

EREF Memo

Suggestions for the Next Iteration of the Guidelines on State Aid for Environmental Protection and Energy

Brussels, July 2019

According to some leading climate protection experts, introducing a price on CO₂ emissions would be a comprehensive strategy for climate protection. However, a concern reflected in the debate surrounding CO₂ pricing is that such a price would primarily burden the more vulnerable portion of the population rather than the large, emissions-heavy industries which it targets. Research has suggested that a CO₂ price combined with a reimbursement mechanism for citizens, such as lowering their electricity taxes or reimbursing them a fixed amount, could achieve the desired effect of rendering emitting industries more expensive while protecting low-income citizens.

Complementing such a CO₂ price with support schemes for replacing fossil-fuel based technologies, such as oil and gas heating systems, or promoting the uptake of new low-emission technologies, such as boosting the sale of electric vehicles, would be a welcome additional design feature of such a CO₂ price which would help reduce the burden of the energy transition to be borne by citizens. Such measures, however, are secondary to the introduction of a CO₂ price which is one of the sole means of reflecting the costs of emitting technologies in an economic way.

The very promising example of the Swedish CO₂ price, introduced in 1991, contains valuable lessons for the rest of Europe. The tax is levied on fossil fuels in proportion to their carbon content since CO₂ emissions are proportional to the carbon content of the fuel. This makes it unnecessary to measure actual emissions, greatly simplifying the system. Since combustion of sustainable biofuels doesn't result in a net increase of carbon in the atmosphere, they are not subject to carbon taxation.

The next draft of the EEAG should contain a chapter on designing such a CO₂ price with a special focus on how to balance such a price with its social burden

EREF a federation of national renewable energy associations from EU Member States represents all renewable energy sectors at EU institutions. Its objective is to promote the interests of independent power, fuel and heat production from renewable sources and to establish non-discriminatory access to the European energy market. EREF strives to create, maintain and further develop stable and reliable framework conditions for renewable energy sources.