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GreenBudgetEurope

EUROPEAN NEWSLETTER ON ENVIRONMENTAL FISCAL REFORM

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Contents

Quotation of spring 2011

„We need to start the transition towards a competitive low carbon economy now. The longer we wait, the higher the cost will be. As oil prices keep rising, Europe is paying more every year for its energy bill and becoming more vulnerable to price shocks. So starting the transition now will pay off. And the good news is we don't need to wait for technological breakthroughs. The low carbon economy can be built by further developing proven technologies that exist already today. In this transition, all economic sectors need to contribute, including agriculture, construction and transport. By describing the cost effective pathway to move Europe to a low carbon future, our Roadmap provides a clear and predictable framework for business and govenrments to prepare their low-carbon strategies and long-term investments.“

Connie Hedegaard, European Commissioner for Climate Action

10 March 2011, quoted from
http://eeas.europa.eu/delegations/mozambique/press_corner/all_news/news/2011/20110310_01_en.htm

1. Overview of the Review of Selected Tax Changes in the EU and its Member States (Spring 2011)

European Union	• Energy Tax Directive, CO_2-tax element shall substitute part of the energy tax, tax shall be based on the energy and carbon content, national tax structures should follow EU-minimum tax structures which should be provide a level playing field for fuels used for same purposes.
Czech Republic	• Environmental Tax Reform in dispute, particularly a CO_2-tax, feed-in tariffs decreased
Finland	• Carbon tax revised, energy content and carbon now taken into account, carbon content based on lifecycle assessment, transport fuels € 50/t, heating €30/t (not CHP)
Italy	• Preparing solar incentive decree, to be ready by the end of April 2011
UK	• Planned 1 pence a litre fuel tax increase cut and 4p increase for April deferred until 2012 • UK to introduce carbon floor price in 2013, rising to almost €35 per tonne by 2020 • Simplified Carbon Reduction Commitment Energy Efficiency Scheme introduced

2. Editorial

Dear readers and friends of Green Budget Europe,

An eagerly awaited development this month was certainly the EU Commission's proposal for the revision of the Energy Tax Directive. In cooperation with the European Environmental Bureau, Green Budget Europe sent out a press release welcoming the proposal and calling for swift and ambitious implementation of the proposals.

Under the new rules heating and fuels will be taxed according to their energy content and will be inflation-adjusted every three years. The proposals are intended to stimulate more efficiency in the use of energy and in fuels.

However, it is now for GBE and its partners throughout the EU to scrutinise political developments in countries which are more likely to veto the proposals as unanimity voting is required.

GBE is also pleased to have co-hosted a seminar on Environmental Fiscal Reform in Lisbon, Portugal. In cooperation with the European Environmental Bureau and the Portuguese NGO GEOTA (Grupo de Estudos de Ordenamento do Território e Ambiente) the seminar explored the possibility for EFR to contribute to fiscal consolidation within Portugal and looks at successful examples of this from elsewhere.

This year's Green Budget Europe annual conference will take place on 15-16 September at the European Environment Agency's premises in Copenhagen. We are organising the conference in cooperation with the Danish Ecological Council. A large and varied audience will meet to discuss:

- The Energy Tax Directive,
- Ways of using Environmental Fiscal Reform (EFR) to drive innovation in European companies towards both producing

and consuming green and energy efficient products,

- How to improve the communication of EFR.

Please contact jlc[at]foes.de for more information.

In this month's edition of GreenBudgetNews…

There have been several interesting developments at European level relating to EFR, most notably the long-awaited Commission's proposal for the revision of the Energy Tax Directive. Please see our special on the Directive for details and opinion.

The Directorate General for Climate Action also published a low-carbon roadmap to 2050, suggesting that reduction targets be increased to 25 per cent by 2020. In response, 7 Member States including the UK and Germany published an open letter to the Guardian newspaper calling for an increase of this target to 30 per cent. This would certainly represent a step in the right direction, although a 40 per cent target would put the EU on a better trajectory towards reductions of 80-95 per cent by 2050.

In the Member States, there have also been a number of developments. In the UK, after widespread criticism, Chris Huhne, Secretary of State for Energy and Climate Change in the UK, simplified the Carbon Reduction Commitment Energy Efficiency Scheme in order to incentivise large organisations to invest in carbon reduction infrastructure. The UK is also set to introduce a floor price which will top up market prices in the EU's carbon market

The Czech Republic has raised attention for introducing its first eco tax on carbon dioxide as part of a wider Environmental Tax Reform, which is certainly positive news. However, the government's decision to integrate a retroactive solar tax into the tax reform has sparked mixed reactions, not just among Czech Senators and investors in photovoltaic plants.

Disappointingly, CO_2 emissions across Europe picked up as the economy recovered in 2010. CO_2 emissions rose by 3.4 per cent across the continent, according to prelimary results by the EU.

Swedish Green MEP Carl Schlyter, vice-chair of the European Parliament's environment committee comments *"it's quite clear that if the economy picks up any more, we won't even reach the 20 per cent [emissions reductions by 2020] goal."*

We are not alone in being convinced that this development cries out for further EFR, including the adoption of the Commission's proposal for the Energy Taxation Directive to create more price incentives to reduce GHG emissions. As we say at Green Budget Germany – people will do almost anything for money – even the right thing!

Support us to publish GreenBudgetNews and in our work to promote EFR by providing information on EFR, by submitting articles and by making a donation at:
www.foes.de/spenden/?lang=en?

Best wishes from the entire Green Budget Germany team!

3. Upcoming Events

Energy Efficiency and Environmental Fiscal Reform in Warsaw

31 May 2011, Warsaw, Poland

In July 2011, Poland will take up the role of the rotating presidency of the Council of the European Union. Within this framework Green Budget Europe (GBE), the Institute for Sustainable Development and DemosEuropa - Centre for European Strategy are organising a meeting with the upcoming presidency to share a high-level debate on energy efficiency and Environmental Fiscal Reform (EFR).

It will enable GBE and other stakeholders to formulate and exchange priorities and identify windows of opportunity for the implementation of EFR. We also hope to encourage Poland to substantially contribute to the Council negotiations on the Energy Tax Directive.

Further information is available here: http://www.foes.de/internationales/green-budget-europe/gbe-veranstaltungen/anstehende-veranstaltungen/

18th Annual Conference of the European Association of Environmental and Resource Economists

EAERE 2011 will be held on the campus of the University of Rome Tor Vergata, June 29th to July 2nd. It will be organized jointly by the Department of economic - financial studies and quantitative methods (SEFEMEQ) and the Faculty of economics. The conference programme will cover all areas of environmental and resource economics, ranging from topics prevailing in the general debate, such as climate change, Kyoto protocol, energy sources, ETS, to less publicized and very specialized subjects such as biodiversity loss, waste accumulation, toxic waste disposal, packaging reduction, adaptation to climate change. We expect Around 700 participants are expected from all over the world, engaged in environment related activities in various capacities - researchers, teachers, students, professionals, policymakers, managers. Special emphasis will be given to the interaction between the growing scientific knowledge on environmental issues and the economics and politics of sustainable human development.

For more information please see the conference website:
http://www.eaere2011.org/

Green Budget Europe annual conference 'Taxation, Innovation and Communication: Enhancing the prospects for Green Fiscal Reform'

15 – 16 September 2011, Copenhagen, Denmark

This year's Green Budget Europe (GBE) annual conference, which will take place at the European Environment Agency`s (EEA) premises in Copenhagen, will bring together a large and varied audience to discuss the following issues:

1. The Energy Tax Directive,
2. Ways of using Environmental Fiscal Reform (EFR) to drive innovation in European companies towards both producing and consuming green and energy efficient products,
3. How to improve the communication of EFR.

Though the deadline has formally passed, please let us know any ideas or papers you would like to submit asap:
http://www.foes.de/pdf/Call4Papers_GBE_Annual_%20Conference.pdf

Please contact jlc[at]foes.de for more information.

12th Global Conference on Environmental Taxation

20 – 21 October 2011, Madrid, Spain

The 12th GCET will provide an international platform for representatives from various disciplines including economics, accounting, environmental management and public administration to discuss and share the current scientific research and application on the topic of Market law and Sustainable Economy.

For more information please see the conference website:
http://www.seatra.org/gesconet/Portal/InicioPortal.asp?ConID=68&NombreC=12th%20Global%20Conference%20on%20Environmental%20Taxation&Idioma=I&Apartado=Inicio&Pagina=Bienvenida

4. GBE Activities

Past Conferences and Events

Tax treatment of company cars – How environmentally harmful is it in the European Union?

[Rebekka Frank, 8 March 2011] This expert workshop on 28 February 2011 in Brussels looked at the tax treatment of company cars in the European Union. Starting point was a study commissioned by DG TAXUD on company car taxation and a letter, written to Commissioner Algirdas Šemeta following the GBE 2010 Annual Conference in Budapest, where the results of the study by Copenhagen Economics were presented for the first time. In the letter, GBE and the EEB suggested that they collaborate with DG TAXUD to organise an event to discuss the findings in more detail.

The research, undertaken by Copenhagen Economics, presents EU-wide estimates of the level of subsidies to company cars and provides rough illustrations of the possible effects of such subsidies on economic welfare and environment, as well as discussing the policy implications. One of the key findings is that direct revenue losses may approach 0.5 per cent of EU GDP (€54 billion) and welfare losses from distortions of consumer choice are substantial, perhaps equal between 0.1 to 0.3 per cent of GDP (€12 billion to €37 billion).

The aim of this workshop was to compare Copenhagen Economics results with similar research, to give the topic more publicity, and to explore possible strategies for reform.

The UK case was presented by Professor Stephen Potter as a best practice example. Since the company car tax was reformed in 2002, the UK has related taxation payable on the use of a company car to CO_2-emissions. Thus, electric cars or ultra-low emission cars (75g CO_2 or less) are subject to lower rates of taxation than less efficient vehicles.

After the reform, car sales shifted towards best (i.e. most efficient) in class and diesel cars. Business mileage by company cars is 45 per cent lower than under the old system. The reform has resulted in CO_2 emissions reductions amounting to almost 1% of total UK car emissions.

Michael Mossakowski (Ministry of Finance, Belgium) and Dr. Anselm Görres (President, Green Budget Europe) attributed a major part of welfare losses to the private use of company cars, which often comes at almost no extra cost to the driver. Research conducted by Jos van Ommeren und Eva Guitiérees-i-Purigarnau (VU University of Amsterdam) found that 75 per cent of all company cars had not been used for business in the three months prior to their research. Low or no taxation of these fringe benefits amount to the implicit subsidisation of company car use. The total welfare loss in the Netherlands amounts to €420 to €600 million per year.

The panel discussion linked subsidy reform to many other processes in the EU, including the Europe 2020 Strategy, which calls on all Member States to phase out environmentally harmful subsidies, and fiscal consolidation, currently taking place over much of Europe.

The workshop welcomed 90 participants – including participants from the European Commission, OECD, government representatives from at least 15 countries, a number of transport and green NGOs, and representatives of Leasing companies.

For more information, including all presentations, please see:
http://www.foes.de/veranstaltungen/dokumentationen/2011/bruessel-28022011/?lang=en

European Trade Unions Institute Annual Conference 'Climate Change: An Opportunity for Social Cooperation'

[29 – 30 March 2011, Brussels, Belgium] The objective of the conference was to provide a forum for discussion of European and industrial sustainable climate policy actions. Underlying the conference itself was the realisa-

tion that cooperation between environmental and social actors is required to broaden the approach to climate change policies.

Jacqueline Cottrell, GBE manager, presented a GBE policy brief written for ETUI in 2010 entitled “Environmental fiscal reform in Europe: research, experience and best practice”.

More on:
http://www.etui.org/index.php/en/Events/2011

Link to policy brief:
http://www.etui.org/research/Media/Files/EEEPB/2010/5-2010-EEEP

EFR in Portugal – Perspectives, Purpose and Progress

This GBE / EEB / GEOTA (Grupo de Estudos de Ordenamento do Território e Ambiente) seminar set out to investigate possibilities for EFR to be implemented in Portugal and specifically, to contribute to the urgently required fiscal consolidation.

The seminar was well-attended, also by a number of journalists and press coverage in Portugal (in Portuguese language) was significant. Portugal’s Environment Minister, Ms. Dulce dos Prazeres Fidalgo Álvaro Pássaro, opened the seminar by sketching out the already implemented EFR-elements. At the closing, Portugal’s Secretary of State for Fiscal Affairs, Sergio Vasques, spoke at the event and expressed his commitment to the implementation of EFR measures in the country.

ENDS Europe Daily also reported on the event, and wrote: “Portugal's finance and environment ministers committed to further greening of the country's taxation system. […] New measures could include an electricity tax and the greening of regional taxation.

"Our first priority in the hard times we are facing is to cut subsidies and tax incentives that are environmentally unsound," Sérgio Vasques, [said] Portugal's secretary of state for fiscal affairs.

"Second we must defend and preserve the instruments we have introduced in the past couple of years, which will inevitably be under pressure from the business community," he continued. The most important of these are taxes on waste, water abstraction and treatment, and vehicle emissions, Mr Vasques said.

Portugal will hold elections on 5 June, but Nuno Domingues of the NGO GEOTA, which helped organise this seminar in Lisbon, expressed his confidence that the commitments would be put into action regardless of the outcome.

Source:
http://www.geota.pt/scid/geotaWebPage//defaultArticleViewOne.asp?categoryID=715&articleID=2206

GBE further activities

GBE Consultation response to Low-Carbon Roadmap for 2050

Objective of the Consultation

The consultation on the low-carbon roadmap set out to explore the most effective pathways to decarbonise the European economy in addition to maximising benefits in terms of stimulating innovation, boosting economic growth, job creation and strengthening the EU's energy security. The roadmap contains an analysis of milestones for the pathway to 2050, including the analyses of the scenarios and ambition levels for 2030.

GBE response

Pricing carbon has been shown to be the most efficient way of bringing about the emission reductions necessary to mitigate climate change and prevent an average increase in global temperatures of more than 2 degrees celsius. Recent reports from the UK Green Fiscal Commission, as well as research carried out by the PETRE project, have shown that a carbon price alone can bring about the behavioural changes necessary to achieve reductions in GHG emissions. This would imply not only the EU Emission Trading Scheme (ETS) but also a mechanism to price carbon for sectors not subject to trading, e.g. the Energy Tax Directive. Both clearly have the potential to be an important instrument in this regard. The EU ETS covers less than 50 per cent of total EU GHG emissions, meaning that other instruments to tackle those sectors of the economy not included in the EU ETS are essential. A robust ETD that puts a price on carbon could incentivise change in the behaviour of the large and diffuse populations and sectors not covered by the ETS and, if tax rates are set correctly, could lead to significant emissions reductions.

To see the full version of the GBE response, please follow this link:
http://www.foes.de/pdf/GBE%20Low%20Carbon%20Roadmap%202050%20GBE%20response.pdf

To view summary of consultation responses go to:
http://ec.europa.eu/clima/consultations/0005/index_en.htm

GBE response to DG Energy Consultation on Energy Roadmap 2050

Objective of the Consultation

The European Commission will put forward an Energy Roadmap 2050 in the second half of 2011. The roadmap will aim at presenting different pathways to reach the objectives in the energy sector. It will address the established objectives of EU energy policy – sustainability, energy security and competitiveness, and focus on how energy security and competitiveness can be improved throughout the transition to a low-carbon energy system.

GBE Response

To ensure the transition to a low-carbon energy system in 2050, the roadmap should present the full emission reduction potential of all sectors, and ensure that reduction pathways are scientifically consistent with keeping below a 2 or even 1.5°C rise. It may be more helpful to focus on the measures and practices we use to reduce carbon emissions, rather than technologies. Increasing carbon and energy prices by means of environmental fiscal reform can incentivise both technological innovation and energy savings and thus reduce emissions.

In its response, GBE highlighted the importance of carbon pricing, enhanced energy efficiency and the internalisation of external costs.

To see the full version of GBE's response, please follow this link:
http://www.foes.de/pdf/GBE_consultation_response.pdf

To see more consultations go to:
http://ec.europa.eu/energy/strategies/consultations/20110307_roadmap_2050_en.htm

More environment in our finances!

GBE manager Jacqueline Cottrell published an article in German in the DNR (German Conservation Group) electronic newsletter, available under the following link:
http://www.dnr.de/publikationen/umwelt-aktuell/022011/mehr-umwelt-in-die-finanzen.html

5. GBN Special on the Energy Tax Directive

Energy taxation: Commission promotes Energy Efficiency and more environmental friendly products

[European Commission, Brussels, 13 April] The European Commission has presented its proposal to overhaul the outdated rules on the taxation of energy products in the European Union. The new rules aim to restructure the way energy products are taxed to remove current imbalances and take into account both their CO_2 emissions and energy content. Existing energy taxes would be split into two components that, taken together, would determine the overall rate at which a product is taxed. The Commission wants to promote energy efficiency and consumption of more environmentally friendly products and to avoid distortions of competition in the Single Market. The proposal will help Member States to

redesign their overall tax structures in a way that contributes to growth and employment by shifting taxation from labour to consumption. The revised Directive would enter into force as of 2013. Long transitional periods for the full alignment of taxation of the energy content, until 2023, will leave time for industry to adapt to the new taxation structure.

Algirdas Šemeta, EU Commissioner in charge of Taxation, Customs Union, Audit and Anti-Fraud said: "The modernised energy taxation system comes at the right moment. Member States are now defining their strategies to exit from the crisis and meet the Europe 2020 targets. They call for action to reduce our dependency on fossil fuels. A fair and transparent energy taxation is needed to reach our energy and climate targets. Our common goal is a more resource-efficient, greener and more competitive EU economy. This proposal sets a strong CO_2-price signal for businesses and consumers, it is also an opportunity to shift the tax burden from labour to consumption, in order to favour growth enhancing taxation".

Key elements

The revised Energy Taxation Directive will allow Member States to make the best possible use of taxation and, ultimately, support "sustainable growth". To do so, it proposes splitting the existing minimum energy tax rate into two parts:

- One would be based on CO_2 emissions of the energy product and would be fixed at €20 per tonne of CO_2.
- The other one would be based on energy content, i.e. on the actual energy that a product generates measured in Gigajoules (GJ). The minimum tax rate would be fixed at €9.6/GJ for motor fuels, and €0.15/GJ for heating fuels. This will apply to all fuels used for transport and heating.

Social aspects are taken into account with the continued option for Member States to completely exempt energy consumed by households for their heating, no matter what energy product is used.

Long transitional periods for the full alignment of taxation of the energy content, until 2023, will leave time for industry to adapt to the new taxation structure.

The benefits of revising Energy Taxation

- This proposal will favour renewable energy sources and encourage the consumption of energy sources emitting less CO_2. At the moment, the most polluting energy sources are, paradoxically, the least taxed. On the contrary, biofuels are amongst the most heavily taxed energy sources in spite of EU’s commitment to increase the share of renewable energies in transport. The new proposal will remove these inconsistencies.
- The new text will also provide for a more coherent approach on energy taxation across the EU by preventing a patchwork of national policies and help to create a level playing field for industry across the EU. It is also an opportunity for Member States to redesign their tax policies in a way that promotes jobs and employment.
- As regards the reduction of greenhouse gas emissions, the revised Directive aims to complement the existing EU ETS by applying a CO_2 tax to sectors that are out of its scope (transport, households, agriculture and small industries). These account for half of the EU's CO_2 emissions; it is therefore important that they should also be covered by a CO_2 price signal.
- Finally, this initiative will help the EU meet its targets on energy and climate change, as requested in the March 2008 European Council conclusions. It also echoes the results of the UN Climate Change Conference held in Cancun, Mexico, in December 2010.

Next steps

The proposal will now be discussed by the European Parliament and the Council and is expected to enter into force as of 2013.

EC press release:
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/468

EC background memo:
http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/238

Additional communication and impact assessement:
http://ec.europa.eu/taxation_customs/index_en.htm

Carbon Pricing alone will not save the world

[Salman Shaheen, International Tax Review, London, 19 April 2011] Environmentalists have welcomed the European Commission's proposals to revise the Energy Taxation Directive (ETD), but green groups do not believe it goes far enough, fast enough.

[….]

"A fair and transparent energy taxation is needed to reach our energy and climate targets," said Algirdas Šemeta, EU Commissioner for Taxation, Customs Union, Audit and Anti-Fraud. "Our common goal is a more resource-efficient, greener and more competitive EU economy. This proposal sets a strong CO2-price signal for businesses and consumers".

A price on carbon

Environmentalists, who have long campaigned for a price on carbon, have welcomed the proposals as a step in the right direction.

"We welcome the Commission's proposals, it's a very positive development to look at energy and carbon emissions as two separate elements," said Jacqueline Cottrell, manager of campaigning group Green Budget Europe. "It was very inconsistent before."

While Cottrell is in favour of setting a price on carbon, she believes the Commission's rate is not enough.

"Studies show that prices over €35 per tonne is where it starts to be effective," Cottrell said. "To reduce emissions by 80% by 2050 [the EU's target], we have to make a real difference now, not gradually."

The Green Party of England and Wales also welcomes the revisions, but shares Cottrell's concerns.

"We want a level that prohibits serious damage to the planet," said Jim Jepps, chairman of the Green Party's policy committee. "It has to be a level that corporations can't ignore. But we can't tax corporations out of existence when we're trying to encourage sustainable behaviour."

Jepps does not believe the new directive will be enough on its own to deal with climate change..

"At the end of the day, the planet can only take so much damage," he said. "Tax on its own will never be able to create a sustainable economy. We need to ration carbon."

Chris Sanger, global head of tax policy at Ernst & Young, warns that businesses will be concerned by any proposals which will increase costs, and notes that the new measures are only looking at half of the problem.

"Environmental tax is the one type of tax governments hope companies will avoid," said Sanger. "It means they're cutting down on polluting activities. But reductions take time and initiatives must provide a viable alternative such as different types of machinery and fuels."

Sanger points out that tax is only one part of a larger mechanism geared to changing destructive behaviour. Spending, information, voluntary commitments and regulation are also important.

"My fear is if we only use tax, we end up getting a lot of revenue and don't save the planet," Jepps agreed.

Jepps's solution is to use revenue from environmental taxation to create ring-fenced funds to offset any socially regressive elements of the tax, where poorer households are hit by rising fuel and electricity costs, and to invest in environmental sustainability.

Impact

One of the benefits on the revised directive will be to incentivise renewable energy production and to redress the imbalance created by overtaxation on biofuels.

It will also cover the 50 per cent of emissions not already under the ambit of the Emissions Trading Scheme (ETS), such as transport, households, agriculture and small industries.

Among the biggest impacts will be the increased tax overtime on diesel rather than petrol because of its higher energy content.

“This does not contradict carbon emission aims, diesel users are still getting an incentive because of the higher mileage per gallon,” said Cottrell.

Sanger believes it will have an impact on industries in certain countries more heavily, such as the UK and Germany, which have a higher reliance on diesel.

“The UK reduction for diesel used for off-road agricultural machinery is not accommodated within the draft provisions,” said Sanger.

The commission’s proposals take account of social aspects with the option for member states to exempt energy consumed by households for their heating, regardless of fuel source.

Aviation

One central concern for environmentalists is that the aviation industry remains exempt..

The ETD only permits taxation of kerosene for domestic flights or through bilateral agreements, but no member state has yet to use these.

“We would like to see a clause lifting the general ban on taxing aviation, so that member states can decide freely to tax without having to make bilateral agreements,” said Cottrell.

Airlines will be included under the ETS in 2013, which will cost the industry an estimated €1.1 billion.

Cottrell points out, however, that if this is divided by the 90 billion litres of kerosene that fall under the scheme, you get an effective cost of 1.2 cents per litre. This is 40 times less than the 48 cents tax road transport pays, on average, for petrol and diesel in the EU.

“Aviation currently pays no fuel tax, no value added tax on tickets and nothing for its climate impact,” Cottrell said. “To make up for this, kerosene should be taxed on its energy content while remaining exempt from the carbon element in the ETD.”

The rationale for exempting kerosene came from the Chicago conference in 1950, where it was decided that it was desirable for people to be allowed to move freely.

“That's something to be welcomed, but climate change was not something anyone could have predicted in the 1950s,” said Cottrell.

Cottrell wants to see an incentive to reduce shorthaul flights, pointing out that in the UK, it is cheaper for her to fly from London to Scotland than to take the train, though there is not much difference in total time taken.

“We'd like to see a level playing field in transport taxation,” said Cottrell. “The zero tax rate is effectively a subsidy which creates a false incentive and gives an advantage to the airline industry.”

Sanger says that businesses accept that environmental taxation will increase as we proceed further into this century, but they want to see details.

“The commission is clearly setting a sense of direction for member states with this proposal,” Sanger said. “The challenge is to understand the aim of the taxes.”

“We consider it important to reduce emissions from non-ETS sectors in all EU member states by providing a carbon price, but whether this will be best achieved through taxation should be assessed carefully as to its cost efficiency in reaching targets," said Philippe de Buck, director general of Business Europe.

The proposal will now be discussed by the European Parliament and the European Council and is expected to enter into force from 2013. The Commission wants to see, where appropriate, a gradual introduction of the new taxation system.

Even so, while businesses may accept the necessity of the proposals and environmentalists may welcome them, there remains a sense that they are too little, too late and that tax alone will not do what is needed to combat climate change.

Green NGOs welcome Commission's proposal for Energy Tax Overhaul

[EEB and GBE, Brussels, 13 April] The European Environmental Bureau and Green Budget Europe warmly welcomed the European Commission's proposal for the revision of the Energy Tax Directive, presented today in Brussels. The two NGOs call on Member States for prompt and ambitious adoption of this proposal.

Under the new rules, a CO_2 element within European-wide energy taxation would be introduced representing a potentially significant step towards reducing CO_2 emissions in sectors that are currently not covered by the EU's emission trading scheme, such as domestic use, transport and waste. The proposed tax, together with emissions trading, will put a price on emitting carbon throughout the European economy and will thus create an EU-wide price incentive for reducing CO_2 emissions.

The Commission proposal also sets out to change the tax base of energy to the energy unit of gigajoules related to the energy content of the fuel. This will encourage more efficiency in the use of energy, and in fuels and renewables. In other words, heating and transport fuels will be taxed according to their energy content, resulting in increasing current low tax rates on some energy sources, most notably coal and diesel [1].

Catherine Pearce, EEB senior policy officer said: "As long as the minimum tax levels are high enough, the revised Energy Tax Directive can make a significant contribution to reducing CO_2 emissions, making a 30 per cent target easily achievable, as well as helping to cut energy wastage.

"We will call on all Member States to support this proposed revision and call for the inclusion of a progressive increase of the tax base to ensure that reducing carbon emissions and saving energy is incentivized in the long-term. A critical message is laid out today – that prices must fully reflect all costs", she continued.

Evidence shows that higher prices result in reduced demand and thus reduced emissions. A study published by T&E (Transport and Environment) yesterday revealed that a fuel price increase of 10 per cent reduced fuel consumption in cars by 6-8 per cent and lorries by 2-6 per cent. The study also revealed that if fuel tax rates had not fallen by 10 cents per litre in real terms since 1999 but had kept in line with inflation – as should be the case now under the proposed Energy Tax Directive – with revenues in-vested in reducing labour costs, a staggering 350,000 jobs could have been saved and oil imports would have been cut by €11 billion.

In addition, the Commission's own impact assessment reveals that the tax proposals are positive for environment, society, and economy. It predicts that up to one million additional jobs will be cre-ated by 2030 and that CO_2 emissions will be reduced by four percent as a direct result. It suggested that additional revenues of about 40 billion Euros should be used to reduce labour costs and/or to contribute to fiscal consolidation.

"Research has shown that higher carbon prices can stimulate the innovation and changes in behaviour necessary to facilitate the transition to a green and clean economy, while also boosting employment and having a positive impact on growth", said GBE Vice President Kai Schlegelmilch.

"Business has nothing to fear since this tax concentrates on increasing its energy efficiency, and everything to gain from this proposal [2]", he continued. "This is another important step towards getting market prices to reflect the imperative of mitigating climate change."

An innovative element of the proposed revision is the inflation-indexation of tax rates. Even in countries with low inflation, the value of environmental taxation can be significantly underminedover time. In Germany, for example, the ecotax rate would have to be increased by 7 cents today to have the same incentive impact on behaviour as it had in 2003. Indexation is then a proven good way of ensuring that a tax has an ongoing impact on behaviour.

EEB and GBE are however critical of the proposal that compliance with sustainability criteria for biofuels, which include a simple pass or fail criteria based on GHG emissions, can be a reason for a complete exemption from the CO_2 element. They point out that under the Renewable Energy Directive,

CO_2 emissions from biofuels are not assumed to be zero but the result of a life cycle assessment depending on the type of biofuel. When all known emissions are taken into account, these emissions can be even higher than fossil fuels. This proposal would sadly make it more difficult to promote those biofuels that actually reduce emissions versus those that increase them.

Both organisations were also highly critical of the Commission's failure to end the ban on taxation of aviation and shipping fuels and called for the inclusion of a clause which would permit individual Member States to introduce measures as they saw fit.

GBE and the EEB would also like to see the inclusion of step-wise and substantial real increases of minimum tax rates, to ensure a medium and long term incentive to reduce CO_2 emissions. Both NGOs call on Member States to adopt this proposal as soon as possible.

Editors notes:

[1] Coal is one of the most CO_2 intensive sources of energy and is taxed at comparatively low rates in many EU countries. While CO_2 emissions and energy content per litre of diesel are higher than that of petrol, diesel is also taxed at a lower rate in the majority of EU Member States. Even if diesel tax rates increase, diesel car drivers will continue to benefit from lower energy consumption and lower fuel costs.

[2] The petrE and COMETR research projects have shown that competitiveness concerns from taxes at these levels do not bear out in practice.

PetrE: http://www.petre.org.uk/

COMETR: http://www2.dmu.dk/cometr/

GBE press release:
http://www.foes.de/pdf/GBE_EEB_Energy_Tax_Directive_13042011.pdf

Transport and Environment welcomes EU plans to raise Minimum Diesel Taxes

[T&E, 13 April 2011] Transport & Environment has welcomed a European Commission proposal to raise minimum diesel tax rates in Europe, as new research [see link below] shows the average fuel tax in Europe has declined in real terms by 10 cents a litre since 1999.

Jos Dings, director of Transport & Environment said: "In times of austerity raising fuel taxes instead of income taxes will protect jobs, cut emissions and reduce Europe's EUR300 billion-a-year oil import bill. It's far better to tax pollution and oil imports than it is to tax people's income. Correcting minimum rates for inflation is the most obvious place to start, as our research shows that individual member states are too scared to raise fuel taxes if their neighbours aren't doing the same, it's been a race to the bottom for the last ten years."

"Raising minimum rates is good for high fuel tax countries like the UK and Germany because they will lose far less revenue to fuel tax havens like Luxembourg that profiteer from the current system by attracting truckers to fill up in huge numbers."

However, T&E is highly critical of the decision not to end the ban on taxation of aviation and shipping fuels.

"If the EU really wants to cut transport emissions by 60 per cent by 2050, it is going to have to wake up to the fact that it can no longer let ships and planes operate in a tax-free parallel universe. If the EU cannot even end the ban on taxing these fuels, you have to wonder whether these headline targets are just empty promises" said Dings.

As the car industry has, in recent days, been spreading scare stories about the EU forcing member states to raise diesel taxes, notably in Germany and the UK, Dings commented:

"Most member states, including Germany and the UK already tax diesel above the minimum rates. In those cases, it will be up to them to decide if they want to raise diesel taxes, the EU is not going to force them. But even if they do, our research shows that it won't harm the market for diesel cars. The UK taxes diesel at the same level as petrol and 50 per cent of new cars sold there are still diesels. Saying this is going to kill the diesel market is just more car industry scaremongering. "

Source:
http://www.transportenvironment.org/News/2011/4/TE-welcomes-EU-plans-to-raise-minimum-diesel-taxes

Transport and Environment study:
http://www.transportenvironment.org/Printer/News/2011/4/Fuel-tax-decline-has-cost-350000-jobs//

6. Green Budget Reform in European Member States

Environmentally-related Energy Taxation in Finland

[Ministry of the Environment, 14 April 2011]

Finland introduced a carbon surtax (or CO_2 tax) based on the carbon content of fossil fuels in January 1990 as an instrument for climate change mitigation. The tax rate evolved from €1.12/t CO_2 in 1990 to €20/t CO_2 in 2010. Some deviations existed: natural gas met a reduced rate, and peat was exempted in 2005-2010. In 1994-1996 a combined surtax base of carbon+energy content was applied. Since 1997 the carbon tax was imposed only on traffic fuels and heating fuels; electricity was taxed per kWh and the fuels were exempted. Short-haul emissions of traffic fuels have been handled in the past variously by differentiation of the main (fiscal) component of the fuel tax, beginning in 1986 with lead in petrol. Individual tax rates were defined only for "traditional" main fuels (petrol, diesel oil etc.), and the substitutes – e.g. bio-components – met the same rate.

The general structure of energy taxation in Finland was changed as of 1 January 2011 for the first time since the 1997 tax reform. Taxation of liquid fuels and coal again takes account of both the energy content and carbon dioxide emissions and, in a more refined way, emissions into the local environment that have adverse health effects. The revised fuel tax has an energy component and a CO_2 component, while the replaced tax had a "faceless" fiscal main component (for transport fuels) and a CO_2 component. The energy component of liquid fuels is largely based on energy content but differentiated according to local emissions (and diesel oil having a reduced rate). The new CO_2 component is based on a life-cycle approach to emissions, rather than on combustion gas emissions only. Quite a few new objects (notably renewables) appear in the tax scale.

Total tax rates for other than road traffic fuels were raised considerably. CO_2 tax rate was raised from €20/t CO_2 to €50 for traffic fuels (diesel oil in 2012) and to €30 for heating fuels (50 per cent reduced rate for heating fuels used in combined electricity and heat production). The relative weight of CO_2 in the total tax for coal, natural gas and fuel oils was reduced, due to the introduction of the new energy component. Tax adjustments for natural gas will take place in stages up to 2015. A low, ascending energy tax for peat is being introduced in stages by 2015.

For more information go to:
http://www.environment.fi/default.asp?contentid=147208&lan=en

See more on environment-related taxes and-charges in Finland:
http://www.environment.fi/default.asp?contentid=279489&lan=en&clan=en

Germany: Federal Cabinet adopts Draft Act Revising Emissions Trading

[Federal Ministry for the Environment, Nature Conservation and Reactor Safety, 16 February 2011] The Federal Cabinet adopted a draft amendment to the Greenhouse Gas Emissions Trading Act (TEHG) on 16 February 2011. The amendment to the TEHG transposes comprehensive amendments to the EU Emissions Trading Directive into national law. "Emissions trading is the key instrument to reduce greenhouse gas emissions. The amended TEHG makes emissions trading in Germany fit for the coming trading period. From 2012, more than 2,000 installations and 200 airlines will participate in emissions trading. We have effectively updated emissions trading legislation in Germany with this amendment, and we have made use of the wide scope of the Emissions Trading Directive to ease the burden on small installations," said Federal Environment Minister Norbert Röttgen.

Pursuant to European law, emissions trading will include aviation from 2012 and other emission-intensive industrial sectors from 2013. Total emissions for all installations subject to emissions trading will be reduced by 1.74 per cent every year from 2013. Emissions trading will thus make the largest contribution to reducing greenhouse gas emissions in Europe between 2013 and 2020. The fact that emission budgets were stipulated for the long term creates a reliable framework for emissions trading and enhances investment security.

From 2013, emissions trading will be harmonised to a greater extent throughout Europe. This applies in particular to the rules governing free allocation of allowances and auctioning. So far, the 27 member states have laid down their own rules for free allocation. From 2013 all member states have to apply uniform EU rules. For most installations the amount of allowances allocated is based on ambitious benchmarks.

To see more of this press release, please follow this link:
http://www.bmu.de/english/current_press_releases/pm/47039.php

Green triumph fuels German Nuclear Rethink

[Republished with permission of ENDS Europe. A 14-day, no obligation trial is available from http:www.endseurope.com/news?mc=foes *28 March 2011]* The anti-nuclear German green party has taken power from Chancellor Angela Merkel's conservatives in one of Germany's largest and richest states, preliminary results from Sunday's elections in Baden-Württemberg show.

This result could speed up Germany's nuclear phase-out. In Baden-Württemberg, the Greens doubled their share of the vote to 24.2 per cent. They are likely to govern the state in a coalition with the Social Democrats (SPD), which secured 23.1 per cent of the vote.

For the first time in Germany, the Greens, as the senior partner in the coalition, are likely to appoint the state governor. In a separate vote in the state of Rhineland-Palatinate, the Greens tripled their votes, from 4.6 to 15.4

per cent. The SPD and the Greens will now probably form a coalition government in this state.

The Green victory was helped by concerns over nuclear safety, heightened by the Fukushima disaster. In the aftermath, Chancellor Merkel announced the temporary closure of seven plants built before 1980. Energy firms EnBW, Eon and RWE have said that they are preparing lawsuits against the decision.

The Green's victory in the Baden-Württemberg state elections will hand them control of the state-owned utility EnBW and its four nuclear plants. Before the elections, the Greens announced they would join a legal challenge of the lifetime extension, and to foster the expansion of wind power in Baden-Württemberg.

Deutsche Bank predicts that plants built before 1980 will remain shut after the moratorium expires, and the closure of newer reactors could be brought forward. (This means Germany will have to increase the use of coal for power generation).

Source:
http://www.endseurope.com/index.cfm?go=25924&referrer=search

UK: The Carbon Reduction Commitment Energy Efficiency Scheme

[Chris Huhne, 16 March 2011] Following the Climate Change Act 2008, and acknowledging the UK's international commitment to a reduction in carbon emissions of 34 per cent by 2020, the Coalition Government has promised to deliver 'the greenest government ever', securing our low carbon economy through green growth and targeted carbon reduction measures across both the public and private sectors.

The CRC Energy Efficiency Scheme was introduced to incentivise large organisations to invest in carbon reduction infrastructure, raising awareness and encouraging behaviour change, with energy efficiency regarded as the key to this process.

The Scheme commenced on 1 April 2010, targeting both public and private organisations with an annual half-hourly metered electricity usage of at least 6,000 Megawatt hours (MWh) - responsible for approximately 10 per cent of the UK's emissions.

In simplistic terms, upfront payment of allowances to the Treasury due in 2011, at a fixed price of £12/tCO_2, would then be recycled back to those organisations achieving significant energy efficiency and emissions reduction. Currently, 2,779 organisations are registered as full participants of the Scheme, with 12,100 registering as information declarers as of 1 October 2011.

However, in response to both widespread criticism of the complexity and costs of compliance to the Scheme and the Committee on Climate Change Report on 24 September 2010 – "Advice to Government on the second phase of CRC" - in the Spending Review on the 20th October 2010, the Government announced that the CRC would be simplified to reduce the burden. The first allowance sales will now take place in 2012, rather than 2011, allowing extra time for organisations to invest in energy efficient processes, technologies and management programmes. Moreover, the expected revenue of £1 billion from the Scheme would now be used to reduce the budget deficit and would no longer be recycled to the relevant participating organisations.

According to Cris Huhne, Secretary of State for Energy and Climate Change,"there was an awful lot of criticism of the amount of administration and compliance costs the CRC was imposing [...] with very little effect on carbon reduction [...] the impact on carbon reduction was effectively coming from the tax side and not from the very complicated, very baroque system of recycling."

Consequently, a CRC Energy Efficiency Scheme Consultation began in November 2010, and a detailed revision of the Scheme is due in early 2011, with the first allowance sales now due to commence in 2012, allowing extra time for organisations to invest in energy efficient processes, technologies and management programmes.

Following this announcement, the Government launched a consultation from 17 November to 17 December 2010, on extending the introductory phase and postponing the start of Phase 2 until 2013. A detailed revision of the Scheme is due in early 2011.

Source:
http://www.crceescheme.co.uk/?logged=&article=Home

Britain to introduce Carbon Floor Price in 2013

[*Republished with permission of ENDS Europe. A 14-day, no obligation trial is available from* http:www.endseurope.com/news?mc=foes *24 March 2011*] The UK's finance minister, George Osborne, has announced plans for a pioneering carbon floor price, despite criticism from fossil-fuel generators and environmental NGOs. The floor price will be introduced in April 2013, set at about €20.5 per tonne (£18)*.

It will then rise to €34.1 (£30) per tonne by 2020, according to the 2011 budget. The budget and its accompanying documents had several green elements, including a weakening of the low-carbon standard set for 'zero carbon' new homes in 2016.

The floor price is a major plank of the UK's plans to secure private sector investment in low-carbon generation by 2020. The idea is that cash will flow if investors are given the certainty of a steadily rising carbon price, making fossil fuels less and less competitive against renewables, nuclear and carbon capture and storage.

The floor price will top up market prices in the EU's carbon market, taking the price of emitting a tonne of CO_2 up to a set level which gradually increases from year to year.

The government estimates that the initial top up, in 2013, will be around €5.7 (£5) per tonne of CO_2. But the exact figure depends on what happens to the price of carbon allowances (EUAs) in the EU emissions trading scheme (ETS) in the meantime. EUAs are currently trading at around €17 (£15) a tonne.

The tax will operate by limiting fossil-fuel generators' existing exemption from the UK's climate change levy on gas and coal, and from fuel oil duty. According to the finance ministry, it will add about 1-3 per cent to electricity bills.

Several energy utilities have called for the floor price's introduction to be delayed until 2018, saying it would not lead to a major increase in the number of low carbon projects already in the pipeline. Along with green groups, they also complain it simply provides windfall profits to renewable and nuclear generators.

*Changed 25/03/2011 from £16 per tonne

Source:
http://www.endseurope.com/25901/britain-to-int0Broduce-carbon-floor-price-in-2013?referrer=bull0Betin&DCMP=EMC-ENDS-EUROPE-DAILY

Point Carbon: UK floor Price to cut emissions by 5.3 per cent

[Business Green, 14 April 2011] Thomson Reuters Point Carbon has released new research today suggesting that the UK's proposed carbon floor price will cut emissions from the UK energy industry 5.3 per cent by 2020, but could undermine the country's competitiveness by imposing a £9.3bn burden on British businesses.

The influential analyst firm predicted that the government's plans, which were confirmed in last month's Budget, will reduce emissions by 67 million tonnes between 2013 and 2020, a saving equivalent to emissions from six 400MW gas-fired power stations.

Under the proposals, fuel suppliers will be required to pay a 'floor tax' regardless of any future fluctuations in the carbon price imposed through the EU Emissions Trading Scheme.

Supporters of the proposals claim that the floor price will give energy investors certainty about the future price of carbon, and as a result will drive investment in low carbon energy technologies.

However, critics maintain that it will drive up energy bills and deliver windfalls worth billions of pounds to operators of existing nuclear power plants and wind farms.

Point Carbon said that representing the planned tax as a floor price was "misleading", arguing in the report that the "price floors are inflated into future prices, making them higher".

The report also noted that the expected carbon price will be set two years ahead of the time of tax, meaning that any intervening increases in the carbon price are not taken into account.

As a result Point Carbon calculates that, rather than delivering a carbon price in the UK of £30 per tonne, as the government claims, the mechanism could result in a UK carbon price as high as €54 a tonne by the end of the decade, a significant premium on the €36 a tonne price that is expected across the rest of the EU.

The report predicts that such a high carbon price will drive a significant increase in renewable and low carbon investment, although it argues that the relatively immature nature of the UK's nuclear market makes it unlikely that new reactors will come online by 2020.

However, it also warns that the high price of carbon could put the UK at a competitive disadvantage compared to other European nations.

"This carbon tax will indeed change the composition of the UK's power stack, making UK utilities greener," said Sebastian Mankowski, an analyst at Thomson Reuters Point Carbon.

"However, this tax also represents an additional £9.3bn burden on UK business not faced by other European companies, impacting UK competitiveness as UK businesses will face higher power prices."

The government has maintained that the carbon floor price and its wider electricity market reforms are necessary to drive investment in low carbon energy technologies.

Energy and Climate Change Secretary Chris Huhne has said that, while the reforms will drive up bills, energy prices would also rise if the government failed to act, arguing that if oil remains above $90 a barrel it is more cost effective to pursue the reforms and drive a switch to alternative energy sources.

The Treasury was unavailable for comment at the time of going to press.

Source:
http://www.businessgreen.com/bg/news/2043519/carbon-uk-carbon-floor-price-cut-emissions-cent

Photovoltaic Energy Promotion in the Czech Republic in 2010 and government measures against electricity price increases

[Ing. Eva Kořínková and Ing. Monika Nejedlá, Ministry of Environment of the Czech Republic, 1 February 2011]

The promotion of renewable energy resources in the field of electricity production (including photovoltaic plants) is provided in the Czech Republic through the Act 180 from the year 2005, in the form of guaranteed prices or so called „green bonuses“ for the producers. The main idea, explicitly cited in the Act, is to ensure net profit for the investor after 15 years in operation.

However, as the costs (thanks to new technologies, etc.) were sinking, many new photovoltaic plants were installed during 2009 and mainly 2010.

From 1.1.2008 to 1.12.2010 the number of solar plants rose from 249 to 12,109. Installed capacity rose from 3.40 to 1393.86 MWe in the same time period.

Huge expansion of solar plants installed capacity would increase the total volume of mentioned support significantly. While in

2010 the estimated volume of support amounts to 9 bn CZK (or 0.4 bn EUR), in 2011 it would be as much as 40 bn CZK (or 1.7 bn EUR). It would result to significant growth of total final electricity consumption price.

As a result, the Energy Regulatory Office was expecting the electricity price increase to be about 15 per cent (for households about 12 per cent, for company customers about 17 per cent) in 2011 as the guaranteed prices for photovoltaic plants are well above average price and are dissolved among payments for all electricity (as a part of the price for final consumers - in the form of so called "contribution to renewable resources electricity").

The expected electricity price increase was marked by the government as unbearable for households as well as for companies (mainly in some energy intensive industry sectors).

The measures prepared to avoid the undue price increase in 2011 and following years for final consumers (the goal is that the price increase would not exceed 5.5 per cent in 2011) were:

- Focused on new plants (coming in operation after 1.1.2011) - these measures should reduce the photovoltaic electricity plants promotion and make it more sustainable.
- The guaranteed prices will be available only for plants with installed capacity to 30 kWp located on buildings (that means mainly roof installations, at the other hand no guaranteed prices or green bonuses will be available for plants on agricultural land etc.)
- Presently, the Energy Regulatory Office can cut the level of guaranteed price for following year by a maximum of 5 per cent compared to the actual year. From 2011 it can cut the level of guaranteed price by more than 5 per cent, if repayment time of investment decreased below 11 years for given kind of renewable energy source.

The electricity distribution companies / suppliers pay the guaranteed prices or green bonuses to the producers. At the same time they can claim (for the first time in 2011) a subsidy from state budget as a compensation of additional costs for these guaranteed prices and bonuses. State budget will spend 11.7 bn CZK for this purpose in 2011 (or 0.5 bn EUR). Residual part of additional costs will be made a part of electricity price, in the same way as it is now ("contribution to renewable resources electricity" in the price for final consumers).

Regarding the above-mentioned new demand on the state budget, government decided to find extra sources of income to cover these extra costs - these sources being:

- part of the charge paid for the use of agricultural land for other than agricultural purposes (for extraction of the land from the agricultural land stock). Supposed income from this measure in 2011 is 1.7 bn CZK (0.07 bn EUR).
- a new tax imposed on electricity from solar radiation. The object of the tax is electricity produced during 1.1.2011-31.12.2013 by solar plants that were put into operation in 2009 and 2010. Tax rate is 26 per cent of guaranteed price, or 28 per cent of green bonus, that the electricity producer receives from the electricity distribution companies / suppliers. Exempted from the tax are small plants located on a roof structure or a enclosure wall. Supposed income from this measure in 2011 is 4.2 bn CZK (0.2 bn EUR).
- a new object of the gift tax. Free CO_2 allowances in 2011 and 2012 are the object of the gift tax. This measure is applied only to electricity generation by electricity producers. Part of allowances related to combined heat and power generation is tax free. Tax rate is 32 per cent of average market allowance price. Supposed income from this measure in 2011 is 4.8 bn CZK (0.2 bn EUR). The guideline on this tax is in preparation.

Rocky path to Environmental Tax Reform in Czech Republic

[Jaroslav Dorda, PV Magazin 4 March, Krystof Chamonikolas, Bloomberg 29 March, compiled and summarised by Jan Eichhof]

On 3 March, a group of 22 Czech Senators filed a complaint to the country's Supreme Court against the recently applied retroactive Photovoltaic Law, which saw the introduction of a 26 per cent tax on solar energy production, end of tax holidays, and a change of write-off schemes for existing and new photovoltaic plants. The Senators are afraid of the impact of solar arbitrages against the Czech Republic in the near future.

The Supreme Court of the Czech Republic will have to assess the senators' complaints against the solar tax. The process is likely to take several months, but the odds are high that the legislation will be rejected.

Although the news is certainly positive, solar investors are likely to lose over several million euros before the tax is cancelled. Based on available estimates, the incurred losses of the investors amounted to well over €10 million in the period from January to February 2011. Consequently, investors will continue their litigations and arbitrations against the government of the Czech Republic.

The tax imposed by the Czech Government basically entails a decrease of the current feed-in tariff that was supposed to be guaranteed to investors for 20 years. It was lobbied as part of a wider environmental tax reform.

Scapegoat solar boom

The cabinet-also imposed a 32 per cent tax on the market value of carbon emissions credits that will be given away for free to electricity companies, in 2011 and 2012. However, from 2013 onward, the government intends to sell all emissions credits to power companies at auction rather than selling only 30 per cent of emissions credits and giving the rest to power companies for free.

Prime Minister Petr Necas announced the reform in October 20 2010 as one of a series of measures in order to curb electricity price rises for households and industry to a maximum 5.5 per cent in 2011 and to cushion an ongoing solar power boom.

Parallel, Czech officials argued the revenues from the solar tax will be used to reduce the increase in household and industrial electricity prices for the next three years. Industry and Trade Minister Martin Kocourek justifies the solar tax argueing that Czech government had to take such action in order to prevent electricity prices from rising next year, as a result of the solar boom. According to him, such legislative measures are very much in the public interest.

However, Jaroslav Dorda points out that without any government intervention, the electricity prices would increase only by three to six percent, as a result of the solar boom. As early as Decemebr 2010 the energy distribution companies EON and CEZ issued price lists with decreased prices for.2011. Thus, the the impact of photovoltaic on Czech electricity prices seems negligible.

Furthermore, in 2006-2008 (where there were almost no photovoltaic plants in the country) the prices of electricity for households went up by 30 per cent. Surprisingly, nobody from Czech politicians or officials was looking for a solution for such dramatic price increase. Even though it was clearly against the public interest politicians were absolutely silent and did not intervene. It is reasonable to assume that the price hike was in the very interest of the state-owned utility CEZ which is also the monopoly producer of electricity in the country.

In this context Kocourek announced he ‘resoluteley’opposes extending the period in which Czech polluters have to pay a new tax on carbon- dioxide emission allowances awarded by the European Union after 2013. As a consequence CEZ’s stock advanced to a nine-month high on March 29 given that the main beneficiaries of CO_2 credit auctions tend to be the biggest players on the energy market.

More information on the following links:

Open letter from Connie Hedegaard and Günther Oettinger to Martin Kocourek (Minister of Trade and Industry): http://ec.europa.eu/commission_2010-2014/oettinger/headlines/news/2011/03/doc/letter_koucourek_en.pdf.

More information: http://www.pv-magazine.com/news/details/beitrag/czech-solar-tax-to-be-reviewed-by-supreme-court_100002394/

http://www.pv-magazine.com/news/details/beitrag/czech-president-approves-controversial-solar-tax_100001824/

http://www.energia.gr/article_en.asp?art_id=23188

http://www.bloomberg.com/news/2011-03-29/cez-climbs-to-highest-since-july-2010-on-carbon-tax-opposition.html

Italy Solar Incentives Decree to be ready in April 2011

[Giselda Vagnoni, Reuters, , 6 April 2011] Italy's government aims to complete a much-awaited decree on new incentives for the booming solar energy sector next week (mid April 2011), Stefano Saglia, undersecretary at the industry ministry, has said.

The government, which has decided to scrap the existing generous production incentives for solar sector from June 2011, has been drafting a new support scheme amid heated debate in the industry and investor concerns about the sustainability of their business.

The decree will outline a transitional period lasting until the end of this year while the new rules, modeled on Germany's support scheme, will come in force from 2012, Saglia told reporters on the sidelines of a parliamentary hearing.

Italy's biggest solar industry body GIFI and the country's largest renewable energy lobby APER have been favorable to the so-called German model, under which incentives are automatically reduced once installed capacity reaches a certain amount.

Italy, one of the world's fastest growing solar markets, has attracted investors ranging from families to major banks and investment funds with generous incentives that, the government says, have become too heavy a burden for consumers.

Italy has drawn the world's biggest makers of photovoltaic panels that turn sunlight into power, such as China's Suntech Power Holdings Co, Trina, Yingli Green Energy and U.S. firm First Solar.

Italy can install more than 20,000 megawatts of photovoltaic capacity by 2016 – enough to cover 10 per cent of national power needs – if it adopts a German-style support scheme, GIFI said in a statement on Wednesday.

GIFI, a key party in talks with the government on new incentives, said it has proposed a transitional regime for the rest of 2011 with monthly cuts in feed-in-tariffs – a key incentive – starting from October.

In a sign of an alignment of the industry position with the government plans, GIFI has also proposed the tariffs be reduced on an annual basis, under a German model, from 2012.

Source: http://uk.reuters.com/article/2011/04/06/greenbiz-us-italy-solar-idUKTRE73547K20110406

Mysterious IMF proposals for Hungary

[Lukács András, Clean AirAction Group,, February 2011] Why does the IMF recommend to the Hungarian Government that it should eliminate subsidies to railways, while it has no objections to the enormous sums spent on motorway construction? Why does the IMF recommend the removal of state contributions for public transport, while at the same time the European Commission and the European Parliament is urging more support for public transport as one of the most efficient means to solve transport problems and protect the environment? Why does the IMF recommend the reduction of the public wage bill, when one of the most serious problems of the Hungarian economy is the large number

of persons with low qualifications and bad health – and all this is mainly due to the lack of proper personnel in the Hungarian education and health care system, because of the low wages? Why does the IMF not propose the removal of harmful subsidies worth more than 10 per cent of Hungarian GDP to stabilise the public budget?

The Clean Air Action Group (CAAG) posed these and other questions to Iryna Ivaschenko, the Resident Representative of IMF in Hungary. On March 9 2011, Ivaschenko met András Lukács, President of CAAG, and Károly Kiss, Head of CAAG's Expert Committee in her Budapest office for a 40-minute talk, but warned CAAG that nothing should be made public about what she said. Thus, CAAG has only be able to make its questions public, but not the answers! The reasons behind certain recommendations of IMF to the Hungarian Government regrettably remain secret for the readers of GBN.

CAAG's questions to Iryna Ivaschenko can be read here in Hungarian and in English: http://www.levego.hu/sites/default/files/kerdesek_magyarul_es_angolul_az_imf-hez.pdf

Schäuble Mulls Nuclear Fuel Tax Rise

[Ulrika Lomas, Tax-News.com, 4 April 2011] Germany's Finance Minister Wolfgang Schäuble is reportedly considering the idea of increasing the tax levied on nuclear fuel in Germany, in a desperate bid to compensate for a shortfall in revenues arising from the decision to temporarily shut down seven of the country's older nuclear power plants. The moratorium follows in the wake of the crisis at the Fukushima nuclear power station in Japan.

Yet despite this understandable decision, as long as nuclear power stations remain idle in Germany, the government will not be able to generate much-needed revenues from the nuclear fuel tax. Consequently, the finance ministry is now said to be examining the idea of increasing the rate of tax imposed per gram of nuclear fuel.

Under current provisions, the nuclear fuel tax is imposed when a reactor is fitted with a fuel element, triggering a chain reaction. The amount of tax due by operators is determined by the weight of nuclear fuel in the element.

The current tax rate of EUR145 per gram of nuclear fuel was agreed with energy providers during the course of negotiations held last autumn. Although the government initially planned to levy a tax at a rate of EUR220 per gram of nuclear fuel, energy providers argued that this rate was too high, and that it would not be worthwhile continuing to operate older power stations.

Given recent events, however, and the very real possibility that only newer nuclear power stations will remain operational after the moratorium, the German finance ministry reportedly no longer considers this argument to be valid.

Provided for in the coalition's future package (Zukunftspaket), approved by the German Bundesrat, or upper house of parliament, in November last year, the nuclear fuel levy is expected to generate in the region of EUR2.3bn in additional revenues for the government annually, and to yield EUR14bn by 2016. The government is already faced with a loss in revenues estimated at around EUR200m.

Source:
http://www.tax-news.com/news/Schuble_Mulls_Nuclear_Fuel_Tax_Rise____48605.html

Conditions laid out for Netherlands Nuclear

[World Nuclear News, 18 February 2011] Dutch lawmakers have outlined the requirements for any new nuclear plants with the goal of approving one before 2015.

"The government wants a sensible blend of energy. Nuclear power fits in it. Nuclear power plants help fight climate change and provide affordable and reliable power. The government believes it is a logical choice in the transition to renewable energy," said a 17-

page cabinet-approved letter to the Rijkoverheid (parliament).

The Dutch schedule means new reactors would cease operation only around 2080, making this transition to renewables a fairly long-term prospect.

The country's power market is liberalized and the government's role is to set a framework within which private enterprise can meet policy objectives. The letter is clear that there will be no state investment in nuclear, although the regulatory process will be streamlined and simplified where necessary to provide clarity and timeliness. This is backed up by a firm desire from the government to issue a licence as soon as possible - and at least before the end of its term in 2015.

Editors' note: Thus far no changes have been announced to this proposed policy following events at the Fukushima nuclear power station in Japan.

To see the full article:
http://www.world-nuclear-news.org/NP_Conditons_laid_out_for_Netherlands_nuclear_1802111.html

To learn more about Nuclear Power Engineering Development in the World, please see here:
http://www.cez.cz/en/power-plants-and-environment/nuclear-power-plants/temelin/potential-completion-of-the-temelin-nuclear-power-plant/nuclear-power-engineering-development-in-the-world.html

And here:
http://www.world-nuclear.org/

7. Reform on European level

Nuclear scaledown could alter 2050 Roadmap

[*Republished with permission of ENDS Europe. A 14-day, no obligation trial is available from* http:www.endseurope.com/news?mc=foes *17 March*] The EU executive may have to amend its low-carbon roadmap for 2050 if member states downsize nuclear power in reaction to the disaster in Japan, climate commissioner Connie Hedegaard said on 17 March.

The roadmap could foresee a greater use of fossil fuels and renewables as a result, depending on what is seen as the most cost-effective way of meeting EU climate goals. In Germany, for example, it is estimated that a German nuclear shutdown would increase CO_2 emissions.

The European Commission's roadmap, unveiled on 8 March, takes into account existing nuclear plants and political agreements to build future ones, such as in Poland. It does not anticipate any new capacity that has not yet been politically agreed. A government spokeswoman has said Poland was "determined" to go ahead with its nuclear plan.

Ms Hedegaard was speaking at a stakeholder meeting in Brussels to discuss the roadmap. On 16 March, the commissioner told a press conference that EU decisions on new energy sources would likely be influenced by the events in Japan.

Stakeholders at the meeting were generally supportive of a roadmap, but expressed disappointment with missing elements. Both industry representatives and NGOs said they wanted more reassuring language on financing that would provide certainty for investment in low-carbon technologies.

Half of the revenue from auctioning in the EU's emissions trading scheme (ETS) is to go to low-carbon innovation and research. But the roadmap does not mention specific ways to ensure this will actually happen, stakeholders complained. Support for early deployment of green technologies is also not mentioned, they said.

Stakeholders on both sides also expressed frustration with the lack of transparency in the modelling used for the roadmap. Industry groups have complained that the modelling uses incorrect assumptions. But the head of the commission's climate department, Jos

Delbeke, vigorously defending the modelling used.

Some industry stakeholders were also concerned that the commission seems to be backing away from carbon offsetting in the roadmap. In her opening remarks, Ms Hedegaard noted it was highly unlikely cheap offsets would still be available in 2030.

But Mr Delbeke said the commission remains fully committed to offsets and the UN clean development mechanism (CDM) regardless of whether a second Kyoto commitment period is agreed. But he also said there are questions about the wisdom of supporting the CDM given it benefits major competitors such as China.

Source:
http://www.endseurope.com/25843/nuclear-scaledown-couldater2050roadmap?referrer=bulletin&DCMP=EMC-ENDS-EUROPE-DAILY

EU 'Low-Carbon Roadmap' aims for 25 per cent cuts by 2020

[EurActiv, 16 February, 2011] Energy savings could slash greenhouse gas emissions by 25 per cent by as early as 2020, according to a draft copy of the EU's long-awaited "roadmap for moving to a low-carbon economy in 2050," seen by EurActiv. The EU's current goals for 2020 involve reducing emissions by 20 per cent on 1990 levels, increasing the share of renewables in the bloc's energy mix by 20 per cent and improving energy efficiency by 20 per cent.
But in a twist to the debate over whether the economic crisis has made a 30 per cent emissions reduction more realisable, the document says implementing the EU's stalling energy savings goals would reduce emissions by a further 5 per cent.

Source:
http://www.euractiv.com/en/climate-environment/eu-low-carbon-roadmap-aims-25-cuts-2020-news-502197

Minister joins call for 30 per cent CO_2 emissions cut

[Athens News, 14 March 2011] Environment, Energy and Climate Change Minister Tina Birbili has joined six of her European Union counterparts in calling for a 30 per cent reduction in greenhouse gases by 2020, instead of the current European target of 20 per cent.

The move would not only protect the environment but also create jobs and help protect Europe from future spikes in the price of oil, the ministers said.

The proposal was made in a letter sent by the seven European environment ministers to the European Commission one day before the environment ministers' council in Brussels. Signatories included Greece, the UK, Germany, Sweden, Denmark, Spain and Portugal.

The ministers signing the letter consider the revised target necessary in order to ensure meeting an 80 per cent emissions reduction target by the middle of the century, so that the EU becomes a leader in the effort to transition to a low carbon economy.

To read the full article:
http://www.athensnews.gr/portal/13/39040

The letter is available here:
http://www.decc.gov.uk/en/content/cms/news/chrish_eulett/chrish_eulett.aspx

Europe's CO_2 emissions growing with the economy

[Handelsblatt, 1 April 2011, Euractiv, 17 February, 2011, summarised by Jan Eichhof] Europe's CO_2 emissions picked up speed as the continent's economies emerged from recession in 2010, finishing 3.5 per cent higher than a year before, preliminary results released by the European Commission indicate.

Industrial emissions in Germany rose by 4.3 per cent, in the UK by 2.5 per cent, in Poland by 4.4 per cent and in Italy by 3.3 per cent. Spain accounted for a reduction of 11.6 per cent mainly due to its rapid expansion of solar energy. However, one should bear in mind that Spain's economic activity remained sluggish in 2010 which is also to blame for the reduction in CO_2-emissions.

In Germany the increase to the equivalent of 960.1 million mt of carbon dioxide in emissions came as the recovery of steel production led to higher hard coal input. Also, low temperatures boosted fuel consumption in power generation and mineral oil input increased across commercial sectors and households according to the UBA environmental agency.

At this level, the country's emissions were below the annual 974 million mt CO_2 emission cap set by the Kyoto Protocol for the 2008-2012 period.

The enhanced use of renewable energies, which last year covered 16.9 per cent of gross power consumption, helped reduce emissions by 9 million mt, the agency said.

Nonetheless,"it's quite clear that if the economy picks up any more, we won't even reach the 20 per cent [emissions reductions by 2020] goal," Swedish Green MEP Carl Schlyter, vice-chair of the European Parliament's environment committee, told EurActiv.

"It shows that the growth-based solution to unemployment and other economic problems is unsustainable."

In the US last year, Environment Protection Agency figures indicate that power plant emissions of greenhouse gases soared by a record 5.56 per cent.

At the height of the financial crisis in 2009, US emissions fell 6 per cent. In Europe, planet-heating emissions crashed by a full 11 per cent.

The projected reversal now is likely to ratchet up the debate in the EU on whether a 30 per cent cut in emissions reductions would stimulate more green investment than the current proposed -20 per cent target, which recession had brought closer into sight.

Jo Leinen MEP (Germany; Socialists & Democrats), who chairs the Parliament's environment committee, declined to comment on that debate but agreed that the report "shows that economic growth and climate gas emissions are not yet decoupled".

"If we want to have a chance of stabilising global warming at a two degrees Celsius increase, the power sector has to change and transform much more fundamentally," he said.

For more information visit:

http://www.handelsblatt.com/technologie/energie-umwelt/umwelt-news/industrie-jagt-mehr-co2-in-die-luft/4012872.html

http://www.euractiv.com/en/climate-environment/europes-co2-emissions-growing-economy-news-502537

http://www.platts.com/RSSFeedDetailedNews/RSSFeed/ElectricPower/8780705

To read more see here:
http://www.guardian.co.uk/theguardian/2011/mar/14/europe-japan-and-energy-options

Experts question viability of 'timid' EU energy plan

[*EurActiv, 9 March, 2011; Updated: 11 March, 2011*] Energy efficiency is one of the EU's three 20-20-20 targets for the decade, along with increasing the use of renewable energies to 20 per cent of its overall energy mix and reducing greenhouse gas emissions by 20 per cent.

Unlike the other two goals, though, energy efficiency targets are not legally binding and in January, European Commission President José Manuel Barroso blamed this for the fact that it was the only goal not being met.

Commission documents forecast average energy savings of only around 10 per cent by 2020, with the UK on track for 9 per cent and even Germany only likely to hit 14 per cent.

Source::
http://www.euractiv.com/en/energy-efficiency/experts-question-viability-timid-eu-energy-plan-news-502916?utm_source=EurActiv+Newsletter&utm_campaign=7b8ccafe34-my_google_analytics_key&utm_medium=email

An empty shell of an Energy Efficiency Plan

[CANEurope, 8 March] So we have been waiting since 2009, and finally, finally, today, on the 8 March 2011 the European Commission at long last published its so-called Energy Efficiency Plan. This is an important document: already this year, both Heads of State and Government and Energy Ministers have highlighted the importance of this Plan in setting out how to close the 200 Mtoe gap to the 20 per cent energy saving target - and therefore in meeting Europe's strategic objectives. Moreover the Low Carbon Roadmap, also published today, made crystal clear how critical the 20 per cent energy saving target is to meeting our 2050 greenhouse gas emission reduction requirements.

Unfortunately, the European Commission - and in particular Mr Oettinger - has failed to rise to this call to arms. The document is extremely weak, mentions much that is already business as usual, and contains very little in the way of hard or concrete measures. Its own impact assessment does not guarantee that it will close the 200 Mtoe gap.

The main firm measures proposed are:

- a binding target for a doubling of the refurbishment rate of public buildings (to a low level)
- new energy efficiency criteria for public procurement
- a requirement on Member States to reduce the legal obstacles that result in split incentives e.g. for building renovations
- enhanced requirements for CHP to be used
- a requirement on Member States to establish energy saving obligation schemes on energy companies
- mandatory energy audits for large companies (but no mention of follow-up)
- an extended Ecodesign workplan
- some soft measures to encourage energy performance contracting and energy services companies, e.g. information compilation.

Some of these are good ideas, but very little detail is given, and a lot looks likely to be left to the discretion of Member States. We have to strongly hope that the legislative reviews of the Energy Services and CHP Directives - due out before the summer - will make some real substance of these proposals.

Unfortunately, these legislative reviews will not immediately become the vehicles for binding targets - which would ensure the right level of commitment, accountability and investor certainty that will enable the 20 per cent target to be delivered. Rather than proposing these now, the Plan instead prefers to 'wait and see' in 2013 whether the indicative national targets and programmes that Member States are to put forward under the Europe 2020 Strategy will do the job. Only then, if it looks like there is still a gap, will the Commission propose binding national targets.

The odd thing is that Member States will already submit these 'Europe 2020' targets by April this year; in fact most of them already have. So far, it looks like they will amount to only around 14 per cent savings, though the diverse format of the submissions makes them hard to aggregate precisely. It is therefore not really obvious why we need to wait another two years to find out that the ambition level is too low.

Finally the Plan's emphasis on the intergovernmental Europe 2020 framework is itself a cause for concern. This is a time when the governance of energy saving needs to be strengthened, by upgrading the existing legal framework of the National Energy Efficiency Action Plans and their indicative targets. Europe 2020 is a purely political framework, and the Plan's implication that it will become the new principal basis for energy savings targets and programmes is precisely a move in the wrong direction - away from a hard legal basis.

It is far from game over: the 20 per cent energy savings target is one we cannot afford to miss, as the Roadmap published today and the current oil price spike make clear. It is just something of a pity that this long-awaited Plan did not put us further along the road to tapping the huge potential that is there and ready for the taking with just a bit more vision, boldness and leadership.

Source:
http://www.caneurope.org/policywork/energy-saving/298-an-empty-shell-of-an-energy-efficiency-plan

White paper 2011 – Roadmap to a single European transport area

The European Commission adopted a roadmap of 40 concrete initiatives for the next decade to build a competitive transport system that will increase mobility, remove major barriers in key areas and fuel growth and employment. At the same time, the proposals will dramatically reduce Europe's dependence on imported oil and cut carbon emissions in transport by 60 per cent by 2050.

By 2050, key goals will include:

- No more conventionally-fuelled cars in cities.
- 40 per cent use of sustainable low carbon fuels in aviation; at least 40 per cent cut in shipping emissions.
- A 50 per cent shift of medium distance intercity passenger and freight journeys from road to rail and waterborne transport.
- All of which will contribute to a 60 per cent cut in transport emissions by the middle of the century.

The European Federation for Transport and Environment (T&E) criticised the White Paper as ‘a manifesto for inaction’, while Greenpeace said it ‘blatantly passes the buck to future generations’.

The White Paper:
http://ec.europa.eu/transport/strategies/2011_white_paper_en.htm

T&E’s press release:
http://www.transportenvironment.org/News/2011/4/Transport-strategy-puts-its-trust-in-miraculous-technology-after-2030/

Green light for cleaner, more fuel-efficient vans

[European Parliament, 15 February 2011] Parliament gave a green light for cleaner, more fuel-efficient vans on Tuesday, in a vote to introduce CO_2 limits in the EU for new vans and other light commercial goods vehicles. The rules, agreed with Member States, include incentives to make highly-efficient vehicles as well as penalties for manufacturers that miss the targets.

If endorsed by the Council of Ministers, it will complement existing CO_2 limits for passenger cars. Besides contributing towards better air quality and the EU's climate targets, the rules should ensure that small firms that depend on these vans get more fuel-efficient ones.

Martin Callanan (ECR, UK), who steered the legislation through Parliament, commented: "This legislation has been a difficult balancing act between setting ambitious but attainable environmental targets for manufacturers. I am satisfied that this is a good deal for the environment, for van manufacturers, and for van users across the EU."

To learn more about this topic, please see here:
http://www.europarl.europa.eu/en/pressroom/content/20110215IPR13672/html/Green-light-for-cleaner-more-fuel-efficient-vans

Europe must show the way to a sustainable global energy policy – who else?

[German Development Institute / Deutsches Institut für Entwicklungspolitik, Matthias Ruchser, 2 February 2011] In preparation for the EU Summit on Energy of the European Heads of State and Government on 4 February 2011 (*for results of the summit see the next article, below*), German Federal Chancellor Merkel recently invited the CEOs of the four major German energy corporations and other industry bosses to the Chancellery.

Freed from the fetters of the Grand Coalition, the Chancellor no longer thought it necessary to invite the bosses of the green electricity sector – as she had done before the energy summits in 2006 - 2007.

This is remarkable inasmuch as the “green power” producers announced at the first energy summit in 2006 that they would be investing EUR 40 billion by 2012, compared to their conventional competitors’ EUR 30 billion.

The Chancellor’s exclusive party focused on the proposals put forward by EU Energy Commissioner Oettinger for the form that the European energy and innovation policy should take in the future. As the highly disparate national instruments for increasing the use of renewable energy sources (RES) are a thorn in Oettinger’s side, his goal is Europe-wide harmonisation. While Prime Minister of the German Land of Baden-Württemberg, he was a vociferous champion of the subsidiarity principle, but once an EU Commissioner, he was quick to learn the Brussels rhetoric of harmonisation. If Oettinger has his way, the world’s most successful tool for making the transition to a renewables-based electricity supply – Germany’s Renewable Energy Sources Act (Erneuerbare-Energien-Gesetz, EEG) – could be repealed.

This would be remarkable in two respects. First, the ENER-IURE study carried out for the European Commission in the early 2000s demonstrated that instruments based on electricity feed-in tariffs are the most effective incentive for a dynamic expansion of green electricity generation. The principles of the German EEG – priority for the feed-in of green electricity and degressive feed-in payments – have proved to be an export hit, having been adopted in over 50 other countries. The same study showed that, firstly, the competitive bidding model then applied in the United Kingdom, whereby the operators of RES plants offer to build and operate them at the lowest possible rates of compensation and, secondly, restricting the addition of individual RES technologies are counterproductive and do not contribute to the development of an innovative domestic RES sector. In the special report it presented last week the German Advisory Council on the Environment (Sachverständigenrat für Umweltfragen - SRU) is, then, on the wrong track when it calls for competitive bidding models and an overall cap on the addition of certain RES technologies.

For innovations someone needs to show the way

The second main item on the agenda for the meeting on 4 February, after the future of European energy supply, was “Innovation”. While the EU has abandoned its “Lisbon goal” of becoming the world’s most competitive and most innovative region, the European renewable energy sector at least is still in the lead, even if such countries as China and India, and the USA, too, are rapidly catching up.

And what are Germany and the European Union doing? The present German government changed the relative importance of the items in its energy research budget shortly after entering office in 2009. For example, it raised the funds for nuclear energy research from EUR 186 million to EUR 233.2 million and those for nuclear fusion research from EUR 119.4 million to EUR 143 million in 2010. In addition, Germany and Europe are participating in the construction of the ITER experimental fusion reactor in France, the cost of which tripled to EUR 15 billion even before construction began.

Nuclear fusion research is an aberration

The question, then, is whether Germany and Europe can afford to spend billions more in government research funds on the aberration of nuclear fusion even though, despite decades of research, it has yet to produce a single kilowatt hour of electricity and is not expected to be available for at least another 30 to 40 years. At the same time, putting a cap on RES expansion is now being considered.

The opponents of the expansion of green electricity regularly insist that the subsidisation of renewable energy sources should stop. Hence the unambiguous observation that the EEG feed-in payment is not a subsidy, since the levy is paid by the consumers. Those who disagree should consult the 2001 judgment of the European Court of Justice on this subject. As no direct or indirect payments are made by the state, the European Court sees no reason to rule that subsidies have been paid (Case C-379/98). For the time being renewables depend on the support of such instruments as the EEG. Yet in early January 2011, a study by the Fraunhofer Institute for Solar Energy Systems showed that, with green electricity becoming increasingly economical, grid parity would be achieved in a few years.

Read more:
http://www.europesworld.org/NewEnglish/Home_old/PartnerPosts/tabid/671/PostID/2231/TheCurrentColumnTheEUSummitonEnergyEuropemustshowthewaytoasustainableglobalenergypolicywhoelse.aspx

Main results of EU energy summit

European Union leaders adopted an accord on a number of strategic energy-related areas on Friday, following their first ever summit on energy issues in Brussels. Below are the main outcomes.

External Action

EU Energy Commissioner Guenther Oettinger and foreign policy chief Catherine Ashton wanted EU leaders to give them a stronger mandate for pursuing energy goals when dealing with Russia, Turkey, central Asia and north Africa.

EU officials argue that support from the European Commission will add investment certainty to energy projects such as the Desertec solar initiative in north Africa or the Nabucco pipeline to bring Caspian gas to Europe.

In their resolution, EU leaders invited the Commission to "submit by June 2011 a communication on security of supply and international cooperation aimed at further improving the consistency and coherence of the EU's external action in the field of energy."

"Work should be taken forward as early as possible to develop a reliable, transparent and rules-based partnership with Russia in areas of common interest in the field of energy," the resolution added.

Nuclear Power

Ahead of the summit, France had pushed EU leaders to back the goal of increasing electricity generation from low-carbon sources, as opposed to just renewable sources.

This would implicitly open the door to more nuclear power, benefiting French nuclear companies such as Areva.

Environmentalists fear that the low-carbon target might eventually supersede the renewables goal, but European Commission officials rule that out.

"The EU and its member states will promote investment in renewables and safe and sustainable low carbon technologies," the accord said.

Read full article on:
http://www.reuters.com/article/2011/02/04/us-eu-summit-energy-results-idUSTRE7134NC20110204

Brief press release from Energy Commissioner Günther Oettinger:
http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/11/71&format=HTML&aged=0&language=EN&guiLanguage=en

Parliament Report calls for end to 'bad' subsidies

[Republished with permission of ENDS Europe. A 14-day, no obligation trial is available from http:www.endseurope.com/news?mc=foes *7 March 2011*] EU budget subsidies in areas such as agriculture, cohesion policy, transport and energy should be removed following a detailed assessment because they can be environmentally harmful, according to a European Parliament report.

Such subsidies include payments to farmers under the Common Agricultural Policy (CAP). EU lawmakers are debating new proposals to make the CAP greener. Support for long-distance road transport projects can also have a damaging impact.

More widely, environmentally harmful subsidies will be discussed as part of negotiations on the next EU budget for the period after 2013. The European Commission plans to put forward budget reform proposals in June.

The report, commissioned by the parliament's environment committee, was published last week. It echoes recommendations made by a group of NGOs in November. Off-budget measures such as tax exemptions were not analysed in the report.

One observation is that more cohesion funding for the environment should be devoted to pollution prevention measures. At the moment, 69 per cent of this funding goes to end-of-pipe measures such as waste management and contaminated land rehabilitation.

Source:
http://www.endseurope.com/25743/parliament-report-calls-for-end-to-bad-subsidies?referrer=search

You find more on this topic in our studies and research chapter on page 33.

8. Green Budget Reform Worldwide

The ultimate guide to South Korea's Cap-and-Trade Scheme

[Tom Young, BusinessGreen, 20. April 2011]
South Korea unveiled a final draft of its long-awaited emissions cap-and-trade scheme last week, the government confirming that it wants to submit the proposed bill to parliament as soon as possible and ensure it is passed before September.

However, there are some significant differences in the bill compared to original plans released last year. BusinessGreen outlines the proposed changes and runs the rule over what could soon emerge as Asia's first national carbon trading scheme.

Why does South Korea want an emissions trading scheme?

South Korea announced a green new deal in 2009 that it hoped would set the benchmark for low carbon economic growth around the world. As a nation it had traditionally relied on manufacturing exports to fuel the economy and, after exports slumped as a result of the global recession, the government needed to offer people the promise of new jobs.

The government initially ploughed billions of dollars into low carbon technologies and projects, and the introduction of a cap-and-trade scheme was always planned at a later stage to further nurture the nascent green sector. Seoul said that the scheme would help to create one million new jobs in four years.

So why are the proposals only coming forward now?

South Korea's manufacturing and export markets have largely recovered, allowing the private sector to argue that the protection of existing jobs is more important than the creation of new green ones.

Research last year estimated that cap-and-trade measures as originally proposed in South Korea would cost 1.5 per cent of GDP annually until 2020, a figure that was higher than expected in some quarters and which prompted outrage among some business leaders.

Prime minister Kim Hwang-sik came under pressure to explain why he planned to impose further costs on the economy just when key players were starting to see growth.

Major business groups filed a petition to the government calling for a moratorium on the plan, arguing that full-fledged trading could cost South Korean manufacturers up to 14 trillion won ($12.43bn) in total.

This industry pressure, combined with a reticence in the domestic press to support a cap-and-trade scheme, falling public opinion polls, and the postponement of similar schemes by international competitors such as Japan and Australia, has led to the tabling of a distinctly watered-down bill.

This new bill, which still requires parliamentary approval, would result in a national emissions trading scheme coming into effect from 1 January 2015, two years later than originally planned.

How will the scheme work?

The overall structure of the plan remains unchanged since it was first proposed. The cap-and-trade scheme will involve over 300 of the country's largest companies, producing some 60 per cent of the nation's greenhouse gases. It aims to reduce greenhouse gas emissions by 30 per cent by 2020, although this is not an official target.

As with the EU Emissions Trading Scheme, an overall cap will be set on emissions, and then a certain amount of permits to pollute will be issued to companies, depending on their size, within that cap.

Companies which have reduced emissions from benchmarks will be able to trade surplus permits to those which are polluting more than expected.

Will the scheme link with international carbon markets?

The bill has been revised to allow the trading of certified emission reductions. These are tradeable offsets that are created by a UN scheme that rewards big firms that invest in clean-energy projects in developing countries.

This means that South Korean companies that help to develop low-carbon projects in China or Vietnam, for example, could use the credits gained there to give them more leeway to pollute domestically.

How will emission allowances be distributed?

At the beginning of any cap-and-trade scheme some allowances are distributed to firms for free, rather than being sold. This technique is intended to help sectors that would suffer unduly under any cap-and-trade scheme, such as aluminium and steel manufacturing, to remain competitive internationally.

Originally South Korea planned to allocate 90 per cent of its permits for free, and auction 10 per cent. This is the same ratio used by the EU Emissions Trading Scheme when it launched in 2005, which was criticised for being too generous, and partly blamed for the scheme's failure to set a robust carbon price.

The EU scheme is poised to become significantly more demanding with only 40 per cent of permits allocated free of charge from 2013 and the rest being auctioned.

However, the revised South Korean bill moves in the opposite direction, proposing an increase in the share of allowances given away for free from 90 per cent to 95 per cent. Critics claim that this generosity will make it very hard for the scheme to establish an effective carbon price in its first few years of operation.

The revised legislation also includes measures that allow the government to stabilise the price by staging early auctions of allowances to increase the supply of credits when the price rises too high.

How will the South Korean scheme compare with other cap-and-trade schemes?

All the signs suggest that South Korea's cap-and-trade scheme will initially be less effective than the EU Emission Trading Scheme at delivering emission reductions, although the government will have greater powers to reduce the cap if required.

There will also be more permits allocated for free under South Korea's scheme than the EU plan. And there is likely to be a looser cap and more free permits than under New Zealand's scheme, introduced last year, where there were no free allocations to firms in the power generation and transport sectors at all.

South Korea's scheme is a great first step towards reducing emissions and will help extend the concept of carbon pricing into Asia, but it could be several years before it has a major impact.

Editors' note: GBG President Dr. Anselm Goerres and Vice President Kai Schlegelmilch were at the time of writing in South Korea advising the government on their plans for the implementation of Environmental Fiscal Reform in the country.

Read full article on:
http://www.businessgreen.com/bg/analysis/2044996/ultimate-guide-south-koreas-cap-trade-scheme

Japan plans new Renewable Tariffs from 2012

[Reuters, 18 February 2011] Japan plans to make the power sector buy electricity from a wider range of renewable energy sources than it does currently in a feed-in tariff incentive scheme from the year starting April 2012.

The government is expected to submit related bills for the new scheme during the current parliament session, aiming to make electricity low-carbon and to support a clean-energy market.

Currently, Japan's 10 power companies are required to pay 48 yen ($60 cents) per kilowatt hour for surplus solar electricity from house owners and 24 yen per kwh for the surplus from small businesses and are allowed to add on the extra costs to users evenly.

Below are some of the main points that differentiate the existing scheme effective in the business year starting in April, from the new scheme based on a set of proposals a government advisory panel approved on Friday.

2011/2012:

- 10 power companies only buy surplus solar from small-lot suppliers
- Prices for house owners will be cut to 42 yen per kwh as prices of solar panels are on the decline.
- Prices for small businesses will be raised to 40 yen per kwh to lessen the impact of the government's ending subsidies for installation.

2012/2013 and onwards:

- Not only 10 power companies but also independent power producers (IPP) will buy electricity from renewable sources.
- Their buying will last for 15 years.
- It will apply to electricity from solar, wind, biomass, small-scale hydro and geothermal power -- except for surplus electricity only from household solar suppliers.
- Prices for wind, small-sized hydro, biomass, geothermal will be either 15 yen or 20 yen per kwh.
- Prices for solar are to be decided later.
- There will be no difference in surcharges from one company to another as power producers will pass their total payments to users evenly nationwide.

Editors note: since the events in Fukushima, Japan, no changes have been announced to this policy, although we expect changes may have to be made in the future in response to the new circumstances in the country. We will keep you informed.

Source:
http://uk.reuters.com/article/2011/02/18/us-climate-japan-renewables-idUKTRE71H23J20110218

China to cap energy use at 4 bl tonnes of coal equivalent by 2015

[CRI.CN, 3 April 2011] China will cap its total energy consumption at 4 billion tonnes of coal equivalent by 2015, said Zhang Guobao, former head of the country's National Energy Administration, on Friday.

The amount is set as a mandatory ceiling in the draft 12th Five-Year Program (2011-2015), Zhang told Xinhua in an exclusive interview. He is a member of the Standing

Committee of the 11th National Committee of the Chinese People's Political Consultative Conference.

The five-year period will see an average annual increase of 4.24 per cent in energy use, he said. Last year, 3.2 billion tonnes of coal equivalent was consumed, Zhang added. .

"The task of energy conservation and emission cuts is arduous", he said, as he compared the growth of energy use with the 7 per cent of annual economic expansion set by the central government during the five years to 2015.

China's economic boom in recent years has been fueled by rising consumption of energy. However, inefficient use of energy and pollution has posed a threat to sustainable and balanced growth.

Chinese Premier Wen Jiabao said on Feb. 27 that China would never exchange a high economic growth rate at the cost of harming the environment. He said China would set annual economic growth target at 7 per cent during the five years to 2015, lower than the 7.5 per cent goal set for the five years through 2010.

Wen also said that China aimed to cut the amount of energy and carbon dioxide emissions needed for every unit of gross domestic product by 16 to 17 per cent from this year to the end of 2015.

The two targets are also included in the five-year blueprint, Zhang said, as he called for more efforts to promote energy conservation and emission cuts.

The 12th Five-Year Program draft will be reviewed and is expected to be approved by deputies to the National People's Congress, which opens its annual session Saturday in Beijing.

China announced in 2009 that it pledged to cut carbon emissions per unit of gross domestic product (GDP) by 40 to 45 per cent by 2020, relative to 2005 levels. In the five years to 2010, China achieved a 19.1 percent decrease in energy consumption per unit of GDP, close to its target of a 20 percent cut.

He said that the five-year plan would demand higher energy efficiency. China would start a trial program for energy saving and emission cuts and resource comprehensive utilization in sectors such as clean coal, oil refining, thermal power, nuclear power and renewable energies during the five-year period, he said.

He said that energy security is a significant task through the five years when China will increase strategic reserves of oil and gas, while constructing storage bases for natural gas and coal.

He said that the recent turmoil in the Middle East had driven up international oil prices, raising the issue of energy security again.

"Oil security is the most important part of achieving energy security," he said. "Preparations for alternative energies should be made as soon as possible."

http://english.cri.cn/6909/2011/03/04/1461s624079.htm

China: Sun shining brightly on blossoming green industry

[Liu Yiyu, China Daily, 20 January 2011]

In the recent Hollywood movie Wall Street, Chinese investors fund the world's leading green technology. Likewise in reality, China is on track to play a leading role in the green sector, as more Chinese companies in the sector are investing in the United States and creating jobs.

Goldwind Science & Technology Co, one of the country's largest wind turbine manufacturers based in the Xinjiang Uygur autonomous region, made a significant mark in the US last month by winning a bid to supply China-made turbines to an Illinois-based large wind farm project.

Read more:
http://www.chinadaily.com.cn/china/2011huvisistsus/2011-01/20/content_11884730.htm

China: Energy Development Plan to be fixed by March

[Gao Yuan, China Daily, 14 March, 2011] China's energy development strategy for the 12th Five-Year Plan (2011-2015) will focus on a structural adjustment of its energy resources, China Securities News reported Monday, citing a top official at the National Energy Administration (NEA).

The new plan will include several plans to develop of petroleum gas, electricity and new energy, Qian Zhiming, deputy director of the NEA, told the newspaper, adding the plan will be completed by the end of March.

Qian said the plan will urge domestic energy companies to acquire key technologies and industries, to speed up the restructuring of the energy business and to support development of "new energy" resources.

A blueprint to develop new energy sectors such as wind power, solar power, biomass energy, smart grids and coal bed gas will be included in the plan, he said. The use of non-fossil fuels may be increased to 15 per cent by 2020, the newspaper reported, adding that international partnerships also will be enhanced.

Meanwhile, the NEA is also drawing up a five-year blueprint for China's energy science and technology development, according to the report.

Insiders said that the structural adjustment plan is positive news for the nation's new energy industries, paving the way for faster development of those industries during the 12th Five-Year Plan (2011-2015) period.

With the proportion of coal power continuing to decline in the country's energy structure, the coal and thermal power industries will also experience a stable development era, the newspaper reported.

Source:
http://www.chinadaily.com.cn/bizchina/greenchina/2011-03/14/content_12170236.htm

Australia plans Carbon Tax on polluters from 2012

[AP News, 24 February 2011] Australia's government has proposed a carbon tax on its biggest industrial polluters, arguing Thursday (24 February 2011) that the country cannot afford to lag behind other nations in reducing its greenhouse gas emissions.
"I do not believe that Australia needs to lead the world on climate change, but I also don't believe that we can afford to be left behind", Prime Minister Julia Gillard told reporters in announcing the plan.

The proposal to introduce a tax from July 1, 2012, has the support of the key Greens party and independent legislators but faces a battle in the Senate, where opposition lawmakers argue polluters should remain free to emit carbon gas.

The most contentious details — such as the what to charge per ton of carbon and how much compensation to provide hard hit industries and householders as they make the transition— have yet to be decided.

Australia is one of the world's worst greenhouse gas polluters per capita due largely to its heavy energy reliance on coal, its largest export.

The government has pledged to cut Australia's greenhouse gas emissions by the year 2020 to at least by 5 percent below 2000 levels. But a government report released this month projects a 24 percent increase in Australian greenhouse gas emissions on 2000 levels by 2020.

To see the full article, please follow this link:
http://asiancorrespondent.com/49014/australia-plans-carbon-tax-on-polluters-from-2012/

GIZ policy brief on attempted Bolivian fuel price reform

[Subsidy Watch, Issue 42, February 2011] GIZ – formerly known as GTZ – published a policy brief this January, Fuel Price Reform in Bolivia, outlining the mistakes that were

made in Bolivia's attempts to cut its subsidies over the New Year.

The five-page document provides a brief chronology of events, from the surprise announcement of price increases on 26 December to President Evo Morales' sudden U-turn five days later. It then analyses the failed reform attempt, concluding, "Everything that could go wrong, went wrong in the implementation of the price hike in Bolivia in December 2010". It summarises the challenges faced by the country in reforming its subsidies and illustrates how other countries have overcome these challenges with various strategies.

The brief recommends that countries with ad-hoc pricing mechanisms should focus on three dimensions of reform: first, increasing transparency about the composition of prices; second, reforming pricing regulation, moving towards formula-based pricing at regular intervals; and finally, initiating gradual price increases. It argues that price reform takes time – at least 2 years.

On behalf of the German International Cooperation GIZ, formerly the German Technical Co-operation (GTZ), Green Budget Germany has developed a training seminar on Environmental Fiscal Reform (EFR). Target groups are policy makers, administration officials, and NGO-representatives. The training fosters a deep understanding of EFR concepts and instruments, and strengthens participants´ capacity to identify, design and evaluate adequate EFR instruments in various sectors. The training can support governments in developing strategies to phase in such policies smoothly and thus with a greater likelihood of succcess.

More information on the training is available here:
http://www.foes.de/internationales/oefr-in-entwicklungslaendern/?lang=en
slaendern/?lang=en

Original article:
http://www.globalsubsidies.org/subsidy-watch/studies/giz-policy-brief-attempted-bolivian-fuel-price-reform

For more on fuel price reform in Bolivia see:
http://www.gtz.de/de/dokumente/giz2011-fuel-price-reform-bolivia-december-2010.pdf

Subsidy Watch, Issue 42, February 2011:
http://www.globalsubsidies.org/files/assets/subsidy_watch/sw42_feb_11.pdf

Iran makes drastic cuts to subsidies for energy and other goods

[Subsidy Watch, Issue 42, February 2011] In December 2010, the Republic of Iran finally launched a long-awaited program to slash energy, food and water subsidies, in an attempt to rein in unnecessary budgetary spending and eliminate waste. In an interview with state television on December 18, President Mahmoud Ahmadinejad announced that deep cuts to food and fuel subsidies would start the next day and promised to fully cut all subsidies by the end of his term in 2013.

The move is a major change for a country that has a long history of heavily subsidizing its energy and other basic consumer goods. Before the cuts were announced, gasoline sold in Tehran for a mere US$ 0.38 per gallon, compared to over US$ 3.00 per gallon in the United Sates.

The fuel subsidies are widely recognised to have created a culture of overconsumption and waste, costing the government billions of dollars. Last year, the International Energy Agency estimated that Iran had spent US$ 66 billion subsidizing fossil-fuel consumption in 2009, the highest absolute sum spent on such subsidies by any country in the world, and equivalent to over 20 per cent of Iran's total budget.

The first two monthly cash payments were deposited into the accounts of 60 million Iranians – 90 per cent of the population – in late October. But the money was not made available for withdrawal until the middle of December, shortly before Ahmadinejad's subsidy cut announcement, a move designed to both compensate and mollify the public in anticipation of the price rises.

According to the Iranian Presidency's website, the price of gasoline was set to rise from US$ 0.38 per gallon to US$ 1.44 per gallon as of December 19, while people using gasoline beyond a 16 gallon per month quota would face additional costs of $2.64 per gallon under a rationing system. The semi-official Mehr News Agency (MNA) reports that the price of bread has tripled and the price of diesel has gone up by 2,000 per cent.. The Iranian Labour News Agency (ILNA), citing the economy ministry, reported that monthly household cooking gas charges have increased by more than five-fold, while electricity and water have gone up more than three times.

Preliminary data, however, indicates that the price increases are having the desired economic effect. According to the MNA, Iran saved over US$ 1 billion in energy costs in the first 15 days after the reforms were implemented. Citing the National Iranian Oil Products Distribution Company, it said that gasoline consumption in the country had declined by about three million liters a day, or 4.5 per cent less than the same period in the previous year, while diesel consumption had declined by 31.7 million liters per day, a 28% reduction.

Again, as for Bolivia, the capacity building EFR Training developed by GBG on behalf of the German International Cooperation GIZ, formerly the German Technical Co-operation (GTZ), can support governments in developing strategies to phase in such policies smoothly and thus with a greater likelihood of succcess. More information:
http://www.foes.de/internationales/oefr-in-entwicklungslaendern/?lang=en

To see the whole article:
http://www.globalsubsidies.org/subsidy-watch/analysis/iran-makes-drastic-cuts-subsidies-energy-and-other-goods

To see the Subsidy Watch, Issue 42, February 2011, please follow this link:
http://www.globalsubsidies.org/files/assets/subsidy_watch/sw42_feb_11.pdf

India: Energy Security Insights focus on Fossil-Fuel Subsidies

[Subsidy Watch, Issue 42, February 2011] In a October – December 2010 special issue, the Energy and Resources Institute's (TERI) Energy Security Insights focused on the role played by fossil-fuel subsidies in India and the isssues that surround their reform.

The newsletter includes articles by the International Monetary Fund's (IMF) Davidy Coady and Anita Tuladahar; the International Institute for Sustainable Development's (IISD) Peter Wooders; the Institute for Social and Economic Change's (ISEC) S.L. Rao; and TERI's Anmol Soni. The issues covered include challenges of reforming pricing regimes, the roles that international organisations could play in supporting reform, the type of fossil-fuel subsidies that exist in India and suggestions for how India could improve its petroleum product pricing mechanisms.

The newsletter is available here:
http://bookstore.teriin.org/docs/newsletters/ESI_Oct-Dec-2010.pdf

To see the Subsidy Watch, Issue 42, February 2011, please follow this link:
http://www.globalsubsidies.org/files/assets/subsidy_watch/sw42_feb_11.pdf

South Africa moves to finalise Carbon Taxt this year,despite global loose ends

[MiningWeekly, by Terence Creamer, 16 March 2011] South Africa will seek to finalise its carbon tax policy by mid-year and may announce its implementation during the 2012 Budget, despite the absence of a global carbon price or a binding international agreement to deal with the climate change threat.

However, National Treasury officials have also stressed that attention will be given to economic competitiveness, as well as the sometimes "competing" imperatives of growth, job creation and poverty reduction. Therefore, any move to put a formal price to the country's carbon "externality" will be phased in over time. In other words, any tax will seek to only partially recover the indirect costs associated with South Africa's relatively large emissions footprint.

The National Treasury favours a direct tax on carbon emissions, which it says will "impose the lowest distortion" on the economy, and the discussion document agues that a tax of R75/t CO_2 increasing to around R200/t CO_2 "[this equals an increase from approx 8 EUR/t to 21 EUR/t] would be both feasible and appropriate to achieve the desired behaviourial changes and emissions reduction targets".

To see full article visit:
http://www.miningweekly.com/article/sa-moves-to-finalise-carbon-tax-this-year-despite-global-loose-ends-2011-03-16-1

Vietnam promulgates first Environmental Tax Law

[INFO.VN, 17 December 2010] President Nguyen Minh Triet also proclaimed the Resolution governing Agricultural Land-use Tax Exemption and Reduction.

The environmental tax will become effective on January 1, 2011 and makes products made from oil and gas, coal and the hydro-chloro-fluro-carbons, HCFCs, used in refrigeration liable for tax.

These include plastic bags, pesticides, agricultural-produce preservatives, warehouse sanitisers and chemicals to kill termites.

Accordingly, oil and gas will have to pay the environmental tax ranging from VND300-1,000 per litre.

Different tax rates for environmental protection in the draft resolution are expected to take effect as of January 1, 2012. The environmental-tax law was approved by the NA on November 15, 2010.The tax is necessary to help protect the environment, explained Deputy Finance Minister Do Hoang Anh Tuan.

Economic growth and urban development have damaged the environment and the tax will raise public awareness about the need to protect it; enhance state management, endorse Vietnam's international commitment and increase the public's contribution.

Moreover, the Resolution governing Agricultural Land-use Tax Exemption and Reduction allows tax exemptions for land for research and experimental production; arable land used for at least one yearly rice crop; land for salt production; and land the state allocates to impoverished households and for agricultural production.

The resolution will take effect from January to December 2020.

http://en.www.info.vn/life-and-laws/laws-and-court/16014-first-environmental-tax-securities-laws-enacted.html

http://en.www.info.vn/economy/policies/18534-vietnam-to-impose-environmental-tax-on-nylon-bags.html

See also Kai Schlegemilch's article in the December issue on page 27:
http://www.foes.de/pdf/GreenBudgetNews27.pdf

California air regulators approve Carbon-Trading Plan

[LosAngelesTimes, Margot Roosevelt, 17 December 2010] California regulators voted to cap the greenhouse gas emissions of the state's major industries and establish the nation's first broad-based carbon trading program.

The move marks another bellwether moment for a state that has led in environmental policy, coming as national climate legislation to regulate greenhouse gases and curb climate change has stalled in Congress.

"This is an historic venture," said Mary Nichols, chairwoman of the California Air Resources Board, as the panel voted 9 to 1 to approve some 3,000 pages of regulations and supporting documents, crafted over three years of intense negotiations with businesses and public interest groups.

Given the state's fragile economy, Nichols said, "most political people said we should do as little as possible as slowly as possible." Instead, she said, "we are being cautious and careful, but in the context of a very bold effort."

Gov. Arnold Schwarzenegger, a champion of a market-based approach to climate regulation, showed up partway through a 10-hour public hearing at the board's headquarters to applaud the agency's effort to develop trading rules for carbon emissions. "We have led the nation in developing green policies," he said. "And we have seen our green economy grow as a result."

California's 2006 Global Warming Solutions Act requires the state to slash greenhouse gas emissions to 1990 levels by 2020 — amounting to a 15 per cent cut below today's levels.

The complex cap-and-trade system is a centerpiece of the state's multifaceted plan. Already approved are rules to hike the fuel efficiency of automobiles, cut the energy intensity of gasoline and source a third of the state's electricity from renewable sources.

More than 180 industry executives, environmentalists and concerned citizens testified on the trading regulations, which will limit emissions from 600 major industrial plants in the state. Representatives of the cement, electrical and agribusiness sectors picked apart aspects of the rules, as did forest conservationists, health advocates and anti-poverty lawyers.

In the day's most contentious debate, more than a score of environmentalists and residents of Sierra Nevada communities showed up to protest provisions that would allow industrial plants to reduce their obligation to curb pollution at their own facilities by allowing them to purchase offsets from timber companies that pledge to tailor their practices to preserve more carbon in forests.

http://articles.latimes.com/2010/dec/17/local/la-me-1217-climate-cap-trade-20101217

USA: To save the planet and the budget, cut energy off the dole

[Jeffrey Leonard, The Washington Post, January 14th 2011] President Obama promised in the fall that a top priority of his legislative program for 2011 would be an energy policy "that helps us grow at the same time as it deals with climate change in a serious way." With global warming deniers now in charge of the House of Representatives, there would seem to be little hope for major legislation on clean energy or climate in this Congress. Even a member of his own party, West Virginia's new senator, Joe Manchin, has boasted of extracting "a deep commitment and personal commitment" from Senate Majority Leader Harry Reid "that cap-and-trade is dead."

But all is not lost. If Obama wants to set us on a path to a sustainable-energy future - and a green one, too- he should propose a very simple solution to the current mess: eliminate all energy subsidies. Yes, all of them - oil, coal, gas, nuclear, ethanol, and wind and solar. Energy subsidies are the sordid legacy of more than 60 years of politics as usual in Washington. It would be better for national security, the balance of payments, the budget deficit and even, yes, the environment if we simply wiped the slate clean and let all energy sources compete for the future.

To see the full article:
http://www.washingtonpost.com/wp-dyn/content/article/2011/01/13/AR2011011304994.html?wpisrc=nl_opinions

Missed opportunity in the budget debacle

[Taxpayers for Common Sense, 18 April 2011] The massive budget fight in Congress over deficit reduction threatened to shut down the U.S. government, but it also provided a massive opportunity – one that was completely missed. Members of Congress could have scrapped wasteful and environmentally destructive subsidies. They could have made decisive cuts and reallocations in the military budget. In the end Congress agreed to cuts totaling $38 billion, but another showdown looms over a vote to raise the debt limit.

They may have missed the chance to reorder spending toward what we would witness in a sustainable economy, but the fight is not over yet. Advocates of a fair and sustainable economy must continue fighting the following battles as the debt ceiling debate takes place:

Cutting Environmentally Damaging Programs.

The Green Scissors report of Friends of the Earth and Taxpayers for Common Sense called for budgetary savings of $200 billion over the next five years, primarily by eliminating the subsidies to oil, corn ethanol, nuclear reactors and coal. Unfortunately, these cuts were not approved because the major campaign contributions from the well-heeled energy interests ruled the day.

Eliminating Nuclear Subsidies.

Especially galling in the wake of the nuclear catastrophe unfolding at Fukushima, Japan was the failure of Congress to get rid of $46 billion in nuclear reactor subsidies. (See my last blog for details).

The failure (meltdown) rate of the 442 nuclear reactors worldwide is an astonishing 1.5 per cent – simply unacceptable, given the dire consequences that can unfold with a meltdown. Yet the nuclear energy lobby pretends as if a bet on the safety of nuclear reactors is like wagering the sun will rise in the East, when in fact the bet more closely resembles a game of Russian roulette.

As Nobel Prize winning economist Joseph Stiglitz put it: “when others bear the cost of mistakes, the incentives favour self-delusion. A system that socialises losses and privatises gains is doomed to mismanage risk.” (Guardian UK April 6, 2011).

To read more see:
http://www.taxpayer.net/resources.php?category=&type=Project&proj_id=4463&action=Headlines%20About%20TCS

9. Studies and Research

A comparative analysis of direct subsidies and social costs of nuclear, coal and renewable energy sources

[A study by Green Budget Germany on behalf of Greenpeace Energy, Swantje Küchler and Bettina Meyer, April 2011] This study provides a comprehensive timeline comparing all direct and indirect energy subsidies. Based on primary and secondary data, the analysis presents the value of re-newable, nuclear, hard coal and lignite subsidies along a timeline from 1970 to 2010. In order to generate meaningful comparisons, the study relates annual public subsidy to the energy output of the respective energy sources. As a result, the reader can for the first time draw a direct comparison between the absolute amount of direct public subsidies ac-cruing to the individual energy sources. From 1970 – 2010, renewable electricity was granted on average 2.2 ct/kWh (a total of €28 bn), lignite 1.2 ct/kWh (€57 bn) and hard coal 3.2 ct/kWh (€165 bn). Nuclear energy accounts for 4.1 ct/kWh (€186 bn) and there-fore benefited from the most generous energy subsidies.

In a second step, the study calculates the overall social costs of each energy source by adding up electricity prices, subsidies with budgetary effects, and the external costs associated with each energy source. It concludes that society pays 7.6 cent per kWh for electricity generated from wind and 6.5 per cent for hydroelectricity, while hard coal and lignite cost 12.1 cents per kWh and nuclear energy sources are the most expensive, cost-ing society 12.8 cents per kWh. This research indicates very clearly that renewables are already more cost-efficient than conventional energy sources, if all factors adding costs to society, from indirect subsidies to environmental costs, are taken into account.

The full report, in German, is available here: http://www.foes.de/pdf/2011_FOES_Vergleich_Foerderungen_lang.pdf

German language summary:
http://www.foes.de/pdf/2011_FOES_Vergleich_Foerderungen_kurz.pdf

Press release: http://www.greenpeace-energy.de/service/news/aktuelle-meldungen/newsdetails/article/mit-windgas-in-denatomausstieg.html?tx_ttnews[backPid]=827&cHash=82d325e412

Innovation of energy technologies: The role of taxes

[Copenhagen Economics, Final Report, 26 November 2010] This study focuses on the importance of taxation of carbon and energy as a spur for innovation in such technologies, containing two main elements:

- A policy based literature review of specific and direct links between energy taxes and innovation and in that context reporting the results of a major new econometric study using micro and macro data.
- A policy based literature review of the merits of taxation relative to innovation and R&D policies in attaining long term climate goals.

To see the full report:
http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/taxation_energy_innov.pdf

EU subsidies for polluting and unsustainable subsidies

[Directorate-Generale for Internal Policies, Policy Department A: Economic and Scientific Policy, February 2011]

This report provides an overview of the EU sectoral policies (agriculture, cohesion policy,transport, energy and fisheries) that benefit from public support and that, at the sametime, are linked to the main unwanted side effects. Explicitly, the scope is set on on-budgetsubsidies (i.e. subsidies visible in the EU budget as public expenditure).
Editors note

The report is available here:

http://www.europarl.europa.eu/activities/committees/studies/download.do?language=en&file=34691

United States: New release nuclear power – Still not viable without subsidies

[Earth Track, March 2011] This report, prepared on behalf of the Union of Concerned Scientists, provides a detailed review and quantification of subsidies to nuclear power in the United States. With increasingly large subsidies being proposed to support new reactor and fuel cycle infrastructure, much greater transparency on nuclear economics is needed.

This analysis catalogues in one place and for the first time the full range of subsidies that benefit the nuclear power sector. The findings are striking: since its inception more than 50 years ago, the nuclear power industry has benefited-and continues to benefit-from a vast array of preferential government subsidies. Indeed, as the report shows, subsidies to the nuclear fuel cycle have often exceeded the value of the power produced. Subsidies to new reactors are on a similar path.

To see the full version:
http://earthtrack.net/files/uploaded_files/nuclear%20subsidies_report.pdf

To see the executive summary:
http://earthtrack.net/files/uploaded_files/nuclear%20subsidies_summary.pdf

To see related documents:

EIA Energy Subsidy Estimates: A Review of Assumptions and Omissions

Review of Selected Nuclear Tax Subsidies in the American Power Act

Nuclear Loan Guarantees: Another Taxpayer Bailout Ahead?

10. Editors note

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