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Competition, Cooperation, Solidarity

An ever less carbonated Union?

Towards a better European taxation against climate change

As Europe prepares to put sustainable development at the centre of its growth strategy for the coming decade, it seems opportune to examine the effectiveness of European action against climate change. The European Union has become the undisputed world leader on the issue, it is true. But the Union's environmental strategy still lacks coherence and even credibility. The powerful economic instruments created by the EU need to be reformed and completed if carbon is to be taxed more effectively.

This study proposes just such a reform of Europe's carbon taxation, concerning both the emission permits market and Europe's various carbon tax regimes. The authors survey the unhealthy trend of carbon emissions in the EU and look closely at the instruments available to fight climate change: emission permits market, regulation, and environmental tax. It emerges that these tools, in their current form, are poorly suited to the declared aims of the EU. On the basis of this observation, four scenarios for a new European carbon taxation are sketched out, each corresponding to a different degree of political ambition.

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