

**Seminar on tax Vs trade for road transport**  
**15<sup>th</sup> June 2006**  
**Agenda**

*Venue: DTI Conference Centre, 1 Victoria Street, London SW1H 0ET*

9am-9.20am – arrival and coffee

9.20am – **welcome, overview and purpose of the day** [presentation by Stern Review team]

9.30am – **tax Vs trade – perspectives from economic theory** [presentation by Simon Dietz, Stern Review team]

Followed by discussion

10.30am – **discussion of impacts on competitiveness and other metrics** [presentation by Sophie Cruickshank, Stern Review team]

Followed by discussion

11.30am – coffee break

11.45am – **policy issues re including road transport in an emissions trading scheme** [presentation by Laura Fellowes and colleagues, Department for Transport]

Followed by discussion

12.45pm – lunch

1.45pm – **break out discussion groups**

Groups 1 and 2 look at implementation issues; group 3 looks at strategic issues. See next page for list of issues for groups to consider.

2.45pm – coffee

3pm – **report back** from groups and round up.

4pm – close.

## Questions for groups to consider

### Group 1

If road transport were included in the EU ETS, what would be the impact on competitiveness and carbon leakage?

Things to discuss:

- Would permits be allocated upstream or downstream (this has impacts on competitiveness issues).
- If upstream:
  - Would refineries lose competitiveness and relocate (carbon leakage)?
  - How would the EU deal with the prospect of imports of cheap fuel from outside EU? Would it impose barrier taxes to imports of petrol/diesel produced in refineries located outside the ETS area?
  - Within EU ETS, if different countries are more/less generous with permit allocations to refineries then could this create competitiveness impacts within EU countries? Or is fuel traded so much within the EU that there would not be a significant fuel price differential?
- How much of the costs of a tax or permit price would be passed on to consumers?
- Are there any cheap abatement opportunities to be made in, for example, refineries?
- To what extent might EU motorists travel to other countries to get cheaper fuel?
- Any evidence on how competitiveness of businesses that use road transport would be affected? (Any evidence of asymmetric shocks affecting EU fuel prices in the past?)
- Which businesses using road transport would face the greatest increases in costs and would this feed through to a loss in competitiveness?

Group facilitator: Sophie Cruickshank (Stern Review)

### Group 2

If road transport is included in an emissions trading scheme, what is the impact on the permit market and the road transport market?

Things to discuss:

(a) What would happen in the *permit market* if road transport were included in the EU ETS?

- Which sectors would be buyers and which would be sellers?
  - What information do we have on how MAC vary by sector?
  - Does anyone act strategically (for example, might some polluters buy/avoid permits to push the price up, so their competitors faced higher costs?).

- Any barriers to efficient operation of permit market? Would the carbon savings reflect a cost effective outcome across sectors?
- How much might permit price go up?
- Would permit price become more stable?

(b) What happens in the *road transport market* if road transport is included in the EU ETS?

- What is impact on stability of road transport fuel price?
  - If included in the EU ETS, would permit price go up with oil price, thereby exacerbating variation in fuel price?
  - Compare this to effect of taxation: do any EU countries levy fuel duty as a proportion of fuel price?
- What are the transaction costs of including road transport in an emissions trading scheme?
- Is tax or trade better for achieving other transport policy objectives (congestion, air quality, social inclusion, security of supply, etc)?
- If road transport included in EU ETS, what would EU countries do to fuel duty? Would the fuel price be allowed to increase? Would we get “double regulation” of road transport?

Group facilitator: tbc

### **Group 3**

How does including transport in the EU ETS fit with our strategic objectives?

Things to discuss:

- Do we want to widen the EU ETS (add other sectors) or deepen it (add other countries)?
- If we do want to add other sectors, should road transport be the next one?
- Is adding road transport a negotiation priority – are there other things we want to spend out political capital on instead?
- Is there a trade off between widening and deepening the EU ETS? If we added road transport to the EU ETS, would we be shutting off the prospect of including other countries in the scheme? Would other countries have the necessary data for monitoring and implementation?
- What else do member states need to know to encourage them to sign up to it? e.g. do we need a pilot scheme operating domestically?
- Deliverability: if we wanted to include road transport in the EU ETS, could we get the EU25 to agree to it? Could the scheme go ahead if only some countries included their road transport sector?

Group facilitator: Lorraine Hamid (Stern Review)