

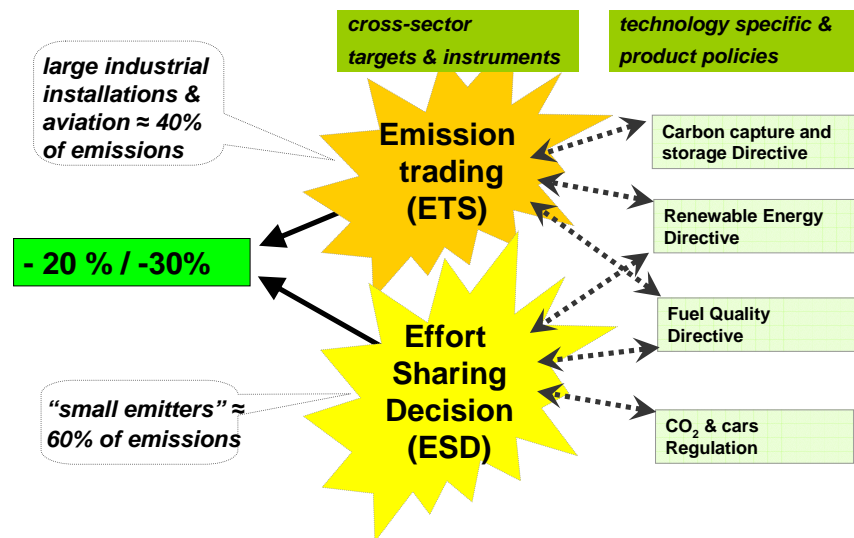
# ETR and ETS in the context of the EU climate and energy policy

17 July 2009, London  
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*The views expressed in this presentation are those of the author and may not in any circumstances be regarded as stating an official position of the European Commission*

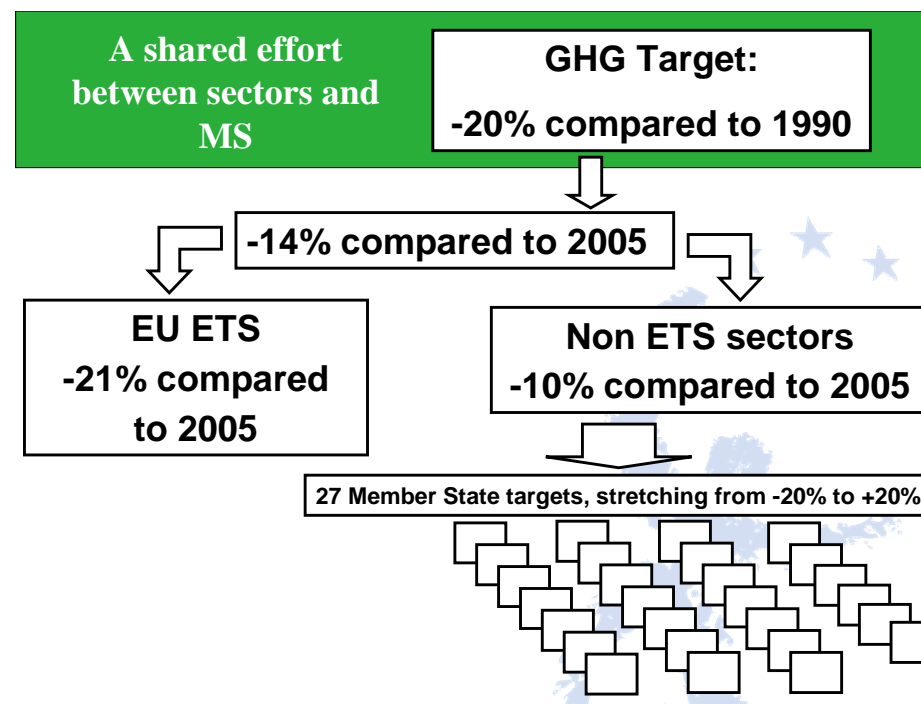


## Overview of the Climate and Energy Package



## ETS – Results of review

- Review just finalised, key changes apply from 2013:
- **Widening of scope** to large industrial emitters: chemical industry and aluminium; aviation sector
- Inclusion of **further GHG**: nitrous oxides, Perfluorocarbons
- Creates **additional opportunities** for emission reductions, lower costs, higher efficiency.
- **One emission ceiling in EU**, no more national allocation plans. Linear decrease of allowances each year
- **Auctioning** as basic allocation principle, with exceptions



## Environmental taxes to help reach climate targets

- Beyond ETS sectors, binding emission limits for each MS through **effort sharing** decision. Enforcement mechanism
- **Environmental taxes one key instrument** to achieve them.
  - Scope for increases?
  - Public acceptability
  - Taxation vis-à-vis ETS
  - Background of the economic crisis



## Share of environmental taxes in total taxes

EU-15/EU-27	1980	1995	2007
Energy taxes	4,2	5,4	4,5
Transport taxes	1,4	1,4	1,5
Pollution taxes	0,2	0,2	0,2
<b>Environmental taxes</b>	<b>5,8</b>	<b>7,0</b>	<b>6,2</b>



Source: Eurostat, 2009



## Acceptability issues

- Perception of **high tax burden** in EU
- Concerns about **competitiveness** and **distributive** effects
  - Thus further increases challenging
- **Revenue recycling** as an approach to enhance acceptability:
  - lump-sum transfers (e.g. FR plans for carbon tax)
  - ETR
- **Harmonisation** at EU level to help address competitiveness issue and efficiency of system



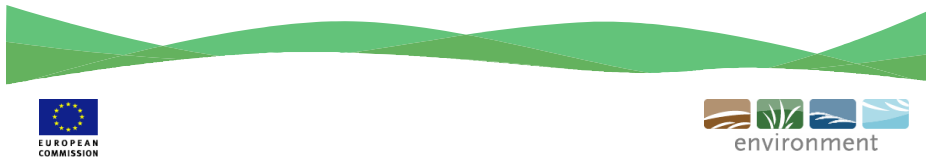
## Sources for an ETR

- **Charges?** Generally payment for provision of specific service
- **Taxation and auctioning revenue** as potential sources:
  - ETS review left use of auctioning revenues to MS – half should be used for fighting climate change or alleviating social consequences.
  - MS free to decide on use of revenue from environmental taxes
- Context of **economic crisis**: Major increase in public debt. Significant future revenue needs => environmental taxes/auctioning revenue as potential source



## Review of energy products tax directive

- First ideas discussed in *MBI Green Paper*
- **Objective:** ensure that that tax rules are more targeted towards environmental and energy policy objectives
- Possible **issues:**
  - Better address energy and environmental objectives - “split minimum rates”
  - Ensuring comparable incentives for ETS and non-ETS
  - Interaction between EU-ETS und energy taxation: Question of tax treatment of ETS participants under free allocation



## Community fiscal initiatives in the transport area

- Important and **growing source** of CO<sub>2</sub> emissions and of air pollution, noise and congestion.
- **Charges:** Eurovignette directive on infrastructure charges, Local systems of congestion charges.
- **Taxes:** Commission proposal on car taxation: introduce CO<sub>2</sub> element in circulation taxes.  
=> Forms part of **Community strategy** to reduce CO<sub>2</sub> emissions from passenger cars.



## Further information

### *Studies on Environmental Taxation issues:*

- <http://europa.eu.int/comm/environment/enveco/studies2.htm#taxation>

### *OECD/EEA database on environmental policy instruments:*

- <http://www1.oecd.org/scripts/env/ecolnst/index.htm>

### *Green Paper on market-based instruments for environment and related policy purposes (+report)*

- [http://ec.europa.eu/environment/enveco/green\\_paper.htm](http://ec.europa.eu/environment/enveco/green_paper.htm)

### *EEA report on economic instruments in environmental policy*

- [http://reports.eea.europa.eu/eea\\_report\\_2006\\_1/en](http://reports.eea.europa.eu/eea_report_2006_1/en)

