Press release | 23.06.2010

Carbon and energy tax

Revision of EU energy tax rules could play key role in realising climate and energy goals

European Commissioners will today discuss plans to revise the EU energy taxation directive, including a proposal to include a carbon tax component. Green MEPs support the revision of the directive but cautioned against mooted plans for widespread exemptions and urged for minimum tax rates to be set at sufficient levels. Luxembourg Green **Claude Turmes** MEP said:

"If the EU gets it right, European energy and carbon taxes can play a crucial role in shifting to a more sustainable energy policy and achieving Europe's climate change objectives. Moreover, taxing resources instead of salaries can be an important step to achieve a more resource efficient and therefore competitive economy, to increase financial revenues for the state and to create more jobs. Such a tax reform is absolutely necessary in a context of a deep financial and economic crisis. The EU Commission should make it the flagship of its EU 2020 reform."

Dutch Green MEP **Bas Eickhout** added:

"As it stands, the directive offers perverse incentives for some of the more polluting energy sources. Shifting to an energy tax based on energy content rather than volume would be an important step in the right direction. Setting the minimum rates at a sufficient level would also help promote increased energy efficiency.

Introducing an EU-wide carbon tax framework would help spur green innovation and help realise Europe's climate change goals. The minimum rate of any carbon tax component would be crucial to its effectiveness in stimulating cleaner and more efficient technologies to deliver actual emissions reductions. The current carbon price of €15 per tonne of CO2 is proving far too low to act as an incentive, so clearly any carbon tax must be set a much higher level.

A serious problem with the Commission's logic is its assumption that a carbon tax should only apply to sectors outside of the emissions trading scheme (ETS). Clearly, the current carbon price in the ETS is proving far too low to make the shift to a resource-efficient economy. If the goal is to stimulate green innovation and investment in low carbon technology, a carbon tax could be used as a complement in ETS sectors.

There is also talk of widespread exemptions, such as for households: this would undermine the purpose of a carbon tax. Governments can compensate households in other ways and should not abandon the polluter pays principle."

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