureau (EEB). Other partners were the European Commissions Directorate General for Taxation and Customs Union, the World Wide Fund for Nature and the Ecosocial Forum Europe. The conference was organised back-to-back with the EEB Annual Conference, and many of the over 100 participants and numerous speakers from all European Countries attended both conference days. The EEB is an important partner in the GBE platform and we are most grateful for its support.

The target audience encompassed representatives of business, NGOs, research institutions, trade unions, the EU-Commission and the European Parliament, other European Institutions, political parties, and the press attended, as well as other decision makers and national government ministers.

We already achieved the support of notable persons like Franz Fischler, former EU-Agrarian-Commissioner and President of the Eco-Social Forum, Yannis Paleocrassas, former EU-Environment-Comissioner and former Greek Finance Minister as well as Martin Bursík, Vice-Chancellor and Environment Minister of the Czech Republic.

Presentations of the conference:
http://www.foes.de/en/PresentationsGBE_Launch.php

Photos of the conference:
http://www.foes.de/en/photosGBELaunch.php

Ministers cautious about road user charge changes

[Transportenvironment.org, September 16th 2008] The Commission published draft legislation in July aimed at updating the Eurovignette directive on road user charging. It proposes removing the ban on member states charging road hauliers for the congestion, pollution and noise costs of lorry movements.

Meeting earlier this month, the 27 ministers largely supported the proposals, though with some reservations. Countries at the periphery, like Ireland, Portugal and Greece, were concerned that the timing of new charges while the price of oil is so high could damage them, while others were worried about limitations on what the revenues could be used for.

A potential obstacle could come following a demand from the Netherlands for congestion charging to be removed. The Dutch minister said it was unfair for lorries to be charged the costs of congestion when passenger cars were not.

T&E policy officer Nina Renshaw said: "This was puzzling, because not only are member states allowed to charge for car congestion, but the Dutch in fact plan to do so. If you take congestion out of the proposed legislation, you're left with air pollution and noise, the costs of which won't be a deterrent. In addition, it's bizarre and shocking that some member states still think it good policy to outlaw road charges that incorporate the costs of environmental and social damage. With ever increasing problems of air pollution and climate change, you'd think they would want to have all options open."

http://www.transportenvironment.org/News/2008/9/Ministers-cautious-about-road-user-charge-changes/

Switzerland has been charging for seven years

[AcidNews No.3, October 2008] Switzerland is the only European country where road user charges that internalize external costs of transport are applied. The scheme involves a per km charge for all heavy-duty vehicles on all Swiss roads. It was introduced in 2001 and the main results of this experience after seven years are the following:

- Increased efficiency in the road transport sector: between 2001 and 2005 the number of kilometres travelled by heavy goods traffic (kilometre performance) decreased by 6.4 percent, whereas the goods transported (transport performance) increased by 16.4 percent.
- Positive effects on environment: reduction of emissions of particles by 10 percent, nitrogen oxides 14 percent and carbon dioxide six percent.
- No negative effects on the labour market: the number of people employed in road transport remained stable.
- Negligible effect on consumer prices: according to Swiss government figures, the overall attributable price increase following the introduction of the scheme has been only 0.1 percent.
- Effects on competitiveness: Switzerland climbed the global competitiveness rankings to be ranked as the most competitive economy in the world in 2006-2007, according to the World Economic Forum.

http://www.airclim.org/acidnews/2008/AN3-08.php#top

Spain's road transport emissions fall in 2008

[ENDS Europe DAILY 2643, October 24th 2008] Carbon emissions from the Spanish road transport sector fell by 4.6 percent in the first quarter of the year compared to the same period in 2007, according to green group WWF. Emissions also fell in the second quarter. The decline is due to rising fuel prices, the group says.

Prices are now falling but WWF believes emissions will continue to decline as the economic crisis deepens. Road transport emissions have steadily risen in Spain between 1990 and 2006.

See WWF press release and reports for first and second quarters.

http://www.wwf.es/noticias/sala_de_prensa/index.cfm?uNewsID=6400 (in Spanish)

ACI Europe condems Belgian and Irish governments' decision to introduce air passenger taxes

[ACI Europe.org, October 16th 2008] Airports Council International (ACI), is the only worldwide professional association of airport operators. ACI EUROPE represents some 440 airports in 45 European countries. Member airports handle 90 percent of commercial air traffic in Europe, welcoming nearly 1.5 billion passengers each year.

In the present economic and financial climate, aviation is at a particularly uncertain crossroads in its history. Compounding the onslaught of challenges at this time – fluctuating oil prices, credit crunched passengers, falling demand – the Belgian and Irish governments have decided to resort to blunt taxation on all passengers flying from their airports in the hope of raising an unstudied calculation of EUR132million and EUR150-million respectively. No impact studies have been carried out and no consultation has taken place with aviation stakeholders. Olivier Jankovec, Director General ACI EUROPE said "This move by the Belgian and Irish governments should be seen for what it is: a significant contribution by aviation to the banking sector's parachute. This is a very short-sighted policy, with serious implications. These days, airports are essential dynamos for regional and national economies and anything that hurts their competitive position has immediate repercussions on the communities they serve."

He added: "At this very difficult time for our sector, these new departure taxes will impede the efforts of Belgian and Irish airports not only to attract more airlines and establish new routes, but also to retain existing traffic. This kind of action is the last thing we need, if we are serious about getting out of the present crisis."

http://www.aci-europe.org/upload/08_10_16_%20air%20passenger%20tax%20PRESS%20RELEASE.pdf

UK drops plan to introduce new air travel tax

[ENDS Europe DAILY 2665, November 25th 2008] The British government has abandoned a plan to replace the UK's air passenger duty with a new per-plane environmental tax, finance minister Alistair Darling said on Monday as he presented a draft budget to parliament.

Instead the government will reform the existing tax, introducing from November 2009 a four-band system based on distance travelled. It wants to avoid "the disruption and costs associated with the transition to a new tax.. at a time of economic uncertainty", according to the draft budget. Rates will increase significantly from 2010.

Mr Darling told MPs that environmental spending amounting to GBP535m (E636m) planned for the 2010-11 financial year will be brought forward and spent in the current and next financial years to stimulate low-carbon growth and green jobs. The money will be spent to help improve residential energy efficiency and build flood defences.

Road fuel tax will increase from 1 December, the minister said. The government had previously announced it would delay the increase due to rising oil prices but has reversed its decision after recent price falls. A planned increase in annual vehicle excise duty will be reduced to ease the impact of the economic downturn on drivers. The current seven-band emission-related tax structure will be increased to thirteen bands from next year.

UK finance ministry: http://www.hm-treasury.gov.uk/

To the pre-budget report: http://www.hm-treasury.gov.uk/prebud_pbr08_index.htm

Environmental chapter: http://www.hm-treasury.gov.uk/d/pbr08_chapter7_159.pdf.

Swedish MEP calls for climate change "alliance" with poorer countries

[Europarl.europa.eu, October 28th 2008] MEPs would like to see substantial revenues from the European Union's Emissions Trading Scheme allocated to the development of green technologies. This particular proposal is backed by the 64 year old Stockholm born Anders Wijkman who sits in the centre-right EPP-ED group in Strasbourg.
European Parliament: Mr Wijkman, in backing your report, fellow MEPs have called for a "Global Alliance on Climate Change" between the EU and developing countries. What can this achieve?
Mr. Wijkman: The main thing is that by this initiative we recognise that climate change will have effects all over the world but that it will affect development most adversely in the low income countries because of their location. They will have more extreme weather events, more droughts and floods, and great difficulties with agriculture and farming. In areas like Southern Bangladesh, people will have to move because sea levels are rising – making large areas uninhabitable. Water scarcity will be a problem, not just because of less rainfall but because of huge changes in the hydrological systems along the big mountains in the world.

European Parliament: What are the main obstacles?
Mr. Wijkman: The big problem is that there is too little funding foreseen by the European Commission, only 60 million euros, while the World Bank estimates that 11 to 40 billion dollars a year are required for risk reduction and adaptation (i.e. building higher dams and dealing with changes in agriculture caused by climate change). The UN Development Programme came up with the figure of 86 billion, nobody knows exactly, but we are talking big money. We have to mobilise new funding and the Parliament proposes to earmark 25 percent of auctioning revenues from the EU emissions permits. (This figure could be tens of billions euros a year).

European Parliament.: In the face of growing resistance to the climate change package within the EU due to the financial crisis, how credible is the Union's position in leading on climate change globally?
Mr. Wijkman: Leadership is threatened by some states. One of the countries that strongly question the package is Poland. They have a special situation. They are locked into a coal power economy and if we want them to sign onto this package we have to offer them something.

I think in the Baltic context we could do that. Sweden will have surplus electricity and could offer them carbon dioxide free electricity at a decent price in huge volumes. This would make them less dependant on coal and avoid them feeling like they rely on Russia.

President Nicolas Sarkozy (who addressed MEPs on October 21) made a good point when he said that nothing related to the financial crisis is an argument why we should not take climate change seriously. It has been well demonstrated that the more we delay action, the more costly it will be in the future and the consequences may be very grave. If we risk a recession, to invest in green technology would be an economic policy that makes sense because it would result in the kind of growth that is positive for climate and it would make our companies more competitive in the long term.

http://www.europarl.europa.eu/news/public/story_page/064-40655-301-10-44-911-20081027STO40638-2008-27-10-2008/default_en.htm

Carbon Capture and Storage (CCS) in Norway

[AcidNews No. 3, October 2008] Norway has taken a particularly close interest in the CCS approach, despite the fact that the country's oil reserves are dwindling. One likely explanation is that the main player in this field, the largely government-owned StatoilHydro, believes that CCS will have beneficial effects on future oil production in Norway.

Carbon dioxide that is captured from power plants may be used as a means of increasing the pressure in oil fields, and help extract more oil. This process is called Enhanced Oil Recovery, or EOR for short. More CCS plants built all over the world may speed up the learning process, and help bring down the unit cost. Reducing the costs of CCS technology may increase its use in EOR, and consequently help to prolong oil extraction in Norway. The economic benefits from this may be huge, in the order of hundreds of billions of euro.

Strong economic and political motives, combined with a partly positive and partly silent NGO community, has contributed strongly to the present powerful commitment towards the use of CCS in Norway.

The overall effect of this commitment has been a negative impact on efforts to reduce emissions of greenhouse gases in other sectors, especially the transport sector, where emissions are growing fastest.

Further information:

http://www.airclim.org/reports/documents/APC22.pdf

Recession "will strongly affect EU carbon trade"

[ENDS Europe Daily, November 3rd 2008] The global economic slowdown will have a significant effect on the European carbon market, nearly halving an expected shortfall of EU carbon allowances in 2008-12, carbon market analyst IDEAcarbon forecast last week. IDEAcarbon expects the shortfall of carbon allowances during the second trading phase of Europe's emission trading scheme (ETS) to be 115m per year. This is 44 percent less than what the analyst predicted last year.

The carbon market analyst believes EU industrial output will grow at just one percent in 2008 and shrink by 0.7 percent in 2009. EU carbon price could fall to E15 per tonne in the short term, it says. However, IDEAcarbon's Alessandro Vitelli told ENDS that "the actual costs of abatement in 2020 have not changed due to the recession…so our forecast for long-term carbon prices would not be significantly lower", mirroring long-term projections made by Point Carbon last week. The outlook for international carbon credits from Kyoto's flexible mechanism projects CDM and JI is "not completely clear", IDEAcarbon says. Despite downgrading its forecasts for EU allowances, the analyst still expects demand for Kyoto credits from European companies and member states.

http://www.endseuropedaily.com/articles/index.cfm

MEPs fight for their carbon capture funding plans

[ENDS Europe DAILY 2654, November 10th 2008] The two MEPs leading negotiations for the European parliament on legislative proposals to develop carbon capture and storage (CCS) and set stricter emission trading rules fear the European commission is about to propose inadequate options to fund CCS.

Chris Davies and Avril Doyle wrote to all parties involved in the negotiations last Friday saying the test of any commission plan to finance twelve CCS demonstration plants before 2015 must be "whether they can actually deliver the projects". The commission did not wish to comment on its work at this stage.

Earlier this autumn, the European parliament backed the idea of setting aside 500m carbon allowances from the EU emission trading scheme's new entrants reserve to help finance the construction of CCS demonstration projects.

Most European governments oppose although CCS rapporteur Chris Davies claims "strong support" from the British, French and Dutch governments and "tacit" support from Spain and the Czech Republic.

The European commission is expected to put forward alternative options in a non-paper next week "but there is widespread belief that they will be inadequate to the task", according to the British Liberal MEP.

Mr Davies expects the EU executive to propose setting aside a smaller proportion of allowances, to be topped up by national funds and private sector investments. The proposal would emanate from the commission's environment department, which is responsible for the draft CCS law.

MEPs would seek a public assurance from EU energy commissioner Andris Piebalgs that any funding proposal from the commission was satisfactory, says Mr Davies. Mr Piebalgs will oversee construction of the demonstration plants. Unlike the environment directorate his department supports the parliament's position on funding, ENDS understands.

http://www.europarl.europa.eu/comparl/envi/default_en.htm

Green MEPs criticise EU strategic energy review

[ENDS Europe Daily 2655, November 11th 2008] Actions proposed in the European commission's forthcoming second strategic energy review fall short of what is needed to accelerate transition towards low-carbon economies in Europe and make up for dwindling fossil fuel supplies, according to an analysis of draft elements of the review by Green MEPs.

The analysis was released ahead of the review's publication on Thursday. Authors criticise the commission for wanting "little more than a 15 percent reduction in oil use by 2020" and for underestimating future oil prices.

Predictions to be released by the International energy agency (IEA) on Wednesday are more accurate, they say. The agency's latest World energy outlook will predict that the global oil price in 2030 will be in the order of US$200 (€155) per barrel, according to the MEPs.

The strategic review fails to recognise energy efficiency as the most cost-effective way of reducing greenhouse gas emissions, the MEPs say. And it is not underlined as the main priority for energy security.

There are also no new proposals to give more weight to efficiency issues and to finance measures in this area, they add.

Only 12 percent reduction in energy demand is expected compared to business as usual, according to the study. Under this scenario, EU targets for emission reductions and renewables would be "almost impossible to meet", authors say.

The second strategic review will be accompanied by legislative proposals on the energy performance of buildings, energy labelling and tyre labelling. The commission is also expected to publish a policy paper on energy efficiency and on offshore wind power.

The Study:

http://www.endseuropedaily.com/docs/81111a.doc

http://www.greens-efa.org/index.htm

Commission makes energy 'top priority' of EU budget reform

[Euractiv.com, November 13th 2008] Energy policy should rank among the "top priorities of the EU budget," claimed Budget and Financial Programming Commissioner Dalia Grybauskaite at a conference on November the 12th on reform of the EU budget.

Money from the budget should be allocated to "research on energy efficiency, investments in new technologies and renewable energy sources," Commissioner Grybauskaite stated.

The suggestion follows a broad consultation that the Commission had with member states, social partners, political leaders and members of civil society over the reform of the EU budget.

However, given that a large proportion of the EU budget had already been set aside for agricultural subsidies, she did not expect the EU budget to be reformed in the near future. Indeed, she admitted: "Given the sensitivity over the common agricultural policy, we do not expect radical changes."

Nevertheless, given the support for making energy one of the top priorities, she said that this sends out a very serious signal to politicians "about new policies and new priorities that Europe is facing now and in the near future".

The conference on the EU budget reform follows a long public consultation between the Commission and a variety of public and private parties, which started on 13 September 2008.

As the current EU budget runs for the 2007-2013 period, it remains to be seen what the member states' verdict will be on the result of this conference.

http://www.euractiv.com/en/energy/commission-energy-top-priority-eu-budget-reform/article-177104

'Disappointment' as auditors reject EU accounts

[Euractiv.com, November 13th 2008] The majority of payments made by the EU in 2007 were regular, according to a report published on 10 November. But some members of the European Parliament have expressed 'acute disappointment' after auditors failed to sign off the EU accounts for the fourteenth consecutive year, identifying errors in two to five percent of payments made to the bloc's member states.

The European Court of Auditors report for 2007, published on 10 November, asserts that "errors are still too frequent in some areas".

Indeed, the report's opinion on EU payments "remains broadly similar to last year," when auditors also failed to approve the figures for 2006.

Nevertheless, the 2007 report finds that for most budget areas, including research grants and humanitarian aid, "between 95 percent and 98 percent of payments are error-free".

As in previous years, the report shows that the highest rates of error lie in regional and cohesion policy spending, which is managed by national authorities. Errors here account for 42bn euro, with the court estimating that "at least 11 percent of the value of reimbursed costs should not have been paid out".

Administration and Anti-Fraud Commissioner Siim Kallas responded by saying that the EU executive would redouble its efforts to recover funding money where necessary. Indeed, this year the Commission had imposed financial corrections on member states to the tune of 843m euro, he announced. He expects another 1.5bn euro to be recovered by March 2009.

"The Commission shall not hesitate to take a tough stance and suspend payments until all member states implement adequate corrective measures. And where errors have a financial impact, we shall recover the money," Kallas said.

Meanwhile, parliamentarians said they were concerned by the report's findings. "It is disappointing to note that the Court of Auditors is still not able to validate the execution of payments, in particular concerning structural funds," said Dutch liberal MEP Jan Mulder, Alliance of Liberals and Democrats for Europe (ALDE) coordinator in Parliament's budgetary control committee.

"The national declarations that are presented by member states on the Community funds they manage are not good enough," Mulder lamented, welcoming an announcement by the Commission that it would seek an inter-institutional agreement on "the concept of tolerable risk of error" for EU-funded programmes.

The Court of Auditors report provides a basis for the 2007 budgetary discharge procedure between the European Parliament and the Council. MEPs are set to vote on the discharge in April 2009.

Positions:

"The European Commission welcomes the auditors' constructive analysis and will continue efforts to improve its financial management to address the weaknesses identified," said **the EU executive's Vice President Siim Kallas**, responsible for administration and anti-fraud. "I do hope the report will also mobilise member states to do their job better so that errors on the ground are prevented and corrected," he added.

"As in previous years, we give a number of recommendations on how the management of EU funds can be improved within the current set-up," said **Vítor Caldeira**, president of the **European Court of Auditors**.

"However, under the current review of the budget, the Court has also stressed the need to think radically about the design of expenditure programmes. This can be about simplification but also considering critically the appropriate level of national, regional and local discretion in managing programmes," Caldeira continued.

"We feel acute disappointment that for the fourteenth consecutive year, a positive declaration could not be given, despite thorough reforms of the accounting and finance system over the last few years," said Dutch liberal **MEP Jan Mulder**, Alliance of Liberals and Democrats for Europe **(ALDE)** coordinator in Parliament's budgetary control committee.

French centre-right **MEP Jean-Pierre Audy (EPP-ED)**, Parliament's rapporteur on the 2007 discharge procedure, described the report as "a good working basis for the process of discharge undertaken for the 2007 fiscal year". "This process should allow the budgetary control committee, on the basis of the rapporteur's report, to issue recommendations to Parliament for its vote on the discharge of the 2007 financial year," he continued.

Calling for closer cooperation between Parliament and Council in preparing the budgetary discharge, Audy welcomed the report's positive statements on the consolidated accounts for 2007, but expressed concern over "the persistence of a negative statement of assurance on many sections of the budget".

German centre-right **MEP Ingeborg Grässle, EPP-ED** Group coordinator in the budgetary control committee, declared: "It is not without a certain frustration that we come to this result for the fourteenth consecutive year. The Barroso Commission has made the increase of financial controls its battle cry, without recording the progress we had the right to expect. 2007 is the last year for which the Barroso Commission bears responsibility for the discharge of the budget."

"While the Commission's improved book keeping is a step in the right direction, the most fundamental flaws remain: the EU's budget is misspent, badly targeted and wide open to fraud. There has hardly been any improvement in terms of the actual amount of taxpayers' money that is being wasted on fraud," said **Mats Persson**, research director at **Open Europe**, a think tank.

"Equally importantly, a large amount of EU funding that is technically legal is being squandered on projects that just don't make sense. This will continue to be the case as long as the EU focuses its spending on vast and complex schemes such as the Common Agricultural Policy and structural funds. The budget is designed to accommodate yesterday's political agreement, not the rapidly evolving challenges of the modern world. These problems show how the EU budget and the EU as a whole are in need of fundamental reform," Persson continued.

Next steps:

- End 2008: Deadline by which member states must publish information on structural fund and rural development grant allocations online.
- By March 2009: Commission expected to have recovered 1.5bn euro of misspent funds.
- April 2009: Parliament to vote on 2007 financial discharge.
- End 2009: Deadline by which member states must publish information on farm subsidy allocations online

http://www.euractiv.com/en/

Poland proposes “price band” for CO_2

[Euractiv. com, November 7th 2008] Poland, backed by a number of Eastern European member states, has proposed setting upper and lower limits for CO_2 permits within the EU’s Emissions Trading Scheme (EU ETS).

The proposal was presented to the economic and finance ministers’ meeting on Tuesday (4 October). “It is really a very simple mechanism,” Polish government sources told EurActiv, revealing that a full plan will be discussed in the next meeting of EU economy and finance ministers (Ecofin Council) once the details, presently unclear, have been negotiated at committee level.

Polish Prime Minister Donald Tusk declared that the initiative was supported by the Visegrad and Baltic states, all of which entered the EU in 2004. They gathered in Warsaw on 5 November to discuss opportunities to intensify cooperation on the EU's climate plan, Reuters reported.

According to Reuters, a Polish document circulated to finance ministers called for “some kind of safety mechanism” against “the high probability of significant CO_2 price volatility post-2013”. A price floor would allow renewable energy companies to continue investing, safe in the knowledge knowing that carbon prices would not collapse. Moreover, a cap would prevent the cost of carbon from rising so high as to render national energy-intensive industries uncompetitive, it was claimed.

Many new member states have expressed concern about the effect that the EU's ambitious climate plans may have on the competitiveness of their industries, which are often much more coal-intensive than those of the EU 15. “We want an energy and climate package that will not hit out at our economies,” said Prime Minister Tusk.

Government advisor confirms

Poland is not against the EU’s climate package goal of reducing greenhouse gases by 20 percent by 2020, but objects to the European Commission’s impact assessment, which does not properly account for the devastating consequences to the industries of less affluent countries, said Professor Zmijewski, advisor to the Polish government on ETS matters, who was speaking to the media on 5 November in Brussels.

Representing a grouping of the largest Polish energy companies, Zmijewski called on the EU to deliver on its principle of sharing the costs of common solutions according to the financial capacity of individual member states.

The market for emissions permits is “not a real market,” he said. It is “110 percent liberal” and therefore open to speculation, which calls for the introduction of an “emergency mechanism”.

In addition to the price floor and ceiling, the Polish energy companies support their government's position that energy-efficiency benchmarking can deliver the same results as full auctioning foreseen by the Commission after 2013, but with only a quarter of the costs.

“When Poland accepted the goals of the EU climate and energy package, our economy was growing. Since then, circumstances have changed,” and the ETS must be adapted accordingly in the review currently being undertaken by the EU for the period after 2013, Zmijewski argued. If no changes are made, “the energy-intensive industry of Poland will collapse,” he claimed.

The government advisor argued that the Polish calculations showed that the ETS would raise costs for Polish industries by 65 percent, well above the EU average. He decribed the Commission's estimate that only about 15 percent of the rise in electricity prices would be caused by the impact of the ETS as “completely abstract”.

“We are not average,” Zmijewski said. “We are blue-collars and you are white-collars.” According to him, the reasons for Poland’s energy efficiency lie in structural reasons, not technical ones, which are more difficult to change. Furthermore, he stressed that Poland was not alone and that the problem was shared by other East European countries heavily dependent on coal.

According to Zmijewski, Poland will be on the losing side as his estimates show that there will be a deficit of €2.7 billion resulting from the discrepancy between the auctioning revenue accruing to the government and the number of allowances the industry will have to buy. He suggested that this sum could end up in the pockets of such countries as Sweden and France, which produce their energy via much cleaner technologies.

http://www.euractiv.com/en/climate-change/poland-proposes-price-band-co2/article-176999

4. GREEN BUDGET REFORM WORLDWIDE

Reporting from Singapore Global Conference on Environmental Taxation:

The Lion awakes: The 9th GCET is again younger, more female, more global and more third world

Emerging and developing countries need practical help more than academic papers

By Dr. Anselm Görres, Green Budget Germany

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- Theoretical research giving way to more empirical and implementation-oriented studies
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- A conference not to be missed – so come to Portugal!

Dr. Anselm Görres, born 1952, economist and former McKinsey Consultant, is owner and manager of www.zmm.de in Munich, Germany (interim management). He is co-founder and President of FÖS/GBG. He has written books and many articles about Market-Based Instruments.

From someone participating at eight of the nine GCETs since the first one (2000 in Cleveland), some personal observations about the trends in topics, participants and attitude seem appropriate. Eight years ago in Cleveland, some 70 people, mainly from the US and Europe, talked about ecotax reform like something very far away, at least for the majority of non-EU delegates. In my memory, most of them were men over forty-five.

In "Lion City" Singapore, with a much younger and more female audience, there were fascinating debates, among others about the relative virtues of ecotaxes versus emission trading (mainly with a focus on the new US options), a reform of transport taxation and notably, many contributions regarding Green Budget Reform in megacities and in the Third World. Positively overshadowed by Obama's victory two days before the conference, the mood was more action-oriented than in most of the former GCETs. Like the entire island state of Singapore, the conference was perfectly organized in a harmonious blend of Confucian efficiency and Asian hospitality. GBG's participation in the GCET was sponsored by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). The paper describes some of the major highlights and trends.

Megacities and the concerns of emerging or developing countries

The official conference focus – *Challenges of the Urban Development* – was, with few exceptions, a focus on urban development in the Third World.[1] Here and throughout the conference, it become obvious that the debating needs of delegates from countries as diverse as Australia, Argentina, Brazil, China, India, Indonesia, Japan, Kenya, Korea, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, or Uganda were quite different from the sometimes more academic research interests of par-ticipants from Europe and the US. These different needs had already been recognized by the 2008 GCET in Munich, where – like in a "shop in shop" concept – special workshops for developing countries had been organized within the conference.[2] As was proposed in the final remarks by **Hafiz Choudhury**, perhaps at the **next GCET**, to be held in **September 23-25, 2009 in Lisbon**, new formats should be found to meet the special needs of developing and emerging economies.[3] Picking up on this proposal, **Green Budget Europe will propose a back-to-back conference**

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1 The full conference subtitle was: *Environmental taxation and challenges of the urban environment: Exchange of experiences between developed and developing countries.* There were, notably, interesting studies on megacities in the First World, for instance by Giorgio Panella on Traffic Management in six Italian cities or by Ana Yábar on several Spanish cities. But a fellow Italian Professor, Alberto Majocchi, dealt with megacities in West Africa.

2 This part of the 8th GCET was the beginning of a very fertile cooperation between Green Budget Germany and German Technical Cooperation (GTZ). More info: www.worldecotax.org/downloads/info/documentation_gtz-Workshop.pdf.

3 Mr. Hafiz Choudhury is Principal of the Washington-based consultancy M Group and advisor of the of the International Tax and Investment Center (ITIC) in Washington, D.C.

dedicated to such coun-tries on a day preceding or following the 10th GCET.

Theoretical research giving way to more empirical and implementation-oriented studies

There are very few aspects of Green Budget Reform that have not been analyzed from all possible theoretical angels over the last decades. Ours is not a lack of theoretical papers but a deficit in transmitting the theoretical knowledge to practical situations and solutions. This usually involves a thourough understanding of economic, legal and other institutional frameworks and the necessary research to get there.

The more we are talking not of small microeconomic steps like parking fees or taxes on plastic bags, but of truly macroeconomic fiscal reforms that generate substantial revenues, the more we have to get involved in the nasty details of other economic and policy spheres like social security, poverty, housing, or the labour market. This makes practical work with market based instruments in many ways more fascinating than pure regulatory measures, but also much harder to analyze, let alone implement.

If we want to overcome the rule of NATO – *no action, talk only* – we'll have to get involved in better understanding the policy cycle and the formation of social alliances.[4] Like already the last GCET, the conference itself was a good example of a very fertile cooperation between lawyers, economists, environmental practicioners, politicians, NGOs, and business people.

Business participants with positive contributions and attitudes

In Germany, it has always been difficult to get the business community actively and positively involved in the debate of market based instruments. The topic has become negatively stigmatized as a rather controversial, "red-green" project (social democrats and greens). Under Germany's present "black-red" coalition (Christian conservatives and social democrats), it has not played an important role. At the 8th GCET in Munich, one of our most difficult tasks was to find a least a few business representatives that could be expected to speak favourably of MBI-policies.

In Singapore, like in many former GCET, it was encouraging to see how open-minded business rep-resentatives and people from well-known accounting and tax consultancies embraced the subject. The ITIC has been mentioned, its statements sounded far from the usual lobby talk so often to be heard in the US Capital. In a paper by two PriceWaterhouseCoopers consultants, Singapore's ambi-tious environmental policy was presented as an innovative and successful strategy to attract sustain-able investments. The Singapore Association of Chartered Certified Accountants (ACCA) was a main sponsor of the conference.

Interesting and maturing debates on micro, meso and macro level issues

In the early years of the GCET, it was quite obvious that many participants had a rather microeconomic view of environmental economics, often applying models and analyses mainly to local or re-gional problems. Examples like plastic bag taxes or parking fees have already been mentioned, ap-plying emission trading to specific problems like sulphur dioxide emissions in China was another one (but in China, probably every eco-problem is a macro problem due to the sheer size of the country). By the way, two very interesting case studies on Chinese experiences with ETS (emission trading systems) came from **LI Zhiping** and **CHAI Chunyan**.

In no way do I want to criticize studies of regional, local or sectoral problems. But MBIs are probably most necessary and powerful when applied to macro problems. And unfortunately, reducing en-vironmental problems to mere microeconomic disorders has a long tradition in economic thinking.[5]

Clearly, this exclusion of macro topics has become outdated since even in the US and many other countries the ignoring of threats like that for the climate is now no longer accepted. **As a result, the conference was characterized by a very satisfactory mix of problems on all levels: micro, meso or macro**.

With the **Obama** victory, the issue of taxes versus trading hast become one of the hottest debates on the macro level. Excellent papers presented by

4 A very stimulating example of such work was Sven Rudolph's paper about the lessons from Germany, showing a lot of insights enhanced and insider information.

5 Read my criticism of Coase and the infamous Coase Theorem under http://www.foes.de/en/downloads/articles/CoaseCurse09+SBs.pdf

Janet Milne and **Roberta Mann** argued pro taxes – taking into account also the somewhat neglected aspects of administrative costs.[6] Most papers re-confirmed our impression that in the US, the ma-jority at least of the scientists clearly favours a car-bon tax. At the moment, it is not quite so clear whether the business community will not prefer emission rights – as long as they're not auctioned. And present political moves in Brussels and European Capitals show how extremely difficult it is to move away from give-away certificates. No one likes to give up a free lunch so generously provided to them by a gentle government…

Our point of view at Green Budget Germany and Europe is here quite simple. We take as much as we get from either instrument. Con-structive controversy as provided by Milne and Mann is very neces-sary. But we should be glad about every instrument we get established. **The scope of the combined environmental problems is such that we will need all the instruments the political systems allows for**. And for each coun-try, it seems also very good to have experience with more than one type of in-struments, as Sin-gapore shows. A little criticism to the papers or to the organizers may be justified: With over three years of practical knowhow about emission trad-ing in Europe, it is hard to under-stand why the papers did not tap these experiences or why no expert from Europe was asked to provide an in-sider view from East of the Atlantic, if only to point out some positive aspects of the European ETS (emission trading system).

Road pricing and the Singapore experience

A number of papers touched the issue of intelli-gent traffic regulation. **Prof. LYE Ling Hen**, also one of the two main organizers, presented the im-pressive arsenal the small island state has built up over the year to keep traffic growth in check. Without going into detail, the main lesson is a full contradiction of traditional economic thinking that one instrument per target is enough (often referred to as Tinbergen-theorem). Nice as this may look in textbooks, in practical life you can discover that a) traffic control involves quite a number of tar-gets, not only to curb environmentally harmful emissions, but also to limit congestion, manage scarce parking areas, control noise etc. and that b) it helps to distribute the controlling tasks to be solved and the resulting anger and resistance of citizens over a number of instruments. If there was only one instrument, all citizens would unite to fight against it.

Coming to Singapore via Delhi, as I had done, I was impressed of the enormous contrast. In Delhi, it was equally hard to find street signs in most streets as it was to detect signs of traffic manage-ment, apart from the building sites for new sub-way lines. The roads seem to be congested 7/24/365. I cancelled my sightseeing tour because I feared to spend hours in traffic jams.

Singapore has really made it a pleasure to use the roads. Perfectly readable large street signs can be found at each corner, and the roads are seldom congested. Electronic road pricing seems to run as smoothly as the truck toll in Germany. **Jean-Francois Lefebvre** showed how voters in Quebec could be convinced to accept progressive road pricing solutions if presented with the right ques-tions and other forms of good promotion.

Stephen Potter from the UK struck another note, but with similar arguments and implications. Within the European tradition, the instrument of choice to make cars and trucks pay for the infra-structure were fuel taxes. They do correlate nicely with many negative factors like weight, speed or noise of vehicles. However, they are less suited when it comes to congestion which depends very much on who is going where, and when. They could also loose their steering power when more and more cars rely on other sources of energy, for instance batteries. **As a consequence, the entire system of levies and taxes relating to traffic needs overhauling and should be based to a much higher degree on electronic road pricing, like Singapore has it successfully implemented and Britain is presently testing it.**

A very interesting paper from the US pointed out "*a schizophrenia, as some tax provisions appear to help environmentally friendly behaviour, while others seem to encourage activities or choices that tend to be environmentally unfriendly*"[7]. From our work in Germany we can only com-mend the authors for describing contradicting in-

6 Another interesting paper, this time on the Australian pro-posals, was presented by Celeste Black.

7 *An Examination of the Environmental Impact of Key US Transportation Related Tax Provisions*, by Bruce W. McClain, Paul J. Lee and Rahmat Tavallali.

centives which can be found in many countries, not only the US.

A conference not to be missed – so come to Portugal!

It is unfortunate that we cannot report in more details about the many other great contributions one could hear and (in some cases, even) debate at the conference. The program was great, but debating time was rather scarce. To mention just a few further highlights, **Josè Marcos Domingues**' paper about biofuels in Brazil showed a positive view, perhaps a good corrective for the sometimes stern criticism of alternative fuels often to be heard in Europe. **Mona Hymel** from Arizona was one of a few persons who touched the subject of nuclear energy, with a paper critical of tax credits. **Lalin Kovudhikulrungsri** and **Krittika Lertsawat**, both from Thailand, proposed charges to fight aircraft noise. **Ronald Kaggwa** from Uganda showed the difficulty of making even small progress in an African country.

Prof. Nicholas Robertson from Pace University School of Law open the conference with a scathing critique of the moral and business failures of Wall Street. One day after the conferences, The Straits Times came out with a fitting cartoon, showing a business man at a crossroad where he had to choose between Capitalism (pure) and Neo-Confucian Capitalism.[8] Environmental taxation and other market based instruments are certainly important stepstones on that new road the world will have to follow.

At any rate: The 9th GCET was, like all the preceding events, a great place to exchange research, to enjoy the variety of people and countries, each with their different approach to problems (and to the English language), to network with different communities, and to learn form each other. If international cooperation was always as easy and satisfying as it uses to be in the context of the GCETs, the climate problem would already be solved. So please don't miss the next conference: *Auf Wiedersehen in Lissabon!*
Further information to the 10th GCET:

http://www.worldecotax.org/home.html

8 Lydia Lim, Senior political correspondent: Capitalism needs a new culture – Individualism must be replaced by personal and social responsability. The Straits Times, November 8, 2008.

Seminar: Capacity development for Environmental Fiscal Reform

Together with GTZ, Green Budget Germany (GBG) offers a EFR Training Seminar for Policy Makers, Administration Officials, and NGO Representatives. The seminar employs innovative methods and uses all opportunities available for interactive group work.

The main issue of the seminar will be to develop an understanding of the EFR concepts and definitions, as well as to adopt the gained knowledge in the most effective way in developing countries. Further information Green Budget Reform on EU-Level.

http://www.foes.de/de/downloads/Flyer/GTZ%20EFR-Training_%20Description%20(3).pdf

Cutting fossil fuel subsidies can cut greenhouse gas emissions: UN-environment report

[UNEP.org, August 26th 2008] The report challenges the widely held view that such subsidies assist the poor arguing that many of these price support systems benefit the wealthier sections of society rather than those on low incomes.

They are also diverting national funds from more creative forms of pro-poor polices and initiatives that are likely to have a far greater impact on the lives and livelihoods of the worse-off sectors of society. Globally around $300 billion or 0.7 percent of global GDP is being spent on energy subsidies annually.

The lion's share is being used to artificially lower or reduce the real price of fuels like oil, coal and gas or electricity generated from such fossil fuels. Cancelling these subsidies might reduce greenhouse gas emissions by as much as six percent a year while contributing 0.1 percent to global GDP. The report acknowledges that some subsidies or mechanisms, whether in the form of tax breaks, financial incentives or other market instruments can generate social, economic and environmental benefits.

A case in point are feed-in tariffs that have kick-started a renewable energy revolution in countries such as Germany and Spain. The report also accepts that there may be cases where some subsidies can, if well-devised and time-limited meet important social and environmental goals.

For example ones to encourage a switch from dirty, health-hazardous or environmentally harmful fuels such a charcoal. The report also cites the case of Chile where well devised subsidies have increased rural electrification from around 50 percent to over 90 percent of the population over 12 years. But the report argues that many seemingly well intentioned subsidies rarely make economic sense and rarely address poverty. The report therefore challenges the widely-held myth that scrapping fossil fuel supports would hit the poor.

The report cites the example of Liquid Petroleum Gas subsidies in India where $1.7 billion was spent in the first half of the current financial year on trying to get the fuel into poor households. "LPG subsidies are mainly benefiting higher-income households…despite the ineffectiveness of the subsidy the programme is being extended until 2010,"says the study. Indeed the report concludes that in many developing countries the real beneficiaries of such subsidies are neither the poor nor the environment but well off households; equipment manufacturers and the producers of the fuels.

Achim Steiner, UN Under-Secretary General and UNEP Executive Director, said: "In the final analysis many fossil fuel subsidies are introduced for political reasons but are simply propping up and perpetuating inefficiencies in the global economy – they are thus part of the market failure that is climate change."

"There are now less than 500 days before the crucial climate change convention meeting in Copenhagen in late 2009. Governments should urgently review their energy subsidies and begin phasing out the harmful ones that contribute to the wasteful use of finite resources and delay the introduction of renewables or more efficient forms of generation while creating disincentives and barriers to public transport up to energy saving appliances," he added.

The new UNEP report – Reforming Energy Subsidies: Opportunities to Contribute to the Climate Change Agenda-was released August 8th 2008 at a meeting in Accra, Ghana of the UN Framework Convention on Climate Change (UNFCCC). Here governments have gathered to continue negotiations under the Bali Road Map towards a conclusive and far reaching new climate deal by Copenhagen 2009.

CDM Takes Off in Sub Sahara Africa

On August 26th UNEP also presented new findings on the penetration of the Clean Development Mechanism (CDM) in sub Saharan Africa. The CDM, part of the Convention's Kyoto Protocol agreed in 1997, allows developed nations to offset some of their greenhouse gas emissions by funding cleaner energy projects in developing countries that generate carbon credits known as certified emission reductions.

These can range from wind and biomass energy projects to ones that tap methane from rubbish tips and schemes that encourage the use of less polluting fuels or power plants. There has been concern that the benefits of the CDM, a contrasting example of a policy tool aimed at wider social, economic and environmental benefits when compared with fossil fuel subsidies have been by-passing countries in Africa.

The main countries benefiting to date have been the rapidly developing economies such as China, Brazil, and India. The new figures, compiled by UNEP Risoe Centre in Denmark, indicate that this is changing with the first CDM projects emerging over the past 18 months in six countries – the Democratic Republic of the Congo (DRC); Madagascar, Mauritius, Mozambique, Mali and Senegal.

These include an oil well, gas flare reduction project in the DRC and a run-of river hydroelectric project in Madagascar. In Kenya new projects include a 35MW extension of geothermal, hot rocks, generation and a sugar cane waste-into-energy project with Mumias Sugar Company.

Mr Steiner added: "Whereas fossil fuel subsidies are an example of a blunt policy instrument, perpetuating old and inefficient economic models, the CDM is an example of a more intelligent, market-based mechanism that is fostering the transition to a modern Green Economy".

He said the uptake in Africa was due, in part to the impact of the UN's Nairobi Framework initiative launched in 2006. Here UNEP, along with partners including the UN Development Programme (UNDP) have been working to build the human and regulatory capacity of poorer countries to access carbon financing.

Other measures have included awareness-raising among banks and industry players on the Continent to new green finance opportunities. UNEP

Risoe has been monitoring global trends in CDM investment and the impacts of these activities for some time. This still remains low compared to a global tally of close to 3.500 CDM projects, but does mark a departure from the very low levels of the past.

"As new policy drivers and planned capacity development activities bear fruit, the market will likely exhibit exponential growth like other regions," says Glenn Hodes, CDM Program Manager at UNEP Risoe. "Indeed, assuming governments agree on a deep and decisive new climate agreement in 2009, Africa overall could see roughly 230 projects by 2012, according to Hodes and Appelquist's calculations." These could cumulatively generate over 65 million certified emission reductions, worth close to one billion US dollars at a conservative carbon credit price of $15. "Compared to CDM prodigies like India, Africa is poised to be the late bloomer," says Hodes.

Reforming Energy Subsidies

Opportunities to Contribute to the Climate Change Agenda was commissioned by UNEP's Division of Technology, Industry and Economics. The principal author is Trevor Morgan of Menecon Consulting and now with the International Energy Agency.

It says that Russia has the largest subsidies in dollar terms amounting to around $40 billion a year and mainly spent on making natural gas cheaper.

Iran comes second with around $37 billion: Six countries, spending in excess of $10 billion on subsidies come next. These are China, Saudi Arabia, India, Indonesia, Ukraine and Egypt.

To the report: www.unep.org

http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=543&ArticleID=5902

"It seemed a little suspicious that we could get money for doing nothing" – CCX sells rip-offsets

[Joseph Romm, Gristmill.grist.org, October 21th 2008] Richard Sandor and his Chicago Climate Exchange (CCX) may be doing more to destroy the credibility of the carbon trading market than anyone in the world, as the Wall Street Journal makes painfully clear.

What CCX is doing – and how Sandor justified it to the WSJ – is almost beyond belief. Let's start with the rip-offsets.

Buried in a recent Post article was the amazing fact that CCX was selling offsets from a landfill that was flaring methane – and that was going to keep doing so whether they got money from CCX or not. Even if you think rip-offset money should go for methane flaring projects, paying people to do things that they were going to do anyway means that your money is not offsetting any emissions at all. In rip-offset jargon, the project fails the additionality test – for a good discussion of this important concept see this piece.

Should anyone pay CCX for making the sun rise in the morning? I suppose that if someone wants to flush their money down the toilet, that is their business. But if CCX is becoming the dominant player in the U.S. carbon market by selling rip-offsets and is working to become part of the foundation of a serious national carbon trading system, then it is everyone's business.

After all, the story reports Sandor says the United States will adopt rules similar to CCX's and that "companies that buy credits on the Chicago exchange in October 21st stand a good chance of being able to use them to comply with any future federal emissions rules." Let's hope that is just a huckster's hype, since all major climate bills currently being considered rely heavily on rip-offsets – and John McCain would allow unlimited rip-offsets at the start of his climate plan.

The WSJ made clear on October 21st that the landfill story above was not an anecdote but a core CCX strategy:

For more than a decade, the landfill in Cape May, NJ has made extra profit simply by collecting methane given off by rotting trash, and selling it as fuel. Last year, the landfill learned that doing this also qualified it to earn hundreds of thousands of dollars via a new program that pays companies to cut their greenhouse-gas emissions.

"It seemed a little suspicious that we could get money for doing nothing," says Charles Norkis, executive director of the Cape May County Municipal Utilities Authority.
Over the past two years, landfills from Pennsylvania to North Dakota have started selling extra credits on the Chicago exchange to profit from methane they were capturing anyway.

Selling credits is “gravy to us,” says Katherine Vesey, comptroller of the utility authority in Atlantic County, N.J., which was profitably capturing methane for two years before it started selling credits on the Chicago exchange.

The only thing more amazing than these utilities getting something for nothing is the justification that Sandor gives for doing this:

Mr. Sandor says the exchange’s main goal is to help develop a commodity that has financial value under any possible future U.S. law that to regulates greenhouse-gas emissions. The debate over whether or not a polluter would have cut its greenhouse-gas emissions without the financial incentive of credit sales is “quite interesting, but that’s not my business,” Mr. Sandor says. “I’m running a for-profit company.” Un-friggin’-believable. How can you possibly develop a commodity that has financial value by selling a commodity that should have no financial value?
"That’s not my business. I’m running a for-profit company.”
That’s the best justification he could come up with – the same defense as the climate-destroying capitalists he seeks to replace? That could easily be humanity’s epitaph. The first thing that popped into my head when I read that line was the final paragraph in Orwell’s Animal Farm:
Twelve voices were shouting in anger, and they were all alike. No question, now, what had happened to the faces of the pigs. The creatures outside looked from pig to man, and from man to pig, and from pig to man again; but already it was impossible to say which was which.

Yes, I am aware that the “Outside credits from landfills represent only about 1 percent of the total emission cuts reported by the Chicago exchange.” But the Post earlier this year explained at length just how dubious are other offsets from the Chicago Climate Exchange are.

If CCX has such a callous disregard for the core principle of additionality, the core principle that you don't pay people to do what they were already doing, then every single one of the offsets they sell to the public is called into question.

The bottom line again: The vast majority of offsets are, at some level, just rip-offsets. Spend your money elsewhere.

http://gristmill.grist.org/story/2008/10/20/105949/48?source=daily

Coal burning hole in Chinese economy

[Panda.org, October 29th 2008] China’s coal bill in 2007 reached a total external cost of 1.7 trillion Yuan ($250bn), equivalent to 7.1 percent of China’s gross domestic product the same year.

These are the findings of a new report commissioned by Greenpeace, the Energy Foundation and WWF-China. The three organizations have urged the Chinese Government to set up a fairer pricing system for coal.

The report, The True Cost of Coal, outlines the external costs to China of using coal by including the costs of air and water pollution, ecosystem degradation, damage to infrastructure, human injuries and loss of life, and takes into account the distortion of government regulations.

Chen Dongmei, Director of Climate Change and Energy Programme WWF China, said: “Any reform of the coal pricing system will not only influence the cost of natural resources and environment but how we provide services needed for an increasing population and growing economy within limited natural resources.”

With each tonne of coal consumed in 2007 alone, China paid an extra RMB150 for environmental damage, the report shows. This figure does not factor in the costs of the impacts of climate change resulting from coal combustion, which would make China’s coal bill significantly higher.

“Environmental and social damages are underestimated while using coal in China, as a result of market failures and weakness in government regulations,” said economist Mao Yushi, lead author of the report.

“In order to address these problems, China needs to count these external costs and make the coal price reflect its true costs.”

Chief Representative of the Energy Foundation Dr. Yang Fuqiang said: “It makes economic sense for the government to adjust the coal pricing system to reflect its true costs.”

The report points out that, despite a 23 percent coal price rise caused by the internalization measures, the plan would have little impact on China’s economic growth. On the other hand, it would increase China’s long-term international competitiveness.

"Recognizing the true cost of coal would create incentives to developing cleaner, sustainable energy sources," said Yang Ailun, Climate and Energy Campaign Manager of Greenpeace China.

The True Cost of Coal report was written by experts from the Unirule Institute of Economics, the Energy Research Institute of the National Development and Reform Commission, Renmin University of China, the Academy of Social Sciences of Shanxi, the School of Public Health at Peking University and the National Centre for Disease Control and Prevention.

To the report:

http://assets.panda.org/downloads/tcoc_final_en.pdf

http://www.panda.org/news_facts/newsroom/news/index.cfm?uNewsID=149002

It's time for a floor under gasoline prices

[Rosenblum, Carbontax.org, November 1st 2008] Just a couple of months ago, the newspapers were full of stories about people who had cut back on their driving because of high gasoline prices. Ever so briefly it looked like Americans were going to make lasting changes in their driving habits and car-buying choices. People didn't like high gas prices, but it looked like good news for climate change.

Suddenly the economy collapsed, pump prices plummeted and this week the New York Times reported that As Gas Prices Go Down, Driving Goes Up. Will people start buying Hummers again? Not now, since consumer demand is down across the board. Will gas consumption return to earlier levels? Probably not soon, since gas usage is affected by income as well as price. Since the economic news just keeps getting worse with job losses announced every day, the income effect is likely to hold down gas consumption until we muddle through the recession.

What happens when the economy improves? Will people decide that high gas prices this past summer were just an aberration? Will they return to thinking that gas prices go up and then inevitably go down, so why invest money in more efficient vehicles and change their driving habits?

Should we defer putting a price on carbon until the economy improves? Not surprisingly, given where you're reading this, the answer is absolutely not! Now is the time to take action so that consumption doesn't spiral upwards when the economy eventually improves. Now is the time to, at a minimum, put a floor under the price of gasoline and other fossil fuels by beginning to phase in a carbon tax. Now is the time to make sure that an increasingly large portion of the price of gas is collected as carbon taxes to be returned to the American economy, instead of going to oil companies and oil producing countries.

Next week the country will finally be able to turn its attention from the election to governing. Let's hope the new Administration and Congress take prompt action to address climate change by beginning to phase in a price on carbon as soon as possible.

http://www.carbontax.org/

"Global green new deal": Environmentally-focused investment historic opportunity

[Nick Nuttall, UNEP.org, October 22th 2008] The call was made on the 22th of October by the United Nations Environment Programme (UNEP) and leading economists as they launched the Green Economy Initiative aimed at seizing an historic opportunity to bring about tomorrow's economy today.

Achim Steiner, UN Under-Secretary General and UNEP Executive Director, said: "The financial, fuel and food crises of 2008 are in part a result of speculation and a failure of governments to intelligently manage and focus markets".

"But they are also part of a wider market failure triggering ever deeper and disturbing losses of natural capital and nature-based assets coupled with an over-reliance of finite, often subsidized fossil fuels," he said.

"The flip side of the coin is the enormous economic, social and environmental benefits likely to arise from combating climate change and re-investing in natural infrastructure - benefits ranging from new green jobs in clean tech and clean energy businesses up to ones in sustainable agriculture and conservation-based enterprises," he added.

Mr Steiner said there was a crucial and urgent need to bring creative, forward-looking and 'transformational thinking' into next month's Financing for Development Review Conference – taking place in Doha,Qatar.

Other critical dates rapidly coming up in the international calendar include a proposed financial crisis summit of the G8+5, called for by French President Nicolas Sarkozy and the next round of UN climate convention negotiations in Poznan, Poland in December.

“Transformative ideas need to be discussed and transformative decisions taken. The alternative is more boom and bust cycles; a climate-stressed world and a collapse of fish stocks and fertile soils up to forest ecosystems – vast, natural ‘utilities’ that for a fraction of the cost of machines store water and carbon, stabilize soils; sustain indigenous and rural livelihoods and harbor genetic resources to the value of trillions of dollars a year,” said Mr Steiner.

Hilary Benn, Secretary of State for the Department for Environment, Food and Rural Affairs, who held the launch, said, “The green technological revolution needs to gather pace, as more and more of the worlds jobs will in future be in environmental industries. Britain is committed to building a green economy at home and abroad: it will be good for business good for the environment and good for development. UNEP’s initiative will help make this change; in particular by helping us to understand just how much we depend on the environment – soil, air, water and biodiversity – for our very existence.”

Current Economic Models: Short-Changing People and the Planet

Pavan Sukdhev, a senior banker from Deutsche Bank who is seconded to UNEP to lead the research, said:“The economic models of the 20th century are now hitting the limits of what is possible – possible in terms of delivering better livelihoods for the 2.6 billion people still living on less than $2 a day and possible in terms of our ecological footprint”.

“Investments will soon be pouring back into the global economy – the question is whether they go into the old, extractive, short-term economy of yesterday or a new green economy that will deal with multiple challenges while generating multiple economic opportunities for the poor and the well-off alike,” he said.

The new report aims to help governments make better choices and send the right market signals to investors, entrepreneurs and consumers worldwide so “we move from mining the planet to managing and re-investing in it,” said Mr Steiner.

The Green Economy Initiative, which has close to $4 million-worth of funding from the European Commission, Germany and Norway, builds in part on a request by the G8+5 group of nations two years ago. The G8+5 study on the Economics of Ecosystems and Biodiversity (TEEB), also led by Mr Sukhdev and funded by the European Commission and Germany, reported its Phase I findings in May at the UNEP-linked Convention on Biological Diversity meeting in Bonn.

It highlighted the economic magnitude of “business-as-usual” losses, and drew strong links between ecosystem & biodiversity losses and the persistence of poverty. The Green Economy initiative has three pillars - valuing and mainstreaming nature’s services into national and international accounts; employment generation through green jobs and the laying out the policies; instruments and market signals able to accelerate a transition to a Green Economy.

The strategy builds on the findings of TEEB while also linking with the Green Jobs Initiative of UNEP, the International Labour Organisation, the International Trades Union Confederation and the International Organization of Employers. The Green Economy Initiative will draw on the existing and considerable body of work generated by UNEP, the UN-system and others ranging from the impacts and opportunities of shifting fish, fuel and other subsidies up to innovative market mechanisms and financial products already triggering a transition. In 18 to 24 months it should deliver for governments – North and South – a comprehensive assessment and tool kit for making the necessary transition.

Erik Solheim, the Norwegian Environment Minister, said: “There are moments in history when an idea’s time has come – this is the case for a comprehensive Green Economy Initiative. Norway is delighted to be supporting this UNEP initiative. Innovative approaches and actions are needed in this very complex situation with a fundamental environmental crisis topped by an international financial situation out of control”.

"I commend UNEP for responding so fast and timely – in particular how UNEP together with International Labour Organization (ILO) have demonstrated the huge untapped job potential in sustainable management of natural capital and nature based assets," he added.

Five Priority Sectors Underpinning a Global Green New Deal

The five sectors likely to generate the biggest transition in terms of economic returns; environmental sustainability and job creation are:

- Clean energy and clean technologies including recycling
- Rural energy, including renewables and sustainable biomass
- Sustainable agriculture, including organic agriculture
- Ecosystem Infrastructure
- Reduced Emissions from Deforestation and Forest Degradation (REDD)
- Sustainable cities including planning, transportation and green building

More detailled Information:

http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=548&ArticleID=5957&l=en

Breakthrough for the expansion of renewable energies

[BMU Press Release No. 231/08, October 25th 2008] Joint press release with the Federal Ministry for Economic Cooperation and Development (BMZ) and the Federal Foreign Office (AA)

Breakthrough for the expansion of renewable energies:

The establishment of an International Renewable Energy Agency can now begin: at a conference in Madrid 51 states laid the foundations and agreed on the text of the Statute. The breakthrough has thus been achieved for the initiative launched by Germany, Spain and Denmark and supported by a number of countries from all continents.

The IRENA Statute will be signed at an official ceremony on January 26th 2009 in Bonn. Directly after this IRENA will begin its work with its first projects, including targeted consultation and information exchange. In mid 2009 the seat and Director-General for the start-up phase will be designated and the organisation will gradually be established.

IRENA will support industrialised and developing countries in expanding renewable energies. Worldwide many countries have set themselves ambitious targets for increasing the share of renewable energies in national energy consumption. A large majority of these countries would like detailed consultation and advice on this process. IRENA will aid its member states in adapting their political framework conditions, capacity building and improving financing and technology transfer for renewable energies. These will play an essential role in a sustainable and climate-friendly energy supply.

In Germany, the IRENA preparatory and founding process is led by the Federal Environment Ministry and the Federal Ministry for Economic Cooperation and Development, in close cooperation with the Federal Foreign Office.

http://www.bmu.de/english/current_press_releases/pm/42463.php

Renewable energy fails in San Francisco

[Emissionstrading.com, November 4th 2008] San Francisco voters defeated a measure that would have required the city to get all of its power from renewable sources by 2040. More controversially, Measure H required San Francisco officials to study a city takeover of Pacific Gas and Electric as a way of meeting that clean energy goal.

PG&E – the investor-owned utility that supplies electricity to most of Northern California – had spent heavily to defeat the measure. The company estimates it would cost at least $4 billion to buy its San Francisco operations.

But Measure H supporters argue the transition to public power would cost much less than PG&E estimates. They say the public utility would pay for itself over time because there would be no need to pay shareholders.

http://www.emissionstrading.com/MarketNews/?Source=http://www.ktvu.com/politics/17896413/detail.html&title=Renewable%20Energy%20Fails%20In%20San%20Francisco

California study backs more renewable power despite price tag

[Losangeles.bizjournals.com, November 7th 2008] California will face about $60 billion in costs to generate a third of its electricity with renewable sources, the state's utility regulator said in a report issued Thursday. The California Public Utilities Commission's report nonetheless backs that target and called for the legislature to require that 33 percent of total power generation for the state come from renewables by 2020.

The state already requires a 20 percent target by 2010, but the Cal PUC report estimates utilities will not meet that goal until 2013. Renewable power delivered in 2007 in the state was about 12 percent of the total. Natural gas accounted for 45.17 percent from coal, 15 percent from nuclear. The 12 percent from large hydropower projects are not counted in California's renewable goals.

Gov. Arnold Schwarzenegger backs the new target and it is expected it will be debated in the next session of the legislature.

http://losangeles.bizjournals.com/losangeles/stories/2008/11/03/daily27.html

5. CURRENT ISSUES – FINANCIAL CRISIS

Financial crisis: MEPs assess EU action and impact

[Europarl.europa.eu, October 7th 2008] After the $700 billion bailout in the US, Germany, Greece and Ireland moved quickly to guarantee the value of all the deposits in their banks and shore up confidence. Critics of this action have pointed out that such responses undermine a pan-European response.

What should the EU do?

The Chair of Parliament's Economics and Monetary Affairs Committee is French Socialist MEP **Pervenche Berès**: There is real need for an EU initiative. We will face a lack of investment in the EU. The Parliament is the right place to discuss the EU proposal.

Greek MEP **Margaritis Schinas** (EPP-ED) feels opinion is divided on the state of the economy: We need new rules for the new economy. There is one school of thought that says this is the end of the free market, the end of capitalism. I don't agree. There is a second school of thought that says this is an opportunity to set up new rules for the new economy. The party is over, but not for the private economies.

German Green MEP **Heide Rühle** feels a mere quick fix is not the answer: A financial system bail-out is far from enough. We need structural policy changes, among which tighter financial regulation. So much risk is hidden in the market by complex financial systems that it becomes increasingly hard for national market supervisors to really assess the situation.

Bulgarian Liberal MEP **Mariela Velichkova Baeva** said: we cannot expect that EU will influence the trend of economic events. When the decisions of business are so laden with social consequences, intervention is called for.

How will it impact on us?

Pervenche Berès said that: we see some EU economies entering recession. Ordinary citizens will certainly be affected by that regarding their purchasing power, their jobs, and so on.

Margaritis Schinas (EPP-ED) believes the impact will be considerable as it: affects the global economic climate and the global economic psychology. Europeans have been used to the relative stability of the eurozone with its low interest rates, so all this comes as a surprise after 5 to 6 years of calm.

Heide Rühle told us: the financial crisis will impede the fulfilment of the objectives of the Lisbon growth and jobs strategy, since this financial turmoil will hit the "real economy".

Mariela Velichkova Baeva was worried that: when the outlook for the future is blurred by the circumstances we have, investment plans can drop dramatically – slowing-down consumer spending.

Who is to blame for the current mess?

Pervenche Berès told us that: the situation in Europe is coupled with the U.S. The measures taken so far only really tackle the problem of liquidity. The situation now goes beyond that to the financial markets and the real underlying economies.

Margaritis Schinas is a firm believer that the position in America is worse than that of Europe: In the States, for every dollar of real investment banks lend something like 32 dollars, whereas in Europe for one dollar of real deposit we lend 12.

Heide Rühle boiled down the problem to one of: the emergence of innovative financial products, which boil down to variants of debt secured on real assets has played a key role in the contagion of the risk.

Mariela Velichkova Baeva the cause is: the quest for profits; the lack of knowledge for the real state of the market and its potential to face a cataclysm. http://www.europarl.europa.eu/news/public/story_page/042-38747-280-10-41-907-20081006STO38719-2008-06-10-2008/default_en.htm

What does the credit crunch mean for the environment?

[Fred Pearce, Newscientist.com, October 13th 2008] It's a question that anyone concerned about the environment is asking. There will be some fairly obvious effects on energy use and commodity prices, but I think this moment of crisis is a big opportunity for persuading the world that the next big crash could be the Earth's ecosystems going into meltdown.

First the prosaic. Global recession is going to have two effects – pulling in opposite directions. The economic downturn will reduce fuel burning and so cause a slackening off in the recent inexorable rise in emissions of carbon dioxide. It happened in the 1930s; it will happen now.

That's the good news. The bad news is that, as the cost of fuel plunges (oil is back under $80 a barrel already), the incentives to use less and to switch to renewables will evaporate. Cheap coal will trump clean coal – let alone solar panels and wind turbines. But what could really change as a result of the crunch is the world's view of what capitalism can and, more particularly, cannot do for us. Like protecting the planet.

I am no economist, but reading some of the op-ed pieces from those who are, I am struck by how often they explain the financial crisis in terms of a phenomenon they were loathed to mention before: "externalities". For instance top Cambridge economist John Eatwell, writing in The Guardian, defined the externalities that crashed the global finance system as "systemic risks" that don't show up when individuals make their choices about how to invest.

In other words everybody acts rationally according to what they see as their own interests - but the net result is that the system becomes less and less stable and eventually crashes, at which point everybody loses. That seems like a fair summary of what has been going on. You can blame greed if you like, but the whole system is built on greed, so that doesn't take us too far. The point of the system is to make individual greed work for the common good, and that has always been the claim made for capitalism. So we have a pivotal moment here. Economists admitting that global capitalism exhibits "systemic risks because it can't handle "externalities".

They like to explain that in terms of complex trading systems. But that, surely, is just the start. The game now should be to explore what other "externalities" are out there that markets don't factor in, but which could crash the system. Perhaps not just for a few years, but forever. **And here is where environmentalists get to raise their voice.** We greens have been saying for decades that the way the global economy is operated ignores the cost to the overall system (i.e. the planetary life-support system and the survival of humanity) of growing pollution and declining stocks of key natural resources. "Natural capital", as some call it.

And most economists have been patting us on the head and telling us that greenies don't understand how the hidden hand of capitalism will figure all this out and head off any danger. Well, their bluff now stands exposed in the starkest possible terms. Their notion of a self-sustaining, self-regulating economic system is rotten to the core. Building a new system will require regulation based on attention to the externalities that the market does not correct for.

But that means looking beyond the failings that brought down the system in recent months. It means looking ahead to the next crisis, the next cartload of externalities that will threaten the wellbeing of all 6.7 billion of us. That means, in my judgment, tackling "systemic risks" like climate change, peak oil, crashing ecosystems and water shortages. In none of these arenas does short-term economic self-interest work to the common long-term good. In each of them global action by governments will be needed to head off disasters that will damage us all.

The big secret is out. Unfettered markets bring disaster. We need government too. Governments may be preoccupied right now with rescuing banks and reviving financial liquidity. But environmentalists need to use the new language of externalities and systemic risk to shout loud and long that politicians must act soon to protect natural capital. Or it may not just be the finance system that hits the rocks next time, it may be our species' entire life-support system.

http://www.newscientist.com/blogs/shortsharpscience/2008/10/what-does-the-credit-crunch-me.html?DCMP=ILC-hmts&nsref=specrt11_head_Eco-economics

Global financial crisis a bad sign for Andean biodiversity

[Julio Godoy, Ipsnews.net, October 16th 2008] Investors from the industrialised world may feel pressure to seek alternative means for financial liquidity, forced by divestment from stocks in recent weeks, Stewart Maginnis, director of forest conservation for the World Conservation Union (IUCN), told Tierramérica.

Debate on the environmental repercussions of the financial crisis overtook much of the World Conservation Congress held by the IUCN Oct. 5-14 in Barcelona, Spain, which drew some 8.000 experts. But the uncertainty is such that others predict reduced pressure on natural resources as a result of the economic crisis. Maginnis pointed to the current high prices of fuels, noting that investment in the expansion of mining and oil company activities now is attractive – and constitutes a threat to protection efforts in areas like the Amazon jungle region in Bolivia, Colombia, Ecuador, Peru and Venezuela.

The phenomenon could be intensified by the existing policies of the Andean Community trade bloc, made up of Colombia, Ecuador, Peru and Bolivia, that favour extractive industries and clash with the interests and development ideas of local indigenous communities. That contradiction was evident in Barcelona during a debate among environmental experts, government delegates and representatives of indigenous groups from the four Andean Community nations. "Our idea of development does not coincide with that of the white man. For us, the most sacred thing is to protect Mother Earth. For the corporations and the governments, drilling holes in her is part of development," Gerardo Macuna, an indigenous representative from Colombia, told Tierramérica.

In contrast, Francisco Dallmeier, a biologist with the Centre for Conservation Education and Sustainability at the U.S.-based Smithsonian Institution, said that some oil production areas in South America meet high biological conservation standards. The Bolivia-Brazil natural gas pipeline, inaugurated in 1999 by the Brazilian oil giant Petrobras, "is one of those examples of excellent environmental management" of an oil industry project, according to Dallmeier.

A more nuanced view was taken by César Ipenza, a researcher with the Peruvian Association for the Conservation of Nature, who said, "We need to develop tools for research and evaluation that allow us to reconcile exploitation of hydrocarbon resources as a factor of development with the effective preservation of biodiversity in the protected areas of the Andean Community."

The Andean region is rich in petroleum and natural gas deposits. According to the latest official data from the Andean Community, from 2004, production of oil and derivatives in Colombia was 686,000 barrels per day – three times the average national consumption. Colombia exported some 460,000 barrels per day. Bolivia produces around 41 million cubic metres of natural gas per day, 35 million of which is exported to Brazil and Argentina.

This enormous source of wealth is difficult to bring into line with environmental conservation and the standards for protected areas. It also challenges the effectiveness of international agreements ratified by the Andean Community nations, such as Convention 169 of the International Labour Organisation, which protects the rights of indigenous peoples. Governments and indigenous communities interpret the Convention text in different ways.

Article 6 of the Convention states that "governments must consult the peoples concerned, through appropriate procedures and in particular through their representative institutions, whenever consideration is being given to legislative or administrative measures which may affect them directly..." According to the Andean Community governments, "this article only requires them to consult indigenous communities, but they interpret it to mean that they are free to decide on the policies for the extractive industries," María Amparo Albán, Ecuadorian attorney and environmental consultant, told Tierramérica.

The governments of the Andean bloc are not generally concerned about preventing extractive industries from operating in protected areas – and which are often also the lands of indigenous peoples – "merely for reasons of biodiversity conservation," she said. The indigenous communities, meanwhile, interpret the ILO Convention "as giving them the power to make decisions on extractive policies that take place in their territories," said Albán.

This interpretation is based on Article 7: "The peoples concerned shall have the right to decide their own priorities for the process of development as it affects their lives, beliefs, institutions and spiritual well-being and the lands they occupy or otherwise use, and to exercise control, to the extent possible, over their own economic, social and cultural development."

According to Oscar Castillo, a Bolivian expert on the oil and natural gas industry at the Wildlife Conservation Society, "the challenge for the Andean region is to conduct a comprehensive analysis, one that is supra-national, about the environmental impacts of the extractive industries, in order to draft policies for the entire region."

But Albán believes a region-wide policy is currently impossible for the bloc. "The internal conflicts of the Andean Community, derived from ideological differences separating Colombia and Peru on the one side, and Ecuador and Bolivia on the other, have brought to a halt all progress towards regional integration," she said.

There are more than 180 oil and natural gas fields across the western Amazon, which comprises the five Andean countries, and 72 percent of the jungle territory of Peru is affected by plans for fossil fuel exploitation, according to a study published in August by the online scientific journal PLoS ONE.

In times of uncertainty, many more interests could go in search of those treasures, says Maginnis. "This expansion occurs to the detriment of our peoples and of Mother Earth," warned José Antúnez, a leader of the Asháninka people of Peru.

http://ipsnews.net/news.asp?idnews=44302

Financial crisis must not derail environmental efforts

[Jeff Angel, Smh.com.au, October 29th 2008]
Both the environmental and the economic crises are caused by the same disease – running up debt that we and future generations can't afford. Throw in short-termism - the focus on getting more and bigger things faster – and we have the perfect ethical storm. The environmental crisis of global warming and the retreat of the natural world are taking place more slowly than the financial storm, and are less pressing in the minds of decision makers. But it did not take governments around the world long to find (as a necessity) trillions of dollars to bail out debt and the banks. Most people are resigned to the socialising of losses by once highly profitable companies, with chief executives on obscene salaries, but they have a justifiable antipathy to the immorality of it.

Another ingredient, particularly in the United States, is the excessive adherence to the free market or deregulatory philosophy that created gaping holes in the public interest fabric. The system was open to gross abuse. The similarities to the debate about emissions trading are clear. We have been warned that, if we don't take action now and draw down our environmental debt caused by greenhouse pollution, we will have to pay more later.

But what do we see? Big companies are pressing to delay action, giving them the maximum amount of time to continue business as usual – that is, to continue polluting – and they want to be paid to do it, with free permits or big cash handouts. They are using the financial crisis as another reason to delay emissions trading, or they lobby for soft targets and maximum handouts.

There is a transitional issue for the economy to navigate. And companies, which have been warned for years that action on carbon would be needed, want to protect shareholders. But they are fighting to keep their market share without adjusting, despite the urgent need to act. They want the money with no strings attached – and remember they are not promising to pass on the benefits to consumers. They are going to keep the cash, another major ethical failure.

The result is that environmental costs will be borne by society and future generations, while the profits remain with a few. It's hard not to whip oneself into a lather of indignation. We must avoid this. We need clear heads and a positive attitude. We need to continue to stress the immediacy of the environmental crisis and the gains to be made. There's no economic dividend from the banking crisis (unless you count the greater regulatory wisdom we will hopefully learn), but there is a massive financial return from concerted action on the environment.

Our natural capital can be conserved and new green industries will flourish, creating thousands of jobs and businesses. Energy efficiency will drive down costs for business and households, and can be expanded massively through regulatory measures such as targets for electricity retailers (now being rolled out in NSW, Victoria and South Australia), energy audits and efficiency packages for those on low incomes; or reform of the National Electricity Market.

Recycling waste can produce economic growth. With the right regulatory and economic signals, businesses can invest in technology that recovers resources, rather than dumping them in landfills. Under a national container deposit scheme, thousands of “reverse vending machines” would be created and recycling hubs would be put in place.

Computers and other electronic items would be returned for dismantling at major plants in the capital cities. The GreenPower and carbon offset industries are garnering business and private funds as people decide to take strong action on their carbon emissions. They, too, will give an economic stimulus.

However, the Rudd Government's Carbon Pollution Reduction Scheme could help wreck these emerging growth engines. The issuing of free permits to, or compensating, some industries will make their use of virgin materials, such as paper, more competitive against recyclers who won’t receive such assistance.

Energy efficiency can’t be in the scheme because of double counting problems, so it will be left to languish, while big coal power plants are compensated to keep supplying us with polluting power. GreenPower and carbon offsets are ignored by the current proposals, and will wither unless their additional benefits to our climate change policies are recognised.

Add to this toxic state of affairs, the federal Office of Best Practice Regulation (OPBR) – put in place to eliminate “red and green tape” – takes a narrow view of new environmental laws and their public benefit. As a consequence, it seeks to prevent regulatory assistance, such as take-back laws for tyres and electronic waste, that most people would deem to be good for the community.

The only bright spot on the horizon is the 20 percent renewable energy target by 2020, which should become law soon, and which promises billions in new investment. Fortunately, it was an election promise and can't be curtailed by the OPBR and its allies in the Productivity Commission.

All of these new growth industries can take off faster than longer-term plans to boost infrastructure, and with much less government cost. Whatever the Rudd Government does with the carbon reduction scheme, it should get on with the job of supporting energy efficiency, recycling, GreenPower and the carbon offset market. It will create more jobs, add to national growth and give us much needed action on greenhouse gas emissions.

http://www.smh.com.au/news/environment/financial-crisis-must-not-derail-environmental-efforts/2008/10/28/1224956011814.html

Europe warned against “Obamamania”

[Euroactiv.com, November 6th 2008] “Obama may be the treated as the new Messiah,” but bold initiatives to address the financial crisis, support multilateralism and address climate change need to be backed from Europe “with material help, not just photo opportunities,” warned Mark Leonard, head of the European Council on Foreign Relations (ECFR).

In a statement, the UK-based think tank called on European leaders to develop their own views about solving the financial crisis and dealing with foreign policy issues.

The challenges are numerous and include rescuing NATO’s Afghan mission, dealing with instability in Pakistan, countering Russia’s belligerence and managing the emergence of China as well as dealing with international terrorism, the spread of weapons of mass destruction and unrest across the Middle East.

Leonard said European leaders should spend the next two months developing a package of solutions on all of these issues so that they can approach President Obama with the outlines of a common plan of action, instead of a shopping list of demands.

The ECFR’s Andrew Wilson added that agreeing a common position towards Russia may be one of the most difficult transatlantic issues that the new US President would have to deal with.

“For Europe, the issue is slowly becoming priority number one, while the US will see this as only one of a number of strategic relationships. But instead of struggling over spheres of influence with

Russia, the EU and the US should be working together to uphold Western values," Wilson said.

Climate change deal not granted

Similary, American support for a significant global deal on climate is anything but certain, even with Obama as president, according to US analysts recently questioned by EurActiv.

There is a need for "expectation management" in Europe with respect to the climate change agenda of the next US presidency and the chances of a global deal, said Thomas Kleine-Brockhoff, senior director for policy programmes at the German Marshall Fund in Washington, DC.

In terms of the details of US domestic action to cut greenhouse gas (GHG) emissions, it is unlikely that the US Congress and Senate will sign off on anything more ambitious than the 2007 bipartisan American Climate Security Act, proposed by US Senators Joe Lieberman (Independent Democrat, Connecticut) and John Warner (Republican, Virginia), Kleine-Brockhoff told EurActiv.

Financial crisis troubleshooting

And a transatlantic consensus on how to tackle the financial crisis may not be easy to reach either, according to policymakers in Brussels.

Graham Watson, the leader of the liberal group in Parliament (ALDE), warned that "miracles" there "cannot be realistically expected over the short term". Speaking to EurActiv, Watson said the first steps would probably be modest and centre on developing a consensus over policies to reform the regulation of the financial services industry. "Currently, our approaches are very, very different," Watson said.

Francis Wurtz, leader of the Socialist Group in the European Parliament, said pressure from Wall Street to reassert US leadership of the financial world, which it lost to London after the Enron corporate scandal, was likely to be very high on the new president's agenda after the financial crisis.

Terrorism also high on the agenda

German Liberal MEP Alexander Graf Lambsdorff also warned against "expecting too much" of President Obama.

"President Obama is also likely to demand more from Europeans in the future, particularly in the fight against terror," he said.

In return, Europeans must call on the US to deliver progress on issues that are of key importance, such as a common solution to the financial crisis, climate change, non-proliferation and Afghanistan. Equally urgent are reform of the United Nations, new US policy towards the International Criminal Court of Justice and closing down Guantananmo in the near future, Lambsdorff said.

Recently, EU counterterrorism chief Gilles de Kerchove disclosed that the EU was willing to help the US close the controversial US Guantanamo centre in Cuba.

http://www.euractiv.com/en/opinion/europe-warned-obamania/article-176970

Niall Ferguson on Obama and the global crisis

[Klaus Brinkbäumer, Spiegel.de, November 11th 2008] In a Spiegel interview, British historian Niall Ferguson discusses Barack Obama's historical election, Europe's hopes for the new president, the consequences of the economic crisis and his idea of "Chimerica" – the economic alliance between Beijing and Washington.

A Wordlwar without War

Spiegel: Mr. Ferguson, were you moved when you saw the future president, Barack Obama, in Chicago?

Ferguson: Yes, it was a very moving moment. It was similar to the release of Nelson Mandela. When Obama was born, in 1961, mixed marriages between blacks and whites were still illegal in one-third of the American states.

Spiegel: Historically speaking, that was yesterday.

Ferguson: Of course. But we are talking about ordinary discrimination, not just the legacy of slavery. And it had not disappeared. It is astonishing that the transformation from a racist America to an America that elects a black man to the White House was possible within that period of time. Even the world's most dogmatic conservative ought to be moved.

Spiegel: You initially favored John McCain?

Ferguson: I have become a convert in the last six months because of Obama's extraordinary combination of rhetorical genius, coolness under fire and organizational skills. This was the best election campaign we have ever experienced.

Spiegel: Which doesn't necessarily have to mean a great presidency.

Ferguson: What it means is enough: the death of racism, the end of the original American sin and, most of all, the right reaction to end the economic crisis. Obama can stimulate self-confidence because he is so calm and collected. He will not simply put an end to the crisis or ensure that banks lend money again. He is a politician, not the Messiah. But he can change the national mood. Americans are lucky that they were able to elect him now, just as the panic reached its climax. It is as if they had voted Roosevelt into office earlier, in 1930, and not in 1933.

Spiegel: Shouldn't the world have seen it coming, the economic crisis we are now experiencing?
Ferguson: Of course, it has been clear since 2006. I know that for many people it doesn't feel that way. They are horrified because they were taken by surprise, and they are in a panic because the enemy comes from within. The system is the enemy. And they don't understand the nuances of the crisis, which makes them afraid.

Spiegel: In retrospect, historians are usually right. What did you foresee in 2006?
Ferguson: Excessive debt. The debts of private households and the financial institutions reached levels that could no longer be offset. Then came the bubble in the real estate market, when prices doubled even though the houses weren't worth the money. But most of all, there was the ignorance of the bankers, hedge fund managers and financial experts in the political arena, who did not want to recognize something that was plain as day.

Spiegel: Namely?
Ferguson: That a liquidity crisis could happen. That they would run out of money. "Impossible," everyone was saying at the time.

Spiegel: It sounds a little self-opinionated for you to claim that you had predicted all of this for years.
Ferguson: Oh, I've been wrong before. The thing I was wrong about was the trigger.

Spiegel: The trigger?
Ferguson: I had believed that the price of oil would be the cause of the world economic crisis, and that the necessary trigger would be a second defenestration, a second Sarajevo and perhaps even a war, a truly major war.

Spiegel: Iraq and Afghanistan don't count?
Ferguson: Too small. I had believed that a geopolitical event would lead to a credit crisis, but this crisis is so fundamental that it was capable of triggering itself. Money disappeared, and now companies can no longer refinance, can no longer borrow anything. Now it'll be bloody.

Spiegel: Are the bubbles happening with greater frequency than before, or is this just the way we perceive it? Or has the world economy consisted of a single super-bubble for some time now, as speculator George Soros says?
Ferguson: There have been bubbles large and small, again and again since 1700. First there was the tulip bubble and then, in 1890, it was all about the gold mines. No, we haven't even changed the rules of the game. If a central bank makes loans available to speculators at low interest rates, we have a bubble. Always, it's guaranteed. Yesterday, today and tomorrow again.

Spiegel: Do you consider the US government's so-called bailout plan and the Europeans' investments in banks to be pointless?
Ferguson: No, but it is not clear that they will work. We have a situation like 1914 or 1931, and the financial and fiscal authorities have learned from history. They are doing the right thing. They are trying everything to prevent us from getting into a Great Depression.

Spiegel: With success?
Ferguson: We will see. So far, success has meant that relatively few banks have collapsed, whereas in the 1930s it was thousands. At that time, the gross national product dropped by 30 percent and there was 25 percent unemployment in the United States. This time we will have a painful recession, but not figures like those. What I truly criticize is the fact that so much time was wasted.

Spiegel: What was lost as a result?
Ferguson: Flexibility. Clout. A lot of money. Many, many possible solutions. The US treasury secretary should have flown to Beijing and could have solicited investment in American banks, which would have benefited everyone. Those who combat a crisis early on can prevent its effects from becoming too entrenched.

Spiegel: Is confidence in the market's ability to purify itself dead?
Ferguson: Yes. But a true Armageddon was needed before the Republicans could be made to understand. A world war without war, a state of emergency, was needed. Now we are responding the way they did in World War I: with moratoriums, suspension of trading, new money. It's fas-

cinating. And it wasn't the fault of Alan Greenspan…

Spiegel: ... the former Federal Reserve Bank chairman ...
Ferguson: ... who believed that the market would regulate everything, and yet the assignment of blame is too simplistic. We are all at fault. Who in America or Great Britain didn't take out a loan for a house that was far too expensive or for a car? And then all of these bubbles come to resemble one another, but the financial world is immune against the whole thing.

Spiegel: Why?
Ferguson: Most managers leave the educational system completely unequipped for the decisions they will have to make. They learn business as a mathematical discipline. They know nothing about what happened before their careers began. Many working on Wall Street today don't even know what happened in 2000, after the Internet boom.

A Crisis of the Western World

Spiegel: Does the system teach people to be irresponsible?
Ferguson: And to be naïve. For these people, it must have felt as if nothing could go wrong between 2001-2007. When that happens, one is tempted to make one's own experience part of the theory of financial history.

Spiegel: Is it a coincidence that this crash began in the United States?
Ferguson: It could have started anywhere. The system was an upside-down pyramid, a pyramid made up of securities, derivatives, bets and loans, and all of it was balanced on a fragile tip consisting of mortgages. If it had happened someplace else, the consequences just wouldn't have been as dramatic. But it had to tip over. It was a crisis of the Western world, and then it turned into a global crisis.

Spiegel: Will Barack Obama truly change the world? Or world politics?
Ferguson: Yes, by virtue of his very existence. The world is waiting for him, ready for a different America. The United States has the opportunity to remake itself without Obama having to make many changes to its foreign policy. He will close Guantanamo and declare an end to torture. All he has to do is change the tone and the game will already change because he is the one playing it. That is the real phenomenon. By virtue of his sheer existence, he reestablishes American credibility.

Spiegel: There are concerns in Germany that a President Obama will demand more soldiers for Afghanistan. On the other hand, there is hope that he will pursue multilateral policies.
Ferguson: Both are justified. Obama will certainly focus on Afghanistan, while at the same time attempting to withdraw Americans and get international soldiers. A true challenge could arise if Iran or al-Qaida tried to test Obama. Al-Qaida hasn't been taken over by J.P. Morgan yet, and Iran won't abandon its nuclear policy just because a black man is in the White House. Both dangers still exist. However, I believe that all of these issues, including Kyoto, will initially fade into the background because the economic crisis will demand our attention for a long time.

Spiegel: What will the consequences of the crisis be?
Ferguson: New York could turn into Venice.

Spiegel: A museum of itself?
Ferguson: At least in the distant future, in 100 or 200 years. The more that happens in Asia, the better London's position will be, even from a geographic standpoint. The same, of course, applies to Shanghai, or Hong Kong.

Spiegel: Life is unfair.
Ferguson: Money has never been fair.

Spiegel: Isn't Europe better equipped for times of crisis? More modern?
Ferguson: Perhaps, but Europe will be more severely hit by the crisis. In Great Britain, Switzerland, Belgium and Germany, the financial sector constitutes a higher percentage of the gross domestic product than in America, which is why the impact will be far greater in Europe. And Russia, Iran and Venezuela are feeling the brunt of falling oil prices.

Spiegel: In other words, the United States could become a winner in the current crisis, for which it bears the blame?
Ferguson: Absolutely. Obituaries are premature. It depends on how China reacts. The Chinese have achieved exchange rate stability and protected the dollar with artificial interventions. They will continue their policies because they now own vast

numbers of dollars and export goods that are paid for in dollars. The United States and China are involved in a marriage like my wife's and mine.

Spiegel: The wife ...
Ferguson: (laughs) ... spends what the husband saves and earns. A very healthy equilibrium. It will remain that way.

Spiegel: What is so healthy about it?
Ferguson: It has always been the case that one economy offsets the weaknesses of others. There is nothing wrong with that. The United States can afford to pay for this crisis as long as it gets cheap money in Beijing – that is, by paying not much more than four percent interest. And China needs its exports to the United States to continue growing. Chimerica ...

Spiegel: ... that's what you call the structure of the Chinese and US economies in your new book ...
Ferguson: ... is no chimera, but rather a functioning alliance. Of the big three – China, Russia and America – two always join forces in a coalition, and neither China nor the United States has any reason to prefer Russia as a partner.

Spiegel: And yet the American deficit cannot be healthy.
Ferguson: Well, it'll balance itself out a little now. But if the United States had a balanced budget, it would be a shock for the global system. No one can seriously want this to happen. If the Americans started saving the way the Chinese do, that's when we would have a Great Depression!

Spiegel: That was one of Barack Obama's key warnings: "We borrow money in China and use it to buy oil in Saudi Arabia." During the campaign, he repeatedly promised that he would put an end to this.
Ferguson: A few foreign policy advisors will probably explain to him very quickly that he would be better off not to touch the relationship with China.

Spiegel: But there is some truth to his sentence.
Ferguson: That's true, but it is also an oversimplification. Americans want to buy goods inexpensively, and the Chinese can produce inexpensively. Does anyone want to upset this system? Imbalances should exist in a global economy. Nations grow at different rates, and the system is there to transfer profits and savings from one place to another. This makes much more sense than the financial autarchy of the 1950s, when there were no international transactions.

Spiegel: It's hard to believe. In the end, you think everything is fine the way it is?
Ferguson: No, but the subject isn't the deficit or America's dependence on China. China has become somewhat more self-confident and America somewhat more insecure, but China is no rival for America, neither militarily nor economically. The subject is dependence on oil, which is a technological subject, not a financial one.

Spiegel: Responsible politicians ...
Ferguson: ... would borrow money in China and invest in clean technology, in wind power and solar power. That would be a rational strategy. It was crazy to borrow money in China and burn through it by speculating in the real estate market.

Spiegel: So you don't think lending is the problem?
Ferguson: It never has been. Lending transactions are the basis of the economy. It isn't lending, it's investment. If you don't invest, but just consume, you bring about your own ruin.

Spiegel: Will European-American relations change?
Ferguson: Yes, but not in the way many Europeans expect. Democrats and Republicans are not that different on foreign policy. In fact, there is much more continuity than you would think. Will Obama be the antithesis to Bush? No, because the national interests of the United States have remained the same.

Spiegel: Obama has not had a relationship with Europe so far.
Ferguson: And for that reason he will see Europe as a single entity. He'll be surprised, because he doesn't know whom to call when he wants to speak to Europe. Europe will present itself to him as a group of sovereign states, and Messrs. Sarkozy and Brown, and Ms. Merkel, will all want to be his best friend, each of them on their own.

Spiegel: What will the new American president be able to achieve economically, if anything?
Ferguson: He promises a feeling of change, not necessarily real change. But the feeling is already important enough. This whole crisis has to do with trust and self-confidence. We need a US president who brings renewal.

Spiegel: So what can Obama do?

Ferguson: He can give a great inauguration speech.

Spiegel: And what else?
Ferguson: Give more great speeches.

Spiegel: He can't do more?
Ferguson: No, because he will have the least latitude of all presidents we can remember. Obama wants to assemble a nonpartisan government, and we will experience a more cautious first 100 days than we did under Bill Clinton. He will be cautious to the point of being boring. This will be precisely his great strength.

Spiegel: Where does the problem lie?
Ferguson: With Hank Paulson.

Spiegel: What does the current treasury secretary have to do with Obama?
Ferguson: Because of his big bailout plan, Paulson has already spent the money for Obama's healthcare reform and for his tax cuts. The money is gone.

Spiegel: Mr. Ferguson, we thank you for this interview.
http://www.spiegel.de/international/world/0,1518,589735,00.html

Obama promises leading role in climate protection

[Ines Steiger, GBG, November 19th 2008] Designated US-President Barack Obama has pronounced the leading role of his government in the fight against climate change. He announces a system for emission trading, which should reduce the emission of climate damaging greenhouse gases onto the level of 1990 until 2020. Furthermore, he's planning an investement of 15 Billion Dollar annually for the promotion of solar- and wind-power-projects as well as the development of new biofuels. Admittedly he also wants to keep on resorting to nuclear energy.

http://www.dw-world.de/dw/function/0,2145,12356_cid_3804768,00.html

6. LINKS AND PUBLICATIONS

Green Jobs: Towards decent work in a sustainable low-carbon world

[Worldwatch Institute und Cornell University Global Labor Institute für United Nations Environmental Programme (UNEP), September 2008] Until now, there has been much anecdotal evidence indicating that the pattern of employment is indeed changing – and that new jobs are beginning to emerge in favor of greener, cleaner and more sustainable occupations.This is the first comprehensive report on the emergence of a "green economy" and its impact on the world of work in the 21st Century. This is in large part as a result of climate change and the need to meet emission reduction targets under the UN climate convention.

To the Report:

http://www.unep.org/PDF/UNEPGreenJobs_report08.pdff
www.unep.org/labour_environment/features/greenjobs.asp

EEB's vision for European agriculture 2008-2020

[Maria Buitenkamp, October 2008] Despite successive reforms starting in the early 1990s, the Common Agricultural Policy (CAP) is still far from being an instrument that will inspire more sustainable farming practices. The current Health Check of the CAP is unlikely to result in any significant steps in the right direction and in some cases may even step backwards from earlier reforms. In the available paper the EEB outlines its vision for agriculture in Europe, what the objectives and instruments should be for a truly sustainable common agricultural policy after 2013, the end of the current financial commitment period, as well as those steps that should be taken before 2013. Current discussions on the CAP Health Check and the future of the CAP are taking place at a moment when agricultural markets have changed fundamentally, going from decades of surpluses and overproduction to a situation of scarcity and higher prices. At the same time, prevailing agricultural practices remain one of the main drivers for environmental degradation and ecosystem breakdown. The legitimacy of the current agriculture subsidy system within this context

has ceased to exist and a fundamental rethink of the CAP is now more necessary then ever.

To the Publication:

http://www.eeb.org/publication/2008/EEB-vision-fo-european-agriculture-Oct2008.pdf

First REACH hazardous chemicals list is a drop in the ocean

[EEB.org, October 28th 2008] The first-ever list of 15 hazardous chemicals released on October 28th by the European Chemicals Agency (ECHA) is a welcome start, but it is a drop in the ocean when compared to the hundreds of well-known dangerous substances present in products used every day across Europe, said a coalition of environmental, health, consumer and women's public interest groups.

The groups welcome the publication of the REACH[9] 'candidate list' and recognise it as a vital tool in speeding up the substitution of hazardous chemicals with safer alternatives. But the organisations say that member states and the European Commission have failed to make the list more comprehensive. European consumers will be able to walk into a shop, pick up any product off the shelf, from a toothbrush to a laptop, and be informed within 45 days on whether it contains any of the chemicals on the candidate list[10]. But hundreds more substances will continue to be used despite their well-documented harmful qualities. Restrictions on phthalates (DINP, DiDP and DNOP) similar to those now on the candidate list already exist under the EU Toys directive, but so far no member state has suggested these substances be included in the REACH list. Bisphenol-A, a wellknown endocrine disrupter, has also been left out of the list. Only six EU member states (Austria, Germany, France, the Netherlands, Sweden, the UK) and Norway have so far put forward chem cals for the candidate list. The coalition of public interest groups call on member states and the Commission to expand the list to make it more representative of the hundreds of hazardous chemicals that are currently known[11].

Among the 15 chemicals that are on the list, brominated flame retardant HBCDD is a common environmental contaminant used in plastics, textiles, electronic goods and three plastic softeners (the phthalates DEHP, DBP and BBP). These plastic softeners are suspected to seriously affect human fertility and are present in glues, inks, cosmetics and toiletries, and in many products made from polyvinyl chloride (PVC). The groups urge ECHA to adopt strict regulatory controls on these chemicals immediately. Many progressive companies have already started to phase them out,

including major players in the electronics sector that have eliminated the uses of brominated flame retardants and PVC.
To the List: http://www.sinlist.org.

http://www.eeb.org/activities/chemicals/PR_REACH_First_candidate_list_281008.pdf

Energy revolution now!

[Greenpeace.org, October 27th 2008] The Energy [R]evolution demonstrates how the planet can get from where we are now, to where we need to be. The new global energy scenario outlines how carbon emissions from the energy and transport sectors alone can peak by 2015 and be cut by over 50 percent by 2050. Aggressive investment in renewable power and energy efficiency could create an annual USD 360 billion industry, providing half of the world's electricity. We could slash more than US $18 trillion in fuel costs and fight economic downturn and climate change at the same time

The Energy [R]evolution uses a three step approach:

1. Electrical efficiency
2. Exploit all technical potential for electrical efficiency via technical standards
3. Structural changes
4. Change the way we produce energy in large centralised power stations towards a decentralised energy system, using large-scale renewable resources that use locally available

9 The REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulation became operational in June 2008

10 For a sample letter to request information about a roduct, see p.9 of: http://www.greenpeace.org/raw/content/eu-unit/press-centre/reports/your-voice-on-reach.pdf.

11 The 267 hazardous chemicals selected by ChemSec for the REACH SIN (Substitute-it-now) List 1.0 include substances of very high concern and provide a useful starting point to make the REACH Candidate List more comprehensive.

energy sources such as wind, sun or geothermal.
5. Cogeneration – end the huge amounts of waste energy via cooling towers
6. Energy-efficient transport
7. Build up efficient public transport systems
8. Implement efficient cars, trucks, etc.

Global emissions need to return to current levels by 2020. For this to be achieved, industrialised economies, such as the USA, the European Community and Australia, have to reduce their greenhouse gas emissions by up to 30 percent below 1990 levels. Developing countries like China and India will have to stabilise CO_2 emissions by 2020 and start reducing emissions towards 2030 and beyond, while providing a secure and affordable energy supply and, critically, maintaining steady worldwide economic development.

With today's economic instability, investing in renewable energy technologies is a 'win-win-win' scenario: a win for energy security, a win for the economy and a win for the climate. While 'business as usual' energy scenarios come at the cost of the climate and the economy, the Energy [R]evolution makes a clear case for 'business as unusual'. The renewable industry is ready and able to deliver the needed capacity to make the energy revolution a reality. There is no technical impediment to doing this, just a political barrier to overcome as we rebuild the global energy sector.

The Energy [R]evolution Scenario provides a practical blueprint for the world's renewable energy future, and was developed in conjunction with specialists from the Institute of Technical Thermodynamics at the German Aerospace Centre (DLR) and more than 30 scientists and engineers from universities, institutes and the renewable energy industry around the world.

Blueprint of the Summary:

http://www.greenpeace.org/raw/content/international/press/reports/energy-r-evolutionsummary.pdf

http://www.greenpeace.org/international/news/energy-revolution-now271008#

Sascha Müller-Kraenner "Energy Security"

Sascha Müller-Kraenner is Senior Policy Adviser and the European Representative to The Nature Conservancy. He is also a partner of Ecologic Institute (Berlin) and a lecturer at the Hertie School of Governance.

Humanity stands at a threshold: will its shared energy future be peaceful, or will it be threatened by resource wars? How can rapidly depleting resources be managed to the advantage of all, and therefore conflicts averted? How can we avoid irreparable damage to the last areas of untouched natural beauty, all in the name of accessing valuable resources? And how do we arrive at an international energy policy which not only provides safe, economical energy without conflict, but also addresses the all-important issue of climate change: What is the best way to achieve greater energy security?

Energy Security addresses all of these questions, arguing for an urgent overhaul of international law and institutions to control relations with countries such as Russia, which own the world's remaining fuel supplies. The book presents alternatives to fossil fuels as two diametrically opposing strategies: the increased use of atomic energy; and a comprehensive climate protection policy with a focus on energy efficiency and renewable energy. In times of international terrorism, there are heightened concerns about nuclear proliferation, and Energy Security argues that the future must belong to renewable energy.

The book contains 170 pages, was published 2008 by Earthscan and can be purchased for ca. 26 Euros.

Christine M. Jasch "Environmental and material flow cost accounting"

In "Environmental and Material Flow Costs Accounting", Christine M. Jasch, Ecologic Partner and Director of the Institute for Environmental Management and Economics (IÖW) in Vienna explains and updates the approach developed for the United Nations Department of Economic and Social Affairs (DSD/UNDESA) and the International Federation of Accountants (IFAC). The book also includes several case studies and recent developments regarding Environmental and Material Flow Cost Accounting (EMA and MFCA) in national statistics and ISO standardization.

Recognizing the increasing importance of environmental issues, energy prices, material availability and efficiency and the difficulty of adequately managing these issues in traditional accounting systems, several companies all over the world have started implementing Environmental and Material Flow Cost Accounting (EMA and MFCA).

Although the book is aimed primarily at professional accountants, process technicians and environmental managers within production companies, it will also be of interest to environmental auditors who are becoming more involved in tracking or verifying environment-related information in financial and other relevant reports. Those involved with environmental management and cleaner technologies, production planning and organization, as well as management accounting and sustainability reporting will undoubtedly find this Work to be an invaluable guide in acquiring practical advice.

The book contains 194 Pages, was published in September 2008 and can be purchased for 101.60 Euro (75 GBP, 149 USD) from the website of the Springer-Verlag.

http://www.ecologic.de/modules.php?name=News&file=article&sid=2483

7. EVENTS

Upcoming point carbon workshops, autumn 2008, worldwide:

Point Carbon is holding a 1-day introduction into all aspects of global carbon or power markets:

- CO_2 Introductory Training Course, Zürich 27 November
- Gas Introductory Training Course, London 27 November
- CO_2 Introductory Training Course, San Francisco 3 December
- Advanced CO_2 Training Course, San Francisco 4 December
- CO_2 Introductory Training Course, New York City 9 December
- Advanced CO_2 Training Course, New York City 10 December

To receive further information as well as to register for any of the workshops quoted above:

http://www.pointcarbon.com/events/trainingcourses/

The United Nations Climate Change Conference (UNCCC) in Poznań, Poland-COP 14, 1st-12th December 2008

The 14th session of the Conference of the Parties to the Climate Change Convention (COP 14) will be held in conjunction with the 4th Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP 4) in Poznań, Poland. from 1 to 12 December 2008. The conference will also include the 29th sessions of the Convention’s two subsidiary bodies - SBSTA and SBI – as well as the 4th session of the AWG-LCA and the 2nd part of the 6th session of the AWG-KP.

The Poznań Climate Change Conference provides the opportunity to draw together the advances made in 2008 and move from discussion to negotiation mode in 2009. Such an outcome at Poznań would build momentum towards an agreed outcome at Copenhagen.

At COP 14/CMP 4 in Poznań, Parties are expected to:

- Agree on a plan of action and programmes of work for the final year of negotiations after a year of comprehensive and extensive discussions on crucial issues relating to future commitments, actions and cooperation
- Make significant progress on a number of on-going issues required to enhance further the implementation of the Convention and the Kyoto Protocol
- Advance understanding and commonality of views on “shared vision” for a new climate change regime
- Strengthen momentum and commitment to the process and the agreed timeline

Important continuing issues will be capacity-building for developing countries, reducing emissions from deforestation (REDD), technology transfer and adaptation.

Provisional agendas and further details:

http://unfccc.int/meetings/cop_14/items/4481.php

German sustainability day in Düsseldorf, Germany, 5th December

Speakers: Sigmar Gabriel, Olaf Scholz, Brigitte Zypries, Günter Verheugen, Prof. Klaus Töpfer, Dr. Volker Hauff, Prof. Hans J. Schellnhuber, Annie Lennox and 40 more; Patronage: Federal President Horst Köhler

The Congress is an invitation to CEOs, Responsibles of Sustainability, CSR-Managers and Communicators of Enterprises, to Holders of Advertising Agencys, PR-Consultancy and Consulting-firms, to Opinion Leadera of the Civil Society, of Non-governmental Organisations, of the Research Field, Media and Policy.

The Contest about the German Sustainability Price has brought together a top flight of affiliated groups, of family business as well as small and big companies.

An independent Jury has awarded the price on the basis of detailed information and profound investigation.

Further details:
http://www.nachhaltigkeitstag.de

Socio-Economic drivers of climate change workshop in Venice, Italy, 11th-12th December 2008

The Fondazione Eni Enrico Matei and the University of Geneva, under the EU Integrated Project "Ensembles" are organizing a Workshop on the Socio-Economic Drivers of Climate. The Workshop aims to provide an overall introduction on economic models and tools, useful in the context of climate change analysis, and to present some recent findings obtained in the Ensemble-based Predictions of Climate Change and their Impacts project.

Further details:

http://www.unige.ch/climate/Projects/ENSEMBLES-RT8/Workshops/Venice08.html

International Conference on Green Taxes in Copenhagen, Denmark, 29th January 2009

The Conference will take place from 9.30 a.m. till 04.00 p.m. in Landstingssalen, Christiansborg. Registration before 26th January 2009 to mailto:annemette@ecocouncil.dk. The Conference is launched by The Danish Ecological Council in co-operation with Green Budget Europe and Concito. The conference language is English. Questions concerning the conference, contact Anne-Mette Wehmüller: mailto:annemette@ecocouncil.dk or (0045) 33 18 19 38. The Ecological Council (Det Økologiske Råd) is an NGO founded in 1991. The main objective is to promote sustainable patterns of development, were environmental concerns, social justice and human well-being are main focal points.

The programme of the conference:

http://www.foes.de/en/downloads/Events/KonferenceLandstingssalen301008englishversion.pdf

RIO 9 and LAREF 2009, Rio de Janeiro, Brazil, 17th-19th March 2009

RIO 9 – World Climate & Energy Event together with LAREF 2009 (Latin America Renewable Energy Fair) in Rio de Janeiro, Brazil. The purpose of the event is the promotion of renewable energies such as wind and solar power to combat climate change and to accelerate the transition to a global sustainable energy supply. As the former RIO events in 2002-06, RIO 9 will be a meeting point for leading scientists, politicians, the public and decision makers from the industry. Among all renewable energies such as wind, solar, biomass, geothermal and hydro, RIO 9 will have a focus on photovoltaic power.

Further details:

http://www.rio9.com

12th Energy and environment international trade fair in Madrid, Spain, 12th-14th May 2009

Genera'09 announces the second Innovation Gallery. The Innovation Gallery at Genera'09 will demonstrate some of the main investigations of today regarding renewable energy and efficient energy.

This initiative of Genera will offer the opportunity of recognition and collaboration for professionals and institutions from the research world, considered to have an essential role in this sector. Moreover, it seeks to contribute towards providing better knowledge of the research projects underway for their future beneficiaries – businesses

and professionals from the energy sector and society in general.

The Innovation Gallery at Genera'09 includes a selection of projects completed by companies as well as private and public organisations. Deadline for the project presentation will be January the 30th 2009.

Further details:

http://www.ifema.es/web/ferias/genera/pdfs/galeria_inov_i.pdf
Project Presentation Form:

http://www.ifema.es/web/ferias/genera/pdfs/ficha_productos_i.pdf

The Copenhagen Climate Exchange 2009, Copenhagen, Denmark, 26th-29th November 2009

The Copenhagen Climate Exchange 2009 offers you an opportunity to share your visions and experiences on how to fight climate change with an international audience. NGOs, cities and innovative enterprises from across the World gather in Copenhagen to exchange ideas. Thousands of visitors and international media exposure will be expected. The Copenhagen Climate Exchange 2009 is a four day event leading up to COP15, the official UN climate summit in Copenhagen, December 2009.

Further details:
http://www.cphco2009.dk

8. IMPRINT

Best wishes from the founders and the editors!

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