them unilaterally. If that results in polluting activities moving to other countries, so called carbon leakage, global emissions would not be reduced. Thus, the phasing in of taxes determined to reduce emissions of greenhouse gases in small open economies like Norway's, must in the long term be coordinated with what other countries do.

For further information, we are enclosing an updated paper on the Norwegian experience with carbon taxes (from Ministry of Environment) and a preliminary summary of a study of the effect of the CO_2 tax on Norwegian emissions of CO_2 1987-1993 (Report 95/14 by Statistics Norway 1995).

Focusing particularly on the energy marked, Norway would like to stress that more than 90% of the world energy consumption is provided by fossil fuels. Whereas oil is the most important of these, coal supplies about 30% of the total consumption and the world's consumption of coal is increasing. Natural gas supplies some 20% of the total. The dominant position of fossil fuels will continue into the next century.

The use of fossil fuels creates different environmental problems, both locally and globally. Both the level of energy consumption and the composition are affected by government policy. Energy taxes and administrative regulations play a decisive role in the energy markets. The background to energy policies and measures varies, as does the reasoning behind them. Security of supplies and environmental concerns are often listed as major considerations.

OECD studies show that a restructuring of existing energy taxes and subsidies would be cost effecient within climate change policy and result in reduced emissions. The studies carried out by the OECD also show that a replacement of the current biased taxation of energy with real green taxes which better reflect environmental costs, will change the existing energy-mix to one that is environmentally sounder, and will lead to higher consumption of oil at the expense of coal. Elimination of energy subsidies would also lead to a better mix, in addition to a cleaner environment.

The above mentioned considerations should be analysed in the further work of the AGBM. The application of national policies, including energy taxation, and their environmental effects as they relate to CO_2 and other greenhouse gas emissions would form an important basis for the elaborations to be carried out as part of the negotiation process.

(iii) The use of voluntary agreements

Taxation is a suitable means of limiting CO_2 emissions, both because there are many sources of emissions and because it is easy to define a tax base, since there is a clear relationship between emissions and the use of fossil fuels. In the Norwegian view, taxation is the instrument that should be used as a general rule to limit CO_2 emissions, both on administrative grounds and because it is most cost-effective. In the case of limiting emissions of other greenhouse gases, such as CH_4, N_2O, CF_4, C_2F_6 and SF_6, it is less clear which measures are most effective. The measures to