EUROPEAN ENVIRONMENTAL BUREAU / GREEN BUDGET EUROPE / TRANSPORT & ENVIRONMENT

2013 COUNTRY SPECIFIC RECOMMENDATIONS IN SUPPORT OF THE EU SEMESTER PROCESS

BE	Proposed Recommendation 2013	Justification
	Belgium should move progressively towards the elimination of the specific fiscal treatment of companies' cars and their fuel costs. It should align the taxation of the advantage of any kind with that of the wages and eliminate the benefits for private displacements with a company car. Previous changes improved the *structure* of the 'benefit in kind' by including the car's value and CO2 emissions, but kept its *level* very low. As a result the change has hardly increased revenue and lowered the subsidy. Belgium should significantly shift taxes from labour to less growth-distortive taxes including environmental taxes. To lower labour taxes Belgium can progressively eliminate fuel tax reductions e.g. in industry and apply the standard VAT to environmentally harmful products such as coal in household use.	Background information on the Belgium system of company car taxation can be found through the following link: http://www.bondbeterleefmilieu.be/page.php/15/show/708
	Belgium should take further measures to enhance the progress towards reaching the targets for reducing greenhouse gas emissions from non-ETS activities, in particular by ensuring a significant	Background information on this can be found through the following link: http://www.bondbeterleefmilieu.be/page.php/15/show/708

	contribution to this goal from transport. To reach this goal Belgium can increase the excises on diesel, increase the circulation tax for cars and vans and incorporate the health costs from air pollution and noise in addition to infrastructure costs into the kilometer charge for lorries that is currently in the design phase.”	

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DE	Recommendation 2013	Justification
	Shift 10 per cent of tax burden from labour to environmentally harmful conduct (e.g. causing CO_2 emissions) and resource consumption in a budgetary neutral way.	Green taxation does not only help to achieve environmental goals cost-effectively, it also may raise significant revenues with less detrimental macro-economic impact than other forms of direct and indirect taxation. A tax shift could render Germany's economy more growth-friendly, foster green innovation and contribute to maintaining a balanced budget. *Vivid Economics (2012): Carbon taxation and fiscal consolidation: the potential of carbon pricing to reduce Europe's fiscal deficits* http://www.foes.de/pdf/2012-05_CETRiE_Carbon_Pricing_Report_web.pdf *FÖS (2011): Zuordnung der Steuern und Abgaben auf die Faktoren Arbeit, Kapital, Umwelt (German tax structure)* http://www.foes.de/pdf/2011-08%20Steuerstrukturpapier.pdf
	Phase out **exemptions and reduced tariffs for industry** on energy consumption concerning electricity tax, EEG apportionment and network charges, amounting for revenue losses of approximately 13 billion Euros in 2012. Legal rules need to be simplified and clear criteria need to be defined to classify energy intensive businesses exposed to international competition. Remaining reductions have to be linked to the implementation of energy management schemes and ambitious binding objectives in order to ensure progress regarding energy efficiency.	Justified by maintaining international competitiveness, these financial benefits keep energy costs low for industry while the financial burden is carried by consumers. For the industry, the fiscal incentive to improve energy efficiency is weakened. The legal rules are complex, costly in administration and inconsistent as they are not based on a uniform definition of energy intensive businesses. *FÖS and IZES (2012): Strom- und Energiekosten der Industrie. Pauschale Vergünstigungen auf dem Prüfstand* http://www.foes.de/pdf/2012-06-14-FOES-IZES-Verguenstigungen-Industrie-lang.pdf

	Reform **company car taxation:** the levy should be based on ecological effects and thereby reduce perverse incentives for higher car usage and purchase of more expensive vehicles. Tax deductibility of purchase and running costs must depend on increasingly strict CO_2 emission standards per kilometer. Instead of taxing private use of company cars at a flat rate, the levy should be based on usage.	By the current tax treatment of company cars, the German State creates a subsidy of about 4.6 billion Euros per year, undermining the effectiveness of environmental taxation. As only 40 per cent of annual registrations of new vehicles are private cars, company cars that are sold after a short time on the used car market have significant influence on the total German car fleet. *FÖS (2012): Steuerliche Behandlung von Dienst- und Firmenwagen – Ökologische und soziale Fehlanreize beseitigen* http://www.foes.de/pdf/2012-10-Themenpapier-Dienstwagenbesteuerung.pdf
	Harmonise **energy taxation** based on energy content and external costs of different sources in order to set technology-neutral framework conditions for the competition for highest energy efficiency at lowest environmental and health costs. Raise the diesel tax rate at least to the same level as the petrol rate. Regularly adjust the tax rates in line with inflation to ensure their incentive effect.	The current eco-tax is neither based on the carbon content of fuels nor on other environmental externalities. Diesel even benefits from a doubly reduced tax rate: the volume based levy on diesel is lower than on petrol, despite its higher carbon content (16 per cent) and the higher levels of local air pollutants it generates. This tax structure did not only lead to annual revenue losses of about 6.6 billion Euros (2008), it also induced changes in the car fleet. *GBE and The Green 10 (2012): On The Revision of the Energy Tax Directive* http://www.foes.de/pdf/18-04-2012__Letter%20to%20EP%20for%20plenary%20final.pdf *OECD (2012): OECD Environmental Performance Reviews: Germany 2012* http://www.oecd.org/env/environmentalcountryreviews/germany2012.htm
	Reduce **tax exemptions** and **environmentally harmful subsidies** (e.g. for kerosene and coal) distorting competition for the benefit of fossil energy sources by 2015.	The exemption of kerosene from both excise duty and eco-tax distorts competition in the transport sector and causes annual revenue losses of up to 7.2 billion Euros for Germany. Furthermore, such exemptions result in areas of the economy not being subject to any GHG-related price signal (i.e. neither the eco-tax nor the CO_2 allowance price under the EU Emissions Trading System which does not cover non-EU flights). While costs of renewable energies are reflected by the EEG apportionment on private energy bills, direct and indirect subsidies for fossil energy sources remain intransparent (e.g. 2.5 billion Euros for coal in 2008), making the energy transition appear costly.

		UBA (2010): Umweltschädliche Subventionen in Deutschland http://www.umweltdaten.de/publikationen/fpdf-l/3780.pdf *FÖS (2010): Staatliche Förderungen der Stein- und Braunkohle im Zeitraum 1950-2008* http://www.foes.de/pdf/Kohlesubventionen_1950_2008.pdf *FÖS (2012): Was Strom wirklich kostet* http://www.foes.de/pdf/2012-08-Was_Strom_wirklich_kostet_kurz.pdf
	Abolish **reduced VAT rates** (of currently 7 per cent or full tax exemption) on goods and services that are deleterious for health or environment. The taxation of national flights was an important first step to tackle market distortion in the German transport sector but should not diminish efforts to include international aviation as well.	Research and experience have shown that a broad application of reduced VAT rates is inefficient. It distorts consumption behaviour and results in fiscal revenue losses and higher administrative costs. Distributional concerns could be addressed more effectively by more targeted expenditure programmes. Hence, simplification and greening of the VAT system could eliminate perverse incentives for consumption and strengthen price signals, encouraging more sustainable purchasing and consumption behaviour. *COM (2012): Assessment of the 2012 national reform programme and stability programme for Germany* http://ec.europa.eu/europe2020/pdf/nd/swd2012_germany_en.pdf

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DK	Recommendation 2013	Justification
	Taxation: Restructure the registration tax for cars in order to provide better incentives for purchasing efficient vehicles without strongly increasing total car sales. Raise the tax on the least efficient cars to 6,000 DKK per km (806 Euro) but do not further decrease the tax on the more efficient cars – this should be kept on 4.000 DKK per km (540 Euro). The dividing line between efficient and less efficient vehicles should be increased by roughly 3 km, to 19 km/l for gasoline and 21 km/l for diesel cars, corresponding to approximately 126 g CO2 per km for both.	Denmark already in 2010 reached the EU goal for 2015 that new cars on an average must release below 130 g CO2/km. However, the reduction of emissions per car is to some extent outweighed by an increase in the number of cars. The current Danish registration tax has a strong carrot for efficient cars (540 Euro per km/l tax reduction) and a weak stick for inefficient vehicles (130 Euro per km/l tax increase). This system increases the total sales of cars and causes losses of revenue for the state. The registration tax is differentiated, with a dividing line at 150 g CO2/km for both gasoline and diesel cars. This dividing line is today very outdated, considering that the average for new cars is below 130 g CO2 per km.
	Taxation: Provide tax reductions for the best plug-in hybrid cars, meaning those with the longest range of the battery. The Danish tax exemption for electric cars should continue, also after 2015 (where it stops according to the present decision), until there are 100,000 electric cars on the roads.	In order to set incentives for a more sustainable car fleet, we need stronger support for hybrids that mainly rely on electricity (i.e. serial hybrids) compared to those mainly relying on fuel (parallel hybrids). The tax exemption serves as an important kick-off incentive for structural changes. The level of 100,000 electric cars corresponds to approximately 5% of the total car Danish car fleet.
	Taxation: Take into consideration to change a minor part of the registration tax into a higher ownership tax in order to increase the incentive to scrap old inefficient cars.	The Danish car ownership tax is also differentiated according to the fuel consumption of the car. As old cars pollute much more than new cars, this measure might the overall impact of the Danish car fleet.
	Reform company car taxation: the levy should be	As 40 per cent of annual registrations of new vehicles are company cars that are sold

	based on ecological effects and thereby reduce perverse incentives for higher car usage and purchase of more expensive vehicles. Company cars are taxed by 25% of the value until 40,000 Euro, but above only by 20%. To reduce the resulting distortion, the tax should be 25% below as well as above the limit. As the taxation for company cars is independent of usage, the current system incentivises driving longer distances. Better models should be considered, including electronic registration of company car driving.	after a short time on the used car market, company cars have significant influence on the total Danish car fleet. The current tax structure providing a regressive rate for expensive cars encourages buying costly vehicles which often consume more fuel per km. The Danish taxation of company cars is an income tax, trying to assess the value of having a free car from your employer. Employees often get a free car instead of a higher salary. Due to lower taxation, company cars cheaper than private vehicles, contributing to a distorted taxation system.

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FR	Recommendation 2013	Justification
	Subsidies: Remove the current 100 million € subsidy for refineries through the TICPE exemption and the 300 million tax rebate for trucks (energy tax- TICPE) Replace subsidies to producers in some sectors (agriculture, fisheries) by other types of income support.	Sectoral support via fossil fuel subsidies is not efficient, and artificially reduces the cost of fossil fuel uses, thus encouraging carbon emissions. "Decoupling" support, in a way similar to what has been done for other types of price support, is less distorsive, and carries better incentives (cf. above).
	Taxation: Index excise duties on fuels on consumer price inflation. Increase the excise tax on diesel fuel for cars in line with gasoline excise duty. Support the Commission's proposed revised directive on fuel taxation, including carbon content. Promote a new attempt at introducing a carbon tax.	This indexation would limit further erosion of revenues. Although the gap has been reduced, taxation of diesel fuel remains lower than that of gasoline, and taxation per ton of carbon emitted is much less. The new directive introduces excise taxation partly on the basis of carbon emissions. A previous attempt at creating a carbon was censored by the Constitutional court in 2009 for reasons of bad design. The current government has announced that it intends to raise and additional 3 Bn. Euros from environmental taxes starting in 2016. A new carbon tax would be the best instrument for such a purpose. It should be created earlier than 2016.
	Introduce a zero-rate loan for households to finance thermic isolation of housing and other energy saving investments Invest in energy saving techniques for low-income, subsidized housing.	Energy saving is the main source of emission reduction from the household sector. Energy saving investments would also reduce energy bills, especially for low and medium income households, making increased taxation more acceptable politically.

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IE	Recommendation 2013	Justification
	Taxation: Introduce a domestic property tax.	One reason for Ireland's fiscal imbalance was its dependence on transaction taxes (when properties were bought or sold) rather than a property tax. The government has committed to correct this by introducing a property tax in 2013. [This is unpopular with a majority of the public, whose incomes have already been reduced by a number of other measures]
	Taxation: Maintain the carbon tax on emissions from the non-traded sectors.	The tax was introduced in 2010 at rate of €15 per tonne of CO_2, increased to €20 in 2012. This has played a valuable role in avoiding the need to increase job destroying income taxes. There is pressure to provide exemptions, reduce the tax etc, which should be resisted. Also, special measures should be introduced to address the methane and nitrous oxide emissions from agriculture (over 40% of non-traded emissions)
	Subsidies: Introduce a basis for measuring water consumption by households (metering, etc.) as a basis for charging for water based on volume of consumption from 2016.	Households are not charged directly for water use – it is funded by central government. This means that there is no incentive to conserve water use, and the 'user pays' principle is not applied. Government is committed to correct this weakness [This is unpopular with a majority of the public, whose incomes have already been reduced by a number of other measures]

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ES	Recommendation 2013	Justification
	Reduce public subsidies to the use of national coal	Carbon subsidies in Spain in 2011 were 636 MM€. http://ow.ly/hiyo5
	Reduce the existing refund rate to diesel used in agriculture and fishing. If necessary to facilitate transition, support ecological transformation of these activities.	
	Assess the recently created taxes on energy, with possible suppression/reduction of new taxes on renewable energy sources.	Controversy surrounded the creation of new energy taxes by Ley 15/2012, de 27 de diciembre, de medidas fiscales para la sostenibilidad energética. During 2013 these taxes need to be assessed.
	Conceive an integral reform of the legal electricity framework, particularly suppressing the huge existing windfall profits for the nuclear and hydroelectric industry, which derive in an unreal deficit between recognized costs and actual costs.	One of arguments used for the creation of the new taxes introduced by Ley 15/2012 was the generation of revenue necessary to compensate tariff deficits (“déficit tarifario”). However the causes in the origin of this deficit remain untouched, that is the difference between recognized and actual costs of electricity producers. Being the electricity market a regulated oligopoly, the government should only recognize the real cost of the electricity companies, and define the tariff accordingly.
	Shift a relevant percentage of tax burden from labour to environmentally harmful conducts (e.g. causing CO2 emissions), possibly in a budgetary neutral way.	Double dividend. In the case of Spain, the huge unemployment rate and the excessive energy dependence (76.4% Spain vs 53.8% EU-27 average, in 2011), make this measure even more reasonable. In reality, energy dependence is even higher since these figures consider nuclear generation as a domestic source
	Reform company car taxation, suppressing certain existing exemptions.	
	Reform the vehicle circulation tax.	The vehicle circulation tax –which is a municipal tax– should also be dependent on the environmental performance of the vehicle, following the reform introduced in 2007 in relation to the vehicle registration tax.
	Suppress exemption of aviation fuel used in domestic flights and advance bilateral negotiations towards suppression exemption of aviation fuel used in transnational flights	

	Harmonise energy taxation based on energy content and external costs of different sources in order to set technology-neutral framework conditions for the competition for highest energy efficiency at lowest environmental and health costs.	
	Create a tax on disposable plastic bags	Some debate and interested in relation to this has been shown by some Spanish regions. Two of them have started addressing this question, and it may be worth harmonising the different regional present and future initiatives.

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HU	Recommendation 2013	Justification
	Prepare and implement an action plan, in consultation with the social partners and civil society, to substantially reduce tax evasion and tax avoidance. First of all reform taxation on car purchase and car use, and take serious measures to reduce VAT fraud.	According to the Commission "The Hungarian tax system is characterised by significant tax evasion as indicated by the large shadow economy and signs of undeclared work. The size of the shadow economy is estimated at nearly 24%, i.e. substantially above the EU average of 16%." NGOs (among others the Clean Air Action Group) already prepared a number of concrete proposals to reduce tax fraud, however, these were not implemented by the government. A large part of the tax evasion and tax avoidance is a stimulus for environmentally harmful activities (like excessive car use). It is estimated that the revenue foregone due to accounting the purchase and use of cars for private purposes as company car purchase and use equals to more than 5 % of the GDP. The revenue foregone due to VAT fraud is estimated to equal to around 2 % of the GDP.
	Prepare and implement an action plan, in consultation with the social partners and civil society, to substantially reduce corruption.	According to estimates by experts at the Hungarian Academy of Sciences, the economic loss caused by corruption in Hungary equals to 3 to 6 % of the GDP. Experts (including experts of several NGO's) already prepared a number of concrete proposals to reduce corruption, however, these were not implemented by the government. On the contrary, many measures were taken by the government and the Parliament, which, in fact, made corruption practices easier. Corruption is often linked to environmental harmful activities (e.g. illegal or economically unjustified real estate and other developments).
	Re-introduce a progressive personal income tax instead of the present flat-rate tax.	The introduction of the flat-rate income tax has further increased social inequities and worsened the state of the environment: this measure has increased the income of the groups with higher consumption than the average by 400 billion HUF annually. A significant part of their additional income has been spent on import, environmental polluting activities (for example, on bigger cars, more fuel, air travel). This measure aided those who had a job and for whom it was not a problem to find a job, thus it did not improve the employment rate either.
	Implement a distance- and pollution-based electronic toll system (ETS) for trucks on all roads	It seems that the implementation of the electronic road toll system initiated by the government came to a standstill. A cooperation with a country already operating such a

	in Hungary as soon as possible. Investigate the possibility of connecting this system to already existing system(s) in other countries.	system might reduce the time necessary for the implementation, result in lower costs, and would be beneficial for the users of trucks, too. It is recommended to implement the toll on all roads in order to avoid traffic diversion to secondary roads, which would cause serious economic and environmental damages.
	Substantially reduce state aid to companies.	Hungary has one the highest percentage (in relation to the GDP) of state aid to companies. This enormously distorts the market and often leads to increased environmental pollution.
	Withdraw the reduction of the prices of household energy and other utility services.	The reduction of the prices of energy and other utility services leads to more wasteful consumption and it increases social inequities (in absolute terms, the rich generally benefit much more from this measure than the poor). Social problems and possible excessive profits due to the natural monopoly of certain companies must be tackled by other means.
	Substantially improve the consultative role of social partners and civil society, and in all cases prepare well-documented assessments for the bills concerning the budget and taxation.	The consultation with social partners and civil society has been much weaker during the present government than during the previous ones. The main reasons for this are the following: 1. Civil society representatives were excluded from a number of bodies where they had a seat earlier. The present government either directly denied their representation or substituted it with false representatives. (An example of this practice is the National Economic and Social Council where the genuine representatives of the civil society were replaced by persons nominated by the government.) 2. Funding to NGO's was substantially reduced, first of all to national NGOs which were capable of seriously commenting government documents. Furthermore national funding for NGO's to produce studies, analyses of issues of national importance practically disappeared. Today NGO's have much less capacity to seriously take part in consultations with the government than a few years ago. 3. It became much more difficult for NGO's to make their voice heard. Their opinion appears in the press (especially in the television and radio) much less than e.g. four years ago. This is partly due to the reduced capacity of the NGO's, but mainly to the change of the attitude of the press towards NGO's. 4. Quite often the deadline given for the consultation is too short to make it possible to give well-based comments. It is not uncommon that important changes in legislation are approved within a few days or even a few hours following their

		submission to the Parliament. 5. Generally no background studies, impact assessments, calculations accompany the government proposals, and this often makes it impossible to properly evaluate these proposals. The budget bill is compiled in a way that makes it extremely difficult to compare its data with those of the previous years. 6. Often individual Members of Parliament submit bills, and the present laws in such cases require neither assessments, nor public consultation. 7. The government's replies to the NGO's comments are generally vague and lacking substantive information. In some instances no reply is given at all. Proper consultation with the stakeholders will lead to more stable public administration and better legislation. Foreign investors and also the Hungarian business sector regularly complain about unstable legislation and the misfunctioning of public administration, referring to them as causing unnecessary uncertainty and market distortion.
	Prepare an action plan with concrete measures and deadlines for implementation of all recommendations of "Guideline 5: Improving resource efficiency and reducing greenhouse gases" of the Council Recommendation of 13 July 2010 on broad guidelines for the economic policies of the Member States and of the Union (2010/410/EU).	Only a concrete action plan with detailed measures will lead to the implementation of the recommendations contained in Guideline 5. A number of studies (including several commissioned by the European Commission) have proven that the proper implementation of the recommendation in Guideline 5 might substantially contribute to achieving fiscal consolidation as well as the other goals set forth by the EU 2020 Strategy.
	Strengthen the capacity of all authorities so that their performance attains at least the average EU level.	Hungarian authorities were weakened during recent years to such an extent that they are not able to fulfil the tasks required by EU and Hungarian legislation. (See: http://www.levego.hu/en/news/2012/01/austerity_measures_forced_on_hungary_harming_european_citizens)This is detrimental also to the competitiveness of the Hungarian economy. This has a negative influence also on the efficiency of public spending as well as tax revenues.
	Reform the entire transport system to make it more cost efficient. Remove all direct and indirect subsidies to car and truck transport.	The previous CSR stated: "Reform the public transport system to make it more cost efficient." This was certainly a euphemism for cutting public transport subsidies. (This is underpinned by the fact that, as far as we know, neither the European Commission nor the Council did ever make any concrete proposals for "reforming the public transport system".) The direct subsidies to public transport form part of the state budget, so they

		can be clearly seen by anyone. However there are also huge indirect (hidden) subsidies in transport. The indirect subsidies to car and truck transport are much larger than the direct subsidies for public transport: according to one study (http://www.levego.hu/sites/default/files/social_balance_transport_hungary_20110131.pdf) they might even reach 10 % of the GDP. The European Commission must not be silent concerning a transport subsidy 10 times larger than that of public transport. It should urge the Hungarian government to completely eliminate the latter before considering any reduction of subsidies to public transport. It must be noted, too, that eliminating subsidies to public transport would certainly lead to its collapse in most of the country. In Budapest and its surroundings, which produce about 40 % of the Hungarian GDP, this would stifle the economy. It would also lead to a further increase of PM10 pollution. (According to a recent study commissioned by the European Environmental Agency, 16 000 premature deaths can be expected yearly in Hungary, if the present PM10 pollution will persist. The morbidity due to this factor is over one million yearly. The main source of PM10 is transport.) At present the European Commission is carrying out an infringement process against Hungary because of PM10 pollution surpassing the permitted limits! Moreover, the EEA, the European Commission and the European Parliament are recommending the improvement of public transport and railway services in order to reduce PM10 pollution.
	Substantially modify the use of EU funds as soon as possible: use public funds only for public goods, and not for subsidies distorting the market. Use a large part of the EU funds to implement the teachers' career program.	A large part of the EU funds in Hungary is misused: often such funding causes distortion of the market, demoralizes business participants, and leads to investments which are not really necessary. (See: http://levego.hu/sites/default/files/eu_budget_proposal_1301-draft.doc). Therefore funding should be regrouped with the main purpose of strengthening the education system.
	Substantially improve the education system on all levels.	The whole Hungarian education system has been gradually deteriorating during the last two decades. Moreover, the Hungarian education does not reduce social inequities, but further increases them. Higher education suffered a very serious setback in the last few years: due to the elimination of many of the state-financed places for those entering higher education, the number of new students in 2012 dropped by about 30,000 in comparison with the previous year. Due to further deep cuts in such places for the following year, the situation will be probably even much worse in 2013. At the same time, universities lost a substantial part of state subsidy, leading to a substantial

		deterioration of the quality of their work.
	Substantially improve health care services, raising health care expenditures in from the 3.99% of the GDP in 2012, to 5% in 2013, and 6% in 2014.”	The Hungarian health care system is on the brink of collapse. The exodus of medical personnel has been unprecedented during the last few years. Among others, each year as many or more doctors leave the country as finish medical university. The vast majority of family doctors already reached or are very near to pension age. Coupled with the dismantling of the authorities responsible for the protection of health and environment, the dwindling of the health care system might soon lead to humanitarian disaster in Hungary. The present situation of the health care system also enormously increases social inequities, because appropriate health care is more and more often provided only for those who can afford to pay for it.
	Prepare and implement a roadmap for gradually increasing the R&D expenditure in Hungary to 1.8 % of the GDP in 2020, with special attention to environmental R&D.	Hungary committed itself to increasing the R&D expenditure in Hungary to 1.8 % of the GDP in 2020, but in fact the Government made serious cuts in R&D expenditure. Environmental R&D is especially hard hit by the cuts.

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SL	Recommendation 2013	Justification
	Remove all direct and indirect subsidies to car and truck transport.	Remove excise duty exemptions (OECD data for 2011): 70% excise duty refund (motor fuel in forestry and agriculture) 15Mio EUR Partial refund of excise duty on diesel used as fuel for commercial purposes (i.e. effective rate is at EU minimum of 330EUR/ 1000l) 46Mio EUR Exemption from excise duty for certain uses of energy products (petroleum) 10Mio EUR Exemption from excise duty for certain uses of energy products (natural gas) 5Mio EUR Reform the commuter allowances paid by public employers from cash transfers to a national public transport ticket. 140Mio EUR Introduce distance-based road charges also for private cars (currently vignette)
	Shift 10 per cent of tax burden from labour to environmentally harmful activity (e.g. CO2 emissions) and resource consumption in a budgetary neutral way.	A tax shift could help to boost the Slovenian labour market that suffers from the economic crises, austerity measures and a drastic increase in labour costs in recent years (20% from 2005 to 2011). Vivid Economics (2012): Carbon taxation and fiscal consolidation: the potential of carbon pricing to reduce Europe's fiscal deficits http://www.foes.de/pdf/2012-05_CETRiE_Carbon_Pricing_Report_web.pdf OECD – Unit Labor Costs http://stats.oecd.org/Index.aspx?DatasetCode=ULC_ANN
	Abolish reduced VAT rates (of currently 8.5%) or full tax exemptions on goods and services that may harm health or environment.	phytopharmaceuticals (8.5 %) international transport, i.e. aviation and sea transport (exempt) certain transport services (exempt) certain reductions in real estate (8.5%) energy and water consumption (8.5%)
	Raise the diesel tax rate at least to the same level as the petrol rate. Regularly adjust the tax rates in	European Commission, 2012: “The EU average for the diesel vs petrol tax ratio has increased slightly in 2012 compared to last year. Several Member States have increased

	line with inflation to ensure their incentive effect.	their tax on diesel more than their tax on petrol, namely Belgium, Bulgaria, Denmark, Hungary, Poland and Finland. In a few other cases (Latvia and Slovenia) the ratio has fallen, potentially pointing towards a larger tax subsidy to diesel." http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-6_en.pdf Slovenia favors the use of diesel over petrol and has not undertaken any steps to change it, despite the fact that other member states are slowly starting to move in that direction, despite the fact that traffic volumes on Slovenian roads has increased massively over the last years (especially diesel-fueled trucks), and despite the need to balance the state budget.
	Phase out environmentally harmful support to state-owned companies – especially in the energy sector.	The construction of a huge new block at Slovenia's lignite-fired power plant (TEŠ-6) is just the most obvious case in which direct or indirect state support (e.g. loan guarantees) is environmentally harmful. These subsidies have to be phased out so that the price for energy reflects its real cost along the whole value chain from mining to (nuclear) waste treatment and disposal. Currently Slovenia still pays money to its company that manages an old uranium mine and also to an old coal mine.
	Phase out exemptions and reduced tariffs for industry on energy consumption. Remaining reductions have to be linked to the implementation of energy management schemes and ambitious binding objectives in order to ensure progress regarding energy efficiency.	Several years ago Slovenia introduced a CO2-tax exemption for companies taking part in energy efficiency programs. This incentive was not strong enough and companies didn't participate so that the program is phased out. The situation would be different if other exemptions and reductions would be eliminated. The incentive for energy efficiency measures would increase. Currently various reductions for energy consumption in industry exist, e.g. exemption from excise duty for certain uses of energy products (coal, natural gas, petroleum), 50% refund of excise duty on fuel used in stationary working machinery. Once these rebates are removed it will be worth to build on the knowledge of the previous energy efficiency program and create strong incentives for saving energy.

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UK	Recommendation 2013	Justification
	Taxation: Consider new green tax measures • a feebate scheme • distance-based lorry charging • support for commuting by bike, buses and car sharing	feebate scheme: to continue to support moves towards low emission vehicles • distance-based lorry charging: to reduce externalities and increase efficiencies in the freight and logistics sector • support: to increase incentives for commuting by sustainable modes and to help reduce barriers to employment
	Subsidies: Review national cuts in local bus funding and avoid further cuts, by creating cross-government funds for local buses (this should apply to the devolved governments in Wales, Scotland and Northern Ireland as well as England)	Cuts in bus services are impacting on labour market access, especially for young people, and reducing sustainable transport options. Cross-government funding including money from employment budgets will help reduce unemployment.
	Subsidies: Review the tax-free mileage allowances for business use of private cars, currently set at 45p/mile for the first 10,000 miles.	Reduce incentives/ subsidies for car use in the course of work.
	Subsidies: Review the tax-free status of the aviation industry and consider per plane taxes or slot charges to manage demand.	Aviation industry is undertaxed and increased incentives for better capacity utilisation at airports and on planes are needed.
	Investments: Focus on fixing and improving current infrastructure especially road maintenance, rather than on building new roads	US evidence shows that this is better for job creation, all road users and the environment than building new roads.
	Investments: Avoid any new roads financing that might add to future public debt.	The UK Government is currently considering new financing mechanisms for building new roads; these are likely to add to the burden of public debt in the future, to increase car dependency and carbon emissions and to reduce biodiversity
	Investments: Increase funding for effective cycling infrastructure.	The UK has low levels of urban cycling; EU standards and investment in infrastructure will help job creation.

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