



# Climate Protection by Environmental Fiscal Reform in the Areas of Transport and Households

## Expert Interviews at European Level

### Project

### Duration

Sep 2002 - Oct 2003

Within a project by the Cologne Center for Public Finance (FiFo), Ecologic presented the state of the art of fiscal policy instruments for climate protection in the areas of transport and private households. The report is part of the project "Ökologische Finanzreform – Weiterentwicklung der Ökologischen Steuerreform unter Klima- und Energieaspekten" ("Environmental Fiscal Reform – further development of the Environmental Tax Reform from climate and energy points of view"; FKZ 202 14 195) in behalf of the German Federal Environmental Agency.

The necessity of climate protection constitutes a major challenge for German environmental policy. Additional measures are required in order to complement and refine those policy instruments already implemented. Starting from the Environmental Tax Reform implemented in 1999, the aim of the project at hand was to work out suggestions for further steps of an environmental fiscal reform in the field of climate and energy. The project focussed on the areas of transport and private households. Ecologic's task was to complement policy recommendations for Germany with a European perspective. The goal was to identify related policy proposals as well as possible restrictions at EU level, and to highlight innovative solutions implemented by individual Member States. In co-operation with the Institute for European Environmental Policy (IEEP), Ecologic conducted expert interviews with EU officials, representatives of member states and of non-governmental organisations. In the road transport sector, important developments at the EU and Member State levels are especially visible in the fields of vehicle taxation and road pricing. In the aviation sector, an EU-wide introduction of distance-related emission charges seems to be the most promising instrument, but its introduction requires a strong political commitment. For the time being, Member States have some possibilities for alternative or complementary measures that have not yet been fully explored. In the households sector, although fiscal instruments play only a secondary role in the pursuit of climate policy goals, some areas of application were identified. At Member State level, successful ways have been found to enhance the environmental effectiveness of energy taxes by setting differentiated incentives and the way in which tax revenue is spent. VAT reductions are a controversial instrument for promoting energy-saving products. In part, fiscal instruments also play a role in energy demand management. In liberalised energy markets, this demand management is an important in order to ensure that environmental objectives are considered appropriately.

### Funding

[German Environment Agency](#) (UBA), Germany

**Partner**

University of Cologne, [FiFo Institute for Public Economics](#) (FiFo), Germany  
[Institute for European Environmental Policy, London](#) (IEEP), United Kingdom  
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