

bidding if their offer is 3% less than the European ones. Although the public procurement would be opened to all countries, local content and proximity of services will still be an asset.

- 2) Removal of fiscal barriers: This means that the Commission is trying to harmonize the taxation process throughout the Community. The taxation level differs now considerably from one country to another.

The Commission is concerned by the valued added tax (VAT) aspect and by the harmonization of excise duty especially in what concerns products that are highly taxed. In some sector such as high-tech machinery, construction products and environmental products, this harmonization will not affect the structure of the industry. In fact, the impact will be quite minor. However, in a sector such as the oil sector where taxation represents more than 65% of the price in the Community, the final results of the Commission will greatly influence the demand of energy products.

The Commission made a simulation of the impact of such harmonization on the VAT rate and excise duties. They found that overall, the demand for oil products would increase by 0.1% while de gas product would increase of 1.5%. This would imply major modification of the industry and at the same time of the structure of the suppliers of equipment (more significantly the suppliers of distribution equipment), since the demand for certain types of energy will change.

In fact, demand for oil products could decrease in Germany as much as of 5.1% while increase in Italy could be of 6.7%. The Commission has been focusing its attention on taxation in the energy field because of the impact this will have on the structure of the industry. A number of simulations have been computed in order to determine the impact of taxation on the industry.