



## FÖRDERVEREIN ÖKOLOGISCHE STEUERREFORM

### GREEN BUDGET GERMANY

---

## CLIMATE PROTECTION NEEDS THE POWER OF MARKET INSTRUMENTS

RESOLUTION PRESENTED BY GREEN BUDGET GERMANY TO GCET 2007 (EIGHTH GLOBAL CONFERENCE ON ENVIRONMENTAL TAXATION, 18<sup>TH</sup> TO 20<sup>TH</sup> OCTOBER 2007 IN MUNICH/GERMANY)

1. Combating climate change is one of the major challenges faced by mankind. Urgent and concerted action is needed, to which all of us can and should contribute. Climate protection has gained great momentum through the ambitious goals that have been set by some countries and regions and are being discussed by many others. Climate protection is probably the most important part of a global agenda for the environment, but it is certainly not the only one.
  - We welcome all efforts to set ambitious targets for individual countries, groups of countries, or even the entire planet. **There will be no forceful joint effort without jointly agreed targets.**
  - We also welcome climate protection being recognized as a top priority. Nevertheless, other environmental problems such as resource depletion, deforestation, waste, water scarcity and pollution, droughts and floods, desertification, air pollution and health impacts also demand bold solutions given an increasing global population with its basic needs, and ever increasing levels of comfort. Though many environmental improvements have been achieved in the past (for instance, the global agreement on ozone depletion), many challenges persist and are even growing – hence **increasing the need for both innovative and effective approaches**, and for strong instruments.
  - It is the poorest countries and the poorest people who rely most heavily on environmental resources, and are therefore most affected by their degradation. Therefore, environmental protection is closely related to poverty reduction, one of the major objectives of international development cooperation as expressed in the internationally agreed Millennium Development Goals.
2. The **scope of the entire global environmental challenge is so immense that only by combining all existing instruments can we safeguard our diminishing chance of achieving a sustainable future** without incurring enormous losses and costs. In particular, we will need to expand the use of market-based instruments (MBI) that have proven to be particularly powerful and efficient. They have the potential to contribute to both global objectives – improving the environment AND reducing poverty. **MBI exist in many forms, the two most powerful being environmental taxation and emission trading.**
  - **Energy efficiency, innovative technology, the switch from fossil to renewable energies, and changes in infrastructure and lifestyle are the essential keys** to mastering climate change as well as enhancing energy security. But governments need to promote these key levers actively, they do not advance fast enough if we leave them only to market dynamics.
  - Regulation – for a long time the backbone of environmental policy in many countries, as indeed it still is in some – has contributed to important environmental improvements. There is still **much potential for intelligent regulation**, for instance through ambitious efficiency standards, or banning the use of harmful substances. In addition, policies like information provision, eco-labeling, consumer campaigns, environmental management, or environmental agreements have also contributed to positive developments. **Many of these tools could and should be expanded further** (for instance, the Top Runner approach initially developed in Japan).

gcetresoengfinal/20.11.2007

---

### FÖRDERVEREIN ÖKOLOGISCHE STEUERREFORM e.V. (FÖS)

Landsbergerstr. 191 · 80687 München · Fon 089-520 113-13, Fax -14 · [foes@foes.de](mailto:foes@foes.de) · [www.eco-tax.info](http://www.eco-tax.info)  
GLS Gemeinschaftsbank eG Konto 804 371 3000 · BLZ 430 609 67 · IBAN DE87430609678043713000  
Gemeinnützig zur Förderung wissenschaftlicher Zwecke laut Finanzamt München für Körperschaften

- However, unsustainable consumption and production patterns persist and when it comes global issues, fundamental economic and structural changes, and to non-point sources of pollution, the use of regulatory instruments alone seems limited, whereas **regulation and MBIs acting as complementary policy tools have the potential to have a far greater global impact at lesser cost to the economy.**
  - Many environmental problems can be traced back to a failure of markets to adequately reflect scarcities and external damages in market prices. As long as these failures are not corrected, we will always have to fight against market gravity. **Instead of polluters, society will pay, as long as prices are far from telling the ecological truth and do not reflect the costs of external effects.**
  - Over the last two decades, market-based instruments (MBI) have been increasingly implemented as they offer potential advantages like static and dynamic efficiency, and represent least-cost solutions which trigger and stimulate innovation. Furthermore, in many cases revenues can be raised and additional jobs created. By shifting the tax burden away from labour and onto natural resources, environmental taxes may also provide governments with a new source of revenue in the face of aging populations. **MBI have made sustainable growth possible and even profitable for an economy.**
  - Up until today, the potential benefits of MBI have not been exploited to the fullest extent possible, not even in the countries using them most. In some countries, they have not even been tested seriously. **To sum up, we need both: using and correcting the power of the invisible hand by MBI, and the visible hand of government in the form of regulatory instruments.**
3. Like the entire series of GCET conferences, GCET 2007 bore witness to the enormous wealth of experience from all over the world in the use of MBI and their many positive effects. A broad range and variety of MBIs, both actually applied or developed in theory, were demonstrated and debated in speeches and papers. A main focus was environmental taxes, often the core element of an Ecological Tax Reform (ETR) or a wider Environmental Fiscal Reform (EFR), often also in combination with the reduction of environmentally harmful subsidies (EHS). **Other important topics were emission trading systems (ETS) and beneficial subsidies for renewables.**
  4. Based on the combined knowledge and expertise of over 100 speakers and over 300 delegates from 50 countries, **the undersigned participants of GCET 2007 call on the outgoing and the incoming G8 Presidency, together with the countries of the Outreach-dialogue, to contribute to an agreement on an efficient and consistent emission trading system as a post-2012-regime under the UN.**
    - As soon as possible, in force from **2013 at the latest**, all major emitter countries should provide for a targeted carbon pricing scheme. Further action should be based on the UNFCCC principle of common but differentiated responsibilities and capabilities and on the list of commitments as contained under Article 4 of the UNFCCC. We also need agreed targets for efficiency and REE.
    - **We also call for more use of MBI on the national level.** GCET 2007 has given ample evidence that without the potential of MBI to trigger innovation and efficiency throughout the economy, successful climate protection will be hardly feasible.
    - We know from experience that the implementation of MBI must be accompanied by stakeholder consultation and careful communication to ensure that the benefits for individuals and society are clear to every citizen. Potential disadvantages of MBI should be avoided by skillful policy design or compensated by intelligent social or competitive policy.
  5. We invite not only scholars and researchers, but also business people, politicians and international institutions like the UN or the Group of 8 and other important participants of the global climate debate to use our conferences as a natural forum for an international dialogue on the experience gained and the progress made through the implementation of MBI.
    - We invite global leaders to present their work and progress at future GCET conferences. The next conference will be in Singapore (Nov. 2008), and deal with “The Environmental Impacts of Megacities”.
    - GCET 2009 will take place in Lisbon, Portugal, on “Water Management and Climate Change”.
- Under the present challenges, a conference of academics, NGOs, business leaders and politicians should be a forum rather for implementation than for sheer contemplation. It must be more than a place for abstract debate.**