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Report on the Environmental Tax Reform in Europe Conference, London, UK, July 2009

Environmental Tax Reform (ETR) in Europe: The Key to a Resource-Efficient, Low-Carbon Competitive Economy in conjunction with pETRE

ETR in Europe

UK, Germany, Sweden, Finland, Denmark, Switzerland have developed some kind of ETR so far. Lately, The Czech Republic, Estonia and Slovenia have also joined.

The effect of ETR on employment:

- slight increase
- wage cost reduced

The effect of ETR on economic growth:

- slight increase

The effect of ETR on GHG emissions

- high decrease

The initiative focuses on capital neutrality, which means that the income from the tax is returned to the community in many forms, such as developing public services. During the Conference it turned out that it should not be the only aim of ETR, green investments should be supported too.

ETR in UK, in Germany (and in Denmark) - Appropriateness of ETR

Through the pETRE project different industrial sectors were estimated, and how ETR affects them. Although, different estimators were used, all of them shown that overall energy demand decrease was 3.1% in UK, 2 % in Germany. This can be applied to other countries, if the right approach is addressed.

The following models were used during the survey:

1. E3ME
 - o Energy-environment-economy integrated model
 - o Long-short term assumption
 - o EU27+Switzerland+Norway were estimated
- Different scenarios were set, but all counted with material (biomass and minerals) tax, revenue recirculation, and decrease of labor cost:
 - o 20% reduction in GHG emission by 2020 domestically
 - o 20% reduction in GHG emission by 2020 worldwide
 - o 20% reduction in GHG emission by 2020 worldwide with 10% investment
 - o 30% reduction in GHG emission by 2020 worldwide
- All scenarios show CO₂ and material decrease, but in case of non-action they will increase. At the same time, energy consumption falls too. In the field of air transport, agriculture, iron

CEEweb for Biodiversity is a network of non-governmental organizations in the Central and Eastern European region. Our mission is the conservation of biodiversity through the promotion of sustainable development.



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and steel industry, chemicals energy consumption decreases the most, while at households and at other final users the least.

- The results shown
 - o App. 0.5 % GDP growth
 - o App. 2% growth in employment
 - o Slightly export / import decrease
 - o Household consumption slightly increase due to the employment issue, but the overall amount is still not substantial
- Conclusion: ETR will create higher carbon price, and contribute to huge tax shift from labor to carbon and material use.

2. GINFORS

- Scenarios are the same.
- Revenues should also be used for climate change mitigation and adaptation measures.
- ETR should be enlarged to material, water and land use.

3. COMETR

- Danish project
- Intensive energy demanded industries compete less, thus Denmark decoupled its intensive industries.

Tax vs. Price

- Increased price is followed by energy import growth
- The money stays within the producer countries.
- Effect of tax is more significant, it creates revenue, which can be returned.

Attention to:

- China and India
- Business involvement
- Feasibility – governments, EU, global
- Opportunities for new jobs?
- Assumptions for 40% decrease?
- Problem of ageing population
- Avoid harming the poor and disabled
- Create correct, justice system, hinder permits to harmful industries
- Straight, simple definition, economic language should be used
- Household is the most problematic issue, owners do not have any interest in energy efficiency