GREENBUDGETNEWS NO. 10 –12/2004

EUROPEAN NEWSLETTER ON ENVIRONMENTAL FISCAL REFORM

Editors:

www.eco-tax.info www.eeb.org www.ecocouncil.dk www.levego.hu www.oegut.at

Contents

1. EDITORIAL

Our first piece of good news is that, as from this issue, we have a new cooperation partner for Green Budget News – the European Environmental Bureau (EEB). We are looking forward to a more varied selection of articles than ever before and are of course delighted to welcome them on board. Our second piece of good news is that we are pleased to report our considerable presence in the German press over the past two months. This was due to a number of combined factors, not least the publishing of Green Budget Germany's second edition of the 2004 memorandum on the further development of ecotaxes in Germany, of which an English version is now available online and can be downloaded from our website at: http://www.eco-tax.info/4fakten/index.html.

This was not all, however: Green Budget Germany released its Scholar's Declaration in favour of the further development of the ecological tax reform to the press in Berlin on 16th November and received significant media coverage, as you can see below in the selection of articles we have translated for our English readers. As well, the Federal Environment Agency commissioned a study from the German Institute of Economic Research, which revealed what we at Green Budget Germany have long suspected: many sectors of German economy were and continue to be net winners from the ecological tax reform.

As always, the newsletter also takes a look at developments from around the world, the most positive development being, of course, that Russia has finally ratified the Kyoto Protocol, which will now come into force on 16 February 2005. On a less positive note, this has not moved the Australian government, which maintains that it undertakes more than Kyoto on a unilateral basis – a poor excuse not to engage in multilateral action, or so it would seem. Within the European Union, kerosene tax is once again on the agenda, as EU transport-commissioner-designate Jacques Barrot has suggested that a tax on aircraft fuel for EU-internal flights be introduced. We await further developments in this respect with great interest!

We hope you enjoy this issue of GreenBudget-News – and don't forget that contributions for the next issue and comments from our readers are always welcome.

Your editors.

2. GREEN BUDGET REFORM ON EU-LEVEL

New EU transport chief suggests kerosene levy

[Environment Daily 1739, 04/10/04] EU transport commissioner-designate Jacques Barrot has suggested that the bloc introduce a tax on aircraft fuel for internal flights. The Frenchman's remarks at a hearing before MEPs last week have put back on the EU agenda an idea rejected by the current European Commission five years ago. "Would it not be possible to introduce a low rate of tax on intra-community flights which are not exposed to international competition?" Mr Barrot said. However, the tax could only be introduced "when fuel prices have settled down" and would have to take account of both competitive and environmental effects, he added.

Mr Barrot's comments revive the kerosene tax debate as governments meet in Montreal, Canada, to discuss international guidelines on using economic instruments to combat aviation's environmental effects. The EU is fighting US proposals to outlaw all instruments except emission trading. Kerosene taxes were ruled out as a policy option by the Prodi commission in 1999. In a policy document it said different permutations of the tax would either hit domestic airlines' profits too hard or produce negligible environmental benefits.

"What [Mr Barrot is] saying is very encouraging," Jos Dings of campaign group Transport & Environment told Environment Daily. "It's finally a recognition of the arguments that many people wanting an economically and environmentally sound transport policy have been favouring." Airline association AEA was also "encouraged" by Mr Barrot's hearing, but hedged on the kerosene tax. "The environmental objectives should be clearly set out and the possible economic impact identified," secretary-general Ulrich Schulte-Strathaus said. Turning to other issues Mr Barrot said stricter measures were needed on ship source pollution, currently exempt from the EU's environmental liability directive: "the borderlines of civil and criminal responsibility are not that clear [...] we have to sort out the ethos of responsibility," he said.

Meanwhile, energy commissioner-designate László Kovács put in a lacklustre first performance before MEPs on Thursday, several times admitting that he did not know enough about his portfolio. The Greens called his hearing "an offence to the parliament." The Hungarian candidate commissioner expressed interest in a European green certificate trading scheme for companies investing in renewable energy. But he said it was not for the Commission to impose legally binding targets for renewable energy on member states. He made several comments supportive of nuclear power, drawing a welcome from European atomic industry association Foratom.

Links: European parliament http://www.europarl.eu.int/

Press releases from AEA http://www.aea.be/aeawebsite/datafiles/jbarrot1004.htm and the Greens-EFA http://www.greens-efa.org/en/press/detail.php?id=2046&lg=en

EU's Kyoto "linking" law enters into force

[Environment Daily 1769, 16/11/04] Legislation allowing firms involved in the EU emissions trading scheme to gain extra carbon credits by funding abatement projects outside the bloc entered force

in early November as it was published in the EU official journal.

Member states must now transpose the so-called "linking directive" by 13 November 2005. The law will apply to EU plants with emission caps under the emissions trading scheme. They will be able to reap extra allowances through the Kyoto protocol's flexible mechanisms. Combined with Russia's recent decision to ratify the protocol, the directive significantly alters the market landscape. Its intended effect is to "increase the diversity of low-cost compliance options" and "improve market liquidity", according to the law's preamble. The content was settled politically in April and the text finalised in September.

Starting in 2005, firms will have direct access through the Clean Development Mechanism to credits from countries not subject to Kyoto emission reduction targets. From 2008 joint implementation credits will be available from those countries that do have targets (principally Russia).

Firms cannot gain credits by funding nuclear or sinks projects, though a review in 2006 might open the door to robust sinks schemes. The same review might also allow extra allowances from funding projects at home. Investments in hydropower plants bigger than 20 megawatts must comply with guidelines from the World Commission on Dams.

There is no EU-wide limit on the number of extra credits firms can gain, but authorities must set national limits, in the form of a percentage of the number of allowances allocated centrally by governments. The Commission may later propose a harmonised limit if it thinks too many external credits are being sucked into the market and preventing efforts to abate emissions inside the EU.

British Queen wades into climate change debate

[Point Carbon, 04/11/04] The British Queen Elizabeth II has thrown her weight behind efforts to slow greenhouse gases by opening a conference in Berlin on international cooperation on global climate change while on a state visit to Germany in early November. "This conference is evidence of British and German leadership in the field of climate change which has its roots in the close cooperation already existing between the Potsdam Institute for Climate Impact Research and the Tyndall Centre in Britain," she said in her speech, delivered at the British-German Climate Change Conference in Berlin during the state visit to her grandfather's ancestral homeland.

Coming on the day that President Bush's victory in US elections was announced, soon after the Russian decision to ratify the Kyoto Protocol and just weeks after the UK Government's changes to its targets for the EU emissions trading scheme – seen by many as backsliding – the speech on climate change marks a rare incursion by the Queen into domestic and international politics. UK and German politicians spoke of their intended cooperation in climate change action at the conference. "Climate change has the capacity to reshape our lives dramatically... (which) shows how important cooperation is between nations and the need for leadership," UK Environment Secretary Margaret Beckett said at the British-German Climate Change Conference in Berlin. Beckett promised again that the U.K. would strongly advance the climate change agenda during its chairmanship of the Group of Eight leading nations in 2005 and also presidency of the EU in the second half of 2005. She highlighted the common approaches to environmental issues shared by the U.K. and Germany and pledged further bonds between the two countries in the fields of climate change, climate science and technology. Beckett said the drive to reduce carbon dioxide emissions by 60 percent by 2050 could be lucrative, especially as more and newer technologies lower the costs of being green. The conference will present proposals to the UK prime minister Tony Blair and German Chancellor Gerhard Schroeder on future cooperation to combat and adapt to climate change.

3. GREEN BUDGET REFORM IN SINGLE EUROPEAN COUNTRIES

Germany:More than 130 scholars announce green budget reform must be further pursued.

[Translation by Berivan Pont, Green Budget Germany Press Release, Berlin, 16/11/04] More than 130 scholars came out in support of the pursuit of ecological tax reform in Germany in an

open declaration in Berlin on 16 November 2004. The declaration, presented by Green Budget Germany, called for concrete steps to allow the reform to progress. Prof. Claudia Kemfert, signatory of the declaration and departmental head at the German Institute for Economic Research said, "Research shows that ecological tax reform takes pressure off the environment and creates jobs. Our economy depends too heavily on crude oil price variations. Ecological taxes help Germany free itself from its oil addiction. Regrettably, the numerous winners from the ecological tax reform tend to maintain dignified silence, while those who lose out polemize against it. We seek to introduce a more factual aspect to the debate with our research results."

Prof. Martin Jänicke, signatory of the declaration and member of the Parliamentary Environmental Audit Committee in Germany, said; "Due to high crude oil prices, a rational decision has been made not to raise fuel taxes up for the time being. But the Federal Government must abolish tax privileges for diesel, air traffic and industry. Employees from Karstadt to Opel are under a great deal of pressure because of high social insurance. Reductions in social insurance by means of an ecological and social financial reform, including the abolition of subsidies, is a preferable alternative to an increase in value-added tax."

By the end of the year, according to the coalition agreement between the SPD and the Green party, the parties will have made a decision on the future development of ecological tax reform in Germany.

Green Budget Germany is an organisation whose members include scholars, entrepreneurs and representatives from environmental organisations and NGOs; it has lobbied for a comprehensive ecological financial reform for the past ten years.

The declaration (in German) and its signatories can be viewed at:

http://www.foes.de/3aktuelles/pressemit041116.html

German Institute for Economic Research gives Ecological Taxation the Thumbs Up

[translation by Jacqueline Cottrell, Green Budget Germany, from the FRG Government homepage, link below, 18/11/04] In the face of the considerable criticism from the first five years of the ecological tax reform in Germany, research has shown that the reform has had a positive impact on both the environment and the economy. This is the conclusion reached by a new report published by the German Institute for Economic Research.

The Institute's research confirms that the reform, which set out to protect the environment and create or secure employment, has been broadly successful in achieving its aims and steering economic development in the right direction. More than half of the people interviewed for the report stated that they have been more careful about energy use and energy saving since the introduction of the reform. The introduction of innovative energy-saving methods is subsidised for businesses, which also benefit from the reduction of pension payments. Social insurance payments could be reduced by approximately 8 million Euros annually as a result of the reform. The main winners from the ecological tax reform included the manufacturing and service industries.

The principle of the reform - to make energy more and labour less expensive - thus had a dual impact:

- more expensive energy creates incentives to save energy, which in turn results in protection of limited resources and the climate, and
- 90 percent of thus funds raised by the tax was paid into the pensions fund to reduce pension payments, which makes labour cheaper and stimulates employment.

In 1999 when the ecological reform tax reform was introduced, it was agreed that the reform should continue in five stages until 2003. In addition, the law on the further development of the ecological tax reform came into force in 2003, and work on an ecological finance reform was begun and continued in 2004. The reform introduced a tax on fuels and electricity, which was gradually increased in five stages over five years, and on light heating oil and gas (although the former was only included in the first stage, the latter only in the fifth and final stage). At the same time, pension contributions were reduced by 0.8 percent – from 20.3 percent in 1998 to 19.5 percent in 2004 – for both employers and employees. Thus, employment became cheaper for employers, and employees took more money home in their purse. Without the ecological tax reform these contributions would have reached levels 1.7 percent higher than their actual percentage value in 2004 – i.e., they would have amounted to 21.2 percent. as a result of demographic and cyclical economic developments.

In the research paper the following effects could be proven:

- In private households, the ecological tax reform proved to be a strong or very strong motivation to save energy for approximately half the persons interviewed for the report. This included in particular electricity consumption, heating (including home insulation), and mobility, particularly fuel savings.
- In business, the effects of the ecological tax reform were many. Personnel-intensive companies benefited directly from the reduction to pension payments. Energy saving mechanisms in business and the availability of energy-efficient products (such as energy-saving buildings) also enabled companies to benefit from the reform. The increased demand for new services, such as energy consulting firms, also had a positive impact on employment.
- Up to 2002, businesses gained overall from the reform. Alongside service industries, according to the calculations of the German Institute for Economic Research, manufacturing industries can also be regarded as one of the biggest winners under the reform in 2002, benefiting from net relief amounting to approximately half a million Euro.

This situation changed as a result of the reduction of tax relief from ecological tax in 2003. Thus, companies did indeed face a small tax burden as a result of the reform by 2003 – the agricultural and haulage industries paid more than they received in pension relief. All other production sectors remained winners under the reform in 2003, as did a large portion of the service sector, such as health insurance and credit card companies.

A large number of companies spoke in favour of continuing and developing the ecological tax reform in the survey, because they can expect larger gains in the future as a result of continuing reductions to social insurance payments.

The original text can be accessed at:

http://www.bundesregierung.de/-,413.746534/artikel/Oekosteuer-zeigt-positive-Effe.htm

Report Highlights the Advantages of Ecotax

[translated by Jacqueline Cottrell from an article in Frankfurter Rundschau, 17.11.2004] Germany's Federal Environment Agency has published a report stating that the ecotax has reached its target and demanding the establishment of a broader ecological fiscal reform. According to the Environment Agency, the ecotax has advantages for business and employees amounting to billions of Euro – a much better outcome than its reputation would lead one to expect. The experts defend the ecotax as a steering mechanism for business and politics in their report.

The tax on petrol, diesel and other energy sources introduced in 1999 certainly works as it was intended, argued Andreas Troge, president of the Federal Environment Agency (UBA). The aim of the ecotax was to cut energy use and relieve the pensions fund – and, according to representative surveys and research carried out by the Berlin Institute *Ecologic* and the German Institute for Economic Research (DIW) – precisely this has been achieved. A representative survey carried out by *Ecologic* in September 2004 revealed that half of those asked have been more aware of their energy consumption since the introduction of the ecotax. The Environment Agency's report also revealed that economy has profited – ecotax benefited innovative, energy-saving companies and clearly reduced ancillary wage costs. Since 2003, there have been developments in some economic sectors that make it clear that the tax must be further developed for it to continue to be effective.

Ancillary wage costs fell, according to the study, by approximately 8 million Euros annually. Almost 90 percent of all funds raised by the tax were paid directly into the pensions fund, to reduce pension payments. Without the ecotax, pension payments in Germany today would be 1.7 percent higher than their present levels – not 19.5 percent, but 21.2 percent.

Business bore a small burden in 2003

The studies also prove that the ecotax has a positive effect on the environment, argued the Federal Environment Agency; 53 percent of car drivers stated they drove more slowly than before and left their car at home on occasion as well. Almost three quarters of those surveyed switched electrical equipment completely off, rather than leaving it in wasteful stand-by mode.

Up to 2002, business was a net winner from the reform. Alongside service industries, manufacturing industries were the most significant net winners by almost half a billion Euros in 2002. The situation for these sectors changed in 2003, however, because tax relief was reduced and the extra monies were used for "general consolidation of the budget". Thus, businesses could not profit directly from this development, as the funds raised were not used to reduce pension payments.

As a result, businesses overall bore a "small burden" in 2003 due to the ecotax. Agriculture and traffic paid more in ecotax than they received in pension relief; all other sectors remained net winners overall. A large proportion of service industries such as health insurance and credit card companies were amongst the net winners from the ecotax in 2003.

The report is based on on representative surveys and research carried out by the Berlin Institute *Ecologic* and the German Institute for Economic Research (DIW), whose researchers recommended developing the ecotax as a broader ecological fiscal reform, to dismantle environmentally damaging and economically questionable subsidies and tax relief mechanisms, including tax relief for commuters.

In contrast to Troge, numerous scholars have called for further increases to ecotax rates. The monies raised from these increases should no longer flow into the pensions fund, but into the general budget. "The ecological tax reform is an essential instrument for environmental protection, employment and innovation", stated more than 130 scholars in a Green Budget Germany declaration published on 16 November 2004.

LINK: http://www.fr-ak-tuell.de/ressorts/wirtschaft_und_boerse/wirtschaft/?cnt=590498&

Low Ecotaxes in Germany

[translated by Jacqueline Cottrell from an article by Fritz Vorholz, Die ZEIT of 28/10/04] An OECD report, thus far scarcely noticed in Germany, still has the potential to cause an uproar. According to the comparative study that examined the tax systems of the 30 member states of the organisation, ecotaxes put less strain on business in Germany than its most significant neighbouring countries. While the 15 old EU member states have ecotaxes at 2.84 percent of GNP, in Germany they amount to only 2.58 percent.

The Green party in Germany has made an effort to draw attention towards these surprising figures. In Green party circles, the Greens have been discussing whether they should call for increases to ecotaxes – against the official government line – ever since the report was published. Unofficially, increases have particularly been discussed in relation to ecotaxes on heating oil in Germany, which is taxed at only 6.2 cents per litre (far below the tax rate in Denmark or Italy) – seeming to leave considerable room for improvement.

However, no consensus has been conclusively reached within the Greens. Their policy course should be defined in consultation with experts, argue party leader **Reinhard Bütikofer** and **Reinhard Loske,** leader of the Green group in parliament. This meeting was unofficially scheduled for the beginning of November. Also invited were president of the Federal Environment Agency, **Andreas Troge** (CDU), the chief economist of the Deutsche Bank, **Norbert Walter**, and the Regensburger Economics professor **Wolfgang Wiegard**. Wiegard is not only chairman of the five chief economic advisers of the government but also – as is Walter – a member of the Advisory Board of Green Budget Germany. Green Budget Germany recently published a new memorandum calling for further increases to ecotaxes in Germany, such as an increase in the tax on heating oil of 2 cents per litre annually and of 3 to 5 cents on fuels.

German Federal Environment Agency and Professors in favour of further ecological tax reform

[translated by Jacqueline Cottrell from an article from the German Press Agency, Berlin, 17/11/04] According to a survey, the ecological tax reform has prompted more than half of all German citizens to make moves to save energy, while driving and at home, in terms of both heating and electricity consumption. This was revealed in a representative survey published by the environmental institute Ecologic in Berlin on 16 November 2004. Almost three quarters of the 1002 people interviewed had taken measures to save motor fuels in response to the reform. One fifth often decided to leave their car at home and to use other alternative

methods of transport instead to save on fuel.

The survey was commissioned by the Federal Environment Agency in Germany. Its president, Andreas Troge emphasised that it is clear that the ecological tax reform, introduced in 1999, certainly influenced behaviour in the right direction. The ecological tax reform, he stressed, must be developed into a more encompassing ecological finance reform by dismantling environmentally damaging subsidies such as tax reductions for commuters.

In contrast to Troge, numerous academics have published a declaration in favour of increasing the rate of the current ecological tax reform. The monies raised, they argued, should no longer be earmarked for pension reductions, but should flow into the general budget. The ecological tax reform, they argued, is an essential and indispensable instrument for environmental protection, employment and innovation. The declaration, inspired by Green Budget Germany, was signed by more than 130 scientists and leading academics.

Links:

http://www.bundesregierung.de/-,413.746534/artikel/Oekosteuer-zeigt-positive-Effe.htm
http://www.umweltdaten.de/uba-info-presse/hintergrund/oekosteuer.pdf

Coalition has its Eye on Ecotax

[translated by Jacqueline Cottrell from an article by Jörg Michel, Berliner Zeitung, 16/11/04] The coalition partners in the German government have decided to examine the ecological tax reform and, more specifically, the subsidies for energy-intensive industries. "We should dismantle these special provisions", vice-president of the Green group in parliament, Reinhard Loske, told *Berliner Zeitung*. He also spoke out in favour of using the monies thus raised to finance environmental policy programs – for example, for better heat insulation or to promote electricity-saving technologies.

Michael Müller, vice-president of the SPD in parliament, agreed. "We should promote environmentally friendly innovations with the extra taxes raised". The special provisions of the ecological tax reform were only accepted by the EU on condition they were temporary, he pointed out, saying that they would have to be "re-examined" soon in any case. We need to find a fair balance between the necessity for ecological modernisation and international competitiveness for German business.

Both politicians are leaders of the coalition's working group, which was created to make suggestions for further develop of ecological tax reform next year. The debate does not centre on a possible increase in tax rates. Rather, the debate will focus on the tax reductions for energy-intensive businesses currently in place. They cost the Federal Ministry of Finance 5.6 billion Euros per year and correspondingly benefit the industries that consume large amounts of electricity, such as steel and aluminium manufacturers.

While the coalition wishes to tackle the project, there is some resistance within the government. Federal Minister of Economics and Labour Wolfgang Clement (SPD) has already spoken out against the removal of such subsidies, as he fears energy-intensive industries will relocate abroad.

The two groups recently received support from the German Environmental Agency and leading German academics. The ecological tax reform is, according to Andreas Troge, president of the Agency, "better than its reputation". Troge referred to a new report published by the German Insitute for Economic Research. According to the institute, social insurance payments could be reduced by 8 billion Euros annually by means of the taxes on petrol, diesel and electricity. According to Troge, without the ecotax, which flows largely into pensions, pension payments would be at 21.2 percent and not their current rate of 19.5 percent. The German Institute for Economic Research reported that business has been relieved as a result by approximately half a billion Euros and noted that the manufacturing industry and services in particular have profited from the tax. Troge too spoke out in favour of reducing the environmentally damaging and economically questionable tax relief for business.

A broadly-based alliance of more than 130 academics also published a statement in favour of increasing the ecotax. “The ecotax is an essential instrument for environmental protection, employment and innovation”, states Green Budget Germany’s academic declaration published on 16th November in Berlin. The additional monies raised should flow into the general budget. The researchers called for the dismantling of tax relief within the ecotax system.

http://www.berlinonline.de/berliner-zeitung/politik/395731.html

German government to attack ecotax exemptions

[Environment Daily 1770, 17/11/04] Germany's SPD and Green governing parties are considering a dramatic reduction of energy tax exemptions for energy-intensive firms as part of their current review of country's ecological tax reform (or ecotax) programme.

A source at the Greens told Environment Daily that officials from the SPD-Green coalition have agreed that the tax breaks, which are worth €3bn, had to be scaled back. More than two years ago, the government decided to spare several energy-intensive sectors the full brunt of the ecotax.

The source acknowledged that rolling back the exemptions might face opposition from Wolfgang Clement, the pro-business SPD economics minister. Mr Clement has already locked horns with the Greens over the ecotax programme and renewables support, arguing that the former may be unnecessary due to emissions trading and that the latter was too high.

But the source said that as Hans Eichel, SPD finance minister, backed the idea of reducing exemptions, there was a good chance of it going ahead. He ruled out any additional hikes in the ecotax, saying that, instead, coalition officials were looking into extending the scope of carbon emissions trading to include more German firms.

In a related development, pro-ecotax lobby Green Budget Germany said 130 scientists had signed a petition urging the government to further develop the ecotax programme. Martin Jänicke, who serves on the government's panel of environmental experts (SRU), said that although the ecotax should not, amid high oil prices, be raised for the time being, the government should "end tax breaks for diesel users, airlines and other industries."

LINKS to other recent articles on ecological tax reform in Germany:

1) Die Tageszeitung (taz): http://www.taz.de/pt/2004/11/17/a0154.nf/text

2) AP, 16.11.2004; German Federal Environment Agency praises the advantages of the ecological tax reform: see: http://de.news.yahoo.com/041116/12/4apol.html

3) Financial Times Deutschland: http://www.ftd.de/pw/de/1100336578996.html?nv=se

Hungarian NGOs Demonstrate for Green Budget

[András Lukás, EFR, 21/10/04] Seventy-two environmental NGO's demonstrated before the Hungarian Parliament on 21October,2004. They demanded the greening of the state budget. They handed over a petition to a representative of the Prime Minister (see the text below). On 3 November 2004, representatives of five environmental NGOs handed over a complaint to the chairman of the Parliamentary Committee on Constitution and Justice. They pointed out that the state budget bill contradicts several paragraphs of the Hungarian Constitution and other laws. Among other things, no information was given about indirect subsidies, although this is required by the law on the state budget. On 5 November 2004, the Environmental Committee of the Hungarian Parliament held a consultation on next year's state budget plans. More than 20 environmental NGOs were represented at the event. András Lukács, president of the Clean Air Action Group held a presentation about the possibilities of a green budget reform with concrete proposals for the 2005 state budget. This was followed by a discussion among the NGO representatives and members of the Parliament.

Petition to Prime Minister Ferenc Gyurcsány concerning Hungary's State Budget for 2005

Mr. Prime Minister,

We, the undersigned Hungarian non-government organizations, hereby express our grave concern about the 2005 state budget and tax bills. We believe that passing these bills in their present form may seriously jeopardize several achievements reached through general consensus of the Hungarian society, may infringe upon the constitutional right of citizens for a healthy environment, and may severely disturb the operation of the country's non-governmental sector.

We are fully convinced that the 2005 Hungarian state budget should better support environmental and nature protection, education, culture, healthcare, scientific research and development, building renovation, energy efficiency, public transport, railway transport, and ecological forestry and farming. We think that it is also indispensable to grant increased subsidies to state agencies which have the primary function of ensuring an unspoilt, safe environment and the purity of public life in Hungary: in other words, it is necessary to strengthen the environmental and nature protection authorities, the National Public Health and Medical Officer's Service, and the National Board of Customs and Finance Guard, among others. In our opinion, it is essential to safeguard, utilize and further develop the results that the Hungarian civil sector has already attained.

We find it particularly alarming that the budgetary subsidies of the Ministry of Environment and Water are scheduled to be cut. Serious environmental accidents of the past few months have demonstrated that the failure to strengthen the work of Hungarian environmental and nature protection authorities puts at risk the health and life of citizens. Additionally, at the time of the EU accession, Hungary was undertaking a series of environmental protection obligations that make it indispensable to extend the staff of the regional agencies – as promised by each one of the successive Hungarian governments to both the European Union and domestic electors.

A shockingly short-sighted approach is manifested in the fact that the present draft budget contains virtually no estimate at all for a domestic competition system making funds available for public purposes and for environmental protection developments; only for the amounts of the Hungarian contribution to large investment projects subsidized by the EU. Consequently, local governments, the media, enterprises, schools, NGOs and scientific institutions are currently only to receive insignificant subsidies, if any, for activities such as environmental education, social awareness raising, scientific research and development, the protection of endangered species of animals and plants, the establishment and maintenance of waste prevention and utilization systems, the elimination of illegal waste dumping sites, or the elaboration and implementation of local governments' environmental programmes.

Moreover, the Hungarian state budget includes harmful and unnecessary subsidies worth hundreds of billions of HUF; the withdrawal of such subsidies would allow support to be granted to the above goals. In order to raise the required funds, we make the following proposals:

Subsidization of intensive and highly chemicalized agricultural production should be considerably reduced. This is also important because by giving preference to the agrarian environmental protection programme Hungary may obtain significantly more subsidies from the European Union.

With a view to cutting back the squandering of arable land, one of Hungary's most valuable and irreplaceable assets (by covering it with concrete or asphalt, and building it up virtually without any limits), and to curbing the related massive real property speculations and corruption, it is necessary to set true prices for arable Hungarian land (for instance by significantly raising the amount and extending the scope of the land protection fee).

The Hungarian housing subsidization system should be transformed so that the construction of a new home should only receive support if it meets strict environmental protection preconditions. In the long run, this may result in annual savings of several hundreds of billions of HUF for the state and for local governments.

Hungary should start removing the preferences, worth hundreds of billions of HUF a year, given to heavy truck transport (those operating heavy trucks should pay for the damage that can be proved to have been caused by them).

The huge subsidies granted to car transport in Hungary should be gradually withdrawn. (Among other measures, the Hungarian state should put an end to the possibility of writing off private car use as a company expense item. This unlawful method has become widely used in Hungary, taking away revenues of hundreds of billions of HUF from the state budget year after year.)

The forced-rate programme of extending the Hungarian high-speed road network should be abandoned.

Fuel smuggling and fuel tourism should be cut back by imposing strict measures.

In the system of bearing the costs of waste disposal, the "polluter pays" principle should be consistently applied and the responsibility of industries and commerce should be enforced. The priority of prevention should also be ensured through legal and economic instruments (e.g. through the decree on deposit charges, already in preparation for a decade, and by developing the system of product charges).

The black market should be forced back in Hungary (e.g. by increasing the subsidies granted to the afore-mentioned state authorities and agencies and by making them more interested in attaining this goal).

The prices of exploited Hungarian mineral resources should reflect the costs of the environmental damage caused by their production and the fact that these raw materials are non-renewable (this can be achieved by raising the payable rate of mining tax).

Through issuing appropriate implementing decrees it should be made possible to collect, at long last, the 25 percent cultural contribution imposed by the law upon products involving violence and pornography.

Mr. Prime Minister,

Hungarian environment and nature protection NGOs are interested in creating an up-to-date knowledge-based economy, and so they represent a key driving force of social development. We request you to endorse our proposals and to initiate the modification of the 2005 state budget and tax bills.

Pictures of the demonstration can be seen at: http://www.indymedia.hu/kepgaleria.shtml?x=18761

Norway ups the stakes on natural gas

[Environment Daily 1742, 07/10/04] The Norwegian government on Monday submitted budget proposals for 2005 featuring heavy investment in CO2-free natural gas power generation. Tax incentives to encourage the introduction of sulphur-free petrol and diesel are to be introduced.

Norway's "energy fund" to promote energy saving, renewables and natural gas will receive an additional NKr95m (EUR11m), up 17%. Its target for increased environment-friendly energy production and saving is being increased to 12 TWh per year by 2010, a 2 TWh increase over the previous target set in 2002. NKr150m will be made available for R&D on CO2 sequestration. A NKr2bn fund for environmentally friendly gas technology set up earlier this year is expected to return about NKr46m as part of a proposed "national gas technology programme". Total allocation for the environment ministry rises 3.5% to NKr2.7bn. Priorities are identified as outdoor recreation, cultural heritage and forest conservation. An extra NKr14m is earmarked for cleaning up polluted ground, water and sediments in order to complete work on 100 priority sites, and inspections of 500 more, next year.

Follow-up: Norwegian finance ministry http://odin.dep.no/fin/

Nation-wide road pricing back on Dutch agenda

[Van Anaar Beter, nota mobiliteit, 19/11/04] The policy document 'Nota Mobiliteit' defines the key elements of the Dutch transport policy for the next decade. The starting point is that mobility is a prerequisite for economic and social development. A properly functioning system for passengers and freight transport and reliable accessibility to our national and local networks are essential to strengthen the economy and the international competitiveness of the Netherlands.

The government believes that an alternative method of paying for road use is necessary to improve reliability, reduce journey times, and thus strengthen the economy. The government is therefore making all the necessary preparations to pave the way for the introduction of road pricing by the next government, without already committing itself to a specific type of road pricing. The system must be effective, efficient, robust and socially viable. This demands widespread support within society at large. Not only for road pricing in general, but also for the actual method used, which is precisely where the ideas diverge. To achieve this consensus, the Paying for Mobility Platform was set up. This Platform is to come up with a broadly-supported road pricing proposal in the early spring of 2005. This proposal, the outcomes of the consultation with other authorities, the results of the interdepartmental policy study on “Gebruiksvergoedingen Goederenvervoer” (Road Pricing for the Road Haulage Sector) and the reactions to consultation will be incorporated in PKB-3 (Core Planning Decision) of the Mobility Policy Document.

To read more about the Dutch transport policy go to: http://www.vananaarbeter.nl/NotaMobiliteit/

Environmentally harmful subsidies in Poland – Case Studies

[Wojciech Stodulski, Institute for Sustainable Development, Poland] Coal plays an important role in the Polish energy sector. Since the early 1990s, the government has been introducing successive restructuring programmes for the sector aimed at decreasing production capacity and employment, and hence the achievement of profitability for Polish coal mining.

Coal Mining

In 2002, hard coal made up 73.85 percent and lignite 15.15 percent of total primary energy production in the country (in 1992: 80.77 percent and 14.53 percent, respectively). Although domestic extraction has declined by 24 percent since 1995 (see table 1), Poland is still ranked high (7th) among the world's hard coal producers.

Table 1. Production of hard coal (in millions tonnes).

1995	2000	2001	2002
137	103	104	104

A slight decrease in the above-mentioned figures is also reflected in the total employment in the branch (see table 2), yet coal mining remains one of the biggest burdens on the Polish state budget.

Table 2. Mining of coal and lignite - jobs (in thousands).

1995	2000	2001	2002
294.5	174.3	171.5	166.9

The most popular forms of state aid have been in the form of direct grants and debt relief, which amounted to 15 billion PLN for this sector in nominal prices in the 1990s, i.e. 34 billion PLN at 2001 prices (in comparison, total state aid has remained steady at approx. 11 billion annually in recent years). The latest restructuring programme sets up subsidies of 9.6 billion PLN, of which 4.8 billion PLN constitutes direct grants, to be paid within the period 2004-2010. Subsidies are usually earmarked for social purposes (severances for laid-off miners), for write-offs of financial commitments (e.g. environmental fees), and to counteract the environmental problems caused by closed mines.

Nonetheless, reported state aid constitutes just a share of subsidization existing in the sector. Coal quotas for foreign coal enable domestic mines to expand their own extraction, as does the subsidisation of coal exports. Thanks to these export subsidies, Polish mines were able to sell the energy carrier on foreign markets at a price below the cost of extraction. According to the evaluation of B.Fiedor and A.Graczyk (see *Removing/ Restructuring Distortional Energy Subsidies in Poland,* www.env.cz/www/zamest.nsf/0/2c7b3bfbe711ffbfc12568f00026ae88?OpenDocument) the annual value of export subsidies to hard coal was at 350-450 millions USD at the end of the 1990s. The authors also indicate other specific forms of subsidising the hard coal production, which are related to the organisational structure of hard coal branch. Because the mines have been merged into the coal companies consisting of a few up to approx. 15 plants, the most effective and profitable mines are granting subsidies from their revenue to the weakest ones. However, a calculation of cross-subsidisation within particular coal companies is practically impossible because no official statistical data are available on the subject. Furthermore, coal companies have an interest in hiding such data because revealing it would lead to increased corporate taxes.

The recent favourable situation on the world coal market has improved the economic situation of some coal mines, raising questions about the rationale for maintenance of state support for profitable companies. The Ministry of Economy and Labour is considering a withdrawal of financial support for selected mines but faces strong resistance. According to the Ministry, profits from the market boom should be earmarked to finance necessary reforms, and state support could not be consumed by the increase of wages of miners. This aim is underlined in a governmental plan of access to the deposits, while the plan contains a statement that companies exceeding a threshold of 3 percent of wages increase (annually) would lose their right to state support. Nevertheless, certain mines under the pressure of labour unions have found ways of fulfilling miners' financial requests without breaking the above-mentioned obligations (e.g. premiums, trade vouchers).

The plan indicates that Polish mines are to "operate in an economically effective manner", whereas employment would be adjusted to the extraction capabilities, and those in turn to the market situation. Therefore, two scenarios of branch development are included into the plan: first, where due to the high demand for domestic coal, the extraction would be limited only in the least effective mines (by 7.8 million tonnes with employment for 20 thousand people); and second, presuming an end to favourable market conditions, the decline of production by 14.5 million tonnes and employment of 25 thousand miners.

The intensity of the current discussion on the effectiveness of the sector has supported the questioning of the rationality of earmarking considerable public funds into the mining sector for the first time for years. However, environmental considerations are still underestimated.

Energy

One of the main areas of concern in the energy sector nowadays are long-term contracts. In the period of 1994-2001, the Polish Power Grid Company (PSE – a monopolist on the energy distribution market and a stock company wholly owned by the State Treasury) underwrote an agreement (long-term contracts – KDT) with energy companies on energy sales at high, fixed (non-market) prices. Price regulations, which guarantee that producers receive extra revenue, are a clear example of subsidisation, and are environmentally harmful in addition if they benefit producers of energy based on fossil fuels (in Poland, more than 97 percent of electricity has been produced from thermal plants since the beginning of the 1990s). The long-term contracts served as a security for loans taken by the energy companies. Loans of total 17 billion PLN have been earmarked not only for expanding production capacity or social purposes, but for modernisation and restructuring programmes, including environmentally friendly investment projects (pollution abatement, combustion efficiency, waste management) as well. These financial efforts have brought certain positive results for the environment, which is reflected in the table below.

Table 3. Emissions from power generating plants (in thousand tones).

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
SO_2	1310	1290	1270	1223	1195	1107	1034	915	805	769
NO_2	370	380	380	377	360	310	264	247	237	242
particulates	420	345	260	193	157	117	94	72	64	58

Currently about 40 percent of energy sold on the domestic market remains under KDTs. However, the European Commission has ruled that the contracts as inconsistent with the EU state aid regulations, recommending their removal. The first proposal of state compensation for the energy producers for the renouncement of contracts has been also questioned by the EC. Based on EC recommendations, the Energy Regulatory Authority of Poland proposed payment of compensation in two stages: base payment of 10.6 billion PLN and then, depending from the situation on the market, payments of up to 14.2 billion PLN.

Analysing the other supply-oriented energy subsidy policies (soft loans, state guarantees), their secondary significance for the power plants should be emphasised. Due to excessive capacity of the electricity sector, most investments have been directed for fulfilling even more stringent emission standards. There have been subsidies, however, for energy consumers within the lump sum system for gas and heat. The system generates cross-subsidisation between thrifty consumers financing households with higher consumption of gas and heat. The scale of cross-subsidisation has been steadily decreasing because of the introduction of an individual measuring system.

For more information on ecotax reforms in Poland: http://www.ine-isd.org.pl/en/publi.htm

4. GREEN BUDGET REFORM WORLDWIDE

Oil Fantasies

[Berivan Pont, Green Budget Germany, 18/11/2004] The recent surge in oil prices (around 50$ per barrel) has taught us some useful lessons. First, surprises may happen. Less than a year ago, specialists predicted today's price at 25$. Second, the economy is less vulnerable to oil shocks than before. This is because new industries (software, theme parks) need less energy than the old (steel, chemicals). And last but not least, Americans still can't get themselves to think realistically about oil; cheap oil is considered a birthright, and nothing in America is done to revisit this assumption.

When oil gets expensive, we tend to blame oils companies or OPEC. But the reality is more complex. For energy economist Philip Verleger Jr., massive miscalculation is the cause of present day prices. Oil companies and OPEC have simply underestimated global demand, in particular in relation to China. Since 2001, China's oil demand has gone up by 36 percent. Moreover, unexpected supply interruptions, such as sabotage in Iraq or civil war in Nigeria naturally entail higher prices.

The future of oil prices remains undetermined. Verleger thinks prices can fly higher still, up to $60 or $80. But analyst Adam Sieminski of Deutsche Bank believes prices may go down to $30 by 2005. But these uncertainties should not prevent us from acknowledging two simple facts: first, world oil production cannot rise forever. Second, we will rely more and more heavily on oil production in the Middle East and other unstable regions.

Although this is the reality we must live with, neither Bush nor Kerry have taken it into account in their energy plans. Kerry plans to make America independent from Middle East oil by developing renewable energy sources, such as solar or wind energy. But Kerry forgets America imports 60 percent of its oil, a fifth of which comes from the Persian Gulf. Unfortunately, the global economy remains largely dependent on Persian Gulf oil – and America depends on the global economy. It seems Kerry misses the point: solar and wind produce electricity (and heat in the case of solar). In contrast, cars do not covert oil into electricity. In other words, cars run on oil, not electricity. Thus, in lieu of a major shift to electric cars, solar and wind cannot replace oil as cars are the most common consumers of oil. And the dream of using solar or wind energy to make hydrogen via electrolysis will probably never come true: the conversion losses are so great (75 percent from "water to wheel") that the installed capacity would have to be increased fourfold!

Bush believes America can disentangle itself from oil dependency by producing what it needs itself. But even drilling in the Arctic National Wildlife Refuge would meet a mere 5 percent of America's demand. America reached its oil output peak in 1970 and has been in decline ever since.

Neither want to acknowledge the real problem: America´s oil consumption is too high - what must change first are mentalities. Then realistic solutions will come by themselves.

A recent study from the consulting company PFC Energy discovered the world already uses 12 billion more barrels a year than it finds. This has been going on for 20 years, but it can't go on indefinitely. PFC´s Mike Rodgers says future discovery and recovery rates could be better or worse than assumed. He reckons global oil supply will peak around 2020 at about 100 million barrels a day. Others argue oil has already peaked. But whatever prediction turns out to be the right one, the world will rely more heavily on the Persian Gulf and former Soviet Union in the coming years.

Even though future is uncertain, America must take steps towards reducing its vulnerability to global prices surges. One good thing to do is to curb gasoline use, which represents about 45 percent of America's oil demand. This could be done by promoting fuel-efficient vehicles, such as the "hybrids", which combine gasoline and electric power. But these vehicles cost $3000 to $4000 more than conventional cars, says David Greene of the Oak Ridge National Laboratory. This cost gap could shrink as production expands. Production expansion could be achieved by adopting a gasoline tax of $1 to $2 a gallon. This way, Americans would understand that gasoline prices would stay high and they would thus economize. But such a tax is not popular, which explains why hybrid car are not in Bush´s or Kerry´s plans. Both prefer talking about hydrogen-powered cars. But such cars will probably not be marketed for years, given the technical obstacles to their production. As says Robert J. Samuelson from the Washington Post, "This captures our choice: taking modestly unpleasant preventive steps, or running greater future risks by clinging to our fantasies. History favours our fantasies."

LINK: http://www.washingtonpost.com/ac2/wp-dyn/A10004-2004Oct5?

With its vast reserves of oil, OPEC has a promising future

[Jad Mouawad, New York Times for Süddeutsche Zeitung, 11/10/04] The signs of OPEC´s supposed decline into irrelevance are everywhere. Its share of world output, once 50 percent, is down to about one third. It was caught unprepared by a huge increase in demand this year. Nearly all its members are ignoring their production quotas and pumping all the oil they can. OPEC is lagging behind non-OPEC oil producers in exploration and oilfield

development. And it has seemed helpless in controlling prices that soared to record highs.

But all that may not be important. OPEC still has control of the world energy market, and Ali al-Naimi, the oil minister of Saudi Arabia and the principal figure in the cartel, intends to keep it. The key is oil reserves. OPEC has plenty, while the rest of the world is quickly pumping itself dry.

Far from waning, then, OPEC´s hold on the oil market, and thus on the world economy, looks set to grow sharply in the coming decades. As alternative sources of oil dwindle, so, too, will the United States´ room to manoeuvre in dealing with OPEC, and especially with the five states around the Persian Gulf that are richest in reserves: Saudi Arabia, Kuwait, the Unites Arab Emirates, Iraq and Iran. The United States will find it increasingly more difficult and complex to either engage or disengage in the Middle East in pursuit of energy independence or political stability or the war on terrorism, because oil from the gulf will become increasingly more indispensable to the American economy, barring a wholesale change in the way the nation uses energy.

Those five gulf countries possess 61 percent of the world's proven oil reserves, according to the latest statistics compiled by BP. Add the other six members of OPEC and the cartel controls three-quarters of the world's 1.15 trillion barrels of reserves. As the rest of the world has increased oil production to meet soaring demand this year, it has been exhausting reserves much faster than OPEC has. At present rates of production, the crude oil that has already been found outside OPEC will be consumed by 2030 or so, when the five gulf countries will still have billions of barrels. Multinational companies are already worried. "As the absolute amount of energy provided by OPEC countries has grown, as well as OPEC´s share of the total, voices of concern over security of supply have increased", said Lee R. Raymond, the chief executive of ExxonMobil. "It will be difficult to calm these concerns." The oil companies want desperately to regain access to the gulf's reserves, but they have been locked out for decades. Many OPEC countries have state oil monopolies, most notably Aramco in Saudi Arabia, which the country nationalized in 1980, and the five reserve-rich gulf nations all sharply restrict foreign investment and influence over their oil industries.

The Persian Gulf nations are under mounting pressure to let the Western oil giants back in; Mr. Naimi described it recently as an "onslaught" against Aramco and other states´ monopolies. "Oil companies are in a very difficult position", said Ann-Louise Hittle, the head of macro oil research at Wood Mackenzie, and Edinburgh-based consultant. "The best they can do is to push into non-OPEC countries and be poised for when OPEC invites them in. It's apparent there's a logjam to access now reserves." This explains Western companies´ push to invest in Russia, despite President Vladimir Putin's moves to return control of the energy sector to the government. So the oil industry must inevitably turn to OPEC, according to Robert Ebel, the head of the energy program at the Center for Strategic and International Studies. "Access to reserves, that's the name of the game, ", M. Ebel said. " You want to go where the reserves are. So you go to Russia, for example, but you always come back to the Persian Gulf, because that's where the reserves are."

Certainly, not all OPEC members keep out foreign investors; some, like Nigeria and Algeria, actively seek them. Even Saudi Arabia has tentatively opened one door, granting Royal Dutch/Shell and the French company Total permission to prospect for natural gas. But so far, Saudi oil is still out of bounds, and the energy giants say there aren't many other good places left to look. "The time for large and easy discoveries is clearly behind us, " said Thierry Desmarest, the chairman and chief executive of Total. "By far the largest share of undeveloped reserves remain under state control, and in large part open only to national oil companies. The opening of these reserves is urgent."

Global Warming: Britain and Germany chart the way forward

[Press Release, British Embassy Berlin, 4/11/04]
Britain and Germany are to take forward the fight against global warming under a bold new partnership backed by leading industrial businessmen and scientists.

The two countries, whose greenhouse gas reductions are among the biggest in the world, are well placed to spearhead new initiatives in areas such as environmentally-friendly energy, climate friendly financial markets, greener cities and Arctic science. In an unprecedented show of leadership between the two nations, a range of innovative recommendations are to be presented to Tony Blair, the British Prime Minister, aimed at delivering a low carbon, less energy intensive world.

The importance of the conference, coming just days after the Russian parliament's decision to ratify the Kyoto Protocol, was further underlined by being opened in the British Embassy by Her Majesty Queen Elisabeth II during her State Visit to Germany. Speakers included Margaret Beckett, the UK Secretary of State for Environment, Food and Rural Affairs, Jürgen Tritten, the German Federal Minister for Environment, Nature Protection and Nuclear Safety and Edelgard Bulmahn, German Federal Minister for Education and Research. The recommendations will inform both the G8 and European Union presidencies which the United Kingdom assumes next year. Mr Blair, who addressed the conference via a video message, has stated that climate change, along with Africa, is the UK's top priority. Sir David King, UK Chief Scientific Advisor, said: "his historic conference has been made possible through the close cooperation between British scientists and German researchers. I must congratulate John Schellnhuber, Research Director at the Tyndall Centre and Director of the Potsdam Institute for Climate Impact Research, on his vital role in setting up this conference". He added: "2004 has been an extraordinary year. We have had some of the worst weather-related natural disasters on record, and we have also had the positive outcome of the Kyoto Protocol with the Russians ratifying. This conference takes these issues forward and forges a new agenda for climate action that will help lead us to a more stable and secure future in both the developed and developing world". Klaus Toepfer, the Executive Director of the United Nations Environment Programme (UNEP) and chair of the conference Climate Change: Meeting the Challenge Together, said today: "We have had an astounding meeting of minds between some of the leading scientific, financial and industrial experts of both countries. Support has come from the highest level with the Queen opening the conference and Mr Blair requesting concrete outcomes upon which the UK government can act". "There is now no question that human-made climate change is a reality and that leadership is urgently needed to take the fight against its devastating impacts forward. This leadership is now here under the two industrialised countries whose emission reductions are so far amongst the highest and deepest in the world. I sincerely believe this Anglo-German partnership is the trigger needed to put Europe and the world onto a more stable, less carbon dependent, path," he said. Sir Crispin Tickell, the former British ambassador to the United Nations and a key participant in the conference, said: "It is clear that the costs of defeating climate change are far less than some critics have claimed and that the cost of inaction is likely to be far higher. There is no silver bullet for this issue, but the conference has delivered some innovative and thought provoking ideas that can inform our next, crucial steps forward beyond the Kyoto Protocol and into the middle of the new century". "The importance of leadership, providing the framework and stability needed for business and industry to make sound, climate friendly investment decisions was a key outcome of our talks," he added.

Aviation Fuel

Among the key findings and recommendations was a call for an end to the "anomaly" surrounding fuel for ships and planes. The conference advised Mr Blair that an emissions trading scheme or a carbon tax for aircraft and ships might bring these two transport sectors in line with road, rail and other forms of transport.

Window of Opportunity

Some 16 trillion US dollars worth of investment in new power plants and energy systems are likely to be made in the coming years. It is vital that this substantial sum is directed to more energy efficient forms of generation including cleaner coal, combined heat and power plants and renewables such as wind, wave and solar power. The delegates agreed that Britain and Germany should work to exploit this current 'window of opportunity" to lead a cost effective fight against climate change. Germany and Britain, with a strong tradition in research, development and deployment of new energy technologies, are well placed

Climate-Friendly Finance

The conference recognized that the investment decisions of the finance sector could play a vital role in putting the planet on a more climate friendly path but that "city institutions were not yet fully on board". Germany and Britain, both with key financial centres such as the City of London and Frankfurt, could play a pivotal role in bringing European and global pension funds, actuaries and insurers on board. The two countries, whose greenhouse gas reductions are scheduled to be below those agreed under the Kyoto Protocol, are well placed to champion new and deeper cuts in industrialised nations' emissions.

Targets and Green Cities

The UK's proposal of a 60 percent reduction by 2050 and Germany's of a 40 percent reduction in emissions by 2020, are in line with scientific consensus on what is needed, delegates are advising Mr Blair.

London and Berlin will also share experiences and plans to fight global warming which may become blue prints for cities and local authorities elsewhere. The German capital has reduced its greenhouse gas emissions by 15 percent since 1990 and plans to cut back by a further 40 percent. London, which has a new Climate Change Agency, plans to reduce by 20 percent its emissions by 2010. Under the agreement, the two capitals will share expertise and hold high level meetings on issues ranging from transport to energy efficient buildings in order to both meet their respective targets.

Scientific Research

Delegates also recommended strengthening and broadening the two countries' world-beating scientific ties in areas such as climate change impact in the Arctic. Under a new agreement German and British scientists are likely to share research vessels and high-latitude, long range, aircraft. Scientific studies into how to manage densely populated areas in a warming world, with London and Berlin as the first subjects, are also being considered.

Awareness Campaigns

Europe-wide awareness campaigns are also part of the recommendations. Delegates called for witty and thought provoking advertisements similar to those already launched in parts of Scandinavia to raise public interest and action in combating global warming.

Further information about the conference is available on our website: www.britischebotschaft.de/statevisit

German Economics Research Institute reports on the cost of climate change.

[Translated by Berivan Pont, Green Budget Germany, KlimaKompakt Spezial Nr. 27, 27/10/04] Russia’s Federal Council approved the Kyoto Protocol on 27 October 2004 after the positive vote in the Duma on 22 October 2004. The protocol will take effect 90 days after the transmission to the UNO of the ratification document, which Russian President Putin still has to sign. His pledge to reduce green house gas emissions will legally bind all industrial countries who have ratified the protocol to do the same. Here is something new for the international climate debate, after years of stagnation.

The adoption of the Kyoto protocol will have positive effects not only on the environment but also on the economy. Increases in temperature and green house gas emissions have caused economical damage - global damage due to extreme weather conditions cost 55 billion US dollars in 2002 alone. A few days before the Duma ratification, the German Institute for Economic Research in Berlin (DIW) showed in its weekly report 42/04 that a 1°C increase in global temperature could cause yearly damage to amount to 2000 billion US dollars in 2050, 137 billion of which in Germany alone. In a 50-year period, economical damage could amount to 214 trillion US dollars.

No region will be spared the economical cost of climate change; the frequency and violence of natural catastrophes will increase in every part of the world. Besides the direct economic effects on the energy, agriculture and industry sectors, the underlying simulation model takes into account climate change effects on nature (for example forest fires increases) and health aspects (sicknesses, death rates, etc).

Climate policy measures, such as emissions trading schemes, can decisively lower costs by decreasing green house gas emissions. For an online version of the DIW report “die ökonomischen Kosten des Klimawandels” by Claudia Kemfert, visit http://www.diw.de/deutsch/produkte/publikationen/wochenberichte/docs/04-42-1.html.

Russia considers setting up EU-style Emissions Trading Scheme

[Lisbeth Kirk, EU Observer, 04/11/04] Less than two months before the official kick-off of the EU emissions trading scheme, the market is already heating up. Financial Times Deutschland reports that trading in emissions quotas has gone up five fold in recent weeks - from 150,000 tonnes traded per week in August to the current 750,000 tonnes a week.

The EU scheme will be the first multi-national emissions trading scheme in the world and will cover all 25 member states. The new rules aim at creating an EU market in greenhouse gas emissions to protect the environment. Companies that exceed their CO_2 quotas may buy emissions permits from companies not meeting their targets, or pay a fine for each tonne they emit above their targets. Russia to set up domestic scheme The idea is spreading rapidly throughout the world, with Russia now considering setting up a domestic emissions trading scheme that could link to the EU scheme, and a potential scheme in Canada, from 2008. "Russia cannot integrate as a full member of the EU system because it is not a member of the EU, but our system could be developed so it is complementary", said Vsevolod Gavrilov, the Economic Development and Trade Ministry official charged with drawing up Russia's mechanisms for implementing Kyoto, according to Reuters. Russia should be able to earn billions of dollars from trading its spare quotas, he said. In Canada and Switzerland, concrete plans for emissions trading systems are being worked on, while in Japan the process has not come as far, according to Point Carbon, a company analysing the greenhouse gas market. Japanese companies strongly oppose the idea of an emissions trading scheme, as it would mean mandatory caps on their greenhouse gas emissions. 12,000 businesses included in the European system for emissions trading will be launched in 2005, covering two periods (2005-2008 and 2008-2012). It will include some 12,000 European businesses in the energy sector (combustion, refineries, coke furnaces) and industry (ferrous metals, paper and minerals), which account for more than 46 percent of all European carbon dioxide emissions.

Russia ratifies climate change treaty; it will enter into force on 16 February 2005

[Friends of the Earth, press release, 05/11/04] US President George Bush became further isolated on the issue of global climate change today following Russian ratification of the climate change treaty known as the 'Kyoto protocol'. Under the treaty industrialised nations responsible for 55 percent of greenhouse gas emissions must ratify the protocol before it can come into effect. Now that Russia has ratified the treaty this key threshold has been reached.

The treaty should now become legally binding within 90 days of Russia notifying the United Nations.

The Kyoto protocol is only the first step towards tackling climate change. Much bigger cuts in greenhouse gases will be required in the years ahead.

President Bush has refused to ratify the treaty claiming it would harm the US economy. The US is the world's biggest polluter – despite having around only four percent of the global population, it is responsible for around 25 percent of the world's carbon dioxide emissions.

Working with corporate contributors to his campaign, President Bush is expected to try once again to pass at home an energy bill that favours coal, oil and nuclear power over cleaner sources such as solar and wind power. The bill might allow for drilling in the Arctic National Wildlife Refuge.

Friends of the Earth International's vice-chair, Tony Juniper, said:

"Despite the best efforts of the USA and some of its major corporations, the Kyoto Protocol lives. This is an historic moment for life on Earth and must pave the way for new agreements to reduce climate changing emissions. But intense international pressure must also be placed on President Bush and the United States to finally acknowledge the scale of the threat we now face and to take action to deal with it."

"The USA is the world's biggest polluter and has a moral responsibility to reduce the pollution that is rapidly warming up the world. If it does not, its own economy and society will pay a heavy price," he added.

Australian Government unswayed by Russia´s Kyoto lead

[Berivan Pont,Green Budget Germany, 19/11/04] The Russian vote to sign the Kyoto protocol on 22 October 2004 did not make the Australian government change its position, as it does not see why it should ratify the protocol, since (the government claims) it already does a lot to reduce GHG emissions. Moreover, Environment Minister Ian Campbell says the protocol does not do enough to reduce emissions: even with Russia ratifying, it will only achieve a 1 percent reduction, and Australia will not accept the protocol until it reduces emissions by 60 percent. Instead, Australia seeks to engage the major emitters in a comprehensive agreement. Campbell says Australia should be proud of what it has already achieved in reducing greenhouse gases.

Environmental group Greenpeace believes that Australia is in fact lagging behind other countries in reducing emissions, and criticizes it for lacking leadership on policy approaches to greenhouse gas reduction.

The United States also has no intention of signing the protocol even though the European Union called on them to follow Russia's lead. The Protocol was negotiated under Clinton's administration, but President Bush turned away from it in 2001 because of the supposed cost to the US industry.

Ratification met with considerable criticism within Russia. Opponents fear the protocol might damage Russia's tottering economy still further. But Putin seems to have won support by negotiating with the European Union Russia's entry into the World Trade Organisation. For Yuri Safonov, environmental economist at Moscow's Higher School of Economics, Putin has used the Protocol as a bargaining chip to win international support for his country's economy.

Links:

http://www.abc.net.au/news/newsitems/200410/s1226418.htm

http://www.abc.net.au/news/newsitems/200410/s1226304.htm

China faces pressure ahead of post 2012 talks

[Point Carbon, 12/11/04] China's share of greenhouse gas emissions is expected to exceed the world's biggest polluter, the United States, by around 2020 and pressure is mounting for Beijing to do more to limit global warming. Next year, the international community is expected to launch talks on a regime to combat climate change for the period starting in 2013, when Kyoto expires. Until now only OECD countries and those with economies in transition from Communism face caps on their greenhouse gas emissions up to 2012. Pressure is building for the developing world to commit to capping their emissions as their contribution to global climate change grows.

"China is the second biggest energy consumer in the world, accounting for 10 percent of global consumption ... China's active participation in combating climate change is of crucial importance," said Khalid Malik, the United Nations resident coordinator in Beijing, Channel News Asia reported. China's emissions now account for 13 percent of the global total, compared with 26 percent for the United States, according to UN estimates. China, along with India and other developing countries, argue that the developed countries should take the lead as they generate more greenhouse gas per capita. With a population of 1.3 billion people, China's per capita emission rate is much lower than that of the United States, Europe or other developed countries, but it is expected to catch up as its GDP per capita increases. China is experiencing nearly double-digit annual economic growth. Its goal is to quadruple its gross domestic product (GDP) by 2020. As the country industrializes, its energy consumption - and pollution levels - are expected to soar. The developing nations have so far resisted calls for restrictions on their emissions on the grounds that they would hamper growth.

As Gao Guangsheng, deputy director-general of the National Development and Reform Commission, put it: "China doesn't want its emission volume to be higher than the United States, but you have to look at our population size. You must look at how much per person. The priority is to satisfy our basic demand. The economy must develop. China has 1.3 billion people and we have to live.

"The scope for reducing China's carbon intensity is huge. China still relies on coal for about 75 percent of its energy and renewable sources account for less then one percent. Greenpeace believes China can make better use of renewable energy sources such as small hydroelectric plants; biomass and wind power. But instead of moving towards those energy sources, China is building hundreds more polluting coal-fired power plants and has plans to build nuclear power plants, according to Lo Sze Ping, campaign director for Greenpeace in China.

"Many people want to invest in wind farms, but they can't get loans," Lo said, blaming the problem on "bureaucratic inertia. Government officials are not confident in new technology, unwilling to change policies."To reduce greenhouse gas emissions, China must also increase energy efficiency, said Dan Millison, an environment and energy specialist at the Asian Development Bank's Manila office. "China uses at least three times as much energy per unit of GDP than OECD (the Organisation for Economic Cooperation and Development) countries," Millison said. "As of 2000-2001, China's economy was eight times more energy intensive than Japan and three times more energy intensive than the US; also three to four times more than Malaysia, Indonesia, Thailand, and South Korea."

Japan: Environment tax may be headed toward pension fund

[Japan Today, 22/,11/04] The government's new tax for environmental protection, the so-called "environmental tax," will be put into effect as of January, 2006. The government is claiming officially that the new tax is to provide funding for measures aimed at preventing global warming. However, a confidential document of the Ministry of Environment (MOE) indicates that the new tax revenue will be used to make up the shortfall in the National Pension fund. Without knowing this, the major Japanese news outlets are reporting in favor of the new tax. The Ministry of Environment (MOE) announced a new tax bill for environmental protection on 5 November 2005.

The MOE claimed that global warming was causing more abnormal weather, which would bring about more damage to the people of the world. The advanced countries singed the Kyoto Protocol which limited the emission of green house gases (GHG) which included carbon dioxide. In line with the Kyoto Protocol, the Japanese government promised to decrease the GHG by 6% in 2008 to 2012 than the level of 1990. In reality, this means a 13% reduction since the level of 1990 increased significantly today. The MOE will increase the tax on oil products such as gasoline and home oil in order to decrease the GHG. From January 2006, the Japanese people will have to pay a higher tax on gasoline, light oil, home oil, electricity and gas. The major newspapers are supporting the new tax. The Asahi said in its editorial, "The Kyoto Protocol will be put into effect soon, which will accelerate the debate on the issue of environmental taxes. Many European countries already have environmental taxes but the Japanese government has been delaying the debate. The government has to consider more seriously the introduction of an environmental tax." The Mainichi stated in its editorial, "The government has to limit GHG emissions. To accomplish this, the introduction of an environmental tax is extremely important. Many Japanese corporations are opposing the introduction of the environmental tax but they should be positive about it." The ruling Liberal Democratic Party (LDP), the New Komeito and even the opposition Democratic Party of Japan (DPJ) are supporting the new tax bill. Business circles and the Ministry of Economy, Trade and Industry oppose the bill. However, there is an important sentence concerning what the revenue from the environmental tax will be used for in an internal document of the MOE. It says, "A part of the revenue from the environmental tax will be used to create more employment opportunities, maintaining and enhancing strength of business corporations such as reduction of premium payment of business corporations. This implies a relation between the environmental tax and the National Pension. The internal MOE documents detail the system of the new environmental tax. According to the documents, the environmental tax is to be imposed on all chemical fuels such as oil, coal and natural gas. Oil refinery companies pay tax on gasoline, light oil and propane gas, which will force them to raise prices of those products. Consumers also have to pay an environmental tax added to their utility bills.

Families will have to pay 3,000 yen a year

In total, one family will have to pay a 3,000 yen environmental tax a year, which will create 490 billion yen in tax revenue for the government. The MOE documents say that 340 billion yen of that will be used for implementing policies for reducing the GHG and 150 billion yen will be allocated for maintaining and enhancing the strength of business corporations, which means to reduce the burden of business corporations to pay premium for social insurance. One source on the LDP Environmental Committee told Shukan Post: "Business circles will never accept the plan for introducing an environmental tax. The statement for reducing their premium payment for social insurance is a tactic to get businesses to accept the new tax. In reality, however, the government gives tax relief to business corporations and the 150 billion yen is used for helping the nation's ailing social security system. The government promised to increase the government's share of payments for the National Pension, however, due to a shortage of resources, the government's plan now looks impossible. To solve the problem, the government is discussing an increase in the income tax as well as the consumption tax. Now, the environmental tax is becoming a part of them to cover the shortage in the National Pension fund. Yoshio Tamura, director of Environmental Bureau of the MOE, is leading the movement for an environmental tax. Tamura is from the Ministry of Finance (MOF). On 12

November 2004, a meeting of the Tax System Research Committee was held attended by the MOF Tax Bureau Director and other tax executives. At a news conference, Hiromitsu Ishi, the Tax System Research Committee chairman, dwelt upon the idea of using a part of the environmental tax revenue for ailing social security. For soliciting an agreement, the MOE invited the chairman of the LDP Environmental Issue Research Committee and eight committee members and one New Komeito member to Norway, the Netherlands and Germany for five days from 13 September 2004.

Using the German system as model

Such lobbying is unusual. Those three European countries already introduced an environmental tax system in the 1990s and the Japanese government is going to use the German system as its model since the German government is using a portion of the environmental tax revenue to pay for social security. However, businesses have not changed their opposition to the environmental tax. Tetsuji Kitta, director of Environmental Technology of the Japan Federation of Economic Organizations said, "The level of energy effectiveness of Japanese corporations is one of the highest in the world. If an environmental tax is introduced, Japanese corporations will be encouraged to move their ineffective production plants overseas, which will make the global warming problem worse. Also, the government has not explained the 150 billion yen use for social security. We have no idea how the money will be used for business corporations."

Climate change à la Hollywood: Study on the impact of the film "The Day After Tomorrow"

[The Potsdam Institute for Climate Impact Research (PIK), 29/10/04] At the end of May 2004 the climate thriller "The Day after Tomorrow" by the Hollywood star director Roland Emmerich appeared in the cinemas in around 80 countries. Would this film re-kindle the climate debate and promote protection of the climate? Or would it damage the climate issue with its depiction of a new, man-made ice age in the northern hemisphere being based more upon fiction than science? Scientists from the Potsdam Institute for Climate Impact Research investigated the impact of the film. The latest PIK Report publishes the results of this study.

The sociologists Fritz Reusswig and Julia Schwarzkopf from the Potsdam Institute for Climate Impact Research (PIK) and Philipp Pohlenz from Potsdam University carried out the sociological impact study on the film; the study was supported by the European Climate Forum (ECF) and the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

The results show that, thanks to the accompanying publicity, interviews and media reports, the film triggered a small boom on the climate issue and reached people who otherwise were not or not very interested in the subject. The film also managed to impart a greater awareness of the complexity and vulnerability of the global climate to cinema-goers. The role played by the oceans, for instance, was not known to most of those interviewed before the film. The special effects accompanying the descent into a climate catastrophe by no means led to feelings of fatalism or escapism, as might have been expected. On the contrary, less than ten percent of interviewees went home with the message "There's nothing we can do anyway", while 82 percent after watching the film preferred the slogan "We have to stop climate change". Most people also thought that it is still possible and economically feasible to pursue a policy of climate protection. German climate policy, which was not especially popular before the film particularly because of the "eco-tax", was afterwards significantly more accepted - not surprising, in view of the film's critical attitude towards the climate policy of the US government. Interviewees thought Germany should increase its efforts, both at home and on the international level.

Together with PIK, four other research teams from the US, the United Kingdom and Japan were involved in assessing the impact of the film on the public. These teams met on the 21st and 22nd of October at PIK to exchange results. It became clear that the different cultural and political backgrounds in these countries caused one and the same film to have a very different impact on cinema-goers. In the US, for instance, where climate and climate protection play a much smaller role in the public arena than in Europe, the film clearly contributed to sensitizing the public to the issue and to the need for a policy on climate. Also, those who saw the film were much more inclined to vote for John Kerry than for George W. Bush.

The results of the study are published as PIK Report number 92. The study can be accessed on the internet: http://www.pik-potsdam.de/publications/pik_reports/reports/pr.92/pr92.pdf

5. EVENTS

3.4.12.2004 Berlin Conference on "Greening of Policies - Interlinkages and Policy Integration"

The preliminary conference programme can be downloaded at: www.environmental-policy.de

31.01 – 02.01. 2005, "Ecological Fiscal Reform and Conservation"

This three-day conference, organised in cooperation with the Academy of Conservation on Vilm Island, examines possibilities for synergy effects between EFR and conservation policy and to analyse ecological fiscal policies and conservation abroad, in order to establish what lessons Germany can learn from other countries. To register for the conference contact Ms. Martina Finger: Martina.Finger@bfn-vilm.de

15-16.04. 2005: "Ecotaxes: Where next?"
GBG Conference in cooperation with the Political Academy Tutzing

The conference, "Ecotaxes: Where Next? Ecological Finance Reform and Emissions Trading" will take place on 15 and 16 April at the Political Academy Tutzing, near Munich. It aims to analyse the current status of ecological taxes and emissions trading, focusing on Germany, Austria, Italy and Switzerland, and to examine future prospects for ecological steering policies in the context of the European Union and the German ecological tax reform.

More information on the conference will be available in the next edition of GBN.

17.04.2005: Green Budget Germany Annual General Meeting

Green Budget Germany's Annual General Meeting has been scheduled for 17 April 2005, immediately following our conference on 15–16 April. It will take place in the *Schweisfurth Stiftung* in Munich.

More details will be published in the next issue of GBN.

14-17.06.2005, Lisbon, ESEE 2005 - the 6th International Conference of the European Society for Ecological Economics

ESEE 2005 will provide a forum for scientific debate and discussion on theoretical and practical issues in the field of ecological economics, focusing on the links between science, society and policy. The general theme of ESEE 2005 will be Science and Governance - The Ecological Economics Perspective. The forum is open to all those interested in sustainability issues, independently of their affiliation with the ecological economics scientific community.

Additional information is available from the Conference website: http://www.esee2005.org

September 2005, "Sixth Annual Global Conference on Environmental Taxation"

The sixth annual global conference on Environmental Taxation will take place in Leuven, Belgium in 2005. More information will be published nearer the time in Green Budget News.

6. LINKS AND PUBLICATIONS

Spanish Conference on emission trading rights and other flexible mechanisms

This Conference was held in Barcelona on the 13/10/04. Many interesting presentations, including one from GBN Board Member Anselm Görres, can be found in English on the following link:

www.http://mediambient.gencat.net/cat/el_medi/C_climatic/ponencies.jsp?ComponentID=45811&SourcePageID=30697#1

Recently released UNEP publications on fisheries subsidies

"Analyzing Resource Impact of Fisheries Subsidies: A Matrix Approach" and "Incorporating Resource Impact into Fisheries Subsidies Disciplines: Issues and Options". The aim of these publications is to improve the understanding of the resource impact of different types of fisheries subsidies, and to provide an analytical basis for the reform of environmentally harmful subsidies. A brief description can be found at:

http://www.unep.ch/etu/publications/FisheriesSubLeaflet.pdf

The two publications are also available on the UNEP website:

http://www.unep.ch/etu/etp/index.htm

Russian State Duma says "yes" to the Kyoto

The Wuppertal Institute welcomes the adoption of the ratification law for the Kyoto Protocol by the Russian Parliament. With this decision of the Duma the main obstacle for the entry into force of the protocol has been overcome. Together with the Framework Convention on Climate Change the Kyoto Protocol now builds a functioning international regime for global climate protection. Kyoto parties should now intensify their implementation efforts to comply with the international climate commitments. The Wuppertal Institute contributes to these efforts by developing concepts for innovative climate protection policy - like an energy efficiency funds - and supports the German government in the implementation of the instruments introduced by the Kyoto-Protocol.

http://www.wupperinst.org/Sites/Projects/rg2/1078.html

However, Kyoto is only the first step towards effective international climate protection. The further development of the climate regime is now of utmost priority. The Wuppertal Institute has dealt with this issue in the project "South-North Dialogue - Equity in the Greenhouse". Together with twelve researchers from all world regions a proposal on the design of a future international agreement was elaborated. Further information is available at

http://www.wupperinst.org/Sites/Projects/rg2/1085.html

Reducing emissions

The Climate Group has put together a series of case studies highlighting the range of positive actions being taken to reduce emissions. These include innovative policies, technologies and financial mechanisms being undertaken by leading governmental and corporate actors to minimize their carbon footprints. The case studies may be found on the following link:

http://www.theclimategroup.org/index.php?pid=373

Proceedings of the 2002 Berlin Conference on the Human Dimensions of Global Environmental Change

The Proceedings of the 2002 Berlin Conference on the Human Dimensions of Global Environmental Change "Knowledge for the Sustainability Transition. The Challenge for Social Science" are now available online. The Proceedings comprise a peer-reviewed selection of the 30 best papers presented at the 2002 Berlin Conference, which was held 6-7 December 2002 and attended by 220 participants from 29 countries. The conference was endorsed by two IHDP core projects, Institutional Dimensions of Global Environmental Change (IDGEC) and Industrial Transformation (IT). The complete table of contents and all individual contributions are now available at

http://www.glogov.org/front_content.php?idcat=92

New energy link on the Earth Track website

As part of Earth Track's continued commitment to improved access to information on energy subsidies, a detailed energy subsidy links page has been created on the website:

http://www.earthtrack.net/.

New content and searchable database on Fiscallygreen.ca

The one-stop shop for information on "fiscal policies for environmental objectives" in Canada and internationally, http://www.fiscallygreen.ca/. This website now includes a searchable database of ecologically oriented policies around the world. Users can search the database for particular types of policies, policies in a particular region, or policies geared towards a specific environmental issue.

Newsletter "JIKO Info" now available in English

JIKO Info, a newsletter on the Kyoto mechanisms CDM & JI, is now available in an English version. JIKO Info informs about current development of the policy field "project-based mechanisms in Germany and Europe". The newsletter is published by the Wuppertal Institute for Climate, Environment, Energy as part of the project "JIKO - development phase 2002-2004".

If you want to subscribe to JIKO Info in English, please go to

http://www.wupperinst.org/sites/projects/rg2/jiko-info

Critical Issues in Environmental Taxation: International and Comparative Perspectives, Volume 1

Richmond Law &Tax recently published the proceedings of the Third Annual Global Conference on Environmental Taxation. The book contains pioneering and thought-provoking articles contributed by the world's leading environmental tax scholars representing various jurisdictions worldwide. Its insight and analysis will benefit those looking to achieve environmental goals through tax policy. Full detail can be found online at: http://www.richmondlawtax.com/environmentaltax.html

Energy Taxes in the Nordic Countries - Does the polluter pay?

National Statistical Offices in Norway, Sweden, Finland & Denmark. Final report March 2003

The Nordic countries have some of the highest rates of environmental taxes as a percentage of the total taxes and as a percentage of GDP2. Earlier there has been a focus on energy taxes as a whole, the relationship between total energy taxes and GDP and energy taxes and total taxes. This project, on the other hand, focuses on energy taxes broken down by industries in the Nordic countries and addresses in particular the connection between who uses the energy and who pays the taxes. Industry-specific taxes combined with information on energy use, air emissions and value added give unique possibilities to analyse whether there is a match between who pollutes and who pays the energy taxes. Or in other words: Does the polluter pay?

LINK:
http://www.scb.se/statistik/MI/MI1202/2004A01/MI1202_2004A01_BR_MIFT0404.pdf

2 job openings at the Environmental and Energy Study Institute

Full time Policy Assistant/Analyst. More information on:

http://www.eesi.org/employment/Admin%20Asst%2010.04%20posting.htm

Full-time Program Administrative Assistant. More information on:

http://www.eesi.org/employment/Policy%20Associate%2010.04%20posting.htm

7. READERS' GUIDE AND IMPRINT

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