GreenBudgetEurope

European Expert Platform on Environmental Fiscal Reform

Commission must do much more on Fossil Fuel Subsidies & Green Tax Shift

EU Semester – Analysis and Commentary

The Commission has decided to drop almost all of the recommendations on environmentally harmful subsidies, environmental tax reform, and promoting renewables/EE from the European Semester. The Commission seeks to justify cutting out all the energy-related recommendations because they'll instead be addressed under Energy Union governance. But as we know the Energy Union governance system is still some way from realisation and risks being less robust than the Semester.

Background: On Wednesday the Commission published its "Country Specific Recommendations", which are an integral part of the European Semester process. In the past these have almost always included extensive recommendations for removing fossil fuel subsidies or shifting the burden of taxation from labour to pollution. GBE highlights a stark drop in relevant recommendations:

- 2015 recommendations on securing a green tax shift: **1 (2014: 8)**
- 2015 recommendations on reducing environmentally harmful subsidies: **0 (2014: 3)**
- 2015 recommendations on enhancing energy efficiency / effecting a transition to renewables: **0 (2014: 17)**

Moreover, the final recommendations by Commission officials included a list of 23 recommendations to Member States for a green tax shift in 2015. These recommendations are made in the Country Reports upon which Country-Specific Recommendations are based. Commission officials also submitted that 11 countries should be given a CSR to tackle environmentally harmful subsidies.

The Commission decided to drop these recommendations because, according to its spokesperson:
"To increase the efficiency and ownership of the European Semester process, the Commission has proposed streamlined recommendations. This is why you will, in most cases, find a shorter set of recommendations per Member State. The intention has been to propose a selected and focused set of country-specific recommendations targeting the key, macroeconomic challenges of each country, which are possible to implement and monitor within 12 to 18 months. For those areas already covered by parallel governance frameworks or surveillance processes, the recommendations aim not to duplicate these channels. **This is the reason why, for example most recommendations on energy, are no longer included as these will be covered under the Energy Union governance."**

News stories here:

- RTCC: "European Commission drops demand to cut fossil fuel subsidies"
- BusinessGreen: "Has Brussels watered down its call to end fossil fuel subsidies?"

GBE Commentary

Nothing: there is absolutely nothing on Environmentally Harmful Subsidies in the Commission's Country Specific Recommendations. The words are completely absent from the documents.

Contrast this with 2014 when the Commission pointedly asked Italy "remove environmentally harmful subsidies". Last year the Commission also requested both Belgium and France to "phase out environmentally harmful subsidies".

Clearly there was a decision taken at the highest level to stop tackling member states on fossil fuel subsidies.

"There was a very deliberate decision to leave climate and environment out. In 2014 the Commission asked 8 Member States to shift taxation to pollution and environment. In 2015 the equivalent figure is zero.

On energy, 17 Member States were asked to enhance renewable energy, strengthen their national grids or boost efficiency in 2014. Twelve months later the equivalent figure is zero", said James Nix, Director of Green Budget Europe.

"It's hard to imagine a more retrograde step in the year of crunch climate change talks. Doubtless we'll hear the Commission fudging saying it will come back on energy-related issues at some other time - hopelessly unspecified – under the Energy Union. The reality is that the Commission has emptied the bath without having any fresh water to replace it. What sense does it make to throw away the tools of the EU without any consensus on the implementation of whole new and largely unknown scheme?", he noted.

GBE says: "Overall, the entire CSRs run to around 5,000 words but the very word environment is only used in once. That's in relation to one of Europe's smallest countries - Luxembourg – which the Commission asks to "broaden its tax base, in particular on consumption, recurrent property taxation and environmental taxation"."

"The 2015 CSRs are proof of a continuing failure to fairly weigh climate and environment on the one hand against austerity and unsustainable growth on the other. By the Commission's inaction – or 'streamlining' in its jargon – President Juncker is locking Europe further into fossil fuel dependence, failing to tackle reliance on imported energy in the process. Moreover, by not shifting tax from labour on to pollution, the Commission's inaction has left a disproportionate tax burden on households that are less well off and taxpayers as a whole".