Green Paper on market-based instruments for environment and related policy purposes

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The Committee on the Environment, Public Health and Food Safety adopted an own- initiative report by Anne **FERREIRA** (PES, FR), on the Green Paper on market-based instruments for environment and related policy purposes.

Members welcome the Green Paper but regret the absence of an in-depth analysis on the merits of differentiation between market-based instruments (MBIs) targeted at the consumer as opposed to the producer level. They also criticise the fact that the Green Paper concentrates mainly on atmospheric pollution and global warming, and by and large disregards the other negative impacts of production and distribution processes and consumption patterns on the environment.

The Commission is urged to develop a clear strategy on the use of MBIs to price environmental damage and correct related market failures. This strategy should cover taxation, the EU Emission Trading Scheme (ETS) review, trade, and technology policy.

The report recognises that MBIs constitute important tools for implementing the ‘polluter pays’ principle, and that they are one of the most effective ways of achieving environmental objectives at reasonable cost. MEPs stress, however, that these instruments cannot be a substitute for environmental legislation, which lays down targets to be achieved and standards to be complied with, and that their effectiveness depends on how they are coordinated with and complement other instruments. MEPs also take the view that social consequences resulting from the implementation of MBIs should be compensated for by specific policy measures such as floor prices, rate reductions, subsidies etc. for low-income households.

Members emphasise the important role of environmental taxation in achieving environmental objectives. They call upon the Commission to put forward a legislative proposal for a Community minimum tax on CO_2 before the end of 2008. MEPs particularly support proposals to allow Member States to reduce VAT rates or offer tax credits for energy efficient products and energy saving materials.

The report points out that, despite the unanimity requirement in the area of taxation, the treaties offer the possibility of enhanced cooperation, and draws attention to the existence of the open coordination method. Member States are, therefore, called upon to make progress on the issue of environmental taxation at European level in order to prevent all forms of fiscal dumping.

Members stress the urgent need for a revision of the EU ETS, which currently has too narrow a field of application given the numerous greenhouse gas (GHG) sources and sectors involved. The Commission is called 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.

The Committee on the Environment believes that an increased use of MBIs in the transport sector is particularly important in order to fully internalise the environmental and social costs of all transport modes. The Commission is called upon to present, by 2009, a legislative proposal for GHG reduction in the area of maritime transport, which is not currently subject to any Community or international legislation in this area.

The report also welcomes the Commission's proposal to include aviation activities in the EU ETS, but considers that parallel and complementary measures, such as a kerosene tax and NOx emission charges,

are necessary in order to address the climate change impacts from this sector. In addition, MEPs call for the revision of the Energy Taxation Directive to be carried out rapidly, and in conjunction with that on heavy goods vehicles, in order to bring about a rapid reorientation towards environment conscious behaviour in the various sectors of the economy.

Stressing the importance of supporting the development of passive, positive energy housing, the Parliamentary Committee calls on the Member States to strengthen their incentive policies for the construction sector, to facilitate a reduction in energy demand and CO_2 emissions.

Members also call on the Commission to rapidly propose a roadmap for the gradual, but rapid, abolition of EHS in accordance with the European Council's decision on the review of the sustainable development strategy. On this matter, they expect the Commission, when it revises the Community guidelines on state aid for environmental protection, to take proper account of the need to influence production, traffic, transport and consumption patterns, and to reduce waste.

Lastly, the report calls on the European Union to distinguish gross economic wealth per inhabitant from net economic, social and environmental wealth as the true progress indicator (TPI). The European Commission and the Member States are called upon to study in more depth the possibility of measuring European growth using 'green' indicators,which factor in the wealth lost as a result of environmental damage.