

ENTRACTE - CECILIA 2050
Joint Climate Workshop
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ETS & NON-ETS AT MS LEVEL

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*Views represented here do not necessarily represent those of the organisations
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Our Pledge

“We’ll immediately
legislate to scrap
the Carbon Tax.”

Tony Abbott.

www.realsolutions.org.au

Why am I here? AUSTRALIA

- “Carbon tax is out!” first words of the Australian elections winner Tony Abbott



- In the programme: repealing the mining and carbon taxes; abandoning ETS



Why am I here? MOROCCO

Morocco: petrol products subsidies

	Dirham Billion	Euro Billion	GDP %
2006	7,4	0,7	1,3
2007	10,7	1,1	1,7
2008	24,2	2,4	3,5
2009	7,2	0,7	1,0
2010	23,7	2,4	3,1
2011	44,5	4,5	5,5

ex.	gasoil	-21%
2011	diesel	-35%
	some fuel oils	-60%
	gaz butane	-68%

Estimates by Caisse de compensation



Abdel Benkiran,
1st Minister

Economic instruments for environmental policy (OECD)

- Taxes
- Tariffs/Charges/Fees
- Subsidies (EHSs and EFSs)
- Market creation
(ETS, fishing/water quotas, ...)
- Fines/Penalties/Sanctions

Barde: Policy options for a green/ environmental/ecological tax reform

- Restructuring existing taxes taking into consideration the environment
- Introduce new green taxes
- Eliminate EHSs (Environmentally Harmful Subsidies)
- Introduce or modify EFSs (Env. Friendly Subsidies)
- Fiscal neutrality (static: reduce other taxes, namely labour and enterprises; or dynamic: instead of raising other taxes; reduce public debt; finance new policies: e.g. education/health) or green technological innovation

Is ETS an endangered specie? May be already extinguished?



Is ETS an endangered specie? May be already extinguished?



Building a market is complex

Managing a market is complex

Commission is weak

Agreement among 28 is difficult even on environment (not only as for taxation)

Long implementation, grandfathering, ...

Many firms have liked the low price

The target is low (scientific community)

Is ETS like the UN?



UN work often inefficient and seems completely blocked. Can we give up the UN?

Joint Statement on the EU Emissions Trading System (1-2)

1. We are firmly committed to the EU Emissions Trading System (ETS) as being at the heart of the EU's climate change and low carbon investment policies up to and well beyond 2020.
2. However, we remain deeply concerned that the ETS as currently designed cannot provide the price signals needed to stimulate the low carbon investment needed now because the supply of allowances substantially outstrips demand, leading to a very low carbon price. This also threatens the credibility of carbon markets as the most flexible, cost-effective way to achieve emissions reductions.

Joint Statement on the EU Emissions Trading System (3)

- 3. Given that the majority of EU Member States have to stimulate low carbon investments in order to meet domestic targets, an additional result of a sustained low carbon price could be a shift to a regulation-centric approach over market-based instruments, which would lead to increased costs for businesses operating within Europe.
- [Source: 12 EU Ministers Declaration, July 2013]

Joint Statement on the EU Emissions Trading System (4)

4. As we have seen throughout the financial and economic crisis, targeted interventions may be necessary and we are convinced that only through proper structural reform and by giving investors a clear signal on Europe's low carbon ambition beyond 2020 can the EU ETS be restored to its original purpose of driving down carbon emissions and stimulating low carbon investments. So we welcome the Commission's Carbon Market Report, with options for reform, and the publication of the green paper on a 2030 framework for climate and energy policies.

Joint Statement on the EU Emissions Trading System (5-6)

5. Although we are clear that market interference should be kept to a minimum, a one-off and targeted intervention now would minimise market uncertainty and distortions, and also promote investment in low carbon technologies. A delay could lead to greater costs in the long-term to meet EU 2050 objectives.
6. We note the European Parliament's vote on 16th April on the 'back-loading' proposal and are disappointed by the result. Back-loading is one way to provide a short term fix pending structural reform of the EU ETS. Back-loaded allowances will be taken from Member State auctioning pots and will thus not affect measures to prevent carbon leakage. The main driver behind energy costs remains global fossil fuel prices and action to reduce emissions will reduce exposure to fossil fuel price volatility.

Joint Statement on the EU Emissions Trading System (7-8)

7. We therefore call on both the Council and Parliament take the urgent steps necessary, working constructively together, to come to a swift resolution of the backloading proposal by July of this year at the latest.
8. However, in parallel to progress on back-loading a renewed focus on more substantive measures to strengthen the system is essential. We now urge the Commission to bring forward, by the end of the year at the latest, proposals to perform a proper structural reform of the EU ETS, as well as giving investors a clear signal on Europe's low carbon ambition beyond 2020, in order to stimulate low carbon investments and the most cost-effective emission reductions.

Stakeholders diverging preferences (1)

Citizens not really concerned

NGOs find it ineffective

Academy & Research consternated

Unions concerned with employment, salaries and retirement

Firms happy with the past and the present:
low-cost, avoided major investments;
concerned with the future: costs of
auctions

Aviation sector ready to enter is a very
strong sign (avoiding alternative taxation)

Stakeholders diverging preferences (2)

Different priorities among parts of
Government:

Ministry of Environment

Ministry of Economy & Finance

Ministry of Economic Development (energy,
industry, cohesion policy)

Ministries of Foreign Affairs and European
Affairs

Common position difficult to achieve (like
many other countries)

Converging instruments used or ongoing

White Certificates (energy efficiency)

Green Certificates (renewables): for major producers/importers over 100 GWh; increased till a peak of 7,5% in 2012; progressive reduction until 0% in 2016.

Feed-in-Tariffs

Environmentally Friendly Subsidies:

- Solar
- Wind (excess)
- Thermal renewable sources
- Energy Efficiency
- Building Restructuring
- A+ Electrical Appliances replacement schemes
- Car/motorbikes replacement/scrapping schemes

ETS in Italy

In general same ETS documents, reports and plans, same issues, same concerns as in other EU countries

Covers about 40% of emissions (among the lowest in the EU)

Strong acceleration (catching up) of renewables in the last 4 years thanks to EFSs

Italian firms have bought many allocations in the first years at low prices. Overallocation of allowances emerged in the last years, following the economic-financial crisis, in presence of extremely low prices

[See: OECD (2013) Environmental Performance Review of Italy, Chapter Climate Change]

Many instruments: they must be coordinated and efficient; but can we think of many instruments running in the same direction ? (for the different facets of the major policy: climate change and low-carbon development)



Major instrument for reducing GHG emissions still in the old fuel tax?

Old tradition in Italy of high fuel taxation, not for environmental but for revenue reasons

Has lead to a leadership of Italy in Energy Intensity and Emissions Intensity

Most people complain of tax increases in the recent years: but if you make a simple deflation exercise, we can see that fuel prices are just back to the mid 80s price peak (in real terms).

And considering (welcome) car engines technological innovation, price/km has even decreased in real terms

Carbon policy still more in the hands of Emirs and Sultans than in our owns?

Most enterprises in Italy - firms associations, large companies as wells SMEs - complain about the highest prices in Europe for electricity and energy in general. Consumers also.

But if a country has scarce natural resources would this be so surprising in terms of economic theory? Can't it be turned in positive? Italian industrial structure has been able to adapt and technological innovation for energy savings has been remarkable.

Fear of competitiveness loss is dominating.

The Government is preparing a discount on major energy high consumption firms.

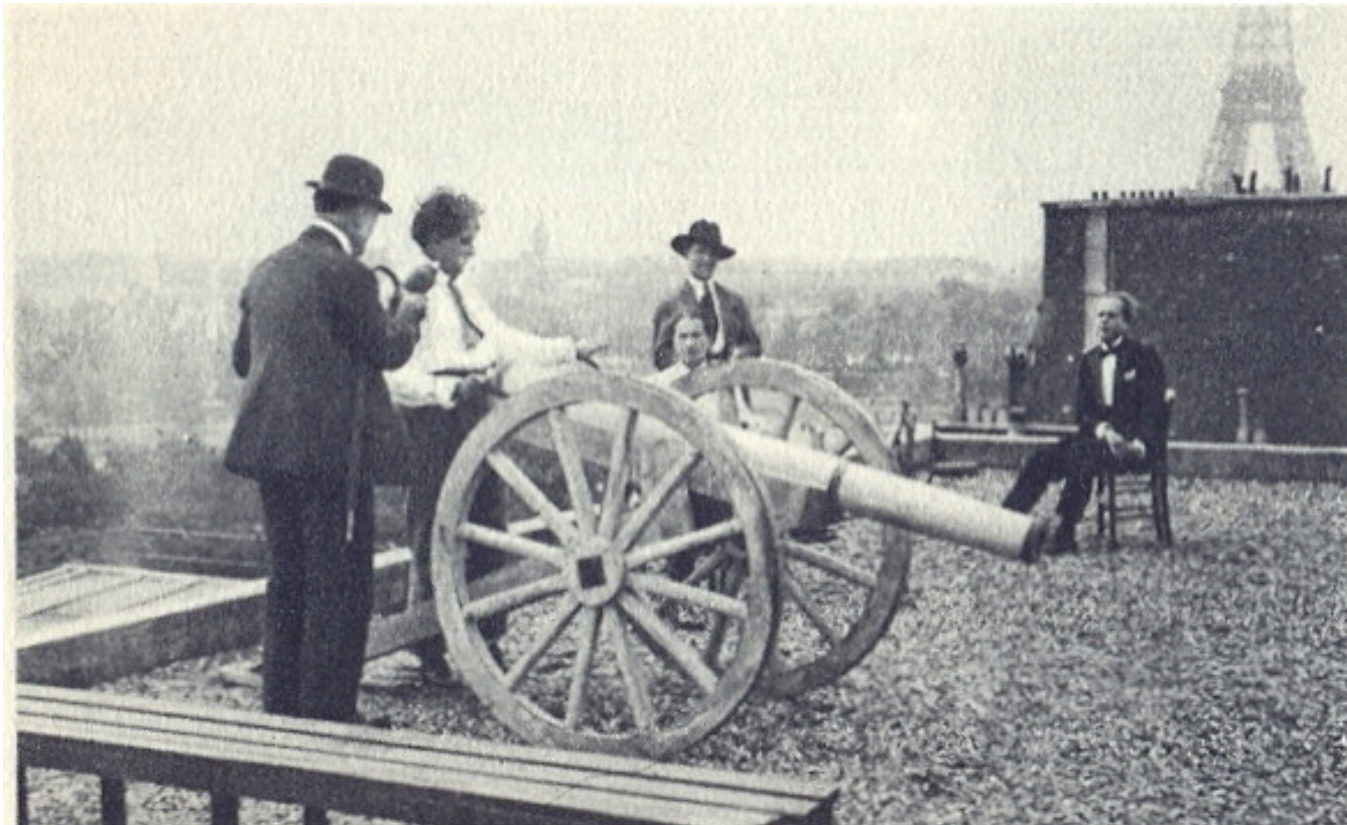
Are ETS and a CO2 tax really alternative? Is the double taxation problem relevant?

If I buy a house-property I pay taxes on the purchase and then I pay taxes on its use (e.g. figurative income in tax revenue declaration, local services – city – waste tax)

When I buy a car, I pay a tax; then in many countries, just because I own it, I pay an annual property tax (not to talk about its use, parking and placement)

I am aware that this is politically out of the agenda; and would make confusion, may be even dangerous. But may be Entr'acte and Cecilia 2050 may explore it.

WHY THE ETS?



Energy-Carbon Tax proposal 1992

Delors, Majocchi, Delbeke, Convery et al.

**EU was ready to go to Rio 1992 on a strong
credible position for negotiation**

WHY THE ETS?



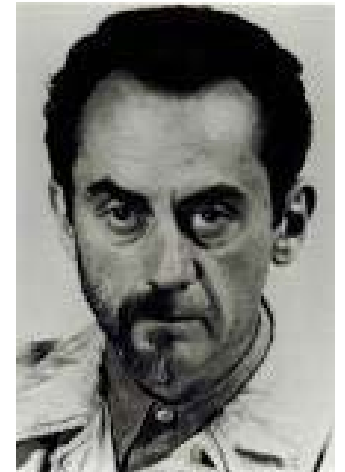
Unanimity in fiscal decisions

ETS considered environmental decision (non fiscal)

Thinking out of the box: to use other instruments:

**Enhanced Cooperation (like Schengen, Euro),
common action by countries**





Entr'acte, Manifesto of Dada Movement

Erik Satie – François Picabia – Marcel Duchamp – Man Ray