GREENBUDGETNEWS NO. 11 – 03/2005

EUROPEAN NEWSLETTER ON ENVIRONMENTAL FISCAL REFORM

Editors:

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

Quotation of the Month

"The Shell Group has nothing to fear from the taxation and regulatory changes that are needed to avoid the potentially disastrous consequences of climate change."

Lord Oxburgh, Chairman of Shell UK

Contents

1. EDITORIAL

The Kyoto Protocol – a beacon for future action or a damp squib?

[Jacqueline Cottrell, Green Budget Germany, 17 Feb 05] Without a doubt, the Kyoto Protocol represents one of the most exciting developments of recent times. Yet after eight years of negotiation, celebrations as the Kyoto Protocol finally came into force on 16 February were more an expression of relief than an outburst of unmitigated joy.

As it stands, the Kyoto process can do little to prevent increasing greenhouse gas emissions before 2012. Even in those states that have ratified Kyoto, an emissions reduction of less than two percent on 1990 levels is predicted, rather than the planned 5.2 percent. At the same time, the emissions of many non-ratifying states will increase considerably. The USA is set to emit 30 percent more GHGs in 2012 than in 1990 and fellow non-signatories Australia's GHG emissions already increased by 22 percent between 1990 and 2002. What is more, several EU member states have increased their emissions by a large margin and are unlikely to meet their targets – according to EEA predictions, Spain is on track to miss its Kyoto targets by 30 percent, while Portugal is on track to miss its 2010 targets by 25 percent – and several other EU member states are predicted to fail to meet their targets by smaller margins, including Austria, Italy and Ireland. Moreover, other nations with rapidly increasing GHG emissions – such as China (now number two in the world for CO_2 emissions), India and Brazil – are exempt from the first stage of the Kyoto process in any case.

The end result is that, according to current predictions, the Kyoto process can be expected to mitigate climate change by a mere 0.04 ºC in the 21st century. Nevertheless, if we progress in the right direction – and manage to sell climate change mitigation in the right way – the Kyoto Protocol can legitimately be regarded as a first and very important step on the way towards international action.

As Green Budget Advisory Board member and Director of the Max Planck Institute for Meteorology, Professor Hartmut Graßl, recently argued in the *Süddeutsche Zeitung*, even if Kyoto slows climate change only slightly, the Kyoto Protocol is of fundamental importance nevertheless, because it has set the trend towards reducing GHG emissions and made this trend binding in international law for the majority of industrial nations. As Graßl rightly argues, the Protocol will go down in history because of the instruments it has introduced – such as global emissions trading – and because it represents the first, small step in a long process.

While few serious scientists argue that the cause of climate change stands to debate, the US Administration continues to argue that the contribution of mankind to global warming has not been measurable and for this reason, emissions reduction is of uncertain value in the fight against climate change. By some strange twist of fate, however, the US military has already produced white papers on changes in the security situation resulting from the melting of Arctic ice caps, particularly in relation to maritime traffic off the West Coast of Canada and Alaska. Somebody somewhere in the US believes in climate change!

This is the first reason not to be too disappointed in the US – and there are many others. As reported in previous issues of GreenBudgetNews, many US states – most famously California – have passed or are in the process of passing legislation to limit vehicle emissions (see our international section, below). What is more, New York Governor George Pataki has launched a *Regional Greenhouse Gas Initiative* to limit CO_2 emissions from power plants, including a program of emissions trading, in nine East Coast US states. The program's so-called

'observers' and potential future members include three more US states and several states in Canada. Finally, whether Republican or not, the next US President may prove to be more open to environmental issues – and happily, George Pataki is one possible Republican candidate. If the US signs up to Kyoto or its successor, Australia will sign up too.

A further cause for optimism are current developments in China, which include the halting of 22 large power generation projects pending investigation of their environmental impact, the passing of a new law limiting vehicle emissions by 2006 and a declaration that China wishes to become the new Asian leader in wind energy. Since these developments are as positive as they are unexpected, we felt China merited a special section in this edition of GreenBudgetNews. This shift towards wind energy should not only be welcomed for environmental reasons: according to the Chinese government, coal mining accounted for more than 6,000 deaths in 2004 alone, while critics put this figure closer to 20,000.

An important consideration is how to get these more sceptical countries on board. How do we go about selling the Kyoto process to those perhaps less convinced than ourselves? One way to get the US and other countries on board is to convince its decision-makers and politicians that climate change mitigation does not necessarily entail lower levels of growth. One of the best ways to convince Kyoto doubters would be to prove it in the environmentally pioneering nations of Europe, such as Germany, the UK and the Scandinavian countries. The market potential for alternative energy sources and alternative technologies is huge and growing. German car manufacturers, for example, could receive a much-needed boost by leading the way in developing cleaner, fuel efficient vehicles – not only for the Chinese market – and by becoming world leaders in the manufacture of alternative fuel-powered vehicles. At home, these countries could show the way in combining high living standards with environmentally sustainable economic development, where the emphasis is on technological and social innovation and low resource consumption.

Another argument that often gets lost in the debate is that fossil fuel resources are running out in any case. In the medium-term, a shift to alternative technology and energy represents the only way forward in terms of growth – even for those who do not believe that climate change is a man-made phenomenon. Oil will not be there forever and our dependency upon it is neither environmentally sustainable nor in the interest of international peace and security. Even the staunchest unbelievers in global warming cannot afford to ignore fossil fuel scarcity forever.

The future is not as bleak as some may have it seem: but there is much to be done. Perhaps Tony Blair will make good his promise to focus on climate change during his G8 presidency. We may have to wait longer for concrete positive developments – but in the light of the current international climate and impending talks in May, it does not seem purely utopian to hope that by 2012 sufficient progress will have been made to herald the introduction of a Kyoto II, with all the industrial nations on board and stricter caps on GHG emissions to boot.

2. GREEN BUDGET REFORM ON EU-LEVEL

EU ETS in balance

[Carbon Market Europe, 31 Jan 2005] Although positions may vary significantly within sectors or Member States, the EU emissions trading market is more or less overall in balance before the Commission

makes its final decisions on the remaining allocation plans.

With the allocation process gradually coming to its end, participants and observers of the EU emissions trading scheme were busy estimating the position (long or short) at the company, sector, country and market level at the start of 2005.

Point Carbon, through its Carbon Market Trader product, estimates that with the current allocation decisions, the market in total will be short of some 25 million tonnes of CO_2 ($MtCO_2$) for the period 2005 to 2007. However, this assumes that the current forward price for EU allowances (EUAs) triggers a corresponding shift from coal to gas in the power sector. Hence, one could argue that the market is currently fundamentally underpriced. Moreover, the shortfall might increase further, depending on the size of expected cutbacks in the allocation plans of Poland, Italy, and the Czech Republic.

On the other hand, Point Carbon's estimates also suggest that the supply of Certified Emissions Reductions (CERs) from Clean Development Mechanism (CDM) projects that could be available to EU companies is likely to exceed the estimated shortage of allowances. Hence, if the available volume of CERs is used for compliance purposes in the period 2005-2007 it could put the market more or less in balance.

The full picture, however, is more complicated, for which the current market balance does not necessarily imply a three-year period with limited liquidity and low volumes traded at low prices.

"The overall supply and demand balance is certainly a key factor that will affect market prices and liquidity," admitted Atle C. Christiansen, Research Director at Point Carbon.

"Recognising that we are not even four weeks into the first compliance period, it is important to bear in mind that the actual position of the market will depend strongly on future unknowns such as future weather and fuel prices. Moreover, uncertainty prevails about the extent to which European companies will use CERs for compliance purposes in the period 2005-2007 or bank them into the Kyoto period," he said.

"Point Carbon's analysis shows that emission levels may vary in the order of tens of million of tonnes from one year to another on the back of changes in fundamentals. In extreme scenarios, such as a combination of cold winters, hot, dry summers and high gas prices, annual emission levels could even increase more than hundred million tonnes compared to a 'normal' year. On the other hand, a series of mild winters and increasing coal prices could provide for a market that is fundamentally long allowances. Companies in regions highly dependant on hydro- and wind power, such as Spain and the Nordic area, are in general strongly exposed to weather," Christiansen explained.

This illustrates that fundamentals may create huge differences between the relative positions of different countries. As an example, according to data from the Carbon Market Trader, the public power and heat sectors in total (EU25) has emitted some 500,000 tonnes less than its seasonally adjusted cap (SAC) so far in 2005 (status as at 27 January). However, owing to forecasted cold spells across Europe, estimates suggest that the sector will emit some 1.7 Mt more than its SAC in the first 10 days in February, shifting its position from long to short.

Spain, weather sensitive as it is, has come out worse off than the sector in general. On the back of temperatures and precipitation levels below 'normal' conditions, the country's public power and heat sector is already short some 1.4 Mt according to its SAC. The Nordic countries, on the other hand, will emit less than their SACs due to the hydro situation in these countries.

GREENBUDGETNEWS NO. 11 – 03/2005

The EU ETS may well become a counter-example of the Kyoto Protocol

[Berivan Pont, Green Budget Germany, 14 Feb 05] With Russia's ratification, the Kyoto Protocol finally entered into force on 16 February 2005, after years of alternating hope and despair. This is a massive step in the direction of climate change mitigation.

Scientific assessment and evidence has now made it crystal clear that human activity is at least in part responsible for global warming, and most countries and businesses are now ready to acknowledge this.

But if this is the case, why do we not see significant steps towards emissions cuts? Most countries are lagging behind their Kyoto commitments; pledges have been made, but concrete action has in many cases not been undertaken. For their part, developing countries argue they don´t see why they should bear the burden richer countries have brought on to the world. The Kyoto process as a whole suffers badly under the USA's (and Australia's) defection. The global leaders in emissions are not playing the game, making it hard to make headway in the global fight to mitigate climate change.

In this respect, the European Emissions Trading Scheme (EU ETS) has been seen as quite a revolution in the field. It has positioned the European Union as leader of this fight. But to what extent can we believe in the scheme? Is it possible to rectify a global problem on a regional level?

The EU wishes to set itself as an example for the world, but it has not given itself the necessary means to do so. By letting too many political and economical discussions and too much lobbying get in the way, the EU ETS may very well become an example of how the Protocol should not be effectively implemented.

The EU ETS was launched on 1 January 2005. Its legal framework is the Directive 2003/87/EC, which entered into force on 25 October 2003. The EU ETS was put into place to reduce the economical costs of achieving Kyoto Protocol's goal of reducing CO_2 emissions in Europe by 8 percent. Companies in Europe can now sell and buy permits to emit CO_2. Companies that face higher abatement costs may buy permits from those that find it cheaper to invest in clean technology. The system should create sufficient incentive to invest in such technologies, because there is a profit to be made. To make this possible, the quantity of permits available must be lower than the quantity of CO_2 usually emitted, thus creating a market value for CO_2 emissions.

The National Allocation Plans (NAPs), individually established by each EU member state government, constitute a fundamental part of this scheme. A NAP specifies the emissions targets for the country, as well as how the target is divided amongst the country's industry. At the end of December 2004, all NAPs excepting those from Italy, Poland and the Czech Republic had been accepted. Greece had not yet submitted its plan.

The EU ETS covers about 40 percent of total EU CO_2 emissions. Sectors covered are the electricity, iron and steel, glass, cement, pottery and brick industries, representing 12,000 plants around Europe. The system covers only CO_2 emissions. In 2006, the European Commission will initiate a review which may propose to cover other sectors and gas emissions.

The Linking Directive, adopted in September 2004, allows operators in the ETS to use credits from the Kyoto Protocol project mechanisms – Joint Implementation (JI) and the Clean Development Mechanism (CDM) – to meet their targets in place of emission cuts within the EU.

The EU ETS is the most ambitious piece of legislation passed in response to the Kyoto Protocol thus far and represents an important

step forward for CO_2 emissions reductions. At first, many environmental NGOs and experts were very enthusiastic about this project, but since its launching, it has been met with a mix of scepticism and criticism from all camps.

In a Le Monde article (10.12.2004), Bertrand Collomb, president of the French Association of Businesses (AFEP) and of Lafarge cements, and Guy Dolé, president of Arcelor Head Office (steel production), make it clear the European Directive and the EU ETS have too many flaws to be immediately effective. They must be revised for the second phase of implementation in 2008.

First, though the scheme is to be implemented at the European level, the European Commission has not sought to harmonize allocation methods between countries. Each government is free to allocate permits as it sees fit, as long as it respects the 11 common criteria found in Annex III of the Directive.

Many businesses have sharply criticised Europe for wanting to fight climate change alone. They say the scheme imposes costly measures on European companies, thus undermining their global competitiveness, since no other companies in the world have to face such measures. Such discrimination will only trigger relocation, job losses and no overall improvement in greenhouse gas emissions, since transportation emissions are sure to increase as a consequence.

Both of these issues have been the cause of considerable industrial lobbying, each sector seeking to obtain as many allowances as possible, and somewhat dimming out the ultimate goal of the EU ETS: emissions cuts. These unending political fights have led all governments to overallocate emissions, thus lowering the prices on the emissions market. This, in turn, is set to undermine the environmental effectiveness of the system, because companies have no incentive to reduce their CO_2 emissions.

According to Collomb and Dolé, the scheme also leaves out important energy intensive sectors, particularly transportation.. Industry is the only economic sector to have been reducing its greenhouse gas emissions for 30 years. In contrast, very little has been done to include the transportation sector in the European scheme, even though the European Parliament stated it was in "favour of incorporating emissions from international flights and shipping into the emission reduction targets of the second commitment period of the Kyoto Protocol" in a parliamentary resolution. Once again, transportation, especially the aviation sector, is a very tricky issue, because of global competitiveness.

Furthermore, NGOs fear the linking directive will discourage green investments in Europe. The Climate Action Network Europe, WWF, Greenpeace and CAN Central and Eastern Europe together stress "that any use from the Clean Development Mechanism (CDM) and Joint Implementation (JI) [must] be capped and limited to investments in sustainable energy projects that actively contribute to sustainable development in the host country". Friends of the Earth UK points out: "Rather than using the ETS to add financial value to emissions cuts, companies are likely to simply buy cheap credits from often damaging projects, including large hydroelectric dams".

In an attempt to stifle all this criticism, European Environment Agency (EEA) Executive Director Jacqueline McGlade has countered: "the Kyoto Protocol is clear that using flexible mechanisms must be supplementary to domestic action. Further, the sectors included in the EU ETS will only to a limited extent be able to use the Kyoto mechanisms so as not to jeopardise the supplementarity principle. It is also important toto remember that by perfoming JI and CDM projects, businesses are taking their responsibility to combat greenhouse gases in the same way as would have been the case for domestic action."

The problem with the EU ETS is that it has been thought up the wrong way around: on a country per country basis, with no harmonisa-

tion at a supranational level. It is unrealistic to concentrate obligations on a small number of countries and companies, loading them down with a problem that is a global concern. It has been done this way because no country is ready to concede an inch of its sovereignty. Each government wants to keep control of its resources and privileges.

But climate change is a global problem. And we live now in a global economy. The EU cannot simply ignore this fact and go it alone on the climate change campaign.

Why has it done so, then? To be the leader of something, to stand up to the USA? Blair's constant claims that he intends to make climate change mitigation one of his leading battles when the UK takes presidency of the EU seems to suggest that. But in fact, very little has been done. All know something has to be done, but no country is willing to do what it takes to effectively cut GHG emissions, because there will always be free riders. In this sense, what the EU is attempting to achieve with the emissions trading scheme is laudable. Even if one can undoubtably argue the scheme has flaws and lacks proper supranational regulation.

But, as Collomb and Dolé stress, if the EU really wants to lead the way in this fight, it has now to find global solutions to global questions. What kind of long-term solution can be found to climate change? How can third world countries be convinced to step in? The EU must arm itself with powerful means if it really wants to address the crucial question of CO_2 emissions, and must start to confront the issue from a more global perspective, if it doesn't want to lose the battle for sustainable development.

Emissions trading: Commission continues legal action against four member states

[European Commission Press Release, Brussels, 19 Jan 2005] The European Commission is continuing legal action against four Member States for not having fully transposed the Emissions Trading Directive into national law by 31 December 2003. Greece, Italy, Belgium and Finland are being taken to the European Court of Justice. The Emissions Trading scheme, a major initiative to help the EU and its Member States meet their emission targets under the 1997 Kyoto Protocol, will ensure that greenhouse gas emissions in the energy and industry sectors are cut at least cost to the economy. It will be the largest such scheme ever implemented. Incomplete national transposition of the Directive by the four Member States has not hindered the start of the emissions trading scheme on 1 January as planned. In a separate case, the Commission is also sending Italy a final written warning because it has submitted an incomplete National allocation plan. National allocation plans have to outline the number of CO_2 emission allowances that Member States intend to allocate to their industries.

Legal action over non-transposition of the Emissions Trading Directive

The Commission is taking Belgium, Greece, Finland and Italy to the European Court of Justice for not fully transposing the directive into national law. This should have been done by 31 December 2003.

The Commission is taking this action for the following reasons: in **Belgium** the Directive has been transposed only in the Brussels and Walloon Regions; **Greece** did not reply to final written warnings earlier this year; **Finland** has not transposed the Directive for the province of Aland; and **Italy** has recently taken some important steps in the right direction but much further work needs to be done.

Under the Emissions Trading Directive, Member States have to set limits on emissions from energy-intensive plants by allocating them CO_2 emission allowances under national allocation plans. It is expected that more than 12,000 plants will fall under the scope of the Directive. Companies that do not use all their allowances will be able to sell them to companies that have difficulties to keep their emissions within the limits of the allowances

allocated to them. In this way, emissions will be cut where it is cheapest.

The deadline for EU15 Member State governments to submit national allocation plans was 31 March 2004. The Commission is sending a final written warning to **Italy** because its plan is incomplete. Until Italy submits a complete plan and this has been approved by the Commission, Italy's industry will not be issued allowances in the emissions trading scheme.

The original press release can be accessed at: http://europa.eu.int/

For more information see: http://europa.eu.int/comm/environment/climat/

Transport federation calls for CO_2 cap-and-trade scheme

[Point Carbon, 31 Jan 05] The European Federation for Transport and Environment said in a report released on 20 January 2005 that setting up a cap-and-trade scheme on CO_2 emissions would be the most efficient way to reduce emissions from transport.

The European Federation for Transport and Environment is an environmental organisation campaigning specifically on transport. In a new report on reducing CO_2 emissions from new cars it argues that from a technologically point of view the car manufacturing industry should have no difficulties producing cars which on average emit 140 g CO_2 per km in 2008 and 120 g in 2012.

"However, under current rules, manufacturers, wholesalers and car dealers have no incentive to sell fuel-efficient cars," the report concluded.

The authors of the report did not believe that mandatory introduction and use of CO_2 labels on cars would have any effect, and instead proposed a cap-and-trade scheme on emissions for the industry.

"Such a scheme would give the European car industry a competitive advantage as it produces cars that, on average, are more fuel efficient than its competitors," the report said.

A sales and registration tax would be the only real alternative to an emissions trading scheme, it said, but emphasised that emissions trading holds two advantages.

"Tradable emission credits will, by definition, achieve the objective, while sales and registration taxes may fall short of the target if rates are set at levels that later prove inadequate. The second advantage is that the Council can introduce a system of tradable emission credits by qualified majority."

In most EU Member States emissions from the transport sector are running out of control, which put a strain on other sectors. A trading scheme for new cars could ease this trend, the report said.

"It should be borne in mind that reducing the specific CO_2 emissions of cars to 120 g/km could be achieved without a marginal loss of welfare. The abatement cost is low to moderate and, in the case of engine and car downsizing, even negative. If the European Union fails to make use of this opportunity, CO_2 will have to be further reduced in other sectors of society at a considerable additional cost," it said.

Visit the T&E homepage at: http://www.t-e.nu/index.php
Download the report at: http://www.t-e.nu/docs/Publications/

Airports back aviation carbon emission trading

[Environment Daily, 21 Jan 05] European airports have called for the aviation sector's carbon dioxide releases to be covered by the EU's emissions trading scheme from 2008. Trade body Airports council international (ACI) says trading should be embraced as preferable to charges or taxes - "crude, blunt and unacceptable" alternatives also being considered by the EU.

"I do not believe that our industry will be able to grow in line with demand unless aviation meets the environmental challenge," director-general Roy Griffins said. Airports now want the EU's airlines to take a similar position and

present a united front in favour of trading. Airlines would have to do most of the work if aviation was incorporated into the scheme. Emissions from airport facilities are already covered.

A joint industry position is already forming in the UK, where the heads of two British airlines, BA and Virgin, have publicly declared their support for trading. Scandinavian, Dutch and French carriers are also thought to be in favour, though German and Italian airlines are less enthusiastic.

A strong momentum has now built up around the idea of including aviation in the trading scheme. Backed by his domestic industry, UK prime minister Tony Blair has made it a key ambition of the UK's presidency of the EU later this year. The European Commission is developing proposals.

Environmentalists are warier of the plan. "We aren't against it, but we just don't think it will be enough," Jos Dings of campaign group T&E told Environment Daily. Permit prices will probably not be high enough to force big enough emission cuts, he said. The group wants governments to remove fiscal benefits to the industry first; it is preparing a European parliament seminar on the issue later this month.

For more information see T&E
http://www.t-e.nu/index.php
and the Airports Council International:
http://www.aci-europe.org/

MEPs join calls for binding vehicle carbon cuts

[Environment Daily, 18 Jan 05] The European parliament has added its voice to a growing chorus of demands for legislation to cut carbon dioxide emissions from new cars. A resolution adopted by MEPs at their Strasbourg plenary session last week calls on the European Commission "urgently to put forward proposals for binding CO_2 limits for new vehicles".

European, Japanese and Korean carmakers are currently carrying out a voluntary agreement to reduce fleet average emissions to 140 grams per kilometre (g/km) by 2008/9. But support for legislation in place of voluntary agreements has apparently been growing among EU governments, particularly as a means of meeting Europe's political target of 120 g/km by 2012.

MEPs suggested that legislation could be based on a Californian CO_2 emission trading system for car makers. This initiative - approved last September - allows large car manufacturers to exceed target levels while 'greener' companies benefit financially from selling their excess quotas. The system has already won praise from environmental groups and Dutch environment minister Pieter van Geel.

Aircraft emissions to be debated under UK Presidency

[EurActiv, 02 Feb 05] Several options are being considered to reduce the growing global warming impact of aeroplanes. Proposals will be unveiled under the UK Presidency, after impact assessments are made on the economy, jobs and the environment.

Background

A seminar on "Tackling the global warming impact of aviation" was organised in the European Parliament on 31 January. The seminar was organised by the European Federation for Transport and the Environment (T&E), Milieudefensie (Friends of the Earth Netherlands) and the Aviation Environment Federation and was hosted by Chris Davies MEP (UK, ALDE).

The seminar took place after Prime Minister Tony Blair pledged to seek a breakthrough on climate change when he takes the EU Presidency in the second half of this year.

Issues:

The highly politically charged debate on how to tackle the global warming impact of aviation will be launched under the UK Presidency, according to Roberto Salvarani, head of Envi-

ronment and Safety Unit at the Commission's Transport directorate.

Several options are being assessed to reduce the global warming impact of the aviation sector:

- Incorporating aviation in the EU Emissions Trading Scheme (EU ETS). This implies including nitrogen oxide (NOx) into the scheme which currently only covers CO_2. CO_2 emissions from the aviation sector are actually quite low in the EU (about 2 percent of total human induced emissions). The bulk of the global warming impact of aviation in fact comes from NOx, which causes ozone formation, especially at high altitudes.
- A charging system based on the quantities burned (unit cost)
- A tax on kerosene (fixed price)

Other, less radical measures are being given equal attention:

- Reducing flight routes thanks to better air control and operation systems
- Increasing the fuel efficiency of aircraft

Questions remain as to the feasibility of integrating aircraft emissions in time for the second phase of the EU ETS in 2008. Such a project would require the approval of both the Council and Parliament, a procedure which can take several years if it is not backed up by a strong political consensus in both institutions.

Positions

A study for the Commission by the Dutch consulting and research organisation CE Delft explored the policy options to reduce the global warming impact of aviation. CE Delft's Ron Wit said CO_2 emissions from the air transport sector were expected to grow by 110 percent between 2002 and 2025. Emissions of nitrogen oxide (NOx) are to grow by 60 percent over the same period. According to Wit, political solutions need to take account of:

- Competition issues between EU and non-EU airlines
- Scope of measures (route-based or inside the EU airspace only)
- Monitoring emissions and the 'currency' chosen to measure climate impact as well as the associated measures to curb emissions

According to the study, the cost effectiveness of a charging system or an emissions trading system are similar. But Wit said that a tax on kerosene would be faced with legal obstacles related to the inclusion of non-EU companies. The answer, he argued, "is based on political arguments" such as a global emissions trading scheme.

Roberto Salvarani, head of the Environment and Safety Unit at the Commission's Transport directorate, warned that new measures to tackle the global warming impact of aviation were likely to weigh heavily on industry and consumers. Measures, he said, "will affect the competitiveness of the EU industry unless they are applied on a global scale". The EU, he said, is "a pioneer" in tackling climate change. However, he hoped the EU would not "confuse bravery with naivety" by taking measures without previous impact assessment on jobs and competitiveness.

Speaking to EurActiv, he said the Commission will publish a communication on the topic, probably in July or September, under the UK Presidency. The communication will revisit three instruments: aviation fuel taxes, emissions charges and inclusion in ETS. A Commission roadmap document indicates that the communication is likely to suggest a combination of measures, taking particular account of ease of implementation when examining options. The proposed measures will be agreed between the directorates responsible for transport, environment and taxation, Salvarani indicated.

Salvarani further pointed to a number of possible other measures aimed at optimising energy consumption in the aviation sector:

- Update aircraft fuel efficiency (although future savings will be lower than those already achieved)

- Optimise air traffic management using the Galileo satellite navigation system
- Reduce airport energy consumption with existing measures on energy efficiency of buildings
- Make increased usage of alternative fuels to reduce aircraft emissions

"My Commissioner [Jacques Barrot] has a completely open mind" on the range of options available, Salvarani told the seminar.

The Association of European Airlines (AEA - which includes the likes of British Airways and Air France) said in a press briefing a year ago that an emissions trading scheme would be "the most effective mechanism to allow aviation industry to reduce its CO_2 impact". The AEA said it was "committed to promote such a scheme". But the AEA is opposed to the introduction of a tax on Kerosene or to taxes on EU flights on the basis that they would lead to distortions of competition between EU and non-EU airlines.

In a letter to the Financial Times, the director of the European Association for Transport and the Environment (T&E), Jos Dings, said that "airlines are wrong to say emissions trading is the only way to combat the impact of aviation on the environment". Dings suggests "en-route emissions charges and tax on aviation fuel" as two examples that would "bring the sector into line with every other area of economic activity".

In a resolution, the Parliament expressed itself in favour of "incorporating emissions from international flights and shipping into the emission reduction targets of the second commitment period" of the Kyoto Protocol (2008-2012).

This article was reproduced with the kind permission of EurActiv.

Visit the Euractiv homepage at:
www.euractiv.com

Read the T&E commentary, *Emissions trading is an easy option for airline chiefs*, at:
http://www.t-e.nu/modules.php

For more information on aviation and the environment go to the Aviation Environment Federation website at:
http://www.aef.org.uk/campaigns/climate/index.php

Reducing sulphur in marine fuels is profitable

[News release from the Swedish NGO Secretariat on Acid Rain, 02 Feb 05] A lowering of the sulphur content of marine heavy fuel oil to 0.5 percent would reduce emissions of sulphur dioxide from international shipping around Europe by more than three-quarters by 2010.

The benefits of such a measure clearly outweigh the costs, according to a new study from the Swedish NGO Secretariat on Acid Rain entitled *A Cost-Benefit Analysis of Using 0.5 percent marine heavy fuel oil in European sea areas.* By 2020, the annual net benefits would amount to between 6.6 and 10.4 billion Euro – that is to say, the benefits outweigh the costs by a factor of 7.5.

The study was presented on 2nd February at a workshop in the European Parliament, which will decide on the second reading of a draft directive when it meets in March and April. The proposed amendments, put forward by rapporteur Satu Hassi, is intended to progressively reduce the maximum permissible sulphur content, initially to 1.5 percent, and later to 0.5 percent.

The rapporteur is urging much more far-reaching measures than those proposed by the Commission and agreed under the Council's common position. Whereas the Commission's proposal would reduce emissions by no more than 10 percent from their 2000 levels, the measures suggested by Satu Hassi would raise that figure to about 75 percent.

The emissions

While pollutant emissions from land-based sources are gradually falling, those from shipping show a continuous increase. Even after accounting for enforcement of MARPOL Annex VI, which sets limits on the sulphur content of marine fuels for the Baltic Sea, the

North Sea and the English Channel, emissions of SO_2 from international shipping are expected to increase by 45 percent between 2000 and 2020. As a result, by 2020 the emissions from international shipping around Europe will have surpassed the total from all land-based sources in the 25 member states combined.

The directive

In its present form, the directive (1999/32/EC) sets limits for the sulphur content of marine gas oils and marine diesel fuels used on inland waterways and in EU territorial waters up to 12 nautical miles from shore. It also sets limits on the amount of sulphur in heavy fuel oils and gas oils used in land-based plants, but none on the sulphur content of marine heavy fuel oils (bunker fuel).

Due to the lack of any limit on sulphur, the content in marine heavy fuel oils is now very high, averaging from 2.7 to 3.0 percent, or 27,000-30,000 ppm (parts per million). By comparison, the maximum allowable sulphur content for diesel oil used in road transport is 50 ppm, and in 2009 this limit will be lowered to 10 ppm.

The Commission's proposal for revision of directive 1999/32/EC concerning the sulphur content of marine fuels was put forward in November 2002. Its main aim is to lower the extent to which ships contribute to poor air quality as well as to acidification. It is not, however, especially far-reaching, being confined in the main to securing a 1.5 percent limit on the sulphur content of fuel used by ships that ply the North Sea and Baltic – a limit that has in fact already been laid down in Annex VI under the IMO MARPOL Convention. The Commission's proposal does, however, include extension of the 1.5 percent limit to ferries in regular service to or from any Community port, and prescribes that the sulphur content of fuel used by ships travelling on inland waterways or lying at berth in port should not exceed 0.1 percent.

In June 2004 the EU environment ministers agreed their common position. In doing so, the Council expressed its general support for the Commission's proposal, but rejected firmly the practically unanimous call from the Parliament for stricter, more far-reaching measures.

For more information, see *The Swedish NGO Secretariat on Acid Rain*:
http://www.acidrain.org/policy.htm#shipping

Verheugen sets out green EU business vision

[Environment Daily, 04 Feb 05] EU environment policy is not being downgraded even if the European Commission's relaunch of the bloc's Lisbon strategy focuses on growth and jobs, the new industry commissioner Günter Verheugen insisted in early February. The German socialist said he was "flabbergasted" at the widespread interpretation by MEPs and the press that social and environmental issues were being sidelined.

"Protecting the environment is not an obstacle to improving the economy," he told the European parliament's environment committee. "If something is bad for the environment it will be bad for the economy. This is a line I'll be following in all decisions in my area. Environment is a positive factor for jobs and growth."

As commissioner responsible for business and chair of a committee charged with renewing the Lisbon agenda, Mr Verheugen has a key responsibility for striking a balance between economic and environmental policies.

He went on to present a bold vision of European industry leading the world on environmental issues. European products, "should represent our values, and be leaders on environmental standards", he said. "I want them to be the most environmental, this will give us an advantage."

Mr Verheugen illustrated his vision with the vehicle sector. The European industry "has to be the most environmentally-friendly in the world," he said. Focusing on the recently launched EU competitiveness initiative, Car 21, he said: "The aim is to ensure the Euro-

pean car of the future is the most environmentally progressive".

European Parliament Environment Committee: http://www.europarl.eu.int/comparl/envi/

European Commission Industry Directorate: http://europa.eu.int/comm/enterprise/index_en.htm

Gunther Verheugen: http://europa.eu.int/comm/commission_barroso/verh

EU shows caution on future climate targets

[Environment Daily, 09 Feb 05] The EU should await the outcome of further international talks before deciding what climate emission reductions it wants to see achieved by a second Kyoto protocol commitment period, environment commissioner Stavros Dimas said on 9 February 2005.

Mr Dimas said the EU should adopt a diplomatic approach as substantive discussions on post-2012 global climate action get underway this year. Presenting a policy paper on future EU climate strategy, the commissioner said his key goal was to "broaden international participation" in fighting climate change.

As a result the paper includes no suggestion for the level of emission cuts the EU might want Kyoto's second round to achieve and rules out no options for combatting climate change. "We don't want to scare off other countries [by setting] targets at this moment," Mr Dimas said.

The lack of hard target proposals in the much-awaited document drew immediate scorn from green campaigners. "This is not a pace-setter's proposal, it's a laggard's proposal," said Finnish MEP Satu Hassi. Greenpeace said the Commission had "cheapened" the EU's leadership on climate change.

But the commissioner said he was more interested in "real results" than heroic posturing: "I don't want to sacrifice results just to make an impression," he said. "I'm for targets, but when they're set at the right moment." EU business lobby group Unice applauded his approach and welcomed the paper's "international perspective".

The Commission said it will sound out Kyoto-sceptic parties, first during a visit to Europe by US president George Bush, and then at a global climate seminar in June. It will then propose a more concrete EU negotiating stance for December's COP 11 meeting of governments.

Links:

European Commission: http://europa.eu.int/comm

European Commission press release: http://europa.eu.int/rapid/pressReleasesAction.do

Communication (COM(2005)35): http://europa.eu.int/comm/environment/climat/

EC outlines post-2012 strategy

[Point Carbon, 09 Feb 05] Continued use of market-based mechanisms to reduce greenhouse gas emissions is among the core issues in the European Commission's strategy on how to deal with climate change after 2012.

The EC adopted a set of first proposals designed to structure the future negotiations of the EU with its global partners over climate change policies after 2012 on 9 February 2005. The EC sees the EU as a leading participant in the international negotiations on how to deal with climate change after the end of the Kyoto period in 2012, and aims to get countries like the US and Australia involved.

"Our projections indicate that the costs associated with our proposals today are manageable for our economies," EU Environment Commissioner Stavros Dimas said, hinting that an agreement can be made with the two above-mentioned countries as well as major developing countries.

Broader international participation in reducing emissions, is at the core of future climate change policy to the EU. "The EU should continue to lead multilateral efforts to address climate change, but identify incentives for other major emitting countries, including developing countries, to come on board. During 2005, it should explore options for a future

regime based on common but differentiated responsibilities", the EC said.

It aims to include more sectors, notably aviation, maritime transport and forestry since "deforestation in some regions significantly contributes to rising greenhouse gas concentrations in the atmosphere".

It mentioned the continued use of flexible market based mechanisms as an efficient way to reduce emissions, and pointed to its own emissions trading scheme as an example. It also advocated for an innovation push within the EU to develop cleaner technology.

The US has warned it is not prepared to participate in any binding agreements that do not include specific targets for major developing countries such as China and India, while the developing countries on their hand have said they will not take on any targets as long as the US does not.

The proposals from the Commission mark the early days in an international process set to take several years.

3. GREEN BUDGET REFORM IN SINGLE EUROPEAN COUNTRIES

Edinburgh votes on congestion charge

[Jacqueline Cottrell, Green Budget Germany, 28 Feb 05] Following the success of congestion charging in London, residents of the Scottish capital were offered the chance to introduce a similar scheme in Edinburgh in a referendum in February this year. Regrettably the end result, published on 22 February 2005, was a 75 percent vote against the charge's introduction.

Prior to voting, the outcome of the vote was not at all clear. Those in favour argued that the tolls would reduce congestion and safeguard the environment while a multi-party coalition consisting of the Scottish Conservatives, the Scottish National Party, the Scottish Liberal Democrats and the Scottish Socialist Party joined forces to campaign against the introduction of a congestion charge in Edinburgh, in spite of the success of the charge in London and the paucity of evidence that it had had a negative impact upon the city centre's economy.

The Green Party in Scotland rightly accused these parties of 'hypocrisy' for promising action on climate change and pollution while failing to back the scheme's introduction. Mark Ballard, Green Party Member of the Scottish Parliament, said that too many politicians were paying lip service to the environment while failing to deliver the goods and claimed: "The transport package proposed by Edinburgh City Council is the only proposal that will reduce traffic and congestion - which would have enormous benefits for the health and quality of life of everyone living and travelling into Edinburgh, and would help the city become an attractive place to work and visit."

Duncan McLaren, Chief Executive of Friends of the Earth Scotland, was critical of all political parties on congestion charging, saying: "We challenge those parties that have congestion charging as a national policy position to come forward with a workable scheme as part of their manifestos for the 2007 local elections. Labour, the Liberal Democrats, the SNP and the Greens all have support for congestion charging in their national policies. The test is whether parties are prepared to do more than talk a good game. So far, the Lib Dems and the Nationalists have manifestly failed in this respect."

The proposed system would have introduced congestion charging for drivers entering Edinburgh's overcrowded city centre at peak times. Unlike London, Edinburgh would have introduced two charging zones, one outer zone for morning rush hour traffic and an inner zone that would continue to operate for

the entire day until 6.30 pm. The suggested charge was just two pounds.

It was estimated that congestion charging would have raised £760 million over 20 years – revenue earmarked solely for funding transport improvements. Around 45 percent of the revenue would have been spent in neighbouring local authorities.

Jos Dings, Director of the European Federation for Transport and Environment (T&E), was also disappointed by the no-vote, calling it a "step in the wrong direction. Congestion in Scottish cities will not go away" he continued. "Germany and Switzerland are already operating successful national charging schemes, and a congestion charge will be launched in Stockholm in August."

As Dings also pointed out, the public tend not to support congestion charging schemes before their launch, i.e. before their benefits are felt – as was the case in London. Before charging was introduced, 43 percent of Londoners were opposed to the charge and only 38 percent in favour. In the months following its launch, however, those for congestion charging outnumbered those opposed to it by more than two to one.

For this reason, the wisdom of introducing congestion charging by referendum is questionable. On the other hand, given the city's congestion problems in its chaotic centre, it is astonishing that opposition to the congestion charge in Edinburgh exists at all. While the capital's public transport system undoubtedly does leave something to be desired, arguments that investment in a public transport system *instead* of a congestion charge is the preferable option simply don't hold water – as without push *and* pull, better bus services will do little to deter car drivers from making unnecessary journeys into the city centre.

Links:
http://www.edinburgh.gov.uk/transportedinburgh/

and http://www.foe-edinburgh.org.uk/campaigns/

UK government may target 4x4 vehicles in tax reform

[Jacqueline Cottrell, Green Budget Germany, 14 Feb 02] Senior levels of government in the UK are apparently considering proposals for a radical new taxation system targeting gas guzzling 4x4 vehicles and fuel-hungry executive saloons, according to an article from 1 February in the *Belfast Independent*.

The proposal would require owners of more polluting vehicles to pay an extra levy, while drivers of environmentally friendly cars would reap the benefits and receive a grant as a reward for buying fuel-efficient vehicles. The system, known as 'fee-bating', is intended to be revenue neutral and would replace vehicle excise duty – which currently raises £4.8bn a year – because it it has not had a sufficient impact on consumer behaviour.

Unlike Germany, where the ecotax does appear to have a had a measurable impact on consumer behaviour, privately purchased cars in the UK were less fuel efficient in 2003 than in 2002, a development attributable to the booming UK economy, falling car prices and the ever-increasing popularity of sports utility vehicles (SUVs). Company car fleets did become more economic, with fleet owners opting for diesel rather than petrol vehicles. Supporters of fee-bating claim it would have a greater impact on consumer behaviour, because it actually rewards responsible behaviour financially, rather than simply penalising bad behaviour.

The scheme would set a dividing line for the payment of duties or the distribution of rebates, current estimates have been oriented towards emissions of 185g of carbon dioxide per kilometre. Vehicles above this limit would be charged a levy on a sliding scale – the higher the emissions, the higher the charge – while owners of vehicles below this limit would receive grants, again on an emissions-based sliding scale.

Clearly, setting this dividing line will be no easy task. If a steering mechanism proves to be too effective, then policy-makers run the

risk of raising far less funds then anticipated – as was the case when London introduced the congestion charge – which would mean, in this case, considerable cost to the UK Treasury. If this division were made subject to annual review, however, this risk could be minimised – and if consumer trends in recent years are anything to go by, then the inefficient automobile seems set to continue its rule as status symbol number one in the British psyche.

Transport ministers are also set to introduce two other schemes to promote more efficient and environmentally friendly vehicles. First, a new grant system is to be introduced for highly efficient vehicles with very low emissions and second, a new colour-coded system of energy labels, similar to those currently placed on household electrical goods such as washing machines, fridges and freezers. These measures, too, it is hoped, are set to have a considerable impact on car-buying.

It is claimed that the scheme would constitute part of the UK government's continuing efforts to meet its 2010 target for carbon dioxide reduction – although this measure alone will certainly not be enough. Indeed, the more cynical among our readers may be asking themselves why the UK did not adhere to the first draft of its NAP under the EU ETS, which came into force on 1st January, if it really were serious about meeting its commitments to reduce CO_2 emissions.

Nevertheless, while the plans may represent yet more hot air from the Blair government, their implementation would clearly rectify an imbalance in vehicle sales currently manifest throughout the European Union. Not only is the SUV boom catastrophic for the environment – and let's face it, nobody needs to drive the best 4x4 by far through central Birmingham – they also often sport redundant bull bars specially designed to throw pedestrians (or possibly cattle, but then most SUVs have never seen a cow except from the M4) high in the air when they hit them.

That such proposals are being floated is of course a positive sign, but more concrete action and less hot air is what is needed from the Blair government in 2005. Perhaps Blair's promises of action on climate change will be fulfilled during Britain's Presidency of the EU in the second half of this year and of the G8 – but before concrete measures have actually been implemented, it is difficult not to be anything but sceptical.

Shell Chair urges UK government to act on climate change

[Planet 21, 31 Jan 05] Warning against the "angry beast" of climate change, Lord Ron Oxburgh, Chairman of the UK arm of Shell, called for more determined action by the UK government to limit emissions of CO_2 into the atmosphere. Delivering the fourth Greenpeace Business Lecture on 25 January 2005, Lord Oxburgh said that the Shell Group has nothing to fear from the taxation and regulatory changes that are needed to avoid the potentially disastrous consequences of climate change.

He said, "Governments in developed countries need to introduce taxes, regulations or plans such as the European Union carbon trading scheme to increase the cost of emitting carbon dioxide." This is the only way that technologies such as bio-fuel, carbon sequestration, the use of hydrogen as a fuel and wave, tidal, wind and solar power would displace the use of oil, coal and gas. "None of this is going to happen if the market is left to itself," Lord Oxburgh said.

Renewable energy

In his 50-minute address, Lord Oxburgh outlined Shell's strategy for coping with tougher laws and taxes on using oil and gas by gaining expertise in the various environmentally-friendly technologies that may play a role in meeting future energy needs.

He focused on the need for more research into marine renewables - particularly wave and tidal power which he said were "under resear-

ched and under resourced" and into better ways of storing renewable energy. He also highlighted the important role that biofuels and biomass could play in producing energy for transport, electricity and heating.

On transport he said that in addition to biofuels, hybrid cars were a cost and fuel-efficient way of bridging the gap into a possible future energy economy based on hydrogen. Further he acknowledged the need for aviation growth to be curbed, either by bringing it into the emissions trading scheme or instituting an aviation tax.

Industrial giants

Lord Oxburgh also said that the highest priority in the western world is to find ways for emerging countries to meet their energy needs in a clean way. None of the emerging industrial giants of the future - Russia, Brazil, India and China - will accept a lower standard of living, and history has shown that as countries become more prosperous their demand for energy increases. According to Lord Oxburgh, we need to work with them to help them leapfrog existing polluting technologies.

Lord Oxburgh then responded to an hour of questions ranging from the role of Shell in a changing world, to solving China's growing energy needs.

During the question session, Lord Oxburgh revealed the practical dilemmas of the third largest oil company in the world. Shell is in the energy business and must "stick to their knitting". "It is our job to explore new technologies" and once again he hammered home the message that the future will be determined by government action.

On emissions trading schemes, Lord Oxburgh felt it would be significant, but would take three to four years to develop market confidence in the scheme and get the bureaucracy right.

Responding to a question on Shell's lobbying activities, Lord Oxburgh stated: "There is no shortage of information and suggestions on how we can halt climate change and we are working on a range of government advisory committees. But there is a shortage of determination to act by government."

This article is reproduced with permission from www.peopleandplanet.net, a global internet resource on people and the environment, published by Planet 21, an independent UK NGO.

A copy of the full transcript of Lord Oxburgh's speech is available from: sammy.daniel@uk.greenpeace.org

Towards a consensus on climate change

[Met Office news release, 03 Feb 05] How much more does the climate have to change before it becomes 'dangerous'? This was one subject under discussion at the Met Office's Hadley Centre for Climate Prediction and Research in Exeter, where an international scientific symposium on climate change has now drawn to a close.

Themes debated during the three-day Avoiding Dangerous Climate Change conference ranged from the socio-economic effects of climate change to the vulnerability of ecosystems, but three areas in particular caught delegates' attention:

Antarctica awakens

Prof Chris Rapley CBE, Director of the British Antarctic Survey, presented new data-based results that cast further doubts on the stability of the West Antarctic ice sheet. He claimed that the melting of the ice shelves, such as Larsen B which has been continuously present since the last ice-age, may be leading to a speed up of some glaciers in a 'cork out of bottle' effect, and advised that these processes need to be incorporated in advanced ice-sheet models.

The flood of refugees

Papers presented by IPCC's Martin Parry, Yuri Izrael from the Institute of Global Climate and Ecology, and other speakers during the Impacts Overview session, illustrated from different perspectives that the consequences of climate change vary with scale,

from global to community level, and between regions.

They claimed that as climate changes, societies will also be changing, and the flood of refugees out of some parts of the world could be significant. New technologies are likely to emerge, new discoveries will be made and population shifts are bound to occur. Forecasting such changes is extremely difficult but climate change impacts analyses must take into account changes to societies and how they will adapt.

Species extinction

John Lanchbery, from the Royal Society for the Protection of Birds, argued that, on the basis of ecological effects and the observed inability of some natural ecosystems to adapt, atmospheric concentrations of greenhouse gases can be considered to be already too high.

He pointed out alterations to species ranges, ecosystem loss and the unpredictability of subsequent impacts arising from changes in one key species. He highlighted work in the North Sea on seabird populations, and noted that climate impacts on plankton abundance may have resulted in a substantial reduction in sandeel numbers - a key feed species for many seabirds. This shortage has been independently indicated by Danish sandeel fisheries where 2003/4 catches were half the typical catch.

Organised by the Department for Environment, Food and Rural Affairs (Defra), the conference set out to advance the scientific understanding of the long-term implications of climate change, the relevance of stabilisation goals and options to reach such goals. It also aimed to encourage research and international scientific debate on these issues.

At the close of the conference, Margaret Beckett, Secretary of State for Environment, Food and Rural Affairs, said: "I would like to say how very pleased I am with the way the conference has been organised by the Met Office, and the large presence of some of the most eminent climate change scientists from around the globe. I hope that this conference will be seen as a milestone in building international consensus on climate change."

The results of the conference were summarised by the Foreign and Commonwealth Office as follows *[Source: British Embassy, 14 Feb 05]*:

- The risks associated with climate change are in many cases more seriously than previously recognised.
- Some extremely disconcerting new results of climate change have been identified, e.g. changes in PH levels in our oceans.
- Different degrees of temperature increase could have very different results, e.g. an increase of 1°C will result in coral bleaching; considerably more serious negative impacts can be expected if temperatures increased by e.g. 3°C or more.
- The impact of climate change on the polar ice caps and glaciers are already evident.
- Delaying mitigatory action now means later action must be more far-reaching and thus more expensive to achieve the same results.
- There is no one technological cure; we need a range of options.
- Energy efficiency measures and access to alternative energy sources are absolutely necessary, above all in developing countries.
- Significant investment in mitigation and adaptation projects is required now.

Click here to visit the Hadley Centre for Climate Prediction and Research:
http://www.metoffice.gov.uk/research/hadleycentre/

Details of speakers and papers presented and the report of the steering committee can be found at the *Avoiding Dangerous Climate Change* conference web site: http://www.stabilisation2005.com/

Austria: Too much success threatens the Eco-Electricity Act

[Margarete Endl, Ögut, 22 Feb 05] Last year's boom in electricity generated from re-

newable sources was not well received by all sides. This was because, in addition to the megawatts created by wind and biomass, subsidies for new energy sources also rose faster than expected. A coalition of industry and labour worried about the costs for electricity consumers and wanted to curb these expenses. Environmentalists cried foul and predicted that the boom was doomed.

However, the planned amendment to the existing Eco-Electricity Act failed at the last minute, thanks to lobbying by environmental groups and eco-electricity producers – and political circumstances.

On 9 December 2004, on the very day of a planned parliamentary vote, the amendment to the Eco-Electricity Act of 2003 suddenly lost the required – and expected – support of two thirds of the parliamentary vote and the law was withdrawn. The amendment was supposed to sail through Parliament with the backing of the Association of Industry, the Chamber of Commerce and the Chamber of Labour alike – in fact, these three institutions and lobbying groups had even initiated the debate by staging a common press conference in April 2004 and demanding a change. Why? The law enacted in mid 2002 had created a boom of projects generating electricity from 'other renewable sources' such as biomass, biogas, wind and photovoltaic. Hydroelectric power plants do not fall into the definition of 'other eco-electricity' as the majority of electricity produced in Austria stems from large hydroelectric plants and is produced by the biggest utility, *Verbund*. Small hydroelectric power plants, however, fall into the eco-electricity act but are in a different category.

The goal of the law was that by 2008, four percent of the electricity would be produced from 'other renewable sources'. But in early 2004, it was clear that this goal would already be achieved in 2005. Industry and labour groups now feared that if nothing changed, the subsidies for eco-electricity, which are paid by all electricity consumers in their electricity bills, would skyrocket. Presently, the higher feed-in tariffs for electricity generated from other renewable sources amount to an increase of 18 Euros per year on the electricity bill of an average household.

In August, Economic Minister Martin Bartenstein presented the first draft of an amendment of the eco-electricity bill. The eco-energy branch was shocked and predicted that their boom was doomed. Particularly the Austrian Wind Energy Association feared the end for future wind power projects. The amendment met with furious resistance from environmental groups such as Greenpeace and Global 2000 and eco-electricity companies. Environmental Minister Josef Pröll – like Bartenstein a member of the ruling Austrian People's Party – and the Agricultural Chamber opposed the first draft but subsequently negotiated a better deal for the producers of electricity from biomass and biogas.

The planned amendment as presented to the government's ministerial council was as follows:

- First, the new law would set strict limits for the approval of eco-electricity projects that would benefit from subsidised feed-in tariffs: 17 million euros per year from 2005 to 2010 – out of which 40 percent would go to bio mass plants, 30 percent to biogas plants, 20 percent to wind power, 5 percent to photovoltaic power and 5 percent to other types of renewable energy. The financial support would be granted on a first come, first serve basis.
- The Eco-Electricity Act of 2003 did not limit the amount of projects to be approved, nor did it distinguish between different renewable sources. The only limit was a 15 MW cap on photovoltaic power.
- Second, the feed-in tariffs would be guaranteed for 10 years only, with reduced rates in the 11th and 12th year, instead of full tariffs for 13 years. And, the tariffs would be reduced – for example, for biogas plants from 16.5/14.5 Cent to 13.78 Cent per kWh, and for wind power from 7.8 Cent to 6.55 Cent.
- Third, a tender procedure would be introduced for wind power plants.

Environmental experts especially criticized that the new law would result in a drastic slow-down of new eco-electricity plants – and as a consequence, Austria would not be able to meet Directive 2001/77/EC of the European Parliament and of the Council, setting targets for the EU's electricity consumption from renewable sources in 2010. Austria agreed to the ambitious target that 78.1 percent of its electricity would be generated from renewable sources – but smuggled in a footnote in the Annex stating that 78.1 percent was realistic, assuming that gross national electricity consumption will be 56.1 TWh in 2010. However, given an average rise of electricity consumption of three percent per year, this assumption is far from reality. Assuming that the real net consumption in 2010 will be 71.9 TWh and new eco-electricity projects would be slowed down, the real share of electricity from renewable sources would be around 61 percent, environmentalists argued.

The environmental groups who had declared the planned amendment a catastrophe focused their lobbying efforts on the oppositional Social Democratic Party. As some elements of the proposed bill were constitutional provisions, the law would need a two-thirds majority to be passed and thus, the agreement of the Social Democrats. The Austrian People's Party tried to win their backing by improving provisions for power-heat-coupling important to state governments run by Social Democrats. On 9 December, however, Alfred Gusenbauer, head of the Social Democrats, put on the emergency brake and stopped the amendment for the time being. The Austrian Wind Energy Association commented dryly: "We can breathe a sigh of relief – for the moment."

Last year's efforts to curb the increase of eco-electricity may have had an unintended effect: The number of approved projects for electricity generation from renewable energy reached a new peak in the last months of 2004. While at the beginning of 2004, 520 MW of 'other eco-electricity' was installed, the number of approved projects (including the existing plants) rose to an estimated 1150 MW by the end of 2004. The majority came from wind power which increased to 800 MW, from 420 MW at the beginning of 2004. Biogas almost tripled from 24 MW in early 2004 to 70 MW of approved projects in December 2004, biomass plants more than tripled from 76 MW in early 2004 to 280 MW by the end of 2004.

Future projects, however, are unclear. In mid February 2005, it was still not known how Minister Bartenstein would proceed: either restart negotiations for an amendment or enact an ordinance for new feed-in tariffs.

For more information go to: www.igwindkraft.at

and www.e-control.at

Austria shifts away from environmentally road traffic

[Jacqueline Cottrell, Green Budget Germany, 17 Feb 05] The Austrian government has decided to abandon proposals for a toll on cars using the country's motorways as a means of cutting carbon dioxide (CO_2) emissions and congestion. What is more, against the trend throughout the EU for stricter speed restrictions on motorways, Austrian Transport Minister Hubert Gorbach (FPÖ) has revealed concrete plans for increasing the speed limit on Austrian motorways from 130 to 160 kmh.

These two moves seem very out of character for a country in which successive governments have repeatedly pushed aggressive measures to limit transport pollution and speed limits on their Alpine motorways and tunnels.

Government reasoning

While economic reasoning appears to be the underlying motivation for the abandonment of motorway tolls, Gorbach's plans to increase speed limits seem little more than a cheap vote-winning scam geared towards the country's impending elections in 2006.

The Austrian Environment Ministry commissioned a study from the University of Graz to investigate the potential environmental and economic impacts of motorway tolls in 2004. This study revealed that CO_2 emissions could be cut by between 570,000 and 1.58m tonnes and traffic volume by between 5.1 percent and 14.3 percent.

However, the study also revealed that the tolls would cost the Austrian state something in the region of 0.2-0.6 percent of GDP – and this economic impact was sufficient for the Austrian government to abandon its plans. "The ecological benefits of the measure were in no relation to the economic costs," an Environment Ministry spokesperson said.

This interpretation seems questionable, however. The government failed to take the less direct economic benefits of reducing traffic volumes and GHG emissions into account in its reasoning. Lower traffic levels mean lower costs for road repair and maintenance and reduced health costs as a result of both fewer accidents and a fall in the incidence of respiratory illness. Representatives from the University of Graz were also sceptical of the government's interpretation of the study.

In relation to Görbach's proposals, traffic experts in neighbouring Germany have warned against increasing speed limits on Austrian motorways in view of traffic accident statistics in the country, which already has proportionally far more traffic accidents annually than its larger neighbour. Further increases to speed limits, the experts warned, would in all probability result in higher traffic accident rates and poorer road safety as a whole.

Increasing speed limits would also increase emissions, as cars travelling at faster speeds emit far more GHGs. The move casts the sincerity of Austria's previous stance on through traffic and emissions into question.

Phosphorous tax in Denmark

[Hans Nielsen, The Danish Ecological Council, 03 Feb 05] One target in The Danish Action Plan for the Aquatic Environment is a reduction of the excess phosphorous in arable land by 50 percent by 2015 and 25 percent by 2009, compared to the 32,700 tonnes P in excess in 2001/2002.

The reduction of 25 percent by 2009 will be achieved through a tax of DKK 4 per kg of mineral phosphorous in feed and through general improvement of the phosphorous balance by 3,000 tonnes on the basis of new knowledge acquired through a research programme.

The tax is levvied on feed phosphates in order to reduce the use of mineral phosphorous and to increase the use of phytase. Phytase improves the capability of the domestic animals to absorb the natural phosphorous in feed and therefore reduces the need for adding mineral phosphorous.

Danish producers and importers of feeding phosphates collected the tax.

Revenues from the tax will be returned to agriculture through a reduction in land taxes for all farmers.

Danish registration tax for cars needs to be greened

[Søren Dyck-Madsen, The Danish Ecological Council, 15 Feb 05] Time is running out for the Danish registration tax based solely on the price of the car. The Danish registration tax has its origins in the distant past, when cars were a luxury product and there was a need to prevent too much capital going out of the country. Later, the registration tax also proved to be a useful tool in keeping down the number of cars in Denmark, thus preventing traffic jams and maintaining an extensive public transport system.

In this way, the registration tax has actually worked, since it has kept the number of cars per 1000 inhabitants well below countries with equal purchasing power and much lower

registration taxes. And to some extent, the tax also weighted the market in favour of smaller and cheaper cars, which are often also the 'greenest' ones, since the low weight of the smaller and cheaper car is crucial for achieving low mileage.

For many reasons, the time has now come to make this registration tax much greener. The two big challenges are the dependency on oil for transport and the climate change. On top of this, the Danes have become richer and can afford to buy cars that do not perform very well environmentally. Besides, although very good cars are now on the market, they are expensive and the registration tax makes them even more expensive. A special Lex Lupo is currently being manufactured, and a lower tax set for the Lupo car – which has an extremely good mileage per litre of diesel – but the tax relief is temporary. Today, we see Citroen move ahead with particle filters on their expensive models and hybrid cars like the Toyota Prius with good environmental performance, but both are far too expensive – partly as a result of the value-based registration tax system. Finally, the EU is putting pressure on Denmark as a result of its high registration tax, which the Commission see as a barrier to trade.

We have to 'green' Denmark's registration tax to keep the number of private cars in Denmark low and to raise the average mileage per litre substantially in new cars sold in the country.

Prior to the last election in 2001, the current co-governing conservative party promised to green the registration tax. But they had to be pushed very hard after the election to commission a survey – and when this survey was complete, the government would not implement changes, mainly because they feared loss of revenue, not from the redirection of the registration tax itself, but from decreasing sales of petrol and diesel.

Therefore, NGOs continue to put pressure on the re-elected Danish government to green the registration tax and in so-doing, reduce the negative environmental impact of cars. The use of market instruments to obtain environmental improvements should be close to the hearts of the Danish government of Conservative and right-wing Liberals, but we have not yet seen evidence of the political will to implement these instruments.

We do not believe that the total amount of the present value-based registration tax should be transferred to a green registration tax, depending on the emissions of the cars such as CO_2, particles, NO_X and ozone per kilometre. This would totally undermine the advantages of the value based registration tax – and for instance make some luxury cars relatively cheap compared to family cars.

But we do believe that a mixture should be introduced as soon as possible – with half of the revenue raised according to the environmental performance of the cars and the other half according to the value of the car.

Green taxes in the Danish energy sector must be revised

[Søren Dyck-Madsen, The Danish Ecological Council, 16 Feb 05] Green taxes in the Danish energy sector must be revised to create the right economic incentives for increased share of wind power in the Danish energy system. Four organisations recently sent a letter to this effect to the Danish Minister of Taxation in which they demanded a rethink of some of the Danish green taxes on energy use and fossil fuels. While the Danish energy production and consumption situation is constantly changing, taxation on energy use and fuels has failed to keep up. The Danish energy system has now reached a point where changes are urgently needed for several reasons.

More and more electricity in Denmark today is produced by wind turbines. This means that sometimes the market price for electricity drops as low as zero, because too much electricity is produced for the market – but not because of the amount of wind electricity, but because of wrong economic incentives

given to energy producers. This is already a major economic obstacle for energy producers to increase the share of Danish electricity produced by windmills, since the energy producers will not get high enough prices.

This situation only exists because the present Danish green taxation on energy and fuels was introduced years ago when the Danish energy system was in another situation. Now, it provides the wrong economic incentives for the potentially profitable greening of the Danish energy system.

- Wrong incentives make it economically beneficial for cogeneration plants to keep on producing electricity even in situations where the price is zero. The 'lost' money is then paid by district heating companies and end users that are bound to pay the cogeneration plants extra money just to be able to have the necessary heat produced.
- Wrong incentives prevent the cogeneration plants from using surplus electricity on the market to produce the required heat using heat pumps to save fossil fuels. The skewed tax system makes this situation even worse economically than continuing to overproduce electricity.
- Wrong incentives slow down the possible introduction of flexible electrical equipment that starts when electricity is in surplus and stops when electricity is scarce – i.e. equipment controlled by a price signal. Such a system would remove peaks in electricity consumption, making the whole system cheaper and more environmentally friendly.

If the old-fashioned Danish green tax system for energy were modernised, Denmark could increase the share of electricity coming from renewables / wind from the current 20 percent to at least 50 percent in just few years, without causing problems for the energy system. Denmark could even introduce a system whereby everybody could earn money from the change.

Denmark is probably the first country in the world to face exactly these problems – and for this reason, we must be the first country to introduce a new and modern system of green electricity taxes that gives clear incentives to:

- Supply more electricity from windmills to the Danish energy system, thus replacing the use of fossil fuels.
- Prevent cogeneration plants from over-producing electricity in response to economic incentives when electricity from wind energy is sufficient to satisfy demand for electricity supply.
- Allow cogeneration plants to use a surplus of electricity from wind energy for heat production in an economically beneficial way, but only when a surplus exists.
- Provide positive economic benefits for the introduction of flexible electricity use to prevent consumption peaks.

Such a reform would render Danish energy systems much greener – helping us to achieve the Danish Kyoto targets, creating more jobs in the energy sector, boosting the home market for wind turbines, thus also boosting the export potentials for wind turbine systems, improving energy supply security and reducing the need to import fossil fuels from abroad.

The major obstacles to achieve this win-win situation seem to be the governmental tax freeze, old-fashioned political and administrative thinking, fears for the revenue from the existing energy taxes and the need for four ministries to co-operate.

4. GREEN BUDGET REFORM WORLDWIDE

GREENBUDGETNEWS NO. 11 – 03/2005

Dangerous levels of climate change as early as 2026, warns WWF

[World Wildlife Fund, Gland, Switzerland, 31 Jan 05] A new study commissioned by the WWF shows that dangerous levels of climate change could be reached in just over 20 years time.

The review of global climate simulations suggests that if nothing is done, the earth will have warmed by 2 degrees above pre-industrial levels (c. 1750) by some time between 2026 and 2060. In the Arctic this could lead to a loss of summer sea ice, species, and some types of tundra vegetation as well as to a fundamental change in the ways of life of Inuit and other arctic residents.

The WWF study – *Arctic Climate Change with a 2 degree C Global Warming* by Dr. Mark New of Oxford University – says the models show that, if the rest of the planet warms by an average of 2 degrees, the Arctic will warm by up to three times that amount (3.2 to 6.6 degrees Celsius depending on the model).

According to Dr. New, "A very robust result from global climate models is that warming due to greenhouse gases will reduce the amount of snow and ice cover in the Arctic, which will in turn produce an additional warming as more solar radiation is absorbed by the ground and the ocean." This is because ice and snow reflect more solar radiation back to space than unfrozen surfaces.

Dr. New's research is one of four contributing papers to the WWF report – *2 Degrees is too Much!: Evidence and Implications of Dangerous Climate Change in the Arctic* – to be presented at the February conference on avoiding dangerous climate change, organized by the British government in Exeter, south-west England.

Arctic ecosystems and residents are in the frontline when it comes to impacts of climate change

"Global warming threatens to wreak havoc on the traditional ways of life of Inuit, putting an end to our hunting and food sharing culture," said Sheila Watt-Cloutier, elected chair of the Inuit Circumpolar Conference (ICC), another contributor to the WWF report.

The WWF report finds that so-called summer sea ice is melting at a rate of 9.6 percent per decade. If this continues for more than a few decades, the study warns, this perennial ice will disappear entirely by the end of the century. This would mean that polar bears and some ice-dwelling seals would die out, threatening the food security of the indigenous communities who hunt them.

Another one of the papers shows that boreal forests will spread north and overwhelm up to 60 percent of dwarf shrub tundra, a critical habitat for birds like ravens, snow buntings, falcons, loons, sandpipers, and terns. Migratory birds will lose a vital breeding ground in the Arctic, affecting biodiversity around the globe.

"If we don't act immediately the arctic will soon become unrecognizable," said Tonje Folkestad, climate change officer with WWF's International Arctic Programme. "Polar bears will be consigned to history, something that our grandchildren can only read about in books."

WWF is calling on participants at the climate change conference in Exeter to give a clear message to the G8 governments meeting in the UK later this year.

"If we are to ensure that unique ecosystems like the Arctic are not lost, the G8 meeting must take drastic action to reduce climate change," said Dr Catarina Cardoso, WWF-UK programme leader on sustainable energy. "This must include a commitment to keeping global average temperature below an average of 2 degrees C and to switching to efficient and renewable energy."

According to the WWF, renewable energy technologies such as wind, biomass, geother-

mal, and solar electricity, are not only available but in many cases would save consumers money. Renewable energy coupled with energy conservation measures are the key to reducing CO_2 emissions, the main greenhouse gas.

Please note: the *Inuit Circumpolar Conference* represents Inuit people living in four countries: Greenland, Canada, Alaska/USA and Chukotka/The Russian Federation.

Download the report at:
http://www.panda.org/downloads/arctic/

Finland Tops Environmental Scorecard at World Economic Forum in Davos

[Yale University Press Release, New Haven, 26 Feb 05] Finland ranks first in the world in environmental sustainability out of 146 countries according to the latest Environmental Sustainability Index (ESI) produced by a team of environmental experts at Yale and Columbia Universities.

The 2005 ESI, released at the World Economic Forum on 27 January in Davos, Switzerland, ranks Norway, Uruguay, Sweden and Iceland two to five respectively. Their high ESI scores are attributed to substantial natural resource endowments, low population density, and successful management of environment and development issues.

The ESI ranks countries on 21 elements of environmental sustainability covering natural resource endowments, past and present pollution levels, environmental management efforts, contributions to protection of the global commons, and a society's capacity to improve its environmental performance over time.

The United States places 45th in the rankings. This high-middle ranking, just behind the Netherlands (40) and ahead of the United Kingdom (65), reflects top-tier performance on issues such as water quality and environmental protection capacity. Bottom-rung results on other issues, such as waste generation and greenhouse gas emissions, bring down the overall U.S. standing.

"The ESI provides a valuable policy tool, allowing benchmarking of environmental performance country-by-country and issue-by-issue," said Daniel C. Esty, professor at Yale University and the creator of the ESI. "By highlighting the leaders and laggards, which governments are wary of doing, the ESI creates pressure for improved results."

The lowest ranked countries are North Korea, Iraq, Taiwan, Turkmenistan and Uzbekistan. Esty said these countries face many challenges, both natural and manmade, and have poorly managed their policy choices.

The 2005 ESI generates a number of policy conclusions. Income emerges as a critical driver of environmental results. At every level of economic development, however, there are countries managing their environmental challenges well and others less so. For instance, Belgium is as wealthy as Sweden, but it lags badly with regard to pollution control and natural resource management. In this regard, the variables that gauge a country's commitment to good governance – including robust political debate, a free press, lack of corruption, rule of law are highly correlated with overall environmental success.

The ESI demonstrates that environmental protection need not come at the cost of competitiveness. Finland is the equal of the United States in competitiveness but scores much higher on environmental sustainability and outperforms the U.S. across a spectrum of issues, from air pollution to contributions to global-scale environmental efforts.

Analysis of the ESI data also makes it clear that developed countries face environmental challenges, particularly pollution stresses and consumption-related issues, distinct from those facing developing countries, where resource depletion and a lack of capacity for pollution control are dominant concerns.

"Fundamentally, we see the ESI helping to make environmental decision-making more empirical and analytically rigorous. Such a shift toward data-driven policy-making represents a potential revolution in the envi-

ronmental realm," said Esty, who directs the Yale Center for Environmental Law and Policy.

"While the ESI makes comparative policy analysis possible, it is shocking how many critical environmental issues are still not measured in any usable way," noted Marc Levy, associate director of the Center for International Earth Science Information Network in the Earth Institute at Columbia University and one of the lead contributors to the ESI. "The international community must make a renewed commitment to developing metrics to track policy progress, particularly in the context of the environmental elements of the Millennium Development Goals – the worldwide effort to lift developing countries above the burdens of poverty by 2015."

The 2005 ESI rankings reflect refinements in methodology and advanced statistical techniques used to identify clusters of countries with similar environmental circumstances.

"Identifying a relevant peer group against whom to benchmark results turns out to be a critical element of good environmental policymaking," said Tanja Srebotnjak, Director of the Yale Center for Environmental Law and Policy's Environmental Performance Measurement Project and the ESI chief statistician.

"No country is on a sustainable trajectory – and the ESI demonstrates this," said Gus Speth, dean of the Yale School of Forestry and Environmental Studies. "We've all got something to learn from those at the leading edge. And the ESI offers a mechanism for identifying best practices across the spectrum of environmental issues."

According to Jeffrey D. Sachs, Director of the Earth Institute at Columbia University, the ESI is a pioneering attempt to bring systemic cross-country information to bear on the critical challenge of sustainable development. "This is not an easy task, since as the authors indicate, sustainability is multi-dimensional and not easily summarized in a single figure," said Sachs. "The ESI enriches our understanding by honing in on a range of important issues, including human vulnerability to environmental stress, the functioning of ecosystems, and global stewardship. The report amasses, analyzes and presents an impressive range of fascinating data in the process. This enormous effort will promote a deeper international understanding of, and attention to, the key challenges of environmental management."

The full 2005 Environmental Sustainability Index as well as a summary for policymakers is available at: www.yale.edu/esi

Download the main report at:
http://www.yale.edu/esi/mainreport

Washington considers stricter car emission rules

[Jacqueline Cottrell, Green Budget Germany, 14 Feb 05] Proposals in House and Senate of Washington have called for the introduction of stricter emissions standards on vehicles, similar to those due to be introduced in California, Massachusetts, New York, Vermont, Rhode Island and Connecticut (see GreenBudgetNews edition 7 http://www.eco-tax.info/2newsmit/index.html for more details). New Jersey is also currently in the process of adopting the same clean car standards, and in Oregon a citizen's advisory group called for the adoption of the California model in December 2004, a proposal currently being reviewed by Oregon state governor Ted Kulongoski.

As in California, House Bill 1397 and its companion Senate Bill 5397 will require automobile manufacturers nation-wide to comply with more stringent emission controls on cars sold in Washington State. Individual car owners would not be required to take action to 'clean up' their vehicles themselves. All new cars and small trucks in the state would be required to comply with the new standards by 2016 – some seven years after the Californian standards are due to come into force. The new higher standards require cars to emit 30 percent less carbon dioxide, 20

percent fewer toxic pollutants and up to 20 percent fewer smog-causing pollutants than established federal standards.

Lisa Andrews of Climate Solutions argues that buyers will gain in the long-run if the bill is passed, as their monthly fuel savings will more than doubly outweigh the higher cost of new vehicles. The Alliance of Automobile Manufacturers, which sued California in December over its emissions law, disputed Climate Solutions' figures. Recent polling conducted by Stuart Elway shows that 70 percent of Washingtonians support a law requiring new cars to be cleaner.

In spite of vocal opposition on the part of the Alliance of Automobile Manufacturers, the support of 20 Democrats and 10 Republicans for the bills and Democrat control in both House and Senate in Washington State would seem to indicate that the bill will pass. A final decision is unlikely to be reached before the end of February.

Links:

Read the bills at the Washington State Legislature: http://www.leg.wa.gov/wsladm/billinfo1/

For more information and opinion visit: http://www.washingtonvotes.org/

For information on environmental damage caused by SUVs: http://www.suv.org/environ.html

Kyoto – Mission Accomplished?

[John Weiss, ClimateBiz, Dec 04] At long last, Russia has ratified the Kyoto Protocol and by mid-February 2005 the agreement will enter into force. But when President Putin signed Russia's ratification documents he was not marking the beginning of a new era in government responses to man-made climate disruption, but rather the end of the Protocol's influence over those actions. Simply stated, the Protocol has already served its purpose.

Kyoto's rules and goals are secondary to the agreement's power as a political statement. For the last seven years it has been the catalyst, the critical organizing framework spurring governments, industries, and individuals around the world to take steps to address this most difficult of environmental and social challenges. Now the international community must move from politics to action. Kyoto got us to this point, but as a driver of meaningful emissions reductions the Protocol can be expected to fall short of the mark. Three indicators stand out.

First, emissions continue to rise, not fall. Few would now contend that the 30-plus countries with emission reduction obligations specified by Kyoto will in fact achieve by 2012 the roughly 5 percent reduction in total greenhouse gas emissions, relative to 1990 levels, that the Protocol seeks.

Second, the leaders of climate change policy remain timid. Political leadership on climate change shifted to Europe after the United States announced its withdrawal from the Kyoto process in 2001. But most of the national plans to allocate allowances to greenhouse gas emitters under the European Union's aggressive emissions trading scheme do not require substantial near-term cuts in emissions. Why? Because individual countries still fear putting their industries at a competitive disadvantage more than they value being bold.

Third, the Kyoto Protocol provides no credible disincentive for noncompliance. Penalties exist for countries that exceed their limits, but they simply require greater reductions at a future date to make up for the deficiency. No enforceable penalties that might actually make a difference – that is, the large, monetary kind – exist to ensure that countries do not keep postponing their obligation.

If there is to be any meaningful progress beyond Kyoto's current 2012 horizon the United States, as the source of one-quarter of all man-made greenhouse gas emissions, must re-engage. And it will, regardless of what the Bush Administration is currently saying. Multinational corporations who find themselves increasingly subject to Kyoto-inspired regulation in other countries and domestically focused companies facing a growing patchwork

of regulations at the state level will insist that the United States do more than support necessary research and development.

But when the United States re-engages it may find a diplomatic field still littered with exhausted Kyoto combatants. With challenging issues on the horizon – such as how to ratchet emissions down even further and how to get fast-growth nations like China and India to commit to reductions – a new round of negotiations that builds directly on Kyoto seems beyond reach.

So where do we go from here? We cannot count on future technologies to 'solve' the problem before it is beyond our control, yet technology must be part of the solution. We cannot continue to expect international governments to develop coordinated and dramatic policies and regulations, yet government policy must in the end be a driving force. We cannot expect the scientific community to 'prove' beyond any doubt, that human society is inexorably, but reversibly, disrupting climatic systems, yet scientific inquiry that remains open to all possibilities must continue.

This joint imperative of technology development, wise policymaking, and scientific inquiry requires a productive, ongoing dialogue that views climate disruption not just as an environmental issue but as a social and economic issue as well. The Kyoto Protocol did not guarantee that this dialogue will flourish, but it did at least serve as a catalyst in creating a foundation for rational discussion and ongoing policymaking that previously did not exist. Now the real work begins.

Visit ClimateBiz at: http://www.climatebiz.com/

Japan targets transport industry for energy saving measures

[Point Carbon, 28 Jan 05] Japan is to obligate manufacturers that utilize the transport industry to formulate energy efficiency plans under a new law to be ratified in the current Japanese parliamentary session, according to Yomiuri news service.

Quoting a governmental source, Yomiuri claims the bill will require manufacturers to submit to the ministry total transportation tonnage and distance and formulate energy saving measures to reduce energy use by 1 percent.

Japan will issue an improvement advisory to firms failing to provide an adequate plan and if no action is taken penalties will be awarded. It is not clear what penalties the government plans to put in place.

Japan is struggling to meet its Kyoto commitments of a reduction in greenhouse gas emissions of 6 percent of 1990 levels by 2008-2012.

HSBC Earns Credit for Being First 'Carbon Neutral' Bank

[GreenBiz, 07 Dec 04] HSBC has announced its intention to be the first major bank to go "carbon neutral" in a program that may cost up to US $7 million in the first year.

The bank – one of the world's largest – made the announcement on 5 December 2004, the opening day of the 10th Conference of the Parties of the UN Framework Convention on Climate Change.

HSBC's commitment to carbon neutrality – which involves reducing energy use, buying green electricity and then offsetting the remaining carbon dioxide emissions by investing in carbon credit or allowance projects – is part of a package of environmental measures announced by the bank to help tackle climate change.

The package also includes a three-year partnership with Newcastle University and the University of East Anglia (UEA) worth € 900,000, the *HSBC Partnership in Environmental Innovation*, set up to research climate change, society's awareness of the issues, and to develop technologies to overcome some of the problems identified.

Speaking at the launch of the Climate Group in April 2004, when HSBC became a founder member of its Bank Working Group, Sir John Bond, HSBC group chairman, said: "HSBC has a deep and longstanding commitment to the environment, and it is our judgment that climate change represents the largest single environmental challenge this century. It will have an impact on all aspects of modern life. It is therefore a major issue for our customers and our staff, as well for every organization on the planet, no matter how large or how small."

HSBC's carbon management plan, which commits the bank to carbon neutrality globally, will be implemented in 2005 under the direct supervision of the bank's group chief executive, Stephen Green. Green says: "In 2003, HSBC's CO_2 emissions from using electricity, natural gas, fuel oil and business travel were more than 550,000 tons. We need to act now to reduce our emissions.

"We are setting up a carbon management task force to determine the best way forward. At present, not all allowances and offsets that can be bought have the same environmental value, and as a matter of principle we will ensure that ours are of the highest credibility, and are genuinely incremental.

"We are also determined to make carbon neutrality as cost-effective as possible, and as we move towards better energy efficiency we expect the annual cost to the bank to fall from the US $7 million it may cost us in the first year."

Steve Howard, chief executive of The Climate Group, said: "HSBC's decision sets a new benchmark for the financial sector. They will gain a deeper insight into the emerging low carbon economy and be exceptionally well placed to understand the needs of and opportunities for their clients."

The bank's move towards carbon neutrality is to ameliorate the direct impact it has on the environment, with its buildings, air travel, and so on. This complements the actions it is already taking to address the indirect impact it has on environmental and social issues arising when financing projects for customers.

For example, in 2003, HSBC adopted the Equator Principles. These are voluntary guidelines that direct the bank not to lend to projects where the borrower is unable or unwilling to comply with the Principles or the bank's own internal environmental and social policies, whichever carries the higher standard. HSBC is also developing a range of socially responsible investment funds.

Visit Greenbiz at: http://www.greenbiz.com/

Big Investors Demand Disclosure on Corporate Climate Practices

[GreenBiz, 01 Feb 05] A group of 143 institutional investors with assets of US $20 trillion under management have written to the 500 largest quoted companies in the world by market capitalisation, asking for the disclosure of investment-relevant information concerning their greenhouse gas emissions. This is the third time such a request has been made.

In this request a larger group of investors have collaborated to ask for this data. Corporations that previously provided responses are invited to report progress. Companies that previously did not respond are requested to do so, or to provide a reason why they do not believe the request is relevant to their business.

Commenting on the information request, Paul Dickinson, the project coordinator, said: "The numerous indications of accelerating human induced climate change make it clear that there are business risks and opportunities that have implications for the value of investments in corporations worldwide. Examples include changes in weather patterns, political and regulatory momentum moving against significant carbon emitters; the development of emissions-sensitive technologies, products and services superseding those existing today; and shifts in consumer sentiment due to a corporation's stance on climate change.

This makes it necessary for investors to improve their understanding of climate change risks and opportunities. The data to assess these issues is not always available, sometimes lacks comparability or is of poor quality. The Carbon Disclosure Project aims to encourage the development of a common emissions measurement methodology and to facilitate its integration into general investment analysis. The signatories recognize that companies face pressure to comply with constant demands for information and so have joined in this single call for information to reduce the number of requests."

The recipient corporations have been asked to respond within four months and the information received will be used to compile a thematic report by Innovest Strategic Value Advisors who have been retained to perform the analysis. The report will be distributed to participating institutional investors and companies that respond to the questionnaire, and made publicly available online from September 2005. All submitted data authorized for publication will also be available from the web site at this time.

This initiative has been coordinated by the Carbon Disclosure Project, a special project of the Philanthropic Collaborative of Rockefeller Philanthropy Advisors in New York.

The group of investors is not a legal entity and the Carbon Disclosure Project has no authority to make any other statement on behalf of the participants.

Visit Greenbiz at: http://www.greenbiz.com/

5. SPECIAL ON GREEN BUDGET REFORM IN CHINA

China: Saint or Sinner?

In this edition of Green Budget News, we have decided to take an in-depth look at developments in China. For although China is often regarded as one of the world's foremost environmental pariahs – after the USA – a number of recent policy developments suggest that, in some respects at least, this dubious status may be becoming a thing of the past. While China remains the world's second largest source of greenhouse gases, the Chinese government recently halted work on building 26 major dams and large power stations and introduced new caps on vehicle emissions in a series of surprise moves which find their roots in rapidly growing environmental concern.

In spite of its reputation, or perhaps even because of it, China is awakening to the necessity of reform in the face of climate change and is currently poised to introduce measures radical enough to impress even the world's most environmentalist states, including Germany. The articles below take a look at this country's contradictory approach to environmental fiscal reform.

The ecological impact of growth in China

[Sonnenseite, 31 Feb 05] German managers get sweaty palms in sheer excitement when they visit China and discover that the ancient empire still achieves an annual growth rate of over nine percent. But the flip side of the coin is often forgotten: the ecological impact of this growth is dramatic and is exercising an ever-increasing influence on the living standards of China's population of 1.3 billion.

The World Bank has calculated that 16 of the top 20 polluted cities in the world are in China. In Peking, Shanghai and Canton, acid rain and thick smog are commonplace, attributable to the 1.6 billion tonnes of coal burnt in China every year and the sulphur dioxide emitted as a consequence.

The result of deforestation – proportionally, China only has half as much forest area as Germany – is ever more desertification. Water

requirements will increase two and a half times by 2030. There are millions of environmental migrants already, forced to leave their homes in search of clean water. A further problem is posed by increasing vehicle density – although less than half as many people in China drive cars as in Germany today, in ten years, the number of car drivers may have doubled. China already imports 70 percent of its energy.

In short, economic growth is causing huge ecological problems.

Article translated by Jacqueline Cottrell, Green Budget Germany.

Read the original sonnenseite article at: http://www.sonnenseite.com/fp/archiv/

China takes defensive action against gas guzzlers

[Matthias Urbach, taz, 31 Dec 04] From 2005, only vehicles conforming to set limits of fuel consumption may be sold in China. This means that General Motors, DaimlerChrysler and Volkswagen will no longer be able to sell their largest models in the country. But will Europe learn any lessons from this? Many vehicles that VW, Daimler or BMW have on the market in Germany will no longer be permissible in China. The reason for this is a new environmental law in force from 1st January 2005. All new cars must adhere to limitations on their fuel consumption. These limitations range from a maximum of 6.2 litres per 100 kilometres for small vehicles and 15.5 litres per 100 km for small trucks.

Thus, a car like the Golf (weighing 1,150 kilos) may not consume more than approx. 8.8 litres per 100 km and a SUV such as the VW Tuareg (weighing 1,700 kilos) not more than 12 litres over the same distance. From 2008, these limitations will become even more strict and have been set at 8 and 10.7 litres respectively. As a result, many European models with larger motors will no longer be eligible for sale. "The second stage poses a serious challenge, while the first has not as yet", said vehicle transport expert Axel Friedrich from the Federal Environment Agency in Germany, who travelled to China to find out about the law first-hand. "Approximately 80 percent of all vehicles made by German manufacturers sold today will not be eligible for sale from 2008."

Some manufacturers will have to adjust considerably to meet the requirements of the first stage, however. Thus, only 42 percent of vehicles sold by General Motors in China in 2004 fulfil the 2005 standards, according to research from the World Resources Insitute (WRI). The most affected are heavy, uneconomical vehicles and SUVs, like the 2-tonne BMW X 5 or the VW Tuareg.

General Motors also manufactures similar vehicles, with even higher fuel consumption. The WRI claims that only 4 percent of all SUVs and vans fulfil China's new standards. The French PSA concern (Peugot/Citroen) is best prepared for the changes. Their vehicles already fulfil 2008 standards, according to the WRI report.

China's car market is booming, as ever more private consumers can afford to own a car. In 2003, turnover increased by 50 percent and in 2004, more new cars were sold in China than in Germany. Up to 2020, more than 7 percent annual growth is expected. Even luxury cars have been marketed successfully, as flouting wealth in China is the done thing – if one has it. The car boom in China's largest cities is such that Shanghai has even passed laws requiring purchasers of new vehicles to have a special licence. These licences are limited in number and are sold by auction.

That the Chinese government has dared to take such a step is attributable to pollution problems and a desire to limit the country's dependence on oil imports. While China only had to import about one third of its crude oil requirements in 2002, according to official estimates this figure will increase by more than half by 2007. For this reason, China will in all probability continue to tighten its upper limits on fuel consumption in the years following 2008.

No limitations of this nature have been set in Europe. Attempts by early Environment Commissioner Ritt Bjerregaard to establish similar regulations in the EU failed in 1998 due to resistance on the part of industry. The European Automobile Manufacturers Association ACEA, on the other hand, is prepared to reduce its fleet emissions to 140 grams of CO_2 per kilometre voluntarily by 2008. This is equivalent to fuel consumption – for a petrol engine – of 6.2 litres per 100 kilometres.

However, this value is only an average and for this reason, many small cars will have to compensate for the inefficiency of large luxury vehicles. In addition, this goal is potentially endangered because consumers increasingly prefer larger vehicles with larger motors – and automobile engineers do not clamp down on consumption to the same extent. Gerd Lottsiepen of the German Automobile Club (VCD) predicts that ACEA will be unable to fulfil its voluntary commitments. At the same time, Lottsiepen is very impressed by China's approach of setting absolute limits rather than setting average consumption targets: "In this case, we can certainly learn from the Chinese."

The Federal Environment Agency has been calling for limitations on greenhouse gases to be set for many years now, says Axel Friedrich, as is the case for all other pollutants as well. And of course, the Chinese proposals were unpopular and met with resistance, but "in spite of considerable lobbying on the part of VW" the law was passed.

Article translated by Jacqueline Cottrell, Green Budget Germany.

For further information see the World Resources Institute http://www.wri.org/ and the Tageszeitung: http://www.taz.de/pt/.nf/home

United States and China Launch Clean Diesel Retrofit Program

[Greenbuzz, 22 Nov 04] The U.S. Environmental Protection Agency (EPA), China's State Environmental Protection Administration (SEPA), the Beijing Environmental Protection Bureau, and other organisations have launched a project to retrofit a select fleet of existing buses and trucks in China with clean diesel technology. The EPA is committing US $ 250,000 and significant work hours to this demonstration project and other collaborative efforts to reduce emissions of particle pollution and other diesel emissions in China.

"We will share cleaner emissions control technologies and fuels with China as part of EPA's commitment to a cleaner global environment," said EPA administrator Mike Leavitt. "It helps them and it helps us."

Fine particulate matter and other emissions from older diesel-powered trucks and buses contribute to air pollution in Beijing and throughout China and pose serious public health concerns. Environmental impacts of diesel exhaust emissions include its contribution to ozone formation and acid rain. In Beijing alone, close to 1,000 vehicles are being added to the roads each day.

Because of the increasing number of vehicles, emissions and air pollution are dramatically increasing. By using cleaner fuel and the introduction of new technologies, which can be installed rapidly and inexpensively on existing vehicles, this retrofit demonstration project will reduce particulate emissions and other air pollutants in an existing diesel vehicle fleet by 40 percent or more.

As a member of the global Partnership for Clean Fuels and Vehicles, the United States is assisting developing countries to improve air quality emissions from diesel trucks and buses. The EPA is establishing similar partnerships with Chile, India, Thailand and Mexico.

More information about EPA's Voluntary Diesel Retrofit Program is available at:

http://www.epa.gov/otaq/retrofit/latestnews.htm

Visit Greenbiz at: http://www.greenbiz.com/

Chinese government calls a halt to 26 large energy projects pending environmental investigation

[Jacqueline Cottrell, Green Budget Germany, 14 Feb 05] Already in November 2004, the Chinese government's policy on renewable energies showed the promise of taking a considerable turn for the better. At the Peking wind conference last year, China's Environment Minister announced that China was aiming to become the Asian leader in wind and renewable energy by building the largest wind park in Asia off the coast of Shanghai by the end of this year.

This wind farm project is expected to cost 190 million Euros. At present, 80 percent of all energy in China is generated from Chinese coal, but this has caused serious air quality and environmental problems in China's largest cities. China's newest wind park is set to have a capacity of 200 megawatts, while China's capacity for wind energy generation previously amounted to 730 megawatts. The Chinese Government has set a target to meet 12 percent of its power generation capacity from renewables by 2020 – and while this target is too low to reduce China's GHG emissions sufficiently, it can be regarded as a step in the right direction nevertheless.

But this announcement at the end of 2004 was conclusively topped by the Chinese government's ground-breaking decision in favour of environmental protection announced at the start of this year. In January 2005, government premier Wen Jaibao put 30 planned large projects on hold pending investigation of their environmental impact, including 26 giant energy projects, some of which had already been begun. The 26 energy projects – which cover 13 of the country's provinces and are worth a total of over 10 billion Euros – include three water and 19 coal powered power stations, which would have generated 14,000 megawatts between them: as much as 14 nuclear power stations.

This sensational development in favour of environmental protection and conservation did not come as a complete surprise, as Wen Jaibao already stopped plans for the construction of a huge dam on the Nu river in 2004. Now, the construction of the Xiluodo dam in the upper reaches of the Yangtse river – expected to cost four billion Euros – and the construction of an important but highly controversial underground power facility at the Three Gorges dam on the Yangtse have both been halted as well.

In view of China's ever-increasing energy consumption, these recent announcements by the Chinese government are particularly sensational. Peking's Deputy Environment Minister, Pan Yue, said; "The projects have been stopped, because they did not fulfil the environmental conditions we have set." Up until now, the plans of the Environment Ministry in Peking have generally been overturned by the Planning Ministry. But this time, ecology was given priority over economics.

"We will never be a rubber stamp ministry" said Pan Yue, with the new-found self-confidence he first revealed at the Peking wind energy conference in November 2004. If power relations remain the same, Peking should meet its target of generating 10 percent of its total energy from renewable sources by 2010.

But what are underlying motives for this change? Perhaps national leaders are motivated by their own growing interest in environmental issues, which may be partly attributable to the influence of thriving environmental pressure groups at the country's top universities, attended by their children. Or perhaps the developments are an attempt to rise to the challenge of US President George Bush's claims that Chinese environmental policy is one of the main reasons why the Kyoto Protocol is 'fatally flawed'.

Whatever the reason, China finally seems to be taking environmental issues seriously, a development that will certainly have a

considerable long-term influence on climate change mitigation all over the world.

For more information, see Greenpeace press release on wind energy in China:

http://www.greenpeace.org/international_en/press/release?item_id=588305&campaign_id=3937

For information on China's energy policy see also:
http://www.eia.doe.gov/emeu/cabs/chinaenv.html

China Under Pressure on Emissions as Kyoto Looms

[Jacqueline Cottrell, Green Budget Germany, 22 Feb 05] China – the world's second largest emitter of greenhouse gases – has approved the Kyoto treaty but is under no obligation to cut emissions under the first phase of the Protocol. What is more, if the country's emissions continue to rise unabated, China is predicted to surpass the United States on emissions by 2030. Nevertheless, China and India will be under increasing pressure to cut their emissions in negotiations prior to the second phase of Kyoto, due to start in 2012.

But as the above articles have shown, China has already taken the first steps towards improving its performance. What is more, Yang Fuqiang of the Energy Foundation, which provides grants to Chinese researchers working on energy issues, told Reuters; "[Kyoto] definitely will have a strong impact on the Chinese government to make some adjustments in their strategy and policy toward climate change."

Analysts predict that China will prove eager to participate in the increased international dialogue on the environment expected in the wake of Kyoto becoming reality. "I think this will be a great opportunity for China to participate in the dialogue and be a key player because China will be the biggest emitter that is party to the protocol," Maria Suokko, who heads the Energy and Environment Cluster for the U.N. Development Programme in China, told Reuters.

As the articles above have already shown, China has introduced laws to assess the environmental impact of power generation projects, and as well, according to the Chinese state media, the government is currently drafting a law that would require power companies to buy electricity generated by green energy sources. The government has also set a target for the use of cleaner natural gas in power generation of six percent by 2030 – almost a 5 percent increase on current levels.

To end the section on a positive note: if China does agree to cut its emissions during Kyoto's second phase, past experience has shown that the government is powerful enough to impose the relevant legislation and realise such commitments.

For more information on China (in English):
http://en.chinabroadcast.cn/ce_china/index.htm

6. LETTERS TO THE EDITOR

We received so much positive feedback from our Christmas e-mail that we don't even have room to publish it all! But we have included a selection of the best below:

- Thank you very much for keeping us informed of progress in your country with Green Budget News. We shall try to do the same in coming times. (Christian Garnier, France)
- Congratulations on your steady progress in advancing ecological fiscal reform. I so admire the work you are doing in Europe on these matters. While there are a few voices in North America, they are not nearly as sophisticated or insistent as the European voices. We very much need your continuing leadership. (Walter Ross, USA)
- Thank you for sending me GBG's newsletter on your activities in the Eco Tax field. I found it very interesting. (Juraj Krivosik,

Czech Republic)

- Your informations are quite effective for my work and to understand the situation in Germany and EU. (Takashi Ohtani, Japan)
- Thank you for the good news, ideas and good wishes. I reciprocate them warmly. (James Robertson, UK)
- If you think that it's frustrating in Germany because of the slow pace of adopting stricter eco-taxes, imagine how frustrating it is here in the U.S., where we are moving in precisely the opposite direction: our government is giving more and more environmentally harmful subsidies to industry. (Allen Hershkovitz, USA)
- Thanks very much for continuing to send us your excellent Green Budget news from Germany. (Kay Weir, New Zealand)

7. EVENTS

01-03 March 05, Amsterdam: Carbon Market Insights 2005

Point Carbon's annual event for the world's carbon markets takes place this year in Amsterdam on 1-3 March 2005. Early-bird discount now on. Concise sessions and workshops CDM/ JI, Global Issues and EU ETS from the best speakers in the industry. Interpretation services available in German, Japanese and Spanish.

Our last event sold out, so please sign up early at: http://www.pointcarbon.com/

8-12 March 05, Munich: 25 Years of the Alternative Nobel Prize

In recognition of the 25th anniversary of the Alternative Nobel Prize, (the Right Livelihood Award), the Goethe Institute is organising a platform for exchange of ideas and knowledge with former prize winners. Discussion topics include biodiversity and ecology, sustainability and civil society and the politics of peace. The event will take place in the Goethe Institute in Munich.

Further information and registration at: http://www.goethe.de/alternative

15.-17 March 05, Essen: E-world Energy&Water

This conference will present the international energy and water economy in three days. More than ten congresses and workshops are scheduled to take place each day.

More information at: www.e-world-2005.com

18 March 05, London: envecon 2005

Applied Environmental Economics Conference at the Royal Society, London on 18 March 2005 from 10am onwards. Papers to be presented at the conference focus on four issues: Economics in Decision-Making; Economic Instruments; Economic Valuation; and Developing Countries.

Further information and conference program available at: http://www.eftec.co.uk/

7-8 April 05, Clermont-Ferrand, France: "Assessing local energy policies?"

Energie-Cités, the association of the European local authorities promoting sustainable local energy policies, is organising a conference on the theme "Assessing local energy policies?". The press release in two languages (French version and English version) is designed to reflect local energy policies and the very practical aspects of their implementation and their evaluation.

For the conference programme and registration forms go to www.energie-cites.org/conference and for any additional information please contact: cf2005@energie-cites.org

15-16 April 05, Munich: "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 2005 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.

The draft conference program is available for download (in German) at:
http://www.foes.de/downloads/TagungTutzing.pdf

17 April 05, Munich: 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 2005. It will take place in the *Schweisfurth Stiftung* in Munich and will include detailed briefings on Green Budget Germany's performance and activities over the past year, a follow-up discussion based on the outcomes of the Tutzing conference (see above) and contributions from unexpected guests of honour.

More details will be published on our homepage soon.

14-17 June 05, 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

23.-26 June 05, Bremen: 14th Annual Meeting of the European Association of Environmental and Resource Economists (EAERE)

With the introduction of the European CO_2 certificate trading scheme, the year 2005 marks the beginning of a new era in environmental policy. In the same way, the transition to a higher share of renewable energy poses a lot of new problems. In the 2005 conference, adequate room will be given to these new developments. The meeting will focus on applied, evidence-based and policy-oriented environmental economics. Both theoretical and more practical papers will be presented.

More information at:
http://www.eaere.org/eaere_conf.html *and*
http://www.conferences.iu-bremen.de/EAERE2005/

20-21 September 05, Cambridge: Seventh Annual Bioecon Conference - "Economics and the Analysis of Ecology and Biodiversity"

The conference will be held at Kings College Cambridge and will be of interest to both researchers interested in biological resources and biological processes and to policy makers interested in or working within the field of biodiversity conservation.

The conference will have sessions examining the management of biological resources and biological processes as well as sessions regarding the economic analysis of policies for biodiversity conservation. Papers may now be submitted for presentation within the conference. Acceptance will be notified by email by

31 May 2005. Registrations for the conference are due by 30 June 2005.

Further information will be posted on the BIOECON web site at:
http://www.bioecon.ucl.ac.uk

22-24 September 05, Leuven, Belgium: Annual Global Conference on Environmental Taxation Issues

The 6th ETC will take place at the University of Leuven and its central theme will be "The Promotion of Renewable Energy Sources through Tax or Other Market-Based Measures – Challenges and Obstacles".

The conference organization will accept 40 papers max. by authors from academia, government, NGO's and industry, etc. For the first conference day, papers must deal with the central conference theme, i.e. the promotion of the use of renewable sources of energy (biomass, geothermal, water, solar, wind, wave, tidal, etc.) through tax instruments or other market-based instruments, and can focus on legal, economic, environmental/energy (technical) or political/sociological issues.

For the second conference day, papers on all kinds of issues of environmental taxation will be accepted, according to the four above mentioned categories of issues.

Further information on the conference is available at: http://www.law.kuleuven.ac.be/imer

8. LINKS AND PUBLICATIONS

New research project is launched December 2004: COMETR - Competitiveness Effects of Environmental Tax Reforms

COMETR is a Specific Targeted Research Project (STREP) supported by financing from the EU's Sixth Framework Programme for Research. COMETR is coordinated by the Department of Policy Analysis at the National Environmental Research Institute in Denmark and has 6 partners. COMETR runs from December 2004 through to November 2006. The research will analyse the economic and environmental implications of environmental tax reform, notably carbon-energy taxes, and will undertake the first comprehensive sectoral analysis of Europe's environmental tax reforms from an ex-post perspective.

For more information on the project go to:
http://www2.dmu.dk/cometr/index.htm

U.S. Business Actions to Address Climate Change: Case Studies of Five Industry Sectors

This report from the Sustainable Energy Institute in Washington D.C. on the U.S. industry sector approaches to addressing GHG emissions examines U.S. GHG policy on both federal and state levels before turning to the actions of selected industries in tackling climate change. Based on interviews with numerous individuals associated with selected companies, the report examines the approaches that five different industry sectors (aluminum, chemicals, electric power, forestry and paper products, and pharmaceuticals) have taken toward climate change. A final section of conclusions discusses common trends or themes that exist among the industry sectors.

Download the full report at:
http://www.getf.org/file/toolmanager/

Visit the Sustainable Energy Institute website at: http://www.s-e-i.org/

9. GREEN BUDGET GERMANY NEWS

Green Budget Germany in the Press

On 17 February Green Budget Germany appeared in no less than three French-speaking Swiss newspapers, La Tribune de Geneve, La Liberté, and Le Courrier. A further article appeared on 28 February on the French language internet site, L'Etat de la planète (link see below).

Ecological tax reforms to go beyond the Kyoto Protocol

[Philippe de Rougemont, La Tribune de Genève, La Liberté, Le Courrier, 17 Feb 05]

"Energy taxation is a 40 year-old idea. In the 70s and 80s, moving from defensive ecology and towards a more prospective form of ecology by using market-based instruments was increasingly discussed. EFR was part of this trend", says Beat Bürgenmeier, economics professor at the University of Geneva. But in Switzerland, none of the three referendums for the concrete implementation of EFR have even got close to having a sufficient majority and market-based instruments to control and prevent polluting practices are still underdeveloped. This is not surprising, since most states, businesses and a large part of the general public want energy prices to remain at their current levels. EFR activists defend a cause that has not yet been fully acknowledged.

But in Germany, things are rather different. The ETR has created 250,000 jobs since its introduction in 1999. The German renewables and energy efficiency sector is important enough to make itself heard on the political and economical scene.

Ecological awareness has always lacked a sense of urgency and an international framework able to impose emissions reductions and deadlines. These two conditions have now been met. First, the subject of climate change has replaced news from Iraq in the media – and this trend in unlikely to change, with the UK presidency of the G8 and Blair's announcement that he intends to persuade Bush to sign the Kyoto Protocol. Second, Russia's ratification of the Protocol ensured its entry into force on 16 February. Debates on the possible existence of climate change have now given way to debates on how to reduce greenhouse gas (GHG) emissions.

Germany and Kyoto

For Jacqueline Cottrell of Green Budget Germany (GBG), an NGO which promotes EFR, "the ecotax in Germany will prevent the release of 10 million tons of CO_2 in 2005 relative to 1998. Road traffic emissions reductions alone account for 60 to 80 percent of total reductions. We think this is the most important and direct impact of the EFR in Germany."

Interviewed for the purposes of this article, Kai Schlegelmilch, German Environment Ministry official and Vice-President of GBG stresses that "Germany is one of the major protagonists of the ETR. But we are also interested in using other economic instruments to fully exploit market mechanisms in favour of the environment."

In Germany, the ETR has been a success. The German Federal Statistics Office reports for 2002 and 2003 an annual decrease of 2.6 percent for fuel GHG emissions and a 1.5 percent increase in passenger use of public transportation. Between 175,000 and 250,000 jobs have been created, due in part to reductions in social insurance payments. Moreover, 120,000 jobs have been created in the renewable energy sector (2002). According to the German Institute for Economical Research, 1.4 million jobs depend on environmental protection in Germany. But this is no reason to forget other

market instruments: "EFR and emissions trading can be combined, there is no exclusive choice."

Understanding there are many economic (renewable energies constitute a new market), social (employment) and ecological advantages to EFR, many countries are starting to implement some form of EFR. "Europe is now the first world region to impose a minimum energy tax rate on itself", adds Schlegelmilch. "Slovenia and Austria have already implemented a certain degree of EFR. There are promising initiatives in France, Italy and Spain, and in South Korea and Japan." The German Environment Ministry supports the introduction of the EFR in other countries, such as Poland or the Czech Republic.

Activists for the EFR

Green Budget Germany has been promoting EFR since it was founded in 1994. It aims to "bring together a body of experts and draw up EFR structures ready for implementation as soon as politicians are ready to take effective action to react to climate change." GBG studies and promotes the enforcement of EFR in single countries and at EU level and produces a monthly newsletter to take stock of progress in European countries and around the world. GBG and the European Environmental Bureau (the EEB is a federation of over 140 ecological organisations with consultative status with the OECD and the main instances of the EU) seek to communicate a European consciousness to individual NGOs and activists who promote EFR.

Lobbying at the political instances of the EU has been successful: the European Commission explicitly recognizes the relevance of an EFR. The entry into force of the Kyoto Protocol should speed things up decisively. Moreover, the gradual phasing out of environmentally harmful subsidies is of one of the EU's highest priorities. The EEB stresses that the EU should examine the distribution of its structural funds, particularly in view of the most polluting activities.

European debate

The EU will have to resolve tensions between its declared objectives of free market and road transport and its environmental commitments, which mean increased public and rail transportation. In this dilemma, the structural funds of the EU are at stake. For example, the European Commission wishes to use funds from the Eurovignette to develop road networks, while NGOs demand that this fiscal income be used for development of public transportation.

Climate change was also the focal point of the European Social Forum (ESF) in London, where all participants were critical of the means thus far employed to combat climate change. Most observers of the ESF rejected voluntary measures and policies based on dialogue with industry, which they regarded as too slow if not totally inefficient. In Switzerland, for example, businesses have been granted several postponements to their voluntary commitments to reduce GHG emissions – which have thus far proved unsuccessful.

Also in Switzerland, the imposition of a CO_2 tax has been unsuccessful since legislation to this effect was passed in 1999. On 18 January 2005, 47 organisations (1.8 million members altogether) reminded the Federal Council in a declaration that voluntary measures are not sufficient to reduce CO_2 emissions. They demanded the adoption of a federal project for an incentive tax: 9 cents per litre on heating oils and 30 cents per litre on fuel from 2008 on. This would modify consumer behaviour and create thousands of jobs in the renewable energy sector, as in Germany. The revenue-neutral tax income would be redistributed to the population through health insurance and pensions.

In contrast to this project, a far more modest version is being promoted by the conservative parties, industry, and the main economic association of Switzerland – the 'climate penny', a non-incentive tax on energy

consumption. Its income would be used to buy pollution permits in countries that pollute less – thus, emissions cuts would essentially take place outside Switzerland, assuming they are carried out at all.

Trade union support, at last

The biggest trade union federation in Switzerland, the USS, also signed the above-mentioned declaration, alongside the principal environmental organisations of the country. This USS support is surprising, as trade unions have traditionally criticized the EFR, claiming it is socially unjust and that ecological taxes are regressive because they are linear – rich and poor must pay the same and thus, proportionally, the poor must pay more, while social insurance payments are progressive and increase with wages. Supporters of the reform argue this regression can be compensated for by creating programs which help those on low incomes sidestep the tax, such as the introduction of public financing for public transportation or the development of energy-saving measures.

Trade unions other than the USS now actively support the development of the EFR in Europe, notably the European Trade Union Confederation (ETUC) and the German Confederation of Trade Unions (DGB). According to Kai Schlegelmilch, "they perceive the pay-offs of reductions in social insurance payments and real wage increases and the boost to new sectors offering stable jobs". Two major arguments have convinced trade unions of the relevance of the EFR, even without taking its environmental objectives into consideration: the financing of pension funds is assured despite lower social insurance payments, and the renewable energy and energy-efficiency sectors are more labour-intensive than the energy supply industry. Investment in the energy efficiency sector generates four times more jobs than similar investment in energy production, according to a survey from the Pembina Institute in Canada.

Ever More Support from Economists and Business Leaders

In a free market, industries do not pay for the ecological and social costs resulting from their economic activities. The EFR corrects this flaw by internalising non-economic costs through energy price increases. Tax rates may vary from one fossil fuel to another: for example, coal generates the greatest quantity of carbon (0.30 ton/million particles) and should be taxed more heavily than oil or natural gas (0.24 and 0.16 ton/million particles respectively).

More business leaders are also coming to see several advantages in switching from social to fossil fuel taxes: rationalisation of energy costs, less dependence on oil imports, and diminution of social costs. The European economy could also get ahead of Asian and American competitors by being the first to adopt a 100 percent renewable energy supply base.

Other business leaders disagree. Noé21, a Geneva-based association, conducted a survey on EFR in 2003 and 2004. When interviewed, a private banker and real estate promoter declared: "the Greens should set themselves free from left-wing political parties and their taxation ideas or they will lose this battle. It's all about education. I believe in free will and taxes freely consented to, like the green electrical current (current taxed to finance the development of renewable electricity supply)." After having attentively listened to all the arguments in favour of the EFR, the banker agreed to an acceptable formulation of the EFR, but still did not believe in a neutral fiscal effect. "There will always be a leak in favour of the state. If EFR is to be implemented, people have to know exactly where the tax money goes and which taxes will effectively be cut."

For the economists who have been studying the question for a long time, as Richard N. Cooper, international economics professor at Harvard, the situation is clearer: "to cut emissions, the economists' favourite instru-

ment is to tax the guilty activity. All countries could agree to impose a common tax on emissions, thus increasing fossil fuel prices proportionately to their carbon content."

The delayed impact of climate change

An EFR needs several years to have an impact on consumption and investment patterns – but the impact of climate change will not be fully felt for several decades. For the moment, we have found no better way to reduce atmospheric pollution than to discourage fossil fuel consumption by setting high prices. The last time oil consumption significantly dropped was in 1973, when OPEC tripled oil prices. Western countries then turned to energy saving techniques and possible renewable energies. "We may have no oil, but we have ideas", was the French government's motto for their energy saving campaign. Today, at the time when the Kyoto Protocol deploys its legally binding effects, we have renewable energies, energy efficiency and fiscal reforms to speed up their development.

Article translated by Berivan Pont, Green Budget Germany.

Green Budget Germany and Global Marshall Plan Event a great success!

[Berivan Pont, Green Budget Germany, 23 Feb 05] This Green Budget Germany event, organised together with the Global Marshall Plan initiative, the Umwelt-Akademie e.V. and the Gregor Louisoder Umweltstiftung, consisted of two presentations followed by a debate and questions on the topic of *Global Replanning For The Environment*. The extremely successful event took place in the Gregor Louisoder Umweltstiftung in Munich on Monday 21 Febuary 2005 and was attended by almost 70 people altogether.

The audience was given a warm welcome by Claus Obermeier, manager of the Gregor Louisoder Umweltstiftung, as were the evening's two speakers, Professor Rademacher and Dr. Anselm Görres.

Professor Rademacher, chairman of the *Research Institute for Applied Knowledge Processing* executive board gave a presentation introducing the Global Marshall Plan. He explained the motivation behind the plan and ways in which the Global Marshall Plan Initiative envisages achieving its goals.

Professor Rademacher highlighted the unfair nature of the capitalist global system, at the same time emphasising the environmental problems caused by global capitalism and the world's rapidly increasing population. As a result, he argued, the Global Marshall Plan Initiative stresses the importance of a worldwide economic and social development plan as the only sustainable course of action for the planet in the long term.

As the initiative's name clearly states, this development plan is to be modelled on the US plan to save Europe from economic chaos at the end of the second world war. Today, the initiative calls for Europe to lead this global movement. Professor Rademacher suggested some possible ways of realising the initiative's highly ambitious project, including creating fair competitive conditions within the global economy and the promotion of small and medium enterprises and small-scale credit systems to facilitate sustainable development. Holding out considerable hope for the UK presidency of the G8, Rademacher praised UK Chancellor of the Exchequer Gordon Brown and emphasised that he remained optimistic that some progress towards the initiative's goals might well be achieved on the back of the UK presidency in 2005.

Dr. Anselm Görres, Green Budget Germany chairman, then gave his presentation on "Ecotaxes as a Building Block for Sustainable Development." Dr. Görres argued that a discussion of sustainability must address three questions: the degree of the problem, the best kind of instrument to use and the instrument mix required to implement sustainability.

Most politicians do not want to consider the problem too seriously, Dr. Görres continued, because of the unpopularity of sustainability and other ecological topics. He was critical of those politicians and other decision-makers who tend to prioritise economic matters over and above environmental concerns – i.e., the vast majority, saying that they fail to recognize that the economy is not a closed circle, independent of environmental issues. The truth of the matter is, Görres pointed out, that the global economy is no more than a subsystem within the global ecological system.

Dr. Görres went on to examine the implementation of environmental taxation as the best solution to this problem of political inertia. As an instrument, ecotaxes proved extremely popular throughout the EU in the 1990s, because they combine ecological benefits with positive fiscal effects – and, Görres continued, these benefits are equally transferable to other countries. In the long-term, however, Görres pointed out, an instrument mix of ecotaxes and emissions trading and other mechanisms is required to secure sustainable development.

The ensuing discussion highlighted the greatest obstacle to the introduction of environmental fiscal reform and the wide-ranging vision of the Global Marshall Plan: inertia. It was moderated by Richard Häusler, director of the Umwelt-Akademie. Afterwards, the discussion continued as guests enjoyed a delicious buffet and drinks courtesy of their hosts.

Links to organising partners:

Global Marshall Plan Initiative:
http://www.globalmarshallplan.org/index_eng.html

The Gregor Louisoder Umweltstiftung:
http://www.glus.org/

The Umwelt-Akademie:
http://www.die-umwelt-akademie.de/

10. READERS' GUIDE AND IMPRINT

Readers' Guide:

Reading our Newsletter is not difficult – just follow the instructions below:

- First, make sure you always have sufficient free memory in your e-mail account. If you don't, the newsletter will be returned. Our newsletters have up to 425 kilobytes per copy.
- Do not try to print the HTML version

directly from your e-mail account, because it won't work! For a printable version click on the link at the top (download...) and download a printable PDF version of the newsletter.

- You can read all our newsletters in our archive: http://www.eco-tax.info/2newsmit/index.html

Access individual topics in the archive by clicking on them in the directory - you don't have to view the whole document.

We hope you enjoy reading your copy of GreenBudgetNews!

Best wishes from the editors!

GREENBUDGETNEWS NO. 11 – 03/2005

Green Budget Germany's Team of Editors

You can contact the Green Budget News editors at the following addresses :

Förderverein Ökologische Steuerreform
Green Budget Germany
Landsbergerstr. 191 – D – 80687 München
Tel.: +49 89 520 113- 13 Fax: - 14
foes@foes.de
www.foes.de
www.eco-tax.info

European Environmental Bureau
Boulevard de Waterloo 34,
B-1000 Brussels
Tel: +32 2 2891090
Fax: +32 2 2891099
secretariat@eeb.org
www.eeb.org

Levego Munkacsoport
Clean Air Action Group
H-1465 Budapest, Pf. 1676, Hungary
Phone: +36-1 4110509/-10
Fax: +36-1 2660150
levego@levego.hu
www.levego.hu

ÖGUT – Österreichische Gesellschaft
für Umwelt und Technik
Austrian Society for Environment and Technology
Hollandstraße 10/46
A – 1020 Vienna
Tel.: +43 1 315 63 93 – 13 Fax: - 22
office@oegut.at
www.oegut.at

The Ecological Council
Blegdamsvej 4B
DK - 2200 Copenhagen N
Phone: +45 33 15 09 77
Fax: +45 33 15 09 71
info@ecocouncil.dk
www.ecocouncil.dk

Final corrections were made by:

Craig Morris, Translation Director at Petite Planète

Translations for a Small Planet

Tel.: +49-761-881-4801

Rehlingstr. 6c, 79100 Freiburg, Germany

lingua@petiteplanete.org
http://www.petiteplanete.org