EUROPEAN PARLIAMENT

2004 *2009*

Committee on Economic and Monetary Affairs

2007/2203(INI)

20.12.2007

OPINION

of the Committee on Economic and Monetary Affairs

for the Committee on the Environment, Public Health and Food Safety

on Green Paper on market-based instruments for environment and related policy purposes
(2007/2203(INI))

Draftsman(*): John Purvis

(*) Procedure with associated committees - Rule 47 of the Rules of Procedure

PA_NonLeg

SUGGESTIONS

The Committee on Economic and Monetary Affairs calls on the Committee on the Environment, Public Health and Food Safety, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

A. Whereas Market-Based Instruments consist of important tools for implementing the "polluter pays" principle, and more broadly, for taking into account of the hidden costs of production and consumption to people's health and the environment in a cost effective way;

B. Whereas the reform of environmentally-harmful subsidies (EHS) can contribute to addressing climate change, advance sustainable development and maintain the EU's international competitiveness;

1. Considers that the agreement reached at the Brussels European Council in Spring 2007 to reduce the EU's greenhouse gas (GHG) emissions by at least 20 % by 2020 compared to 1990 levels[1], will require an additional combined effort from the EU27 that has been measured to range from -0,19 % to -0,24 % of GDP in annual terms;

2. Observes that European economies account for over 35% of the world market for traded environmental goods and that European companies are therefore well placed to take advantage of a global green economy and this offsets at least part of the impact on GDP;

3. Notes that Market-Based Instruments comprehend a wide range of tools which are designed to respond to specific purposes, such as tradable permits that have been designed to achieve reductions in pollution (such as emissions of CO2); environmental taxes, which are meant to change prices and thus the behaviour of producers and consumers; environmental charges, designed to cover costs of environmental services; environmental subsidies, designed to support the development of cleaner technologies, etc.;

4. Points out that experience in recent years show that the question of "which instrument is best" has changed to "which mix of instruments is best";

5. Stresses that the development of instrument mixes will help to make the use of Market-Based Instruments optimal ; in this context, considers that MBIs can contribute greatly to achieving the goals of the Lisbon agenda;

6. Recalls that Commission studies conclude that achieving the Kyoto targets could cost as much as EUR 6,8 billion, but that by using the EU's GHG emissions trading system (EU-ETS) it is possible to reduce the annual cost to EUR 2,9 to EUR 3,7 billion;

7. Takes the view that energy and climate measures adopted as part of a comprehensive concept at EU and national levels must be brought into line with the objectives agreed in Lisbon and Göteborg;

8. Recalls that the energy tax directive foresees that, under certain conditions, taxation can

[1] 1990 levels were 4266,4 million tonnes CO_2 eq (EU-15) and 1104,4 million tonnes CO_2 eq. (EU-10).

be fully or partially replaced by alternative market-based instruments, including, in particular, the EU-ETS;

9. Takes the view that market-based instruments represent an appropriate and effective means of internalising external effects which should be used much more frequently and which can complement, but not replace, administrative instruments;

10. Calls for greater use to be made of market-based instruments with a view to achieving environmental policy objectives in the individual Member States and the EU; in that connection, however, care should be taken to ensure that the Member States' sovereignty in fiscal matters does not give rise to distortions of competition;

11. Points out that with the high demand inelasticity of tax-to-fuel consumption, a politically problematic increase of the tax burden on consumers would be needed to achieve any appreciable emission reductions[1];

12. Concurs with the Commission's analysis that the EU-ETS is the most cost-efficient, demand-sensitive and objective market-based instrument available for reaching the GHG reduction set by the European Council[2];

13. Urges the Commission, therefore, to strengthen the EU-ETS by establishing a progressively tightening cap and extend it to all first-tier emitters as the main means of achieving the 2020 GHG reduction targets;

14. Is of the opinion that energy taxation should remain a secondary and complementary GHG reduction tool only for emissions that cannot be affected by the EU-ETS directly or indirectly;

15. Welcomes the emergence of financial instruments in addition to taxation and emissions trading schemes, notably the increasing availability of green/ethical investments, such as green bonds, offering greater awareness and creating a market choice for investors;

16. Recognises the supportive role of venture capital and private equity firms in investing in the low carbon technology field;

17. Agrees with the Commission that the removal of environmentally harmful subsidies consists of an essential complementary measure to reach sustainable development, and especially, the objectives endorsed by the EU Heads of State and Government as regards the integrated climate change and energy agenda;

18. Subject to consideration of the Commission's forthcoming EU-ETS impact assessment,

---

[1] Economy of Environmentally Related Taxes, figure 3.1 "Sales of, and taxes on, petrol and diesel in OECD Europe (1994-2004)".

[2] For example, the power sector remains a key sector for reducing GHG emissions. It delivers around 66 % of total global reductions compared to baseline by 2030. The CO_2 emissions derived from most electricity production are currently addressed by EU ETS. Other measures, such as the liberalisation of the electricity market, including the consumer choice of supplier, can contribute to the same objective.

believes that a single EU-wide cap, with full auctioning of all the allowances by the Commission in three-year tranches until 2020, is an option that should be further explored**,** giving appropriate consideration to the way the proceeds from auctioning of allowances should be used (mitigation of GHG emissions, funding of R&D, etc.), whilst ensuring a redistribution which favours those Member States which, as a result of their efforts to reduce GHG emissions, pollute less, and with due regard for the State Aid rules;

19. Emphasises, in this respect, the importance of encouraging the development of the global carbon market in order to achieve the necessary extensive emissions cuts in a cost-effective manner and suggests that emphasising the EU-ETS cap as Europe's overriding mechanism for reaching its emission targets will influence the establishment of this global market within the European Union alongside its existing successful financial markets;

20. Considers that it is important to encourage the EU's trading partners to undertake effective measures to abate GHG emissions and to develop comparable and mutually accepted standards, but where no such arrangement can be attained, urges the Commission to develop the necessary incentives such as carbon equalisation mechanisms; recognizes that binding international benchmarks and commitments covering all sectors that are vulnerable to competition would be preferable to the possible adoption of border tax adjustments to offset distortions among trading partners;

21. Calls on the Commission to initiate a detailed overview of existing taxes and subsidies with the objective of assessing how effective they are in reducing GHG emissions;

22. Calls for greater use to be made throughout the EU of market-based instruments with a view to achieving environmental policy objectives in general and the internalisation of external costs in particular; proposes, for example, the use of more closely market-based instruments to promote energy efficiency and thermal insulation of buildings.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	19.12.2007
Result of final vote	+: 26 –: 2 0: 7
Members present for the final vote	Mariela Velichkova Baeva, Zsolt László Becsey, Pervenche Berès, Slavi Binev, Sebastian Valentin Bodu, Sharon Bowles, Udo Bullmann, Jill Evans, Elisa Ferreira, José Manuel García-Margallo y Marfil, Donata Gottardi, Gunnar Hökmark, Karsten Friedrich Hoppenstedt, Guntars Krasts, Kurt Joachim Lauk, Andrea Losco, Astrid Lulling, Gay Mitchell, John Purvis, Alexander Radwan, Bernhard Rapkay, Heide Rühle, Antolín Sánchez Presedo, Olle Schmidt, Peter Skinner, Margarita Starkevičiūtė, Cornelis Visser, Sahra Wagenknecht
Substitute(s) present for the final vote	Daniel Dăianu, Jorgo Chatzimarkakis, Werner Langen, Gianni Pittella, Bilyana Ilieva Raeva, Andreas Schwab
Substitute(s) under Rule 178(2) present for the final vote	Theodor Dumitru Stolojan