

The Missing Piece in Europe's Climate Strategy?

<http://www.social-europe.eu/2010/06/introducing-a-european-carbon-tax-the-missing-piece-in-europes-climate-strategy/>
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Once in a while, usually at the beginning of his turn in office, the EU Commissioner for Taxes approaches member state governments with a specific proposal: a European carbon tax. While in the past, this attempt seemed both brave and hopeless at the same time, the attempt could actually win some support this year.

The debate is not new at all: Before the Commission announced its plan to introduce emissions trading in the EU in the late 1990s, the discussion about minimum environmental taxes was already on the agenda for some time. With the introduction of international emissions trading, following the adoption of the Kyoto Protocol, and the rising awareness that such a system would not require unanimity in the Council, the Commission chose to bury the idea of an environmental tax and introduced the EU ETS instead. The carbon tax was transformed into a minimum energy tax and the ETS became the main climate protection instrument in the EU.

Today, nearly ten years later, the carbon tax is back on track. Former Tax Commissioner Laszlo Kovacs floated the idea. And his successor Algirdas Semeta has now taken the idea and placed it on his agenda. A concrete proposal is expected in the coming weeks.

Why would it be a good idea to introduce such a tax? First, even today, the EU ETS still covers less than 50% of the emissions in the European Union. In sectors such as transportation, agriculture and housing climate action has not resulted in any measurable success so far. And especially the transport sector has steadily growing emission rates. Setting incentives for emission reductions would bring Europe closer to achieving climate targets and, in most cases, make climate protection cheaper, compared to efficiency gains in the ETS. Second, one of the main targets of Europe's new growth strategy 'EU 2020' is the increase of resource efficiency. We will need more awareness of this topic. Awareness, unfortunately, often finds its way through financial restrictions, such as a tax. Third, the shift of taxation from labour to carbon should be an essential element of progressive policies. In the long run, it is also much more sustainable because it recognises the chances of future generations instead of concentrating solely on today's benefits.

The discussion about a European carbon tax has rekindled in recent months. For social democratic policy-makers it should be clear that introducing such a market-based instrument is a good idea. Nevertheless, the introduction of this instrument needs additional safeguards such as support programmes for investments in efficient technologies, or loans for the insulation of houses for lower-income house owners.

In order to enable people to invest, governments need to provide such programmes. Programmes cost money and this is exactly what a carbon tax would generate. Let's start the discussion!

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