

View from Paris

Carbon complexities

| by Yves de Saint Jacob



An opinion poll published in August by the left-wing French weekly *Le Nouvel Observateur* (in collaboration with the Institut CSA, the French market research agency) indicates that almost half of French people are not willing to pay more than ... €1 per month towards a carbon tax on fossil fuels! And almost a quarter are not prepared to hand over more than €5. In other words, saving the climate is fine so long as it doesn't cost anything.

The government of François Fillon is planning to establish a "climate-energy contribution" – in other words, a tax – on petrol, natural gas and other fuels in order to reduce the CO₂ emissions of households and businesses. Several European countries have already adopted this type of taxation, and the Swedish government wants the system to be adopted throughout the EU. But the poll shows that a new tax would be very unpopular. Besides, President Nicolas Sarkozy was elected in 2007 on the promise that he would not increase the tax burden, which is traditionally onerous in France. So how do you impose a tax which is intended to send a strong message to the people while not costing them anything?

An official report has been prepared by a former left-wing prime minister, 80-year old Michel Rocard. A brilliant socialist theorist, he headed the French social democratic movement, but was never able to gain a solid foothold due to the systematic hostility of former president François Mitterrand. Sarkozy has no problem with bringing him back onto the scene now, thereby creating difficulties for the left-wing opposition, which is already finding itself in very troubled waters.

In this report, which is still far from being adopted, Rocard first proposes a CO₂ price of €32 per ton from 2010, which corresponds to an increase of 7 to 8 eurocents on a litre of fuel at the pump. The next step is to raise the price to €100 – the same level as in Sweden – in 2030. According to Rocard's calculations, the €32 would represent an additional expense of approximately €300 per year for a middle-class family with two children. Far more than the amounts considered in the poll! So "compensation" is needed if an additional tax burden is to be avoided. But how to do this?

A "green cheque", paid to households at the end of the year, has been proposed. Should this be the same for everyone? But then the "rich" will receive the same amount as the "poor". Should those on a modest income receive a larger reimbursement, or those who are dependent on a car because they use it professionally or live in the country? But then you are no longer sending a "message" to discourage the use of fossil fuels. What's more, the system will become an enormous bureaucratic machine.

A reduction of an existing tax by a similar amount is also being considered. This might work for businesses. They are currently liable for a tax on salaries which the government wants to abolish, as it discourages employment. However, this tax serves to fund the budgets of the French regions.

The government's problems do not end there. What about electricity? What about the other greenhouse gases, which are principally generated by agricultural activities? And the carbon tax must not adversely affect the ability of French businesses to compete. In Europe, harmonisation of the tax systems is the objective, but far from easy to achieve. Worldwide, Sarkozy has always been in favour of a tax at Europe's borders, another highly controversial matter.

It seemed such a simple idea, a carbon tax. But nothing is ever simple in French politics. ■