

GreenBudgetEurope

European expert platform on environmental taxation and green fiscal reform

ACTIVITY REPORT

GREEN BUDGET EUROPE 2011

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1. Introduction

Green Budget Europe (GBE) is a European expert platform on Environmental Fiscal Reform (EFR) and Market Based Instruments (MBI). GBE works to promote debate and push for political progress on the implementation of EFR measures internationally, at EU level, and in individual European states. GBE is well-known amongst experts working on EFR, as well as amongst stakeholders working in the field.

GBE is currently running a project to promote ETR as a measure for fiscal consolidation - the Carbon and Energy Tax Reform in Europe (CETRIE) project - which will present the project findings at the highest level and build on existing contacts in European Finance and Environment Ministries. GBE is moving towards becoming a think tank on MBI policy issues, and produced a study commissioned by the World Bank in 2011. GBE is also developing an increasingly strong media network and campaign capacity.

The 2008 launching conference for GBE entitled "MBIs for the Environment – Prospects for Progress in the EU" focussed on dismantling Environmentally Harmful Subsidies and the EU Energy Tax Directive. Since then, the organisation has organised three annual conferences, all of them

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making clear that GBE is a growing project and a growing network of experts united in their support of EFR as an effective policy tool, and confident that the large body of both theoretical and practical knowledge of EFR should be applied more frequently and with more tenacity in European countries and beyond.

2. Aims and objectives

The primary objective of GBE is to enable the European Member States and so the EU as a whole to fulfil their climate targets and to work hard to ensure that average global temperatures do not increase by more than 2°C. To this, end we are aiming for:

- the cooperative development of new concepts of economic instruments in environmental policy with our European partners,
- the evaluation of existing and already implemented instruments,
- the improvement of existing instruments in environmental policy,
- and the active dissemination and circulation of those concepts within the EU Member States and on the European and global level. This includes the organisation of conferences, the publication of policy papers and the dissemination of our work in the media and in the internet.

GBE focuses on MBI for environmental policy, which incentivise higher energy efficiency and the reduction of CO₂-emissions, e.g. carbon-energy taxation, environmental fees and charges, emissions trading, heavy vehicle charges, deposit-refund schemes, and many other measures.

An important element of GBE's objectives is the removal of environmentally harmful subsidies, e.g. reduced tax rates for company cars, while supporting the limited and targeted application of green subsidies, e.g. feed-in tariffs.

GBE focuses on green measures to support the recovery, arguing that measures relating to the financial crisis should take sustainability criteria into account. Much of GBE's work focuses on the significant contribution environmental taxation and subsidy reform can make to fiscal consolidation.

GBE also campaigns for an EU budget that takes climate, environment and sustainability issues into account and supports partner organisations in their campaigns to improve European budgeting and spending.

The long term result of these activities will be to advance innovative and sustainable consumption and production patterns in all relevant sectors of European economy and society. These objectives relate directly to the objectives of the 6th EU-Environmental Action Plan and the Europe 2020 Strategy.

3. GBE-hosted events in 2011

12th Global Conference on Environmental Taxation (GCET): “Market Instruments and Sustainable Economy”

20th – 21st October 2011, Madrid, SPAIN

In the run-up to the 12th GCET, Green Budget Europe contributed to the marketing and advertising of the event. Several members of the GBE Steering Committee and staff gave papers at the event, including President Dr. Anselm Goerres and Jacqueline Cottrell. Vice President Professor Paul Ekins gave a keynote speech on tax reform in Europe.

Evaluation: GBE visibility was adequate at the event. Conference publication will include chapters written by GBE staff and members, who also acted as reviewers for submitted papers. GBE and its parent organisation GBG have been invited to host the conference in 2014.

GBE Annual Conference: "Taxation, Innovation and Communication: Enhancing the prospects for green fiscal reform"

15th – 16th September 2011, Copenhagen, DENMARK

The fourth GBE annual conference was organised together with the Danish Ecological Council and took place in the premises of conference sponsors the European Environment Agency. Other sponsors were Rockwool International, the European Environmental Bureau, and the think tank Concito. The conference brought together a large and varied audience to discuss:

1. The revision of the Energy Tax Directive proposed by the European Commission.
2. Ways of using Environmental Fiscal Reform (EFR) to drive innovation to bring about the production and consumption of green and energy efficient products
3. How to improve the communication of EFR

Evaluation: Keynote speakers included Martin Lidegaard, now Minister for Energy and Climate Change in Denmark and Climate Action Commissioner Connie Hedegaard. Interviews on EEA website of conference speakers have been viewed on the EEA You Tube channel more than 1,100 times.¹ More than 100 participants in total, including 40 paying participants, attended the conference. Fees and sponsorship covered all costs, including all staff costs for the organisation of the conference.

The conference was in the press, in Danish-language publications, as well as in International Tax Review and in ENDS Europe Daily, links to press articles as follows:

- http://www.foes.de/pdf/GBE_2011_09_26_How%20will%20environmental%20taxe....pdf
- http://www.foes.de/pdf/GBE_2011_09_23_InternationalTaxReview_Climate%20commissioner%20backs.pdf
- http://www.foes.de/pdf/GBE_2011_09_20_Revised%20Energy%20Tax%20Directive.pdf
- http://www.foes.de/pdf/GBE_2011_09_19_ENDS%20Europe%20%20EU%20energy%20tax.pdf

21st Economic Forum: Discussion Panel on "Revising the Energy Tax Directive – prospects and progress"

07th – 09th September 2011, Krynica, POLAND

The annual Economic Forum in Krynica is the equivalent of the economic forum in Davos in Eastern Europe. GBE was an institutional partner and hosted a discussion panel entitled "Revising the Energy Tax Directive – prospects and progress" to discuss the strengths and weaknesses of the Commission's proposal for revision and to explore possible changes to the existing proposal.

The panel was chaired by Andrzej Czerwinski, Polish Member of Parliament and Chair of the Parliamentary Group for Energy Policy. Speakers included András Lukács, Vice President of GBE and President of the Clean Air Action Group, Hungary; Magnus Nilsson, Sweden, Senior Policy Officer, Transport & Environment; Claudia Bettiol - Professor, University of Rome "Tor Vergata", Italy;

¹ The EEA video channel is online here: <http://www.youtube.com/user/EEAvideos/videos>.

Hans Larsen - Head of Division, Ministry of Taxation, Denmark; and Angelika Werthmann - European Member of Parliament, Austria.

Evaluation: The panel was attended by only about 20 participants, perhaps because the Energy Tax Directive was not an attractive to the audience (in many countries, the Directive has not been discussed in political circles, but has been kept under wraps). Nevertheless, the quality of the discussion was excellent.

Meetings with the Polish EU Presidency

May 2011, Warsaw, POLAND

This meeting included a series of events, organised in cooperation with the Institute for Sustainable Development and the organisation DEMOS, on energy efficiency and the Energy Tax Directive. GBE Vice President Kai Schlegelmilch met the Environment Minister and staff from the Finance Ministry, as well as a number of journalists and others, to raise awareness of EFR issues in the run-up to the 2011 Polish Presidency of the EU Council.

Evaluation: The meetings were conducted at a high level and the reaction of the media was positive. However, Poland remains strongly opposed to the Energy Tax Directive.

Workshop: “Is the tax treatment of company cars environmentally harmful in the European Union?”

28 February 2011, Brussels, BELGIUM

This workshop was organised in cooperation with the European Environmental Bureau (EEB) and DG TAXUD, the Directorate General Taxation and Customs Union of the European Commission. Aim of the workshop was to analyse the impacts of current European taxation rules of company cars on the environment, welfare and our fiscal systems, e.g. in terms of lost revenues. The aim of the event was to bring information about company car taxation to a wider audience and to put this in the context of the broader issue of environmentally harmful subsidies in the transport sector and the current G20 process working towards phasing out subsidies for fossil fuels. European experts both academic and political from over Europe e.g. Hungary, the Netherlands, Denmark, Greece and the UK gave insights in their countries' taxation rules and exchanged ideas for reform.

Evaluation: The workshop was very well attended (approximately 90 participants), with many representatives of European Finance Ministries. The content was excellent. Media interest in the workshop was high on the back of a joint GBE / EEB press release, please see:

- http://www.foes.de/pdf/CCT_Press_Release.pdf
- http://www.foes.de/pdf/CCT_Ends_europe_daily.pdf

4. Other activities

Launch of CETRiE project

1st December 2011, BERLIN, Germany

The Carbon and Energy Tax Reform in Europe project (CETRiE) began on 1st December 2011 and will run, in its first phase, until June 2012. The project is a partnership between the European Climate Foundation and GBE in association with the consultancy Vivid Economics. The basis of

the project is a major new study on energy and carbon taxation in Europe, which GBE will use as a basis for an EU-wide campaign in favour of EFR against the political background of the revision of the EU Energy Tax Directive. The aim of the campaign in particular is to highlight the advantages of Environmental Tax Reform in comparison to alternative revenue-raising instruments.

The project will encompass 7 high-level workshops on the CETRIE research findings and a number of smaller meetings within Finance Ministries in the project's target countries - the UK, France, Germany, Poland, Hungary and Spain.

Evaluation: too early for evaluation at this stage.

Meeting with Danish Presidency

06th December 2011, COPENHAGEN, Denmark

In the first half of 2012, Denmark will hold the Presidency of the European Council. For this reason, the EEB invited delegates from its member organisations to attend a workshop to meet the Danish Environment Minister, Ida Auken, and discuss the Presidency with her, as well as to develop the EEB's ten tests for the EU Presidency.

At the same time, GBE manager Jacqueline Cottrell also met Hans Larsen, Head of Division in the Danish Ministry of Taxation, to discuss the ongoing negotiation of the revision of the Energy Tax Directive and to exchange information and insights on their possible course.

Evaluation: The EEB ten tests for the Presidency reflected GBE's objectives: the Energy Tax Directive, EFR and fiscal consolidation, a green recovery. Networking was excellent, meetings with Larsen and Lundsgaard - new useful partners in Danish government.

Call for the formation of a Green Budget Asia Platform

November 2011

Asia as a whole and South-East Asia in particular is a region that enjoys considerable dynamic in favour of EFR and green growth. For this reason, GBE called for the set up of a similar project to GBE in the Asian context. Initial reactions were overwhelmingly positive, and further steps are planned for 2012.

Evaluation: More than 20 positive responses and expression of interest from i.a. UNDP, Green Growth Korea, UN ESCAP, the Chinese Academy for Environmental Planning (CAEP), OECD, and from University Professors in China, India, and Japan.

"Resource Efficiency or Bust: Towards a Smarter, Greener and Fairer Economy", EEB annual conference

20–21 October 2011, Brussels, Belgium

GBE Vice President Aldo Ravazzi represented Green Budget Europe in a panel discussion on the Annual Growth Survey and the European Semester, which set out to explore ways to influence and 'green' the process and to use it to improve resource efficiency.

Evaluation: GBE had prominent role on the podium. Further campaign work is anticipated on the Annual Growth Survey in 2012.

Indirect Tax Forum 2011, organised by the International Tax Review

21-22 June 2011, London, UNITED KINGDOM

International Tax Review is a well-trusted publication and online resource for latest developments in tax and changes in policy. The continued efforts of governments to improve the health of their economies and the growing importance of indirect taxes as source of revenue, provided the background of the 2011 Indirect Tax Forum. Kai Schlegelmilch, Vice-President of GBE, was invited to speak in the panel on “Environmental taxation” and discussed whether Border Tax Adjustments can help to address the problem of carbon leakage.

Evaluation: GBE had prominent role on the podium. Useful networking to Treasury contacts in the UK, as well as business and journalists from International Tax Review.

World Bank commissioned paper on Ecological Tax Reform in Europe and Central Asia

May-July 2011

This paper, commissioned by the World Bank, set out to analyse the prospects for ETR to contribute to the reduction of GHG emissions in the context of Europe and Central Asia. It concluded that while in many countries structural reforms are necessary to ensure that cost-coverage of energy and water supplies, that there was considerable potential in the future for ETR to play an important role in incentivising energy efficiency improvements.

Evaluation: Paper will be published in *Critical Issues in Environmental Taxation*, Edward Elgar, forthcoming in 2012. Reviewers were satisfied that the paper gives a good general overview of policy and potential in the region.

5. Policy and Position Papers of Green Budget Europe

- 11/2011 -- “**A Green Recovery for Greece and for Europe**”
GBE-President Anselm Görres and Yannis Palaiokrassas, member of GBE’s Advisory Board and former EU Commissioner for the Environment, comment on the European debt crises and the way out by Environmental Tax Reform.
http://www.foes.de/pdf/2011-11_Green_Recovery_for_Greece_and_Europe_%20AG_YP_FINAL_V04.pdf
- 11/2011 -- “**Environmental Fiscal Reform (EFR) – The key to achieving a green economy**” – Contribution to Compilation Document for Rio +20 Conference
Relevant stakeholders, Member States, political groups and UN system organizations were invited to provide inputs for the Compilation Document, which serve as basis for the zero-draft of the outcome document for the United Nations Conference on Sustainable Development (UNCSD, Rio+20).
http://www.foes.de/pdf/2011_11%20GBE_demands%20for%20Rio+20.pdf
- 06/2011 -- “**Proposals for an effective revision of the Energy Tax Directive**”
This position paper was set up in cooperation with the European Environmental Bureau (EEB) and Transport & Environment (T&E) in the context of a new proposal of the European Commission on the Energy Tax Directive.
http://www.foes.de/pdf/Energy_Tax_Directive_2011revision-joint_GBE_EEB_TE.pdf

Evaluation: The paper on Greece was published in a broadsheet newspaper - the *Süddeutsche Zeitung*. Other papers were circulated through GBE distribution lists and placed on the GBE web-

site. The paper on the ETD has been very widely read, as evidenced by references to it in workshops and meetings with e.g. permanent representatives in Brussels, MEPs.

6. Letters to EU decision makers

- 24th October 2011 -- Letter sent to Ministers of Finance and Environment, to Permanent Representatives of EU Member States in Brussels, to rapporteurs in the Committee of Economic and Monetary Affairs and the Committee on Industry, Research and Energy: "**Revision of the Energy Tax Directive**".

In this letter GBE, EEB and T&E call on EU Member States to fill the existing gaps in Commission's proposal on Energy Tax Directive, for example by delete the tax ban on fuels for aviation, shipping, production of electricity or by a minimum tax on nuclear fuel.

- 17th March 2011 -- Letter to European Commissioner José Manuel Barroso: "**Roadmap for the reform of environmentally harmful subsidies**".

This letter was set up together with various NGOs in the context that the Commission has stopped working on roadmap for a reform of environmentally harmful subsidies and thereby ignores requests of the European Council and Parliament.

A number of additional letters were sent in correspondence relating to these initial contacts, but contents have not been published as the exchange was confidential.

Evaluation: Correspondence regarding the Energy Tax Directive and subsequent lobby work carried out by Magnus Nilsson, of the GBE SteeCOM and T&E, seems to have influenced an unexpectedly favourable ECON committee report in the European Parliament on the revision of the Energy Tax Directive. The length of correspondence on the subject of environmentally harmful subsidies indicates interest in the topic raised and the advantages of acting within a large coalition.

7. Responses to EU consultations

- GBE response to EU consultation on the Green paper on the future of VAT
http://www.foes.de/pdf/GBE_Consultation_Response_VAT.pdf
- GBE response to EU consultation on the Roadmap for a Resource Efficient Europe
http://www.foes.de/pdf/GBE_Consultation_Response_ResourceEfficiencyRoadmap.pdf
- GBE response to EU consultation on the Energy Roadmap 2050
http://www.foes.de/pdf/GBE_Consultation_Response_EnergyRoadmap2050.pdf
- GBE response to EU consultation on the Low Carbon Roadmap 2050
http://www.foes.de/pdf/GBE_Consultation_Response_LowCarbonRoadmap2050.pdf

Evaluation: Unlike 2010, GBE did not receive any direct Commission feedback on its consultation responses in 2011. However, it is known that several key GBE demands were included in the draft version of the *Roadmap for a Resource Efficient Europe*, although the majority of these were watered down in the final document. For example, a call for a 10% shift towards environmental taxation was replaced by the wording "major shift" in paragraph 3.4.2. Nevertheless, that the target was in the original Commission document is significant. Still remaining is the milestone in paragraph 3.4.1. to phase out Environmentally Harmful Subsidies by 2020.

8. Summary and outlook to 2012

Although GBE is a rather young project, it has already become well-known in Brussels and many European Member States. EU Directorate Generals and EU Commissioners, as well as Member State governments, have been willing to work with GBE on projects, workshops and meetings. In 2011, GBE's press presence improved, with conferences, workshops and opinions of GBE appearing in the press more regularly than in previous years (see above for details and links). The joint GBE / T&E / EEB policy paper on the Energy Tax Directive has been very widely read by decision-makers and within the NGO community. The annual conference in Denmark generated a series of video interviews which have been viewed more than 1,100 times and established strong links with the incoming Danish EU Presidency.

GBE has attended meetings with key decision-makers in the EU, including Commissioners Šemeta (TAXUD), Potočnik (Environment), and Oettinger (Energy). These Commissioners and also Commissioner Hedegaard (Climate Action) have participated at GBE events. GBE has succeeded in bringing together experts from many different fields to compare and contrast their experiences with EFR on a regular basis. GBE membership is on the increase, although some country delegations are unable to find the funds to pay their fees. Each conference or event organised or attended has increased the size of the GBE network, and we are receive many invitations to speak at very different kinds of conferences, which reflects a growing interest and awareness in favour of environmental taxation.

We hope to build on this success in 2012. GBE is hoping to be closely involved with the organisation of the European Commission's 2012 MBI Forum and to present the findings of the CETRiE project there, as well as organising one or more workshops on ETR in each of the 6 targets countries of the CETRiE project in the first half of 2012. GBE will also meet with the Cyprus and Ireland Presidencies. The GBE annual conference will be held in France in autumn 2012 (detailed planning is still underway).

The increasingly international nature of GBE is also reflected in the organisation's involvement in the Rio+20 summit and negotiations, taking place in June 2012. GBE will be hosting a side-event at the summit, as well as working in partnership with the European Environment Agency to make a series of video interviews on visions of a green economy for distribution on the internet in the run-up to Rio.

2012 has already begun with a change. Kai Schlegelmilch has taken a temporary leave of absence from his post as GBE/GBG Vice-President to work on the CETRiE project. He will be supported by GBE's new Policy Officer, Constanze Adolf.

9. Annex: Structure of Green Budget Europe

The structure of GBE consists of different roles held by committed individuals. Every Member contributes according to their personal preferences and competencies. Individuals do not only represent themselves, but indirectly organisations or institutions which they are associated with. But they work with GBE as independent personalities in the sense that they are not delegates chosen and sent by an organisation but responsible individuals with their own convictions and activities.

„**Patrons**“ (VIPs) are prominent people and multipliers, that can open doors and support us, but are not expected to cooperate on a day-to-day basis. They represent GBE in their institutions and in the public of their country. We hope to identify one VIP per country.

„**Active Members**“ (AMs) are renowned MBI experts, that will fulfil a part of the organisational and strategic tasks of GBE. We expect a close cooperation between all AMs. They are our most important partners in every country. There will be 1 to 3 AMs per country.

The „**Steering Committee**“ (SteeCom) is a subset of the active members. It is defined as the leading body of GBE, in which decisions will be made. It should encompass not more than 15 persons from eastern and western Europe, women and men, from bigger and smaller countries.

The „**Council of Experts**“ (ConEx) will be constituted by further experts. They will be the intellectual base of GBE in European Countries and beyond. They could also be recommended as conference speakers for non-GBE-events or as MBI-Consultants.

The „**Office**“ (Off) is the GBE working-level and for the time being identical with the GBG-Team.

Other potential partners and contacts will be organized in the „Circle of Friends“ (Friends). They receive priority information and, among other purposes, allow the affiliation of individuals from institutions that do not permit more active cooperation. This applies mostly to civil servants and other officials.

„**Sponsors**“ are persons or institutions who contribute financially to GBE. The role of a sponsor can be combined with any other role listed above. The sponsors do not form an own body.

For practical ease, we have established an "**Anchorperson**" for each country "**delegation**", responsible for coordination and liaising within the delegation, so for operative purposes, the office will only have to deal with one person.