



Federal Department of Transport,
Communications and Energy

The Minister

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NB: Wurden wir Koerperlich?
Jdm*

Dear Mrs. Steeg,

At the recent ministerial conference of the International Energy Agency (IEA) held on 3rd June, 1991, Ministers emphasized their firm commitment to seeking a solution to the energy related environmental problems at both national and international levels. They also acknowledged that independent national action can lead to distortions of the market.

I would greatly appreciate if the IEA were able to play a more active role than so far in the question of international harmonization of energy policy measures. In my opinion, certain measures can only be taken if they are internationally coordinated as far as possible. At the ministerial conference, the Swiss delegation pointed out that existing studies and findings of the IEA could be used for this purpose in a carefully directed manner. Practical recommendations on the part of the IEA regarding a harmonized procedure among member countries would be of great value. Without international harmonization, potential progress in the energy policy sector could be delayed or even blocked, or individual actions could give rise to additional costs as well as to competitive disadvantages.

*Inter: CE, AUS,
opposition: USA
sephiques: JPN*



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Wherever possible, the objectives of energy policy should be realized by utilizing market instruments, including in particular harmonized energy taxes and duties. Furthermore, coordinated testing procedures and efficiency standards of the highest possible level are required for heating installations, appliances and motor vehicles.

As you are aware, we also support the efforts of the IEA to intensify international collaboration. In addition to member countries of the IEA, non-member states - whose importance is increasing - also stand to benefit from an international harmonization of energy policy measures.

A further proposal of the Swiss delegation at this year's ministerial conference was that the energy policy principles that were adopted by the IEA in 1977, should be studied and, if necessary, revised in the light of current developments and of imminent challenges facing us. In particular, the issue of international harmonization should explicitly be integrated into the list of principles of the IEA.

I am very grateful to you, Mrs. Steeg, that you continue to keep the IEA on a progressive course, and I very much hope that the mutual interests that have been developed, in particular in connection with a more efficient use of energy, will also lead to direct action.

Yours sincerely,



Enclosure: Memo of the Federal Office of Energy concerning potential areas of international harmonization of energy policies

Potential Areas for International Harmonization of Energy Policies

Taxes (customs duty, energy and other taxes)

1. Current situation

There are a large number of differing types of national taxes within the industrialised nations today, and these can take the form of customs duties, taxes on energy and various other taxes.

This can clearly be seen from the very different weight of taxes in consumer prices in different countries, which can e.g. range from 26.7 % (USA) to 75 % (Italy) for gasoline. The range is even wider with regard to heating oil (extra light), for which the part of taxes in consumer prices varies from 0 % (Canada) to 69.7 % (Italy). A comparison of energy prices (including taxes) in industry presents a similar situation. Expressed in US dollars, heating oil (extra light) costs three times as much in Italy as it does in Canada, electricity costs over four times as much in Japan as in New Zealand, and gas costs five times as much in Japan as it does in Canada.

The same applies to CO₂ taxes. Four countries (the Netherlands, Norway, Sweden and Finland) impose a CO₂ tax, but the levels vary and there are differing exemption regulations. Certain other taxes have been introduced (e.g. SO₂ and NO_x taxes in Sweden), or are currently under consideration.

2. Relevant questions

The following questions are of relevance with regard to harmonization:

- type of tax/duty, organisation, calculation criteria
- taxable item (form of energy)
- relevant pollutant (CO₂, NO_x, SO₂, ...), basis for assessment
- level of tax/duty
- introduction schedule
- use of revenue
- exemption regulations (e.g. for energy intensive sectors)
- reduction of other taxes or duties

3. Reasons for harmonization

International harmonization prevents distortions in competition and eliminates disparities as a result of an unequal tax burden on production factors. Environmental pollution is reduced, and the potential transfer of production to other countries is avoided. Mutual coordination reduces the opposition of domestic branches of industry against new measures, and it is possible to enforce the behaviour. Alternatives such as "gazoline tourism" among neighbouring countries lose their attraction.

4. Specific problems

A wide variety of political sectors are involved: energy and environment, traffic, economic and social policy, financial and tax policy. Differing starting conditions within individual countries make coordination difficult. In addition to financial autonomy, other factors such as, for example, the competitive capacity of the economy, and economic and social aspects, play a major role.

Standards regarding emissions and energy efficiency

1. Current situation

A large number of regulations have been implemented in IEA countries. They include safety requirements or emission levels. On an international scale, agreements are generally restricted to mutual recognition of test results and conformity certificates.

Legally binding efficiency standards have only come into force here and there. Motor cars can be cited as an example in this respect, for which voluntary agreements on efficiency objectives have been drawn up in a number of countries, whilst legal provisions have been brought into force in only a few (such as the USA). Additional efficiency provisions are currently being drawn up. The EEC intends to introduce minimum requirements for some electrical household appliances, motor vehicles and heating systems, as part of its SAVE programme.

2. Relevant questions

The following questions are of relevance with regard to harmonization:

- types of equipment, energy systems (households, industry, installations, machines, appliances, vehicles, existing and new systems, etc.), terms of reference
- emissions, types of energy, safety requirements, other standards
- amount of admissible emissions/admissible specific consumption
- organization, exemption provisions
- sanctions

Harmonization is conceivable within the following fields:

- testing procedures (methods, competence, mutual recognition, etc.)
- specifications (emissions, energy consumption), labelling
- target figures (basis, time range, reduction level)
- mandatory standards (basis, introduction date, time range, reduction level)

3. Reasons for harmonization

Technical obstacles to trade can be eliminated. A homogeneous market permits the exploitation of the respective cost advantages (economies of scale). International pressure reinforces minimum standards; international agreements mean that the market volume can be sufficiently increased to permit the enforcement of standards. Equal treatment of all manufacturers increases their readiness to cooperate (for example, if energy consumption has only a minor influence on the individual decision to buy). Unnecessary double-tracking can be avoided, and administrative costs can be reduced (testing procedures, specifications, controls, etc.)

4. Specific problems

As with any kind of harmonization process, there is always a risk that the targeted standardization could be given greater priority than the goals of energy efficiency and environmental protection. Under certain circumstances, harmonization implemented to an insufficient extent could be a hindrance rather than an advantage. If competition is low, the application of exacting standards will only meet with opposition. The division of functions within a federalistic state could be in contradiction with harmonization at an international level.

Other potential areas

- Tariff policy for energy supplied by networks.
- Safety and environmental requirements for energy production.
- Subsidies for traditional forms of energy (including equality of costs of production factors).
- Promotion of alternative forms of energy: creation of a larger market by standardizing support.
- traffic-related measures, for example promotion of public transport and freight carriage by train, road taxes or heavy vehicle taxes.
- aviation kerosene: abolishment of the tax exemption for air traffic, internationally harmonized introduction of environmental taxes on kerosene and introduction of other measures (i.e. landing taxes with CO2 component, promotion of collaboration between railways and airlines, coordinated development of aviation infrastructure, etc.).