

The French « Comité pour la Fiscalité Ecologique »

Christian de Perthuis

Journées de l'économie
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Outline

1. CFE : general presentation
2. French energy taxes : a background
3. The proposal for an energy tax reform
4. Next steps and main points to be discussed

I - CFE : general presentation

Mission

- **Within the framework of the Conférence environnementale, september 2012**
- **Independent and permanent committee**
- **Appointed by two Ministers: Pierre Moscovici, Minister of the Economy and Finance and Delphine Batho, Minister of Ecology**
- **To make proposals and resolutions regarding tax measures to be adopted in the finance act**

Composition

- **President: Christian de Perthuis**
- **Members: 40 representatives of the civil society**
 - Trade unions
 - Employers and representatives of the industrial world
 - NGO, consumer organisations
 - Regional and local authorities
 - Members of the French parliament and of the European parliament
- **Experts: university lecturers**
- **External speakers**
- **Technical support of the administration: Ministry of Finance (fiscal legislation department, Treasury), Ministry of Ecology**

Tackled issues

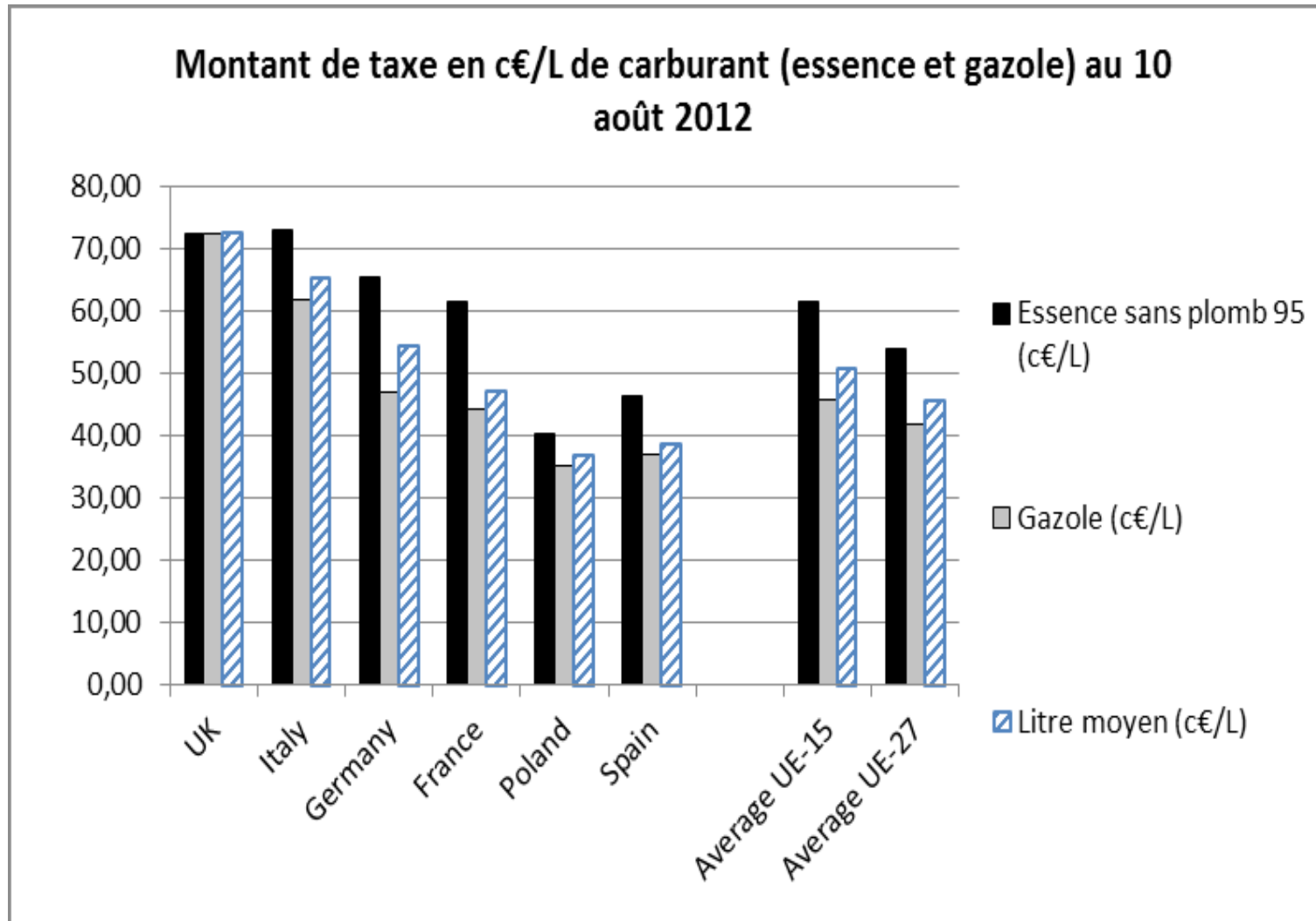
- **Economy of resources**
 - Biodiversity
 - Water
 - Urbanisation and soil consumption
- **Nuisances et pollutions**
 - TGAP
 - Transports
 - Waste management
- **Climate and energy**
 - Refrigerant gas
 - Introduction of a carbon tax base
 - Reduction of the gasoline/diesel gap

Resolutions and proposal

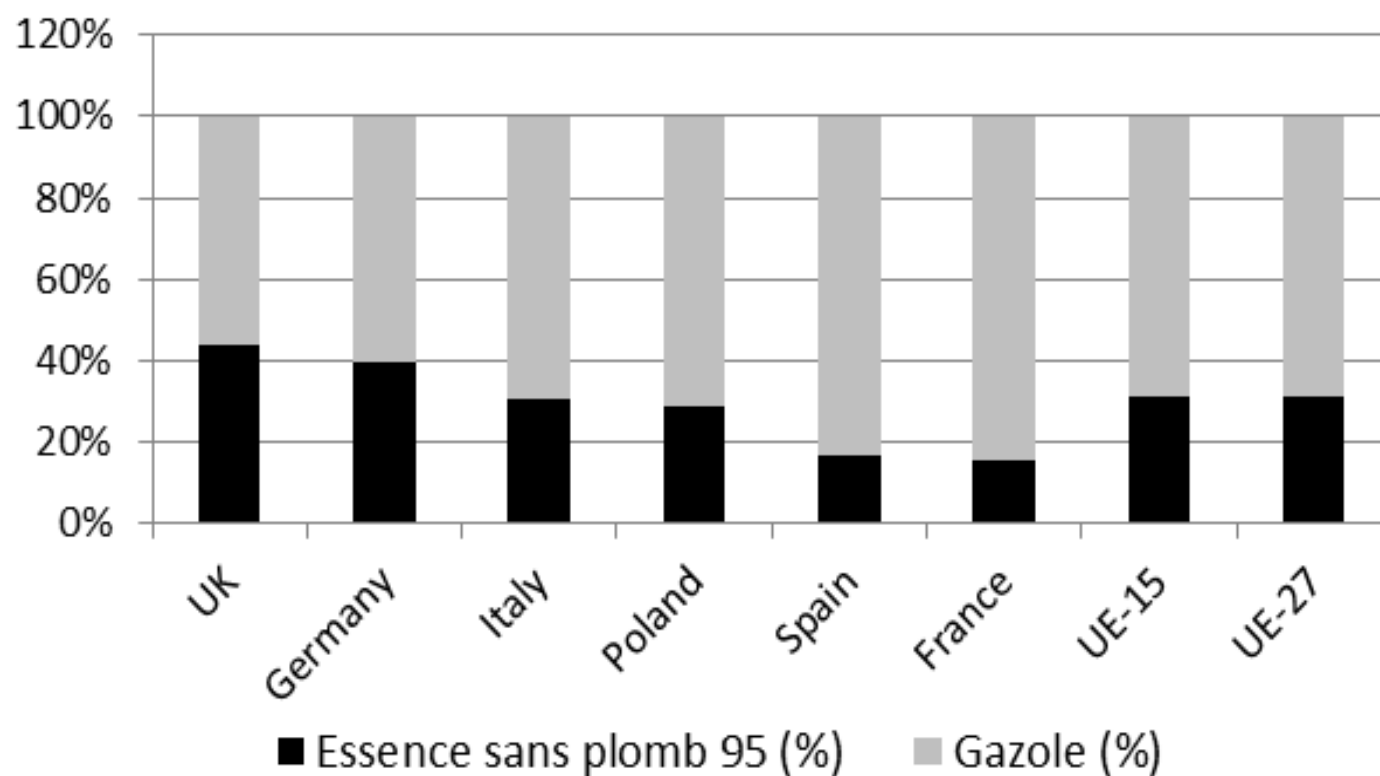
- **5 resolutions adopted by consensus**
 - Urbanisation and soil consumption (2)
 - Refrigerant gas
 - Climate diagnosis
 - Gasoline/diesel gap diagnosis
- **1 proposal by the president:**
 - inclusion of a carbon base in the existing energy taxes,
 - combined with a reduction of the gasoline/diesel gap.

II - French energy taxes : a background

The background: gasoline/diesel oil tax gap



Part des consommations gazole et essence dans la consommation totale en 2010 (en % des m³ vendus)



-
- Tax in France: 44 €/hl (= 44 c€/l) on diesel oil, 61 on gasoline.

 - Between 1990 and 2011:
 - the share of diesel cars in the stock increased from 15% to 59%,
 - the share of diesel cars in new registrations increased from 33% to 72%.
 - The French car industry (Peugeot) specialized in diesel cars.

 - Historical background:
 - Diesel oil was used for professional vehicles. Has changed (technical progress), but the tax gap is still there.
 - Diesel oil was thought to be less polluting.
 - Diesel oil and gasoline are joint products in the refining process => diesel has to be used. Today France imports more than half of the diesel oil consumed.

The background: failed attempts to introduce a carbon tax (1)

■ Project of ecotax of the Jospin government

- Extension of the General Tax on Polluting Activities (TGAP) to include the corporate use of intermediate energy.
- Declared unconstitutional by the Constitutional Council in March 2001, for 2 main reasons:
 - the complicated structure of the tax contravenes the rule of tax equality;
 - Since the purpose of the tax is to curb GHG emissions, it should not be applied to electricity industry, where 80% of generation is from nuclear or hydropower sources.
- Abandoned. Laurent Fabius proposes in 2001 to reduce the tax gap between gasoline and diesel fuel (after D. Strauss Kahn in 1998). Also abandoned.

The background: failed attempts to introduce a carbon tax (2)

■ Carbon tax of the Fillon government

- July 2009: Rocard commission
- September 2009: President Sarkozy announces a carbon tax of 17€/tCO₂ covering all CO₂ domestic sources except sources covered by the EU-ETS, redistributed lump sum to households (chèque vert).
- 30 Dec. 2009: declared unconstitutional by the Constitutional council on 2 grounds:
 - ✓ The exemptions vitiate the primary purpose of the tax, to combat carbon emissions;
 - ✓ the exemptions cause the tax to fall disproportionately on gasoline and heating oils and not on other carbon emissions, thereby breaching the principle that taxation should be evenly and fairly borne.
- March 2010: Prime minister announces withdrawal.

III - The proposal for an energy tax reform

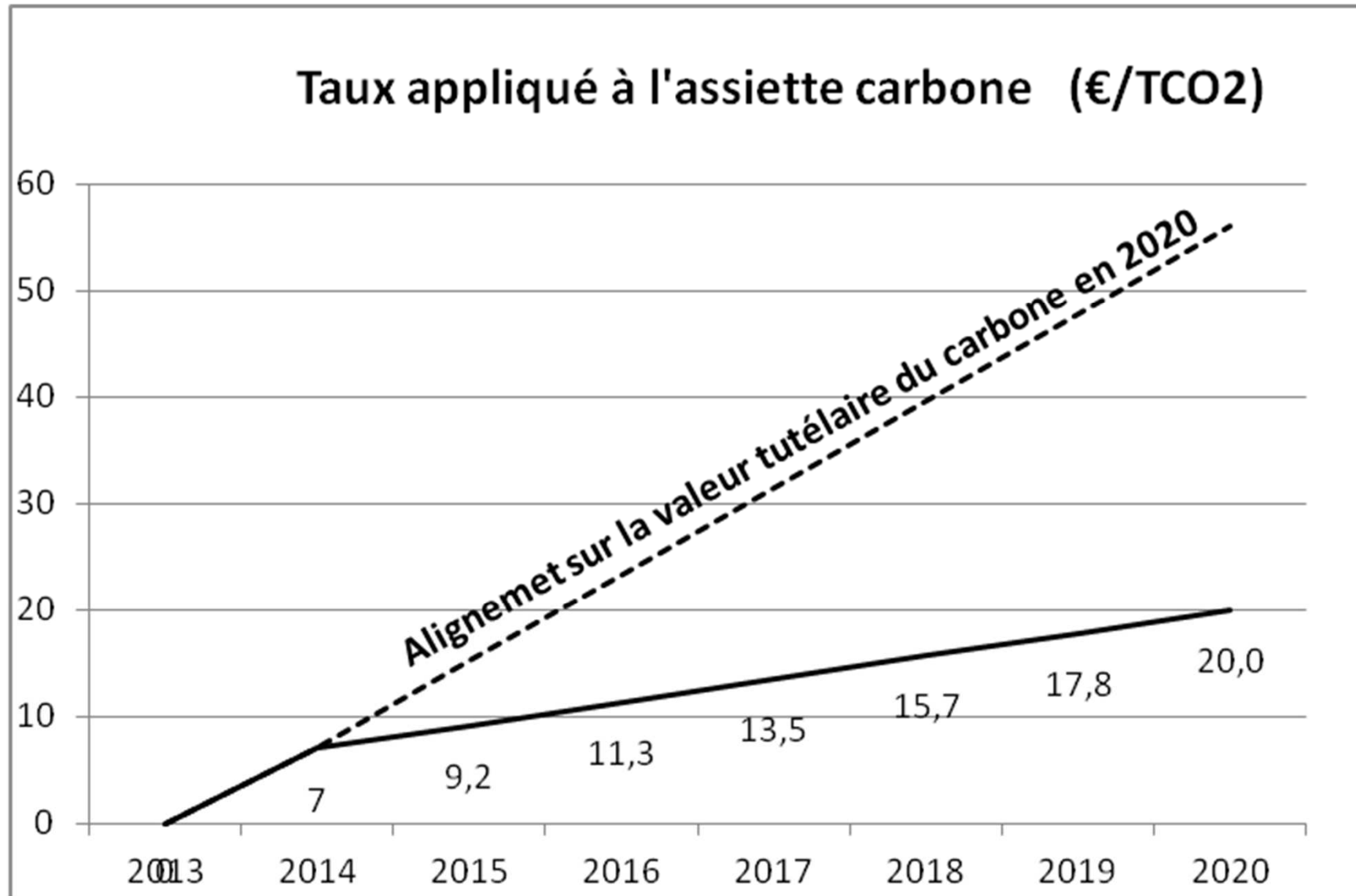
The political context

- **French GHG emission reduction targets:**
 - On track for the ETS sectors
 - Difficulties in the non ETS sectors, especially transport and building
- **Budget consolidation debate:**
 - So far, the public deficit has been reduced with more taxes;
 - EU target of reducing the public deficit to 3 % of GDP delayed until 2016;
 - Scheduled “realignment” of VAT on January 2014 (6Bn€).
- **The Government’s strategy:**
 - “No additional taxes in 2014” (F. Hollande);
 - Reducing by 20 Bn€ labor costs through tax rebates focused on the low wages;
 - Financing in 2016 a minimum of 3 Bn€ of these tax rebates with new “green taxes”.

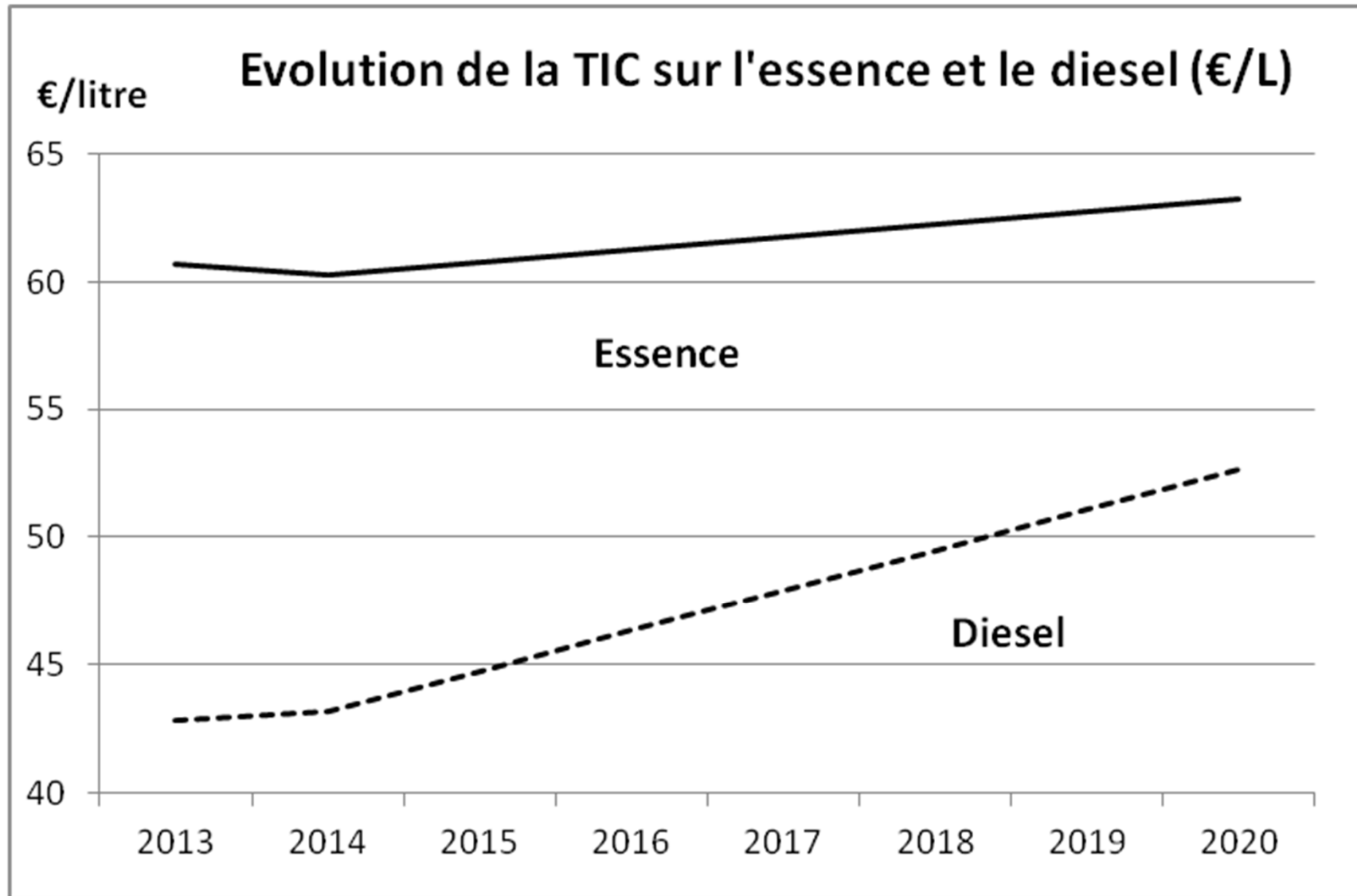
General Framework of the proposal

- **The inclusion of a carbon base in the existing energy taxes :**
 - Limited overlaps with the ETS ;
 - Already working in several European countries ;
 - Coherent with the EU-Commission reform proposals.
- **The introduction of the reform in 2014 :**
 - A new carbon base at 7€/TCO₂ neutralized by reductions in the traditional base
- **A multiyear pathway between 2015-2020 :**
 - Linear increase from 7€/TCO₂ in 2014 to 20€ in 2020
 - Annual reduction of the gasoline/diesel gap (1€/L)
 - Limited compensations for households ; reduction of labor cost for companies
- **An annual public evaluation of the scheme**

The medium term carbon tax trajectory



Excise duties on gasoline and diesel



New energy taxes receipts (2014-2020)

Fiscal receipts		
	Carbon tax	Additional Tax
	€/T	Revenues (Bn€)
2013	0	
2014	7	0,3
2015	9,2	1,1
2016	11,3	1,9
2017	13,5	2,7
2018	15,7	3,4
2019	17,8	4,2
2020	20,0	5,0

Source : calculs CFE

- **Almost no tax increase in 2014**
- **impossible to finance 3 Bn€ of labor cost cut by 2018**
- **An increase of 16 % of energy taxes by 2020**

Compensations and use of carbon tax

■ Households:

- 15 % of the tax goes back to low income households (no location criteria)
- Dedicated measures in 2014 and 2015 to accelerate the removal of old diesel cars.
- VAT reduction for ecological products to be considered in the future.

■ Firms:

- 75 % of the new energy tax receipts dedicated to labor costs reduction:
 - General scheme of tax rebates: 1.3 Bn€ in 2016; 2.5 Bn€ in 2018;
 - A financial provision to engage reforms with “sensible” sectors: road freight and farmers.

IV - Next steps and main points to be discussed

Next steps

- **Reactions of the green tax committee participants:**
 - Enterprises don't reject the scheme but:
 - ask for additional impact assessments studies;
 - consider that the promised tax rebates do not have to be financed with green taxes.
 - NGO and reformist trade unions accept the scheme but propose alternatives figures:
 - increasing more rapidly energy taxes after 2014 ;
 - rebalancing compensations in favor of households.
 - Members of Parliament and of local governments: interest in the proposal, but caution on the competitiveness issues.
- **The government has introduced a carbon component in the budget 2014 at a rate of 7€/T, with an objective of 22 €/T in 2016 ;**
- **The government didn't follow the recommendation concerning the gasoline/diesel gap**

Main points to be discussed

- **How to combine national carbon taxes with a faltering ETS?**
- **Energy prices and industrial competitiveness**
- **No consensus on the use of carbon tax:**
 - Using the receipts to finance “energy transition”
 - Compensating households
 - Reducing production costs in the industry
 - Contributing to the reduction of public deficits.

Thank you for your attention !

For more information, please visit our websites :

www.chaireeconomieduclimat.org

www.comite-fiscalite-ecologique.gouv.fr