Post-Paris EU climate policy briefings

At the Paris Climate Summit, 195 governments agreed to reduce man-made greenhouse gas emissions to zero during the second half of this century and to limit average global temperature rise to 1.5°C. As signatories to the Paris Agreement, the EU and its Member States now need to revise and strengthen their climate and energy policies, and all other relevant policies to make them coherent with the Paris objectives. Our briefing papers provide a top line overview of the processes that will contribute to the needed zero-carbon transformation.

Adoption of the Financial Transaction Tax

April 2016

What?

The European Union Financial Transaction Tax (EU FTT) is a proposal made by the European Commission to introduce a financial transaction tax within some of the Member States of the European Union, initially by 1 January 2014, later postponed to 1 January 2016 and then to mid-2016. In October 2012, after discussions had failed to establish unanimous support for an EU-wide FTT, the European Commission proposed that the use of enhanced cooperation should be permitted to implement the tax in those Member States which wished to participate. This framework proposal, was supported by 11 Member States and was approved by the European Parliament in December 2012, and by the European Council in January 2013.

What is at stake?

The FTT is an important instrument to stabilise the financial markets and will prevent the most vulnerable from the negative impacts of short-term decisions by financial musketeers.

The FTT could be an important source of additional income for the Member States concerned. It is estimated that the FTT, when applied to all 28 Member States, could raise 57 billion Euro per year. As such, this additional money could be earmarked to support both climate finance and development aid, and thus is one of the most specific proposals on an innovative source of climate finance.

Who are the key players?

For the European Commission: DG Taxud (Taxation and Customs Union) has a facilitative role, albeit quite limited.

For the Council: the 11 countries that approved the enhanced cooperation proposal in 2013 include: Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. Of those 11, only 10 (all above minus Estonia) agreed on a set of core principles in December 2015.

What has happened, will likely happen and when?

At the finance ministers meeting in December 2015, it was anticipated that progress would be made on some of the technical aspects of the tax, including rates and derivatives, as well as allocation.

Despite concerted pressure to agree on some of these areas, finance ministers delayed further decisions to June 2016.

In the meantime, France and Germany have indicated some ambition for progress through a statement released after a joint council meeting in March 2016;

However, some countries need to be pushed to ensure the discussions do not suffer further blockages before the June meeting.

CAN Europe's position

We are calling on the 10 Member States to commit to allocate 50% of FTT revenues to international climate and development action; 25% for climate finance specifically and 25% for development-related support.

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