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Bureau européen de l'environnement

Réforme fiscale environnementale et compétitivité économique

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Alain Lipietz a participé au colloque intitulé : "Reforme fiscale environnementale et compétitivité économique" organisé par le [Bureau Européen de l'Environnement](#).

In his oral presentation, Alain Lipietz MEP (Group of the Greens, Committee on Economic and Monetary Affairs) developed his ideas about the advantage of being environmental frontrunners. He touched upon the Convention on the Future of Europe, stressing that extending qualified majority voting to fiscal matters is essential for environment protection and European integration at large. He also made a comparative review of the efficiency of different environmental policy tools.

The advantage of being environmental frontrunners : the first countries (or companies) that develop environmental protection strategies get a rent on the future. Moving first can be very profitable. This however can happen on the condition that the general perspective is stable, i.e. if the actors have certainty that this policy process is inevitable in the long term. Players such as governments or companies, if they are innovative, will take the risk of moving ahead first only if they have minimum guarantee that the process they engage is a long term one and thus can be rewarding. Policy signals are thus essential. For instance, regarding climate change, Kyoto indicates that action needs to be taken and also sets a longer term direction. In Europe, the EU institutions are well placed to send such signals to actors at the national level.

If actors have some minimum certainty that what they are doing now will be the rule in the future, then they will move ahead. This applies particularly for innovative policy instruments such as environmental economic instruments : taxes (or EFR) and permits (with or without emissions trading).

A binding cap on emissions with possible permits trading is the best tool, although the monitoring and transaction costs can be very high. Tax is the second best.

Caps is at the same time more ecologically efficient (direct regulation on quantities) and more social (permits may be granted for free). When combined with permit trading, it may also be more flexible and economically efficient. With emissions trading, limiting emissions can actually be more expensive for industry than by paying a tax. But business prefer it because they see this instrument as more flexible. Business do not like ecotaxes, but they should not forget that regulation has a cost too.

An important argument in favour of this tool is that, at EU level, cap and trading is easier to push for than taxes. The Parliament is co-decider on trading matters, while Parliament has almost no influence over taxes. Even some federalists defend national sovereignty for taxation ! The 1992 CO₂/ energy tax proposal was rejected even by the environment Council new energy tax proposal in 1997 : the Parliament supported this proposal. In its 1999 "Cox report", it also put forward amendments for improving the proposal. There was finally an agreement in the Ecofin Council in March of this year, after 6 years of difficult negotiations. This agreement is extremely weak regarding the environment, and very far from the original proposal. The Parliament will issue an Opinion on this agreement in September. It will also publish an Opinion on the diesel tax proposal, but these opinions are non-binding and will have no direct effect on the Council.

What can we do ? We have to mobilise our energies and push every government to increase or introduce ecotaxes. We must endeavour to rally the public to this cause. Getting public support is essential. Parliament can be very influential when it has the public on its side, as was shown in the case of GMOs.

What about the option of border tax adjustments at the EU borders for environmental (or social) purposes ? This may bring about major problems with the WTO. This poses the problem of the relation between free trade and climate change policies.

Another possibility could be to deduct the cost of climate change policies from EU exports. But this may be deemed to be a subsidy by the WTO.

Conservative-liberal governments and MEPs promote "fiscal competition", but, in fact, this results into distortion of competition with anti-environment bias.