

# Productivity and environmental tax reform in Europe (petrE)

## Notes of teleconference

7 February 2007

### Present:

PSI: Paul Ekins (PE), Paolo Agnolucci (PA), Andrew Venn (AV), Alexandra Miltner (AM)

CE: Sudhir Junankar (SJ), Hector Pollitt (HP), Philip Summerton (PS)

GWS: Bernd Meyer (BM)

SERI: Stefan Giljum (SG), Stefan Speck (SS)

UEP: Petr Sauer (PS),

FU: Martin Janicke (MJ)

### Apologies

PSI: Roger Salmons (RS)

UEP: Jaroslav Klusak (JK)

GWS: Christian Lutz (CL)

CE: Terry Barker (TB), Phillip Summerton (PSu)

## 1. Welcome and Introduction

PE chaired the teleconference and welcomed all partners. It was noted that apart from updating partners on progress and identifying WP synergies, the teleconference would also be used to brief MJ for his forthcoming presentation to AGF Trustees.

## 2. Work Package reports

### a. WP1a

PA stated that work had been divided between GWS and PSI. PA noted that since data had been collected work had not progressed further. There is a problem with the UK energy consumption data there (iron and steel sectors) in showing large jumps which are not mirrored in GVA data. PA has already started estimation for the UK using a relative variable. Changing the energy consumption in one sector (e.g. in the Iron and Steel) would affect all other sectors. For this reason the issue of the data will not be tackled for the first working paper. However, PA will try to address the issue for the datasets used in the preparation of the other two working papers. PA has discussed the issue with RS regarding feedback from the Cometr project and the AGF steering group. BM stated that decomposition analysis has

started and work was focusing on interesting sectors, international competitiveness and trade shares.

It was stated that by the end of March (for MJ's briefing) GWS intend that results of the decomposition analysis, but not trade shares will be finished resulting in one working paper. PSI intend three working papers to come out of the WP with the first possibly being ready by the end of march. MJ agreed this was acceptable.

*b. WP1B*

AV outlined the literature review that had been completed, based on the briefing note circulated prior to the teleconference. Partners commented that although there is a strong scientific 'wellbeing' debate in the UK, with little attention given to environment/wellbeing relationships, there was a less well developed debate elsewhere. Austria are starting debating the issues but not on a scientific basis. It is a marginal issue in Germany. There is an increasing interest in the Czech Republic.

*c. WP1C*

AM outlined work undertaken so far, based on the briefing note circulated prior to the teleconference. This includes data collection. However problems exist since there is not environmental protection industry *per se*, therefore there is no one single NACE sector to use. Eurostat data has been used but there is difficulty associated with using the time series data. Input-output data could alternatively be used but this may prove too time costly. Partners agreed that a recent Ernst & Young report would be helpful.

PE saw two distinct sections to the WP a) characterising the sector relating innovation and environmental tax reform (ETR) to show how ETR may drive the sector and b) relate growth in the sector to investment elements of the models and therefore R&D expenditures and investment expenditures. HP noted that it is not possible to expand the models to environmental industries but that data are available on parent sectors (including energy and investment). PE noted that environmental protection data tends to be grouped into end of pipe technology, process technology and renewable technologies, and suggested that one may try to allocate these across NACE 2 levels to figure out how to feed into economic sectors. HP agreed this sounded reasonable. PE noted that PSI will need to look into expenditure by sector, such as air pollution control, and determine which are the most important sectors.

BM noted that raw materials prices and energy prices may be the most important elements for analysis and not ETR, and that GINFORS was exploring the inclusion of materials prices. PE noted, and HP agreed, that in the CE model material prices are not included but could be along the same lines as in GINFORS (see below); these discussions could follow separately between the concerned partners since this is one area the EEA may fund.

*d. WP2*

Nothing to report in RS's absence

*e. WP3*

SJ outlined work undertaken so far, based on the briefing note circulated prior to the teleconference. It was resolved that PE will discuss work with James Medhurst of GHK, as there may be a dataset AM could work on which would help AM's work.

*f. WP4*

SS explained that a WP meeting had been held at the end of January. Work is centering on an overview of ETR in Europe and ETR in new Member States. Information from the PETRAS study may be of use, and PS confirmed that he has a copy of the *Energy Policy* special issue which reported on PETRAS. Action: SS agreed to forward details of a researcher who may be able to help with ETR in the Czech Republic.

*g. WP5*

SERI and GWS are currently working on four sub-packages:

1. Developing a global material flow (MF) database
2. Improving of modelling MF and including material prices (which is a current weakness)
  - a. PE suggested that time series data on raw material prices would have important implications. HP noted that such data would be very useful.
3. Writing working paper on new technical details of the model, estimated to be finished April 2007
4. Technical implementation of trade/environment model and flows.

### **3. Future meetings/events**

*a. AGF project 'Explaining Productivity Growth in Europe, America and Asia', Mannheim, March 23-24*

GWS are happy to attend on behalf of petrE. **Action:** BM agreed to circulate a brief note on the meeting prior to the next teleconference

*b. Presentation of petrE to Trustees, March 28-30*

PE thanked MJ on volunteering to undertake the presentation

*c. petrE meeting 22 May 2007*

Partners agreed to use the scheduled Progress Report (due end April) to update each other on progress for the petrE meeting on 22 May 2007. **Action:** Partners to email RS and AV on expected outputs expected by next partner meeting. RS to advise partners on requirements for Progress Report

*d. AGF mid-term events, November 2007*

Partners agreed they have the dates of 15/16 November 2007 and 29/30 November 2007 still free for the meeting.

### **4. Administrative issues**

*a. Travel and subsistence budget*

Partners agreed to the proposed revisions circulated by RS and agreed to review arrangements after the November 2007 meeting.

*b. Interim invoice and supporting schedule*

**Action:** CE to check that their invoice had been copied to RS

**Action:** SERI to email RS requesting payment every six months. RS will try to negotiate this with AGF.

*c. Revised time-plan to note*

Partners agreed to the revised time plan.

**5. EEA funding proposal**

PE thanked those who had contributed. The tender had been received, with feedback being that it was 'timely'. **Action:** PE will feedback to group when EEA make contact.

There was no other business.

**Andy Venn**

**9 February 2007**

## Appendix A

# Resource productivity, environmental tax reform and sustainable growth in Europe

## Tele-conference

Wednesday 7 February 2007, 15.00 (UK time)

### AGENDA

1. Welcome and introductions, agreement of agenda (PSI – PE)
2. Work-package reports
  - a) Updates, work-plan changes and other issues
    - WP1a (PSI – PA)
    - WP1b (PSI – AV)
    - WP1c (PSI/FU – AM/MJ)
    - WP2 (PSI – AM)
    - WP3 (CE /GWS)
    - WP4 (SERI /UEP)
    - WP5 (SERI /GWS)
- 3.. Future meetings / events (PSI – PE)
  - a) AGF project ‘Explaining Productivity Growth in Europe, America and Asia’, Mannheim, March 23-24
  - b) Presentation of petrE to Trustees, March 28-30
  - c) petrE meeting 22 May 2007
  - d) AGF mid-term events, November 2007
4. Administrative issues (PSI – PE/RS)
  - a) Travel and subsistence budget (revised plan circulated by RS)
  - b) Interim invoice and supporting schedule (template circulated by RS)
  - c) Revised timeplan to note (already circulated by RS)
5. EEA funding proposal
6. Any other business