Lithuanian Free Market Institute

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Analysis and policy proposals by think tanks in CEE to selected EU initiatives in legislation

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About the publication

This publication is result of cooperation between independent think tanks in Central and Easter Europe (CEE). The purpose of the cooperation was (and still is) to increase awareness of upcoming legislative initiatives in CEE countries, and to increase the presence of liberal opinions from CEE countries in the EU decision making.

Provided are abridged responses to individual EU public consultations on select issues analyzed by the think tanks involved.

1. Unconventional fossil fuels in Europe

Purpose of the consultation

The European Commission aims to ensure that developments of unconventional fossil fuels are carried out with proper health, climate and environmental safeguards in place and under maximum legal clarity and predictability for both citizens and operators, as well as to ensure that the potential economic and energy security benefits of such developments can be reaped.

RESPONSE IN BRIEF:

Shale gas should be treated as any other source of energy and the guiding attitude of regulators should be neutral. Risks to the environment should be evaluated in fair manner, without positive of negative discrimination.

Shale[1] gas should be treated as any other source of energy and the guiding attitude of regulators should be neutral. Risks to the environment should be evaluated in fair manner, without positive of negative discrimination. Similarly all the other issues e.g. noise, aesthetic aspects, increased traffic etc. should not be given any special attention just because these issues arise in connection with extraction of shale gas.

The fact that some countries give monopoly rights for extraction of hydrocarbons for government-owned companies is not an example worth following. Extracting of shale gas or other unconventional fuels should be run by private enterprises.

Special attention should be given to barriers to extraction arising from zoning laws. Developer should be able to join (or split) their land holdings, change the designation of land easily and speedily. EU guidance might be needed here: national governments hesitate, but broad changes in this legislation would help all economic activities, not just shale gas.

It would be wise to direct a larger portion of tax revenues from the extraction of resource goes to the local governments. Such schemes increase the support for resource extraction in local communities.

[1] http://ec.europa.eu/environment/consultations/uff_en.htm

Moreover such schemes are fair and just; it is usually the local communities, not central governments, who experience inconveniences in connection with resource extraction. Such schemes would be advisable not only for shale gas, but for other industries as well.

The method of extraction of a natural resource should not play a major (if any) role in assessing its benefit. We should be concerned with the final product, its price and availability, not how it was extracted. If EU has not banned the extraction or use of natural gas, there is no sound reason to not allow extraction of shale gas. The guiding attitude of regulators should be neutral. Positive externalities e.g. so called "energy independence" or new jobs should not be a decisive factor.

Challenges will be reinforced by defects of the legal system. 1. Lack of objective quantitative methods to measure harm of shale gas extraction esp. in comparison with other economic activities. 2. Tax revenues from hydrocarbon extraction usually go the central governments, not local authorities or citizens, thus local communities lack incentives to allow extraction. 3. Complex planning, zoning and land-use rules create possibilities to continually block extraction via the legal system.

Impact assessment should concentrate on final and quantifiable harm (if such harm is foreseen), not the technological process or the technological detail (e.g. composition of chemicals used or methods of extraction and etc.) Criteria on what constitutes harm must be clear, quantifiable and not discriminate the industry of shale gas when compared to other industries. In other words, no special or unique restrictions should be developed specifically for the industry of shale gas.

EU should advise the governments to implement schemes that allow easier and less complex planning or zoning laws for all industries (extraction, manufacturing etc.) EU should develop recommendations on guidelines of sharing tax from hydrocarbons between central and local governments. EU should clearly defend freedom of establishment and criticize national governments if the latter choose to award rights of extraction, openly or tacitly, only to state-owned companies, but not to private ones.

2. Sustainable food

Purpose of the consultation:
A growing number of analyses question the long-term sustainability of the current trends in the production and consumption of food. Many of today´s food production systems compromise the capacity of Earth to produce food in the future. Globally, and in many regions including Europe, food production is exceeding environmental limits or is close to doing so. Nitrogen synthesis exceeds the planetary boundary by factor of four and phosphorus use has reached the planetary boundary.

RESPONSE IN BRIEF:

Even though at first it may seem that food systems and sustainability <…> is first and foremost an issue of economics and economic growth.<…> The Commission presents environmental bias when talking about sustainability of food.

The Oxford English Dictionary defines sustainable as "able to be maintained at a certain rate or level". Therefore we propose that when talking about "sustainability"[2] we should use the classical definition of the word, meaning nothing else, than the ability to maintain certain rate or level. This definition must be free from ideological, political, social, environmental or any other biases. This does not mean that the aforementioned issues are unimportant. But it would benefit the discussion and understanding if we separated "sustainability" from other terms like "environment-friendly", "contributing to climate change", "producing best value for producers", "healthy" etc. In other words, if one thinks, that protection of the environment is the most important factor in food production, one should state this, and not use the word "sustainability".

Even though at first it may seem that food systems and sustainability of it are agricultural, biological issues or any other for that matter, actually it is first and foremost an issue of economics and economic growth. If a farmer engages in commercial rather than subsistence agriculture, that is selling his crop or livestock, he is no longer just a farmer; he is an entrepreneur as well. Therefore it is a matter of economics and competitiveness.

The Commission presents environmental bias when talking about sustainability of food, we are running into the problem of using different definitions of sustainability once again. Why is the

[2] http://ec.europa.eu/environment/consultations/food_en.htm

Commission stressing „environmental impacts“ above and in place of other impacts. Obviously environmental situation has effects on our ability to produce food in the future. But it would be more precise and useful if the Commission used precise wording. For example, the issue could be renamed „improving our technical knowledge about impact of current agricultural practices on the ability to produce food in the future.“

Option (e) implies that products or diets have hidden costs or externalities (implying that the externalities are negative). While externalities (whether positive or negative) are a useful theoretical concept, it is unfeasible to even try to quantify them. First, calculation of externalities of diets are impossible due to different products or diets having different effects on different people. Second, if we are talking about calculation of externalities of products, what should be the object, which experiences externalities? Soil? Biosphere? And for what periods of time? And should we include positive externalities as well? Such calculation would undoubtedly be subjective and biased towards the beliefs and assumptions of the evaluator. Commission has no business in trying to implement theoretical concepts in reality.

Higher animal welfare standards are not in line with food sustainability, because it leads to excessive regulations that in the end increase prices for the consumer. By that food is becoming less sustainable, because affordability is diminishing especially for people with low income. Sustainable sourcing of key food commodities does not need any promotion. It is already in the self-interest of people and communities from which the food commodities are coming to grow and trade production in such ways, that they can carry on doing it in the future. Organic production is possible on a small scale, more so yield levels would fluctuate a lot more, because of non-use of pesticides, herbicides and chemicals would make crops more susceptible to diseases, weather changes, water quantity and quality. It would also require natural fertilization and this is a source of large greenhouse gas emissions, because methane is produced by cattle. It is unclear why organic production is mentioned here at all, considering that organic production usually leads to smaller yields, larger requirements for land, and the produce is usually more expensive. Only by increasing food production, making it cheaper, and securing our ability to produce it in the future we can be approaching sustainability in food production. Therefore intensive agriculture, or more precisely, agriculture that concentrates on food production under market condition is the main driver towards food security.

To begin with, if we are consistent with the definition of „sustainable“ (maintaining current rate), we must acknowledge that only production can be sustainable. „Sustainable consumption“ is a meaningless and obscure term. Furthermore, what does „sustainable“ diet mean, what should it mean, and how can a government body decide what it is, given different needs, habits and preferences of each individuals? Interference with consumer choice by the government is not warranted by any objective evidence except for ideologically driven ideas that certain dietary choices by certain individuals are worse than others. Choices of diet should be left completely to the individual, his preferences and abilities. There might be some room for initiatives for labeling and promotion of sustainable food in the retail markets. Retailers might want to target consumers who prefer “sustainability”. However this should be done strictly by market actors (retailers, producers, suppliers, farmers) to encourage the consumer to purchase certain food products. Furthermore programs like Green Public Procurement guidelines are unneeded, distortionary, and usually lead to higher government spending and / or higher prices for consumers. Considering that public procurement must observe the principles of impartiality and procure procedures at the lowest cost in

order to save taxpayers' money, it would be completely inappropriate to distort the process of public procurement in order to promote certain agricultural products or practices.

It is general knowledge that many food products are suitable for consumption even after the expiration date. Therefore it would be feasible to allow adding additional date on the label. The product could thus have two "expiration dates". One would indicate the recommended date by which the product should be sold. Another could indicate the date by which the product should be consumed. This would allow the retailers to reduce amount of spoilt products, to donate them or to sell at reduced price.

There are five actions that do not need any actions (binding targets for food waste, food waste reporting requirements, education campaigns on food waste prevention for adults, dissemination of information regarding sustainable food preparation and using leftovers, and developing/disseminating information for consumers to avoid over purchasing). These actions would only create more burden for businesses, would be a waste of money and time as in the case of campaigns for adults. Retailers could provide additional information about storage of food products, however currently there are enough data on labels regarding food storage. We must not forget to use common sense as well regarding food storage. Producers could improve labeling regarding the expiration date of food products, but it is difficult to imagine clearer labeling than expiration date or due-date or best-before.

Develop the system of using 'best-before', 'use-by', 'sell-by' dates, which could be used in labeling food products. Under such system retailers could still freely sell products which have passed the "sell-by" date, but haven't passed the "use-by" date. This would reduce food waste in retail sector and allow economically disadvantaged groups to purchase food at discount prices.

Market actors are equipped with better knowledge to deal with future uncertainties, they can react more quickly and cost effectively. Market innovations, development of farming technologies, improvement in crop resistance to weather and disease lead the way to the day by day increased wellbeing of societies. However the current food system needs reform towards more market freedom, promotion of farming and entrepreneurship. Removing subsidies, quotas and regulations, not setting up policies or goals that promote certain agricultural sectors over other, certain crops over other are the path to sustainable food system, which is based on clear and simple rules.

Subsidies to farmers in EU are one of the main aspects of unsustainable food system in terms of economics energy use and land use. If famers claim that they need subsidies to carry on farming, it means that that type of farming (cattle growing, crop growing) is not sustainable, because there is alternative use for that land time and money, which are more valued by market. In addition subsidies are tax money which is given to farmers to continue their unsustainable farming. This as well does not encourage farmers to act as businessmen, but they instead act as lobbyist, and it does not translate into innovative business (farming solutions), development of new farming methods, technologies and searching for markets to sell their goods. The whole European CAP should be dismantled. This would lead to truly sustainable agricultural production, saving of taxpayers' money, establishing market-based prices for agricultural outputs (products) and inputs (fertilizer, machinery etc.). Food security can only be achieved by allowing markets to function, not by stifling them. Common agricultural policy. Explicit and / or implicit barriers to import of food from other countries. Explicit and / or implicit barriers for new producers of food to enter the market in the EU.

The whole European CAP should be dismantled. This would lead to truly sustainable agricultural production, saving of taxpayers' money, establishing market-based prices for agricultural outputs (products) and inputs (fertilizer, machinery etc.). Food security can only be achieved by allowing markets to function, not by stifling them. Subsidies should be abolished, barriers to trade - removed.

There are two important actions. The first one is to run a "fitness check" of all food policies at all levels and if they are aligned. This would be a retrospective look on policies, rules and regulations adopted and measures could be taken regarding if such policies, rules and regulations need reform or abolishment. The second action is related to subsidies which are environmentally harmful. However, not only environmentally harmful subsidies in the food sector, but all farming and food subsidies are harmful and should be removed.

3. Sustainable buildings

Purpose of the consultation:
The European Commission wants to gather views and additional information on the possible introduction of EU wide measures to achieve better environmental performance of buildings[3]. Resource use and related environmental impacts all along the life-cycle of buildings are in the scope. The consultation puts forward questions related to the problem definition as well as to possible policy options.

RESPONSE IN BRIEF:

One of the best measures that EC could implement or change, regarding the environmental impact of buildings, is easier procedures to change the purpose of the building (i.e. from administrative, public purpose or factory to residential and vice versa). There could also be fewer requirements or permits for building additional structures, redesigning the building, renovating, increasing energy efficiency (i.e. improving insulation and etc.).

It is speculative to suggest that water usage during construction or composition of construction materials have any meaningful and measurable environmental impact. The use and reuse of water during the lifecycle of the building usually not on the building itself, but on sewage and water treatment facilities, that operate on a city level, not building level.

Majority of residential blocks of flats, built before 1991 have a very poor energy performance. But there is no clear demand for other environmental efficiency

The major reason for increasing demand for build space is the fact that welfare of Europeans is increasing. Naturally people want to live in and can live in bigger and better apartments (commercial buildings as well). This demand is a consequence of economic growth which provides people with more opportunities and better living conditions. There is no reason in any way to limit or prohibit the

[3] http://ec.europa.eu/environment/consultations/buildings_en.htm

demand for build space and actual building size or purpose of these buildings or how they should be used. It seems odd, that the increasing welfare of Europeans is seen in a negative light by EC, which the increasing demand for build space is a representation of.

Public Procurement (PP) is a procedure designed for public institutions, so that these institutions could purchase goods and services which these institutions need to conduct their activities. In itself this is not in any way an instrument intended to influence the market, but simply provide procedures for purchasing required goods or services.

Green Public Procurement (GPP) it is opposite off PP and misleading the public. Even though EU public authorities consume goods and services equivalent of 19% of EU GDP through PP, it is not good that GPP is though off as an instrument to impact the market by reducing environmental impact by their actions, when choosing what kind of goods and services to acquire. It is falls to think that this would incentivize producers and entrepreneurs to create and develop green technologies. It is more likely that such producers and industries in general only create not what the actual market demands to be created, but just the necessary and sufficient technologies which are later used in producing goods and services, which are needed by the public authorities. It may lead to the situation, where producers and industries will be pushing for setting specific rules, regulations and standards that everyone has to abide, but only they benefit. In the end this increases the costs for consumers, decreases competition, and paves the path for corruption and protectionist measures

For private sector. Because energy prices are high, businesses and people, but mostly businesses are investing a lot of time and money to develop more efficient energy use technologies and innovations for producing goods and services or for other means. Additionally it would be wise to make it easier to change the purpose of buildings or land used (e.g. when changing an administrative purpose building into a residential one, there could be a less regulation or no requirements of additional permits, or when changing the outside looks (i.e. design), building additional structure to the building itself and etc.).

Most importantly, additional regulations and directives regarding energy efficiency of buildings through the whole cycle from extracting materials to decommissioning the building for waste, increases the cost and the final price of a building or apartment, thus affecting the ability (i.e. making it more difficult and costly) of less well of people to acquire housing.

For public sector. There is no need to increase financing for public sector through additional directives or regulations. However, the practices of how the money is being spent has to change by enforcing more effective use of it with measures such as inventorization, introducing indicators of efficiency, third party audits and etc. There should be a minimum efficiency requirement applicable to public authorities in the way it spends taxpayer's money.

LFMI remarks on "Sustainable buildings"

The most important question regarding the issue of environmental impact of buildings through the whole life cycle should be concerning, how any regulations or directives could affect prices. If regulations were implemented and market participants had to abide, to certain requirements on what materials to use, how they should be made or extracted, the amount of water to be used and many more, this would affect costs of buildings and the final price for housing, thus making it more

difficult for people to acquire it. This would not solve a problem of housing and housing prices and make things more difficult and expensive.

Governments should be also concerned about the possible higher costs that regulations regarding the environmental impact could have on public buildings that are already in use or are in planning to be built (schools, libraries, administrative buildings and etc.). It would be wrong to push regulations regarding uncertain, unclear benefits to the environment, making construction more expensive and using more of taxpayers' money.

This issue of reducing the impact to the environment (i.e. sustainability) of buildings is a misleading preconception that any intervention could positively affect the environment, but at the same time it could have negative consequences to the ordinary European citizen. This would mean more permits, more time for construction, higher costs and higher price of the final product. This is completely opposite to the idea that people should have the opportunity to acquire housing based on market prices, not on regulations that make it more difficult for them to purchase home.

One of the best measures that EC could implement or change, regarding the environmental impact of buildings, is easier procedures to change the purpose of the building (i.e. from administrative, public purpose or factory to residential and vice versa). There could also be fewer requirements or permits for building additional structures, redesigning the building, renovating, increasing energy efficiency (i.e. improving insulation ant etc.). This would mean new life for old buildings and less demand for new space. It would also reduce the pressure to improve and expand infrastructure in the cities, because they are not expanding as fast as they are now.

Voluntary schemes (green scheme) could be an option for construction companies, producers of construction equipment and materials, and real estate developers that want to be green (i.e. reducing environmental impact of buildings). If companies choose to position themselves and conduct their businesses in that way it would be their option, but they still would have to compete under market rules. On the other hand mandatory schemes across the board could mean increased costs of construction and higher final price of housing for consumer. It could also negatively affect the level of innovation in the market, level of investment, competition and willingness of entrepreneurs to participate in such market.

4. Energy 2030

Purpose of the consultation:
The EU has a clear framework to steer its energy and climate policies up to 2020.The 2030[4] framework should build on the experience and lessons from the current framework. The Green Paper raises a set of questions e.g. relating to the main lessons from the 2020 framework; type, nature and level of climate and energy targets for 2030; coherence between different policy instruments; competitiveness and security of energy supply; and distribution of efforts between Member States.

RESPONSE IN BRIEF:

The 2020 framework fails to see that consumption of energy is beneficial for European citizens;

The 2020 framework places too much emphasis on entrepreneurial possibilities and job creation related to efforts to increase energy efficiency;

The proposals to use public procurement to promote the adoption of energy efficient products and practices ignore the relatively high cost to the public finances, and the limited benefits of such measures;

The idea to use taxation and pricing to encourage behavioral changes ignore the cost of such measures on consumers, especially the less affluent ones.

In general, the 2020 framework:
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The 2020 framework places too much emphasis on entrepreneurial possibilities and job creation related to efforts to increase energy efficiency;
The proposals to use public procurement to promote the adoption of energy efficient products and practices ignore the relatively high cost to the public finances, and the limited benefits of such measures; The idea to use taxation and pricing to encourage behavioral changes ignore the cost of such measures on consumers, especially the less affluent ones;

[4] http://ec.europa.eu/energy/consultations/20130702_green_paper_2030_en.htm

The 2020 framework does not take into the account the high prices of automotive fuel in the EU and the effects it has had on energy efficiency and behavioral changes in the transport sector. Further increases in both may be cost-inefficient and unnecessarily encroaching upon personal liberties.

Some examples

The 2020 framework overplays the role of energy efficiency

The assumption that increased energy demand can be met by increasing efficiency is not entirely sound. Increasing energy consumption represents the consumer demand driven by an increasing standard of living whereas increased efficiency represents technological change. In order for the "decoupling" to occur, technology must develop at a faster rate than the rate of increase in the standard of living. Therefore if we assume that "efficiency" is used in its primary sense, e.g. using more energy efficient appliances rather than consumers simply foregoing some activities or products, the notion of "decoupling" – as expressed by the Energy 2020 strategy – ignores the technological limitations and constraints.

The 2020 puts too much emphasis on effectiveness of government intervention in steering consumer behavior (including promotion of energy efficiency through public procurement)

The strategy advocates using public funds to steer changes in both consumer behavior and the behavior of producers of products that use energy, e.g. by advocating that public procurement should support energy efficient outcomes. Public funds already suffer from misallocation, improper use, lack of transparency and other problems. It is difficult enough to organize public procurement even with the simplest criterion of the lowest price. If public procurement were to be tied with energy efficiency there is a probability that the allocation of public funds would worsen further.

Products touted as more energy-efficient are usually more expensive; typically the individual buyer weighs the extra initial cost against presumed benefits throughout the lifetime of the product, and makes a decision based on these calculations. If a blanket regulation to make available only goods of certain levels of efficiency is imposed, it risks increasing the initial expenditure without the correspondingly adequate savings. Therefore, if we strive for energy efficiency by imposing standards related to energy efficiency (obviously higher than current practices), this has the potential to increase government spending.

Taxation of energy inefficient products and / or subsidies to energy efficient products hurt the poorest the most

Taxation of less energy efficient products usually harms the less wealthy parts of society, because the poorer tend to use the older and less energy efficient products. In the case of automobiles, an older vehicle fleet generates more emissions than a younger one. Imposing extra costs may hamper the purchases of expensive energy efficient items and create a problem of affordability, which would then have to be alleviated by providing a need-based subsidy.

Giving tax breaks for energy efficient practices or products also has its defects. In general (as described before), newer products (automobiles, appliances etc.) are more energy efficient (mostly due to simply being newer) and are more expensive. Therefore, giving tax breaks to such products is tantamount to subsidizing the more affluent members of society using taxpayers' money. Moreover, such tax breaks might stimulate purchases of additional products (as opposed to replacing the current ones), thus increasing the demand for energy.

There is no work-around to this problem. The adjustment of tax in whichever form–tax breaks for efficient products or increased taxation for less efficient products – creates problems and does not guarantee energy savings

Targets

To begin with the approach of 20% decrease in CO2 emissions, 20% target of share of renewables, and 20% increase in energy efficiency is superfluous. If the goal is to reduce CO2 emissions, then just on objective would suffice. There is no need to try and to match the goals of climate policy with the goals of energy policy because the two sets of goals are fundamentally incompatible. The goals of climate policy seek to restrict human activity and consumption of energy. The goals of energy policy seek to supply energy for the consumers and to maximize their satisfaction. We should recognize this fundamental mismatch and move from there with either climate or energy policy. Consequently while setting goals for 2030, Europe should decide on one core objective.

There is no sound reason to have targets for specific sectors. If the overall goal is the reduction of CO2 emissions, it should not matter what sector accomplishes it. Even more, the goals for certain sectors are harmful because there is a possibility that the sector will be over-achieving the goal in a cost-ineffective manner compared to possible savings in other sectors. Finally there is absolutely no sound justification to have specific (or tougher) targets for certain means of transportation (e.g. personal automobiles). In fact any mentions of especially tougher standards on certain technologies of consumer goods are a clear indication of political, social or technological bias.

The 2030 framework should get rid of any targets related to the use of certain technology or source of energy. If the reduction of CO2 emissions is the key objective, there is no need to impose technology-specific or energy source – specific objectives. The emphasis should be put on economic viability, and reaching the goal of reducing CO2 emissions at lowest cost to consumers. Renewable energy sources should compete among themselves and with conventional sources of energy which meet the goals of CO2 reduction (e.g. nuclear, fossil fuels combined with CO2 sequestration and many others).

Security of supply has certain tangible indicators, e.g. number of interruptions of supply, duration of interruptions in supply etc. Measuring security of supply should not be mixed or confused with production of energy inside the country (domestic production), producing energy from indigenous sources, or producing energy from renewable sources.

Instruments

Feed-in tariffs for renewable energy combined with obligations for consumers (or companies) to purchase renewable energy allows producers of renewable energy to profit from the consumers and drive the energy prices higher. With interest of consumer in mind EU should advocate for the schemes where producers of renewable energy are made to compete with each other (e.g. more efficient producers of wind power with less efficient ones, electricity production from photovoltaic with electricity from biomass etc.) So that even is state financial support for renewables remains (even though we would advocate against it), only the most efficient and most efficient technologies or energy sources are supported.

First, cutting of all subsidies to energy producers. Any subsidies, either for conventional energy of renewable energy forces the price of energy down. Because high market prices are a best driver for consumers to adopt relevant and justified changes in energy use, cutting of subsidies is justified.

Second, cutting or changes of social schemes where, in certain countries poor households receive handouts to cover all or some of their energy bill. If cutting of support schemes altogether seems to drastic, governments should move to support schemes where poor households receive support based on their income and wealth (or lack thereof), not on how much energy they use.

Competitiveness and security of supply

Promotion of expensive energy sources, and / or taxing cheaper sources of energy for consumers (households and businesses) cannot promote job creation, growth, or competitiveness. Moreover new "green jobs" (e.g. in production of equipment for production of renewable energy) inevitably destroy regular jobs, which are affected by higher energy prices (which in turn are a result of taxation of energy). The only way to promote job creation, growth and competitiveness via energy policy is to halt all taxation on energy. That would have an enormous benefit to consumers, business and competitiveness.

In regards to what would happen to renewable energy, in different countries different renewable energy will become competitive due to advances in technology and / or because of the developments in the market for conventional fuels. For example heat from biomass is become competitive in Northern and Baltic countries because of the price of natural gas (esp. in the Baltics)

Main evidence of that is relocation (or closing and opening) of industrial companies from Europe to USA or other countries where energy prices are lower. Europe has some of the highest prices of energy not mainly because of the developments in the market, but more because of its energy policy (e.g. foregoing coal, which is an abundant resource in Europe).

Taxation is a very specific driver. It directly influences the end-price for consumers. EU can easily influence it simply by reducing taxation on energy.

Uncertainty and risk are very important and should not be ignored. Europe would be committing a fatal mistake if it chose to pursue its climate policies unilaterally, disregarding what other industrialized nations do. Therefore if other countries do to not commit themselves to costly and binding targets, neither should the EU.

A clear assurance of maximum commitment above which EU would never go could be a start. Given that the EU commitments to reduce CO2 emissions already exceeds similar commitments made by other industrialized countries EU could announce a moratorium on further initiatives for reduction of CO2 emissions in Europe. That would give European businesses a much needed breathing space to deal with competitors in other countries or regions.

EU should lift nearly all bans or restrictions on production of energy inside the EU. This should include rolling back legislation that restricts entry of new producers of economically viable energy into the market: renewable energy (e.g. limitations on dams), extraction and use of traditional hydrocarbons, unconventional hydrocarbons (e.g. shale gas) and any other economically viable sources of energy (e.g. nuclear).

Internal market. In terms of internal market one should not forget the harm that various taxes, levies, and state aid have on trade in energy. Therefore EU should aim to eliminate taxes, levies and state aid in the energy sector as much as possible. If EU aims for a common market in energy the least it could do is to make national governments act by the rules of internal market. No special restrictions (implicit or explicit) on trade in energy should be tolerated.

Infrastructure. In terms of infrastructure one has to recognize that government regulation plays a large role in hampering investment. Existing legislation can be used to block any investment in the energy sector. Therefore improvement and streamlining of procedures would be a correct step. At the same time, this has to be extended to the entire sector, not just to renewables or projects of European interest. The whole energy sector would benefit from cutting the red tape.

Private capital is capable of financing infrastructure, including cross-border infrastructure if it can be guaranteed regulatory stability. In the cases where private investors express a wish to co-finance, various forms of cooperation between private and public capital should be pursued. At the same time, governments should take notice if private financers do not want to invest in a given project. This can be an indication that the conditions for investment (e.g. rate of return) are inadequate, or that the whole project is of no commercial viability. This indication should be taken seriously, rather than be seen as a deficiency of private capital or an opportunity for public finance. Transnational dimension should not create the illusion that only public capital or nationally-owned companies are capable of dealing with financing the construction and overseeing the operations interconnections between countries.

Also it should be recognized that recent increases in stress on existing electricity grids comes from the need to accommodate many new intermittent producers of electricity such as wind energy. And it should also be recognized that such stress is a direct result of government subsidies and favorable treatment of renewable energy.

External suppliers. EU should foster favorable relations and climate of investment with its external partners. EU should resist any initiatives to limit, curtail or tax energy imports regardless of the reasons such initiatives are raised: “leveling playing field for producers of energy”, “improving energy security” or others. As discussed earlier, consumers and businesses need cheap sources of energy, it would be harmful to deprive them of such sources.

Capacity and distributional aspects

First, EU should recognize that relatively poorer countries cannot shoulder the same burden of adopting CO2 reduction and expand expensive renewable energy sources compared to wealthier countries. Second, EU should admit that it is the new-member states who achieved the highest reductions in CO2 emissions in terms of the Kyoto framework (with 1990 as a base year). Third, EU should recognize that in term of energy per person used, people in new member states use clearly less energy than the average European. Having all this in mind it is fair, that if EU wants to increase or maintain its obligations for reduction of CO2 emissions it is the old member-states who should shoulder the burden.

5. EU tax code

Purpose of the consultation:
The European Commission wants to gather views and additional information on the possible introduction of EU wide measures to achieve better environmental performance of buildings. Resource use and related environmental impacts all along the life-cycle of buildings are in the scope. The consultation puts forward questions related to the problem definition as well as to possible policy options.

RESPONSE IN BRIEF:

A European taxpayer's code could be useful for the EU taxpayers if it ensured legal certainty, which is not always provided by the local tax codes (if at all). <…> the right to a high degree of predictability of tax law <…> would improve the tax system in the EU member states.

A European taxpayer's code would immensely benefit the European taxpayers if it limited the length of an audit process. Introducing a binding limit on the length of an audit would lower the burden of tax administration.

The aim of a European taxpayer's code[5] is to introduce measures to combat tax evasion and put forward a set of rules that taxpayers would commit to follow. Taxpayers already face an obligation to pay taxes and reiterating this obligation in a separate tax code is unnecessary. These are not measures that should be included in a taxpayer's code, since they will not produce any tangible benefit to the taxpayers. However, if such a code is to be passed, taxpayers would benefit from provisions ensuring legal certainty, such as the right to a high degree of predictability of tax law amendments; of limiting the length of an audit process; service standards; impartiality and independence; responsiveness of the local tax administrators.

A European taxpayer's code could be useful for the EU taxpayers if it ensured legal certainty, which is not always provided by the local tax codes (if at all). For example, the right to a high degree of predictability of tax law amendments is not necessarily provided in all the EU member states. Including this right in the European taxpayer's code and introducing a binding limit when tax law amendments can come into effects, such as 6 months after they were passed, would improve the tax system in the EU member states.

[5] http://ec.europa.eu/environment/consultations/buildings_en.htm

A European taxpayer's code would immensely benefit the European taxpayers if it limited the length of an audit process. In some cases, the audit process performed at the taxpayer's office is limited, but the length of the process performed at the tax administrator's office is unlimited. This may result in protracted audit processes, taking up to 3 years to complete. Introducing a binding limit on the length of an audit would lower the burden of tax administration.

Service standards, impartiality and independence are other areas where a European taxpayer's code could be helpful for the taxpayers.

Responsiveness of the local tax administrators could also be ensured by a European taxpayer's code, whereby binding limits could be introduced ensuring that the taxpayers' request for clarification is provided in a reasonable time.

6. Towards human-centric healthcare

This is a special response to designed for the WHO European Region's high-level technical meeting on health systems in times of economic crisis.

The impact of the economic downturn on health systems in the European region and financial means to implement the Millennium Development Goals related to health were highly discussed by the World Health Organisation (WHO). The necessity to ensure investment in health, to increase efficiency in health systems and to reconsider financial burdens was stressed in the WHO European Region meeting in Oslo, Norway, 1-2 April 2009. We see, however, the recommendations formulated not fully solving the issues outlined.

Whereas:

(a) as it was admitted in the meeting, the economic crisis increased public debts, inter alia, public finance is limited,
(b) health systems need investment to ensure the health of individual, access to healthcare services and efficiency of healthcare systems, (WHO European Ministerial Conference on health systems: "Health Systems, Health and Wealth", Tallinn, Estonia, June 2008),
(c) policy and decision-makers are not able to prioritize investments or to provide the most necessary healthcare goods or services to individual (as pointed out by the keynote speaker prof. A. Maynard at the meeting),

We call for a greater patient choice and responsibility, promotion of private sector's participation in the healthcare system, and more targeted public spending. Accordingly:

1) while maintaining the solidarity, equity and participation in health systems, the reasonable redistribution of public budgets out of general taxation and social insurance contributions:

- should be clearly separated from social measures, i.e. public spending on health promotion, disease prevention or health cannot be mixed with other social policies - health is health, other issues are safeguarded by other policies and tools;
- should not be used as a tool in the policy kit for conducting social policy – for example, freezing the price of a medical service or pharmaceutical product may seem ease social tension in the short-run, but it will definitely create more problems in the mid- to long-run;
- should be used only for ex-ante and clearly defined healthcare services; this also means that policy makers will undertake an increase in the scope of public financed healthcare services

only after a thorough actuarial analysis of the healthcare system and socio-economic environment;

- should not be discriminatory against the health insurance payers/ (in favour of non-payers) – this means that the gathered financing through social insurance contributions will be used explicitly for goods and services for health insured people; financing for healthcare goods and services, in accordance to national law, provided to uninsured people will be obtained from general taxation.

2) <u>while protecting healthcare spending:</u>

- to encourage private voluntary payments, as the private spending on healthcare is the fairest and most efficient way for citizens to contribute to the healthcare system, governments should encourage it as much as possible, not oppose it;
- to keep public expenditure limited to maintaining basic health services, disease prevention and health promotion activities, health care quality and patient safety supervision; governments should aim to provide universal healthcare with a limited range of publicly funded service, while at the same time promote the development of private funding of the system (e.g. out-of-pocket payments);
- to eliminate burdens on private investment in health and healthcare; promote private sectors' participation which has more means to assure cost-efficiency than the public sector;

3) <u>while ensuring access to a functioning health system and aiming for health care quality and patient safety:</u>

- to focus on primary health care, disease prevention;
- to promote patient choice via investment and competition;
- to grant a greater patient choice via patient-orientated health system; the public financing of healthcare should follow the choice of the insured person and not be used as a means by public authorities to impose restrictions on the insured individual.

In light of economic crisis we witness that governments can hardly offer solutions to meet the healthcare needs of a particular individual. The incoherence between the limited public financing and wide governmental scopes in the healthcare field leads to more unreasonable demand than practical tools to insure an individual's access to quality healthcare. Therefore, states should enable the private sector to participate in health care systems via competition, private voluntary contributions, patient and tax-payer choice, thus, both promoting private responsibility of ones' health and not making human health depended on the limits of the public budget.

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