

Environmental taxes to drive a sustainable EU budget

63 leading Policy makers, academics, businesses and civil society call for innovative budget reform post-2020

The EU budget in its current form is not a driver of sustainable development – neither in terms of how revenues are raised, nor how they are spent.

The founding treaties of the Union envisaged a directly controlled funding model, yet currently less than 13% of total revenue for the EU budget stems from genuine ‘own resources’, i.e. funding streams under the EU’s direct control. As a consequence, EU budget negotiations have turned into a zero-sum game between national governments that focus on minimising their national contributions rather than a shared responsibility to deliver a fairer and more sustainable distribution of wealth for all Europeans.

A reform of the budgetary system to address and overcome current complexities could green EU budgets and enhance the transparency and visibility of the EU.

The signatories below hereby call for innovative, more effective and democratic approaches to budgetary processes in order to green revenue and expenditure, and leverage sustainable private investment in the EU.

The EU must take a leadership role in climate change mitigation

The EU must reinstate itself as a world leader in the fight against climate change and translate the targets laid down in the Paris Agreement into real action. A green financing model for the EU could play an important role in achieving this goal.

The Paris Agreement establishes the global commitment to make ‘finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development’ (article 2)¹. At the same time, the Sustainable Development Goals (SDGs)² necessitate a paradigm shift in various social and economic areas, and Europe is preparing to put this vision into action. The EU budget, with its EUR 143.5 billion annual volume, must become a key enabler of change, if the EU is to achieve net-zero GHG emissions by mid-century. This applies to both the EU’s funding programmes and expenditures governed by the Multiannual Financial Framework (MFF), as well as to the way the budget is funded³.

¹ UNFCCC (2015). Adoption of the Paris Agreement. United Nations Framework Convention on Climate Change. [Adopted](#) on 12 December 2015. Accessed on 01.10.2016.

² UN (2016). Progress towards the Sustainable Development Goals. [Report](#) of the Secretary-General. Accessed on 01.10.2016.

³ Whereas the sustainability of the EU budget can only be evaluated with a holistic view of both income and expenditure, this report looks only at options for reforming the EU’s revenue side, the own resources system. There are a number of inspiring studies critically assessing the climate mainstreaming of the EU MFF, notably FOE and CEE Bankwatch (2016), Milieu and EC (2015) and IEEP (2014).

Aligning financial flows with what is really needed

In 2016, Green Budget Europe produced a [report](#) on 'EU own resources' looking at how green taxes could deliver on the 2030 climate and energy goals and meet this need for sustainable revenue-raising. Green tax-based instruments are the smartest candidates for raising own resources. They could greatly enhance European advances in environmental tax reform and also help to overcome the deficiencies apparent in the current system of financing the EU budget. They are a win-win for climate, the environment, a smart and equitable transition to a fossil fuel- and nuclear energy-free society, and for the future financing of the European Union's budget.

How? Green Own Resources address fiscal distortions that favour a fossil fuel-powered economy, incentivise more sustainable behaviour, and provide the structural basis for a gradual, socially acceptable transition towards a zero-carbon society. At the same time they can provide the EU with genuine own resources in the spirit of the Treaties and significantly reduce the share of national contributions to the budget.

If 100% of EU revenues were raised from green taxation, this would increase the environmental tax take in the EU by EUR 143.5 billion annually and generate significant positive environmental effects, before even one Euro of EU money has been spent.

In order to prevent an unfair or unequal burden on different member states due to a large diversity of current tax levels and tax regimes, a decision to move towards environmental taxes would also favour advances towards tax harmonisation across Europe. This could ultimately reduce tax competition and lead towards a better allocation of resources and more effective taxing of environmental 'bads', i.e. damaging behaviour and/or products. Increasing EU own resources from environmental taxes would also strengthen the implementation of the 'polluter pays principle' in Europe.

We as signatories very much welcome the report⁴ of the High-Level Group on Own Resources⁵ chaired by Mario Monti. We share most of the recommendations for Green Own Resources and their multiple enabling benefits for the EU Budget. However, we call on EU policy makers not only to systematically implement these recommendations but to go further.

The next two years are crucial if we wish to make the income side of the EU budget more sustainable and transparent, make the EU more autonomous, and make better use of the EU Budget's transformative power.

We therefore support the following measures:

- **EU Carbon Tax**
- **Border Carbon Adjustments**
- **Energy Tax**
- **Road Fuel Tax**
- **EU Air Ticket Tax**
- **EU Financial Transaction Tax**
- **EU Corporate Income Tax**
- **Fines of the Court of Justice of the European Union**

⁴ "Future financing of the EU." Final report and recommendations of the High Level Group on Own Resources December 2016. [Executive summary and recommendations – full report](#)

⁵ In 2013, the European Parliament made its approval of the last long term EU budget (the Multi Annual Financial Framework – MFF) conditional on the launch of a reform process of the own resource system that led to the establishment of a High-level group on own resources (HLGOR) chaired by Mario Monti in 2014. For more information, please see [here](#).

	Hans	Eichel	Minister of Finance 1999-2005	Germany
	Ioannis	Palaiokrassas	Former EU Commissioner, Former Minister of Finance	EU and Greece
Prof. Dr	Ernst-Ulrich	von Weizsäcker	Former Chairman of the German Bundestag Environment Committee and Co- President of the Club of Rome	Germany
	Helga	Trüpel	MEP, Group of the Greens/European Free Alliance	European Parliament, EU
	Sven-Christian	Kindler	Alliance 90/The Green Party, Spokesman on budget policy, Member of the Budget Committee	Deutscher Bundestag, Germany
Prof. Dr	Paul	Ekins	Professor of Resources and Environmental Policy	UCL Institute for Sustainable Resources, University College London, UK
Prof. Dr	Carlo	Carraro	Scientific Director, Vice Chair Professor	Feem IPCC WG III University of Venice, Italy
Dr	Dörte	Fouquet	Lawyer, Partner	BBH, EU
	Damian	Ludewig	Director	Green Budget Europe, EU
	Kris	Bachus	Research manager	KU Leuven – HIVA, Belgium
Prof. Dr	Kai	Niebert	President	Deutscher Naturschutzring (DNR), Germany
	Michael	Ewing	Coordinator	The Environmental Pillar, Ireland

	Kai	Schlegelmilch	President	Forum Ökologisch-Soziale Marktwirtschaft/Green Budget Germany, Germany
	David	Gee	Visiting Fellow	Institute of Environment Health & Societies, Brunel University, London, UK
	András	Lukács	President	Clean Air Action Group, Hungary
Prof.	Aldo	Ravazzi-Douvan	Chief Economist, Professor for Environmental Sustainability	Italian Ministry of Environment University of Rome Luiss, Italy
	William	Todts	Executive Director	Transport & Environment, EU
	Norbert	Ranner	Director Regional Office	Climate Alliance, Austria
Prof	Michael	Grubb	Professor	University College London, UK
	Gerlinde	Larndorfer	Project manager	Climate Alliance, Austria
	Ulrike	Singer	Project manager	Climate Alliance, Austria
	Valdur	Lahtvee	Senior Expert	Asine Group OÜ, Estonia
Dr	Louise	Dunne	Research manager	University College Dublin, Ireland
Dr	Ignasi	Puig	Head of projects	Fundació ENT, Spain
	Jean-Philippe	Barde	Former Head of the OECD National Environmental Policies Division and Lecturer Paris School of International Affairs	OECD and Sciences Po, France
	Erwin	Leytner	Speaker	Mehr Demokratie!, Austria
	Christian	Ege	Director	Det Økologiske Råd, Denmark
Prof. Dr	Edoardo	Croci	Research Director	IEFE – Bocconi University, Italy
	Joanna	Maycock	Secretary General	European Women’s Lobby, EU

Prof. Dr	Thomas	Mohrs	Chairperson ÖKOLOG	University of Education Upper Austria
	Norbert	Ellinger	Project manager	Climate Alliance, Austria
	Rocinela	Ortiz Costillo	Project manager	Climate Alliance, Austria
	Georg	Spiekermann	Project manager	Climate Alliance, Austria
	Anja	Leumé	Project manager	Climate Alliance, Austria
Dr	Theodoros	Zachariadis	Associate Professor and Dean	Cyprus University of Technology, Cyprus
Dr	Janis	Brizga	Chair	Green Liberty, Latvia
Dr	Friedrich-Wilhelm	Hagemeyer	Board member	IKEM, Institute for Climate Protection, Energy and Mobility, Germany
	Richard	Schachinger	Project Manager	Climate Alliance, Austria
	Karin	Robinet	Chairwomen of the advisory board	VEBOWAG, Vereinigte Bonner Wohnungsbaugesellschaft, Germany
	Juliane	Reiber	Managing Director	Ecoprenneur, European Sustainable Business Federation, EU
Dr	Hubert	Theuma	International Secretary	Nature Trust, Malta
Dr	Constanze	Adolf	Vice Director	Green Budget Europe, EU
	Albin	Keuc	Director	SLOGA Slovenian Global Action, NGO platform for development, global education and humanitarian aid, Slovenia
	Hermann	Rainer	Project manager	Climate Alliance, Austria
	André	Langwost	President	Eurosolar-France, France
Dr	João	Joanaz de Melo	Assistant Professor	New University of Lisbon, Portugal
Dr.in	Regina	Steiner	Professorin, PH Institute for primary education	PH Oberösterreich/Pedagogical University of Upper Austria

	Petko	Kovachev	Executive Director	Green Policy Institute, Bulgaria
	Génon K.	Jensen	Executive Director	Health and Environment Alliance (HEAL), EU
	Sarianne	Tikkanen	Researcher	The Finnish Environment Institute (Suomen ympäristökeskus), Finland
	Annukka	Berg	Researcher	The Finnish Environment Institute (Suomen ympäristökeskus), Finland
	Leo	Stranius	Executive Director	The Finnish Nature League (Luonto-Liitto), Finland
	Agnes	Zolyomi	General Secretary	CEEweb for Biodiversity, EU
	Eero	Yrjö-Koskinen	Secretary General	Finnish Network for Sustainable Mining (Kestävän kaivostoiminnan verkosto), Finland
	Jonas	Sonnenschein	Research Associate	IIIIEE, Lund University, Sweden
	Eva	Juszczyk	Office manager	GEODE, EU
	Dieter	Bruebach	Board member	B.A.U.M. e.V, Germany
	Blanche	Weber	President	Mouvement Ecologique / FoE Luxembourg, Luxembourg