



European Communities

EUROPEAN PARLIAMENT

SESSION DOCUMENTS

English Edition

13 May 1991

A3-0130/91

R E P O R T

of the Committee on the Environment, Public Health and
Consumer Protection

on economic and fiscal instruments of environment policy

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DOC_EN\RR\109943

PE 145.367/fin.
Or.FR

A Series: Reports - B Series: Motions for Resolutions, Oral Questions - C Series: Documents received from other Institutions (e.g. Consultations)

* = Consultation procedure requiring a single reading

**II = Cooperation procedure (second reading) which requires the votes of a majority of the current Members of Parliament for rejection or amendment

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*** = Parliamentary assent which requires the votes of a majority of the current Members of Parliament

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At the sitting of 11 December 1989 the President of the European Parliament announced that he had forwarded the motion for a resolution by Mr Collins and others on financial incentives for measures for environmental protection, pursuant to Rule 63 of the Rules of Procedure, to the Committee on the Environment, Public Health and Consumer Protection as the committee responsible and to the Committee on Economic and Monetary Affairs and Industrial Policy and the Committee on Legal Affairs and Citizens' Rights for their opinions.

At its meeting of 9 November 1989 the Committee on the Environment, Public Health and Consumer Protection had decided to draw up a report and appointed Mr Vohrer rapporteur.

At its meeting of 25 January 1990 the committee decided to include in its report the following motion for a resolution which had been referred to it:

- motion by Mrs Veil and others on a new Community approach to reconciling economic and ecological considerations in a market economy.

At its meetings of 1 February 1991 and 2 May 1991 the committee considered the draft report.

At the last meeting it adopted the resolution unopposed with two abstentions.

The following took part in the vote: Collins, chairman; Schleicher, vice-chairman; Vohrer, rapporteur; Alber, Bertens, Bowe, Ceci, Chanterie, Jepsen (for Caroline Jackson), Kuhn, Lannoye (for Amendola), Maher (for Pimenta), Monnier-Besombes, Muntingh, Partsch, Pollack, Pronk (for Oomen-Ruijten) Randzio-Plath (for Green), Simmonds and Veil.

The opinions of the Committee on Economic and Monetary Affairs and Industrial Policy and the Committee on Legal Affairs and Citizens' Rights are attached to this report.

The report was tabled on 10 May 1991.

The deadline for tabling amendments will appear on the draft agenda for the part-session at which the report is to be considered.

MOTION FOR A RESOLUTION

on economic and fiscal instruments of environment policy

The European Parliament,

- having regard to the motions for resolutions tabled by:

(a) Mr Collins and others on financial incentives for measures for environmental protection (B3-470/89),

(b) Mrs Veil and others on the new Community approach to reconciling economic and ecological considerations in a market economy (B3-601/89),

- having regard to the results of the hearing conducted by the Committee on the Environment, Public Health and Consumer Protection on 21 and 22 June 1990¹ on 'Economic and fiscal incentives to achieve environmental objectives',

- having regard to the conclusions of the European Council in Dublin of 25 and 26 June 1990, the Council of Environment Ministers of 29 and 30 October 1990 and the joint Council meeting on energy and the environment of 29 October 1990,

- having regard to the report by the Committee on the Environment, Public Health and Consumer Protection, the opinions of the Committee on Economic and Monetary Affairs and Industrial Policy and the Committee on Legal Affairs and Citizens' Rights (A3-0130/91),

General

A. whereas despite the four EC environmental action plans adopted since 1973 and the 445 legislative instruments on the environment (196 directives, 40 regulations, 150 decisions, 94 recommendations and opinions: as at 10.12.1990) pollution of the environment has continued to increase, and whereas politicians have underestimated the environment-consciousness of ordinary people and their willingness to make a contribution,

B. whereas according to a report by the UNO environmental programme², given the expected rise in the temperature of the world climate, even if current emission levels of carbon dioxide, methane and CFCs were frozen, world food production in the next century could fall by 25% and whereas some 80% of all harmful substances come from the industrialized countries which account for only 20% of the world's population,

¹ The papers and the preliminary and follow-up study are contained in Document 16 in the series 'Environmental issues, public health and consumer protection' published by the Directorate-General for Research of the European Parliament.

² Published in London on 24.10.1990

- C. whereas the Brundtland report, drawn up under UN auspices, calls on the Commission to take all appropriate measures to bring about sustainable development,
- D. whereas on the basis of the OECD's calculations the overall growth rates of the industrialized countries would need to be 3-5% lower to reduce pollution of the environment connected with creating the national product, and whereas the annual costs incurred in respect of pollution of the environment amount to an estimated DM 200 bn for the former Federal Republic of Germany alone,
- E. having regard to the European internal market in 1993 requiring rules in all Member States designed to prevent distortion of competition (cf. Article 100a EEC Treaty),
- F. having regard to the Community's environment policy, as laid down in Article 130r, which is based on the following principles:
- preventive action
 - the polluter should pay
 - environmental protection requirements should be a component of the Community's other policies,
- and whereas the economic and financial instruments can play an important part in achieving these objectives,
- G. whereas Article 100a of the EEC Treaty calls on the Commission, in drawing up its environment proposals, to take as a base a high level of protection,
- H. mindful of the need for economic agents (consumers and undertakings) to include in their economic calculations the social and ecological costs that result from their decisions, and to have incentives to behave so as to minimize these costs,
- I. whereas, given the overriding importance today of pollution of the environment and the limited resources, the market economy - with capital as a central factor in production - should be transformed via the social market economy, in which priority is given to labour as a production factor, into an ecological market economy with the objective of sustainability where the central feature is not natural resources but growth,
- J. aware that the disadvantage of the exclusive use of legislative instruments with a static effect (for example plant-related regulations, threshold values, injunctions and prohibitions) is that it is a response to environmental pollution granting businesses the right to pass on to the environment, at no cost to themselves, permitted volumes of harmful substances, whereas this does not stimulate the development of new technology and whereas parliaments and civil services are unable to cope because the legal instruments need to be continuously adapted to the state of the art,

K. aware that instruments with a dynamic effect on the market economy, in particular:

- (graduated) taxes, fees, levies, and subsidies,
- emission rights or licences,
- provisions for attachment,
- products liability,
- user advantages,

are a more flexible and efficient response to the challenges posed by pollution of the environment,

L. whereas the 'soft instruments' of environmental policy, such as an open information policy and the labelling of products (green label) etc. should not be under-estimated and can lead to the moral suasion of producers and consumers,

M. adhering to the principle that environmental taxes and levies must not increase the tax quota, but that there must be a shift in the tax burden, which should be neutral as regards the revenue raised, with the objective of securing an ecologically oriented restructuring of the tax system,

N. whereas although the proposed charging of environmental costs will have a considerable impact on the distribution of incomes, the use of flexible economic and fiscal instruments is socially compatible because it achieves given objectives at significantly lower cost than the traditional instruments,

O. whereas although the use of economic and fiscal instruments may result in additional tax revenue and whereas this runs counter to the objective of revenue neutrality, these effects can be offset in other areas through tax relief,

P. whereas improved protection of the environment will have a considerable positive effect on employment,

Q. whereas the consistent application of economic and fiscal instruments is reflected neither in national product accounting nor in the proportion of public spending on the environment,

R. aware that from the point of view of subsidiarity, economic and fiscal instruments of environmental policy should be shaped in such a way that there is a European framework allowing freedom of decision-making within specific margins at the politically subsidiary level,

S. aware that an efficient environmental policy involves not only the application of an instrument but also a broad spectrum of measures, involving the complementary use of administrative, economic and fiscal instruments,

Transport policy

- AA. whereas the transport sector is responsible for about one quarter of the total emission of CO₂, and whereas a significant reduction in this emission cannot be achieved, even with the consistent use of the three-way catalyser, if the vehicle population continues to increase,
- AB. whereas, because of the failure to internalize all the environmental costs caused by the transport sector, that sector is one of the most highly subsidized policy areas, and whereas the continuing increase in the car population and the opening of internal frontiers in 1993 threaten to bring the entire transport system to a standstill,
- AC. whereas the introduction of unleaded petrol and catalyser technology in those Member States which have granted tax relief for them has had a positive effect, but whereas common, coordinated action at Community level would have a far greater effect in terms of protecting the environment,
- AD. whereas a consistent approach to the charging of the costs of pollution of the environment to the individual forms of transport would result in a considerable increase in the costs of transport by road and by air and whereas this would lead to a shift in the burden between roads, rail, water and air,

Energy policy

- AE. whereas the combustion of fossil fuels causes emissions of sulphur dioxide, nitrogen oxide and carbon dioxide which, individually or in combination with others, are a major contributor to the death of forests and the greenhouse effect,
- AF. whereas fluctuations in energy prices, which are the chance result of political events, often distort environment-friendly consumption, thereby activating only a small part of the technical resources available for savings,
- AG. whereas an increase in the price of energy will be an essential component in a strategy to secure the objective of energy savings; whereas only a targeted form of levies on environmental pollution will encourage non-polluting technology; whereas economic and fiscal instruments can bring about a realignment of energy policy to take the environment into account,

Agricultural policy

- AH. having regard to the increased productivity of the agricultural sector, which is due principally to the high level of mechanization and the massive increase in the use of energy, fertilizers and pesticides,
- AI. whereas the increase in productivity has been accompanied by pollution of the environment (pollution of groundwater with nutrients, in particular nitrates from liquid manure and commercial fertilizers, soil erosion and soil compaction through the use of heavy agricultural machinery) and the

loss of species, and whereas this policy has led to excess production of agricultural products, for the storage and disposal of which more than half of the EC's budget is required,

AJ. aware that an environmentally-friendly agricultural policy must deliberately encourage extensification and at the same time respect the need for the maintenance and preservation of the natural landscape in order to resolve the conflict between agriculture and protection of the environment,

Waste policy

AK. whereas some 2.2 bn tonnes of waste are generated annually in the Community, and whereas waste dumping capacities are limited and non-harmful incineration cannot be guaranteed,

AL. whereas calculations show that, if the long-term costs of dumping and the external costs of incinerators are included, the costs of dumping domestic waste will increase 20-fold and the costs of special waste 100-fold,

AM. aware that a Community waste policy will be successful only if it is based on three principles: waste avoidance, reprocessing and environmentally-friendly disposal,

AN. whereas waste is an asset, the economic use of which, if recycled, depends on the prices of raw materials and energy,

AO. whereas there is a need for a new product philosophy whereby the manufacturer of a product is responsible for the entire life cycle of the product; product line analysis is an important criterion in this respect,

1. Calls on the Commission to submit to Parliament, without delay, a clear strategy for priority initiatives to be adopted in the area of environmental protection within the Community;

2. Calls on the Commission and Council

(a) to establish, as part of the work of the European Environmental Agency, a system of environmental reporting accessible to all to permit an analysis of the success of ordinary legal instruments and economic and fiscal instruments or a combination. The reports should be sufficiently detailed to permit an assessment of the effectiveness of regional and national measures;

(b) to establish

- to what extent tradeable emission licences can be an effective means of Community environmental policy,

- the geographical framework (local, regional, national, international) in which they can be used most effectively,

- the savings which can be achieved given the environmental objectives,

- the effects on distribution and competition which they will have;
 - the type of pollution for which a scheme of tradeable emission licences would be acceptable and efficient;
- (c) to arrange for the phased introduction of the economic and fiscal instruments for reasons of social acceptability, since the 'polluter pays' principle will involve considerable additional costs for the consumer;
- (d) to produce transitional solutions and compensation schemes for disadvantaged regions and socially disadvantaged groups of persons in the Community so as not to increase pressures threatening the Community's economic and social cohesion;
3. Insists that when the intended harmonization of value-added and consumer taxes takes place, the requirements of environment policy must be taken into account, in particular in fixing the rates of these taxes;
4. Calls on the Commission and the Council to take the following measures in respect of transport policy:
- (a) a phased increase in mineral oil tax in the Community until it reaches a level at which, along with road taxes, it covers all environmental costs caused by road transport. The additional revenue resulting from this increase in the tax yield should be used to expand transport by rail and waterways so that these forms of transport become competitive;
 - (b) steps to make the railway infrastructure, like roads, available on payment of a fee to the state. Restructuring railway policy on these lines would also allow more private initiative;
 - (c) with regard to commercial vehicles, the introduction of a Community-wide weight-distance tax which could be levied using existing methods in an unbureaucratic way with each state's contribution being exactly determined;
 - (d) with regard to air transport, charging an environmental tax via the fuel tax and further developing the graduated scale of environmentally-based take-off and landing fees;
 - (e) with regard to private cars, permitting national increases in tax within European tax bands to reflect pollution of the environment;
 - (f) a restructuring of transport performance with the aid of economic and fiscal instruments with the aim of charging the individual forms of transport for pollution of the environment as a cost factor to a greater extent, with special reference to encouraging transport;

5. Calls on the Commission and Council to adopt the following energy policy measures:
 - (a) the introduction of a Community-wide standardized tax on fossil and nuclear energy based on primary energy consumption; the tax would be used to protect the atmosphere. Besides being an inducement to save energy, this measure would favour the use of environmentally-friendly, renewable energy technologies such as solar, wind, water and biomass and would help make them competitive; at the same time steps must be taken to ensure that no competitive advantages arise for nuclear energy;
 - (b) a linear or progressive restructuring of energy tariffs to reward energy savings, rather than a digressive approach to reward additional consumption;
 - (c) augmentation in the long term of the tax on protection of the atmosphere through a levy on harmful substances and waste heat actually emitted during the generation and consumption of energy;
 - (d) an environmentally-based restructuring of energy consumption, with charging for environmental pollution giving priority to encouraging energy savings and the use of renewable energies;
6. Calls on the Commission and the Council to take the following measures in agriculture :
 - (a) specific proposals for the introduction of a tax on synthetically-produced nitrogen fertilizers and pesticides, to charge for pollution of air, water and soil caused by the use of these products;
 - (b) performance-related financial rewards for external benefits generated by agriculture through preservation of the countryside and biotopes, reforestation etc.;
 - (c) bringing agricultural production more in line with environmental objectives, not least so that the consumer has residue-free, healthy food;
7. Calls on the Commission and the Council to take the following waste policy measures :
 - (a) the phased introduction of a dumping levy with a control effect; but immediate cost-covering dumping fees;
 - (b) the Community-wide introduction of a deposit scheme to encourage recycling for products which pollute the environment;
 - (c) the clear distinction between waste and secondary raw materials so as to encourage recycling and rationalize the use of resources;
 - (d) the EC-wide introduction of compulsory recovery for products for products that lend themselves to recycling or the disposal of which poses special problems;

- (e) the EC-wide introduction of a tax on waste disposal to curb the creation of waste;
 - (f) the introduction of a general liability scheme, independent of fault, for waste with compulsory insurance;
 - (g) greater use of product line analyses to encourage an environmentally-based product philosophy with recycling to save raw materials;
8. Calls on the Member States to implement a water pricing policy to encourage consumers to conserve water resources and reduce sewage;
 9. Advocates a Community policy to reduce, by means of legislation and tax measures emissions of chemicals which are harmful to the environment;
 10. Calls on the Commission and the Council to take the following measures in tourism policy:
 - (a) all costs of pollution to the environment caused by tourism, with particular regard to waste water treatment, the cleaning of picnic sites, woods and beaches etc., should be charged to the polluter;
 - (b) the introduction of local authority charges for hotels, motels, holiday homes and camp sites etc., to cover the merely seasonal use of local government facilities;
 - (c) a satisfactory system of charging for the external costs of transport, in particular flight and landing fees and port fees;
 - (d) prior mandatory environmental impact assessments of investments for tourism infrastructures, with private or Community funds only for investments which have shown that they are not environmentally damaging;
 11. Calls on the Commission to review its legislation relating to national aid to undertakings in order that the latter may contribute as a matter of priority to the ecological reconversion of production structures (agriculture, industry, services);
 12. Stresses that, overall, environmental protection is not a particularly or specifically Community problem and that every policy in this area must therefore:
 - pursue tough and consistent measures at the level of the competent international organization with a view to concluding agreements on environmental protection with third countries,
 - continually ensure that the environmental policies of our trade partners do not give them competitive advantages; to this end, the problem of 'dumping' and abusing the environment should be considered within the framework of GATT;

13. Calls on the Commission to make every possible effort to coordinate at international level the simultaneous introduction of ecological taxes; in the event of failure, calls on the Commission to take all necessary steps to ensure that European undertakings are not penalized by ecological taxes that their non-Community competitors do not have to pay;
14. Calls on the Commission:
 - (a) to submit, by 31 December 1991, a programme for implementing the recommendations contained in this opinion and in the report by the Task Force on the environment and the single internal market;
 - (b) to arrange for the first stages of that programme to be implemented by 1992;
 - (c) to define, in consultation with the European Parliament, the legal basis to be used before taking any measure of Community interest;
 - (d) to refer, wherever possible, to Article 100a of the Treaty for the purposes of implementing initiatives and mobilizing international resources;
 - (e) to submit, in compliance with Article 130r of the Treaty, an environmental impact form for all measures falling within the scope of other Community policies;
15. Instructs its President to forward this resolution to the Commission and the Council and the national environmental ministries of the EC.

EXPLANATORY STATEMENTECOLOGICAL MARKET ECONOMY - ECONOMIC AND FISCAL
INSTRUMENTS OF ENVIRONMENT POLICY

There is no lack of information and scenarios calling attention to the urgency of the environmental problems and the limits to resources on our 'spaceship earth', e.g:

- Massachusetts Institute of Technology study, 'Limits to Growth' (1972);
- Herbert Gruhl's shock scenario: 'A planet is plundered' (1975);
- The 'Global 2000' (1980) report commissioned by President Carter;
- The recent Brundtland report by the World Commission on the Environment and Development, 'Our common future' (1987).

Nor has there been any shortage of environmental catastrophes that urgently highlight the need for political action. The most prominent of these have been:

- Harrisburg and Chernobyl, in the case of nuclear energy;
- Seveso, Bhopal and Basel in the case of chemicals, and, as the most recent link in this chain:
- the petroleum tanker accidents off Alaska and Morocco.

Compared with our **knowledge of environmental problems** and the scarcity of resources, the half-heartedness of political activities and the **lack of concrete implementation** never cease to astonish. Despite multiple legislative initiatives, the political decisions, whether at local government or European level, have still not been taken to give **environment policy** the priority it clearly deserves on the strength of available information about the condition of the environment and the possibilities of finding technical solutions. In the European Community, despite the four environmental action plans that have been adopted since 1973, environmental pollution is still on the increase in all the sectors concerned. The environmental consciousness of the public and their willingness to uphold a commitment to the environment are being underestimated by politicians.

If environmental policy is to receive the priority it deserves in all sectors of economic activity, then the social market economy will have to evolve into the ecological market economy. Each successive stage in the development of the market economy can be shown to have been built on the preceding one. Under the **free market economy** the forces of production were very highly developed. **CAPITAL**, as a factor of production, was in the forefront, whereas the factors of labour and the environment had a much lower or negligible value. **Labour and raw materials** were often unscrupulously exploited. Protection of workers against harm to their health and protection of the environment were neglected in favour of extensive, quantitative economic growth. The role of the state was reduced in many cases to safeguarding competition and upholding the rule of law.

Under the social market economy, in which forces of production have advanced to a high level, LABOUR comes to the forefront as a factor of production, and the priority requirements for political action lie in the area of social policy.

Social welfare provisions protect those who would be driven to the margin of society by market economy distribution mechanisms and the right to participate. Income redistribution through taxes, compulsory insurance, rights of protection and employee participation at the place of work and in the undertaking are the main characteristics of this economic system. Yet despite material security, the individual's quality of life is being constantly eroded by pollution of the environment and the destruction of social and ecological structures. The main emphasis in hesitantly implemented environment policy mechanisms is on the static implementation of conventional legislation.

In the ecological market economy it is the ENVIRONMENT that comes to the fore as a factor of production and is no less important than the factors of capital and labour. Environmental policy is given the same status as economic and social policy. Securing the renewal of the natural environment and economical use of scarce resources become the priority areas of activity in policy-making.

An ecological market economy seeks to reconcile two fundamental demands: more ecology in the market economy; and more market economy in the ecology. Whereas the first demand requires the relative status and importance of environment policy measures to be assessed, the second concerns the form and impact of environment policy mechanisms. Instead of giving priority to static economic and fiscal mechanisms of environment policy, the 'polluter pays' principle is used to bring about the internalization of external costs. Environmentally acceptable behaviour must be worthwhile to consumers and producers alike.

Progress in scientific knowledge of ecological dangers and risks make it highly unlikely that environmental policy objectives will ever come to a standstill. The sheer volume of environmental policy legislation consequently can only be expected to increase unless there is some breakthrough in supplementing the standard legislative approach with market economic incentives, or even replacing it in some areas.

The dynamics of the market economy mean that it will never be possible to regard environment policy objectives as having been fulfilled. Technical and economic developments - like the EC internal market - will continue to pose new challenges to environmental policy. Continuing to produce item after item of static legislation will be bound to overwhelm any environmental policy that seeks to put prevention before cure.

The ecological market economy seeks to mobilise the entrepreneurial forces that are intrinsic to the market economy to find optimum solutions to the problems of the environment. Competition as an incentive to break new ground should be used to secure environmental policy objectives. The objective of policy must be to harness the proven effectiveness of markets in overcoming scarcity in securing best use of the environment, nature or other limited resources. Environmentally acceptable economic activities must also be economically worthwhile.

The primary objective of environmental policy is seen as being to secure the **SUSTAINABILITY** of economic activity as a whole. Instead of 'planet Earth' devouring its own vital substance, growth should be put to intelligent use.

The ecological market economy must formulate the **framework conditions** that can open up the advantages of the market to a form of sustainable economic activity that is both economical with resources and environmentally acceptable. In addition to **requirements imposed under traditional legislation** (limit values, minimum standards, etc.), that have hitherto been to the fore, **economic and fiscal mechanisms** will now begin to play a central part.

Since the environment has not hitherto been regarded as a resource, it has tended to be **dismissed from consideration in economic theory generally**. Even today the various attempts that have been made to quantify social costs and benefits or external advantages and disadvantages in money terms are still highly controversial. For all the efforts of the statistical departments at national and at European level, it will be quite some time before the effect of environmental measures and environmental investment on profitability can be demonstrated in detail. Even so, calculations carried out by the OECD show that the overall economic growth rates of the industrialized countries would come out at between three and five per cent lower if the damage to the environment associated with achieving the existing gross national product was included in the calculations. Yet it would be wrong to put off initiating urgently necessary activities on the grounds of insufficiently accurate figures, let alone abandon them completely. Auxiliary measures like satellite surveys or pollution indicators should be welcomed as supplementary information.

Environmentally relevant coefficients that demonstrate relationships between economic growth and consumption of raw materials or energy should be increasingly used as indicators of qualitative growth in the political decision-making process.

One important point must at all events be made here: the oft-repeated demand by some environmentalists for zero growth, is, as GNP is currently calculated, a **complete irrelevance in terms of the ability to sustain economic activity**. On the contrary: many products become more expensive with the addition of environmental components, and where the renewal of technical equipment is concerned an additional investment is often necessary to bring the technology up to environmentally acceptable standards.

Nor is a high level of **public-sector environmental expenditure** necessarily a reliable indicator of the environmental commitment of the institutions concerned. On the contrary, successful implementation of the 'polluter pays' principle in environmental policy can mean that precisely the opposite is true: far from the taxpayer being expected to pay for repairing the damage to the environment, it is the perpetrators of environmental pollution who should be made to pay, through the price of the product, for preventing, correcting or reducing consequential damage.

And the connection between **environment protection and employment** requires further clarification, although it can already be demonstrated that sustained care of the environment can create rather than destroy jobs. Environmental objectives can consequently be secured faster and more effectively through

the ecological market economy, and this approach also tends to give an extra impetus to employment.

For all that there is a crying need for technological impact assessments, it would be wrong to conclude that there is a necessary contradiction between technical progress and sustainable economic activity. On the contrary, environmentally acceptable methods of production often need new technical solutions, and it can be demonstrated in the most varied areas that environmental protection needs advanced-level technology.

To optimize environmentally acceptable choice, recourse is increasingly being had to environmental acceptability testing. What is technically feasible, economically viable and socially desirable now also has to pass the additional test of whether it is ecologically justifiable.

The environmental acceptability test is the yardstick for ecological viability. It is a criterion of equal importance to reaching the right decision in private (e.g. establishing a new branch of industry) or public investment (transport infrastructure, water supply, etc.).

Despite the difficulty already referred to of making an exact monetary assessment of the environment as a resource, it is important to convert its external costs to internal costs that have to be provided for by private and public sector undertakings alike in calculating their costs of production. If the cost assessment is sufficiently high there will be a substitution effect leading to more economical use of the environment as a factor of production.

Whereas in the social market economy these costs, which are caused by individual undertakings and local authorities, frequently have to be borne by the general public as a charge to the community, under an ecological market economy the internalizing of external costs will be used to implement the polluter pays principle. Those who pollute the environment will also have to meet the costs of removing the pollution or reducing or preventing it, or pay compensation. The resultant substitution effect, together with the greater fairness of distribution resulting from direct cost accounting, are clear indicators of the superiority of the polluter-pays principle over that of a charge to the community, quite independently of the fiscal difficulties of deciding who is to contribute the budgetary appropriations necessary to meet the growing needs of environmental protection.

There are basically two groups of environment policy mechanisms that are appropriate to a systematic approach to environmental objectives in the market economy:

1. The static approach of traditional legislation under which rules, prohibitions and limit values are fixed by law as framework data. In this way upper limits for pollution of the principal components of the environment (water, air, soil and noise) are fixed as 'emission limit values' or 'emission standards'. At the same time firms are required to adhere to maximum pollution levels (emission limit values) in the production process as determined by the latest developments in technology.

Where these emission limit values are applied, individual undertakings automatically have the right to discharge certain quantities of pollutants into the environment without having to meet any part of the consequential costs or pay any compensation. There is consequently no incentive for an undertaking to innovate on its own initiative or take advantage of technical progress to reduce pollution caused by the production process. And if the emission limit values for a given region have been reached, no new undertakings are allowed to become established there even if their production process is less environmentally damaging than that of established firms.

The following weaknesses can consequently be identified in an environment policy based on conventional forms of legislation. It has a static effect. It totally disregards the scarcity of the environment as a resource, provides no incentive to react to new developments in technology and marketing, gives rise to an ever more dense and impenetrable jungle of rules and regulations, and succeeds only at a disproportionately high socio-economic cost in securing the desired environmental impact. It tends to concentrate exclusively on 'end of the pipe' pollution.

It does have the advantage of making it easy to monitor implementation and bring offenders to justice, and is widely perceived as being fair.

2. Because of these weaknesses of conventional legislation priority is now clearly being given in environmental policy to economic and fiscal mechanisms that have a dynamic impact, while at the same time these mechanisms remain compatible with a sufficiently wide-ranging legislative framework, even if the responsibility for the different mechanisms rests at different political levels. For example: EG standards for private car exhaust limit values supplemented by national taxation of exhaust emissions as an incentive to remain below the permitted limit values.

Under the polluter pays principle, economic and fiscal mechanisms have it in common that they put a price on the environment as a scarce resource, and thereby internalize hitherto external costs. In all the problems of assessment described, the effort must always be made to ensure that the price incentive is sufficient in the calculation of external effects to trigger the desired substitution effect. Pollution must never be cheaper than its prevention.

The economic and fiscal mechanisms belong to the group of environment policy mechanisms with a dynamic effect. They can be classified under the following headings:

Taxes, levies and fees. These are distinguished by the extent of direct imputation, the level of levies and fees having to be kept proportionate to the level of environmental damage and the cost of clean-up measures. The political margin for manoeuvre is at its greatest with taxes.

The basis of assessment can be emissions of pollutants, consumption of natural resources and waste production. The price effect is used to hold down the consumption of environmental resources as inputs.

Plus and minus points schemes, funds, charge or subsidy incentives are specific variations on the above group of mechanisms, sometimes with considerable disadvantages compared to the above arrangements.

Emission rights or licences can be classified as environmental policy quantity control mechanisms, whereas taxes, levies and charges act as mechanisms for creating a substitution incentive by raising the cost of discharging pollutants into the environment and using up natural resources in order to reduce their consumption.

In the case of emission licences, the target quantity is fixed in advance by the State and it is then the function of the economy to determine how firms can find their way to an optimum balance of costs by trading in negotiable licences or certificates.

Since with the introduction of environment user licences the legal principles applicable to existing rights of ownership and control of assets in respect of plant and equipment already approved would still have to be adhered to, the licences should initially be issued free of charge to existing occupiers of premises and emitters of pollution who already enjoy de facto rights of emission on the strength of specific authorizations issued for the use of their plant and equipment.

After being initially issued free of charge, the environment user licences could be exchanged and traded, in which case the forces of competition would prevent any one undertaking from holding more than a fixed maximum number of licences. The price of environment user licences would thus be variable, and would be a function of supply and demand.

If an operator reduced the discharge of pollutants from his undertaking he would be entitled, directly or through the services of an emissions agency (which might, for example, be set up under the auspices of local chambers of industry or commerce), to sell superfluous licences to other operators wishing to establish themselves in the region or expand their production.

To enable the environmental authority to review the permitted levels of discharge of pollutants, say in order to secure a desired improvement in air quality, the environmental authority would need to have the option of cancelling the environment user licences after an appropriate period of notice or of itself entering the market in licences as a customer.

The reduction in the consumption of environmental resources achieved as a reaction to the price effect of taxes, levies or fees can also be obtained by means of licences, with knowledge of price elasticity, through the quantitative effect.

There remains the important difference that where a solution is achieved through taxation, in addition to the costs of adjustment to the undertaking - which also arise with the system of licences - a fiscal outlay is also incurred that then has to be passed on to the final consumer.

Conversion to the polluter pays principle will only succeed if environmental rules with a built-in effect on costs are made applicable to all undertakings putting products on the market. With the creation of the EC internal market this connection will be of the greatest importance if new, national forms of distortions of competition are not to be created.

Product liability insurance can be developed into an effective environment policy mechanism, with reversal of the burden of proof and acceptance of liability independently of blame as the most effective measures. Instead of the consumer having to demonstrate the dangerousness of the product, the onus would be on the producer to demonstrate its environmental acceptability. Liability in such cases would not be confined to fault-free officially approved normal operation.

The returnable deposit is assuming increasing importance as a means of keeping waste down by confining products within a closed circuit of recycling. Combined with appropriate legislation - e.g. outlawing of disposable bottles - and a sufficiently high level of deposit, this arrangement could well be extended well beyond its existing range of application to include motorcars, car tyres, refrigerators, television sets, computers, etc.

Advantages to the user can sometimes justify rules and regulations that, under certain conditions, (e.g. smog alarms) continue to allow the use only of appliances or vehicles low in pollutants. It is precisely at the stage of initial marketing of dear but environmentally acceptable products that a 'bonus' of this kind can be important.

Nor should mechanisms to bring about indirect influencing of behaviour or moral persuasion be underestimated; these can be reckoned as the 'soft' mechanisms of environment policy. They include an open environment information policy. This can be a way of taking concrete steps to influence the behaviour of producers and consumers. The approach can be broken down as follows:

- Open Information policy on main ecological problem areas, in particular in connection with civic initiatives and environmental organizations;
- Prompt discussion of measures in the media with the different interest-group associations and relevant experts;
- Appeals and recommendations for action (code of conduct) to businesses and consumers;
- Deliberate strategy of opening up environmental data, in some cases including data relating to specific undertakings (cf. Council Directive 90/313 on the freedom of access to information on the environment, OJ No. L 158, 23.6.1990, p.56);
- Product labelling (green environment label);
- Assistance for voluntary associations between originators of pollution (branch agreements - cooperation solutions).

In making a choice of economic and fiscal mechanisms to secure environment policy objectives in a market economic system, an important criterion is that the objective fixed can be achieved with the lowest possible level of intervention in market economic mechanisms - i.e. preference for 'soft' over 'hard' mechanisms.

Building on the basis of informative environmental data, a scheme of **environmental reporting** can be set up that would also provide scope for monitoring the implementation of environment policy mechanisms. The German Federal Government for example has set up detailed environmental reporting service with the assistance of the Federal Department for the Environment covering the following areas:

- Nature and the countryside
- Soil
- Forestries
- Air
- Water
- Waste
- Noise
- Food
- Radioactivity

The submission of these reports has made it possible to apply data analysis techniques in devising appropriate measures and strategies for achieving the environmental objective of sustainability. The setting up of a European Environmental Agency with powers fixed by the European Parliament to lay the foundations for a consistent environmental policy embracing both economic and fiscal mechanisms is therefore of considerable importance to the EC.

There are four areas of policy in which the results produced by the market and those desired in terms of environment policy show particularly wide discrepancies. The need for **specific material action** is particularly acute in relation to:

- Transport policy
- Energy policy
- Agricultural policy
- Waste disposal policy.

If the economic and fiscal mechanisms of environment policy tended to raise the level of government revenue, a neutral revenue effect could still be secured without weakening the desired substitution incentive by adjusting the basis of income tax assessment or reducing other general consumer taxes. Such a gradual, stage-by-stage restructuring of revenue, shifting the emphasis from income tax to a tax on pollution of the environment and consumption of raw materials, would be all the more justified at a time of high employment.

To avoid distortions of competition, all financial levies that can be calculated as costs of production should be applied on equal terms to all undertakings operating on the market; a single EC internal market should have the same EC environment rules. Where economic or fiscal incentives at consumer level are concerned, the arrangements can still be applied by national governments, especially since income structures, tax systems and environmental awareness still exhibit wide discrepancies as between the twelve EC Member States.

TRANSPORT

While the hole in the ozone layer, the destruction of forests, or the greenhouse effect are just complex and abstract environmental problems to the average member of the public, transport problems are among those that people experience directly every day of their lives in the form of traffic jams, noise and exhaust fumes.

A rational, environmentally oriented transport policy faces the difficult task of calculating the share that the different types of transport users, by road or by rail, should have to pay towards the upkeep of roads and repairing damage to the environment.

The task is not an easy one even if confined to allocating costs between users in only a single sector, like for example road transport. But it becomes incomparably more complicated if the 'horizontal' allocation between transport users is to succeed, especially since the railways, at least for some time now, have been required to cover their own costs themselves, whereas roads and waterways are financed from the public sector and users are required to contribute in the form of specific transport taxes (road tax, petroleum excise duty).

But if the railway or waterway is regarded as being more environmentally acceptable, and if significant components of transport services are to be transferred to them, then economic and fiscal incentives must be developed to make it attractive for users to switch to them.

The same principle also applies to individual private transport in overflowing urban agglomerations. If traffic space in towns is becoming too scarce, then that scarcity must be reflected in a corresponding price. And its calculation must also include the cost of the environmental damage caused by motor vehicles to arrive at true aggregate costs.

This also means that in the case of goods transport more attention should be paid to combined transport, especially where the absence of railways or waterways makes it impossible for certain areas to be served other than by goods vehicles.

A 'soft' entry to an environmentally oriented traffic policy could be for what have hitherto always been fixed costs (road tax, insurance premiums) to be converted, in revenue-neutral terms, into variable costs according to use (petroleum duty, road haulage tax according to tonnage, etc). The existence of certain user advantages could help to create an incentive to convert more quickly to vehicles low in pollutants, say for example by making the right to drive in the inner city dependent on the level of exhaust emission.

The most important approach, and the one with the highest fiscal yield, is however for there to be a decisive increase in the taxing of private and goods vehicles with the objective of securing the highest possible level of internalization of their respective external costs. In terms of legislation the distinction should be made here between private cars and lorries. Whereas with nearly all transport by private car representing private consumption, national governments could adopt the necessary arrangements, but in the case of goods transport, representing as it does a cost component in production

generally, European rules should be drawn up for the entire market to avoid distortions of competition.

The impact and timing of economic and fiscal measures to secure an environmentally oriented transport policy considered as a whole should be structured or adjusted in such a way as to ensure that they achieve the environment policy substitution effect.

ENERGY

Recognition of the fact that with the burning of fossil fuels heat is released into the atmosphere and sulphur dioxide, nitrous oxide and/or carbon dioxide are produced is not new. What is new however is the recognition of the impact and dangers of the consequential effects, with particular anxiety being expressed about the destruction of forests and the greenhouse effect.

An environmentally oriented European policy must consequently be aimed at using fiscal mechanisms to bring under control environmental pollution resulting from the recovery of sources of energy or energy consumption that have not hitherto been calculated as external costs.

Since energy represents a major factor in production costs, it will be necessary to ensure, in order to avoid distortions of competition, that the measures are applied to all operators on the market on equal terms. With the achievement of the single European internal market, energy consequently should be taxed on a European basis.

There are two possible approaches:

- Taxation of non-renewable primary energy sources according to energy content. That would enable two desirable effects to be secured: raising the cost of energy will make investment in energy saving more profitable, and in the competition between renewable (environmentally acceptable) and non-renewable (environmentally damaging) energy sources, the former will deliberately be put at a advantage.
- Taxing the emission of pollutants. This approach is certainly desirable in terms of environment policy, but presupposes the possibility of objective and simple measuring techniques. Since no such possibility is at present available, in particular in the case of small emitters (households, heating systems), and the external costs associated with nuclear power continue to be highly controversial, this second approach should, on account of the administrative and operational difficulties not be introduced until a later stage, and then only progressively as a supplement to general taxation of energy.

In addition to fiscal measures, energy charges should be structured on the basis of a linear or progressive scale that rewards savings instead of rewarding large-scale consumption on a digressive scale. And transparency and careful periodization in energy billing can help to bring home to consumers the clear connection between energy consumption and the associated costs.

AGRICULTURE

Until not so long ago agricultural activity was regarded as helping to protect nature and the countryside. But growing mechanization and intensive use of chemicals soon brought a rapid change of perspective. Agriculture stands today in the dock accused of polluting the environment as badly as any other sector of production.

There are chemicals in the soil, in plants, in animals. A wrongheaded (European) agricultural policy forces farmers into a form of production geared to quantity. Economic gain is put before the environment. Even when there is a policy swing in favour of quotas and extensive farming, prices in the non-regulated sectors continue to act as an incentive to more intensive production.

It is therefore appropriate to specify the forms of intensive agricultural production that cause environmental pollution, and to try to secure abolition of undesirable practices by using the mechanism of economic and fiscal incentives in addition to conventional legislation.

Whereas conventional legislation is the most appropriate means of dealing with pesticides, fungicides and herbicides, in the case of synthetically produced nitrogen fertilizers a substitution effect can be achieved that, along with the favourable ecological impact that is desired, can also have the effect of reducing yields. Since the environmentally polluting effects of nitrates in ground water and surface water (eutrophic effect) are beyond dispute, the taxation of synthetically produced nitrogen fertilizers can be expected to result in a reduction in both the levels of the threshold values present in the soil and in the extent of their continued use.

Moreover, agriculture, and more particularly forestries, represent forms of cultivation through which benefits are provided to society without remuneration by way of the market in the form of prices. In the case of woodlands it can be said that the price of wood does not include payment for its beneficial external effects on air and water. It is only right that these inputs, which are often simply treated as side-effects of environment policy, should be paid for. The polluter-pays principle could also be applied here in the reverse, with beneficiaries being expected to contribute through transfer payments (charges for visitors to nature parks or visitors' taxes in tourist areas).

Otherwise a re-allocation of budgetary appropriations in favour of an agricultural policy geared to the environment - appropriations from which farmers benefit at only a quarter of their face value, since the effects of wastage (refrigerated storage, export subsidies, etc.) are considerable - would be just as difficult - arguably even more so - to justify to non-farmers as the existing EC agricultural policy.

WASTE

One of the causes of the growing waste mountains and the states of emergency declared on waste in many areas is failure to include the full cost of waste disposal in calculations. Here too the polluter pays principle and its economic and fiscal variations can be used to good effect in creating the necessary incentives for waste prevention, or at least reduction, and optimum recycling of the reusable materials contained in it.

Waste disposal charges fixed at local-government level should be structured so as to give an incentive to reduce amounts (a fee charged for each container), and there should be no concessions for the disposal of larger quantities (instead, proportionately higher charges for large containers).

But environmentally oriented disposal arrangements are only the final stage in a process that really should begin with the production of every product and extend through its entire 'life cycle'. Linear product-cycle analysis can be used to ensure that environmental considerations are built in at every stage, from production, marketing and packaging through to use and final disposal. 'Soft' environmental options here could be based for example on deposit schemes, product maintenance, consumer information, environmental labelling. To reduce the use of scarce raw materials, the substitution effect could be achieved through the tax system, which could be made particularly effective by combining it with recycling (e.g. new paper for old, ore for scrap).

TOURISM

Because of shorter working hours, longer holidays and a rapid increase in income available for leisure, tourism has become a very important economic sector which is particularly sensitive to pollution of the environment.

The seasonal 'invasion' of holiday resorts and adjacent areas - particularly the Alps and beaches - by large numbers of tourists is accompanied by a considerable strain on the environment: transport systems collapse, water purification plants (where they actually exist) are under strain and waste matter is dumped in nature, to quote only a few examples of the impact of mass tourism.

At the same time, it is clear that regions of outstanding natural beauty are those that attract the most tourists. The armies of tourists destroy the natural beauty they are looking for, only to avoid such localities in future and to move on to new areas where the pattern is repeated.

The purpose of economic and fiscal instruments of environmental policy for tourism is to charge the 'external costs' of environmental pollution caused by tourism to the persons causing the pollution, to prevent the processes described above happening in the first place.

Conventional legal instruments such as development plans aimed at preventing the trend towards urbanization of the countryside, transport and parking restrictions, bans on entering areas where animals and plants are protected, environmental impact assessments of major tourism projects can, if accompanied

by economic and fiscal instruments, contribute towards protection of the environment in tourism:

- cost-covering fees for waste water collection and treatment and the collection and dumping of waste in facilities which can also cope with peak loads,
- levying a resort tax to cover the full costs of cleaning of beaches, picnic sites or forest paths,
- community charges for holiday homes to cover the purely seasonal use of local government facilities for persons incurring such costs,
- transport costs, in particular flight and landing fees, to cover as far as possible the external costs of the individual forms of transport.

MOTION FOR A RESOLUTION (B3-0470/89)

by Mr COLLINS, Mrs SCHLEICHER, Mr SCOTT-HOPKINS and Mr IVERSEN

pursuant to Rule 63 of the Rules of Procedure

on financial incentives for measures for environmental protection

The European Parliament,

- A. noting that some Member States are increasingly promoting a specific attitude to the environment through financial subsidies, tax allowances or levies,
- B. whereas there is a need for an in-depth study at Community level of the effects on the environment, producers, consumers and the markets of extending this policy,
 - 1. Calls on the relevant committee to analyze the environmental impact of such systems and to consider whether they are suitable for introduction throughout the Community;
 - 2. Instructs its President to forward this resolution to the Commission and Council.

MOTION FOR A RESOLUTION (B3-0601/89)

by Mrs VEIL, Mrs PIMENTA, Mr COLLINS, Mrs DIEZ DE RIVERA ICAZA and Mr BERTENS

pursuant to Rule 63 of the Rules of Procedure

on a new Community approach to reconciling economic and ecological considerations in a market economy

The European Parliament,

- A. whereas the future of humanity is fundamentally dependent on the ability to reconcile human needs with preservation of the environment and natural resources,
 - B. whereas there must be no more gratuitous exploitation of nature and account must be taken of the cost to nature of all economic activity,
1. Requests the Commission and the Member States to draw up proposals based inter alia on the 'polluter pays' principle, the guiding principle of any environmentally aware economic system, that will encourage producers and consumers to reduce pollution and conserve natural resources;
 2. Calls accordingly on the Commission to adapt its approach when selecting methods of improving the protection of the environment and natural resources, by rejecting inflexible legislation in favour of measures such as pollutant emission licences issued by a pollution authority, incentives for the use of products that cause less pollution, tax incentives, recycling banks, adequate insurance against the risk of pollution and the granting of subsidies;
 3. Instructs its President to forward this resolution to the Council, the Commission and the Member States.

O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on Economic and Monetary Affairs and Industrial Policy
for the Committee on the Environment, Public Health and Consumer Protection

Draftsman : Mrs Christa RANDZIO-PLATH

At its meeting of 23 January 1990 the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mrs Randzio-Plath draftsman.

At its meetings from 27 February to 1 March and 18 to 20 March 1991 it considered the draft opinion. At the last meeting it adopted the conclusions as a whole unanimously.

The following took part in the vote : Beumer, chairman; Rogalla (for the draftsman), Barton, Bernard-Raymond, Braun-Moser (for Pinxten), Cassidy, Colomi Naval, Cox, De Donnea, Denys (pursuant to Rule 111(2)), Ernst de la Graete, Friederich, Herman, Hoppenstedt, Lulling, Mattina, McMahon (pursuant to Rule 111(2)), Merz, Metten, Patterson, Peter (for Wettig), Porto (for Visentini), Read, Siso Cruellas, Speciale and von Wogau.

I. Introduction

Large-scale environmental pollution is an accompanying consequence of the advance of modern society. It further worsens the quality of life and results in the loss of irreplaceable natural resources. The market economy must therefore take a leap forward to become an ecological market economy. In this latter form of economic organization, the environment becomes a production factor and hence just as important as the production factors of labour and capital. Environmental policy thus ranks equally with economic or social policy. The aims of environmental policy in this sense must be to restore the natural environment and promote economical use of scarce resources.

The discipline of regulations is essential in order to protect the environment. However, the effectiveness of do's and don'ts does not go far enough, because they are immovable and invoked only in response to an end result, namely pollution. They provide no incentives to respond to new developments, new techniques, new technologies, or market trends by, for example, achieving levels below the limit values. Economic and financial instruments are more likely to be effective from that point of view. They cannot replace regulations, but they can supplement them. Regulations create the framework within which to implement economic and financial environmental protection measures.

II. Priorities and possibilities for action

1. Economic and financial incentives

Economic and tax incentives could help to promote environmental protection. The aim of such measures is to raise the cost of an ecologically undesirable situation. Price, the primary regulator of the supply and demand balance, is used as an ecological steering mechanism to promote ecologically sound economic management. Expenditure on environmental protection is consequently encompassed within the cost calculations of industry and consumers. In addition to the resulting pricing practice, a lasting change of behaviour may be brought about in both producers and consumers. Similarly, financial incentives should be the main means used to encourage research into and the development of new environment-friendly products and processes. Economic and tax measures are in keeping with the market economy to the extent that producers and consumers alike have the option of escaping additional expenditure by averting or limiting the environmental nuisance concerned. The scale of a measure is especially important, because environmental pollution cannot be prevented unless it is cheaper to remedy ecologically undesirable situations. Economic and tax incentives are particularly effective when the desired effect can be achieved with the minimum outlay. They can consequently be an important means of keeping the overall economic costs of ecological aims as low as possible.

They cannot, however, be employed wholesale to protect the environment. The criterion has to be the ecological and economic effectiveness in each case. Incentives could take the form of saleable emission rights, subsidies, funds, taxes, or levies. Taxes and levies are more effective than other incentives, which, that fact apart, also transgress the 'polluter pays' principle.

2. Taxes and levies

Ever since the public finance expert Arthur Cecil Pigou recommended in 1920 that levies should be imposed to regulate the use of the environment, there has been debate as to whether an artificial - i.e. politically determined-price should be charged for non-marketable resources such as air, soil, and water. The purpose of a levy or tax is to make use of the environment into a normal production factor and an element in the calculation of business profitability. The prices set to date have generally made no allowance for the costs incurred in using the environment (viewed as a production factor). These are charged to the public at large and shelved for future generations. Given the increasing scale of environmental depredation, this policy has become untenable. On the other hand, levies or taxes cannot be used to ward off the direct dangers to life and health caused by environmental pollution or depredation, but rather are a form of environmental insurance whose medium- and long-term effect will be to promote environmentally acceptable production processes and technologies based on careful use of resources. The desirability of introducing them must be assessed in each industry or sector of activity. Levies or taxes should be restricted in scope to a small number of environmental nuisances and combined with existing taxes in order to prevent the emergence of an impossibly complicated levy or tax system or the growth of additional red tape.

In addition, a distinction has to be made between taxes and levies. In contrast to environmental taxes, environmental levies must be imposed for a specific purpose, i.e. to finance measures to avert given environmental nuisances. Special levies - other than taxes - charged on pollution by products or emissions entail one disadvantage, namely that the tax system cannot be reformed along ecological lines: the additional charge accruing cannot be offset by lightening the tax burden under the heading of another production factor (labour). Environmental levies can therefore be of use only in isolated cases, as has been shown by the German sewage levy, the Scandinavian charges on non-returnable drinks containers, the levy on toxic waste, or the Japanese charges on emissions. They should be imposed only when an effective combination of regulations and economic instruments cannot be brought about in any other way.

3. A standard Community-wide 'green' tax or levy

A general environmental levy or tax could be introduced in the form of an environmental tax harmonized at Community level. Alternatively, specifically as far as industry was concerned, undertakings producing or using environmentally harmful or noxious products, production processes, technologies, or emissions could be debarred from deducting turnover tax paid at previous stages. A general tax should be rejected. Firstly, such a tax merely constitutes a further unrequited charge to industry and consumers. Secondly, its sole effect would be to generate additional public revenue not tied to any specific purpose. On the contrary, industry and consumers could come to view it as a means of 'buying their freedom'. Levies and taxes should be used to tackle the particular nuisances concerned in order to achieve a specific effect and secure acceptance.

Where moves are already on foot to harmonize taxes in the Community, as in the case of VAT and excise duties, ecological considerations should be taken into account in the general approach. For instance, no incentive must be provided for increasing energy consumption, e.g. by lowering the VAT rate. Similarly the tax on oil should be structured according to sound environmental policy considerations. However, it will be difficult to gear indirect taxes in the Community more closely to environmental requirements, since reconciling historical traditions and the resulting very different tax systems poses considerable problems in itself. Nevertheless, Community-wide tax reform along ecological lines is essential.

4. Environmental taxes

The purpose of introducing environmental taxes is to create an ecologically oriented market economy. The additional public revenue generated by such taxes must not be used for specific ends. The amount of revenue will fall in proportion to the extent that industry and consumers become environment conscious and conserve resources. This is the desired effect, because environment-related indirect taxes should provide incentives and play a guiding role, but not be used as sources of financing. Any system must therefore be neutral in revenue terms. It follows that if environmental taxes are introduced, a corresponding - and socially sustainable - reduction must be made to the burden in other areas of taxation. The average consumer must benefit from a cut in direct and indirect taxes proportionate to the rise in the cost of living generated by environmental taxes and duties. Furthermore, environmental taxes must be set at a sufficiently high level to bring about the desired change in behaviour.

Green taxes levied in individual sectors are a useful market mechanism for protecting the environment because they provide an incentive to reduce pollution and support innovation. Consumers can likewise opt to buy or use environment-friendly products or processes of equal quality. Through the way they shop and the products they use, individuals can influence the amount of green taxes levied.

One question to arise is whether preference should be given to charges on products or on resources. Charges on products raise the price of noxious products, the idea being to reduce demand. A more effective option is charges on resources (production factors, resources, raw materials), which have a direct impact on producers and spur them to seek alternatives to their production processes.

In many sectors, moreover, for instance road transport, environment-conscious attitudes can be brought about only by means of packages of measures. For example, an increase in the cost of private transport will not be sufficient in itself to induce a motorist to switch to public transport unless provision is made at the same time for the necessary expansion of local public transport services.

II. Environmental nuisances as starting-points for economic and tax incentives

Urgent action to resolve environmental problems is required in the areas of : energy and climate; transport; water; chemicals; waste management; agriculture; and water pollution.

1. Energy and climate

The fuel and power industry faces the problem of dwindling resources as well as that of the greenhouse effect. To encourage the necessary thrift on the part of industry and consumers and hence provide a basis in the long term for saving, conservation, and rational use of energy, the cost of energy must be increased appreciably, namely by raising prices. Suitably structured tariffs are one possible means to that end. However, there is a greater need for energy consumption to be subject to ecological taxes and hence for a levy to be imposed on energy.

One consequence of dearer energy might be a drastic cut in energy consumption and pollution by noxious substances. Furthermore, the price mechanism has many practical advantages. The energy levy can be put into effect and supervised more easily. Dearer energy encourages industry to use technical advances to make energy savings. It will be possible for energy-saving products to replace their energy-intensive equivalents, given the necessary price incentive. What is more, an opportunity would be afforded to bring about a genuine ecological transformation of the industrial society, since taxes on energy consumption could be increased to the extent that the burden falling to the production factor labour is lightened.

Harmonization of VAT at Community level must therefore be subject to the condition that energy supplies are invariably taxed at the standard rate. Furthermore, excise duties should be harmonized in such a way as to further increase the cost of individual fuels, for instance by raising taxes on oil and petroleum products. Similar amounts of energy taxes, however, should also be levied on natural gas, coal, and nuclear power so as not to discriminate against any one source of energy. A standard Community-wide energy consumption levy could be paid into a Community fund or national funds.

The objection that an energy consumption levy adversely affects the distribution of wealth cannot be allowed to stand against this energy-saving measure. It is true that merely to raise energy prices by levying energy taxes would hit the poor harder than the rich. If, however, taxes are restructured in such a way as to provide for a balance of cuts and increases, tax reform along ecological lines will not lead to heavier taxation. Moreover, social policy should be pursued by social means.

An equally urgent goal is to cut emissions of what are termed greenhouse gases, in particular of carbon dioxide. Some countries already levy a tax on carbon dioxide. Taxes should be levied on the emissions that cause the greenhouse effect and ozone depletion, although it might not be possible to cover all such emissions.

One solution is to introduce a general energy tax, levied on supplies of electricity and heat as well as on the fuels such as gas, coal, and oil delivered to individual end users (e.g. for heating purposes). Parallel to that, emission limit values should be laid down on a flexible basis, allowing them to be adapted to take account of the latest scientific and technical knowledge. As a general rule, substances such as CFC's, which are now known to be a prime factor in ozone depletion and for which less noxious substitutes are available, should be banned without a lengthy transitional period. In such cases, economic or financial incentives have no place.

2. Transport

Road transport, be it by lorry or car, is a primary cause of environmental pollution on account both of the energy consumed and of the exhaust fumes produced. The aim in both instances must be not only to reduce the volume of traffic, but to make traffic cleaner.

A reduction in the volume of traffic should be brought about primarily by levying higher taxes on variable cost items (fuel tax). Harmonization of excise duties in the Community should provide for a marked increase in the tax on oil (at least 0.5 ECU on unleaded petrol and 0.75 ECU on leaded petrol). The unleaded rate must be used as the reference base for the tax rates on other types of fuels.

A lower tax rate on diesel fuel should not be permitted unless efficient soot filters are made part of the mandatory equipment of every diesel vehicle. Special rates for agricultural vehicles should be abolished. Air transport should be covered by means of an appropriate tax on kerosene. If fuel prices are increased sharply, there will be no need to levy a vehicle tax on private cars. The volume of lorry traffic could be reduced further by means of a vehicle tax based on the quantity of goods transported in relation to journey length. In this way, unprofitable empty runs could be avoided, thus helping greatly to ease congestion on the roads and hence reduce pollution. There would also be an incentive to switch to rail, a more environment-friendly mode of transport.

These tax measures must be accompanied by regulations, for example to lay down minimum standards (along US lines) to govern the licensing of vehicles. New vehicles (cars and lorries) should not be registered unless they are fitted with a regulated catalytic converter (or a soot filter in the case of diesel vehicles). As far as old vehicles are concerned, an incentive (help with conversion costs) must be provided for the switch to cleaner technology).

The Member States should ensure that there are no continuing incentives to use private cars, for instance in the form of tax relief on journeys between the home and the workplace. Local authorities should consider regulating access to town centres according to the noxious emission levels of vehicles.

3. Water

Drinking water consumption should be reduced, and it must be ensured that water pollution either does not happen or is largely avoided. Community provisions must be laid down to prohibit the use of drinking water where industrial water can be used instead. Local authorities must structure their water tariffs accordingly. A distinction must consequently be made between charges for water supplies and charges for sewage. Water rates are another measure which might help to save water. This charge for taking clean water from the environment would be payable by waterworks, industry, and households and could be understood as a tax on ground- or surface water. To that extent it differs from the present water charges paid to a water supply company for tap-water drawn from a mains system. Water rates, then, like sewage levies (in the latter case following the successful German example), would add further to the cost of water consumption and encourage more rational and hence economical use of water. However, tariffs must be set not just on the basis of the quantity used, but also according to the quality of the water recovered.

The proceeds from water rates must be used for water conservation purposes and for R & D connected with water-saving measures. Water consumption and the conservation of watercourses could thus be linked. Water rates should therefore be a local tax. The amount of water rates payable cannot be set on the basis of economic criteria, but must stem from a political decision. Water rates of 0.48 ECU per cubic metre might be appropriate, since they would open up sources of funding for water conservation and encourage economical use of natural water.

4. Chemicals

The introduction of a tax on chemicals, i.e. a product tax, might help to reduce the danger posed to human life and the environment by chemicals. It would be counterproductive to single out a particular chemical. To ensure that noxious substances are avoided, the amount of tax levied could be set according to the quantity of a substance marketed, its degree of toxicity, and the ease of disposing of it. The tax would be a controlling instrument applied initially to chemicals that are generally accepted to be dangerous.

5. Waste

The aim of waste management must be avoidance, in preference to recycling and disposal. Environmental impact assessment must be used to make industry and commerce avoid unnecessary waste from the outset. Other means of avoiding waste, however, are deposit systems, a requirement for manufacturers to take back used items, and a packaging tax. Non-reusable drinks containers (cans, cartons, and non-returnable bottles) could be largely replaced by bottles returnable against a deposit. A similar arrangement should be applied to all bottles.

A Community-wide excise duty on packaging, aimed at reducing the volume of waste packaging, is a further option to consider. The duty would have to be levied from manufacturers at rates varying according to the materials used and the resources involved in producing them or in proportion to the outlay incurred in disposal.

Manufacturers should be obliged to take back recyclable products or those whose disposal entails special problems, in particular products such as batteries, car tyres, vehicles, and technical appliances containing especially dangerous or valuable raw materials (refrigerators, television sets, computers, etc.). In addition, they should be required to recycle all materials wherever technically possible. If materials cannot be reprocessed, the manufacturers should be made responsible for disposing of them in a technically appropriate way.

As far as refuse disposal is concerned, the rule should be disposal on the spot. The transport of refuse should perhaps be taxed more heavily. Local refuse disposal charges must be set in proportion to the actual costs incurred and vary according to the quantity and nature of the waste. The higher disposal or landfill costs generated by certain categories of refuse - e.g. highly toxic waste - must be reflected in the amount of costs payable by the party responsible, one possible means being a surcharge for toxic and dangerous waste.

6. Agriculture and use of the countryside

Ecologically oriented farming requires less extensive use of pesticides, nitrates, phosphates, and nitrogen so as to reduce contamination of watercourses and the soil. A Community-wide excise duty on those substances would constitute a powerful deterrent to their use if the rates were such as to ensure that the additional financial charges were not offset by higher yields. Given that they extend to all utilized agricultural areas, these charges are a desirable option because the effects on income - subject to the necessary compensation payments - can be kept within bounds and the additional expenditure incurred under national budgets is low and easy to calculate.

On the other hand, any moves to charge the public for making use of the countryside (visitor's tax, entrance fees for nature parks) should be resisted. The object of environmental policy is to enhance the quality of life, and that includes enjoyment of the natural world. Regulations imposing penalties for environmental nuisances are sufficient in this instance.

IV. Conclusions

The Committee on Economic and Monetary Affairs and Industrial Policy requests the Committee on the Environment, Public Health and Consumer Protection to take account of the following conclusions :

1. Stresses the need to bring about an ecological transformation of the industrial society;
2. Points to the goal of establishing a social and ecological market economy in the Community;
3. Draws attention to the possible additional pollution resulting from completion of the Community internal market;
4. Calls for economic and tax incentives to improve and preserve the environment to be introduced and harmonized at Community level as a complement to the indispensable environmental regulations;
5. Believes that environmental taxes and levies in individual sectors, offset by cuts in other direct and indirect taxes, are an effective environmental protection instrument in keeping with the criteria of a market economy;
6. Calls for measures to promote environment-friendly attitudes, in particular in producers and providers of services;
7. Recommends, as regards the energy and climate sector, that a Europe-wide harmonized energy tax be levied on all sources of energy;
8. Calls, as regards the transport sector, for a substantial rise in oil tax -harmonized at European level - taking the tax rate on unleaded petrol as the yardstick for other rates, including those for diesel fuel and kerosene;
9. Calls for the introduction of a vehicle tax on lorries, graduated according to the quantity of goods transported and journey length;

10. Calls, as regards water, for a sewage levy and water rates to be introduced in all parts of the Community in order to protect water resources;
11. Calls, as regards the chemicals sector, for the introduction of a Europe-wide harmonized tax on chemicals with a view to reducing the use of noxious substances;
12. Recommends that a series of measures be adopted in the waste sector, ranging from bottle deposit arrangements, the obligation to take back used goods, and compulsory recycling and disposal by manufacturers to packaging taxes, refuse disposal fees, and landfill charges;
13. Calls, as regards the agricultural sector and use of the countryside, for the introduction of taxes on nitrogen and nitrates;
14. Is opposed to moves to levy additional charges on public use of the countryside;
15. Requests the Commission and Council to submit a blueprint for environmental protection in time for 1 January 1993, taking into account the above demands and providing for economic and tax incentives to be introduced or harmonized on a Community-wide basis.

O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on Legal Affairs and Citizens' Rights

for the Committee on the Environment, Public Health and Consumer Protection

Draftsman: Mr Rinaldo BONTEMPI

At its meeting of 25 January 1990, the Committee on Legal Affairs and Citizens' Rights appointed Mr Bontempi draftsman.

At its meetings of 8 and 9 November 1990 and 28 and 29 November 1990, it considered the draft opinion.

At the later meeting it adopted the conclusions of the draft opinion unanimously.

The following took part in the vote: Vayssade, acting chairman; Bontempi, draftsman; Grund, Janssen van Raay, Inglewood, Medina Ortega, Perreau de Pinninck Domenech, Tazdaït, Valent and Van Outrive.

EXPLANATORY STATEMENT

1. Current situation

1.1. Economic instruments and regulatory measures

For many decades, the opinion of those economists who considered that an effective environmental protection policy called for the use of economic and financial instruments (in particular, environmental taxes, i.e. levies imposed on substances and/or products connected with environmental pollution and degradation) had no impact on the legislative and administrative activities of public authorities. Traditionally, in fact, administrators and legislators favoured regulatory measures, establishing uniform and rigid standards through obligations and bans and introducing command and control measures. This was due to the fact that regulations seemed to offer more effective guarantees for achieving and maintaining environmental quality standards and that the production system and industry seemed reluctant to accept economic or financial instruments on the grounds that they entailed additional costs. More recently, however, there has been a growing awareness even among politicians of the need to use all the instruments available, given the scale and impact of environmental degradation, giving special attention to exploiting the potential and dynamic nature of economic instruments.

1.2. Need to evaluate damage to the environment

The concept of 'sustainable economic development', referred to in authoritative United Nations documents (Brundtland report, 1987) i.e. development that is compatible in the long-term with the world's ecological 'supply', involves the adoption of policies, practical measures and regulations that take account of the limited nature of resources and establish constant interaction between environmental requirements and economic structures. Even so-called 'environmental taxes' would, in economic terms, be a useful remedy for the market's current inability independently to establish a suitable 'price' for the use of resources such as to prevent waste. In certain cases, this price either does not exist or does not reflect the cost to society of resources used in production or consumption. One of the principle causes of the current deterioration is therefore the absence of an adequate price or, more generally, of financial or other penalties that can have an impact on the polluter. It is therefore up to the public authorities to take action by applying where necessary an adequate 'price' or compulsory levy. In micro-economic terms, the fact that this tax is equal to the value of the damage caused by each additional unit of refuse polluting emission, will provide the source of such waste with an economic incentive to reduce or eliminate pollution for which it is responsible. That is the meaning of the 'polluter pays' principle, which should not, as is often the case, be seen as a kind of 'licence to pollute'; its basic premise is that environmental taxes establish a powerful and dynamic system of incentives which encourage selection of appropriate control technologies or research into new and more effective procedures for eliminating and reducing pollution, in effect introducing clean technologies and products. There are of course many practical problems, including:

- the difficulty of calculating the taxable basis, especially where a wide variety of polluting agents, discharges and emissions are involved, and the resulting difficulty in measuring such pollution;
- the fact that these measurements are applied within an already developed tax system (e.g. in the field of energy products);
- justified or unjustified fears regarding the possible adverse effects on income, prices and employment in macro-economic terms.

However, resorting to an 'economic strategy' to achieve environmental objectives may actually be less costly to the final user than the traditional 'regulatory' policy of bans and obligations. According to recent surveys carried out in the United States into water and air purification, the traditional policy involves high costs, does not encourage research or the development of low-pollution technologies and fails to exploit the potential for competition given the permanent innovation in this sector for the purposes of environmental protection.

2. Need for Community action

The OECD report on the use of economic instruments for the protection of the environment by Member States (1980) lists a considerable number and range of positive steps in this sector. However, the time has now come to take a further step towards a Community policy which combines the two approaches (the more traditional regulatory policy and the method based on economic incentives). This new step is justified by the following:

- (a) the increasingly serious and alarming figures concerning pollution and environmental degradation. Each year 2905 tonnes of carbon dioxide, the main cause of the Greenhouse Effect, are released in Europe; if no preventive action is taken, the figure will have risen to 3177 tonnes by the year 2000. Each year 2.2 billion tonnes of waste are produced in the Community, including 150 million tonnes of industrial waste and 20-30 million tonnes of dangerous waste. Each year, 650 000 tonnes of oil, discharges, 120 000 tonnes of mineral oil, 12 000 tonnes of fenol, 60 000 tonnes of detergents, 100 tonnes of mercury, 2400 tonnes of chromium, 21 000 tonnes of zinc, 320 000 tonnes of phosphorous and 800 000 tonnes of nitrates are released into the Mediterranean alone, which only represents 1% of the earth's total volume of sea water. We are therefore faced with a major problem affecting all the countries which requires joint 'active' responses because the sources and effects of pollution are, for the most part, matters which must be dealt with on a world scale or at least across the geographical borders of individual states.
- (b) The inevitable distortions in competition that would result from uneven competition of tax measures for environmental purposes in the various countries and the clear lack of incentive to adopt this type of active policy among Member States which, in the absence of a uniform and coordinated Community policy, would feel obliged by competition to prevent any such measures from going ahead.
- (c) The possible adverse effects on the environment of the additional economic growth generated by the internal market. As the Commission's task force pointed out in its report on 'the environment and the internal market: challenges and opportunities' (end of 1989), the benefits resulting from an increase in resources - and therefore an increase in

possible expenditure on environmental policy, including new investments for clean technologies - are offset by the danger of intensive use of natural resources, particularly in sectors that have a significant environmental impact, such as energy and transport. In these sectors in particular, a Community policy is needed to make fundamental adjustments to the relationship between pollution and economic growth and to reorganize the market through the use of economic instruments including environmental incentives and disincentives.

(d) Lastly, the recent political statements in favour of the establishment of economic and tax instruments in addition to existing regulatory instruments:

- 21 April 1990, informal Council of Environment Ministers;
- May 1990, Declaration by the Ministers at the Bergen Conference
- 26 May 1990, Declaration by the European Council in Dublin, specifically calling on the Commission to submit by the end of the year proposals and criteria to enable the Member States to introduce economic and tax measures in compliance with the Treaties;
- 22 September 1990, informal Council of Environment Ministers in Rome.

3. The legal and institutional context

3.1. Scope and limit of Community jurisdiction

The Single European Act introduced a new title into the EEC Treaty on environmental policy, describing, in Articles 130r, 130s and 130t, the objectives, principles, scope and means of application. These can be summed up as follows:

(a) Objectives:

- 'to preserve, protect and improve the quality of the environment;
- to contribute towards protecting human health;
- to ensure a prudent and rational utilization of natural resources' (Article 130r(1));

(b) The principles referred to in paragraph 2 of the same Article:

- that preventive action should be taken,
- that environmental damage should as a priority be rectified at source,
- and that the polluter should pay;

(c) As regards means of implementing Community action, the same Article provides for:

- measures of a Community nature (to be financed by the Community (Article 130r(4)),
- the incorporation of environmental protection requirements in the Community's other policies (Article 130r(2)). Needless to say, the Community's powers in the field of environmental protection are not exclusive but complement those of the Member States. In general terms, the division of responsibility between national and Community level is governed by the principle of subsidiarity of Community action, as defined in Article 130r(4). According to this principle, 'the Community shall take action relating to the environment to the

extent to which the objectives referred to in paragraph 1 can be attained better at Community level than at the level of the individual Member States'. As this criterion calls for a case by case assessment and may even evolve with time and depending on the effectiveness of the action of different Member States, Article 130s introduces a procedure for deciding what action is to be taken and what the Community's role should be by stipulating that any decision on new action shall be taken unanimously by the Council which may at the same time agree that decisions on the implementation of Community measures may be taken by a qualified majority. The Community's powers, as described in the new Title VII of the EEC Treaty, are evolutive and Article 130s is the equivalent, in the field of the environment, of Article 235 for the rest of the Treaty. However, where the objectives to be achieved at Community level call for the harmonization of national laws, Article 100a, providing for decisions by a qualified majority, should be applied. This Article, which stipulates that proposals for the establishment of the internal market in the field of environmental protection must be based on a high level of protection, constituted the most effective instrument of Community environmental policy during the first two years of implementation of the Single Act. This success is obviously due to the voting procedure and the general pressure to complete the internal market; however, it is quite clear that this Article will not be a sufficient basis for Community environmental policy as a whole. On the contrary, Article 130s was inserted into the Treaty as an evolutive clause on environmental matters comparable to the provisions of Article 235 as regards the rest of the Treaty.

3.2. Establishment of a Community strategy

In our view, the Commission should therefore establish a clear strategy of initiatives of Community interest on the basis of this article. This is particularly important with regard to the implementation of a strategy for the use of economic instruments which, by definition, would make it possible to intervene in areas in which decisions are at present taken unanimously (taxation).

Clearly, it would be desirable, in the revised version of the Treaties, for unanimous voting to be kept to a minimum. However, as things stand, it is difficult to do without it. Having said that with reference to the rules governing the decision-making process, it must be pointed out that, even in the present state of the Treaty, environmental protection requirements must be taken into account at all levels and in all the other policies. This means, first of all, that, even in defining its competition, tax, agricultural or transport policy, the Commission should provide evidence that it has taken environmental protection requirements into consideration. This has not always been the case, with the result that certain problems which should have been dealt with by the Commission were transferred to European Parliament level. The same danger can arise in establishing a strategy for using economic instruments to meet environment requirements. There is a risk that a clash of interests may emerge as soon as measures affect the Community or national tax system.

In the case of conflict between different policies, the Commission should consult Parliament while the strategy is being established so that it may express its support for those interests to be considered as priorities. In this particular case, the Committee on Legal Affairs wishes the assessments contained in the report by the Commission's task force to be formally referred to the European Parliament as soon as possible so that Parliament can notify the Commission of its position in the spirit of interinstitutional cooperation provided for in Article 5 of the Treaty.

3.3 Responsibilities of the polluter and national and Community economic incentives

Once the need for Community intervention has been explained and the use of economic instruments has been agreed to, it is important to establish:

- in what circumstances the polluter should have to bear the responsibility for protecting environmental interests through the application of Community or national taxes;
- in what circumstances economic aid should be granted at Community and national level (in the form of direct contributions or tax exemption).

As mentioned in the task force's report, Community action would be required, above all, in cases concerning a number of Member States or where there was a need for certain international conventions signed by the Community as such to be implemented.

However, these criteria are not sufficient to establish a coherent approach to the problems, which take different forms in the Community Member States. That is why the Committee on Legal Affairs considers that a clear framework of environmental protection requirements must be defined on the basis of the current situation and foreseeable developments. This framework should also present the instruments available at all levels (regional, national and Community) to tackle environmental problems at source. These instruments which must be developed should include economic instruments whose main characteristic is their ability to make the maximum number of persons and institutions aware of their responsibilities.

To this end, priority will be given to mobilizing considerable financial resources, both at national and Community level. The financial implications should prevent any unnecessary duplication and at the same time ensure that public sector initiatives at all levels are complementary. An immediate consequence of this will also be to focus attention on certain objectives of competition policy and of public aid control. This kind of strategy obviously calls for greater commitment on the part of the Commission which should draw up its future strategy on the basis of the following methods.

3.4. Method proposed

If it is to be firmly based, the strategy must be established in the light of a number of criteria:

- (a) gradualness: in the sense of defining a common reference framework in which to adopt certain partial, significant and strategic proposals, starting with sectors where the problems exist on a world scale (CO₂, CFC), where effective action is more realistic (waste, water, urban traffic, fertilizers), or cases where the economic instrument may

generate investments in research into clean technologies (application of taxes to products);

- (b) experimentation: in the sense that Community action should provide for instruments and techniques for ascertaining the impact and effectiveness through coordination of existing measures in the various states and constant monitoring of the various experiments (a task for the proposed Environment Agency?);
- (c) complementarity: in the sense that the economic instruments are combined with the traditional regulatory measures;
- (d) choice of taxable bases meeting the following criteria:
 - 1. representativeness: the most significant or frequent parameters of pollution or the causes thereof or those principally responsible for environmental degradation should be chosen;
 - 2. simplicity: from among the possible parameters, select a limited number of the most significant and also the easiest to measure and to identify by a simple and intelligible formula by all those concerned;
 - 3. acceptability: it is important that the taxable basis and, for that matter, the entire tax system and all the instruments and aims of environmental policy should be acceptable to polluters and pollutants;
- (e) preference for options which do not increase the overall tax burden but rather entail structural adjustments to the tax system (e.g. replacing capital and labour tax with environmental tax);
- (f) assessment of the need for partial allocation of revenue to environmental objectives (as such not essential for justifying environmental tax measures insofar as the principle aim is to provide a disincentive) as an additional justification for the measures. Repeated calls for the establishment of a European Environment Fund should be considered in this context.

4. Conclusions

The Committee on Legal Affairs and Citizens' Rights calls on the Committee on the Environment, Public Health and Consumer Protection to ask the Commission:

- 1. to submit to Parliament, as soon as possible, a clear strategy regarding priority initiatives in the field of environmental protection within the Community;
- 2. to indicate, on the basis of objective data, what initiatives should be taken directly by the Community and what financial instruments should be used, by establishing new Community taxes or by mobilizing resources from the Community or national budgets;
- 3. to define, in consultation with the European Parliament, the legal basis to be used before taking any measure of Community interest.
- 4. to refer, wherever possible, to Article 100a of the Treaty for the purposes of implementing initiatives and mobilizing national resources.
- 5. to submit, in compliance with Article 130r of the Treaty, an environmental impact form for all measures falling within the scope of other Community policies.

