

The Government is currently considering the implementation of pollution taxes. A committee will be established soon to estimate the impact of pollution taxes and to work on proposals for controls through economic measures.

2. Factors Influencing Decisions

Iceland is the smallest economy in the OECD and, by far, the smallest emitter of carbon dioxide; however, the per capita emission is relatively high. Hydropower provides 40 per cent of the gross energy consumption, geothermal 32 per cent, imported oil 25 per cent and imported coal 3 per cent. Thus, over two-thirds of the total primary energy is supplied by domestic, relatively pollution-free sources.

Traffic is responsible for two-thirds of the carbon dioxide emissions, primarily for fishing vessels, personal transportation and airplanes. Electricity is generated almost entirely from either hydropower (94 per cent) or geothermal (5.8 per cent). In order to reduce the strong economic dependence upon the fishing industry and to enhance stability of the Icelandic economy, Iceland is planning to increase the use of hydropower for electricity-intensive industry. Thus, non-energy related emissions in Iceland could increase.

Presently there are relatively few industries in Iceland, the population is small and pollution has not created any major problems. However, the environmental consciousness in Iceland is growing very rapidly, and environmental aspects are of major public interest. Due to the fact that less than 30 per cent of the primary energy comes from fossil fuel, and as personal and commercial transport consumes the bulk of the fuel, there are some technical limitations to reductions in carbon dioxide emissions in Iceland. The small size of the Icelandic market limits the options, e.g. regarding support for major R&D programmes to reduce emissions.

3. Relevant Studies

- The Ministry of the Environment in Iceland, Icelandic Carbon Dioxide Committee, Draft Report 1991 (to be published soon; Icelandic)
- Energy Prognosis Committee: Fuel-Prognosis 1988-2015 (Icelandic)