

## BLOG POST

# REINFORCING THE EU BUDGET WITH A FOSSIL-FUEL CONTRIBUTION

The EU budget is essential to the well-functioning of the European Union. It is amongst the biggest investment budgets on the continent for research, innovation, agriculture, territorial cohesion, social justice and environmental sustainability. We call on the EU to create a contribution of the oil, gas and coal sector to the EU budget that will strengthen the capacity of the EU to act as a force for good in Europe and in the rest of the world.

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Dear President Juncker,

Dear Commissioner Oettinger,

Dear European Finance Ministers,

The EU budget is essential to the well-functioning of the European Union. It is amongst the biggest investment budgets on the continent for research, innovation, agriculture, territorial cohesion, social justice and environmental sustainability.

As the 2020 decade is approaching, European challenges require a common response to defend European security and freedom in a more dangerous world, protect Europeans from social injustice and climate change, and empower them through consistent support to research, innovation, training, mobility and civil society. More than ever, Europeans need a strong EU budget to tackle those challenges.

As a result of the 2016 Brexit vote, British contribution to the EU budget will likely be diminished from 2020 onwards. Rather than shelving EU public investments or increasing the constraints on national budgets, we believe it is time for the EU to create a new resource for its budget.

In line with the recommendations made by Mario Monti and the high level group on EU own resources, we call on the EU to create a contribution of the oil, gas and coal sector to the EU budget. Such contribution could be, at first, a five to seven-year pilot, where even a modest price level would yield significant revenues. For instance, even a contribution of only €5/tCO<sub>2</sub> on coal, oil and gas burnt in Europe would generate revenues of around €17 billion per year.

Other options include raising the EU's minimum diesel tax; or to tackle aviation emissions: the introduction of a kerosene tax or application of a minimum level of VAT to all airplane tickets. Such measures could generate over €50 billion per year and make a major contribution to tackling Europe's largest source of emissions: transport.<sup>[1]</sup>

To ensure the political and social acceptance of such fossil fuel contribution, its revenues should be politically earmarked to financing a socially-fair energy transition, for instance through the creation of a European Energy Transition Adjustment Fund for workers, stronger support to cities in financing better and more affordable public transport, and supporting actions aiming at eradicating energy poverty in Europe and abroad.

Beyond being a source of revenues for the EU budget to finance a socially-fair energy transition, such contribution will also send a price signal for investors to fasten their transformation for the clean energy future. It will also help Europe to reduce its imports of coal, oil and gas, making the Continent more economically prosperous, more resilient to oil price shocks, and more independent from foreign interference.

As you are about to start the negotiations on the multiannual financial framework that shall determine the EU's political and budgetary priorities for the first half of the 2020s, we believe it to be the right moment to create a fossil fuel contribution to the EU budget. This would ease your negotiations while strengthening Europe's commitment in the fight against climate change ahead of the COP 24 in Katowice, Poland, that will see the world coming back to Europe to decide on the implementation of the Paris Agreement. Linking some of its revenues to achieve a socially-fair energy transition would moreover constitute a concrete step showing European citizens that, one year ahead of the European elections, the "European Pillar of Social Rights" is indeed the first step in mainstreaming social justice in all EU decisions.

We therefore respectfully call upon the European Commission, the European Parliament and all the national Governments and Parliaments, to use this once in a decade opportunity and propose the creation of a fossil-fuel contribution to the EU budget that will strengthen the capacity of the EU to act as a force for good in Europe and in the rest of the world.

Yours Sincerely,

*Enrico Letta*  
*Pascal Lamy*  
*Paul de Grauwe*  
*Georg Kell*

*Jean-Marie Chevalier*

*Paul Ekins*

*Hans Eichel*

*Christian de Perthuis*

*Anna Creti*

*Jacques Percebois*

*Michel Aglietta*

*Rick Van der Ploeg*

*Jon Strand*

*Petr Janský*

*Mikael Skou Andersen*

*Frank Geels*

*Jeroen Van Den Bergh*

*Jean-Philippe Barde*

*Rui Ferreira dos Santos*

**[1]** €31.8 billion/year – Increasing diesel taxes to align with petrol taxes. €8 billion/year – Taxing kerosene for aviation within the EU. €12 billion/year – Applying VAT to international flights within Europe.