

2014 COUNTRY SPECIFIC RECOMMENDATIONS IN SUPPORT OF THE EUROPEAN SEMESTER PROCESS



GreenBudgetEurope



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The European Semester

With the Europe 2020 Strategy, the EU set itself ambitious targets towards a transition to a low carbon, green economy and a resource efficient Europe. Progress towards these targets, which are already insufficient to solve Europe's environmental problems, has been slow and suffered from a political climate dominated by short-term solutions to the economic crisis which often served to protect vested interests.

If the EU is to achieve its Europe 2020 objectives of a smart, sustainable and inclusive recovery based on democratic accountability and engagement and develop new and more ambitious objectives, more needs to be done.

The European Semester is one instrument the EU has put in place to foster structural reforms and aligning national macro-economic policies. The European Commission has so far in its Annual Growth Survey, which forms the basis for a set of Country Specific Recommendations, explicitly included Environmental Fiscal Reform as a part of growth friendly fiscal policies. It suggests "shifting the tax burden from labour to other tax bases, for example environmentally harmful activities" (SEC (2010) 488, p.9) and to "phase out environmentally harmful subsidies and ensure fair distribution of their costs and

benefits, limiting exceptions to people with social needs." (SEC(2010) 488, p. 11)

Environmental Fiscal Reform: Key for the European Semester to deliver

Environmental degradation, including climate change presents a unique challenge for economics: it is the greatest and widest-ranging market failure ever seen. Often, the costs and benefits of natural resources are not fully captured by pricing, which generates incentives for unsustainable resource use by making pollution or the degradation of natural resources a profitable exercise. Hence, climate change causes external costs on the economy and the society as long as market prices do not reflect the real costs behind production and consumption. Environmental Fiscal Reform aims at increasing the price of polluting activities - also known as the polluter-pays principle – in order to move to a greener economy.

Correcting these market failures has, apart from helping solve pressing environmental problems, the benefit of improving economic

efficiency¹ and raising additional revenues, which could be used e.g. to reduce the tax burden elsewhere, for poverty alleviation, or to reduce budget deficits and thus contribute to solving the current fiscal and economic crisis in a sustainable way.

As environmental NGOs we have carried out a consultation among our network of members and national experts and are pleased to provide a set of specific examples for **Austria, Bulgaria, Czech Republic, Denmark, Spain, Estonia, Finland, France, Germany, Hungary, Latvia, Lithuania, the Netherlands, Poland, Slovenia, Slovakia, Sweden, UK as well as the Eurozone in general.**

Although the recommendations differ from one Member State to another, we note there are in particular significant opportunities throughout the EU in the area of a **tax shift from labour to resource consumption and the environment, company car taxation, phasing-out environmentally harmful subsidies and sustainable investment.**

¹ For more details see the "Carbon and Energy Tax Reform in Europe" (CETRIE) report which reveals that carbon and energy taxation may raise significant revenues while having a less detrimental macro-economic impact than other forms of indirect and direct taxation.
(<http://www.foes.de/internationales/green-budget-europe/gbe-projekte/cetrie/?lang=en>)

BULGARIA

Recommendation 2014	Justification
Ensure measures enabling green jobs and green entrepreneurship under national spending policies and national education programmes.	The only jobs scheme available under national funding is not focusing on eco-innovation training in “resource efficiency” sectors. Broad range of occupations and options for new professional training in the field of green jobs and green entrepreneurs have to be supported so that Bulgaria goes in line with the 2020 objectives for establishing sustainable economies.
Ensure support mechanisms for energy cooperative schemes (Community Energy Schemes)	In a context of high energy prices, the best way to increase competitiveness for SMEs and to mitigate the consequences of the energy poverty among vulnerable citizens is by allowing and incentivizing small business and citizens to produce their own energy and be shareholders in their own installations of clean renewable energy. There is a good opportunity utilizing EU funds – both for the development of micro, small and medium sized grant schemes and/or proper progressive use of financial instruments
Increase transparency of public procurement procedures. Enable Green Public Procurement options.	Public procurement procedures are not transparent and that fore under risk of inefficiency. Green Public Procurement is a tool ready to use – with guidelines available in Bulgarian. Despite being described as an important tool to achieve sustainability of the public procurement in the Partnership Agreement, it is not envisaged in the implementation of any Operational Programme.
Liberalize the energy market by allowing all customers to choose their energy provider. Open district heating networks for small-scale renewable heat producers and simplify the accession procedures. Simplify and speed up permitting for small-scale renewable capacities for electricity. Introduce green certificates. Step up efforts to improve energy efficiency much more.	The liberalization of the energy market should have been completed by 1st Jan 2013, but is still far from being implemented, whereas customers’ demand to choose their energy providers is increasing. There is no incentive for the development of a market for small scale renewable heat. Green certificates could remove some burden from the final customers and increase acceptance of renewable energy sources in the population. Efforts to improve energy efficiency remain weak.

<p>Remove cross subsidies in the energy sector and remove all subsidies for fossil fuels</p>	<p>Cross subsidies are distorting the energy market in Bulgaria, like the feed-in-tariff for electricity from co-generation of the gas fired Sofia District Heating or other: The government has announced plans to use EUR 30 million EUR out of EUR 35 m from the last tranches of Kozloduy NPP Decommissioning fund to subsidise fossil fuels such as the purchase of new excavators in the coal mines of Maritsa East. Every year the state provides for energy poor people financial aid for the purchase of fuel. These little money is usually used for the purchase of coal to be burned in primitive stoves in the houses within residential areas, causing suffocating pollution and health problems – these aids either have to be stopped or conditioned to the use of cleaner fuel and potentially for programmes of support of the purchase of cleaner heating devices – such as wood stoves that have clean burning technology, pellet stoves, etc. There is a plan in Bulgaria to subsidize 50% of the costs for gasification of households, but there are no equivalent measures for installing renewable energy sources. This is distorting the market in favor of fossil fuels at the costs of RES.</p>
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CZECH REPUBLIC

Recommendation 2014	Justification
<p>Take further steps to shift the tax burden from labour to environmental and consumption taxes. Ensure environmental tax reform is cost-neutral. Remove energy tax exemptions on fossil fuels with high external costs, especially coal.</p>	<p>In 2008, the first phase of environmental tax reform was introduced with consumption taxes covering electricity, solid fossil fuels and natural gas. Many exemptions made these taxes ineffective in number of areas, with the result that household electricity consumption effectively was rising. Energy consumption taxation was not accompanied by effective decrease of labor taxation and a reduction of obligatory health and social insurance contributions, denying the cost-neutrality of the tax reform.</p>
<p>Ensure environmental fees, e.g. landfilling or air pollution fee are set to be motivational to mitigate most environmentally harmful practice.</p>	<p>After rapid improvement of air quality in the 90's, air pollution is on the rise again in the Czech Republic. A tentative to tackle this situation and increase air pollution fees was turned down by the Parliament and in current Air Protection Act, fees remain at similar level as in the previous one. Expert studies prove that this level is not motivational for companies to invest into cleaner technologies. In 2006, air pollution fees reached only 0,5% of revenues of affected companies.</p> <p>Despite slow decrease of landfilling, 53,6% (2012) of mixed municipal waste still ends up in landfills. Landfilling fee, € 20 / t remains much below re-use and recycling costs of municipal waste and no fee for waste incineration or derived energy use has been set. In order to comply with the Waste Framework Directive, the Czech Republic needs to radically decrease landfilling of biodegradable waste, now comprising about 40% of landfills. Lower fees for municipalities with effective separation and recycling systems precisely defined by law should be introduced.</p>
<p>Take effective steps to improve cost-effectiveness and transparency, especially in transport investments.</p>	<p>Lack of transparency, public control and loopholes in public procurement legislation led to misuse of public funds, including EU Structural and Cohesion Funds, in many areas. The Czech Republic scores very high on corruption perception index and has been named by the European Commission as one of the worst countries in EU funds management. In many areas, especially where large projects are at stake, like in transport infrastructure, misuse of funds has led to the halt of new investments, to loss of funding from the CSF and financial problems of public institutions. Examples such as the recent stop of construction works in Blanka tunnel in Prague or the highest corruption fine ever in the EU history related to metro line A extension are a clear warning sign that in order to improve public budgets in the Czech Republic, significant</p>

	improvement in transparency legislation and public partnership including CSOs are necessary.
Remove grid operations charges from renewable systems not connected to the grid.	Insular electricity systems based on renewables, but not connected to the grid, are feasible, increase the share of renewables in energy consumption and contribute to comply with the EU 2020 targets. As they are not connected to the grid, their production does not represent any burden for grid nor energy market regulation. Despite of this, insular systems are obliged to pay grid regulation fees for a service they never use.
Prepare stable support schemes for investments in all renewable energy sources listed in the National Renewable Energy Action Plan, especially in electricity generation. Remove subsidies from energy sources with high external environmental impacts such as coal-biomass co-incineration and biological waste incineration.	Support for renewable energy sources has gone through rapid changes in the Czech Republic, with some of the new obligations, such as solar electricity tax, bearing signs of retroactivity. New installations using wind, sun, biogas or geothermal energy for electricity production do not receive any kind of support from 2014. This situation has undermined investments in the whole renewables sector, including production facilities. In order to ensure a long-term stable investment environment for renewables and in the same time to comply with the EU 2020 and proposed 2030 targets, the Czech Republic needs to design a new RES support scheme and subject it to wide public debate. The scheme needs to balance well potential electricity price increase with environmental and economic benefits. Small scale producers need to be taken into account. Current support scheme is targeted to support heat and power production from co-incineration of biomass and biodegradable waste in coal power plants and waste incinerators. However these options are considered as renewable energy in the EU, these technologies have very low energy efficiency and use the scarce resource – biomass – in the least efficient way.

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DENMARK

Recommendation 2014	Justification
<p>Taxation: Restructure the registration tax for cars in order to provide better incentives for purchasing efficient vehicles without strongly increasing total car sales. Raise the tax on the least efficient cars to 4,000 DKK per km (540 Euro) but do not further decrease the tax on the more efficient cars – this rebate should be kept on 4.000 DKK per km (540 Euro). The dividing line between efficient and less efficient vehicles should be increased by roughly 3 km, to 19 km/l for gasoline and 21 km/l for diesel cars, corresponding to approximately 126 g CO₂ per km for both. And this dividing line should be made dynamic, so that it increases corresponding to the average fuel efficiency/CO₂-emission for new cars.</p>	<p>Denmark already in 2010 reached the EU goal for 2015 that new cars on an average must release below 130 g CO₂/km. However, the reduction of emissions per car is to some extent outweighed by an increase in the number of cars.</p> <p>The current Danish registration tax has a strong carrot for efficient cars (540 Euro per km/l tax reduction) and a weak stick for inefficient vehicles (130 Euro per km/l tax increase). This system increases the total sales of cars and causes losses of revenue for the state.</p> <p>The registration tax is differentiated, with a dividing line at 150 g CO₂/km for both gasoline and diesel cars. This dividing line is today very outdated, considering that the average for new cars is below 130 g CO₂ per km.</p>
<p>Taxation: Provide tax reductions (not exemption) for the best plugin hybrid cars, meaning those with the longest range of the battery. The Danish tax exemption for electric cars should continue, also after 2015 (where it stops according to the present decision), until there are 100,000 electric cars on the roads.</p>	<p>In order to set incentives for a more sustainable car fleet, we need stronger support for hybrids that mainly rely on electricity (i.e. serial hybrids) compared to those mainly relying on fuel (parallel hybrids). The tax exemption serves as an important kick-off incentive for structural changes. The level of 100,000 electric cars corresponds to approximately 5% of the total car Danish car fleet.</p>

<p>Taxation: Take into consideration to change a minor part of the registration tax into a higher ownership tax in order to increase the incentive to scrap old inefficient cars.</p>	<p>The Danish car ownership tax is also differentiated according to the fuel consumption of the car. As old cars pollute much more than new cars, this measure might the overall impact of the Danish car fleet.</p>
<p>Reform company car taxation: The levy should be based on ecological effects and thereby reduce perverse incentives for higher car usage and purchase of more expensive vehicles. Company cars are taxed by 25% of the value until 40,000 Euro, but above only by 20%. To reduce the resulting distortion, the tax should be 25% below as well as above the limit. As the taxation for company cars is independent of usage, the current system gives incentives for driving longer distances. The user of the car pays a fixed tax for the right to use the car for private driving – independent of the amount of kilometers he/she drives. Better models should be considered, including electronic registration of professional car driving (for the company). This would make it easy to calculate the amount of private driving, without a demand for registration of the private driving. It only provides that you lock the kilometer counter, so that the user cannot manipulate it. Then you can subtract the number of “professional kilometers” from the total number.</p>	<p>As 40 per cent of annual registrations of new vehicles are company cars that are sold after a short time on the used car market, company cars have significant influence on the total Danish car fleet. The current tax structure providing a regressive rate for expensive cars encourages buying costly vehicles which often consume more fuel per km. The Danish taxation of company cars is an income tax, trying to assess the value of having a free car from your employer. Employees often get a free car instead of a higher salary. Due to lower taxation, company cars cheaper than private vehicles, contributing to a distorted taxation system</p>

<p>Electricity tax: Introduce electricity tax on the trade and service industry – eventually with a recycling of the revenue. In Denmark industry and trade already pay normal energy taxes for room heating and transport fuels, but not for electricity</p>	<p>The exception of industry and trade from electricity taxes reduces the incentive to invest in energy conservation. On the other hand introduction of energy taxes will always be met by arguments about international competition. The trade and service industry is not very exposed to international competition, but for instance hotels are to some extent in an international competition. To avoid problems here a recycling of the revenue can be established – but the recycling must not be related to the energy consumption. It can instead be related to the number of employees – then the incentive for energy conservation will be kept.</p>
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GERMANY

Recommendation 2014	Justification
<p>Shift 10 per cent of tax burden from labour to environmentally harmful conduct (e.g. causing CO₂ emissions) and resource consumption in a budgetary neutral way.</p>	<p>Green taxation does not only help to achieve environmental goals cost-effectively, it also may raise significant revenues with less detrimental macro-economic impact than other forms of direct and indirect taxation. A tax shift could render Germany's economy more growth-friendly, foster green innovation and contribute to maintaining a balanced budget.</p> <p>Vivid Economics (2012): Carbon taxation and fiscal consolidation: the potential of carbon pricing to reduce Europe's fiscal deficits http://www.foes.de/pdf/2012-05_CETRIE_Carbon_Pricing_Report_web.pdf</p> <p>FÖS (2011): Zuordnung der Steuern und Abgaben auf die Faktoren Arbeit, Kapital, Umwelt (German tax structure) http://www.foes.de/pdf/2011-08%20Steuerstrukturpapier.pdf</p> <p>FÖS (2013): Zuordnung der Steuern und Abgaben auf die Faktoren Arbeit, Kapital, Umwelt http://www.foes.de/pdf/2013-01-Steuerstruktur-2012.pdf</p>
<p>Phase out exemptions and reduced tariffs for industry on energy consumption concerning electricity tax, EEG apportionment and network charges, amounting for revenue losses of approximately 13 billion Euros in 2012.</p> <p>Legal rules need to be simplified and clear criteria need to be defined to classify energy intensive businesses exposed to international competition.</p> <p>Remaining reductions have to be linked to the implementation of energy management schemes and ambitious binding objectives in order to ensure</p>	<p>Justified by maintaining international competitiveness, these financial benefits keep energy costs low for industry while the financial burden is carried by consumers. For the industry, the fiscal incentive to improve energy efficiency is weakened.</p> <p>The legal rules are complex, costly in administration and inconsistent as they are not based on a uniform definition of energy intensive businesses.</p> <p>FÖS and IZES (2012): Strom- und Energiekosten der Industrie. Pauschale Vergünstigungen auf dem Prüfstand http://www.foes.de/pdf/2012-06-14-FOES-IZES-Verguenstigungen-Industrie-lang.pdf</p> <p>FÖS (2013): Strompreise in Europa und Wettbewerbsfähigkeit der stromintensiven Industrie</p>

<p>progress regarding energy efficiency.</p>	<p>http://www.foes.de/pdf/2013-01-Industriestrompreise-Wettbewerbsfaehigkeit.pdf</p> <p>FÖS (2013): Ausnahmeregelungen für die Industrie bei Energie- und Strompreisen http://www.foes.de/pdf/2013-09-Industrierausnahmen-2005-2014.pdf</p> <p>FÖS (2013): Ausnahmeregelungen bei den Stromnetzentgelten belasten private Haushalte http://www.foes.de/pdf/2013-06-Ausnahmeregelungen-bei-Stromnetzentgelten.pdf</p> <p>FÖS (2013): Reform der Begünstigung der Industrie bei der EEG-Umlage http://www.foes.de/pdf/2013_06_EEG%20Umlage_Industrieverguenstigungen_aktualisiert_final.pdf</p> <p>FÖS (2013): Vorschlag für die zukünftige Ausgestaltung der Ausnahmen für die Industrie bei der EEG-Umlage http://www.foes.de/pdf/2013-11-FOES_DIW_Arepo_FAU_Vorschlag_Ausnahmen_EEG.pdf</p>
<p>Reform company car taxation: the levy should be based on ecological effects and thereby reduce perverse incentives for higher car usage and purchase of more expensive vehicles. Tax deductibility of purchase and running costs must depend on increasingly strict CO₂ emission standards per kilometer. Instead of taxing private use of company cars at a flat rate, the levy should be based on usage.</p>	<p>By the current tax treatment of company cars, the German State creates a subsidy of about 4.6 billion Euros per year, undermining the effectiveness of environmental taxation. As only 40 per cent of annual registrations of new vehicles are private cars, company cars that are sold after a short time on the used car market have significant influence on the total German car fleet.</p> <p>FÖS (2012): Steuerliche Behandlung von Dienst- und Firmenwagen – Ökologische und soziale Fehlanreize beseitigen http://www.foes.de/pdf/2012-10-Themenpapier-Dienstwagenbesteuerung.pdf</p>
<p>Harmonise energy taxation based on energy content and external costs of different sources in order to set technology-neutral framework conditions for the competition for highest energy efficiency at lowest environmental and health costs.</p>	<p>The current eco-tax is neither based on the carbon content of fuels nor on other environmental externalities. Diesel even benefits from a doubly reduced tax rate: the volume based levy on diesel is lower than on petrol, despite its higher carbon content (16 per cent) and the higher levels of local air pollutants it generates. This tax structure did not only lead to annual revenue losses of about 6.6 billion Euros (2008), it also induced changes in the car fleet.</p>

<p>Raise the diesel tax rate at least to the same level as the petrol rate. Regularly adjust the tax rates in line with inflation to ensure their incentive effect.</p>	<p>GBE and The Green 10 (2012): On The Revision of the Energy Tax Directive http://www.foes.de/pdf/18-04-2012_Letter%20to%20EP%20for%20plenary%20final.pdf</p> <p>OECD (2012): OECD Environmental Performance Reviews: Germany 2012 http://www.oecd.org/env/environmentalcountryreviews/germany2012.htm</p> <p>FÖS (2013): Reform der Stromsteuer zur besseren Internalisierung externer Kosten http://www.foes.de/pdf/2013_06_EEG-Umlage_Stromsteuer_aktualisiert.pdf</p>
<p>Reduce tax exemptions and environmentally harmful subsidies (e.g. for kerosene and coal) distorting competition for the benefit of fossil energy sources by 2015.</p>	<p>The exemption of kerosene from both excise duty and eco-tax distorts competition in the transport sector and causes annual revenue losses of up to 7.2 billion Euros for Germany. Furthermore, such exemptions result in areas of the economy not being subject to any GHG-related price signal (i.e. neither the eco-tax nor the CO₂ allowance price under the EU Emissions Trading System which does not cover non-EU flights). While costs of renewable energies are reflected by the EEG apportionment on private energy bills, direct and indirect subsidies for fossil energy sources remain intransparent (e.g. 2.5 billion Euros for coal in 2008), making the energy transition appear costly.</p> <p>UBA (2010): Umweltschädliche Subventionen in Deutschland http://www.umweltdaten.de/publikationen/fpdf-l/3780.pdf</p> <p>FÖS (2010): Staatliche Förderungen der Stein- und Braunkohle im Zeitraum 1950-2008 http://www.foes.de/pdf/Kohlesubventionen_1950_2008.pdf</p> <p>FÖS (2012): Was Strom wirklich kostet http://www.foes.de/pdf/2012-08-Was_Strom_wirklich_kostet_kurz.pdf</p> <p>FÖS (2013): Zusatzkosten von Strom aus konventionellen Energieträgern außerhalb des Strompreises http://www.foes.de/pdf/2013-08-Factsheet-Zusatzkosten-Konventionelle-Energien.pdf</p>

	<p>FÖS (2013): Was die Energiewende wirklich kostet http://www.foes.de/pdf/2013-09-Studie-Was-die-Energiewende-wirklich-kostet.pdf</p>
<p>Abolish reduced VAT rates (of currently 7 per cent or full tax exemption) on goods and services that are deleterious for health or environment. The taxation of national flights was an important first step to tackle market distortion in the German transport sector but should not diminish efforts to include international aviation as well.</p>	<p>Research and experience have shown that a broad application of reduced VAT rates is inefficient. It distorts consumption behaviour and results in fiscal revenue losses and higher administrative costs. Distributional concerns could be addressed more effectively by more targeted expenditure programmes. Hence, simplification and greening of the VAT system could eliminate perverse incentives for consumption and strengthen price signals, encouraging more sustainable purchasing and consumption behaviour.</p> <p>COM (2012): Assessment of the 2012 national reform programme and stability programme for Germany http://ec.europa.eu/europe2020/pdf/nd/swd2012_germany_en.pdf</p>
<p>Modify the German Ticket Tax on flights and increase incentives to reduce GHG emissions</p>	<p>Although aviation is the most environmentally harmful mode of transportation, it profits from immense tax breaks: international flights are exempted from the value-added tax (VAT) and flight fuel is exempted from energy taxation. In Germany, these subsidies add up to approximately 11.5 billion Euros annually, while the total revenue of the ticket tax and the auction of CO₂-certificates is less than 1 billion Euros. As these tax breaks cannot easily be abolished due to international treaties and there is no effective ETS, national ticket taxes are needed to lower these environmental harmful subsidies.</p> <p>Universität Chemnitz (2013): Die Luftverkehrsteuer – Auswirkungen auf die Entwicklung des Luftverkehrs in Deutschland http://www.foes.de/pdf/2013-11-20_Gutachten_TUChemnitz_Luftverkehrsteuer_Final.pdf</p>

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ESTONIA

Recommendation 2014	Justification
<p>Taxation: Consider car taxation differentiated according to energy and emissions performance</p>	<p>Estonia's energy intensity continues to be very high and the fleet of new cars in Estonia is the most energy intensive in the EU and consumer patterns are not changing in spite of the increased fuel excise duties. In the absence of additional measures, Estonia is unlikely to meet its greenhouse gas emission target, in particular if no additional measures are taken in the field of transport.</p>
<p>Subsidies: Consider replacing fuel excise exemptions for non-road use of fuels for agriculture and fisheries sectors with direct subsidies in order to encourage better inclusion of externalities of fossil fuels and equal treatment of all consumers</p>	<p>Estonia did started reform of environmental harmful subsidies by lifting excise exemption for non-road use of fuels for forestry, construction and mining sectors in 2012, but has not eliminated exemptions for agriculture and fisheries sectors, thus not following the equal treatment of all sectors</p>
<p>Investments: Consider support schemes for investment into decentralised energy production based on renewable fuels.</p>	<p>Current state owned major power plants based on combustion of oil-shale are not fuel efficient and power transition losses reduce efficiency even more.</p>

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<p>Investment: Climate change mitigation related objectives in all relevant public investment plans and spending policies should have clear guiding principles for the selection of projects for support and expected results must clearly indicate the amount of GHG reduced by action and how adaptation needs are addressed. Estonian investment plans are missing climate change mitigation and adaptation related guiding principles and measurable targets/indicators and should be amended accordingly.</p>	<p>Important issues which could be addressed by national climate action for instance the links between rising temperatures leading to increased cooling demand and hence threatening energy efficiency objectives and efficiency of generation from renewable sources; increased water demand driven by higher temperatures threatening actions on resource efficiency; extreme events and transmission / distribution of renewable. Sector specific energy efficiency indicators (e.g., specific energy consumption benchmarks in various manufacturing sectors) should be developed so that improvements in energy intensity of the sector can be measured.</p>
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SPAIN

Recommendation 2014	Justification
Shift a relevant percentage of tax burden from labour to environmentally harmful conducts (e.g. causing CO2 emissions), possibly in a budgetary neutral way.	Double dividend. In the case of Spain, the huge unemployment rate (26.7% compared to EU28-average 10.9%, in Nov 2013 [INE]) and the excessive energy dependence (76.4% Spain vs 53.8% EU-27 average, in 2011), make this measure most reasonable. In reality, energy dependence is even higher since these figures consider nuclear generation as a domestic source.
Harmonise energy taxation based on energy content and external costs of different sources	This would set technology-neutral framework conditions for the competition for highest energy efficiency at lowest environmental and health costs. This could raise to more than 10 bn€ by 2020 and a reduction of CO2 emissions of 1.5-2.5 % relative to the baseline. http://www.vivideconomics.com/uploads/reports/fiscal-consolidation-and-carbon-fiscal-measures/Carbon_taxation_and_fiscal_consolidation.pdf , p. 49ff.
Advance the harmonization of energy and environmental taxes in the Autonomous Communities	Environmental externalities generated by the activities subject to energy and environmental taxes are quite similar within the whole Spanish territory.
Energy and energy-environmental taxation at the different levels should be consistent with the energy policy objectives at European, national and regional levels	It makes no sense to have simultaneously measures in place that promote renewable energies sources (subsidies, objectives, etc.) and others that impose barriers on them (e.g. regional taxes on wind energy).
Suppress exemption of aviation fuel used in domestic flights (Ley 38/1992) and advance bilateral negotiations towards suppression exemption of aviation fuel used in transnational flights. Apply full VAT rate for inland flights	Although aviation is the most environmentally harmful mode of transportation, it profits from immense tax breaks: international flights are exempted from the value-added tax (VAT) and flight fuel is exempted from energy taxation. As these tax breaks cannot easily abolished due to international treaties and there is no effective ETS, national ticket taxes are needed to lower these environmental harmful subsidies. Good examples are the ticket taxes in Germany or in the Netherlands.
Suppress exemption of navigation fuels (Ley 38/1992), including fuel used for fishing	Favouring most efficient transportation and fishing boats. If necessary to facilitate transition, support ecological transformation of these activities.
Reduce the existing refund rate in the fuel tax to diesel used in agriculture (Ley 38/1992).	If necessary to facilitate transition, support ecological transformation of these activities.
Reform the vehicle registration tax (Ley 38/1992).	In particular to suppress or reduce tax exemptions for company cars.
Reform the vehicle circulation tax (RDL 2/2004).	The vehicle circulation tax – which is levied at municipal level – should also be dependent on the

	environmental performance of the vehicle, following the reform introduced in 2007 in relation to the vehicle registration tax (see for example France).
Reduce public subsidies to the use of national coal	Carbon subsidies in Spain in 2011 were 636 MM€. http://ow.ly/hiyo5
Create a tax on disposable plastic bags	Some debate and interest in relation to this has been shown by some Spanish regions. It may be worth harmonising the existing regional initiatives and to create a consistent framework for the future ones

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FRANCE

Recommendation 2014	Justification
<p>Fossil fuel subsidies</p> <p>France should commit on a calendar to phase out all subsidies and tax exemptions benefitting to fossil energy by 2020.</p> <p>Gazole tax level should be progressively increased to the level of petrol tax rate.</p> <p>Gazole Tax rebate to lorries should be phased-out.</p> <p>Tax rebate to taxis should be phased-out.</p>	<p>Every year in France, more than 20 billion euros are missed due to fossil energy tax exemptions or related taxes. This is not efficient environmentally (increasing GHG emissions) neither economically (as it supports importation of fossil energy and contain technology innovation.) The shortfall is 6,9 bn € for the under-taxation of gazole. The increase in gazole taxes will be coherent with health policy against cancer. It could also raise significant revenues for deficit of the health care system.</p> <p>The tax rebated given to lorries costs 350 million euros.</p> <p>All these exemptions are not helping the energy transition of these sectors. France is very late in modal shift, for person transport as for freight, notably due to the postponement of the tax on lorries.</p> <p>Road transport should be less subsidized to enable the transition.</p> <p>Taxis are paying a gazole price, which is below the EU legal minimum price. France risks penalties if not increasing the price.</p>
<p>Carbon pricing</p> <p>Increase the carbon price contained in energy taxes to 30€ in 2017, 37,5€ in 2018, 44€ in 2019 50€ in 2020.</p> <p>Or</p> <p>As part of the general fiscal reform, the French government should fix a 60€ price on the ton of CO2 for 2020.</p>	<p>The French government has implemented a carbon base in the energy taxes (TIC). The carbon price is 7€ in 2014 but compensated for most energy sources in 2014 and will be 14€ in 2015 and 22€ in 2016.</p> <p>Compared to other countries, the price signal is too weak (the horizon is only 2016) and very low and will not be sufficient to drive innovation and research development in low carbon technologies, or reduce greenhouse gases emissions enough to reach national objectives (division by 4 of GHG emissions by 2050).</p> <p>The tax revenues will partly fund the CICE (tax credit for companies). The tax shift does not fairly</p>

<p>The French government should also decide on a calendar to phase out all exemption on energy and carbon tax by 2020, starting in 2014 with the suppression of the TIC exemption in refineries.</p>	<p>benefit to households and businesses. As the government plans the great fiscal reform, it should take these elements in account and give a better place to carbon and energy taxation in the French fiscal reform. Indeed, energy taxes are among the most efficient fiscal measures to fight against climate change but also to build a strong economy.</p> <p>Therefore, the carbon base should increase to save GHG emissions in a more efficient manner as well as to build a true low carbon technologies sector in France.</p>
<p>VAT rates</p> <p>Apply a reduced VAT rate on public transport tickets and a normal rate on air transport tickets (20%) as this is the case in numerous EU countries.</p>	<p>The VAT rate applied on transport tickets, whether it's air transport or local buses, is today the same: 10%. The VAT system is ignoring the environmental impacts of these different services. While France could apply the full rate to air tickets (without negative social effect) the government could also decide to reduce the VAT rate on public transport to 5,5% as a "service of first necessity". It's important to note that the VAT rate on public transport doubled in less than 3 years, at a time when the EU should reduce its energy consumption and the transport organiser (which are local and regional authorities) seriously suffer from this increase.</p>
<p>State aid to airports</p> <p>Phase-out public support to local and regional airports.</p>	<p>Whereas air transport is the most polluting transport mode, it benefits from different tax exemptions and subsidies. As a matter of consequence, train transport seriously suffers from this unfair and artificial competitiveness.</p> <p>French state and regions give generous subsidies to local airports that would not be profitable without. As the Commission review its state aid rules, French public authorities should decide to phase out public support to airports very early.</p>

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LATVIA

Recommendation 2014	Justification
Integrate sustainability criteria into national support schemes for bioenergy.	Policy development should consider full life-cycle impacts as well as direct and preferably indirect effects of biomass and biofuels. This also includes avoiding the promotion of inefficient uses of biomass and encouraging resource and energy efficient uses, e.g. biomass cogeneration plants.
Increase financial support to energy efficient district heating systems and support the use of sustainable bioenergy, while providing incentives for the reduction of energy consumption.	In many sites inefficient and environmentally unfriendly technologies are used for generation of heat energy, and renewable energy resources are not used widely enough. The majority of centralised heat supply systems have been built more than 25 years ago, they are obsolete and operate with high losses, and therefore they require reconstruction. In this context it is important to facilitate the use of local renewable energy resources in the central heating systems, reduce the loss of heat in transmission and distribution systems by reconstruction the existing and construction new systems.
Continue efforts for energy efficiency improvement in residential buildings.	Most of the existing residential buildings were built before heat engineering requirements for building envelopes were developed, and therefore have low energy efficiency levels. A slow return of investments and restricted resources are holding back the implementation of energy efficiency measures in buildings located on state and municipality properties as well as preventing owners and residents of apartments from reaching a collective agreement concerning implementation of energy efficiency measures in their apartment buildings

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LITHUANIA

Recommendation 2014	Justification
Improve the legal framework to ease access to the EU funds for renewable energy.	Surplus requirements for preparation of specifications, obtaining building permits, changing land use, connecting to the network, etc. Currently, only about 9% of electricity is generated using renewable sources. Lithuania has been highly dependent on imported gas (about 82% of energy imported) since the closure of the Ignalina nuclear power station in 2009. Greenhouse gas intensity of energy consumption in Lithuania is highest among all EU countries – 111.3 compared to the levels in the year 2000 (2000 = 100).
Introduce motor vehicle CO ₂ emission tax.	Lithuania has a relatively high CO ₂ emission per km rate for new cars compared to other EU countries (144.2 grams of CO ₂ per km vs. EU average of 132.2 gCO ₂ /km). In Lithuania, passenger vehicles are the most common mode of transport. More than 90% of people choose this mode of transport. The tax would encourage the shift towards less polluting vehicles and alternative modes of transport.
Revise regional variation in environmental taxation to ensure higher tax tariffs in regions with higher vulnerability to particular environmental problems.	
Shift investment from landfill incineration plants to waste recycling facilities.	
Increase investment in educating the society about the environmental issues.	Lithuanians remain skeptical towards the most globally pressing environmental issues, including global warming. Only 47% of Lithuanians think global warming is one of the most serious problems currently facing the world: http://ec.europa.eu/public_opinion/archives/ebs/ebs_313_en.pdf
Increase investment in research in green economy.	There is the need for more extensive research in green technologies as well as creation of green jobs.

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HUNGARY

Recommendation 2014	Justification
<p>Implement a credible and growth friendly fiscal strategy by specifying the necessary measures focusing on tax and subsidy expenditure savings in the business sector and preserve a sound fiscal position in compliance with the medium-term objective over the programme horizon.</p>	<p>The 2013 Country Specific Recommendations stated the following: "<i>Implement a credible and growth friendly fiscal strategy by specifying the necessary measures focusing on expenditure savings and preserve a sound fiscal position in compliance with the medium-term objective over the programme horizon.</i>" (<i>Our emphasis</i>). The cited recommendation is used by the government as a pretext for reducing expenditures for education, health care, environment and other public goods. Clearly, this is not the intention of the European Commission. On the other hand, competitiveness of the Hungarian economy is seriously undermined by the enormous amount of state aid (partly from EU funds) to individual companies. Hungary has one the highest percentage (in relation to the GDP) of state aid to companies in the EU. This aid greatly distorts the market and makes business environment unpredictable. It also often leads to increased environmental pollution. Furthermore it demoralizes business participants, and leads to investments which are not really necessary.</p> <p>Furthermore, there is no evidence whatsoever that the economy of countries with lower public expenditures develop better than that of countries with higher public expenditures.² We cannot find even any hint in the CSR or in the underlying Commission Working Paper, why the Commission or the Council thinks that reducing public expenditure would be beneficial for Hungary, nor are there any specific recommendations which would concretely specify which expenditures should be "saved".</p> <p>Further doubt on the soundness of this recommendation is cast by the following. A large proportion (about 3% of GDP) of public expenditure in Hungary consists of EU funds. A further</p>

² See:

Mekkora legyen az állami újraelosztás mértéke? http://levego.hu/sites/default/files/allami-ujraelosztas_osszefogl_1006.pdf, http://levego.hu/sites/default/files/ujraelosztas_110608_lukacs_0.pdf
 Az államháztartás ökoszociális reformja, http://www.levego.hu/sites/default/files/kiadvanyok/zoldkolts_tan_2008.pdf, pp. 33-44

	<p>substantial part is made up of co-financing for these EU funds. As both the Commission and the Hungarian Government is eager to spend the appropriated EU funds to the last cent, the only way to reduce public spending is to cut expenditures on basic public services (i.e. reduce the wages of teachers and health care personnel, decrease funding for public transport etc.). In short, on the one hand the EU is urging Hungary to reduce public spending, while on the other hand it is providing an enormous amount of money for public spending. It seems that the left hand does not know what the right one is doing.</p>
<p>Make taxation of labour more employment-friendly by alleviating the tax burden on low-wage earners, inter alia by refining the eligibility criteria for the Job Protection Act, and by shifting taxation away to environmental taxes. Modify the tax system in order to reduce social inequalities.</p>	<p>It is highly commendable that the Commission recommends alleviating the tax burden on low-wage earners and shifting taxation away to environmental taxes. At the same time it should be noted that the present flat-rate personal income tax is very unjust as it is an enormous tax subsidy to the richest part of Hungarian society, who really do not need that subsidy.³ At the same time this measure has deprived the public budget from a sum equalling about 1.5 % of the GDP annually. It improved neither the performance of the economy, nor the employment rate (the latter should have been obvious from the start, as it aided those who had a job and those for whom it was not a problem to find a job). So the word „continue” in the 2013 CSR ("Continue making taxation of labour more employment-friendly by alleviating the tax burden on low-wage earners...") seems rather improper.</p>
<p>Prepare and implement an action plan, in consultation with the social partners and civil society, to substantially reduce tax evasion and tax avoidance. First of all take serious measures to reduce VAT fraud, and reform taxation on car purchase and car use.</p>	<p>Tax fraud and tax avoidance is one of the main obstacles for the proper functioning of the market. According to a document⁴ of the Commission, “The Hungarian tax system is characterised by significant tax evasion as indicated by the large shadow economy and signs of undeclared work. The size of the shadow economy is estimated at nearly 24%, i.e. substantially above the EU average of 16%.” At the same time, the Hungarian Government seems unwilling to</p>

³ See: Kiderült: így kaptak százezermillió forintot a tehetősek a kormánytól, http://www.napi.hu/ado/kiderult_igy_kaptak_szazmilliardokat_a_tehetosek_a_kormanytol.569902.html

⁴ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SWD:2012:0317:FIN:EN:DOC>

	<p>implement any serious measures to combat shadow economy, which is clearly shown by the recent big VAT scandal.⁵ A large part of the tax evasion and tax avoidance is also a stimulus for environmentally harmful activities (like excessive car use and truck transport). For example, it is estimated that the revenue foregone due to accounting the purchase and use of cars for private purposes as company car purchase and use equals to more than 5 % of the GDP.⁶ NGOs (among others the Clean Air Action Group) already prepared a number of concrete proposals to reduce tax fraud, however these were not implemented by the government.</p>
<p>Substantially modify the use of EU funds as soon as possible: use public funds only for public goods, and not for subsidies distorting the market. Use most of the EU funds for the development of human resources.</p>	<p>Quite a number of experts are of the opinion that EU spending had a devastating effect on Hungarian society, its economy and the environment. Inappropriate rules concerning the use of EU money, coupled with weak or non-existent enforcement of the EU acquis and national commitments, lead to the result that EU money in Hungary is reducing economic competitiveness of the country, increasing social inequalities and undermining democracy – acting thus against the EU targets. In order to change this situation, a radical reform of EU funding is necessary.⁷</p>
<p>Prepare an action plan with concrete measures and deadlines for implementation of all recommendations of “Guideline 5: Improving resource efficiency and reducing greenhouse gases” of the Council Recommendation of 13 July 2010 on broad guidelines for the economic policies of the Member States and of</p>	<p>It would be beneficial both for improving competitiveness and reducing environmental pollution to implement “Guideline 5: Improving resource efficiency and reducing greenhouse gases” of the Council Recommendation of 13 July 2010 on broad guidelines for the economic policies of the Member States and of the Union (2010/410/EU). A number of studies (including several commissioned by the European Commission) have proven that the proper implementation of the recommendation in Guideline 5 might substantially contribute to achieving fiscal consolidation</p>

⁵ See: **VAT fraud and corruption scandal in Hungary**, http://www.levego.hu/en/campaigns/vat_fraud_and_corruption_scandal

⁶ See: **The social balance of road and rail transport in Hungary**, http://www.levego.hu/sites/default/files/social_balance_transport_hungary_20110131.pdf. According to the study **Company Car Taxation** (Copenhagen Economics, 2010, http://www.foes.de/pdf/Studie%20Copenhagen%20Economics_paper_22_en.pdf) commissioned by DG TAXUD of the European Commission, company car tax subsidies are one of the highest in the EU.

⁷ See a detailed description of the situation and proposals for change: **Good Intentions Meet Reality: The Dire Consequences of Spending EU Taxpayers’ Money in Hungary**, http://www.levego.hu/sites/default/files/eu_budget_hungary_130307.doc

the Union (2010/410/EU).	as well as the other goals set forth by the EU 2020 Strategy.
Withdraw the reduction of the prices of household energy and other utility services. Reduce energy poverty by investing in energy efficiency of buildings. Make public all documents relating to the planned construction of the new reactors at the Paks Nuclear Power Plant, and organize broad public consultation on the issue, ensuring equal conditions for the expression of differing views on the topic.	<p>The forced reduction of the prices of energy and other utility services by the Hungarian government in 2013 and 2014 leads to more wasteful consumption and it increases social inequities (in absolute terms, the rich generally benefit much more from this measure than the poor). It also distorts the market, and makes business for energy production and distribution companies unprofitable. Social problems and possible excessive profits due to the natural monopoly of certain companies must be tackled by other means, not by artificial price reduction.⁸</p> <p>The deal with Moscow on the construction of the new nuclear reactors was done in secret, most of the related documents were classified, and no chance was given for a meaningful public debate.</p>
Reform the entire transport system to make it more cost efficient. Remove all direct and indirect subsidies to car and truck transport.	<p>The 2013 Country Specific Recommendations stated the following: <i>"Ensure the financial sustainability of state owned enterprises in the transport sector by reducing operational costs and increasing revenues."</i> This recommendation, if implemented, would seriously worsen the state of the environment in Hungary, and it would cause serious economic and social problems. Public transport would suffer a serious setback. This also contradicts EU policies set forth in various documents.</p> <p>The direct subsidies to public transport form part of the state budget, so they can be clearly seen by anyone. However there are also huge indirect (hidden) subsidies in transport. The indirect subsidies to car and truck transport are much larger than the direct subsidies for public transport: according to one study⁹ they might even reach 10 % of the GDP. The CSR must not be silent concerning a transport subsidy 10 times larger than that of public transport. It should urge</p>

⁸ See: Energy price cut is not the solution, http://www.levego.hu/en/news/2014/02/energy_price_cut_is_not_the_solution
Another household energy price cut: might be costly for everyone, http://www.levego.hu/en/news/2013/10/another_household_energy_price_cut_might_be_costly_for_everyone

⁹ The social balance of road and rail transport in Hungary, http://www.levego.hu/sites/default/files/social_balance_transport_hungary_20110131.pdf

	<p>the Hungarian government to completely eliminate the latter before considering any reduction of subsidies to public transport. It must be noted, too, that substantially reducing subsidies to public transport would certainly lead to its collapse in most of the country. In Budapest and its surroundings, which produce about 40 % of the Hungarian GDP, this would stifle the economy. It would also lead to a further increase of PM10 pollution. (According to a recent study commissioned by the European Environmental Agency, 16 000 premature deaths can be expected yearly in Hungary, if the present PM10 pollution will persist. The morbidity due to this factor is over one million yearly. Transport accounts for about 40 % of PM10 emission.) At present the European Commission is carrying out an infringement process against Hungary because of PM10 pollution surpassing the permitted limits! Moreover, the EEA, the European Commission and the European Parliament are recommending the improvement of public transport and railway services in order to reduce PM10 pollution.</p> <p>It is also strange that the Commission did not propose <i>“reducing operational costs and increasing revenues”</i> in public transport in any of its other CSR’s. In fact, in the case of Luxembourg and Malta, it proposes increasing subsidies to public transport.</p> <p>We must note also that the EU is financing the extremely costly construction of the 4th metro line in Budapest. This line will cause at least as many transport problems as it solves. It is draining money away from very much needed transport improvements. It will increase the operation costs of the Budapest Public Transport Company by HUF 7 billion annually, and its amortization costs will be around HUF 15 billion annually. So, on the one hand the Commission and Council recommended the reduction of operational costs of public transport, and on the other hand the EU is greatly contributing to raising its operational costs. Again, it seems that the left hand does not know what the right one is doing.</p>
Improve, in consultation with the social partners and	According to estimates by experts at the Hungarian Academy of Sciences, “the direct damage

<p>civil society, and implement without delay the action plan to substantially reduce corruption. Revoke all legislation reducing transparency and facilitating corruption that has been introduced during the last 10 years.</p>	<p>arising from corruption in Hungary is about 1000 billion HUF annually [more than 3 % of the GDP]; the indirect damages are much greater.”¹⁰ Experts (including experts of several NGO’s) already prepared a number of concrete proposals to reduce corruption, however, these were not implemented by the government. On the contrary, many measures were taken by the government and the Parliament, which, in fact, made corruption practices easier.¹¹ Corruption is often linked to environmental harmful activities (e.g. illegal or economically unjustified real estate and other developments). Corruption is also enhanced by the fact that consultation with social partners and civil society has been much weaker during the present government than during the previous ones. Proper consultation with the stakeholders would lead to more stable public administration and better legislation. Foreign investors and also the Hungarian business sector regularly complain about unstable legislation and the malfunctioning of public administration, referring to them as causing unnecessary uncertainty and market distortion.</p>
<p>Prepare and implement a roadmap for gradually increasing the R&D expenditure in Hungary to 1.8 % of the GDP in 2020, with special attention to environmental R&D. Take measures to substantially increase the efficiency of R&D, and monitor the results using the indicators of the Innovation Union Scoreboard.</p>	<p>Hungary committed itself to increasing the R&D expenditure in Hungary to 1.8 % of the GDP in 2020, but in fact the Government has made serious cuts in R&D expenditure in recent years. Environmental R&D has been especially hard hit by the cuts. Although the situation this year seems to be improving, it is still far from satisfactory. The efficiency of the use of R&D expenditures is often low, too.</p>
<p>Substantially improve health care services, among others by increasing health care state expenditures.</p>	<p>Among others each year as many or more doctors leave the country as finish medical university. The vast majority of family doctors already reached or are very near to pension age. Coupled with the dismantling of the authorities responsible for the protection of health and environment,</p>

¹⁰ Varga Szabolcs: A korrupció és a védekezés lehetőségei, mta.hu/fileadmin/2009/01/korrupcio.doc

¹¹ See: New Hungarian laws help organised crime, http://levego.hu/en/related_documents/new_hungarian_laws_help_organised_crime_0

	the dwindling of the health care system might soon lead to humanitarian disaster in Hungary.
Strengthen the capacity of all authorities so that their performance attains at least the average EU level.	Hungarian authorities (including environmental authorities and the national public health service) were weakened during recent years to such an extent that they are not able to fulfil the tasks required by EU and Hungarian legislation. ¹² This is detrimental also to the competitiveness of the Hungarian economy. This also has a negative influence also on the efficiency of public spending as well as tax revenues. There are good indicators for measuring the performance of authorities ¹³ , therefore it would be possible to measure progress in this field.
Substantially improve the consultative role of social partners and civil society, and in all cases prepare well-documented assessments for the bills concerning the budget and taxation.	<p>Corruption and mismanagement on both national and local level is also enhanced by the fact that consultation with social partners and civil society has been much weaker during the present government than during the previous ones. Some facts about the diminishing role of civil society during the present government:</p> <ul style="list-style-type: none"> • Civil society representatives were excluded from a number of bodies where they had a seat earlier. The present government either directly denied their representation or substituted it with false representatives. (An example of this practice is the National Economic and Social Council where the genuine representatives of the civil society were replaced by persons nominated by the government.) • Funding to NGOs was substantially reduced, first of all to national NGOs which were capable of seriously commenting government documents. Furthermore funding for NGOs to produce studies, analyses of issues of national importance practically disappeared. Today NGOs have much less capacity to seriously take part in consultations with the government than a few years ago. • It became much more difficult for NGOs to make their voice heard. Their opinion appears in the press (especially in the television and radio) much less than e.g. four years

¹² See, for example: **Austerity measures forced on Hungary harming European citizens**, http://www.levago.hu/en/news/2012/01/austerity_measures_forced_on_hungary_harming_european_citizens

¹³ For example, concerning the environmental authorities see: **Developing performance indicators for environmental inspection systems**, IMPEL Project Report 2009/03, <http://impeleu.cloudblonde.hensel.nl/wp-content/uploads/2010/04/2009-03-Developing-performance-indicators-for-environmental-inspection-systems-FINAL-REPORT-.pdf>

	<p>ago. This is partly due to the reduced capacity of the NGOs, but mainly to the change of the attitude of the press towards NGOs, which in turn is a clear reflection of the present government's policy.</p> <ul style="list-style-type: none"> • Quite often the deadline given for the consultation is too short to make it possible to give well-based comments. It is not uncommon that important changes in legislation are approved within a few days or even a few hours following their submission to the Parliament. • Generally no background studies, impact assessments, calculations accompany the government proposals, and this often makes it impossible to properly evaluate these proposals. The budget bill is compiled in a way that makes it extremely difficult to compare its data with those of the previous years. • Often individual Members of Parliament submit bills, and the present laws in such cases require neither assessments, nor public consultation. • The government's replies to the NGO's comments are generally vague and lacking substantive information. In some instances no reply is given at all. <p>Proper consultation with the stakeholders would lead to more stable public administration and better legislation. Foreign investors and also the Hungarian business sector regularly complain about unstable legislation and the malfunctioning of public administration, referring to them as causing unnecessary uncertainty and market distortion.</p>
<p>In order to fully comply with Article 8 of Regulation No 1303/2013 of the European Parliament and the Council of 17 December 2013, strengthen the institutional framework, set better specific requirements for the project selection criteria, and ensure proper involvement of environmental NGO's in the whole process of using EU funds.</p>	<p>The present institutional setup and the requirements in the calls for proposals do not guarantee the proper integration of environmental aspects in the selection and implementation of projects. Furthermore, the involvement of environmental NGO's in the whole process (preparation of calls of proposals, progress reports, monitoring and evaluation of programmes) became substantially weaker during the last few years due to the measures described above. This way the involvement of NGO's do not conform to the requirements laid down in the European code of conduct on partnership in the framework of the European Structural and Investment Funds.</p>

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THE NETHERLANDS

Recommendation 2014	Justification
Continue to reduce tax disincentives on labour and consider a substantial shift of the tax burden from labour to the environment.	The tax burden on labour should be reduced, in order to help lowering the crisis-induced unemployment of 9.5% (January 2014) in the short term and to create optimal conditions for a more efficient allocation of labour in the Dutch productive sector in the long term.
Reconsider the proposed termination of the coal tax by 2016 (as arranged in the framework of 2013 the Energy Accord)	The coal tax helps to better include negative effects of coal-fuelled power generation in the electricity prices and so helps preparing better market conditions for renewable energy, necessary to boost the proportion of RES from a meager 4.4% now to 14% by 2023
Introduce a NOx-tax for large combustion installations (the NOx-tradeable emission system has been terminated by 1-1-2014)	Despite a more stringent standard of 37g/GJ in 2013 (from 40 g/GJ before), the expectation is that NOx emissions in the industry and energy sector will increase up to 2020 due to higher energy consumption. An NOx tax can help to curb this increase.
Increasing the (recently reduced) tariff of the waste tax and introducing a positive tariff for incinerated tax (plus expanding the pay-per-bag system, or similar, for household waste);	Increasing the waste tax (including a tax on incinerated waste), in combination with a pay-per-bag system can help to further increase the stagnant rate of recycling of household waste.
Reintroduce the ground water tax (terminated on 1-1-2012);	This may help to further a more sustainable vision on the handling of groundwater, e.g. as regards draining in the construction sector.
Reconsidering reintroducing a packaging tax (terminated on 1-1-2013)	Research shows that a sizeable tax on one-way packaging can have a significant effect on a shift to reusable packaging and thus lower the environmental effects of packaging use.
Terminate the tax waiver for home-work trips by company car holders.	More fiscal incentives are needed to reduce company car mileage.

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A U S T R I A

Recommendation 2014	Justification
<p>Taxation: Shifting the calculation of the standard fuel consumption tax (NoVA) to a CO2 supplement to car registration tax is the right way. But there are further steps to greening and to increase the equity of traffic tax necessary: Company car tax (see below, 6); Phase out exemption from for so-called fiscal trucks (light trucks, vans, flatbed minibuses are entitled to deduct tax) from NoVA.</p>	<p>VCÖ-Stellungnahme zum Entwurf des Abgabenänderungsgesetzes – AbgÄG 2014 (Attachment 1) BMF, Vorsteuerabzugsberechtigte Fahrzeuge, Fiskal LKW https://www.bmf.gv.at/steuern/fahrzeuge/vorsteuerabzugsberechtigte-fahrzeuge.html</p>
<p>Shift the tax burden in a budgetary neutral way, towards real estate taxes, and environmental taxes.</p>	<p>The reduction of the effective tax in a budget-neutral way by relying more on other sources of taxation less detrimental to growth, such as recurrent property taxes, has gained in importance this year. Unfortunately last year’s recommendations, shifting the tax burden in a budgetary neutral way, towards environmental taxes, has not been renewed in 2013. UWD Positionspapier (p. 21 ff) http://www.umweltdachverband.at/fileadmin/user_upload/pdfs/Publikationen/Dok_09_01_Positionspapier_Umweltpolitische_Meilensteine_f%C3%BCr_das_neue_Regierungsprogramm_2013_2_.pdf</p>
<p>The proportion of mineral oil tax (MÖSt; which has not been changed since 2011) has reached a record low on the total fuel price. Compared with neighboring countries, Austria has the lowest proportion of mineral oil per liter of fuel. As mineral oil tax is a non-index-matched (non-inflation-adjusted) tax, tax revenues are decreasing in absolute numbers for years; in particular,</p>	<p>Therefore, the government is required to reduce the massive oil dependence in transport rapidly. Especially commuters urgently need more train and bus services, more initiatives like the ‘Österreichticket (p. 11, Ökosoziales Forum, Policy Paper) Ökosoziales Forum, Policy Paper http://www.oekosozial.at/uploads/tx_osfopage/Policy_Paper_4._Auflage_Mai_2012.pdf Budget Vollzugsteuer-Aufkommen, BMF</p>

<p>as new cars are becoming more efficient, and a general decline in traffic is observed. Mineral oil tax should be index-matched.</p>	<p>https://www.bmf.gv.at/budget/das-budget/budget-2013.html#Budgetvollzug_2013_Monatserfolge</p>
<p>Recovery of the costs of water services, including environmental and resource costs; incentive water pricing to increase efficiency; the polluter pays principle.</p>	<p>The European Commission (EC) assessment of current water pricing policies in the Member States shows that current pricing schemes often fail to combine the objectives of water efficiency and fairness (polluter pays) and do not ensure an adequate degree of cost recovery. A proper water pricing policy should apply the principle of cost recovery to all water services. In many cases, environmental and resource costs of other water services, such as self-abstraction (pumping from groundwater aquifers and surface waters), irrigation, water storage and impoundment for hydropower, energy production (cooling), inland navigation; are simply not recovered.</p> <p>UWD Wassergebührentagung http://www.umweltdachverband.at/themen/wasser/gewaesser-im-spannungsfeld/wassergebuehrentagung/</p>
<p>Harmonize energy taxation based on energy content and external costs of different sources in order to set technology-neutral framework conditions for the competition for highest energy efficiency at lowest environmental and health costs. Raise the diesel tax rate at least to the same level as the petrol rate. Regularly adjust the tax rates in line with inflation to ensure their incentive effect.</p>	<p>The current eco-tax is neither based on the carbon content of fuels nor on other environmental externalities. Diesel even benefits from a doubly reduced tax rate: the volume based levy on diesel is lower than on petrol, despite its higher carbon content (16 per cent) and the higher levels of local air pollutants it generates. This tax structure did not only lead to annual revenue losses of about 6.6 billion Euros (2008), it also induced changes in the car fleet.</p> <p>GBE and The Green 10 (2012): On The Revision of the Energy Tax Directive http://www.foes.de/pdf/18-04-2012_Letter%20to%20EP%20for%20plenary%20final.pdf</p> <p>OECD (2012): OECD Environmental Performance Reviews: Germany 2012 http://www.oecd.org/env/environmentalcountrystudies/germany2012.htm</p>
<p>Reduce tax exemptions and environmentally harmful subsidies (company car taxation, commuting allowances/Pendlerpauschale) distorting competition for the benefit of fossil energy sources by 2015.</p>	<p>Car use and commuting is subsidized through the tax deductibility of commuting trips and the tax treatment of company cars as a low taxed fringe benefit. Commuting allowances are distance dependent and higher if public transport is not available. Their eligibility has recently been widened to part-time workers. Removing the distorting effects of car usage subsidies, would</p>

	<p>strengthen the incentives from pricing road externalities to reduce private transportation. (OECD Bericht, p. 36)</p> <p>OECD Bericht Österreich</p> <p>Copenhagen Economics, Taxation papers Company Car Taxation (Attachment III)</p> <p>VCÖ, Steuerliche Begünstigung von Firmenwagen (Attachment IV)</p> <p>Ökosoziales Forum, p. 25 http://www.oekosozial.at/uploads/tx_osfopage/Policy_Paper_4._Auflage_Mai_2012.pdf</p>
<p>Switching the tax burden away from labor and entrepreneurship toward less distortive taxes.</p>	<p>Despite a necessary fiscal consolidation the tax burden on labor and entrepreneurship has not been raised, in fact a reform on taxation on gains from sales of private real property has been implemented. In terms of commuting issues, the burden was reduced for both employees and employers. Among others public transportation costs borne by employers for commuting employees are tax exempted.</p> <p>Ökosoziales Forum, p. 15, 17, 25 http://www.oekosozial.at/uploads/tx_osfopage/Policy_Paper_4._Auflage_Mai_2012.pdf</p>

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P O L A N D

Recommendation 2014	Justification
<p>Taxation: “Shift a relevant percentage of tax burden from labour to environmentally harmful conducts or resource use, possibly in a budgetary neutral way”</p>	<p>Ensure a timely correction of the excessive deficit by 2014 in a sustainable, cost-efficient manner. This would set technology-neutral framework conditions for the competition for highest energy efficiency at lowest environmental and health costs. This could raise to more than 5 bn€ per annum and a reduction of CO2 emissions of 1,5-2,5 % relative to the baseline. http://www.vivideconomics.com/uploads/reports/fiscal-consolidation-and-carbon-fiscal-measures/Carbon_taxation_and_fiscal_consolidation.pdf, pp 58. And http://www.foes.de/pdf/2012-07-13_Carbon_taxation_and_fiscal_consolidation_polsk.pdf</p>
<p>Preferential taxation of green energy sources (in particular VAT).</p>	<p>According to the Goods and Services Tax Act (VAT Act), the sale of electricity is a subject of VAT (currently at the rate of 23%).</p> <p>However, it can be assumed that an introduction of preferential taxation will generally contribute to an increase in state revenue coming from indirect sources:</p> <ol style="list-style-type: none"> 1) Increase in employment, 2) Development of innovational technologies, 3) Restructuring of power sources. <p>This circumstance is particularly important in Poland, where most of the units of energy (conventional - fuel: coal or lignite) were opened over 25 years ago. Therefore, thanks to the development of RES a partial lightening of the burden on conventional sources (even if initially at a minimum level) will be possible, thereby resulting in measurable medium-and long-term budget savings.</p>
<p>Investment: Ensure that legal and regulatory actions lead to an increase in the share of Renewable Energy Sources</p>	<p>The development of a renewable energy sector is one of the priorities of the Polish government. According to Directive 2009/28/EC, Member States should gradually increase the share of</p>

<p>Adopt the rules to co-finance the construction and operation of renewable energy sources and procedures which may help to facilitate the inclusion of RES units into the energy system of the country.</p> <p>In this way it will be possible to diversify energy sources.</p>	<p>renewable energy in total energy consumption as well as in a transport sector.</p> <p>Despite its previous announcement the Council of Ministers did not adopt a project on renewable energy sources until today.</p> <p>The specific objectives of the Polish energy policy are focused on increasing the share of RES in final energy consumption to the level of 15.5% in 2020 (19.3% for electricity, 17% for heating and cooling, 10.2% for transport fuels). The above means a need of investment in new production capacities. At the moment, the most dynamic growth is noticed in wind energy and the use of biomass for energy purposes.</p> <p>There are no subsidies or other forms of guaranteed stable funding for the development of investment in the area of RES.</p> <p>http://www.paiz.gov.pl/prawo/odnawialne_zrodla_energii</p>
<p>Cohesion policies and EU spending</p> <p>In a view of the approval of the EU budget 2014-2020 and the ongoing works on a procedure of disbursement of these funds in all Member States (including the creation of the so-called. Operational programs) it is important to dedicate a certain volume of aid funds to be used directly by the RES projects.</p>	<p>Particularly worth considering would be the allocation of a substantial part of the funds to local governments, which already report considerable interest in the introduction of small renewable energy sources, especially for public buildings and for communal housings.</p> <p>One can also observe a demand for renewable energy investments in a so-called hybrid financing, i.e., with the cooperation of local government, private investor and co-financing from EU funds (Public Private Partnership).</p>

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<p>Create a stable support system for renewable energy and step up investment in order to improve efficiency in the whole energy chain. Speed up and extend the development of the electricity grid, including cross-border interconnections, and eliminate obstacles in electricity cross border exchange. Reinforce competition in the gas sector by phasing out regulated prices. Strengthen the role and resources of the railway market regulator and ensure effective implementation of railway investment projects without further delay.</p>	<p>„Renew and extend energy generation capacity“ might lead to a lock-in into carbon intensive energy production. It’s better to focus on RE and EE which can achieve a situation where there will be no need for new power plants in the centralized energy system. The support system for RE is still missing – it’s urgent to have it in place in order for investors to start developing projects.</p>
<p>Reduce significantly infrastructure access charges for railway freight operators and develop further the tolling system for roads in order to balance the modal split in freight transport. Accelerate efforts to increase broadband coverage. Improve waste and water management.</p>	<p>The recommendation to implement railway upgrade projects without further delay stays valid for 2014 and the entire 2014-2020 budget period. Poland has very high fees for railway operators which in combination with poor infrastructure makes rail freight traffic particularly less competitive. In fact, the ECJ ordered Poland to reduce the charges http://curia.europa.eu/jcms/upload/docs/application/pdf/2013-05/cp130064en.pdf which has already been implemented, but could go much further. In the meantime Poland is slowly expanding the ViaToll system – tolls for lorries on motorways, expressways and other roads. Apart from investment in rail infrastructure, it’s crucial to introduce a proper policy which will prioritize rail freight transport on longer routes.</p>

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SLOVENIA

Recommendation 2014	Justification
<p>Shift the burden of taxes and contributions from labour to environmentally harmful activity (e.g. CO₂ emissions) and resource consumption in a budgetary neutral way.</p>	<p>In the current crisis it has to become more attractive again to employ. One large obstacle is the high level of social contributions, which makes it expensive to employ. Despite some initial reforms, there is still great potential for shifting the tax burden towards resource consumption and environmentally harmful activity, e.g. by:</p> <ul style="list-style-type: none"> - abolishing the reduced VAT rate (of currently 9.5%) on phyto pharmaceuticals and the full tax exemption on air tickets - raising the diesel excise duty to the same level as the petrol excise duty (and regularly adjusting the rates in line with inflation to ensure their incentive effect) - phasing out exemptions and reduced excise duties for industry on energy consumption (remaining reductions have to be linked to binding targets for improving energy efficiency) <p>removing refunds of diesel excise duties for transport companies (since this might result in lower tax revenues from diesel for Slovenia, a European solution should be pursued, e.g. in the context of the revision of the Energy Tax Directive)</p>
<p>Take dedicated steps to harvest the potential of green jobs in Slovenia, especially in the context of rising rates of youth unemployment.</p>	<p>Ad hoc employment measures are not sufficient to tackle the structural unemployment challenge. Dedicated support is needed in sectors that have large employment potential and offer the opportunity for long-term sustainable economic development:</p> <ul style="list-style-type: none"> - Slovenian forestry is (by law) sustainable, but little value is added to timber within Slovenia, the bulk of raw timber is simply exported. The development of the wood value change has large employment potential. - The demand for produce from organic agriculture is exceeding domestic production by far. Organic agriculture is more labour intensive than conventional agriculture. Therefore, a shift towards organic agriculture has great employment potential. - Domestic waste treatment is still too much focused on landfilling. Recycling is more labour intensive than landfilling per ton of waste. Increased separated collection rates and domestic recycling have the potential to create new jobs in Slovenia. - Tourism in Slovenia is booming. One major attraction is the country's natural

	<p>environment. Therefore, extensive, green and active tourism has large (employment) potential in Slovenia.</p> <p>The energetic refurbishment of the Slovenian housing stock is progressing (too) slowly. There is large employment potential in accelerating the renovation rate – both in public and private buildings.</p>
<p>Take further measures to enhance the progress towards reaching the targets for reducing greenhouse gas emissions from non-ETS activities, in particular by ensuring a significant contribution to this goal from transport.</p>	<p>Slovenia is a transit country. In order to limit the negative impacts of road transport (wear and tear, air pollution, congestion, GHG emissions) several measures can be taken, (some of which are overdue):</p> <ul style="list-style-type: none"> - improve and extend the existing railways infrastructure - improve the incentive effect of road tolling (have a wider and deeper application of distance-based tolling in place, potentially enabled by a more flexible “Directive on the charging of heavy goods vehicles for the use of certain infrastructures”) <p>dedicate the revenues from some transport related taxes (e.g. CO2 tax on transport fuels) to the development of public transportation</p>
<p>Systematically approach the problem of corruption in public institutions (which has had large impact on environmentally questionable infrastructure projects in the past).</p>	<p>The Slovenian Commission for the Prevention of Corruption resigned end of 2013. This is an extract of their reasoning “because our calls or attempts for a systemic, immediate and joint approach to clarification of some key corruption issues that evidently burden our society (Thermo power plant (TEŠ 6), banking system, systemic corruption in health system, financial disclosures of office holders etc.), remain unaddressed; because we cannot accept that different office holders, mayors and influential politicians remain on their functions despite being subject to investigations related to corruption, tax evasions, money laundering etc.; because we cannot accept that a significant part of the media does not only act as a watch-dog, but lets itself be abused for political or lobbying interest”</p>
<p>The Slovenian authorities are invited to prepare and implement a well-articulated strategy for reducing the number of municipalities and improving their capacity to absorb EU cohesion funds.</p>	<p>The absorption of EU cohesion funds by local authorities is insufficient and leads to delays in meeting relevant directive requirements (waste & waste water etc.). Many of the Slovenian municipalities are extremely small and do not have the capacity to develop adequate projects. Reforming the inefficient structure of the municipal sector, which certainly has to include a reduction of the number of municipalities, will also ensure better use of public finance and secure a stronger local development in the future. Arising corruption issues at the local level will also be better tackled with such a reform.</p>

<p>Step up measures to improve the analytical skills in key ministries, also with a view to improving the absorption of EU funds.</p>	<p>The “Position of the Commission Services on the development of Partnership Agreement and programmes in SLOVENIA for the period 2014-2020” lists among the ex-ante conditionalities that are critical for the implementation of funding priorities also the following condition: “Strong improvement in the preparation of public tenders, especially in the fields of transport (rail) and environment (waste, water) which cause serious delays in implementation of important projects in the 2007-2013 programming period. An advisory body/group acting as a "help desk" and ex ante examiner of all tender documentation (quality check) prepared by the contracting authorities should be set up”</p>
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SLOVAKIA

Recommendation 2014	Justification
<p>Set up an action plan on environmental taxes introduction in order to systematically improve taxation to achieving the Europe 2020 objectives. Revenue-neutrality, budget-neutrality and prevention of negative social impacts should be in focus.</p>	<p>Tax performance is one of the biggest problems regarding public finance. Shifting the tax burden from income to consumption has the potential to contribute to EU wide targets in sustainable resource and energy use and significantly contributes to the Polluter Pays Principle. It furthermore has the ability to decrease tax fraud on the income side. Production processes and outputs are more easily monitored and evaluated as financial flows within and between tax subjects.</p>
<p>Step up efforts to address high youth and long-term unemployment, to support SME development and strengthening of local economy by supporting local production chains, by supporting energy efficiency measures, by introducing preparation for entrepreneurship into vocational education and training; Make greater use of decentralized participative implementation of Cohesion Policy on local level and support community initiative building to increase economic activity of citizens in regions.</p>	<p>Economic activation of young unemployed through increasing of entrepreneurial skills, promotion of local business models and clusters can significantly contribute to development of strong regional economies. This model should be preferred to re-qualification based on current needs of large employers as focus on employability is less stable than focus on entrepreneurship. Promotion of participative decision-making in public policy implementation is an important step towards economic and political activation of citizens and can lead to significant multiplying effects through networking, clustering and direct job creation.</p>
<p>Improve energy performance of public buildings in order to decrease budget gaps on national, regional and local levels; ensure savings from energy efficiency measures are bound to thematic investment funds aimed at further improvement of environmental performance of the public sector; increase energy performance of households to decrease level of energy poverty</p>	<p>Energy costs are one of the most significant costs in the public sector. An energy inefficient public buildings stock thus represents wasteful management of public finances. Energy efficiency increase in public sector is one of the binding targets of the 2012/27/EU Energy Efficiency Directive (EED). Decreasing energy poverty is an important goal stressed in provision of the EED, which states that “investments into EE...contribute to...decreasing of energy poverty thus positively contributing to economic, social and territorial cohesion“ (p.8, par. 49).</p>

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FINLAND

Recommendation 2014	Justification
<p>Taxation:</p> <p>Increase resource taxes, such as mining, fresh water and waste.</p>	<p>By introducing a mining tax, the Finnish state could build a fund or safety reserve through which it could cover emergency situations, such as leakages from mining sites to surrounding waters. This should be totally feasible as the Finnish mining sector is considered to be one of the most lucrative areas in the world due to its lack of extra costs.</p> <p>Fresh water is abundant in Finland, whereby its use has not been taxed as in many other countries. This should not be taken for granted as drinking water will be scarce in many parts of the globe in the next few decades. Consequently, it could be in the Finnish interest a) to regulate its consumption through the introduction of new taxes, and b) to prepare for the commercial sales of drinking water to third countries.</p>
<p>Increase tax on domestic and industrial waste.</p>	<p>This could act as an impetus to the further recycling of natural resources, whereby a minimum of recyclable material would end up to incineration plants.</p>
<p>Tax peat equally to other energy sources</p>	<p>Subsidies to peat industry (88 million in 2014) should be removed as the overall impact of energy production based on peat is worse than any other option (measured by CO2 emissions per produced energy unit, eutrophication caused to fresh waters and the sea, as well as permanent loss of biodiversity).</p>
<p>Subsidies:</p> <p>Phase-out environmental harmful subsidies, especially in the transport, agriculture and energy sector.</p>	<p>In Finland there are over 2 billion EUR of harmful subsidies to transportation, 1,4 billion EUR to agriculture and around 1 billion EUR to fossil fuels. (Finnish Ministry of Finance 2013, Finnish</p>

	<p>Ministry for the Environment 2013). These subsidies could be instead used for budgetary consolidation or earmarking.</p> <p>Executive Summary in English: http://www.foes.de/pdf/2014-02-Harmful-Subsidies_Exec_Sum.pdf</p> <p>Report in Finnish: http://haitallisetuet.files.wordpress.com/2013/11/sll-haitallisetuet-pdfjulkaisu-24022014.pdf</p>
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SWEDEN

Recommendation 2014	Justification
Permanently retire excess emission space under the Effort Sharing Decision (ESD)	Sweden is likely to emit less CO2 than permitted from the non-ETS sectors (covered by the ESD). If the “overperformance” is not retired but sold to “underperformers” the Swedish emission reductions will not affect the real emissions.
Continue to shift the tax burden from labour to the environment and resource use	Sweden is again facing budget deficits. If revenues are raised through taxes on emissions and the use of energy and other resources, negative impacts on the labour market can be avoided and environmental problems be reduced in parallel.
Increase technical neutrality in energy taxation and further incentivize energy efficiency by raising the tax on diesel and introducing energy content based tax on biomass	Though less than previously, diesel is still more favourably taxed than petrol. The complete tax exemption for biomass-based heating fuels is discouraging energy efficiency
Replace reduced fuel taxes for agriculture, fishing and forestry with other, environmentally neutral, types of subsidies	To preserve the competitiveness of those sectors, their fuel taxes are reduced.

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UNITED KINGDOM

Recommendation 2014	Justification
<p>Green Taxation</p> <p>Shift the tax burden environmental taxes</p> <p>Fuel duties should at the very least increase in line with inflation, and should not be frozen.</p> <p>Change the definition of environmental taxes back to the internationally accepted definition</p>	<p>Moves to reduce green taxation on domestic energy run contrary to the recommendations of previous and current Annual Growth Surveys and should be reversed</p> <p>Adjustments to the Energy Company Obligation Scheme – including reducing the Carbon Emissions Reduction Obligation by one third to 2015 – and the decision to fund the warm home discount from general taxation in future, reduced average household energy bills by about 50 GBP annually. The move has been widely criticised by social and environmental organisations, as a slow-down in the current programme to improve on the UK’s poorly insulated housing stock will result in poorer energy efficiency, higher energy bills and more GHG emissions. Delaying the transition to renewable energy and the introduction of energy-efficient technologies is clearly a retrograde step.</p> <p>Freezing fuel duties reduces the comparative cost of transport fuels over time and undermines incentives towards greater fuel efficiency in the transport sector. Fuel duties are also an important source of revenue: If frozen through to 2018–19, the policy will cost £4.2 billion (IFS 2014).</p> <p>The change of definition of environmental taxes by HM Treasury in 2012 (HM Treasury 2012), seemingly to meet a government commitment to increase the share of green taxes in total tax revenue, has led to the absurd situation of HM Treasury using a different definition to the UK’s Office for National Statistics, which continues to use the internationally accepted definition. The definition should be changed back, and environmental taxes raised as above so that the commitment can be met using the accepted definition.</p>

<p>Inconsistent carbon pricing in the UK – carbon prices are very different for domestic electricity and gas and for business emissions – should be examined and prices better aligned.</p>	<p>Inconsistent carbon pricing is inefficient and will result in emission reduction coming at a higher than necessary cost.</p>
<p>Subsidy policy</p> <p>The UK government should foster the transition to a low-carbon economy through permitted support for and higher rates of investment in renewable energy.</p> <p>This lower VAT rate should be re-examined and critically analysed with a view to their reform. Revenues raised should be used for energy-efficiency measures and to protect vulnerable households from the impact of higher energy prices.</p>	<p>Currently proposed payments to build a nuclear power plant in the UK seem unlikely to be in line with EU State Aid rules.</p> <p>As noted by the European Commission, the UK government’s plans to subsidise nuclear energy will not fulfill energy security goals and may counteract the EU 2020 targets for renewable energy. They will also not contribute to reduced GHG emissions by 2020, as the proposed plant will not come into service until 2022.</p> <p>Reduced rates of VAT on domestic energy use have been estimated to cost the UK treasury the equivalent of 0.25% of GDP annually (OECD 2010).</p> <p>Although energy prices are politicised in the UK, energy prices in the UK are comparatively low in comparison to the EU-15 (see DECC 2014). While fuel poverty is a concern, the volume of revenues foregone is substantial. A gradual increase in the VAT rate could generate revenues for targeted energy efficiency investments in inefficient housing stock, and to protect those most vulnerable to energy price increases.</p>

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Sources:

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EUROZONE

Recommendation 2014	Justification
<p>Taxation: Shift 10% of tax burden from labour to environmentally harmful conducts (e.g. causing CO2 emissions)</p>	<p>Realise the double dividend in order to consolidate national budgets in a cost-efficient way and to lower the persistent high unemployment rate (EU28-average 10.9%, in Nov 2013 [INE]) and the excessive energy dependence (53.8% EU-27 average, in 2011).</p>
<p>Harmonise energy taxation based on energy content and external costs of different sources</p>	<p>Agree on an ambitious revision of the energy taxation directive EC(2011) 169; Create technology-neutral framework conditions for the competition for highest energy efficiency at lowest environmental and health costs. This could raise to more than 10 bn€ by 2020 and a reduction of CO2 emissions of 1.5-2.5 % relative to the baseline. http://www.vivideconomics.com/uploads/reports/fiscal-consolidation-and-carbon-fiscal-measures/Carbon_taxation_and_fiscal_consolidation.pdf</p>
<p>Subsidies: Member States should develop a concrete strategy by 2016 on how to phase out Environmental Harmful Subsidies by 2020</p>	<p>Environmentally harmful activities are still subsidised by public budgets. On the EU level fossil fuels are subsidised by up to EUR 68.8 billion annually, including EUR 26 billion in direct subsidies and up to 42.8 billion that Member States and citizens have to pay to compensate for the negative social and health impacts. Member States should set up inventories based on and action plans to abolish Environmental Harmful Subsidies by 2020 which counteract central objectives of the EU, such as increasing competitiveness, environmental protection and social cohesion. http://ec.europa.eu/environment/enveco/taxation/pdf/Harmful%20Subsidies%20Report.pdf http://ec.europa.eu/environment/enveco/taxation/pdf/report_phasing_out_env_harmful_subsidies.pdf Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels (OECD 2013)</p>

	<p>http://www.oecd.org/site/tadffss/48805150.pdf</p> <p>IVM Institute for Environmental Studies (2013): Budgetary support and tax expenditures for fossil fuels: an inventory for six non-OECD EU countries http://ec.europa.eu/environment/enveco/taxation/pdf/fossil_fuels.pdf</p> <p>HEAL (Health and Environment Alliance), The unpaid health bill – how coal power plants make us sick. http://www.env-health.org/IMG/pdf/heal_report_the_unpaid_health_bill_-_how_coal_power_plants_make_us_sick_finalpdf.pdf</p>
<p>European Semester process: CSRs should deliver on all Europe 2020 targets with strong CSO's involvement</p>	<p>Adopt obligatory guidelines to ensure a meaningful, partnership approach based on structured dialogue to deliver on Europe 2020 objectives in the NRPs: involving multi-level governance, civil society organisations, and social partners.</p> <p>Include strong environmental and climate indicators in the Macro-economic governance.</p>

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About Green Budget Europe, European Environmental Bureau and CEE Bankwatch

Green Budget Europe (GBE)

Green Budget Europe (GBE) is a Europe-wide expert platform bringing together representatives of business, international organisations, ministries, NGOs, political decision-makers, the research community and civil society. GBE aims to catalyse the use of Market-Based Instruments to deliver Green House Gas emissions reductions and environmental improvements.

GBE works to promote dialogue and deliver progress on Environmental Fiscal Reform on the international stage, at EU-level as well as within individual European countries.

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European Environmental Bureau (EEB)

Created in 1974, the EEB is now Europe's largest federation of environmental organisations with 140+ member organisations who gain their membership from the general public. Because of this, we are guided by the voices of 15 million European citizens, and act as the ears and voice of its members towards the EU decision makers and beyond.

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CEE Bankwatch

CEE Bankwatch Network is an international non-governmental organisation (NGO) with member organisations from countries across central and eastern Europe (CEE). We monitor the activities of international financial institutions (IFIs) which operate in the region and promote environmentally, socially and economically sustainable alternatives to their policies and projects.

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