

Bloomberg

EU May Consider Taxing Energy, Commissioner Says

By Ewa Krukowska - Jan 13, 2011 2:14 PM GMT+0100 Thu Jan 13 13:14:58 GMT 2011

The European Union may consider taxing energy resources to curb wasteful consumption and ensure the bloc follows its strategy of low-carbon growth, the EU's Climate Commissioner said today.

The 27-nation EU is already running the world's largest carbon market and wants to remain a global leader in combating climate change.

"If we tax more what we burn and less what we earn, there's really room for a paradigm shift there," Connie Hedegaard told a seminar organized by the Lisbon Council in Brussels. Hedegaard declined to say which resources might be taxed, nor did she specify the type of tax that might be introduced.

The bloc's cap-and-trade emissions program, known as ETS, covers more than 11,000 installations that must have a permit for each ton of carbon dioxide they discharge. Those emitting more than their quota must buy more allowances.

"We need some pricing mechanisms. That's what the ETS is basically about," she said. "But we also need them outside the ETS to be able, to a higher degree, to price energy resources."

EU tax laws and changes to them require the unanimous approval of member governments.

The EU is taking steps to meet its target of cutting greenhouse gases by 20 percent by 2020 compared with 1990s levels and has said it is ready to tighten the goal to 30 percent if other countries make comparable efforts.

EU governments will debate whether such a move is possible and how it could be made after the European Commission, the bloc's executive, presents later this quarter a road map for reaching the European 2050 target of reducing emissions by 80 to 95 percent, Hedegaard said.

'Right Policy'

"A number of member states have said they think it'd be the right policy -- the U.K., Germany, France, Denmark, Finland, Spain -- and more are under way," she said. "That's also a discussion we're going to have in the first half of this year."

EU nations remain at odds about whether the bloc should be more aggressive in reducing emissions, with central and east European countries that have joined since 2004 fearing that a decision made too soon may hurt their growth rates and competitiveness.

Hungary, which took over the EU's rotating presidency this month, said last week the group must be "very careful" when deciding whether to adopt stricter targets.