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Carbon and energy tax

Commission attempts to break taboo on carbon tax welcomed but proposal needs strengthening

The European Commission will tomorrow present proposals to revise the energy taxation directive, which sets out minimum European rates, notably with a view to introducing EU-level carbon taxation. The Greens welcome the initiative of the Commission but the group has expressed concerns both as regards the scope and the rate of tax to be applied based on current drafts of the proposals. Ahead of the presentation, Green MEP **Philippe Lamberts** said:

"An overhaul of EU rules on energy taxation is long overdue. If properly conceived, EU energy taxation rules can be used to spur green innovation and greener consumption, while shifting the tax burden from labour to resource use would also help as regards job creation. There is clearly a glaring need to redress the perverse imbalances in the directive, which enable some of the most polluting fuel sources to be taxed at the lowest rates (1). Including provisions to tax fuel based on carbon content would also be an important step to help the EU achieve its energy efficiency and climate change goals.

"The Greens believe it is wrong to exempt sectors covered by the emissions trading scheme (ETS) from any carbon tax. With the ETS currently failing to deliver a proper price signal, a carbon tax could be a complementary tool to stimulate green innovation in these sectors. We are also concerned about the proposals to 'peg' the carbon tax rate to the current price for carbon permits under the ETS. As noted, the current ETS price is failing to deliver a sufficient price signal to stimulate domestic reductions and investment in greener technologies. The rate should be designed to incentivise green investments.

"The continued exclusion of aviation from energy taxation is wrongheaded and gives air transport a distorted competitive advantage over more sustainable transport modes like rail. Exempting kerosene from any form of taxation also costs up to €30 billion a year in terms of lost revenue. This needs to be addressed.

"There is clearly a need to ensure the most vulnerable sectors of society are not hit by higher prices. However, riddling the directive with exemptions is the wrong way to do this and would only reinforce problems of environmental dumping in the EU. Compensation schemes are both more appropriate and consistent with the goals of the legislation as a measure to tackle potential negative social impacts. Instead of exempting all households, for example, the most vulnerable could be financially compensated, with tax revenues being used to improve the energy efficiency of housing through renovation schemes.

"The Council and Commission need to speed up their efforts with a view to ensuring the legislative review can be concluded as quickly as possible but there is a need to address the flaws in the proposal."

(1) For example, coal is one of the fuel sources with the lowest applicable tax rates, in spite of being one of the most polluting fuel sources.

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Philippe Lamberts

Member

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