Green Budget Europe (GBE) is a Europe-wide umbrella organisation founded in September 2008 in Brussels. GBE’s main objective is to promote the use of Market Based Instruments (MBI) in environmental policy. GBE brings representatives of business, international organisations, ministries, political decision-makers, the research community and civil society together in one movement in favour of MBI to protect climate and environment. GBE is at present being run as a project of the NGO Green Budget Germany, using its infrastructure and office facilities. More information about our activities can be found at our website: www.green-budget.eu.

B. A NEW ENERGY STRATEGY FOR EUROPE 2011 – 2020

Green Budget Europe agrees with the targets for a new energy strategy, as put forward by the European Environmental Bureau, which are the following:

- Set a binding energy savings reduction target for 20% by 2020, economy wide across all sectors, including the ETS, with specific national targets.
- Introduce a clear, coherent and comprehensive policy package including innovative, targeted finance and investment sources and initiatives that will put the EU on track to meet the energy saving target.
• A grading of financial support to encourage the most ambitious energy saving measures.
• Introduce innovative energy management methods, to help consumers become more energy aware and to build an energy smart Europe
• Adopt a more ambitious greenhouse gas reduction target, to at least 30%, based on domestic reductions, while opening the debate on taking the target to 40%.
• Meeting the 20% renewables by 2020 target and developing a long term vision on renewables with the view of achieving 100% renewables by 2050, within a framework of considerable reduction of energy use in absolute terms.
• An Emissions Trading Scheme that reduces emissions in the targeted sectors, auctions 100% of permits and delivers the funds for major energy efficiency and renewables promotion as well as sufficient investments in developing countries.
• Initiate a coordinated EU-wide tax shift towards more taxes on energy use and natural resource pollution, including carbon while reducing labour taxes.
• Revision of the Energy Tax Directive with sufficient minimum rates to reduce emissions and energy use.
• Phase out fossil fuel subsidies with money re-directed to energy saving measures and renewable energies.

C. MARKET BASED INSTRUMENTS AS A MEANS TO REDUCE ENERGY USAGE

GBE advocate the use of Market-Based Instruments (MBI) such as environmental taxation and emissions trading to encourage a reduction in energy usage and stimulate innovation. The EU, with levels of around 50% is currently the largest energy importer in the world and estimates predict that this figure will rise further to around 70% if no action is taken. Dependency on imports is a significant risk for the EU in terms of both economic stability and prosperity, especially when one considers the volatile oil and natural gas prices that are currently being experienced. For this reason both the curbing of energy consumption and increasing energy production through renewable means are avenues that must be explored in more depth. The added bonus of reducing energy usage is of course a reduction in greenhouse gas emissions (GHGs), and therefore GBE are calling for more investment now to encourage energy saving practices in order to prevent overheating the 2°C threshold and having to deal with the irreversible effects of climate change. MBI can play a key role in this by creating price signals that incentivise lower energy use and greater energy efficiency in both producers and consumers.

D. AN AMBITIOUS 30% REDUCTION TARGET FOR TACKLING CLIMATE CHANGE

GBE would like to see a binding agreement within the EU to set a target of 30% reduction of emissions by 2020 in place of the current 20% target. The present target is far too low to fulfil the stock-taking document’s long term objective to reach an 80% reduction of GHG emissions by 2050, compared with 1990 levels. 20% is also not an ambitious goal as, owing to the economic downturn, emissions were already reduced from 1990 levels by 14% in 2009. The 20% target no longer provides the strong motivation for innovation that was expected at the time the target was set, and a more ambitious goal is critical in ensuring that the more ambitious targets detailed above are met in the future. Research has shown that the costs required for a 30% reduction are outweighed by the
benefits in terms of the creation of new green jobs, reduction of air pollution and industrial innovation. This target, therefore, should be seen as not only realistic, but also economically beneficial.

**GBE would like to see the EU leading the way in terms of creating a low carbon, green economy.** With weak, non-binding targets they risk falling behind other major economic players and stunting rather than stimulating innovation and economic recovery.

The Emission Trading System is a central tool in the reduction of CO₂ emissions provided that it is effectively regulated, reformed and improved. NGOs have long endorsed an emission trading system based on 100% auctioning of allowances and with ambitious caps as the best way to generate a visible carbon price through the production and consumption chain. We agree with the EEB in calling for a clear commitment that the revenue generated from 100% auctioning will be invested into energy saving and renewables, with transparent reporting that can be checked by the Commission and stakeholders.

### E. THE ENERGY TAX DIRECTIVE AND ENVIRONMENTAL FISCAL REFORM

GBE sees the adoption of a robust Energy Tax Directive as essential to meeting GHG emissions reduction targets in the EU. More than 50% of GHG emissions are not covered by the Emission Trading Scheme and it is essential to ensure that alternative instruments address reductions in these sectors. The Energy Tax Directive as a whole would stimulate innovation and incentivise energy efficiency and an additional carbon element would also encourage companies to switch to renewable energy sources and away from fossil fuels.

**GBE also strongly opposes environmentally harmful subsidies or tax exemptions for the energy industry and calls for them to be phased out as soon as possible.** Recent analysis undertaken by the International Energy Agency to be presented in the World Energy Outlook (WEO) 2010, and to be released in November 2010¹ shows that fossil fuel subsidies are much higher than previously thought, rising to US$557bn in 2008 from US$342bn in the previous year. Phasing out such subsidies would save significant amounts of state revenue, send out a strong price signal in favour of low-carbon sources of energy, and create strong price incentives for more efficient energy use. Savings generated due to the phase out of fossil fuel subsidies can be re-directed into renewable energy industries, energy saving practices and used to create new sources of employment and protect vulnerable groups from the impact of such policies.

GBE believe, in line with the EEB, that market-based instruments should be implemented with immediate effect, as they have proven to be effective tools in setting the right price signals, signals that are sustainable in the long term. The revenues generated offer a multiple dividend and can be used to reduce labour costs, promote low-carbon industry, or plug holes in state budgets. Environmental taxation should not face resistance if a measure is carefully designed so that the purpose is clear and compensatory measures are introduced so that they are not seen as regressive.

**Green Budget Europe looks forward to an EU energy strategy that takes these points into consideration and drives the EU towards an innovative, future-oriented, low-carbon economy.**

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