Press release | 29.02.2012

Energy and carbon tax

EP vote adds momentum to push for EU energy and carbon tax

The European Parliament economic affairs committee (ECON) today voted on proposed EU legislation on energy taxation, which sets out minimum European rates, notably with a view to introducing EU-level carbon taxation. The Greens welcomed the outcome of the vote, which gives a clear political signal for closing some of the key loopholes in the current legislation, as well as for improving the proposals on carbon taxation (1). After the vote Green economic affairs spokesperson **Philippe Lamberts** said:

“Today's vote adds momentum to push for an effective EU energy and carbon tax. Properly devised energy taxation rules can be used to spur green innovation and more sustainable consumption, while shifting the tax burden from labour to resource use would also help as regards job creation. The EP ECON committee has given a political signal on how to improve the Commission's proposals.

"The majority of MEPs have fought off efforts by the centre-right to dilute the directive. The EP voted to support the principle of neutral taxation of fuel types, as well as the proposals to base tax rates on carbon emissions and energy content. This will help ensure energy taxation incentivises the least polluting fuels and is a blow to those who want to promote dirty fuels and petrol pump tourism.

"The EP also voted to strengthen the proposals on carbon taxation, calling for the rates to be adapted every three years. The lesson from the EU emissions trading scheme, where the current low carbon permit price is completely undermining the effectiveness of the scheme, is that carbon pricing needs to be set at the right level to be effective in stimulating emissions reductions and investment in greener technologies. More regular updating of the rates would help ensure the carbon tax does not lag too far behind.

"However, the Greens regret that the proposals will 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.

"The EP has also underlined that the wrongheaded exclusion of certain transport fuels, for example aviation fuel, is at odds with the purpose of the legislation. It gives air transport a distorted competitive advantage over sustainable transport modes like rail and costs up to €30 billion a year in terms of lost revenue.

"MEPs also highlighted the problems with exempting various sectors from the directive, which will undermine the purpose of the legislation to promote less environmentally-damaging energy consumption. There is clearly a need to ensure the most vulnerable sectors of society are not hit by higher prices but compensation schemes are both more appropriate and consistent with the goals of the legislation to tackle potential negative social impacts. Instead of exempting all households, for example, tax revenues could be used to improve the energy efficiency of housing through renovation schemes and boosting social allowances.

"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 today's vote gives important political guidance on how to improve the proposals."

(1) The European Parliament has a consultative role on EU legislation on taxation.

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