Environmental Fiscal Reform
Making Prices Work for the Environment

Campaign Newsletter 6
April 2003
Welcome to the sixth campaign newsletter of the EEB European campaign on Environmental Fiscal Reform (EFR)!

EDITORIAL

Finally, after nearly six years of negotiations, an agreement was struck on the EU energy taxation directive by the EU Finance Ministers on March 20th! For us, who have been hoping for such an agreement for years, it is a mixed reaction, and mixed feelings. One the one hand we would like to rejoice at seeing the EU equipping itself with an energy taxation framework before the enlargement. We would like to sigh some relief at seeing these endless and painful negotiations coming to an end. We would just like to be happy to see at last some progress occurring more than ten years after the first energy taxation proposal was put forward, in 1992!

One the other hand, there is little to rejoice about. The agreement text is extremely weak compared with the 1997 original proposal. In fact, it is so different that the European Parliament has to be consulted again. The rates are lower than in the first round of tax increases proposed in the 1997 original text (that planned three rounds over 4 years)! They represent a mere inflation update, long overdue anyway, of the existing minimum rates on mineral oils, a decade after they were set! The new minimum rates on electricity, gas and coal are very low, and halved for “business use”. Households can be exempted, and there is a long list of tax exemptions that can apply notably to energy-intensive industries (precisely those who pollute most). Member States are catered with all sorts of transition periods for ending the specific tax rebates they grant to different sectors, particularly transport companies (professional diesel).

Worse, the agreement does not plan a review of the rates before 2012. The Council thus abandons any idea of using EU energy taxation for an environmental purpose, contradicting the spirit of the first directive proposals (put forward following the Rio Earth Summit) and the EU commitments on sustainable development, reductions in greenhouse gases emissions or “decoupling” (economic growth from environmental pressure).

Nevertheless, there is still a lot to do! Our campaign, since the start, has never focused solely on the EU energy taxation proposal. The EEB and its members promote EFR developments at national level too, and there is still room for manoeuvre there, even plenty in some Member States! At EU level, there are also other opportunities coming up. And we will make new proposals soon…
## Campaign Objectives:

- Implementation of an ambitious and effective Environmental Fiscal Reform throughout Europe.
- Changing consumption and production patterns towards greater sustainability.
- Raising awareness about EFR among the public as well as among governments and private sector players.
- Improving the quality of the political discourse on Environmental Taxation Reform and overcoming resistance.

## Campaign Demands:

- An additional 10% shift in total tax revenue from labour to environmental use by 2010, at EU and national level
- Removal or reform of all environmentally adverse subsidies by 2005
- Measures to address any potential social impact
- Energy saving and efficiency policies
- Fiscal incentives for environment protection

- see the campaign strategy and objectives in more details at [http://www.ecotax.info/platform.pdf](http://www.ecotax.info/platform.pdf)
  the campaign platform is also available in French, German and Spanish on [www.ecotax.info](http://www.ecotax.info) (in “documents”)

---

## CAMPAIGN NEWS

### European Campaign

**EU news in brief**

- **Energy Taxation directive proposal**
  → see in-depth topic p. 12

- **Diesel tax directive proposal**
  The Commission adopted a directive proposal for a minimum harmonisation of diesel fuel excise duties on July 24th 2002¹.

---

The Parliament started examining the proposal in January ² 2003. European NGO federations the EEB and Transport and Environment met several Members of the European Parliament on this issue and presented a common position, as well as propositions of amendments, on January 20th that were circulated amongst MEPs.

The Environment Committee of the European Parliament adopted its opinion on March 18th. Six of our amendments were tabled and all but one were subsequently adopted. In its opinion, the Environment Committee stresses the need for higher rates than those contained in the Commission’s proposal; insists on a holistic view to transport pricing and on a necessary link with the upcoming road pricing directive proposal; and calls for the suppression of the 16 ton limit for defining professional and non-professional vehicles. The Committee also calls for a phase-out of the differentiation between professional and non-professional diesel in the longer term, recalling for this the Commission’s White Paper European Transport Policy for 2010: time to decide: “In the medium term, it would be desirable for petrol and diesel to be taxed similarly for all consumers of fuel.”

The proposal is now set to go back to the Economic and Monetary Affairs Committee for the adoption of the final opinion of the Parliament.

→ see EEB and T&E full position at: www.ecotax.info/dieseltax.pdf
→ see proposed amendments at: www.ecotax.info/DIESELamendments.pdf

• EFR / fiscal instruments and the 6th Environmental Action Programme

The 6th Environmental Action Programme (EAP) was adopted last year. It gives the overall directions for the EU’s environmental policy until 2012.

→ see also the recent EEB publication “The 6th Environmental Action Programme of the EU –legally binding commitments and obligations”
 (or www.eeb.org and go to “publications”)

Previously, the 4th EAP (1987-92) adopted an integrated approach between the environment and the economy in the context of the building-up of the internal market. In this period, we notably find the ambitious 1992 CO2/energy tax directive proposal (that eventually failed to be adopted), as well as the adoption, on the same year, of EC minimum tax rates on mineral oils. The 5th EAP (1992-99) emphasised on sustainable development and on new instruments, especially economic. In 1993, the “Delors” White Paper on Growth, Competitiveness and Employment insisted on sustainable development,

² This proposal, however, falls under a Council unanimity vote procedure in which the Parliament currently only has a consultation right (article 93 of the EC Treaty)
economic instruments and on the necessity of a tax shift from labour to environmental use. In 1997, a new energy tax directive proposal was put forward (see about agreement p.12).

What do we find in the 6th EAP\(^3\) in terms of environmental taxation or EFR?

- First of all, in the preamble, we find sustainable development, but with more emphasis than in previous EAPs on the non-environment pillars. Other main issues include climate change, decoupling environmental pressure from economic growth, and changes in production and consumption patterns. The preamble wants to look at “new ways of working with the market”, at the “protection of the global ecosystem together with economic prosperity” and at “measures to reduce emissions of greenhouse gases (that) can be implemented without a reduction in levels of growth and prosperity”. If environmental economic instruments are still present, obviously more attention is given towards issues of economic competitiveness…

- In article 3 “Strategic approaches to meeting environmental objectives”, we find aims of subsidy reform (“identification of environmentally harmful subsidies with a view to gradually eliminating them”), and of fiscal measures. On the latter, it says: “promoting and encouraging the use of fiscal measures such as environmentally related taxes and incentives, at the appropriate national or Community level”. It is good that fiscal policy is still present as a tool for environmental protection. However, obviously the Commission is much more cautious, using the word measure instead of instrument, and not committing to specific EU level action.

- In Article 5, “Objectives and priority areas for action on tackling climate change”, we find again subsidy reform and “promoting the use of fiscal measures including a timely and appropriate Community framework for energy taxation” (now adopted)

Environmental economic instruments are still present, but the emphasis seems to be going down, at least for what concerns taxation. Years of difficult negotiations in the Council have made the Commission more cautious in this area. On the other hand, subsidy reform is very much present (and emissions trading is there too). But there is no mention of a broad Environmental Fiscal Reform. Nevertheless the 6th EAP gives directions for EU environmental policy for the next ten years. So there is still potential for the developments of new proposals.

### The EEB campaign

- The campaign was officially launched with a Press Conference\(^4\) in Brussels on November 27th 2001. The campaign website was launched in December 2001.

---


• The EFR European Working Group, comprised of representatives of EEB member-organisations from 17 EU and Accession countries, has met four times already in order to organise the campaign at the European and national levels.

• The campaign platform [http://www.ecotax.info/platform.pdf](http://www.ecotax.info/platform.pdf) was published at the end of March 2002. Please contact sylvain.chevassus@eeb.org (full contacts below) if you would like copies in printed format. Electronic versions in English, French, German and Spanish are available on the website → [www.ecotax.info](http://www.ecotax.info)

### Upcoming main campaign actions

- **Elaboration of a new strategy** on EU energy taxation and EFR, following the agreement of March 20th 2003 (see p. 12-15)

- **Follow up of new directive proposal on diesel fuel tax arrangements**: European Parliament’s opinion, future work in the Council of Ministers

- **New publication on EFR in 2003**: this publication, due in the coming months, will describe the EU state of play regarding EFR and will propose ways of moving forward

- **Seminar with industry and other stakeholders in June on the issue of “EFR and economic competitiveness”**
  
  *June 20th, to be confirmed*

### Recent main campaign actions

- **Conference in Dublin** (20-02-03) EEB member An Taisce organised a national conference on EFR on February 20th, with the help of the EEB. The EEB (Yannis Paleocrassas and Sylvain Chevassus) was there and presented the campaign in Europe and in Greece as well as other issues. There were also representatives from the German Environment Federal Ministry, the research Institute ESRI, and several Irish political parties. The audience was very interested, notably in EFR experiences in other countries and in EU developments on energy taxation. We heard of a carbon tax project for Ireland, a country where there is a need for new environmental instruments, particularly economic, following years of high economic growth and increasing pressure onto the environment.

- **recent press releases on energy taxation**

  17-02-03: “EEB calls for Ecofin decision on EU energy taxation”

19-02-03: “EEB/ Ecofin is not behaving responsibly on energy taxation”
see → http://www.ecotax.info/ECOFIN190203.doc

25-03-03: “EU energy taxation: deep disappointment over Ecofin’s stance”
see → http://www.ecotax.info/pressRelease_TaxAgreement_250303.doc

• follow-up and lobbying on the diesel tax directive proposal
  → see p. 3

• contribution to French Sustainable Development Strategy

The EEB helped writing the contribution its member France Nature Environnement sent to the French Sustainable Development State Secretariat. This contribution develops arguments for implementing an EFR policy in France and is directed at the taxation chapter of the upcoming national Sustainable Development Strategy.

→ see text (in French) at: www.ecotax.info/FNEcontribution.doc

National campaigns

At national level, many new actions have been started by our participating members in Austria, the Czech Republic, Finland, France, Ireland, and Portugal. Belgium, Denmark, Germany, Greece, Hungary, the Netherlands, Poland, Sweden, and the UK are continuing with the actions already in progress before joining the campaign whilst adding this new European profile to their individual work. Some national news from one of our Members is presented as follows:

→ you can find news from all participating countries at www.ecotax.info

Netherlands

Campaign Participant: Stichting Natuur en Milieu www.snm.nl

Overview:

The Netherlands have implemented one of the most advanced EFR in the EU. There are "real" green taxes on energy, groundwater, landfill waste, aviation noise and manure. There are also positive fiscal incentives such as tax rebates for cleaner and fuel efficient cars and tax credits for environmentally benign investments.

• 1988: general overhaul of fuel taxes
• 1995: waste tax, water tax
• 1996-2001: the Regulatory Energy Tax is applied on the tax shift principle
- Applies to households, transport, and to small and medium enterprises (60% of energy tax revenue comes from households, 40% from firms). Energy intensive industry is almost totally exempted
- Tax rates doubled in three steps over four years
- Cuts in income tax, cuts in employers’ social contributions (according to their share in the tax revenue, with aim of establishing sector "income neutrality")
- Natural gas partly exempted from tax
- High tax increases (household electricity bills have gone up by 70%, natural gas by 50%; recent ‘ex post’ evaluations show that consumers use now 15 % less electricity and 5 – 10 % less fuel than they would do without this ecotax).
- Part of revenue used for environmental and energy efficiency programmes
- Several tax rates have been raised substantially. For example the waste tax now effectively abolishes the cost difference between landfilling and incineration and makes recycling and prevention more attractive.
- Tax increases seem to have reached a ceiling because of lack of EU harmonisation

- **2001** Green taxes make up 8.6% of total tax revenues (government and social security budgets) divided in: 6.4% from taxes on cars and motorfuels, 1.5% from energy taxes and 0.7% from other ecotaxes (since 1990, green taxes raised from 5% to 8.6% of total tax revenue (from 2.3% to 3.4% of GDP).

- **July 2002:** A conservative government came to office after the May general elections. The coalition said it would stop new efforts on renewable energies and cancel the kilometre charge project.

**Current situation**

The Dutch economy is expected to grow slowly, from GDP 448 Billion Euro (2002) to 455 Bn (2003), or inflation included 470 Bn Euro. The public sector covers a stable 40% of GDP. So, taxes plus social contributions increase from 179 Bn (2002) to 188 Bn (2003; current prices).

Green taxes (OECD definition) contribute around 14,2 Bn to this (2002), so 7,9% of total taxes and social contributions. According to the state budget for 2003, the first one of the new government, this percentage will grow slightly to 8,1%, thanks mainly to increasing revenues from the regulatory energy tax.

**So, at first sight:** EFR is still alive in the Netherlands.

**But:**

The government elected in 2002 proved to be a fierce opponent of using the tax system in order to influence the behaviour of consumers. In their view, taxes are fiscal instruments to bring in revenues into the treasury and nothing else. This conviction, combined with other arguments (reducing the deficit and some weaknesses in the design and implementation of green taxes), has lead to three policy conclusions:

- this government is opposed to any new green taxes (most important victim: road pricing)
• existing green taxes are maintained, but a lot of "positive incentives" (fiscal provisions and subsidies for environmentally benign products and technologies) are skipped
• the concept of "budget neutrality" – ETR as a tax shift – has been dismissed, turning green taxes into normal fiscal "cash cows".

So a number of fiscal subsidies are ended, both within the regulatory energy tax (see later), as in other fields, like fiscal incentives for cleaner cars, for sustainable savings, environmentally benign investments etc. This will bring in about 1 Bn Euro extra revenue. This explains the slightly rising share of green taxes in 2003, but it implies a loss of environmental incentives within the fiscal system. Part of this loss, however, is repaired more or less by introducing two new explicit subsidy schemes (budget 300 – 350 million Euro).

Illustration: the regulatory energy tax ("ecotax")
Since a few years this tax puts relatively high tariffs on the small scale use of electricity and natural gas (6 Eurocents/kWh, 12 cents/m3 gas). Expected gross revenue in 2002 is 3 Bn Euro. Until now, part of the revenue does not go to the treasury, but is used to subsidy the producers of renewable energy (2 cents/kWh), the exploiters of CHP (0,6 cents/kWh), consumers who buy energy efficient refrigerators, washing machines etc. So the net benefit will be 2,4 Bn, which is used to lower income taxes etc. Now, all positive incentives are skipped.

Moreover, consumption of renewable energy is not taxed up till now, but from next year it will be, at a reduced tariff of approximately 50 %. So, from the present tax advantages for renewable energy (6 + 2 cents for consumers respectively producers), only 3 cents is left, as far as the ecotax is concerned.

The present incentives are very successful in making renewable energy attractive to consumers. Today more than one million households buy green electricity, against less than 100.000 two years ago; their number could easily double or triple in a few years. This is an enormous effect of the ecotax, triggering producers of renewable energy to increase their capacity. But it also triggers fast growing imports of electricity, mainly from long existing hydropower and biomass power stations in Scandinavia. This is a undesirable effect, because it does not contribute to lower CO\textsubscript{2} emissions. It has been an important argument to change the present system, and the tax exemption has been replaced by a German type subsidy scheme, only to be used for domestically produced renewable energy.

Some lessons:
• EFR practices without broad (political) support are sensitive to policy changes. Dutch NGOs are still coping with the problem of how to reinforce support for EFR, both within the present policy setting and eventually after changes in government. (Note: On October 16\textsuperscript{th} 2002, the government imploded. New elections took place on January 22th 2003, in which socio-democrats increased their share of the votes. But a new government has yet to be formed).
• "EFR in one (small) country" may provoke undesirable border effects, which are difficult to evade (EU internal market). For example, we would prefer tax
discrimination (within the ecotax) between existing and additional capacity to generate renewable energy, in order to increase the effectiveness of the ecotax in stimulating additional renewable energy production. This, however, appears to be difficult and may even be impossible. If so, it forces NGOs to prefer other policy instruments to evoke production of renewable energy.

**NGO**

- EFR is part of the public awareness work (seminars, publications etc..) of Stichting Natuur en Milieu. SNM defends the results and progress of EFR and takes actively part in the "effectiveness" debate.
- The SNM/ EEB campaign on 0% VAT for organic products is linked with EFR campaign (fiscal incentives for environment)
- new SNM actions include road pricing, pesticides tax, land use taxes
- since 2002, the policy debate has been concentrating more on emissions trading

contact: Jan De Vries j.de.vries@snm.nl

**The point of view of other stakeholders**

**EURO COOP Supports the use of environmental taxes**

EURO COOP is the European Community of Consumer Co-operatives, whose members are the national organisations of consumer co-operatives in 11 of the 15 EU Member States and in 3 Central and Eastern European countries. Created in 1957, EURO COOP today represents over 3,200 local or regional co-operatives, membership of which amounts to over 19 million consumers in the EU and 2 million in the associated countries of Central and Eastern Europe.

Consumer co-operatives are owned and controlled by their members, the consumers, and therefore a major concern for them, at national and international level, is the promotion of consumer interests. Beyond the mere fact of offering quality products and services, consumer co-operatives work for the sustainable development of their communities. Thanks to their policy of consumer information and education, their objective is to help consumer-members in making better buying choices. As they realise that they are responsible for the impact of their activities on the environment, the consumer co-operatives involve their members in this commitment by making them aware that their purchases and consumption habits must be viable. In this context, consumer co-operatives clearly play an important role in contributing to a more sustainable development of the environment through the products and information offered to their consumer-members.

EURO COOP believes that environmental taxes can be a useful addition to the measures that the European Union can take to promote sustainable development, limit environmental damage and to preserve and improve the environment for the future. EURO COOP does, however, recognise that appropriate environmental legislation
backed up by adequate enforcement measures will still be necessary to protect the environment. Therefore, environmental taxes should not be seen as a replacement for environmental legislation - both have their place.

EURO COOP recognises that it has been difficult to make progress on EU wide taxes at a European level at present because many Member States wish for decisions and fiscal policies to be taken at national rather than at EU level. Even though, environmental pollution is, in many instances, a cross border issue, therefore, if environmental taxes are to be implemented, we should prefer for those taxes to be introduced at an EU level to ensure consistency for consumers.

In general, EURO COOP favours a shift to taxation of activities that deplete natural resources or pollute the environment. In this way, environmental taxes can support 'the Polluter Pays' principle. However, there is a need to ensure that in any such change that the taxation burden does not fall disproportionately onto poorer consumers. For example, increased taxes on certain fuels will affect poor consumers more unless they are compensated in some other way. There is potential for environmental taxes to be regressive in their effect.

Furthermore, consumers will become cynical about tax revenues raised for environmental reasons unless it can be demonstrated that the environment benefits by helping the environment recover from polluting activity or by encouraging an environmentally beneficial activity.

Earmarking of environmental taxes should also be considered, although EURO COOP recognises that spending money raised by environmental taxes on environmental purposes has to be weighed against other priorities.

EURO COOP believes that where environmental taxes or charges are introduced they should start at low rates and be progressively increased, giving economic operators and consumers time and incentives to change their behaviour. We also strongly support the view that, in the first instance, subsidies should be removed from environmentally damaging activities.

Providing information with the potential to improve integration of environmental and economic policies is another useful tool. As already stated, Consumer Co-operatives have experience in providing consumer information that allows consumers to make informed choices about the products that they buy. For example, many Consumer Co-operatives have used environmental labelling (e.g. the Nordic Swan and the EU eco-label) as well as labelling of organic food products to give consumers information about the environmental impacts of the products that they buy. In addition, many Consumer Co-operatives have supported 'third party' accreditation schemes (e.g. the Forest Stewardship Council's sustainable forestry labelling scheme). In truth, EURO COOP thinks that this has only a marginal effect at present, but it is an area that we are keen to see developed.

For more information, please contact: Ms Louise Ousted Olsen, Senior Adviser, EURO COOP tel.: +32.(0)2.285.00.76, fax: +32.(0)2.231.07.57, e-mail: Lousted_Olsen@eurocoop.org, web-site: http://www.eurocoop.org
IN-DEPTH TOPIC:
The EU energy taxation agreement of March 20th 2003

After nearly 6 years of difficult negotiations, the Commission’s Directive Proposal on a Community Framework for Energy Taxation was finally agreed by EU Finance Ministers on March 20th 2003.

Main features of the agreement

- **Rates**
The rates agreed are very similar to those put forward by the Spanish Presidency in May 2002. The only difference is on diesel, 302 euros /1000 l instead of 287 as from 01-01-04, and 330 as from 01-01-2010. Diesel is the only energy product for which a second rise is already planned in 2010. This seems to indicate that the Council has taken into account the new Commission’s proposal on diesel tax. However, the rate of 330 in 2010 is far lower than the rate of 410 the Commission is aiming at in its diesel proposal.

- **Scope**
EU minimum rates, as planned, are extended to natural gas, electricity and coal when used as heating or motor fuels. The directive does not apply to energy products used as raw material, or for chemical reductions and electrolysis (but there are no compulsory tax exemptions either for these uses).
For motor fuels, the minimum rates are fixed until 2010. The only rises will be on diesel and on kerosene (for heating use). Then the Commission can put forward a new proposal for the period starting in 2013. This means that the Council provides for a review of the minimum rates every 10 years only, from which just a minimal inflation update of the EU minimum rates may be expected, if it follows the logic of the negotiations since 1997. All in all, the increase of EU minimum rates will have very little impact in terms of consumer price, and in a small number of countries, especially Greece and Portugal, and, to a lesser extent, Belgium, Ireland, and Luxembourg. Most of these countries are anyway provided with generous transition periods….

- **Tax rebates and exemptions**
  - as in the original proposal, compulsory exemptions apply to air and sea transport
  - as in the Danish proposal, Member States are allowed to exempt, for an environmental purpose, renewable energies, biofuels, rail transport etc
  - household consumption can be exempted
  - Member States are allowed to differentiate between professional and non-professional diesel, as long as it remains above the EU minimum rate
  - some tax levels may be reduced when transport pricing schemes are introduced (this seems to anticipate the road pricing directive)

---

5 these are indicative main features and does not constitute the final directive. The text is still going through technical meetings in the Council and the Parliament has to be consulted.
- business use may be taxed at lower rate (up to half) than non-business rate
- energy intensive industries can get full tax rebates against energy efficiency investments
- some tax differentiation on the same product, notably environmentally motivated, is allowed as long as the rates remain above the minimum rate

There is also a provision for allowing “Member States to introduce for a set period certain other exemptions or reduced levels of taxation, subject to regular reviews”.

- **Transition periods**
  - Member States are allowed to continue to apply various tax rebates until 31-12-06, subject to a review by the Council on the basis of a Commission proposal
  - There are several specific transition periods, many of them going up to 2012, for Portugal, France, Greece, Italy, Spain, Austria and Belgium, particularly regarding special rebates on professional diesel but also other specificities (islands, administration etc.). Greece has until 2010 to reach the new minimum rate on petrol.

**Assessment of the agreement**

To some extent, it is a relief to see these negotiations coming to an end and to see the EU equipping itself with such a framework before the enlargement. The new rates will have some impact in the Accession countries, if not in the existing EU states. The directive, as agreed, will also enable Member States to tax aviation fuel for domestic flights or, through bilateral agreements, for flights to and from other Member States.

But this is far from enough. All in all, this is a very weak agreement, even weaker than the Spanish and Danish proposals. The rates are the same or slightly higher for diesel, but the agreement contains a list of derogation possibilities and transition periods that correspond to almost all the tax increases. The EEB is very disappointed with the overall result of the agreement, especially in comparison with original text of 1997. As a result, with regards to mineral oils, the directive will do no more than merely correct the EU minimum rates agreed in 1992 for inflation, whilst very minimal rates are introduced for new products. Moreover, the text does not plan a review of the rates before the period starting 2013!

It seems that the Council is thus ditching any idea of using EU energy taxation for environmental purposes, even though the EU at political level, since the 1992 Rio Summit, has repeatedly confirmed that environmental taxation has to be part of effective policies on the environment and sustainable development. Indeed, the 1992 CO2/energy tax and the 1997 original proposals had a strong environmental dimension and also reflected the principle of EFR, by including recommendations to governments for implementing the tax increases in a revenue neutral way, through decreasing other taxes such as labour. The Ecofin agreement has made this directive a minimal internal market measure that will have little effect, even in terms of internal market. Indeed, such low increases in the EU minimum rates will do very little for combating fuel tourism between the current Member States. One area that can be seen as progress in relation to the
internal market is the greater coherence into the treatment of energy-intensive industries…mainly for granting them tax exemptions.

As a result of the low rates and the many possibilities for exemptions contained in the agreement of March 20th, this directive will have very little impact on the price of energy in the EU, and thus on environment protection. It will also do very little in helping to fulfil the Kyoto targets and fight climate change.

EU commitments

Since the 2001 European Council of Goteborg, the EU has been committed to “getting the prices right” (with an environmental objective). It has its own Sustainable Development Strategy, and it wants to be a world leader regarding environmental policies. Furthermore, the 6th Environmental Action Programme, adopted in 2002, clearly calls for the “promotion of sustainable production and consumption patterns”, particularly through “promoting and encouraging fiscal measures such as environmentally related taxes and incentives”.

The EEB saw an EU agreement on energy taxation as a first minimal step towards “getting prices right”, for helping to achieve the EU’s Kyoto target of a 8% cut in CO2 emissions, and for Environmental Fiscal Reform (EFR). Moreover, the Kyoto Protocol requires parties to progressively reduce market distortions, tax incentives and reductions and subsidies that run counter to the Kyoto target. (Art. 2, 1,a v). However, it is clear that the EU energy taxation directive, in the shape of the current agreement, will achieve hardly anything of this. This poor result also shows that there is no room for real progress in policy areas where unanimity voting is required and when there is no real political will….

EEB campaign strategy

We believe that much more dramatic changes are needed to ensure that in the future the market no longer promotes unsustainable production and consumption patterns. This is why in our campaign we advocate at least an additional 10% tax shift from labour to environmental use until 2010, at the national and EU levels. Such a shift is revenue neutral, and would help to protect both the environment and employment. The EEB also demands a removal or reform of all environmentally adverse subsidies, and a number of other measures (see www.ecotax.info ). The EU needs a real broad Environmental Fiscal Reform if it wants to become sustainable.

The Ecofin agreement does not change this main demand of our campaign. We also believe there is still room for progress at national level, in many countries, including EFR frontrunners: our campaign has never focused solely on the EU energy taxation directive proposal.

Also, there is still a lot of room for policy lobbying at EU level. First of all, the Parliament now has to deliver an opinion on this agreement. Although this opinion is
non-binding, it is important MEPs reiterate the opportunity and importance of using taxation as an environmental tool, provided that rates are set at appropriate levels. Thus we will call on the European Parliament, in its upcoming opinion, to stress that some tax exemptions and some transition periods should be lifted, and that a periodical rate review mechanism should be clearly provided by the directive. In light of the 6th Environmental Action Programme, the EEB will also call on the Commission to continue pushing for an extended use of fiscal instruments for environment protection by initiating new and environmentally bolder proposals, as well as minimum rate reviews before the time set by the Council.

Secondly, there are other EU proposals that relate to EFR (diesel tax, car taxation, emissions trading, the expected transport infrastructure proposal etc..) that we continue working on.

Thirdly, we are going to study other ways of promoting EFR in the EU. In the Convention process, we will push for the introduction of majority voting in the Council of ministers for taxation measures linked to the environment. There is also the possibility of enhanced cooperation. Furthermore, we will study more closely the energy taxation situation in Accession countries, and opportunities for EFR in these countries. We will make new proposals for an EU environmental fiscal reform that can lead us to the greater sustainability levels that the EU needs, without harming competitiveness nor income distribution!
Campaign participants:

- **Umweltdachverband**, Austria
  www.umweltdachverband.at

- **ÖKÖ-BÜRO**, Austria
  www.oekobuero.at

- **BBL Bond Beter Leefmilieu**, Belgium
  www.bblv.be

- **Inter-Environnement Wallonie**, Belgium
  www.i ewonline.be

- **Society for Sustainable Living**, Czech Republic
  http://www.czp.cuni.cz/stuz

- **Danish Ecological Council**, Denmark
  www.ecocouncil.dk

- **Finnish Association for Nature Conservation**, Finland
  www.sll.fi

- **France Nature Environnement**, France
  www.fne.asso.fr

- **BUND / Friends of the Earth Germany**
  www.bund.net and www.oeko-steuer.de

- **Elliniki Etairia**, Greece
  www.ellinkietairia.gr

- **Clean Air Action Group**, Hungary
  www.levego.hu

- **An Taisce**, Ireland
  www.antaisce.org

- **Legambiente**, Italy
  http://www.legambiente.com/

- **Stichting Natuur en Milieu**, Netherlands
  www.snm.nl

- **Institute of Sustainable Development**, Poland
  www.ine-isd.org.pl

- **GEOTA Grupo de Estudos de Ordenamento do Territorio e Ambiente**, Portugal
  www.despodata.pt/geota

- **Swedish Society for Nature**, Sweden
  http://www.snf.se/

- **Friends of the Earth England, Wales and Northern Ireland**, United Kingdom
  www.foe.co.uk

---

Newsletter and campaign contact:

Sylvain Chevassus
+ 32 (0)2 289 13 02
sylvain.chevassus@eeb.org

European Environmental Bureau
Boulevard de Waterloo, 34
B-1000 Brussels
The European Environmental Bureau (EEB)

The EEB is a federation of 133 environmental citizens organisations based in all EU Member States and most Accession Countries, as well as a few neighbouring countries. They range from local and national to European and international. The aim of the EEB is to protect and improve the environment of Europe and to enable the citizens of Europe to play their part in achieving that goal. The EEB office in Brussels was established in 1974 to provide as a focal point for its members to monitor and respond to the emerging EU environmental policy. It has an information service, it runs nine working groups of EEB-members, it produces position papers on topics that are, or should be, on the EU agenda and it represents the Membership in discussions with the Commission, European Parliament and the Council. It closely co-ordinates EU-oriented activities with its Members on the National levels. Furthermore it follows closely the EU enlargement process as well as some pan-European issues like the follow up of the Aarhus Convention.

Editor responsible:

John Hontelez
European Environmental Bureau (EEB)
Boulevard de Waterloo, 34
B-1000 Brussels
Tel.: +32 2 289 1090
Fax: +32 2 289 1099
e-mail: info@eeb.org
web-site: www.eeb.org

The EEB gratefully acknowledges the financial assistance by the Commission of the European Communities, the Dutch Environment Ministry and the Belgian Environment Ministry. The publication reflects the author’s view. The donors are not liable for any use that may be made of the information contained in this publication.

Reproduction of all or part of the publication is encouraged with acknowledgement of the source.

Printed on 100% recycled chlorine-free paper.