



To: The Environment Ministers of the EU Member States

Brussels, 1 October 2007

**Concerning: Commission's Green Paper on Market based instruments for energy and environment**

Dear Minister,

Herewith I am sending you the views of the European Environmental Bureau on the Green Paper on Market Based Instruments for Energy and Environment (28 March 2007, Com(2007)140). With your colleagues in the Environment Council you have already discussed this Green Paper, and as EEB we welcome the Council Conclusions of June 28 on "New IMPETUS for EU Environmental Policy" to this regard.

The Commission's Green Paper acknowledges that environmental tax reforms (ETR) can accomplish the multiple objectives of growth, jobs and a clean environment. However, political will and commitment is imperative. In line with the Council Conclusions (para 13), EEB emphasises the need for a political commitment at the EU-level to initiate an EU-wide shift of taxation from labour to resource use and energy consumption. In our attached response, we propose to use the Open Method of Coordination for this purpose. The aim can be set at a 10% shift away from labour taxes to taxes related to environmental performance of goods and services, in a period of 10 years, and include measures to address any potential negative social impacts.

We also support in particular paragraphs 9, 14, 27 and 28 of the Council Conclusions. In line with paragraph 28, we call on you to continue to call on the Commission to introduce environmental regulation that leads to dynamic, standard setting schemes in the EU that address environmental and performance requirements in an integrated manner, along the lines of the Japanese Top Runner approach. Standards and labels play an important part in stimulating eco-efficient innovation – they can stimulate the supply industry. There needs to be effective consumer information and visibility at the time of purchase.

EEB would like to draw your attention to two areas where in our views the use of market-based instruments should NOT be introduced. These are 'habitat banking' as

proposed under biodiversity and the use of cross-border emissions trading schemes for non-CO<sub>2</sub> gases, under air pollution measures. EEB warns against using 'habitat banking' because this would not necessarily result in the protection of ecosystems and their biological and physical components (Please see attached paper for more details).

EEB sees no scope for using cross-border emissions trading schemes, except for CO<sub>2</sub> because of the need to give citizens equal protection across the Union, and the risk of the creation of hotspots. In addition, doing so would be in contradiction to the Directive for national emissions ceilings (NEC Directive), which sets absolute caps on four main air pollutants (SO<sub>2</sub>, NO<sub>x</sub>, VOC and NH<sub>3</sub>) per country (Please see attached paper for more details).

On behalf of the EEB I would like to invite you to:

- Propose that the 2008 Spring European Council sets the process towards reaching an European-wide political commitment to initiating a co-ordinated EU wide shift of taxation from labour to resource use and pollution (as outlined in our position paper)
- See to it that the Commission prepare a timely roadmap for the reform, sector by sector, of environmentally harmful subsidies
- See to it that the Commission produce a timetable highlighting clear follow-up steps and actions to the Green Paper on market based instruments
- Stress that the Commission produce an 'EU Top Runner approach' that address environmental and performance requirements in an integrated manner, along the lines of the Japanese Top Runner approach.

Yours sincerely,

John Hontelez  
Secretary General  
European Environmental Bureau