

**SUBVENTIONS  
À LA POLLUTION**

**\$STOP**

Green Budget Europe – IDDRI event - 29-30 October

## **Reform environmentally harmful subsidies**

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# Reform environmentally damaging subsidies

Introduction

Section I – Subsidies to Pollution in France

Section II – Why removing them ?

Section III – Where are we ? How to proceed ?

Section IV – More information

# Who we are

- } Réseau Action Climat France (RAC-F) gathers 18 French associations: from local to national and powerful NGOs, including specialised organisations working on climate change
- } We work with European network organisations : Climate Action Network Europe, Transport and Environment, ...
- } We work at different scales to influence national, local and European policies
- } We work on different sectors : Agriculture, Housing, Transport, Development, etc.

- } Réseau Action Climat France and Fondation Nicolas Hulot launched the campaign “Stop Subsidising Pollution” in June 2012
  - } We call the Government and the MPs to stop giving tax breaks to the most polluting activities and to introduce green taxes such as the *Contribution Climat Énergie*
  - } Our call was signed by over 50 economists and 30 NGOs
  - } Reports from the most eminent institutions support our demands : Sénat, Cour des Comptes, Centre d'Analyse Stratégique (CAS)

## Partie I – Subsidies to Pollution in

Partie II

Partie III

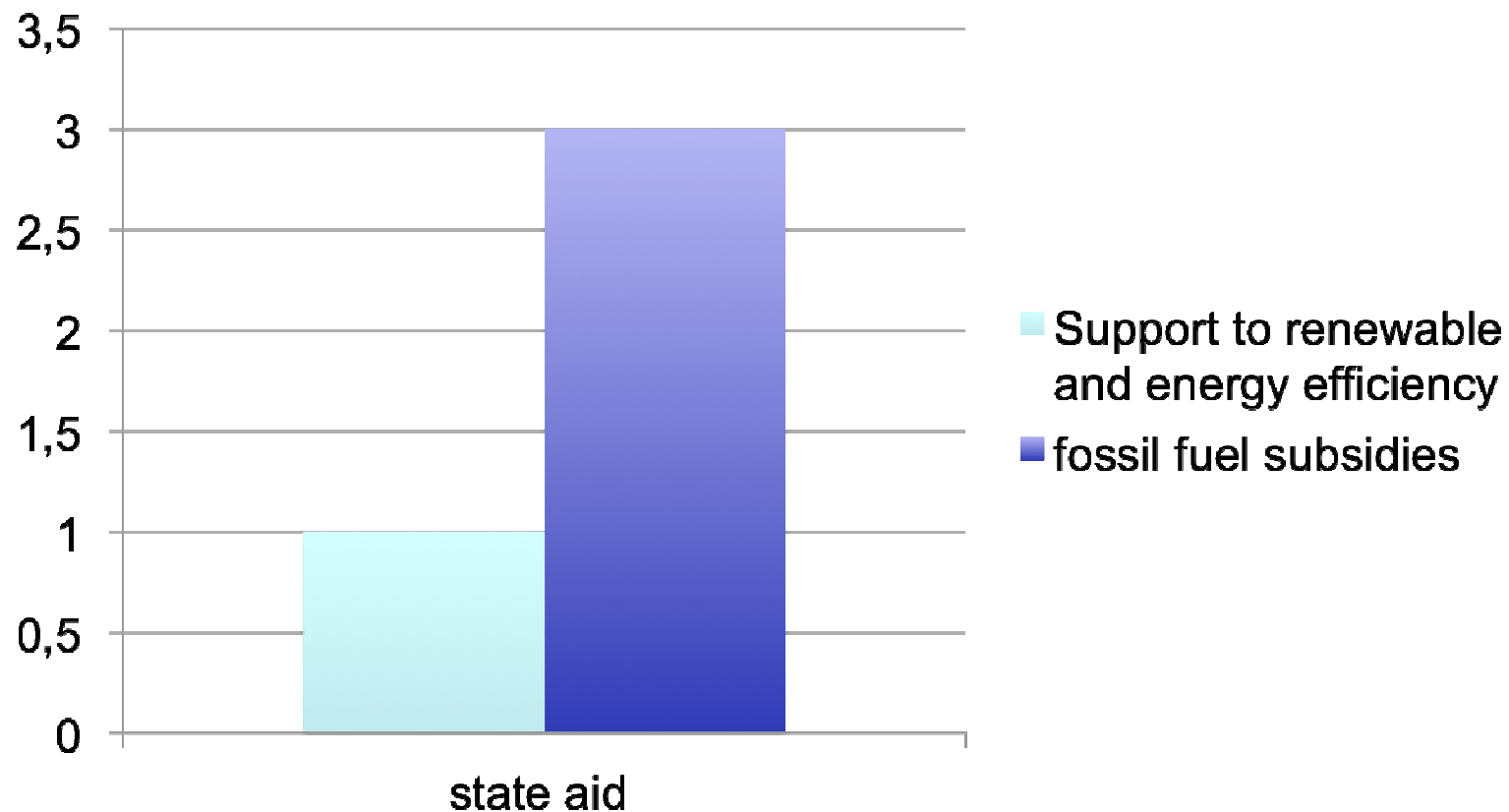
Partie IV

# What are the harmful subsidies to the environment?

- } Create market distortions :
  - } exemptions, zero and reduced rates
  - } No internalization of negative impacts
- } Opposed to environmental taxation
- } Fossil fuel subsidies = 33 measures, 20 to 30 billions € (G. Sainteny)
  - } 3,5 billions euros due to tax-free kerosene (1,3bn for domestic flights only)
  - } > 6 billions euros due to reduced rate for diesel compared to petrol
  - } >2 billions euro for gazoil used by construction and agricultural engines (TICPE exoneration)
  - } 100 million € for refineries (TICPE exemption)
  - } 300 million tax rebate for trucks (energy tax- TICPE)
  - } Etc.

# Fossil fuels are subsidized at nearly 3 times the rate of renewables and energy efficiency in France

(G.Sainteny, Plaidoyer pour l'éco-fiscalité, 2012)



## Partie II – Why removing these subsidies?

Partie III

Partie IV



# Governments pledged to end fossil fuel subsidies...

... again and again

2009 – G20 Pittsburgh

2010 – Nagoya



One million people signed a petition to end fossil fuel subsidies. (350.org )

# Energy taxation = win-win opportunities

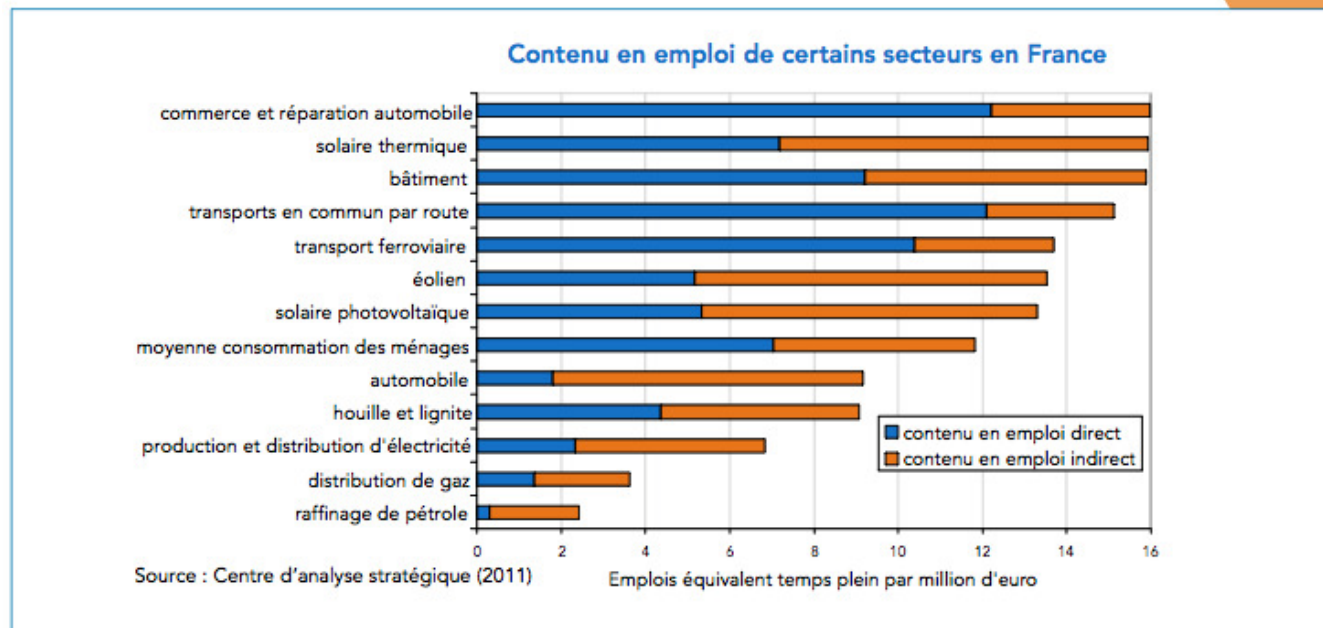
- }To achieve the energy transition
- }To ensure overall consistency across national policy
- }To save natural resources and money
- }To gain energy security and reduce imports
- }To reduce deficit and generate new revenues
- }To create jobs in the most sustainable sectors

# To achieve the energy transition

- } To ensure overall consistency across national policy
  - } To respect the “polluter pays” principle and reverse the equation
  - } Break the lock-in : the government is now subsidizing activities opposed to its climate and environment goals
  - } To make alternatives cheaper with a carbon tax and without fossil fuel subsidies
- } To fight against climate change
  - } To achieve France’s commitments to reduce greenhouse gas emissions at the lowest cost -75% by 2050.
  - } Removing fossil fuel subsidies would take us half way to a trajectory that would hold us to 2C.” F. Birol IEA
- } Incentive taxation: To change behaviors before energy prices are too high and reduce consumption of fossil fuels
- } To raise money : to undertake environmental policy measures on the expenditure side of the budget. Huge investments needed, times of austerity.

# To help resolve the crisis

- } Consolidate the budget : Government looking for 30 billions €
- } Reduce oil imports and energy bill (increased by 30% 2010-2011, 70 bn€)
- } Recycle the money in local economy
- } To innovate, develop new technology
- } Good for the economy and employment
- } Help the most vulnerable households
- } To invest in the future



# Examples in Transport Sector

- } Transport sector : most polluting sector, GHG emissions increase, highly dependent on fossil fuel → benefits from most of the hidden subsidies.
- } Reduced tax rate on diesel = High dieselisation of car fleet. Impact on air pollution -> 42000 premature death ; costs for social security 30bn€ ; burden for trade balance and refineries
- } Kerosene : encourage air transport instead of train, favors businesses and richest people
- } Freight sector: Tax rebate scheme for lorries should be abolished :
  - } 40% of diesel in the EU sold is consumed by lorries
  - } Low tax rate for commercial diesel used by lorries over 7,5t – Reimbursement allowed by the ETD - only 5 States do it, France sets the highest reimbursement rate
  - } In opposition with the Grenelle objectives for modal shift : France committed to raise non road freight from 14% in 2006 to 25% by 2022. The share actually decreased ☹

# It's an anachronic fiscal system

Niche	Year of introduction	Annual cost for public budget (€)
Tax free kerosene	1944 (Convention Chicago)	3 billion
Refineries	1958	100 million
Ships	1928	300 million
Biofuels	1997	300 millions

Before we knew about climate and environment impacts...

# It's not fair

} Example of the transport modes for freight

Transport mode	Aviation	Trucks	Train
Climate impact	- - -	- -	+
Taxation	No VAT, No TICPE on kerosene, Low VAT on tickets	Tax rebate on gazoil Postponed kilometric charge	3 taxes CSPE Taxe locale sur l'électricité Contribution tarifaire d'acheminement

# It's not social

- } All taxpayers indirectly pay for one part of the population
- } High and middle classes benefits the most from the exemptions
- } Poor people suffer the most from the consequences (pollution, noise, lack of alternatives)
- } Regressive subsidies. Example of *barème fiscal automobile*



# To make France become the “nation de l'excellence environnementale”

## Subsidies to pollution

- } Encourage wastage, does not encourage energy efficiency
  - } 25% of the trucks on the French roads are empty
  - } The others are 80% full
  
- } No correlation between the tax rebate and jobs in the road transport sector (Comité d'évaluation des dépenses fiscales)

## Energy Taxation

- } Drives innovation to decrease energy consumption:
  - } A 1% increase in energy price leads to an increase of R&D, technological patents (Copenhagen Economics)
  
- } Examples abroad :
  - } Finland, Sweden have high taxes/high tech
  - } Companies subject to Carbon Levy in the UK obtain more technological patents

## Partie III – Where are we now? How to proceed

### Partie IV

# Green taxation/GDP : France ranks 26<sup>th</sup> / 27

Only four Member States show levels below 2 % of GDP : Lithuania, Slovakia, Spain and France

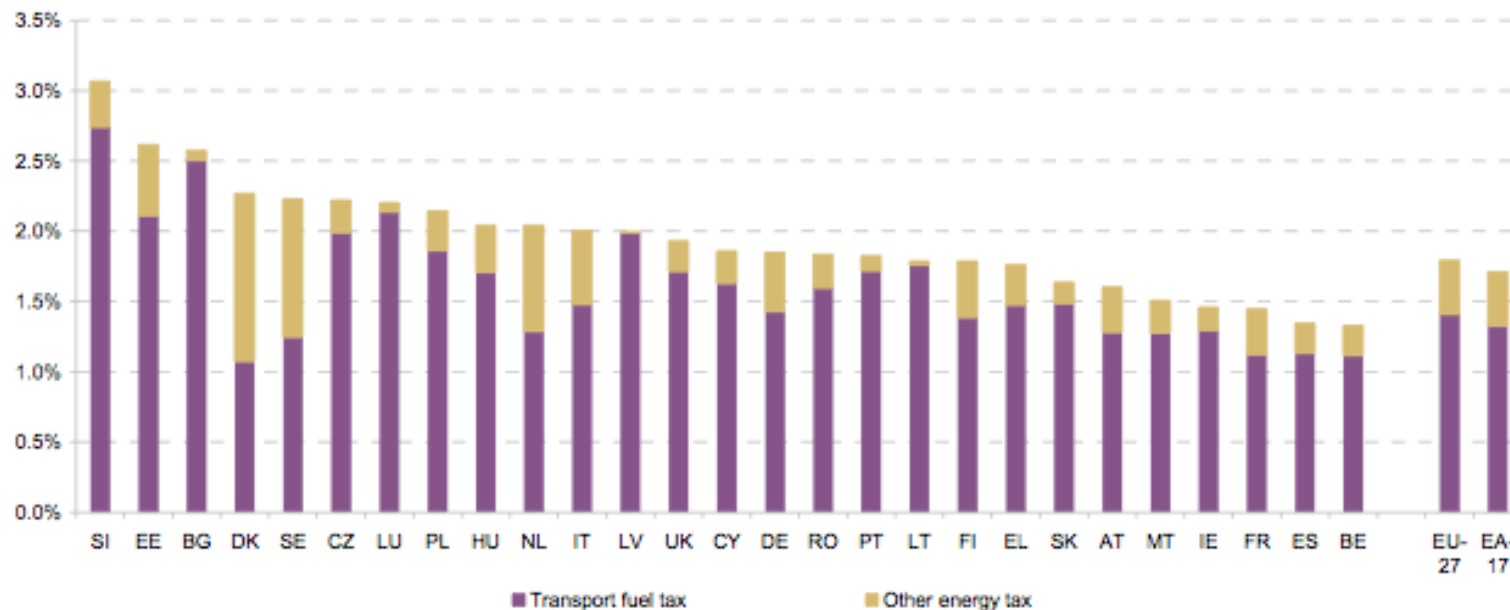
Environmental Taxation: 26<sup>th</sup>

Energy Taxation: 25<sup>th</sup>

Of which transport fuel taxation: 25<sup>th</sup>

Share of green taxation in tax revenues: 20<sup>th</sup>

**Graph 13: Energy tax revenues by Member State**  
2010, in % of GDP



Note: weighted averages

Source: Commission services

# New government

- } Candidate Hollande committed to review all environment harmful subsidies
- } President Hollande's announcement at the Conférence Environnementale: 'we want to tax less labour, tax more the pollution'
- } One direction: to converge and **go beyond the European average** in terms of green taxation
- } What does that mean?
  - +20 billion euros of green taxes
  - = The end of all subsidies to fossil fuels or 2 carbon taxes !

# Where are we now?

- } **A disappointing Finance Law proposal for 2013**

- } only two little measures : more taxes on air pollutants and *malus* on cars

- } National Assembly : improvement on the reimbursement system for drivers (barème automobile)

- } Not a structural change

- } ***Will the senate rectify ?***

# Next steps

- } **What we need** : a **deadline**, to **start now** when the mandate starts, a **schedule** to give visibility to investors and **good information**, to remove the barriers and ensure the juridical compliance
- } **The broad tax reform** is a window of opportunity to phase out environmentally harmful subsidies and introduce green taxes
- } **Conditions** : compensation for affected sectors and people and professional transition to not hit the poorest
- } **Future Green Taxation Commission** : what ambition ?
  - NGOs participation, experts (Gouvernance 5+1)
  - Independent person to pilot
  - Carbon Tax is unavoidable.

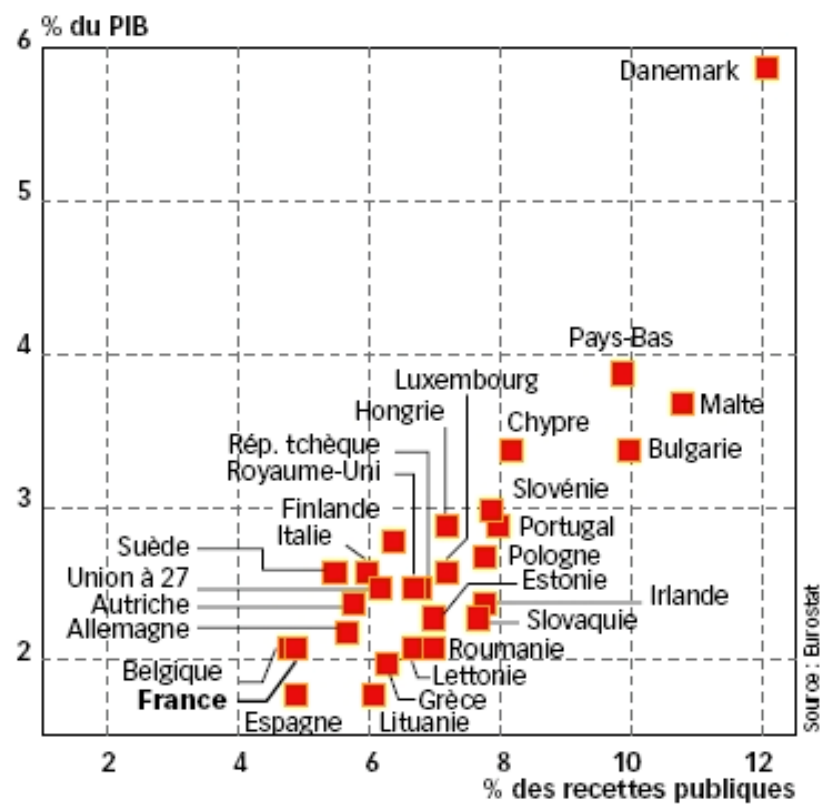
Political leadership needed !

→ To win over short term interests and the 2009 trauma

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# Terrible record for France

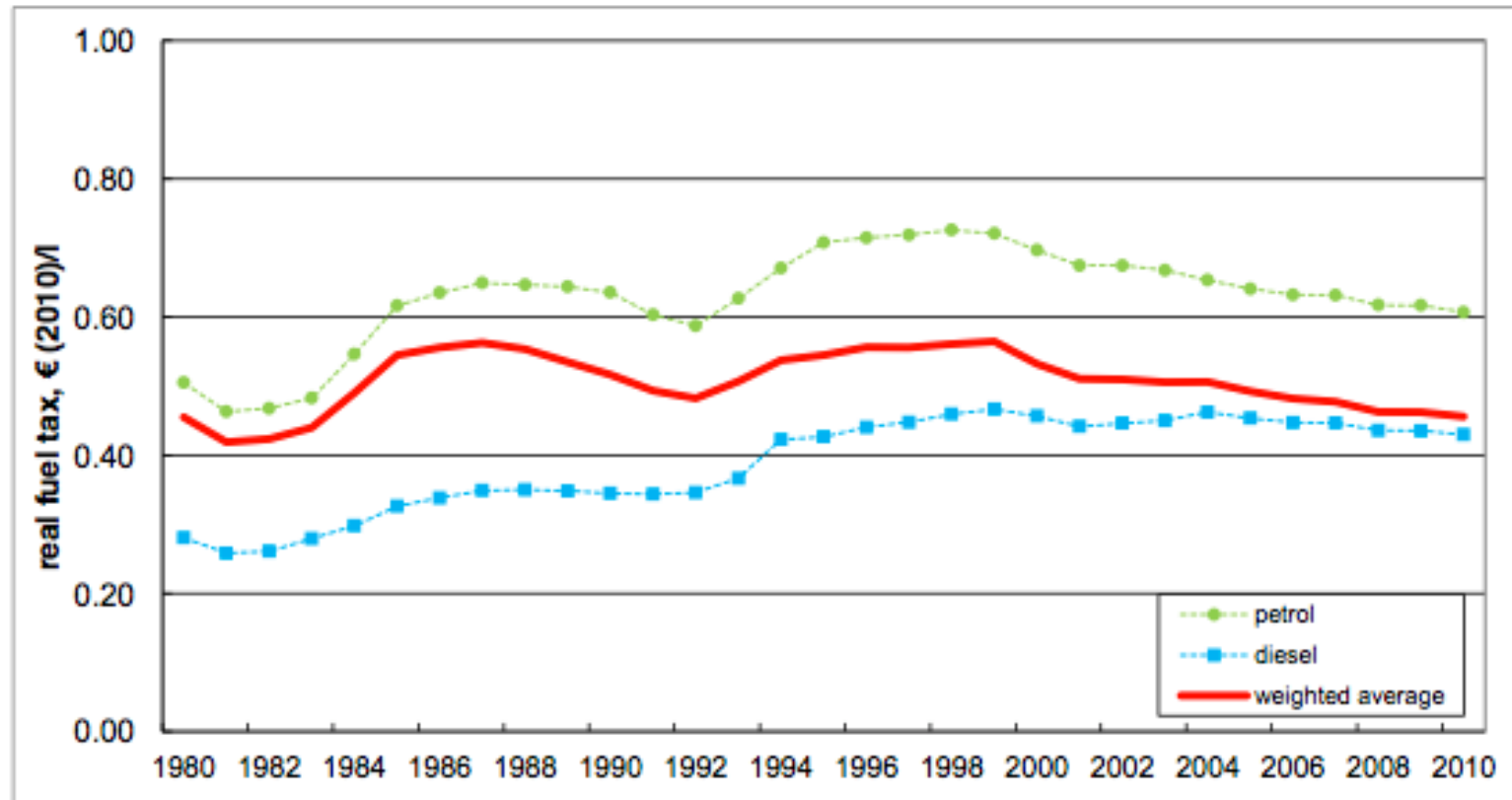
La fiscalité environnementale en 2007, en % du PIB et des recettes publiques





# Fuel taxes

## 9.2 Real fuel taxes for France 1980 to 2010



Does not include a 3.6 cents tax rebate for commercial diesel in Fuelling Oil Demand, Transport & Environment, 2011.