

stabilization perspective in order to prepare a comprehensive inventory of economically efficient measures for reducing CO₂ emissions.

For the third element, taxation, the Community already plays a significant role and several options are being examined for enhancing this role. For example, two measures within the context of existing Commission proposal could yield modest positive effects: the rates of excise duties could be extended with a "target rate" for petrol which would reflect environmental concerns and the internalisation of external costs for air pollution on heavy goods vehicle taxation could be accelerated (COM(90)540). The proposal for a Council Directive fixing certain rates and target rates of excise duty on mineral oils (COM(90)43 final) was adopted by the Commission on 19.2.91 and covers petrol as well as diesel. As a new Commission initiative, the existing tax structure for the vehicle taxation of private cars might be harmonised and the introduction of new taxes could be explored. More generally also under consideration are taxes to reduce CO₂ emissions, i.e. either the fiscally neutral introduction of a general energy tax, a CO₂ or carbon tax or a combination of the two options. The Commission favours a combination of a CO₂ tax with an energy tax. It considers this to be a good synthesis of their advantages without presenting major risks, in particular if the CO₂ element provides an effective signal for a switch on energy sources.

2. Factors Influencing Decisions

According to the working paper of the Commission, the Community's stabilization target can only be achieved by lowering energy demand, improving energy efficiency, and/or changing the pattern of energy use. Moreover, other Community objectives, such as the completion of the internal market and industrial competitiveness, must be given due consideration in the evaluation process.

The competitiveness of at least a proportion of European companies would be directly affected by a policy to stabilize CO₂ emissions. This effect would be of particular importance if the main competitors of the Community industries would not be subject to comparable constraints. However, the international competitiveness of European companies can also go hand in hand with the protection of the environment. If a reinforced policy of environmental protection leads European companies to an adaptation of their marketing and R&D efforts ahead of others, these companies will in the future be better placed on world markets (first mover advantage).

The Community has the task of ensuring that the imposition of any new taxes by Member States is compatible with the functioning of the internal market. Within the Community several Member states and in particular the Netherlands, Germany and Denmark are in the process of considering and implementing various forms of measures, including CO₂ taxes. This entails the risk of political frictions between Member states. Economic analysis and recent Community experience have shown the importance of clarity and timeliness of economic signals. A coherent Community signal would certainly have a particularly powerful effect.