To: the Energy Ministers and Permanent Representatives of the European Union

Brussels, 14 November 2006

Dear Madam
Dear Sir

<u>Concerning</u>: EU Energy Council Conclusions on Action plan for Energy Efficiency

The coming days are crucial for the preparations for the November Energy Council conclusions on the Commission Communication on an Action Plan for Energy Efficiency. We call upon you to work towards conclusions that fully support, and where necessary strengthen, all proposed measures in the Commission's Action Plan in order to achieve the energy saving ambition of a 20% reduction by 2020.

We believe that an essential contribution from Energy Ministers to reach the EU's energy saving target is to ensure implementation, promotion and achievement of national measures. As a matter of priority, we urge Member States to fully and timely implement the Directives on Energy Performance of Buildings, on Eco-Design and on Energy end-use Efficiency and Energy Services.

For the transport sector, we call on the Council to encourage the Commission to produce, as soon as possible, a proposal for legally binding legislation to require car-producers to respect the Community emission reduction target for all new cars of 120g/km average CO_2 emissions by 2012, in response to the increased likelihood that many car-producers will not achieve this otherwise. Long-term, ambitious legally binding CO_2 emission reduction targets beyond 2012 should also be considered.

EEB agrees with the Commission that "*taxation, as a means to internalise external costs, is a powerful tool in promoting energy efficiency*." It calls upon the Council to fully support this view and to agree to make the Commission's

proposal more specific by starting a co-ordinated EU-wide (budget-neutral) tax shift towards more taxes on energy use and natural resource pollution while reducing labour taxes. Given concerns about subsidiarity and the unanimity requirement in the Council, EEB proposes using the Open Method of Co-ordination (OMC) to establish such a common EU objective and guidelines in order to initiate an EU-wide shift in taxation. OMC commits all Member States to work together towards shared goals while respecting legitimate national diversity. Once an EU-objective has been set. Those Member States that are interested in further coordination of specific approaches could do so via the enhanced co-operation method. Please find attached, an EEB Briefing on how to use the Open Method of Co-ordination to achieve EU-wide environmental fiscal reforms.

We caution against the promotion of voluntary agreements at EU level. The most substantial agreement so far has been with the car-industry, and looks like it is heading towards failure. The OECD, for instance, continues to warn that voluntary agreements on the national level so far have not shown much added value for the environment. Furthermore, there is considerable legal doubt that the Commission is entitled to make agreements with industry that are mutually binding. The only type of voluntary agreements that are acceptable are those that are embedded in a legal framework with clear targets, monitoring mechanisms and sanctions as well as the full participation of the Parliament, the Council and NGOs.

We look forward to working with you to ensure that energy efficiency becomes a cornerstone of the EU's energy security solutions.

Yours faithfully,

John Hontelez
Secretary General European Environmental Bureau

Open Method of Co-ordination (OMC): a viable option for Environmental Fiscal Reform (EFR) in the EU

June 27, 2006.

The rationale:

In the Environment Technology Action Plan[1] (ETAP) the Commission considers the Open method of Coordination to be *"the most appropriate way of moving forward"* in achieving the actions announced in the Commission's Communication on ETAP. The 25 actions in the Communication are grouped into 8 sections – Subsidies and Market Based Instruments fall under Actions 15 -18. Action 17: *"Encourage systematic internalization of costs through market-based instruments (…) from 2004 …* (by) *Commission, Member States and regional governments …* (using the) *Open Method of co-ordination, Communication on environmental taxes and charges."* (p. 22)

How OMC can stimulate, promote and achieve EFR in the Union:

The Open Method of coordination, in contrast to the "Community method", **aims at coordination rather than harmonisation of national policies**. It commits all Member States to work together towards shared goals while respecting legitimate national diversity. It is also more inter-governmental and voluntary than the traditional EC methods (e.g. legally binding Directives etc). EEB proposes using the OMC to:

- establish a **common EU objective** and timeframe for EFR: e.g. **"achieve a 10% tax shift from labour to natural resource pollution in a period of ten years"**
- agree on a set of common (possible) EU measures/actions to be translated and undertaken at the national level (acknowledging national diversity)
- **fix guidelines** for the Union and its Member States on how to achieve the common objective of a 10% tax shift, with **specific timetables for t**he short, medium and long term pointing at the broad range of tax instruments available
- establish, where appropriate, quantitative and qualitative **indicators and benchmarks** tailored to the needs of different Member States and sectors as a means of comparing best practice;
- provide a platform (e.g. contact point or common website or joint events like a regular item on the agenda of ENVECO[2] – with possible access for NGOs) where Member States can **exchange information** on best practice – raise stakeholder awareness at the national regional and local levels and highlight effective combinations of measures);
- **translate** these European guidelines into **national and regional policies** by setting specific targets and adopting measures, taking into account national and regional differences. **Enhanced co-operation** could be a useful tool to give interested Member States an opportunity to cooperate with each other on how to translate the European guidelines into their national, regional and local policies; and provide for such Member States to exchange information and share practical experiences on the most effective combination of measures;
- provide for **periodic monitoring,** evaluation by Commission and possibly also through peer review, as a mutual learning process.

The OMC has been applied across a growing range of policies e.g.; employment, social inclusion, pension reforms and its application varies across policy areas; in some cases Commission and the Council may issue joint recommendation to the Member States on how to implement specific policies (e.g. European Employment Strategy and the Broad Economic Policy Guidelines), while in other sectors, common benchmarks and indicators have been established (e.g. economic policy, structural reforms, employment, social inclusion and education).

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[1] COM(2004) 38 final

[2] This is a group of the COM where experts from the ENVironment and the ECOnomics/Finance Ministry meet twice a year to discuss issues concerning both Ministries like eco-taxes or environmental economics.

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