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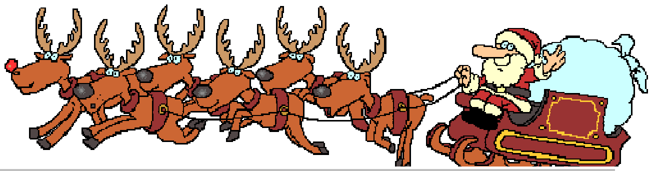
GreenBudgetEurope

European Newsletter on Environmental Fiscal Reform



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Quotation of autumn 2010

“Given that we in Ireland have to raise taxes, it makes sense to raise them in ways that simultaneously improve our environmental quality, provide incentives for new low carbon enterprise, ensure that we manage our resources efficiently, help meet our EU obligations, apply the polluter pays principle, and that allow other taxes that damage economic performance to be reduced or at least limit the extent of the rise.”

Frank J. Convery, Director of the Earth Sciences Institute, University College Dublin

Review of selected tax changes in EU Member States (2010)

Austria	• Plans to increase Diesel and Petrol tax • Implementation of an Air Ticket Tax
Denmark	• Danish Tax Reform 2010: higher energy taxation of businesses and households • Most energy taxes – except petrol and diesel – will be increased with around 15% • Continued yearly price indexation of energy taxes from 2015 • Introduced tax on air conditioning, road lighting, lubricants, greenhouse gases
Estonia	• Air pollution charge rates for CO2, NOx, VOC, heavy metals and mercaptans and water pollution charge rates for BOD7, suspended particles, SO4 and pH increase plus 5-10% p.a.; • Waste disposal charges increase on average 20% p.a.; • Mineral resources charges rates increase considerably during 2010-2012. Oil shale extraction charge increases 20% p.a.; construction minerals charge rates increase 10-25% p.a. on average. • From 2013, rates of most minerals plus 5% p.a.; • Water abstraction charges increase gradually 10% p.a. in 2010-2012, after 2013 – 5 % p.a.
Germany	• the basic amount of the eco-tax (Sockelbetrag) will be doubled from 512 Euro currently to 1,000 Euro • introduction of an air ticket tax from 8 – 40 Euro depending on distance (in 2011)
Greece	• Gasoline prices was raised by a further €0.12 per liter (Revenue about €1 billion)
Hungary	• Preparation distance-based road fee (the revenue will substitute the taxpayers' contribution to financing the road infrastructure)
Ireland	• Carbon price will be doubled to 30 Euro per tonne until 2014 (revenue: 330 million Euro) • Introduction of water charges for households (expected savings: 500 million Euro)
UK	• Air Passenger Duty (1 Nov 2010): raised up to £170 for a premium long-haul flight (revenue £2.3 billion) • Fuel duty raised by: 1 penny a litre in April and October, 0.76 penny in January 2011

1. Editorial

Dear readers and friends of Green Budget Germany,

This edition of Green Budget News highlights both the potential for Environmental Fiscal Reform to contribute to budget consolidation – and we can see that Germany and Ireland, for example, have very much taken this on board – and also the failure of many other countries to green their economies while consolidating their budgets.

The international symposium on green growth and fiscal consolidation, organised by the Belgian EU Presidency with the support of Green Budget Europe on 15-16 December revealed the tremendous potential of green taxation and reform of environmentally harmful subsidies to cut state deficits. Particularly interesting was original research from OECD, which found a negative correlation between the amount of fiscal consolidation required and revenues from taxes on energy an other pollutants. OECD figures showed that those countries with the highest deficits also have the greatest potential to increase environmental taxation without suffering negative competitiveness effects. For more information see GBE activites, below.

In France, green subsidies have been cut, in Hungary the environment has been largely ignored in austerity measures, while in the UK, the first emergency budget in June 2010 proved to be something of a disappointment, with the government relying on widespread and heavy spending cuts, rather than green fiscal reform. Our hopes now rest with Energy Secretary Chris Huhne, whose ambitious agenda for greening energy provision in the UK is set out below.

However, although some countries are beginning to move in the right direction, Eurostat recently highlighted the failure of EU Member States to increase or even maintain the share of environmental taxation in their overall tax revenues. Clearly, we still need to reflect upon our way of thinking and to integrate environmental goals far more effectively within fiscal policy.

What is needed is a fundamental shift in policy-making. The rhetoric of the green economy and the green new deal need to be matched by real changes on the ground. Green Budget Germany and Green Budget Europe are working hard to raise awareness and push for this change, in Germany, the European Union and further afield.

We hope you enjoy this issue of GBN and wish you a very merry Christmas and a happy New Year.

Please support us by sending us your news and articles for the next edition of GBN, or why not make our Christmas a happy one and express your appreciation for GreenBudget News by making a donation at
www.foes.de/spenden/?lang=en?

Best wishes and Christmas greetings from the editors!

2. Upcoming Events

EFR - Progress and reflections

January 13 – 14 2011, Lisbon, Portugal

This event, sponsored by the Portugese Ministry of Environment and organised by the EEB with the support of GBE is geared towards highlighting the potential of Environmental Fiscal Reform to green economies and balance budgets.

Tax treatment of company cars - How environmnetally harmful is it in the European Union?

February 28th, Brussels, Belgium

This workshop will look at the tax treatment of company cars in the European Union. The workshop has been organised in the light of research commissioned by DG TAXUD and undertaken by the consultancy Copenhagen

Economics. This research found that total tax breaks may account for as much as 0.8% of GDP in the EU. This workshop sets out to investigate these results in the light of findings from other research and explore ways to reform company car taxation and to look at ways of greening company car taxation.

The report from Copenhagen Economics is available here:
http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_papers/taxation_paper_22_en.pdf

More information will be available in the near future on the GBG website here:
http://www.foes.de/internationales/green-budget-europe/gbe-veranstaltungen/anstehende-veranstaltungen/

3. GBE Activities

Conferences and events

International Symposium on growth and green tax shifting in an era of fiscal consolidation

The international symposium on green growth and fiscal consolidation, organised by the Belgian EU Presidency with the support of Green Budget Europe on 15-16 December revealed the tremendous potential green taxation and reform of environmentally harmful subsidies to cut state deficits. The symposium was well-attended, with over 250 registrations.

Speakers included Belgian Finance Minister Didier Reynders, Secretary of State Bernhard Clerfayt, Climate Action Commissioner Connie Hedegaard and DG TAXUD Director General Walter Deffaa. Discussions revealed widespread agreement from all speakers that subsidy reform and environmental taxation had considerable, underestimated, potential to contribute to fiscal consolidation measures.

Particularly interesting was original research from OECD, which found a negative correlation between the amount of fiscal consolidation required and revenues from taxes on energy an other pollutants. OECD figures showed that those countries with the highest deficits also have the greatest potential to increase environmental taxation without suffering negative competitiveness effects.

The European Environment Agency had also prepared a detailed analysis of the potential for environmental taxation to contribute to fiscal consolidation in Ireland, calculating that such measures could generate up to €5 billion in extra revenues between 2011 and 2014.

For more information on the conference, including all presentations, please see:
http://www.foes.de/veranstaltungen/dokumentationen/2010/bruessel-15-16122010/?lang=en

GSI/UNEP Conference

On the back of the communication sessions in Budapest, GBE contributed to the joint GSI-UNEP conference on „Increasing the Momentum of Fossil-Fuel Subsidy Reform: Developments and Opportunities" which took place at the World Trade Organization in Geneva, on 14-15 October 2010. The aim of the conference was to explore ways of driving forward the agenda for subsidy reform. Amongst other things, the conference concluded that the urgent need for fiscal consolidation in many countries may well prove to be a catalyst for subsidy reform – as is being strongly argued by GBG and GBE.

More information are available at
www.globalsubsidies.org/research/gsi-unep-conference-increasing-momentum-fossil-fuel-subsidy-reform-developments-and-opportu

7th EAP Conference in Brussels - Potočnik in support of MBI Forum

On 25th – 26th November the 7th conference on „Environmental Action Programme" was held in Brussels. The conference focused on the impact of the various community strategies (6th EAP, sustainable development strategy, Lisbon strategy, thematic strategies) as well as their role in the European decision-making process. During two days, highlevel speakers and participants from Belgian Presidency, the European Union, national, regional and local institutions and civil society discussed the importance of developing “Better Instruments” for environmental governance and in particular the role of legal, economic and voluntary instruments. Environment Commissioner Janez Potočnik declared the environment to be the toughest challenge (and this in the midst of the Euro crisis plaguing the EU!) and promised support for the MBI Forum the EEB and GBE have been asking for.

GBE President Anselm Görres gave a paper arguing for a more ambitious use of market instruments and a bolder vision of a greener and more equitable capitalism.

http://ec.europa.eu/commission_2010-2014/potocnik/index_en.htm

http://www.foes.de/pdf/GBE_Brussels%20Dec%202010_Goerres.pdf

The EU-LAC Forum

Green Budget Europe was also a cooperation partner in the European Union - Latin America and the Caribbean (EU-LAC) Forum on Fiscal policy and an environmentally sustainable economy in the context of climate change which took place in Berlin on 10-11 November. Our involvement in this high-level event reflects GBE/GBG’s increasingly broad focus on EFR all over the world and our interest in sustainable development.

See link below for further information: www.foes.de/veranstaltungen/dokumentationen/2010/berlin-10-112010/?lang=en

Global Conference on Environmental Taxation (GCET) 2010

GBE was sponsor of the GCET and several of our members gave papers at the conference. The GCET took place in Bangkok from 3-5 of November. GBE also jointly hosted two sessions on the East Asia low carbon green growth plan with UNESCAP (the United Nations Economic and Social Committee for Asia and the Pacific). GBE President Dr. Anselm Görres, Vice Presidents Kai Schlegelmilch and Aldo Ravazzi, and GBE project manager Jacqueline Cottrell also contributed to a brainstorming workshop to discuss EFR in the context of the low-carbon green growth plan. We anticipate being involved in further meetings in the future and are hoping to support the set-up of a platform on the GBE model: *Green Budget Asia*, as proposed by Kai Schlegelmilch. Furthermore Jacqueline Cottrell and Kai Schlegelmilch executed an EFR-training, initiated and paid by GTZ, for staff from the Thai Ministry for Natural Resources and Environment (MONRE). A teaser was also given to the staff of the Thai Ministry of Finance. Further meetings took place with the Stockholm Environment Institutes, involving Bangkok University and NGOs.

For more information and photographs, see: www.foes.de/veranstaltungen/dokumentationen/2010/budapest-08-09072010/?lang=en

www.acc.msu.ac.th/gcet2010/

GBE Annual Conference

The GBE annual conference on Environmentally Harmful Subsidies (EHS) in July 2010 was a great success. The event took place in Budapest in the run-up to the Hungarian EU Presidency, and we were delighted when government representatives announced plans to reexamine and reform EHS within the country during the conference. We also learned that the European Commission has put plans to publish a roadmap for the reform of EHS on hold and since this time, GBE and the EEB have been corresponding with the Commission on this issue (for our letters to Potocnik, see: www.foes.de/internationales/green-budget-europe/gbe-publikationen/?lang=en). We have also been corresponding with the Commission regarding a study they commissioned on Company Car Taxation – and as a consequence GBE and the EEB are organising, with the support of the Commission, a conference to explore the issue in more depth and to identify ways forward in the future on 28th February 2011 in Brussels. We also hosted a very successful session on communicating EFR and we hope to pick up on what we learned for our campaigns in the future and to bring EFR to a wider audience.

http://www.foes.de/veranstaltungen/dokumentationen/2010/budapest-08-09072010/

GBE – Further Activities

GBE's 'Ending Coal Subsidies' campaign

GBE has been working with EEB, WWF and others to campaign in support of the European Commission's proposal to permit state aid for the closure of coal mines by 2014 and against an extension beyond this date.

See our letter to Government Representatives here:
http://www.foes.de/pdf/GBE%20coal%20subsidies%20letter%20for%20Gov.%20Rep%20-%20for%20HP.pdf

GBE and EEB press release: EU extends coal mining subsidies end date

[GBE and EEB, December 10 2010] The European Environmental Bureau (EEB) and the European expert platform on market-based instruments, Green Budget Germany, have been angered by the European Commission's decision to end coal mining subsidies in 2018 and not 2014 as had been originally proposed.

The German Government have worked hard to change the Commission's position and extend state aid for coal to ensure it matched their domestic timetable, along with other EU coal mining countries. "This decision completely undermines the EU's targets on climate, energy and sustainability. While decisions are made in Cancun on the one hand to reduce carbon emissions the EU is lining the pockets of polluting coal companies with the other hand, using public money," Said John Hontelez, Secretary General of the EEB. "The money would be better spent investing in sustainable energy technologies that help create and maintain a local workforce. At least we can see the back of this sorry saga by 2018," continued Hontelez.

"In times of fiscal austerity and widespread cost-cutting in many EU Member States, the decision to prolong environmentally harmful subsidies for coal mining – which were worth a staggering three billion Euros in Germany and Spain alone in 2010 – is one that is extremely hard to justify," said Jacqueline Cottrell, manager of Green Budget Europe.

The EEB, the largest federation of environmental citizens' organisations in Europe, has long campaigned for the abolition of EU environmentally harmful subsidies. The decision was formally agreed at the Council meeting on Competition.

Meetings with Commissioners

Kai Schlegelmilch, Vice President of Green Budget Europe, visited European Commissioners Potocnik (environment) and Oettinger (energy) in Brussels and handed over our position paper on the extension of coal subsidies. More information is available at

www.foes.de/veranstaltungen/dokumentationen/2010/bruessel-04102010/

GBE is also hoping to arrange a meeting with José Manuel Barroso, President of the European Commission, to discuss ways of moving forward on the Europe2020 strategy.

For all letters to EU Commissioners sent in the last months, please see:

www.foes.de/internationales/green-budget-europe/gbe-publikationen/

Of course, our campaigns on the Energy Tax Directive and the EU budget continue unabated. If you would like to make a donation to GBE or join our organisation, please go to the website at

www.spendenportal.de/main/org.php?id=803331006756 or contact us at mailto:foes@foes.de.

4. Green Budget Reform in European Member States

Environmental taxation keeps falling - Eurostat

[Republished with permission of ENDS Europe. A 14-day, no obligation trial is available from http:www.endseurope.com/news?mc=foes, *September 23 2010]* EU environmental taxes as a percentage of GDP fell to 2.4 per cent in 2008 – the lowest level since peaking at 2.9 per cent in 1999 – a report by statistical office Eurostat revealed on Monday. They also fell as a percentage of overall taxation.

Lower energy use and energy taxes not keeping up with inflation have combined to produce this result, the report's editor, Marco Fantini of DG taxation, told ENDS. „Transport fuel taxes have sometimes been lowered to compensate for higher oil prices," he added.

Energy taxation, which includes taxes on transport fuels, makes up about two-thirds of overall environmental taxation. A long-overdue review of the 2003 energy taxation directive is still some way away. Recent talks about introducing a carbon element in energy taxes were inconclusive. Differences between member states remain stark, with Denmark topping the energy tax rates list at 286 Euro per tonne of oil equivalent against Romania's lowest charge at 26 Euro. But „countries in central and eastern Europe are catching up fast", said Mr Fantini.

Other green taxes such as levies on carrier bags, which can have a significant impact on behaviour, hardly show up in these statistics as they represent a tiny proportion of GDP.

www.endseurope.com/24239?referrer=bulletin&DCMP=EMC-ENDS-EUROPE-DAILY

http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_structures/2010/2010_full_text_en.pdf (Report)

EEA warning over Europe's resource efficiency

[Republished with permission of ENDS Europe. A 14-day, no obligation trial is available from http:www.endseurope.com/news?mc=foes, *November 30 2010]* Europe's continuing depletion of natural resources and ecosystem services will undermine its economy if left unchecked, the European Environment Agency (EEA) said on Tuesday as it released it latest assessment of Europe's environment.

The assessment, published every five years, covers all EU and EFTA countries plus Turkey and the Balkan states. It shows Europe is consuming more resources than it has. In the EU-12, resource use increased by 34% between 2000 and 2007. But there has been an encouraging partial decoupling of resource use and economic output.

Speaking at the launch of the report, EEA director Jacqueline McGlade said that global pressures on resources, along with newer demands such as the need for biomass to replace fossil fuels required a new approach in the EU.

Also speaking at the launch, environment commissioner Janez Potocnik warned that by 2050 the cost of biodiversity loss in Europe could be 6% of GDP per year. The European Commission is expected to issue a report on the EU's resource use strategy by the end of the year, followed by a resource efficiency roadmap in 2011.

Professor McGlade said resource use should be taken into account in the forthcoming revision of the common agricultural policy (CAP). This would help identify where the most productive farming land is and enable set-aside of non-productive land for biodiversity protection.

Europe's waste management has shifted steadily from landfill to recycling and prevention, the assessment shows. But half of the three billion tonnes of total waste generated in the EU-27 in 2006 was still landfilled. In 2008, Bulgaria landfilled the highest percentage of its waste. Switzerland had the lowest percentage.

In 2007, Ireland used by far the most resources per inhabitant, while Malta and the Netherlands used the least. On average, 16 tonnes of materials are used annually per person in the EU, of which six tonnes become waste. But of that amount, only 8% of waste is generated by households. Most is from construction and mining.

The EEA assessment also notes that water and air pollution in Europe have declined, with levels of sulphur dioxide and nitrogen oxides both declining. But exposure to particulate matter and ozone are still major human health concerns.

There is some progress regarding biodiversity. Europe has now expanded its Natura 2000 network of protected areas to cover some 18% of EU land. The quality of freshwaters has generally improved and a reduction of air and water emissions has reduced pressure on species and habitats. But the EU will miss its 2010 biodiversity target.

GBG project on resource efficiency

The assessment also highlights the potential impact that elements of environmental fiscal reform can have on improving resource efficiency and slowing down the increase in resource use. Green Budget Germany is currently running a 2-year project to develop proposals for economic instruments to increase resource efficiency. There is great potential for increased efficiency through process optimization and product design. Carefully designed taxes on the extraction and/or the use of resources can serve to create better incentives to tap these potentials and pave the way to more resource efficient economies.

Link to further information on the GBG project is available here:
www.foes.de/veranstaltungen/dokumentationen/2010/berlin-06102010/?lang=en

www.endseurope.com/25173

German Government waters down green elements in austerity package

[Bettina Lubach, November 26 2010] In June this year the German government adopted an austerity package aimed at saving 80 billion euros by 2014 in order to reduce the budget deficit. Big cuts had been planned in the fields of social spending and business subsidies, and it was said that a levy on air traffic in the form of an air ticket tax would be introduced. Since June, these plans have been watered down and so Germany will raise less revenue than planned from its austerity package this summer. This sum is quite significant: Instead of reducing the tax redutions for industry within the ecotax by 1.5 billion Euro, additional state revenue as a result of the so-called *Sparpaket* will amount to only one billion Euro. This is because the parliamentarian groups of the German government coalition have watered down plans to slash tax breaks enjoyed by energy-intensive installations subject to an ecotax on fuels and energy.

Changes

Independent of their usage, companies have to pay a basic amount of the eco-tax which will be doubled from 512 Euro currently to 1,000 Euro, instead of 2,500 Euro as foreseen previously under Germany's austerity package (although the negotiation started with 20,000 Euro).

In the initial package, tax exemptions for manufacturing industry from the ecotax were to be re-duced, and industry was to pay 80 per cent of the ecotax, up from 60 per cent. However, following negotiation with lobbies, the new tax rate will be raised only to 75 per cent.

Another way of reducing subsidies to industry would have been to lower the so-called *Spitzenausgleich* (a tax exemption awarded to energy-intensive industry) from 95 per cent to 80 per cent. But in the end, the reduction was set at an amount of 90 per cent.

Rather than increasing the eco-tax rate for energy-intensive industries to fill the emerging fiscal shortfall, the coalition has chosen a tobacco tax hike. An increase in the price of loose tobacco by 12-14 cents annually which is expected to generate additional state revenue of 200 million Euro next year, up to one billion Euro in 2015. However, this was a very surprising step as only about 3-4 years ago an intended further increase of tobacco taxation was halted as revenues were considered to go down due to higher tax rates instead of increasing as apparently the peak of the Laffer curve has been surpassed.

An air ticket tax was to be introduced, depending on the distance, from between eight Euro and 40 Euro per ticket. This has not been changed, and a tax between eight Euro and 45 Euro, depending on distance, has to be paid for every ticket. But even in this case, the German government allows exceptions concerning for example stopovers in Germany, or flights to islands without any mainland connection. Russia is part of the cheap eight Euro category meaning that even Wladiwostok, close to Japan, could be flown to at such low rate.

Industry groups had been lobbying against the green tax hike, arguing that reducing eco-tax rebates could endanger up to 870,000 jobs, and could overly burden small- and medium-size enterprises (SMEs). So, even though there has been an increase in levies in Germany, the big lobbies have been rewarded for their efforts nevertheless. Yet, some stronger incentives for industry remain.

While we welcome the changes towards cutting business subsidies and raising costs for environmentally harmful activities, from our point of view, the reforms have not been ambitious enough and it is regrettable that they have been watered down by powerful lobby groups.

www.fr-online.de/politik/meinung/rauchzeichen-des-scheiterns/-/1472602/4774652/-/view/asFirstTeaser/-/index.html

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http://glocalist.com/news/kategorie/politik/titel/tabaksteuer-und-atomkraft/

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www.welt.de/politik/deutschland/article10560113/Koalition-einigt-sich-auf-Ausnahmen-bei-Ticketabgabe.html

http://ingrid-nestle.de/fileadmin/user_upload/gruene_btf_nestle/Pospapiere_etc/100715Autorinnenpapier_Umweltrelevante%20Ma%C3%9Fnahmen%20im%20Sparpaket.pdf

www.dbresearch.de/MAIL/DBR_INTERNET_DE-PROD/PROD0000000000266915.pdf

How to use ETR easing Ireland’s crisis

[Bettina Lubach, 24 November 2010] The financial crisis has left the Irish government with no alternative but to ask for financial aid from the European Union and the International Monetary Fund. However, while Environmental Fiscal Reform could surely have not saved the country, a recent seminar in Ireland highlighted the potential for EFR to raise considerable revenues to assist the country in its efforts to rebalance the budget.

The conference, organised in October 2010 by Comhar - Sustainable Development Council and supported by the European Environment Agency – within its herewith started awareness raising and information tour on EFR started throughout Europe – took place in Dublin and set out to discuss the impact of Environmental Tax Reform. In „Environmental Tax Reform (ETR) and its contribution to dealing with the Irish Budgetary Crisis” Professor Frank J. Convery from University College in Dublin and chairperson of the workshop published some comments on the potential of new environmental taxes in Ireland. Convery looked at the impacts of levies in the fields of water, aggregates and packaging, taxes on land value and reformed taxes on GHG. He pointed out that given that Ireland has to raise taxes anyway, it makes sense to raise them in ways that simultaneously improve environmental quality, provide incentives for new low carbon enterprise, ensure managing resources efficiently, help meet EU obligations, apply the polluter pays principle, and that allow other taxes that damage economic performance to be reduced or at least limit the ex-tent of the rise. By introducing these taxes and charges over time, total revenues (excluding land value tax) could grow from over 700 million Euro in 2011 to over two billion Euro in 2014.

On 24th November the Irish government released its National Recovery Plan 2011-2014. To achieve the Maastricht Criteria of a deficit of below three per cent of GDP by 2014, the Government has concluded that an overall saving of 15 billion Euro is required. The adjustment will be made up of ten billion Euro in spending reductions and five billion Euro in tax and revenue raising measures. One way in order to increase state revenue will be a raise of the exisiting carbon tax which had been introduced at a rate of 15 Euro per tonne in the 2010 Budget. According to the new plan the price of carbon will be doubled to 30 Euro per tonne until 2014 thereby contributing 330 million Euro to the overall correction. Although Ireland is facing tough times and according to the report „the tax and expenditure measures contained in this Plan will negatively affect the living standards of citizens in the short-term" the corporation tax will remain untouched at 12.5 per cent. Rather the income tax system will be reformed by cutting the tax units exempt from income tax which will lead to 1.9 billion Euro.

In a second green fiscal measure, Ireland's government also decided to introduce water charges for households to cover local authorities' operational costs. Water charges are expected to raise 500 million Euro.

Of course, GBG welcomes the National Recovery Plan, which shows that Ireland uses ecological levies as a supporting pillar when it comes to increase revenues for solving the state debt, but many more steps could have been taken as Prof. Frank Convery rightly pointed out. It is thus mainly a missed opportunity. Hence, we will be encouraging other EU Member States and indeed the EU as a whole to follow suit in Brussels at the International Symposium on Green Fiscal Reform for Budget Consolidation (for more details please see the events section, below).

Prof. Convery's comments:
www.comharsdc.ie/_files/2010-11-05_80ETR_com.pdf

Workshop details:
http://www.comharsdc.ie/events/event_details.aspx?Event=37

Further information on that subject:
www.comharsdc.ie/_files/2010_BriefingNoteETRWorkshopDublin%20_pap.pdf

National Recovery Plan 2011-2014:
www.budget.gov.ie/The%20National%20Recovery%20Plan%202011-2014.pdf

News from Hungary

[Clean Air Action Group, November 2010]
Coal miners, wind turbine makers, gas pipeline builders and nuclear power station operators – all of them have something in common: Subsidies. Surprisingly, it was the chief economist of the Hungarian Oil and Gas Company, László Varró, who pointed out recently that fossil energy still recieves 32 times more subsidies than renewables and energy efficient ones. State subsidies for agro-fuels and for large co-generation plants are not much less harmful from an environmental point of view, and they are equally unjustifiable, especially in countries with high public debt like Hungary with a deficit about approximately 80 per cent of GDP in 2010.

On a more positive note, following the start of Slovakia's electronic toll collection system in January 2010, Hungarian government restarted the preparation of introducing the distance-based road fee. According to the plans announced this October by Pál Völner, State Secretary for Transport and Energy at the Annual Meeting of Hungarian Road Transport Association, at first the flat rate vignette charge for HGV's will be replaced by the distance-based fee in 2012. The revenue will substitute the taxpayers' contribution to financing the road infrastructure.

The Clean Air Action Group has proposed amendments to Hungarian law to green transport taxation. Measures proposed aimed to reduce tax evasion and tax avoidance by accounting private car use as company car use. The Green Party put these amendments for vote before the Parliament, but they were voted down. However, during the discussion of these amendments in the parliamentary Budget Committee in October 2010, Ádám Balogh, Deputy State Secretary for Taxation, declared that he fully agrees with the purpose of the amendments but needs more time to fully analyze the problem and to work out the best solution.

Hungary has introduced crisis taxes

In order to reduce the state budget deficit, Hungary introduced so-called crisis taxes on the banking sector, big energy companies, shopping malls and big telecommunication companies. In this way, the government has tried to avoid raising taxes on labour and introducing severe austerity measures. These taxes are levied to a great part on sectors, which have been receiving enormous amounts of direct and indirect subsidies (including the non-internalisation of external costs). At the same time the government announced plans to introduce a flat income tax rate of 16 per cent, with significant tax breaks for families with children. Such a flat rate tax has received strong criticism from social and environmental circles as it favors the rich, and it might lead to more polluting luxury consumption (buying big cars, travel by to exotic places by airplane etc.).

Due to the severe condition of the state budget, the government also announced austerity measures. The state budget for 2011 contains 12 priority areas, none of which is related to environment. Obviously, the areas not prioritized will receive less funding; funds for NGOs in some instances are cut by half. It is unclear yet to what extent the financing of authorities and monitoring agencies, institutions will be cut. A cut for them would be all the more damaging, as a crucial reason behind many of the environmental problems in Hungary has been the weak, or, in some cases, lack of monitoring of government measures and patchy enforcement of legislation in place. Overall, Péter Banai, Deputy State Secretary of the Ministry of National Economy claimed that environment-related expenditures (mostly covering infrastructural investments, such as waste water and solid waste treatment facilities) in 2011 will be roughly of the same amount as in 2010.

www.ft.com/cms/s/0/c6c86b1e-dac1-11df-81b0-00144feabdc0.html#axzz15SoGEnV0

Austria takes new measures to green the economy

[Republished with permission of ENDS Europe. A 14-day, no obligation trial is available from http:www.endseurope.com/news?mc=foes, *September 23 2010]* Austrian economy minister Reinhold Mitterlehner has announced a new stimulus plan for a greener economy. The plan includes a subsidy scheme for energy saving measures for buildings and a green technology research and development fund.

The new subsidy scheme for buildings is worth 100 million Euro per year and will start in 2011, Mr. Mitterlehner said on Thursday. The government will further set up a 200 million Euro greentech fund in the field of natural resources and energy, he added.

The announcement comes as other European countries such as France are moving to cut their green subsidies in an effort to reduce their large budget deficits. Earlier this month, Mr Mitterlehner said subsidies for photovoltaic (PV) installations would no longer be capped, which will boost the Austrian PV sector.

Under existing legislation, subsidies for new PV installations amount to a total of 2.1 million Euro annually. A proposal to revise the Green Energy Act will be tabled in the autumn, Mr Mitterlehner said. Austrian solar firms export up to 99 per cent of their components, according to green energy association DVEK.

The government also plans to increase its share in state-owned utility firm Verbund by 510 million Euro to help finance new hydropower stations. It believes this will help trigger green investments worth 2.5 billion Euro and create 30,000 jobs. Green groups are opposed to this since some planned installations are located in protected areas.

In France, the government is planning to further tighten its 'bonus-malus' tax and subsidy scheme for encouraging low-carbon emission cars, according to newspaper Les Echos. The scheme is costing more than the government had initially estimated. Subsidies for electric cars will remain unchanged, it seems.

www.endseurope.com/24728?referrer=bulletin&DCMP=EMC-ENDS-EUROPE-DAILY

Britain will be 'Europe's fastest improving pupil' on renewables

[NewEnergyFocus, September 21 2010]

By the end of this Parliament, Britain will be Europe's fastest improving pupil when it comes to renewables, and no longer the „dunce in the corner", UK Energy Secretary Chris Huhne has today claimed.

Addressing delegates at the Liberal Democrat's annual conference in Liverpool, Mr Huhne highlighted the huge potential for renewable energy sources, such as wind, energy from waste, wave, tidal and solar power. However, he noted that first, the coalition will have to deal with „the most shocking aspect of Labour's Brown legacy“ – Britain's performance with regards to renewable generation compared to the rest of Europe. Mr Huhne said: „At last we will deal with the most shocking aspect of Labour's Brown legacy. In Europe's class of 27 on renewable energy, Britain is the dunce in the corner: we are 25th. Only Malta and Luxembourg are worse.

„I make you this promise now: by the end of this Parliament, we will be Europe's fastest improving pupil when it comes to renewables. No more second best.“

Progress

While the energy secretary focused on the challenges facing renewable energy in Britain, he also noted some of the progress that has so far been made. Mr Huhne drew attention to the Gwynt Y Mor offshore wind farm, which will be built next year, and claimed he wants to see this „again and again“ around Britain's coasts.

And, he highlighted the potential of other forms of renewable generation, which he claimed would be mostly local, as it is in Germany. That, said Mr Huhne, is why he repealed the ban on local authorities selling their surplus renewable electricity into the grid. „That's green, and local, and Liberal Democrat“ he added.

Green Deal

Mr Huhne went on to talk about the government's plans for a Green Deal, which he claimed would be „the most ambitious energy saving plan ever put forward“ and would make every home in Britain ready for a low-carbon future.

He also reaffirmed his commitment to raising the European emissions reduction target from 20 to 30 per cent by 2020.

CCS

According to Mr Huhne, the fourth pillar of the government's low carbon policy is clean coal and gas. He claimed that the „days of dirty fossil fuels are over“ and said this would be guaranteed through strict emissions performance standards and by pioneering four carbon capture and storage (CCS) plants. „We in Britain can become to clean coal and gas what Germany is to solar and wind, and France is to nuclear“, explained Mr Huhne.

Nuclear

Mr Huhne also took the opportunity today to reaffirm his commitment to delivering on the coalition agreement, including plans for developing nuclear power stations. Despite both Mr Huhne and the Liberal Democrats as a party being opposed to nuclear, he explained that the coalition agreement involved give and take. He said: „George Osborne expects me to deliver our agreement on nuclear power, which is that there is an important place for new nuclear stations in our energy mix as long as there is no public subsidy.

„A deal is a deal, and I will deliver. I'm fed up with the stand-off between renewable and nuclear which means we have neither - we will have both. We will have low carbon energy, and security of supply.“However, he added that there will be no subsidy to nuclear, claiming more than half of the Department of Energy and Climate Change's (DECC) budget – 1.7 billion Pound a year - goes on the clean-up costs of old nuclear facilities. „Britain had artificially cheap nuclear electricity for decades. Governments repeatedly looked only at the short term. The result is that we are paying far, far more than if we had dealt with waste and decommissioning in a timely manner. Never again. Not on my watch. No hidden subsidies“, he stressed.

‘Renewable renaissance'

Finally, Mr Huhne explained his, and his party's, goals for the long term: „By 2015, the economy will be recovering. The gloom will be lifting. And our achievements will speak for themselves. „Restored freedoms. Fairer taxes. An elected Lords. Fixed term parliaments. The world's biggest programme of energy saving. A renewable renaissance without parallel in Europe. A new green economy.“

Climate change levy

Yesterday, on the first day of the conference, a motion was passed calling for the reform of the Climate Change Levy to shift the tax burden to the polluter to promote energy efficiency and investment in renewable energy.

Commenting on the motion, co-chair of the Liberal Democrat Parliamentary Committee on Transport, Martin Horwood, said: „Liberal Democrats have long campaigned for real plans to tackle climate change and now the Coalition has pledged to be the greenest government ever. This is ambitious and absolutely right.

„To achieve the tough goals we have set, will require hard work and it will be critical to shift the balance of taxation to change people's habits: we need to raise the cost of polluting activities, promote energy efficiency and stimulate green energy. We talked about a green tax switch in opposition. The time has come to put it into practice.“

http://newenergyfocus.com/do/ecco/view_item?listid=1&listcatid=32&listitemid=4390&section=Policy

French Government seeks to cut green subsidies

[Republished with permission of ENDS Europe. A 14-day, no obligation trial is available from http:www.endseurope.com/news?mc=foes *September 10 2010]* France's centre-right government is planning to cut tax incentives for greening homes by 10 per cent from 2011 as part of measures to reduce public spending, according to a news report. The government is seeking to save about 600 millioen Euro by reducing green subsidies.

The planned cuts concern tax breaks for energy efficiency improvements in homes and installing renewable energy equipment such as solar panels. Subsidies for heat pumps could drop from 40 to 36 per cent, according to French financial daily Les Echos.

Such incentives are a lot more costly than initially estimated. The government had to spend 2,8 billion Euro to finance them in 2009, according to Les Echos. The planned cuts are a major setback for objectives to improve the energy efficiency of buildings adopted as part of the 'Grenelle de l'environnement' in 2007.

There could also be further cuts to solar subsidies. A report from the General Financial Inspection office (IGF) has urged immediate cuts, saying existing feed-in tariffs for photovoltaic (PV) represented a „major financial risk“. A 12 per cent cut for large PV installations and 'professional projects' has already been announced.

www.endseurope.com/24635?referrer=search

Peat subsidies in Finland: a little-known environmentally harmful subsidy

[Eero Yrjö-Koskinen, Finnish Association for Nature Conservation, November 2010]

Peat is subsidized both directly and indirectly by the Finnish government. Direct subsidies include a feed-in tariff system for electricity produced by peat amounted to some three million Euro in 2009. Furthermore, subsidies to peat producers, who collect peat and store it safely, amounted to over 3,5 million Euro in 2009. Some producers even receive subsidies for shipping peat.

Peat is also supported indirectly by fiscal means. Currently, there are no energy taxes to peat, as peat is excluded from the energy taxation system, unlike most of the other energy forms.

In spring 2009, the Finnish government proposed introducing a very low tax to peat, while reforming the whole energy taxation system. But while they introduced a CO_2-component to the taxation system, peat was excluded from this. If peat was taxed as all the other energy sources are, the government would gain approximately 160 million Euro annually.

Peat is a very ‘dirty’ fuel. While it accounts for just 6 percent of Finland's energy mix, peat emissions amount to close to 20 percent of emissions from the energy sector. To put this in context: Peat produces as many CO_2 emissions as the entire transport sector in Finland.

These numbers may not seem all that significant on a European scale. However, one should compare them to Finland's support for renewables. Finland is about to introduce its first feed-in tariff for renewables. For wind and biogas, this support will amount to 28 million Euros next year, which is almost six times less than the total support for the peat sector. I wonder whether these measures are in line with the 20/20/20 guidelines on climate and energy set by the European Council in 2008?

UK raises Air Passenger Duty once again

[Bettina Lubach, November 29 2010] Since November 1st, prices for flights from the UK had been raised again, due to the implementation of the next step increase in Air Passenger Duty (APD). This tax on air travel was introduced in 1994 and has been raised constantly over the past years. The new changes will raise the ticket price from £11 to £12 for a short-haul economy flight and from £40 to £170 for a premium long-haul flight, e.g. to Australia or the Far East. It is anticipated that the tax will generate £2.3 billion for the UK Treasury. Interestingly, the new APD rates were implemented with a minimum of fuss and were not strongly opposed, other than by airlines.

www.bbc.co.uk/news/business-11664560

5. Green Budget Reform on European level

Border measures to support EU environmental policies

[EEB Conclusions of Seminar on 14 June 2010] The introduction of the EU Emissions Trading Scheme and the absence of a similar global scheme has triggered discussions in the EU on how to avoid negative impacts on EU based industries due to increased costs for domestic production, as compared to produc-

tion elsewhere. This could both weaken domestic production for the domestic market as well as for exports.

Business has with success lobbied for a solution to postpone auctioning of emission rights and to keep the greenhouse gas (GHG) reduction ambition for the EU internally as low as possible, so to avoid high carbon emission allowance prices on the market.

The European Trade Unions Confederation (ETUC) however, a partner of the EEB in the Spring Alliance, has been promoting an alternative approach, which combines full auctioning with border tax adjustments (BTA), to increase the price of imported products and decrease the price of exported products, so as to neutralize a possible competition loss effect due to carbon pricing in the EU. Also the French government has in the last few years launched this idea time and again, with some occasional support from Germany and Italy. In the US discussions are ongoing.

While this BTA would ensure that inside the EU the intention to put a real price on greenhouse gas emissions could be implemented, this approach has also faced strong opposition, including from business sectors fearing trade wars. In the international negotiations on further international agreement on fighting climate change, non-EU countries have expressed concerns about such possible plans and many environmental organisations, also inside the EU, are opposed to the idea because of the negative impact it could have on these negotiations. Besides these concerns opponents also question the fairness and practical applicability.

The current legislation on EU Emission Trading already allows the option of „... inclusion in the Community scheme of importers of products which are produced by the sectors or sub-sectors" (that fall under the EU scheme). This means that importers would need to surrender EU CO_2 emission allowances for the CO_2 emissions related to the imported products. This is indeed launching the idea of a border adjustment. The Commission however sees major practical and political problems with its implementation.

The EEB is a strong advocate of fiscal instruments that help steer market and society to sustainable production and consumption patterns. Full auctioning of greenhouse gases emission rights is an important part, and if that needs to be combined with border measures, it is ready to look into the pro's and con's. For that reasons it organized an internal brainstorming on the 14th of June 2010.

Below the main conclusions are presented:

- It is indeed, also for environmental reasons, in most situations, not good to stimulate shifting of energy/CO_2 intensive production outside the EU, as this could lead to increased GHG emissions (due to less energy efficient processes, less clean energy production sources and/or increased transport needs). So it is appropriate to take measures to prevent this.
- Border adjustments in combination with domestic financial instruments can well be made compatible with GATT/WTO rules.
- It is technically possible to introduce border adjustments without excessive administrative burdens if one concentrates on a limited set of trade-intensive products with a high energy/carbon footprint (such as aluminum, steel, basic chemicals) and sets a „flat rate" based upon average footprints in the EU itself. Companies can ask for reduced rate on basis of specific evidence.
- Border adjustments could not only be considered in relation with an Emission Trading Scheme but also in case of a substantial environmental tax reform in the EU.
- In order to help the global fight against climate change, revenues of possible border adjustments should be used to finance support for climate policies in developing countries (if there are revenues left in case not only imports are taxed but also relevant exports reimbursed).

- The so-called „carbon leakage" impact of the current GHG reduction policies of the EU is however strongly exaggerated, and by itself neither justifies free allocations nor border adjustments.
- In the event of moving to the framework of an at least 30 per cent domestic reductions scenario (without reliance on loopholes such as CDM, forestry emissions, banking of credits), the need for border adjustments could be justified but would need first to be assessed, and in relation with EEB's 40 per cent domestic GHG reduction demand by 2020 it becomes even more logical for specific sectors if this is a unilateral move not followed by other key industrial nations.
- Calling for border adjustments should not necessarily focus on the EU alone, but on creating a group of countries that see the merits as well.

Commission plans climate targets for 2030, 2050

[EurActiv, September 15 2010] The European Commission has started working on climate targets above and beyond 2020, arguing that they will be instrumental in fending off competition from leading clean-tech industries in China and elsewhere, according to EU Climate Action Commissioner Connie Hedegaard.

Hedegaard said she is working with her colleagues in the European Commission's energy and transport departments to define climate targets for 2030.

The targets would be included in a 2050 roadmap for a low-carbon economy, which the Commission will set out in spring 2011, the commissioner told business leaders at the European Policy Centre (EPC) yesterday (14 September).

The EU currently has an objective of slashing greenhouse-gas emissions and boosting renewable energies by 20 per cent by 2020.

But the issue of emissions reduction and renewable energy targets are likely to reopen a Pandora's box that could require tough negotiations among reluctant EU member states.

Agreeing on a package of legislation to meet the EU's 2020 targets was a matter of fierce internal argument among EU countries until a compromise was finally struck in December 2008 (EurActiv 12/12/08). The Parliament sealed the deal with only mixed enthusiasm (EurActiv 18/12/08).

Targets necessary for Europe's technology lead

Hedegaard argued that targets are in Europe's own interest as they have been proven to bring results that give the bloc a head-start on the global clean technology market.

Nevertheless, she stressed that Europe would not sign up to commitments unconditionally. A unilateral commitment would take away the pressure on the US and China, leading global emitters to commit to reducing their emissions, she said.

The commissioner said progress in the upcoming high-level negotiations in Cancún „looks very difficult" after the last round of talks in August.

„Nothing new came out of Washington. Nothing new has come out of Beijing," she said, adding that the EU will not unconditionally sign up to a second commitment period under the Kyoto Protocol.

Hedegaard chided China for sending an under-secretary from the local embassy to represent the country in the Geneva climate finance meeting earlier this month (EurActiv 06/09/10). „That was not a good sign," she said.

However, the climate commissioner warned that while China is dragging its feet in the negotiations, it is moving on the ground. Three Chinese wind turbine manufacturers have risen to the global top 10 in just ten years and the country now holds half of the global solar market, she pointed out.

„We should take care not to be too complacent,“ Hedegaard cautioned. She sought to downplay the debate raging in Brussels around the potential loss of competitiveness European companies could suffer as a result of tougher CO_2 reduction policies.

„I think carbon leakage is not a one-way street. We can also lose jobs by not being innovative,“ she said.

Positions

Eberhard Rhein, a former diplomat and EU insider, argued that the EU must agree long-term targets by the end of 2011 as well as an overall vision for 2050.

„European summits will be required for these decisions to be made,“ he said.

Rhein argued that beating China in the low-carbon race will require the EU to bring together its photovoltaic industry, which is scattered across small companies throughout Europe, to produce on the same scale as the Chinese.

„We need to see what the industry needs with regard to […] developing a trans-European industry with trans-European standards in terms of feed-in rates,“ he said. „We have the basic designs - glass companies and research organisations are European - but it has been built in California, to some extent because things are centralised there and we have a prejudice against this here in Europe.“

„The point is that we need to see the climate change issue in an industrial context of global competitiveness in what will be one of the determining industries, if one includes energy efficiency, of the century,“ he stressed.

Next Steps

9 Nov.-10 Dec. 2010: UN climate conference in Cancún, Mexico (COP16). Objective is to advance negotiations on basis of Copenhagen Accord. No binding agreement is expected.

28 Nov.-9 Dec. 2011: UN climate conference in South Africa (COP17). Possible date for approving new international climate treaty.

www.euractiv.com/en/climate-environment/commission-plans-climate-targets-2030-2050-news-497782?utm_source=EurActiv+Newsletter&utm_campaign=3491cb53c8-my_google_analytics_key&utm_medium=email

Subsidies for coal to be extended until 2019

[Republished with permission of ENDS Europe. A 14-day, no obligation trial is available from http:www.endseurope.com/news?mc=foes, *Decemver 10 2010]* Competitiveness ministers meeting in Brussels on Friday agreed to allow EU member states to maintain state aid for uncompetitive coal mines until December 2018, four years later than what the European Commission had initially proposed.

All ministers voted for the measure except Sweden and Denmark, who abstained. At the end of November, the European Parliament also called for a 2018 phase-out. On Wednesday, the commission agreed to extend the deadline by four years.

The subsidies would have to be phased out over the next eight years. Subsidies granted to uncompetitive mines in 2011 must be reduced by at least 25 per cent by 2013, 40 per cent by 2015 (and not 2014 as previously reported), 60 per cent until 2016 and 75 per cent until 2017.

According to a Council of Ministers statement, member states will also be able to extend such subsidies until 2027 for coal mines that are not related to production, for things such as social welfare benefits and the rehabilitation of sites.

Greenpeace condemned the decision to back away from the 2014 proposal, saying it was because of heavy pressure from Germany.

According to the environmental group, in 2008 every coal mining job in the country received 233,000 Euro in subsidies.

Follow-up: Council statement

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/intm/118408.pdf

http://www.endseurope.com/index.cfm?go=25244&referrer=channel-energy

EU floats benchmark-based method for handing out free CO_2 permits

[EurActiv, September 10 2010] The European Commission's climate department yesterday (9 September) announced it had identified some 50 product benchmarks for allocating free CO_2 emission permits to industry amounting to around 100 billion Euro until 2020.

The draft benchmarking decision sets the rules for allocating free emissions allowances to EU companies for the 2013-2020 trading period under the EU emissions trading scheme (EU ETS).

Benchmarking was part of the revision of the EU's flagship instrument for cutting greenhouse gas emissions, which sought to avoid the pitfalls of over-allocation and windfall profits for companies that have plagued the scheme in the past.

The Commission's climate action department has now identified some 50 product benchmarks covering around three quarters of relevant emissions, Hans Bergman of DG Climate Action told journalists. For other products, heat or fuel consumption will be used as the basis for benchmarking. The benchmarks are identified for products such as cement, steel, lime, chemicals and glass.

These values will serve as thresholds for what installations get for free, the official explained. They are based on the average performance of the 10 per cent most carbon-efficient installations in a given sector (based on 2007/08 data) and take into account the most efficient techniques. The list is the first draft to be subjected to inter-service consultation within the EU executive. It was submitted for consultation yesterday.

The Commission did not want to give any details of individual benchmarks or values at this stage, but Bergman said that the products are practically all included in the list of sectors vulnerable to „carbon leakage“. The list includes 164 sectors which the EU executive reckons would be at risk of relocating their activities outside of the EU if they had to buy allowances for every tonne of CO_2 they emit (EurActiv 21/09/09). Sectors on the list will get 100 per cent of the benchmarked allowances for free, while others will get 80 per cent in 2013, declining to 30 per cent in 2020.

The benchmarks do not concern the power sector, which for the most part will have to buy its permits at auction.

100 billion Euro until 2020

The allocation decision is not insignificant, as the Commission estimates that the six billion or so allowances that will be allocated for the 2013-2020 trading period will add up to around 100 billion Euro.

Once the Commission decision is out, member states will calculate by 30 September 2011 the amount of allowances to be allocated to individual installations based on the benchmark in question and historical production figures over a number of years. Only the most efficient installations will be able to go without purchasing additional allowances, Bergman said.

Environmentalists have expressed concern that powerful industry lobbies will manage to bargain for high benchmarks, which would translate into subsidies for carbon-intensive sectors. EU businesses, on the other hand, say they will lose out to foreign competition if the benchmarks are set too harshly. Bergman said that the benchmarks will become less challenging as 2020 approaches as a result of technological development. He claimed that the 50 draft benchmarks are „relatively uncontroversial“.

One sticking point is free allocations for waste gases, which are mainly used by the steel industry to produce electricity. The industry wants 100 per cent free allocations, arguing that anything else would discourage such efficient use of the gases, while environmentalists say this would be no more than a subsidy for heavy industry.

„We have taken the line that since there is no free allocation for electricity, they should not get completely free allocation for electricity production with waste gases but some kind of reduction,“ Bergman said. He added that the steel industry would still get „probably quite a lot“ for generating electricity, and the wrangling between the steel industry and the EU executive was mainly about the size of the free allowances.

A 'complicated, expensive waste of time'

Sanjeev Kumar of E3G, an environmental group, argued that the Commission's benchmarking exercise is „a complicated, expensive waste of time“. He argued that if there are free allocations for waste gas emissions, this will subsidise big industry at the expense of smaller sectors like tile and brick-makers.

Bergman also cast doubt on the Commission's plan to set aside 800 million allowances for a 'technology accelerator' to support deployment of existing technologies and innovation in the sectors. „If there are allowances left over […], some of the revenues could be used to support the best innovative technologies,“ the official said. But he added that at this point it is not possible to know whether the final amount of allowances will exceed the predetermined maximum amount, in which case all allowances would go to companies.

„It's only in a year and a half that we'll know if we really can go ahead with this,“ he said.

Positions

The European Confederation of Iron and Steel Industries (Eurofer) criticised the Commission climate department's plans not to allow free allocation for all CO_2 released from waste gases used for electricity production. „Imposing a CO_2 cost on recovery of waste gases for electricity production would discourage such recovery and incentivise non-efficient uses, which runs foul of the very objective of the EU ETS Directive, which consists of promoting GHG emissions 'in a cost-effective and economically effective manner',“ it said in a note.

www.euractiv.com/en/climate-environment/eu-floats-method-handing-out-free-co2-permits-news-497653?utm_source=EurActiv+Newsletter&utm_campaign=3491cb53c8-my_google_analytics_key&utm_medium=email

'Minuscule' CO_2 savings expected from EU scheme

[EurActiv, September 10 2010] The EU's emissions trading scheme (EU ETS) is set to deliver no more than 0.3 per cent carbon savings on total emissions in the current five year trading period, which ends in 2012, according to a new report by climate group Sandbag.

The report warned that the EU's flagship instrument for reducing CO_2 emissions could turn into a trap that commits the bloc into increasing rather than reducing emissions for most of the coming decade unless swiftly revised. The group's calculations show that the scheme, which covers some 12,000 industrial installations and half of the EU's emissions, will at best achieve some 32 million tonnes of CO_2 savings during the 2008-2012 period. This is a small fraction of the annual emissions of 1.9 billion tonnes from these installations, it said, adding that the EU would have been better off by simply imposing a cap on one of Europe's largest polluters over the same period.

Moreover, the report argued that the meagre reductions are unlikely to take place in Europe because there is an ample supply of cheap international offset credits. As a result, European emissions could actually increase by 34 per cent from current levels by 2016, it said.

The EU ETS was revised for the post-2012 period and a tighter cap was introduced. However, Sandbag warned that the recession has rendered these caps obsolete, as over-allocation of permits for some sectors will come back to haunt the integrity of the scheme after 2012.

Heavily over-allocated sectors, notably steel and cement, could bank their unused allowances for use when the economy picks up again, the report argues. By then the carbon price will have risen, but the sectors will already possess the permits they need and thus have no incentive for improving their efficiency. „Unless they are adjusted to reflect our new circumstances, the EU ETS risks becoming an albatross around the neck of European climate policy, a carbon trap rather than a carbon cap, obstructing the mitigation efforts of the EU and its member states,“ said Sandbag campaigner Damien Morris.

Sandbag argues that 1.8 billion permits will likely be carried over to the post-2012 phase, undermining investment in low-carbon technologies. This could be corrected by increasing the EU's emissions reduction target from 20 per cent to 30 per cent by 2020 and tightening the cap accordingly, it suggested.

For this to happen, the European Commission has estimated that 1.4 billion allowances would have to be set aside in the 2013-2020 period (EurActiv 03/05/10). But while countries like the UK and the Netherlands and more recently France have expressed their support for a higher target, member states in Central and Eastern Europe say it would be too expensive.

Sandbag's analysis shows that Romania received the biggest surplus in 2009 in absolute terms, while Cyprus got the largest surplus compared to emissions.

Commission reacts

The European Commission agrees in broad terms with the analysis underlying the Sandbag report, in that supply exceeds demand for allowances in the current trading phase, Maria Kokkonen, spokeswoman for Climate Action Commissioner Connie Hedegaard, told EurActiv. „We do not, however, share all the policy conclusions drawn from it. The EU ETS has undergone a fundamental reform as part the climate and energy package and is on course to be even more effective in the future. The priority is to properly implement these fundamental reforms in a timely manner,“ she said.

The next important step in the implementation will be defining the benchmarks for allocating free allowances post-2012, Kokkonen added.

The Commission submitted its first draft for review on Thursday (9 September).

www.euractiv.com/en/climate-environment/minuscule-co2-savings-expected-eu-scheme-news-497676?utm_source=EurActiv+Newsletter&utm_campaign=9b6667050f-my_google_analytics_key&utm_medium=email

6. Green Budget Reform worldwide

Climate talks in Cancun end with modest steps - no Kyoto Deal

[Reuters, December 12 2010] The world's governments agreed on Saturday to modest steps to combat climate change and to give more money to poor countries, but they put off until next year tough decisions on cutting greenhouse gas emissions.

The deal includes a Green Climate Fund that would give 100 billion Dollar a year in aid to poor nations by 2020, measures to protect tropical forests and ways to share clean energy technologies.

Ending a marathon session of talks in the Mexican beach resort of Cancun, almost 200 countries also set a target of limiting a rise in average world temperatures to below two degrees Celsius (3.6 F) over pre-industrial times. But there was no major progress on how to extend the Kyoto Protocol, which obliges almost 40 rich nations to cut greenhouse gas emissions.

The failure to resolve the central problem of emissions dismayed environmental groups. It was also unclear how the 100 billion Dollar a year for the Green Climate Fund will be raised.

The first round of Kyoto expires in 2012, it does not include China and the United States -- the world's two biggest emitters - and there is no consensus over whether developing countries should have binding targets to cut emissions or whether rich countries have more to do first.

The main success in Cancun after two weeks of talks was simply preventing the collapse of climate change negotiations, promoting support for a shift to low carbon economies and rebuilding trust between rich and poor countries on the challenges of global warming. Major players were relieved there was no repeat of the acrimonious failure seen at the Copenhagen summit last year, but they warned there was still a long way to go. The Cancun accord builds on a non-binding deal by 140 nations in Copenhagen. “The most important thing is that the multilateral process has received a shot in the arm, it had reached an historic low. It will fight another day,” Indian Environment Minister Jairam Ramesh told Reuters. "It could yet fail."

“We have a long, challenging journey ahead of us. Whether it's doable in a short period of time, to get a legally binding deal, I don't know,” the European Union's climate commissioner Connie Hedegaard said of a deal beyond 2012. U.S. President Barack Obama, whose domestic plans to legislate cuts in greenhouse emissions have stalled, said the Cancun meeting was a success and advances the world's response to climate change.

Carbon offset markets worth 20 billion Dollar depend on Kyoto emissions caps to drive developed countries to pay for cuts in greenhouse gases in developing nations as a cheaper alternative to cutting their own greenhouse gases. The Cancun agreement would “build upon” such markets, giving them some support despite the doubt over Kyoto itself.

Abyd Karmali, global head of carbon markets for the Bank of America Merrill Lynch said the deal lays the foundation for progress. But experts said that current pledges for curbs in greenhouse gas emissions were too weak for the two Celsius goal.

Existing government policies will lead to a rise in world temperatures of about 3.6 degrees Celsius above pre-industrial times, according to Niklas Hoehne, director of energy and climate policy at consultancy Ecofys.

Kyoto disputes

The agreement reached on Saturday set no firm deadlines for an elusive legally binding accord to succeed Kyoto. The next major global climate talks will be in South Africa at the end of 2011 and ministers will not meet on Kyoto before then, although lower-level negotiations are possible. China's top climate negotiator, Xie Zhenhua, said the agreement shows the Kyoto Protocol is still alive.

“At the South Africa conference, we'll undertake discussions and negotiations over the substantive content of the second commitment period of the Kyoto Protocol,” he said, adding that developing countries hoped for further progress on the issues of funding, technology and protecting forests.

Earlier this week, Japan, Canada and Russia said they would not extend Kyoto, demanding instead that all major emitters including the United States, China and India join in a new global deal. Developing nations insist that rich Kyoto countries, which have burned the most fossil fuels since the Industrial Revolution, must extend the agreement beyond 2012 before the poor agree to measures to curb their emissions.

The Cancun talks were held as evidence of global warming mounted. Michael Jarraud, the head of the U.N.'s World Meteorological Organization, told the conference that this year could be the warmest year since records were first kept in 1850. It also caps a record-warm decade. Environmentalists worry that global leaders are not moving fast enough to tackle the big climate issues.

“Cancun may have saved the process, but it did not yet save the climate,” said Wendel Trio, Greenpeace's international climate policy director.

Britain's energy and climate secretary, Chris Huhne, said the advances in Cancun made it more likely that the European Union would toughen cuts in greenhouse gas emissions, to 30 percent below 1990 levels from a current 20 percent. „I think it definitely makes an agreement on 30 percent in the EU more likely,” he said.

Bolivia's left-wing government was alone in objecting to the Cancun accord. It had demanded far deeper cuts in greenhouse gases by rich nations and accused them of “genocidal” policies causing 300,000 deaths a year.

Under the U.N.-led negotiations, all agreements are supposed to have consensus support, but Bolivia was sidelined with the accord simply noting its concerns.

http://www.reuters.com/article/idUSTRE6AR1OI20101212?pageNumber=1

Iran to cut oil subsidies in energy reform

[Bettina Lubach, December 20 2010] In the past three months, the Islamic Republic of Iran has begun eliminating energy subsidies, a move that could transform the way the country’s economy works and influence reform in other energy-producing countries, IMF economists say. With the removal of subsidies on oil and gas, domestic demand for energy in Iran is expected to decline, leaving more energy resources available for export. If all goes according to plan, the strategy should serve the dual purpose of generating more revenue for the country and curbing the wasteful use of energy, IMF mission chief Dominique Guillaume and Senior Economist Roman Zytek told the IMF Survey online.

Food subsidies will also be cut, risking a repeat of angry protests which followed fuel rationing in 2007. The cuts will mean a fourfold rise in the price of petrol and reduced subsidies for bread. The price of gasoline will rise by 700 percent when subsidies are cut completely, the economy minister was reported as saying on 15th December, revealing for the first time the cost to motorists of a huge economic overhaul. President Mahmoud Ahmadinejad has once again reassured people that they will be better-off with the implementation of the subsidy reform plan, emphasizing that the so-called overhaul of the economy will not have serious repercussions.

Read more here:

http://www.imf.org/external/pubs/ft/survey/so/2010/int092810a.htm

http://www.bbc.co.uk/news/business-12031383

http://www.tehrantimes.com/Index_view.asp?code=230997

http://www.xe.com/news/2010/12/01/1558021.htm?utm_source=RSS&utm_medium=TL&utm_content=NOGEO&utm_campaign=News_RSS_Art10

Tunisia increases gasoline prices to trim budget deficit

[Bettina Lubach, December 20 2010] The Tunisian government has raised gasoline prices by four per cent with the aim of cutting its budget deficit. This is the second time in 2010 for the government to increase gasoline prices.

This new rise is made in accordance with the new regulation system, implemented since 2009, based on adjustment in domestic prices of petroleum products, upward or downward, with moderate levels, whenever the gap between the international oil price and the equilibrium reference price reaches 10 Dollar per barrel at least over a period of three successive months.

Read more here:

http://english.ahram.org.eg/NewsContent/3/15/1734/Business/Region/Tunisia-increases-gasoline-prices-to-trim-budget-d.aspx http://www.africanmanager.com/site_eng/detail_article.php?art_id=15950

Malaysia cuts fuel and sugar subsidy to trim deficit

[Bettina Lubach, December 20 2010] Malaysia's government said Friday it will cut fuel and sugar subsidies for the second time in five months, leading to savings of 1.18 billion ringgit (380.7 million Dollar) to help trim its budget deficit.

Read more here:
http://www.businessweek.com/ap/financialnews/D9JSEI100.htm

Australia PM leaves open carbon tax option: media

[Reuters, September 17 2010] Australian Prime Minister Julia Gillard has left open the possibility of introducing a carbon tax as the government starts talks with the Greens on cutting emissions, newspapers reported on Friday.

BHP Billiton Chief Executive Marius Kloppers said this week that it was in Australia's long-term interest to move ahead with a carbon price and Gillard has promised a new cross-party committee to look at all carbon options in good faith.

„I genuinely believe complex public policy questions are never assisted by simple rule-in, rule-out games," Gillard was quoted by The Age newspaper as saying.

The federal opposition said the comment showed the government was breaking a pre-election promise to reject a new tax, the Australian Financial Review reported.

Gillard has promised multi-party talks next year to build consensus on carbon pricing after the dead-heat August 21 vote left Labor needing support from three independents and one Green member of parliament to pass laws in parliament's lower house.

The prime minister went to the election promising a 5 percent cut in 2000-level emissions by 2020, and to seek consensus for its carbon trading plan, currently shelved until at least 2013 and the end of the Kyoto global climate protocol.

But under a deal with the Greens, who will wield sole balance of power in the upper house Senate from mid-2011, Labor has promised the new committee of lawmakers and experts will work on a policy to price carbon pollution and promote renewable energy. The Greens want the government to introduce a carbon tax as an interim step ahead of market-based carbon trading.

www.reuters.com/article/idUSTRE68G2HJ20100917

Latest developments from Australia – green budget reforms faltering fast

[Wayne Gumley, Melbourne, December 8 2010] In issue No 26 of GBN it was reported that the Australian Government had announced a 'cutting edge' new tax on the profits from natural resource extraction to begin in 2012. However these proposals are now on hold and are likely to be substantially modified. The new tax proposal was derived from an extensive review of the Australian Taxation System, completed in late 2009 by a team led by Secretary to the Australian Treasury, Dr Ken Henry (see http://taxreview.treasury.gov.au).

The Henry Review recognised that the Australian taxation system was biased heavily towards Federal income taxes, which tend to be regressive. On the other hand the extraction of non-renewable natural resources is lightly taxed, yet it is one of most profitable sectors of the Australian economy. According to the Henry Review (at p 47):

'The current charging arrangements distort investment and production decisions, thereby lowering the community's return from its resources. Further, they fail to collect a sufficient return for the community because they are unresponsive to changes in profits, particularly output-based royalties. For example, existing resource taxes and royalties have collected a declining share of the return to resources over the recent period of increasing profitability in the resource sector ...'

As stated in Issue 26, Friedel Hutz-Adams of the SUDWIND Institute recognised that this taxation anomaly is also found in most developing countries where mining activities are commonly conducted by multinational companies. The Henry Review proposal for a uniform resource rent tax on 'super-profits' from mining activities would partly rectify this defect. However, since Issue 26, there have been several major political developments in Australia which have stalled that proposal. Firstly there was a huge lobbying campaign mounted against the proposal by leading mining companies, including BHP Billiton and Rio Tinto. Secondly (and perhaps consequentially?) the Prime Minister Kevin Rudd, who had backed the proposal, lost the leadership of the Labor Party. The new leader, Ms Julia Gillard, quickly announced a new version of the proposed tax after extensive consultation with leading mining companies (by Media Release, 2 July 2010):

- a new Minerals Resource Rent Tax (MRRT) would apply only to iron ore and coal;
- the tax will apply to the value of the commodity 'at the mine gate' less all costs to that point at a flat rate of 30%;
- a book value starting base will be uplifted by the long term bond rate plus 7% (whereas a market value starting base will not be not uplifted);
- small miners with profits below AUS$50 million will not be liable toteh MRRT;
- the new tax will apply from 1 July 2012;
- the current Petroleum Resource Rent Tax (PRRT) would be extended to all Australian onshore and offshore oil and gas projects, including the North West Shelf (to ensure all oil and gas projects are treated equitably); and taxed at a rate of 40%.

Despite these concessions to the mining industry a further setback came at the Federal election in August, when the Gillard Government narrowly scraped back into power with the assistance of two independent members. Some commentators considered that the new mining tax proposals had an adverse impact on voting intentions, particularly in the resource rich States of Queensland and Western Australia, and also due to the perceived impacts upon Australian superannuation funds, which are heavily invested in the resource sector. Nevertheless the Government is still pushing ahead with the revised MRRT proposal, but its final form not been agreed, and the narrow majority now held in Parliament makes the passage of a new tax highly problematic. The revised proposal also poses a budgetary problem for the Government as it is estimated to collect about AUS$3 Billion less revenue than the original model. The recent OECD Economic Surveys: Australia 2010 has also criticised the revised proposal on the basis that it the tax base will be too narrow to capture the full benefit of the current mining boom (released in Nov 2010).

Thus, in summary, it can be said that Green Budget reform in Australia has faltered once more. The Henry Review was at first quite remarkable, as the first tax reform process in Australia which had in its terms of reference the integration of fiscal objectives with ecologically sustainable development. However, its major proposal for a new natural resource tax was directed to economic outcomes, not environmental improvement. On a more hopeful note, there were many other Henry Review recommendations which would promote environmental goals (eg. the restriction of tax concessions for company cars and other fringe benefits tax reforms, certain capital gains tax reforms, fuel tax and road transport tax reforms, and better scrutiny of tax expenditures). Unfortunately the Australian Government has only committed to about six of the 138 Henry Review recommendations to date. The future of most recommendations is now highly uncertain. Since the election the Government has been urged to hold a tax summit to reconsider their continuing status. The Treasurer Mr Wayne Swan has announced that he will raise the revised Minerals Resource Rent Tax proposals in the Australian Parliament early in 2011.

Wayne Gumley is Senior Lecturer in Law at the Faculty of Business and Economics of Monash University in Melbourne, Australia. Responses are welcome to:
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South Korea unveils cap and trade plan

[Reuters, November 17 2010] The South Korean government has announced plans to launch a carbon emissions trading scheme in 2013. Under a policy proposal now open for public consultation and due to go to a parliamentary vote before the end of the year, emissions caps would be placed on heavy emitters.

In the first two years of operation, 90 per cent of emission permits would be allocated free, with provision to auction off extra permits as a price control measure.

The government has set a voluntary target to cut emissions by 30 per cent below business as usual levels by 2020. This equates to a 4 per cent absolute reduction below 2005 levels, according to environment group Green Korea United.

South Korea is Asia’s fourth largest economy and among the most industrialised of those nations lying outside the Kyoto Protocol’s Annex 1 grouping. As such it faces no binding emissions-reduction targets. Like China, it is under pressure to take substantive steps to rein in fast-rising emissions as its industrial base expands rapidly.

In the East Asia region, China is considering the trial of a cap and trade scheme in coming years while Japan, an Annex 1 country, is also formulating cap and trade legislation after years of stiff opposition from business.

www.carbonpositive.net/viewarticle.aspx?articleID=2189

Japan's economic and environmental ministries supporting an eco-tax?

[Park Seung-Joon and Sven Rudolph, September 14 2010] Japan's Ministry of the Environment (MOE) and the Ministry of Economy, Trade and Industry (METI), while formerly regarded as in cat-and-dog relationship, are discussing to propose a tax hike of the Oil-Coal Tax to the Government Tax Commission to be held in autumn. The Government Tax Commission (Seifu Zeisei Chosakai) is the most important consultative committee for the Japanese Prime Minister when it comes to a modification or reform of any tax. The Commission’s proposal is almost equal to a government decision. If the discussion in autumn will be successful, this could mean a tax hike already in the next fiscal year (Apr. 2011 to Mar 2012).

The tax hike is an important cornerstone of the government's climate protection tax policy, and it will bring 200 billion Yen (100 Yen = 0,96 Euro) at maximum. The revenue will go to an energy account, which is managed mainly by METI, but the revenue will be spent on climate measures in the field of energy supply and demand in order to increase acceptance in the general public.

Existing tax rates for oil are 2040 yen/Kiloliter, for gas 1080 yen/kL and for coal 700 yen/kL.

MOE would like to keep the level of the car fuel tax at the current level despite this fiscal year's abolishment of the provisional tariff . Furthermore, MOE would like to see revenues under their control in order to be able to direct the money to uses they prefer.

www.shimbun.denki.or.jp/news/main/20100824_02.html

www.yomiuri.co.jp/eco/news/20100824-OYT1T01025.htm

www.nikkei.com/news/category/article/g=96958A9C93819481E0E7E2E09D8DE0E7E2EAE0E2E3E29797E0E2E2E2;at=ALL

www.shimbun.denki.or.jp/news/main/20100824_02.html

www.yomiuri.co.jp/eco/news/20100824-OYT1T01025.htm

www.nikkei.com/news/category/article/g=96958A9C93819481E0E7E2E09D8DE0E7E2EAE0E2E3E29797E0E2E2E2;at=ALL

www.bloomberg.com/news/2010-08-31/japan-forsees-starting-carbon-emissions-trading-in-2013-panel-reports.html

www.carbonpositive.net/viewarticle.aspx?articleID=2092

Vietnam introduces an ETR in 2012

[Kai Schlegelmilch, November 15 2010] Faced with worrying environmental impacts caused by increases in the discharge of industrial effluent and sanitary waste water, rising quantities of domestic and industrial waste, emissions of air pollutants from industrial processes and transportation, contamination of soil, groundwater and watercourses, and endangered biodiversity, but also some environmental scandals in the early 2000s, Vietnam has adopted several measures to address these challenges. Environmentally relevant legislation can be traced back to the early years of the Socialist Republic of Vietnam, and was elevated to a constitutional objective in the Constitution of 1980, which declared environmental protection a binding duty for all state agencies, enterprises, cooperatives, and citizens. In 2004, the Vietnamese Prime Minister, Nguyen Tan Dung, asked for an ETR to be introduced by 2011. A framework environmental tax law was adopted by the Government in April 2010 and subsequently submitted to the National Assembly which approved the environmental tax law on 15th November 2010. There were 402 NA members of which 397 members agreed to approve the draft tax law, that's 98.7%.

Since the issue of ETR is quite new and not much experience is available, the German Development Implementing Agency (GTZ) supported the process of drafting a law on ETR in Vietnam for more than two years by providing training, study tours, access to networks and conferences, advice and comments on the draft law, and by supporting the elaboration of a regulatory impact assessment. This support follows technical assistance from the European Union, executed by Michael Rodi and Michael Mehling, which was completed in 2009. At present, the German assistance is the only donor assistance for the ETR in Vietnam (apart from a Japanese project which is more of theoretical and analytical nature). Kai Schlegelmilch was chosen by GTZ as the major expert to guide the entire process and to provide consultation on draft laws.

The law has been approved mid November 2010 by the Vietnamese parliament and is set to levy taxes not only on energy in terms of refined fuels and coal but also on environmentally harmful substances such as chemicals and pesticides. This will create a promising win-win situation for Viet Nam, as the introduction of an environmental tax will help increase state budget revenues. According to the impact assessment, it will also reduce Viet Nam’s greenhouse gas emissions by between 3,000,000 to 9,000,000 tons within the first year of implementation, depending on the tax rate applied. The additional tax revenues can be used for reducing the state budget deficit and/or for strengthening environmental protection activities. The Ministry of Finance aims to tax all kinds of energy consumption, including domestic flights and shipping. Furthermore, tobacco and plastic, partly also if used for non-energetic purposes, should be taxed. The law is expected to enter into force by 1.1.2012. It would then very likely be the first law in Asia which explicitly introduces an ETR. Thailand is yet in a similar state.

After European countries had led for years in the field of environmental fiscal policy, Asian countries are now showing strong interest and are starting to draft laws in some cases, although major measures have yet to be implemented. While others like Indonesia, India, Nepal, Bhutan, and Lao are still in an exploratory phase, carrying out studies, China and particularly Vietnam and Thailand are more advanced. In any case, it is most welcome that these countries are now also moving in this direction and discovering the multiple benefits of an ETR-policy strategy.

This offers the unique opportunity to carefully reduce tax breaks and other special tax provisions for industry in Western countries, as this reduces the fear of effects on competitiveness. However, to allow for that, no such provisions should be given to industries in Asian countries.

7. Links and Publications

Fostering Green Economy – Exchange of Asian EFR-Experiences

[Bettina Lubach, December 7 2010] The pre-Workshop to the Global Conference on Environmental Taxation (GCET) in Bangkok 2010 issued EFR in Asia. General findings about choosing and implementing the right measures but also country-specific findings have been discussed by approximately 30 participants representing various ministries and organisations from around the world. Green Budget Europe was represented by Kai Schlegelmilch. The workshop was jointly organized by GTZ, the German Federal Ministry for International Cooperation and Development (BMZ) and the UNDP/UNEP Regional Poverty Environment Initiative (PEI) Team.

Workshop Report:
www.unpei.org/PDF/AsiaPacific-Nov32010-GTZPEI-EFR.pdf

European Commission – DG External Relations aims at promoting EFR in EC Development Cooperation

[Kai Schlegelmilch, November 30 2010]

The study, which was commissioned by DG Development of the European Commission, was conducted to identify five ACP countries (Africa, Caribbean, Pacific) with a good potential to receive support from the European Commission in implementing Environmental Fiscal Reform (EFR). The Commission is actively looking into options for promoting EFR in EC development cooperation. The study's main objectives were to promote an informed decision-making in matters of which fiscal reforms could be most relevant, as well as how the EFR process can be effectively designed and implemented in the chosen countries. The study tried to gather information of where EFR actions have been carried out (possibly supported by donors) and how they could be integrated into the current process of generation of Country Strategy Papers (CSPs) and Regional Strategy Papers (RSP)(2007-2013). Furthermore, for those countries where EFR actions could be undertaken, the study serves as a starting point for informed decisions about which reforms are most relevant to a variety of specific sectors and how the EFR process can be effectively designed and implemented. Overall, five country case studies were executed, of which two are based on missions into those countries (Burkina Faso and Uganda), while the ones on Barbados, South Africa, and Vanuatu are based on desk research.

Final report on „Environmental Fiscal Reform in EC Development Cooperation":
www.foes.de/pdf/20100929_Final%20Report%20-%20Environmental%20Fiscal%20Report%20-%20FINAL.pdf

Inception Report (2009):
www.foes.de/pdf/2010-10_Environmental_Fiscal_Reform_EC_DC.pdf

Subsidies to Canada's oil industry about 2.84 billion Dollar

[International Institute for Sustainable Development, November 2010] Canadian federal and provincial governments provided 2.84 billion Canadian Dollar to support oil production in 2008, according to study released today by the International Institute for Sustainable Development.

The report estimates the impact of existing subsidies over the next ten years. The study forecasts the cost of subsidies to governments would double by 2020. The report estimates a two per cent rise in Canada's greenhouse gas emissions by 2020 and a projected rate of growth for the oil production industry.

As a member of the G20, Canada has recognized that efforts to deal with climate change, wasteful energy consumption, market distortions and barriers to clean energy investment are undermined by inefficient fossil-fuel subsidies and has pledged to phase out its inefficient fossil-fuel subsidies over the medium term.

The study sets out the financial, economic and environmental trade-offs implied by the 63 subsidies identified at the federal and provincial level. It provides a valuable input for Canadian and provincial governments as they develop an energy strategy for Canada and for governments seeking to integrate economic development with options to improve public finances and lower greenhouse gas emissions.

IISD Report „Fossil Fuels – At What Cost? Government support for upstream oil activities in three Canadian provinces: Alberta, Saskatchewan, and Newfoundland and Labrador":
www.globalsubsidies.org/files/assets/ffs_awc_3canprovinces.pdf

Key Findings:
www.globalsubsidies.org/files/assets/ffs_awc_3canprovinces_kfindings.pdf

G20 „Neither revealing nor removing" fossil fuel subsidies

[By Doug Koplow and Steve Kretzmann, November 2010] Oil Change International and Earth Track have released the first independent evaluation of the success of the G20 Pledge to phase out fossil fuel subsidies. The report reveals large gaps in the reporting of subsidies, and that no new actions have been taken by G20 nations as a result of their commitment in Pittsburgh to phase out fossil fuel subsidies.

Read more here:
http://priceofoil.org/2010/11/08/g20-fossil-fuel-report/

See update on the process in an official presentation by Helen Mountford from OECD at the Annual Conference of Green Budget Europe in Budapest in July 2010:
www.foes.de/pdf/2010-07%20Helen%20Mountford%20-%20OECD%20Work%20on%20Phasing-Out%20Fossil%20Fuel%20Subsidies%20and%20Developments%20in%20the%20G20.pdf

Increasing the Momentum of Fossil-Fuel Subsidy Reform: A Roadmap for International Cooperation

[Global Subsidies Initiative, July 2010]The paper was prepared by the Global Subsidies Initiative (GSI). It takes a detailed look at the opportunities, strengths and weaknesses of progressing fossil fuel subsidy reform within the World Trade Organization and the United Nations Framework Convention on Climate Change and under the G-20's political leadership. It concludes that a collaborative approach between a range of organizations is needed, with country champions driving the process. A roadmap is provided for the next 12 months, one to three years and the longer term for increasing international cooperation, and preparing the path to a multilateral agreement on fossil fuel subsidy reform.

www.iisd.org/pdf/2010/increasing_momentum.pdf

GBE: Greening the budget - a transatlantic dialogue on making environmental and fiscal responsibility a priority

[Heinrich Boell Foundation/Kai Schlegelmilch, October 25 2010] The Heinrich Boell Foundation North America has published a new report on greening the budget by pricing carbon and cutting environmental harmful subsidies. The report was launched on October 21st at a transatlantic panel discussion in cooperation with Green Budget Europe, Taxpayers for Common Sense and Friends of the Earth. Kai Schlegelmilch presented the main findings.

The publication provides lessons on how greening the budget combines fiscal responsibility with the environmental sensibility that is inevitable for a sustainable future. Germany's so called ecological tax reform, which is evaluated in the report, provides incentives for a more efficient use of fossil fuels by raising the price for coal, gas and oil through higher energy taxes. In doing so, it at the same time allows lowering taxes on labor, thus creating a momentum for new jobs. In addition, several proposals for greening the budgets, initially aiming at Germany, but adapted slightly to the US-American context, are made. In summer 2010 the German government had indeed adopted most of those proposals which was due to the very successful promotion of these measures by Green Budget Germany.

Greening the Budget:
www.foes.de/pdf/2010-10-HBF_GreeningTheBudget.pdf

German version „Nachhaltig aus der Krise”:
www.foes.de/pdf/Nachhaltig_aus_der_Krise.pdf

http://boell.org/web/139-676.html

Environmental fiscal reform in Europe: research, experience and best practice

[European Trade Unite Institute, November 2010] The fifth ETUI Policy Brief European Economic and Employment Policy in 2010 was written by GBG members Jacqueline Cottrell, Kai Schlegelmilch, Rachel Mander and Sebastian Schmidt. It argues strongly in favour of prioritising environmental taxation increases above other tax increases in times of fiscal austerity and looks at the principles of EFR, academic research and modelling of EFR in the EU, and provides an overview of initiatives at both European and Member State level.

www.etui.org/

Environment policy review 2009

[European Commission, August 2010] The Annual Environment Policy Review (EPR) is a report designed to monitor recent environmental trends and policy developments at EU and national level and the progress towards the EU's key environmental goals as set out in the 6th Environment Action Programme. It reports on EU policy developments from 2009 and looks in detail at EU and Member States' environmental trends and policy performance under the four priorities of the 6th Environment Action Programme, namely Climate change, Nature and biodiversity, Environment and health and Natural resources and waste. It also indicates key issues for 2010 and the coming years.

http://ec.europa.eu/environment/policyreview.htm

Taxation, innovation and the environment

[OECD, October 13 2010] Solving the world's environmental problems could take a significant toll on economic growth if only today's technologies are available. We know that innovation – the creation and adoption of new technologies and know-how – provides a means to achieve local and global environmental goals at significantly lower costs. Innovation is also a major driver of economic growth.

OECD governments are increasingly using environmentally related taxes because they are typically one of the most effective policy tools available. Exploring the relationship between environmentally related taxation and innovation is critical to understanding the full impacts of this policy instrument – one potential facet of „green growth.” By putting a price on pollution, do environmentally related taxes spur innovation? What types of innovation result? Does the design of the tax play a critical role? What is the effect of this innovation?

In analysing these questions, this report draws on case studies that cover Japan, Korea, Spain, Sweden, Switzerland, the United Kingdom, Israel and others.

This report is a project of the OECD's Joint Meetings of Tax and Environment Experts, who work in concert with the Environment Directorate and the Centre for Tax Policy and Administration. This project also forms a part of the OECD's Green Growth Strategy.

The whole report can be purchased as E-book at www.oecdbookshop.org/oecd/display.asp?lang=EN&sf1=identifiers&st1=9789264087637

The executive summary is available at
www.oecd.org/dataoecd/27/31/46177075.pdf

All the underlying case studies are freely a-vailable at:
www.oecd.org/env/taxes/

www.oecd.org/document/6/0,3343,en_2649_34295_46091974_1_1_1_1,00.html

Paying for biodiversity: Enhancing the cost-effectiveness of payments for Ecosystem Services (PES)

[OECD, October 4 2010] Drawing on the literature concerning effective PES and on more than 30 case studies from both developed and developing countries, this book aims to identify good practice in the design and implementation of PES programmes so as to enhance their environmental and cost effectiveness.

http://www.oecd.org/document/59/0,3343,en_2649_34285_46104123_1_1_1_1,00.html

Lessons learned from Brazil's experience with fossil-fuel subsidies and their reform

[Global Subsidies Initiative, June 2010] The Global Subsidies Initiative (GSI) has commissioned case studies of fossil-fuel subsidy reform in Brazil, France, Ghana, India, Indonesia, Poland and Senegal. In Lessons Learned from Brazil's Experience with Fossil-Fuel Subsidies and their Reform, authors Dr. Adilson de Oliveira and Tara Laan examine Brazil's attempts to reform its long-standing fossil-fuel subsidies. The other case studies are in progress and will be available soon.

The report explains how such efforts have often been frustrated by interest groups trying to maintain the use of certain consumer subsidies and analyzes why Brazil's previous reform attempts have been so difficult to achieve.

www.iisd.org/pdf/2010/lessons_brazil_fuel_subsidies.pdf

Mapping the characteristics of producer subsidies: a review of pilot country studies

[Global Subsidies Initiative, August 2010]

This paper is published as part of the series Untold Billions: Fossil-fuel subsidies, their impacts and the path to reform.

Prepared by the Global Subsidies Initiative (GSI) in conjunction with Earth Track, this study helps increase the body of knowledge about the data sources that hold information on subsidies to fossil-fuel producers, by reviewing available data in a series of countries, diverse in terms of their level of data transparency, governance systems, energy markets and stages of economic development.

The study found that fossil-fuel producers are supported by a multitude of policies, ranging from direct payments to preferential access to government-owned lands. While direct payments were relatively easy to identify in government budget reporting, data was not always provided at a sufficient level of disaggregation to allow proper attribution to beneficiaries. Pilot studies also found that information on these support measures was held by a variety of government ministries and non-governmental organizations.

The pilot studies provide a road map and starting point for more in-depth country case studies needed to fully quantify the extent of fossil-fuel subsidies in each country, as in some areas, the financial value of producer subsidy programs can only be estimated more precisely by developing more investigative methods and conducting country-specific studies. The GSI has commissioned two such studies into producer subsidies in Indonesia and Canada, which will become available during the second half of 2010.

www.globalsubsidies.org/files/assets/mapping_ffs.pdf

Soil framework Directive

The Deutscher Naturschutzring (DNR) has published a argumentation paper for a "Soil Framework Directive".

Read more (in German):
http://www.eu-koordination.de/PDF/bodenschutz_web.pdf

World energy outlook 2010

The 2010 edition of the World Energy Outlook (WEO) was released on 9 November and it provides updated projections of energy demand, production, trade and investment, fuel by fuel and region by region to 2035. It includes, for the first time, a new scenario that anticipates future actions by governments to meet the commitments they have made to tackle climate change and growing energy insecurity.

http://www.iea.org/weo/index.asp

8. Imprint

We wish you all a very merry Christmas and a happy new year
and look forward to a successful 2011!

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