Brussels, 30th June, 2010

Concerning: call for formation of High Level Forum on Mobilisation of Market-Based Instruments for Environment

Dear Commissioner Semeta,

With this letter we call upon you to initiate a High Level Forum on Mobilisation of Market-Based Instruments for Environment. Such a Forum could assist the Commission and the EU Member States in moving forward in environmental tax and subsidy reforms and explore and propose specific measures to use taxation, subsidies and other financial instruments to further environmental objectives. Such a Forum is not a new idea in the Commission and with the current pressure on national budgets it might be the right time to combine ways of tackling the ecological and economic crises. As in fiscal matters Member States tend to have a defensive attitude towards Commission initiatives, it is important that such a Forum is set up differently from the existing Tax Forum of Member State representatives, so that creative discussions can take place and solutions can be found that gain public and political support. The European Environmental Bureau (EEB), Green Budget Europe (GBE) and the European Federation for Transport and Environment (T&E), offer their assistance in setting up such a Forum and its functioning. To start with, in this letter we explain our idea further.

In its Green Paper “on market-based instruments for environment and energy related policy purposes” of 2007, the previous Commission suggested the possible establishment of an MBI (Market Based Instruments) Forum, “to improve the structured exchange of information between Member States on their best practices in the area of MBI in general and environmental tax reform in particular”. It asked for feedback from stakeholders on this idea. The Commission has not published an overview of responses, but the EEB and T&E were amongst the stakeholders who supported this idea. In its response, T&E noted that “MBIs have to be seen as critical tools to implement a full internalisation of external social and environmental costs of transport, contributing to a sustainable development of the sector.” EEB made practical suggestions as to the purpose and composition of an MBI Forum: In its response to the Green Paper it wrote that the forum should ensure an exchange of best
practice, promote and support discussions and solutions to identified or potential obstacles to the advancement of environmental fiscal reform at national and EU level, and promote information and communication of environmental fiscal reform campaigns at national level. According to the EEB, “the forum should be representative, comprising selected officials from the institutions (Commission, European Parliament), representatives or experts from Member States, academia, civil society organisations as well as other interested people, and its work should be publicly-accessible. The Commission could coordinate the forum and financial and other support, but should in no way limit the scope of the forum’s recommendations. The Commission could also consider organising regular ad hoc meetings of high-level experts to discuss where and how MBI can be used for environmental and energy policy and investigate their effectiveness.”

The Commission however has so far not announced any steps. And as a result, in October 2009 the Environment Ministers Council called upon the Commission to “establish an Open Forum for exchange of experiences between Member States on such instruments before mid-2010, as foreseen in the Commission’s green paper on market-based instruments.”

The Council made this call as part of a set of proposals to mainstream eco-innovation in the EU, in particular in the framework of what is now called the Europe 2020 Strategy. This call should be taken as support from Member States for such a forum, and a reconfirmation that market-based instruments play an essential role in moving to a low-carbon and resource efficient economy, and that current efforts in the EU are insufficient.

EEB, GBE and T&E therefore call upon you to seek Commission agreement for the following setup:

A high level group for the promotion of market-based instruments for the environment:
- Composed of some 30 individuals in a personal capacity, all with a positive attitude to such instruments in principle, coming with the following backgrounds: member states with practical experience, academia, civil society organizations, progressive business organizations (eg. World Business Council for Sustainable Development).
- Chaired by an independent expert of high standing.
- With an independent secretariat of five persons.
- With a five year mandate to provide advice at the request of the Commission or the Council of Ministers or on its own initiative.
- With a mandate reflecting the scope of the 2007 Green Paper, i.e. not only focussing on energy and transport-related taxes and subsidies, but also including e.g. land use, waste policy.
- With the authority and the means to organize ad-hoc working groups and conferences or seminars with representatives of Member States, Commission, business organizations and others on specific issues.

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1 Council Conclusions Towards Sustainability: Eco-Efficient Economy in the context of the post 2010 Lisbon Agenda and the EU Sustainable Development Strategy, 2968th ENVIRONMENT Council meeting, Luxembourg, 21 October 2009
The mandate should include the following elements:

- Collection of evidence about national taxation and subsidy arrangements that undermine EU environmental objectives;

- Analysis of good national practice in environmental fiscal reform, its social dimensions, its environmental impacts, its limitations due to absence of a harmonized EU approach in its applicability in other countries, its impact on European competitiveness and economic performance;

- Analysis of the interaction of environmental fiscal reform with other market instruments (e.g. the European Trading System, or the Kyoto mechanism) or European legislation of equivalent effect. Proposals to remove unwanted overlapping, coordinate actions and impact and generally harmonise the operation of such instruments.

- Promotion of good practice in direct dialogue with national government officials as well as national civil society organizations, academics and business.

- Potential, practical implementation and further scope for environmental fiscal action in areas other than energy and transport (where the amounts of money mobilized are likely to be much less but the environmental impact considerable).

- The potential of environmental fiscal reform in relieving budget deficits of national governments.

- Proposals to the Commission and the Member States for coordinated steps in environmental fiscal reform, for example through Open Method of Coordination in the light of the Europe 2020 Strategy.

Yours sincerely,

John Hontelez
Secretary General European Environmental Bureau

Also on behalf of

Anselm Görres
Chair Green Budget Europe

Magnus Nilsson
Vice-President European Federation for Transport and Environment