

DK-Copenhagen: Economic instruments in Europe

Open call for tender EEA/RNC/03/010

Description of work

Introduction

The European Environment Agency has been dealing, among other topics, with the issue of policy instruments with a focus on economic incentives and voluntary approaches. EEA has published a couple of reports on the application and impact of market-based instruments, notably on environmental taxation (1996 and 2000), and on environmental agreements (1997). The EEA plans to publish a new report on the issue of economic instruments in Europe by 2004. The results will be also be used amongst others for the next State of the Environment and Outlook Report, due by 2005, and for ongoing work on policy effectiveness analysis.

Together with OECD and supported by the European Commission, EEA published the database for economic instruments, covering the above-mentioned instruments in over 40 countries, including all of Central Europe¹. The new report is first and foremost meant to present an overview of the application of these instrument in the area covered.

Secondly, the report is to review the most interesting developments in this area in the last four to eight years. In order to have a broader opinion on exactly which developments deserve most attention, the EEA plans to organise an expert workshop where recommendations will be sought on the broad outline of the report.

Goals of this contract

This service contract aims to seek support to the EEA for the execution of two tasks:

- Organising an expert workshop
- Drafting a report with the working title: "Economic instruments in Europe"

The Workshop

A workshop will be organised by inviting a small group of experts in the area (e.g. 10-15) to discuss the issue of economic instruments, recent developments, important conditions, promising applications and shared policy learning. The venue will be the EEA in Copenhagen. The contractor will select experts to be invited, in consultation

¹ <http://www1.oecd.org/scripts/env/ecoInst/index.htm>

with the EEA, prepare an introductory document, and draft a short concluding document summarising the results of the workshop. This document might be published as a Technical Report. Other organisational tasks will be done by EEA staff.

The report

The focus of the report will be on recent developments in the thinking about and the application of economic instruments in environmental policy and natural resources management. One major source of information will be the OECD/EEA database of economic instruments. The following instruments are included in the database:

- Environmentally related taxes and charges
- Environmentally motivated subsidies
- Tradable (emission) permits
- Deposit-refund systems
- Voluntary approaches²

The scope of the report should not necessarily be restricted to separately describing these instruments. Instrument mixes and new approaches (issuing property rights?) are explicitly welcome as subjects of the report.

Since the report will cover all economic instruments, it should start with a more general assessment of their current position and role vis-à-vis other types of policy instruments, primarily instruments that have a direct regulatory nature such as licenses, permits, bans and other target or implementation oriented forms of ‘command-and-control’.

The geographical coverage of the report will include current and acceding EU Member States, Bulgaria, Romania and the countries in the Balkan area (Albania, Bosnia-Herzegovina, Croatia, F.Y. of Macedonia, Serbia and Montenegro), the EFTA countries Iceland, Liechtenstein, Norway and Switzerland, and Turkey. Much of the focus of the report should be practice and developments in Central Europe. Much of the focus of the report should be practice and developments in Central Europe.

Since the report is to cover a broad area, applications of economic instruments and developments therein can only be dealt with in a general way. In addition, the contractor should include a good number of case studies describing concrete situations, reflecting more general trends. These case studies should concentrate on new applications, or important changes in existing instruments, and be interesting for shared policy learning. There should be special attention for environmental effectiveness analyses of the instruments.

As regards the time frame the report needs to cover the developments in the last four to six years in particular. Explicit reference should be made to the report “Environmental taxes – Recent developments in tools for integration”, published by EEA in 2000, and comparisons should be made with the situation with regards to taxes and charges as described in that report.

As regards specific subjects the report should describe, there are many developments that may be of interest. Relevant categories of instruments as well as some aspects

² Included here, although not always seen as an economic instrument

that might be of particular interest for the readers of the new report are described below. The latter is not carved in stone and the tenderer is invited to express his/her opinions on the issue and come forward with other suggestions. The planned workshop will of course be a major steer in this respect.

Relevant to taxes and charges, what are recent developments in ecological fiscal reform? And in thinking about the issue of competitiveness? Have there been major changes in applying or thinking about environmental taxation in the areas of chemicals, and transport (infrastructure charging in road transport, aviation, maritime shipping)? What will the impact be of the energy taxation directive?

As regards subsidies, possible progress in removing environmentally harmful subsidies, the impact of government budget cuts as part of fundamental restructuring of European economies, EU financial aid rules.

There is a lot of attention nowadays for emissions trading, with the go-ahead for the emissions trading directive as a recent highlight. National schemes for CO₂ are in place in Denmark and the UK, whereas the Netherlands is introducing a trading scheme for NO_x emissions.

Deposit-refund systems have been in use since decades, with the focus on beverage packaging. In some cases such systems are used as a “stick behind the door” to encourage stakeholders to complying with return or recycling targets. Are there new applications of this instrument? Or new roles in the policy instrument mix?

Voluntary approaches are a relatively new set of instruments. They have been hailed as valuable alternatives, but concerns have been expressed about their environmental effectiveness. What are the latest developments?

Deliverables

The project includes the following deliverables:

1. A detailed Workplan to be delivered at the start of the project
2. The Workshop
 - a. Listing and selection of 10-15 experts
 - b. Preparation of an introductory document (5-10 pages)
 - c. Drafting a concluding document (5-10 pages)
3. The Report
 - a. A draft text
 - b. The final text

Please note that the working language will be English. The persons responsible for providing the service need to be able to communicate and write reports in English.

The texts must be written in MS-Office 2000 format

Financial aspects

A maximum budget of EUR 60,000 (all costs included) is foreseen for the project. The project budget will cover the costs of fees and reimbursable costs for travelling. Three meetings in Copenhagen should be budgeted, including the Workshop. Other Workshop costs will not be part of the project budget.