



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 Plan¹ (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 the 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 ENVECO² – 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).

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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