

# Save forests, save the climate

## Two billion euro for life on earth

### How Germany and the G8 countries can arrest climate change with money to protect ancient forests

"Curbing deforestation is a highly cost-effective way of reducing greenhouse gas emissions."

*Sir Nicholas Stern, Stern Review (2006)*

## Save forests, save the climate

Tackling climate change and the rapid loss of the biological foundations of life are the two biggest ecological challenges of our time. Mankind is upsetting the balance of the world's climate through its unchecked carbon emissions. The growing international economy and its hunger for resources is at the same consuming more and more of the natural world.

The advancing destruction of the last intact ancient forests is especially dramatic. A unique diversity in plants and animals is disappearing with the earth's ancient forests both in the tropics and the North. But the basic elements for life of millions of people are also becoming lost as the forests disappear.

Hardly any attention is paid to the fact that forest destruction is also having a huge effect upon climate change. Roughly 20% of greenhouse gases arise as a result of logging and clearing forests by fire to obtain wood, plant plantations and raise cattle. This is more CO<sub>2</sub> than the global discharge by traffic and transport.

Climate experts point out that protecting ancient forests is one of the most efficient and cost-effective ways of putting a brake on climate change.

Greenpeace for this reason calls on the German government and the other G8 countries to each invest two billion euro annually, from 2008 to 2013, in protecting ancient forests and thus the climate.

## The ancient forests are disappearing

The destruction of natural habitats and ecosystems advances ever faster. This is particularly the case with the earth's ancient forests, which provide people with raw materials, food, drinking water, clean air, rainfall and much else that ecosystems provide.

- > Never has the natural world been changed by people as fast as it has in the last 50 years.<sup>1</sup>
- > The rate of loss of species and habitat is today 1,000 higher than the natural rate of extinction.<sup>2</sup>
- > Over two-thirds of species existing on land live in forests.<sup>3</sup>
- > Worldwide deforestation continues to increase. Some 13 million hectares of forest – an area the size of Greece – are lost every year, with the greatest loss being in tropical areas of ancient forest.<sup>4</sup>

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1 Millennium Ecosystem Assessment (2005)

2 Millennium Ecosystem Assessment (2005)

3FAO Global Forest Resources Assessment (2005)

- > Tropical rainforests have shrunk to half their original size in the last 50 years.<sup>5</sup>
- > Global forest destruction is the second biggest source of CO<sub>2</sub> emissions after energy consumption, and causes roughly 20% of CO<sub>2</sub> emissions worldwide, more than traffic and transport globally (14 %).<sup>6</sup>

Protecting ancient forests is much more than protecting nature and biodiversity. Forest destruction and climate change are closely connected. Climate change throws the ecosystems of forests off balance. The UN Intergovernmental Panel on Climate Change thus states that a rise in average global temperature of 2.5 degrees Celsius could see up to 80 % of the Amazon rainforest collapse.<sup>7</sup>

Conversely, destroying ancient forests further stimulates climate change. The peat soils of the rainforest in the Indonesian province of Riau alone store 14.6 giga-tonnes of carbon. Destroying these ancient peat forests, which are being burned and transformed into palm oil plantations on an increasing scale, would release carbon emissions equivalent to global emissions for a whole year. The carbon bound in the plants and soils of ancient forests should not be allowed to enter the atmosphere as CO<sub>2</sub> if uncontrolled climate change is to be prevented. Protecting ancient forests not only preserves an irreplaceable diversity of life, and ecosystems, it is also one of the most important ways of protecting the climate.

## No money to protect ancient forests?

The UN community of states decided in 2002 in Johannesburg to "significantly reduce" the loss of species by 2010. For Europe the EU heads of government even went as far as agreeing, in Göteborg in 2001, to stop the loss of biodiversity altogether by 2010.

The UN had already called the Convention on Biological Diversity (CBD) into being in 1992. It is the only agreement on protecting life on earth binding in international law. The over 180 countries party to the CBD in 2004 agreed to set up a global network of protected areas for all types of habitat – on land by 2010 and at sea by 2012. But too few deeds have followed the promises.

- > 14 years after the CBD came into force only 11 per cent of habitats worldwide on land, and less than one per cent of marine areas, have been placed under protection. These protected areas often only exist on paper (being referred to as "paper parks").
- > The industrialised countries have not fulfilled their commitment to make "new and additional funds" available (see CBD article 20) to developing countries for the convention to be implemented.
- > The whole CBD, and particularly the setting up of protected areas, is dramatically under-funded.

The costs of setting up a network of reserves on land and sea spanning the world are estimated at around 30 billion euro a year. It would cost roughly this to not only set up protected forest areas but also to compensate business and farmers for lost income (opportunity costs) in order to stop deforestation as comprehensively as possible. At present only eight billion euro a year are spent on protected areas throughout the world, most of this from public sources but some from private too. But this money is used almost entirely in developed countries. Only about one billion euro is used in developing countries, that is, where the greatest biodiversity on earth is.

To stop and reverse biodiversity loss, the need for action is primarily in developing countries where the richest natural resources are located, while the benefits of resource conservation extend globally.

*OECD, Environmental Outlook 2007<sup>8</sup>*

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<sup>4</sup>FAO Global Forest Resources Assessment (2005)

<sup>5</sup> Dierßen/Huckauf: Biodiversität, in: Aus Politik und Zeitgeschichte 3/2008, p. 5

<sup>6</sup>see Stern Review (2006); 4th IPCC Assessment Report (2007)

<sup>7</sup>IPCC at <http://www.ipcc.ch/graphics/graphics/ar4-wg2/ppt/wg2-ts-spm-figs.ppt>, sheet 11

<sup>8</sup> <http://www.cbd.int><http://www.cnd.int>

## Germany and G8 countries have obligation to act

But where is the necessary 30 billion euro for protecting forests worldwide to come from? The rich industrial countries bear a special responsibility here. They are the main causes of the climate problem. About 80% of the greenhouse gases causing climate in the atmosphere today come from emissions made earlier by the 'G8' countries.<sup>9</sup> Fairness dictates that the countries which are mainly the cause of the climate problem ought to do the most to solve it. Certainly, newly industrialising countries like China and Brazil now produce huge emissions of CO<sub>2</sub>, and increasingly so. But the per capita emissions of these heavily populated countries are only a fraction of those in the G8 countries.<sup>10</sup> In addition to which the G8 countries have been making emissions unchecked for decades before these countries. So for the moment the G8 countries bear the main responsibility, until such time – for example if a new climate agreement (after Kyoto) comes into force in 2013 – when the 'G8 + 5' countries must be brought in more.<sup>11</sup>

**Greenpeace calls for each G8 country to make available from 2008 to 2013 approximately two billion euro a year to protect ancient forests in order to help provide some 30 billion euro for protecting ancient and other forests. Germany ought to play a leading role here and take the initiative.**

## Chancellor's initiative to protect ancient forests and the climate

**The 9th meeting of the states party to the UN Convention on Biological Diversity (CBD) is taking place in Bonn in May.** The most important conference in the world on nature protection and the protection of species will be meeting in Germany for the first time. The German government is taking over the presidency of the biodiversity convention for two years. The summit in Bonn will focus on the issues of forests, agro-biodiversity, financing the protection of biodiversity and dealing with genetic resources. But the UN convention is in a deep crisis, with negotiations bogged down. Developing and newly industrialising countries like Brazil are refusing to accept international regulations on the protection of their forests, on agriculture, agrofuels or illegal logging. They insist on their national sovereignty and demand more money from the rich countries of the North.

The biodiversity conference in Bonn threatens to founder. Should this happen, the UN's goal for biodiversity for 2010 will no longer be attained. It became plain at the preliminary conferences in 2007 and 2008 that no progress would be made without there being intervention at ministerial and heads of government level. The German presidency of the CBD thus bears an exceptional responsibility for ensuring that the CBD, the only convention for protecting the bases of life binding in international law, does not fall into insignificance.

The former German Chancellor Helmut Kohl took a landmark initiative to protect the Amazon rainforest in 1991. But this programme too was far from adequate in preventing forest destruction in the Amazon, something which reached a new high point at the end of 2007. So a new initiative by a Chancellor is needed, 17 years after this initiative. Two points are crucial to this:

- > The protection of life on earth and protection of the climate should no longer be regarded as separate concerns; they must be tackled as connected. To check climate change a brake must also be put on the destruction of ancient forests.
- > The very core of the CBD, setting up protected areas and using them sustainably worldwide, is condemned to failure unless the industrial countries make a huge additional financial commitment, as was already agreed to in 1992 and promised again in 2004.

The connection between deforestation and climate change is also being discussed in another UN convention, the climate convention. It was decided at the UN conference on the climate in Bali that from 2008 negotiations would be conducted on how countries rich in forests could be financially

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<sup>9</sup> The G8 are the USA, Japan, Germany, France, Canada, Russia, the UK and Italy.

<sup>10</sup> Per capita emissions of CO<sub>2</sub> are at present 20 tonnes in the USA, 10 in Germany, four in China and 1.2 in India.

<sup>11</sup> The five countries in the G8+5 are China, India, Brazil, Mexico and South Africa.

compensated if they in return did not cut down their forests. The negotiations on the climate are also supposed to link forest protection to emissions trading. But years will pass until a functioning system is found, because a new version of the Kyoto protocol on climate protection will not come into force until 2013. This means there is at the moment no mechanism for clearly reducing global forest destruction with financial incentives over the next five years.

The '**Chancellor's initiative to save forests, save the climate**' ought accordingly to contain the following elements:

- > The Chancellor call on the industrial countries at the CBD's 9th meeting to start up a **concerted financial initiative** to finance the overdue implementation of the CBD's resolutions. **Protecting ancient forests** ought to be tackled as a priority here in order to achieve the maximum in protecting species and the climate at the same time.
- > The **G8 industrial countries** commit themselves in this initiative to raising some 15 billion euro annually, **from 2008 until 2013**, to stop deforestation and set up protected forest areas. This is half the 30 billion needed to protect forests. The G8 countries are responsible for roughly half all carbon emissions, so they should raise half the money. This means a financial commitment for **each of the G8 countries of approximately two billion euro per year**. Norway announced at the climate conference in Bali that it would make 2.5 billion euro available for global forest protection, and the UK and Japan apparently want to make billions available for the purpose. As CBD host and president Germany ought to tie these initiatives together in a package and take on a leading role.
- > The G8 countries ought to make this contribution in all events until the end of 2012. The global network of reserves ought to be established by then. As of 2013 there may be additional new sums in billions resulting from procedures to protect the climate. Greenpeace suggests that a fixed proportion of the proceeds from auctioning emission certificates enter a fund which can compensate developing countries financially if they commit themselves to stopping deforestation and can credibly prove this.
- > After being announced by Germany at the CBD the Chancellor's initiative could then be officially adopted at the **G8 summit in Japan in July 2008**. As the idea's initiator, Germany should at the CBD declare itself ready to make its share available from 2009.
- > **Half** this money should be invested in **bilateral collaboration** and **half in a fund for ancient forests** under UN administration in which there are set criteria for compensating developing countries rich in forests for not carrying out deforestation, and for financing the setting up of protected areas. The UN climate convention and UN biodiversity convention must work hand in hand here.

## Threefold benefit for environment and climate

According to calculations recently made for Greenpeace<sup>12</sup> the German government pays out **around 36 billion euro** a year in subsidies which are damaging to the environment and the climate. Given this figure it is clear that no additional budgetary funds are needed to be able to make two billion euro a year available for the protection of forests. Rather, subsidies damaging to the climate ought to be cut back as a matter of priority so as to 'protect the climate by protecting ancient forests'. Not only is sufficient money available, it will bring about several benefits for the environment and the climate.

The calculations made on Greenpeace's behalf show how two billion euro can already be generated by taking little action:

- > **Abolishing exemption from tax on oil for fuel for domestic flights** - this would generate at least 395 million euro (the actual amount of subsidies must be several times this). This requires only a resolution by the German Bundestag parliament.
- > **Introducing VAT on international flights** - 600 million euro. This needs a resolution by the

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<sup>12</sup>All figures below from the study commissioned by Greenpeace in Germany, *Förderverein Ökologische Steuerreform: Umweltschädliche subsidies und Steuervergünstigungen des Bundes. Kurzstudie im Auftrag von Greenpeace Deutschland, April 2008*

Bundestag and the upper house of parliament, the Bundesrat.

- > **Phased increases in tax on diesel** by four cents a litre a year, to reach the level petrol is on - about **1.3 billion euro**. Here too all this requires is a resolution in the Bundestag.

The German government could of course cut other subsidies which are damaging to the climate, e.g. subsidies for official or company cars privately used (500 million euro a year), tax deductible mileage allowance for commuters travelling by car (one billion euro a year), or the numerous instances, amounting to billions of euro, of preferential treatment with taxes on energy. **Altogether almost ten billion euro could in the short term be cut from German central government subsidies harmful to the environment .**

Taking the three measures proposed by Greenpeace alone the German government could already generate more than the two billion euro per year needed to protect ancient forests.

Using this money for ancient forest areas to be protected would **have a threefold benefit for the environment and the climate:**

- 1 The measures proposed would themselves help reduce CO<sub>2</sub> emissions
- 2 Keeping forests and soils which store carbon would prevent huge carbon emissions through deforestation
- 3 As well as reducing carbon emissions, unique biodiversity and the 'ecological services' performed by ancient forests would be preserved and habitats safeguarded

Money could in addition be obtained from carbon emissions trading. From 2013 emissions certificates ought no longer to be given away by the state, they ought all to be auctioned. Industrial countries like Germany would have to declare themselves prepared to now already pay 20% of their future proceeds from auctioning (equivalent to the 20% share global carbon emissions from deforestation) into an ancient-forest fund. The payments could then be credited to these countries from 2013 in the successor process to Kyoto.

**In sum, two billion euro a year to protect ancient forests is a question not of money but of the political will!** 'The coffers are empty' is an excuse which, given the global threat to the climate and the biological bases of life, should not be accepted.

### Where and how should the money be used?

The money should above all be used in the last intact ancient forest regions most threatened from clearances by fire and the cultivation of plantations. These are the **Amazon** in Brazil, **Indonesia**, and the countries of the **Congo basin**. Indonesia and Brazil are ranked three and four as global carbon emitters, just behind the USA and China, because of forest destruction alone.

The money will be used for satellite monitoring, making maps and monitoring on the spot. Fees for concessions for nature protection is one major element. Laws and regulations can be monitored and enforced by training and equipping rangers and having a monitoring system involving local people. Above all, financial incentives must be created for the communities living in the forest, most of which are very poor. Only then can they be convinced to do without returns from deforestation, selling wood and the agriculture that would follow these.

Working with other organisations and federal states Greenpeace in 2007 already presented up a plan for the **Amazon** which could stop deforestation by 2015. Some 400 million euro of public and private money a year would be needed for the specific measures involved.<sup>13</sup> An 'Amazon Governance Fund', a donation fund for the protection of the Amazon forest, should – tied to the conditions of the agreement being fulfilled – regulate the distribution of the moneys to federal states and social agencies. This economic study also recommends placing the fund under the auspices of the Brazilian Bank of Economic and Social Development, as it is well recognised both in Brazil and abroad. The fund should go into management of the forests and paying for the imple-

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<sup>13</sup>This figure is based on sources from the report Economic Basis of the Agreement on Acknowledging the Value of the Forest and Ending Amazon Deforestation made by a group of economists of renown. These included Amir Khair, Carlos Eduardo Frickmann Young, Luis Afonso Simoens and Vivian Macknight.  
[www.greenpeace.org/raw/content/international/press/reports/amazon-deforestation-agreement.pdf](http://www.greenpeace.org/raw/content/international/press/reports/amazon-deforestation-agreement.pdf)

mentation and administration of protected areas. Support should be given to programmes for socio-ecological development in rural areas of indigenous peoples and traditional population groups, and for sustainable rural development.

The funds would be stocked from both public and private money. Private money would come primarily from external sources (the carbon market), big national companies or other institutional investors. The public money would come mainly from the government's budget. Brazil's projected growth would bring the government additional income which ought to be invested in protecting the environment. The Amazon countries could also help finance matters. One way of achieving this could be for a 'climate pollution tax' to be raised at national level with the income going to the Amazon states.

The arrangements for this fund for administering public resources must conform with all existing laws and regulations. Where the private resources are involved, the agreement leaves the public administration of this to each country to deal with as it thinks fit.

## Who will guarantee the money will be well used?

State and civil-society project holders at national and international level have gathered a lot of experience in ensuring that money in projects arrives properly on the ground. It must be a condition that the industrial countries pay heed to the rights of local communities and equally to the rights of (indigenous) people living in the protected areas. Their representatives must be present with full rights to share in the decision-making at the negotiations on creating protected areas.

The Global Environment Facility was set up at UN level in 1991 to support the implementation of the three Rio de Janeiro conventions – climate, biodiversity and desert formation – with this including the financing of sustainable projects to protect biodiversity in particular developing countries. It is however evident that processing applications for projects involves governments a great deal and, in approval for projects taking an average of over five years, takes much too long. Good experience has only been had with small project applications and civil-society project holders. Administrative costs have then been able to be lowered and corruption prevented.

Trust funds have proven adept at financing protected areas over the long term.<sup>14</sup> But there are other models for directly financing these too, in which donors and receivers can agree criteria for protected areas. The long-term experience of collaboration with various development aid bodies, environmental organisations, civil society and institutions may be very helpful here.

## Greenpeace demands

**Protecting ancient forests is more than nature protection and must be tackled as an important part of climate protection and a matter of the highest political priority.**

**As host to the 9th conference of the countries party to the UN biodiversity convention in May the German government must take on a leading role in protecting ancient forests and take a political initiative to prevent the convention from foundering as is threatened.**

**Germany and the G8 countries must each make two billion euro a year available for protecting ancient forests. Chancellor Merkel must agree to this financial commitment at the CBD conference in Bonn.**

**The Chancellor ought to start up a 'Chancellor's initiative to save forests and the climate' at the UN biodiversity summit. This should see that the G8 industrial countries agree bindingly to raise the annual approximately 15 billion euro needed to protect ancient forests from 2008 until 2013. This could be decided on already at the G8 summit in Japan in June 2008.**

**Germany can without additionally burdening the budget generate the two billion euro to**

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<sup>14</sup> see here Greenpeace's study by Pita A. Verweij & Michiel de Man, We can not afford more biodiversity loss, the urgency of protected area financing, The Netherlands, December 2005

**protect ancient forests and the climate by cutting back subsidies which are damaging to the climate, particularly in the sphere of traffic and transport.**

## **THREEFOLD BENEFIT BY ABOLISHING HARMFUL SUBSIDIES AND INVESTING IN PROTECTING ANCIENT FORESTS<sup>15</sup>**

### **Tax exemption for air traffic fuel**

#### **What is subsidised?**

No tax is raised on the oil used in fuel for domestic commercial flights. That is, not on the transport of people, materials and provision of services.

#### **Why is the subsidy harmful to the environment?**

Airplanes are the most harmful means of travel for the climate. CO<sub>2</sub> emissions by air traffic have for a long time exceeded that from all lorries worldwide. This apart, burning kerosene has according to the Intergovernmental Panel on Climate Change a two to fourfold greater global warming effect than the same amounts of pollutant emitted on the ground. Air traffic is at the same time the form of transport that is increasing most (in the 1990s alone by 88.9 per cent over Germany).<sup>16</sup>

#### **How expensive is the subsidy?**

The German government's subsidies report put the value of tax exemption on domestic flights in 2007 at **395 million euro**. According to statistics on oil, however, a total of 13.345 billion litres of air fuel was used in Germany in 2005. This means the tax exemption is worth 8.73 billion euro if the current tax rate of 65.45 cents per litre is applied to passenger flights (and to lead-free petrol). No data exist at the moment in the statistics on energy for 2006/2007. A rise in consumption of five per cent in both 2006 and 2007 can be deduced from the oil industry federation's data on domestic sales; increases of sales of untaxed kerosene would have been of this order of magnitude.

#### **How could the subsidy be cut at short notice?**

By raising the tax rate of 65.45 cents per litre applying to passenger flights for commercial domestic flights too.

#### **What is the legal situation?**

The European energy tax directive included a ban on taxing kerosene for commercial flights until 2003. But the ban ceased to apply when the new EU energy tax directive came into force on 1 January 2004. This means that all that is needed to introduce a tax on kerosene is the agreement of the Bundestag; and consumption for flights between EU member countries can be taxed if the countries affected agree. Before international flights are taxed the Chicago agreement would have to be amended and agreement reached in the EU.

#### **Sources**

- a) *Steuerbegünstigung für Energieerzeugnisse, die im inländischen Flugverkehr verwendet werden* (21st German government report on subsidies, appendix 2, serial no. 79)
- b) Legal basis: Energy tax law section 27, paragraph 2; section 14 paragraph 2 of European Council directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity.

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<sup>15</sup> Excerpts from the study by Florian Prange, Bettina Meyer and Jochen Ahlswede commissioned by Greenpeace in Germany entitled *Förderverein Ökologische Steuerreform: Umweltschädliche subsidies und Steuervergünstigungen des Bundes*. April 2008

<sup>16</sup> Federal ministry of the environment, nature protection and reactor safety: *3. Nationalbericht zum Klimaschutz an das Klimasekretariat der Vereinten Nationen*. Berlin 2002, page 26.

## Exemption from VAT for international flights

### What is subsidised?

Passenger flights crossing borders are exempt from VAT.

### Why is the subsidy harmful to the environment?

Airplanes are the most harmful means of travel for the climate. CO<sub>2</sub> emissions by air traffic have for a long time exceeded that from all lorries worldwide. This apart, burning kerosene has according to the Intergovernmental Panel on Climate Change a two to fourfold greater global warming effect than the same amounts of pollutant emitted on the ground.

### How expensive is the subsidy?

This tax break is not listed in the subsidy report. According to German government estimates<sup>17</sup> in 2003, incorporating the domestic part of the 16% VAT then applying would result in an additional income of approximately 500 million euro a year. Based on this estimate, the additional income for the VAT rate of 19% applying today would amount to about **600 million euro**. If the whole ticket price and not just the domestic part of the ticket in an international flight was subject to the regulation VAT rate, this would according to federal environment office data produce additional income of the order of 1.8 billion euro.

### How could the subsidy be cut at short notice?

The full VAT rate should at least be imposed for the domestic part of passenger traffic on flights across borders. Negotiations at EU level should at the same time be resumed with the aim of incorporating passenger traffic into VAT throughout Europe. When a look is taken at the unanimity principle in tax matters, and the failed initiative of the red-green German government in 2002-3, there is little prospect of this succeeding.

This means that, the questions posed in this paper apart, it is necessary to turn to the alternative of a tax on flight tickets as is raised in, for example, the UK and France and soon will be in the Netherlands. A ticket tax is legally easier to implement and a good alternative to abolishing exemption from VAT for flight tickets. While only the domestic part of a ticket could for the moment be taxed with VAT, a ticket tax could, at least very broadly according to the distance flown, be staggered according to the kind of flight (domestic, flights between EU countries and flights over EU borders).

### What is the legal situation?

For VAT to be changed the consent of the Bundestag and Bundesrat is required. An initiative by the red-green government on these lines to do with the law on abolishing tax breaks already failed to obtain agreement in 2003.

### Source

Legal basis: German VAT law, section 4 no.2

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<sup>17</sup>Reply to parliamentary question by the MPs Klaus Brähmig, Ernst Hinsken, Edeltraud Töpfer and others and the CDU/CSU parliamentary parties. *Auswirkungen der geplanten Besteuerung grenzüberschreitender Flüge auf die Tourismuswirtschaft*, printed papers 15/325, Berlin 2003, question 10

## Tax exemption for diesel fuel as compared to petrol

### What is subsidised?

Lead-free petrol is taxed in Germany at a rate of 65.45 cents per litre. Diesel on the other hand is taxed at 47.04 cents per litre. The latter fuel thus enjoys a tax advantage of a difference of 18.41 cents per litre.

### Why is the subsidy harmful to the environment?

Emissions from diesel vehicles contain a higher proportion of CO<sub>2</sub> than those consuming petrol, and so are particularly conducive to global warming. These emissions - particularly the soot particles - are furthermore about 18 times as carcinogenic as those from petrol engines<sup>18</sup>

### How expensive is the subsidy?

According to the federal German statistics office 33.4 billion litres of diesel were taxed in 2006. With a tax difference of 18.41 cents per litre this makes a tax loss of **6.15 billion euro** in 2006. To tax petrol and diesel at the same level in energy terms the tax rate would in fact have to be around 72 cents per litre.

### How could the subsidy be cut at short notice?

In bringing diesel tax fully in line with the tax rate for lead-free petrol it is also necessary for diesel and petrol cars to be treated equally where vehicle taxes are concerned. Looking at the levy on lorries, a rise in diesel tax only need be investigated for consumption not taken into account in the levy. It is not possible to make a complete alignment in the short term on account of the existing problem of drivers crossing into other countries for fuel. Raising the tax on diesel by eight cents per litre is therefore suggested to begin with in the list of short-term measures. This is equivalent to a total of 2.67 billion euro.

### What is the legal situation?

A change in tax on oil as a federal tax requires only the consent of the Bundestag.

### Sources

- a) Calculation of subsidy volume: own calculation on basis of available data from the federal statistics office (Statistisches Bundesamt)
- b) Legal basis: Energy law, section 2, paragraph 1, no. 4

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<sup>18</sup>Bund für Umwelt und Naturschutz Germany nature protection organisation affiliated to Friends of the Earth: *Das BUND-Subventions-Dossier. Vorschläge zum Abbau umweltschädlicher Subventionen*. Berlin 2003, p. 5