



# Document de travail

## « The EU as a global ecological power : The logics of market integration »

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# The EU as a global ecological power: The logics of market integration<sup>1</sup>

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## Abstract

In this paper, we try to show how the EU became a *global ecological power*, i.e. a power that influences environmental policies throughout the world. While the existing literature stresses the significance of normative power, regulatory politics and multi-level governance in this process, we highlight the importance of what we call the logics of market integration. By that we mean the decisive role of Single market integration in fostering convergence of environmental policies at the European level as well as in extending European influence at the global level. We illustrate our approach with the case of climate policy, detailing the EU's influence on economic instruments developed worldwide to mitigate climate change.

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## **Introduction: From influenced to influential power**

The first international conference on environmental matters of the contemporary era was the United Nations Conference on the Human Environment, held in Stockholm in June 1972<sup>4</sup>, with almost no head of state and government in attendance. Despite this lack of direct involvement and participation by political leaders, the Stockholm conference is widely credited with being the cradle of environmental international governance. One immediate effect Stockholm had was to put environmental policy cooperation on the agenda of “The First Summit Conference of the Enlarged Community” of October 1972, a meeting where the newly enlarged EEC sought ways and means to make “her voice heard in world affairs” by “making a creative contribution in proportion to her human, intellectual and material resources and affirming her own concepts in international relations, in line with her role in initiating progress, peace and cooperation.” The Paris Declaration went on to stress the importance of “non-material values and wealth and [the] protection of the environment so that progress shall serve mankind” and stated under the headline “The Environment” the following commitment:

The Heads of State and Government stressed the value of a Community environment policy. They are therefore requesting the Community Institutions to draw up an action programme with a precise schedule before 31 July 1973.

This was the first time that environmental policy was contemplated as a potential domain of cooperation. Yet, the EEC member states, and especially France and Germany, had already by then put in place environmental policies, responding to the growing voice and concern of European environmental movements, following the social and political dynamic observed in the US, at that time the environmental leader (Vogel 2003).

In other words, European integration found itself under a double influence with respect to environmental policies: an international influence through the early beginnings of a planetary environmental conscience that was starting to find an institutional embodiment and the influence of its member states, which were themselves lagging behind the US.

In the course of the almost four decades that have followed the Stockholm conference, the situation has been completely turned upside down: the EU is today the global ecological leader, extending its influence within the US borders, while it is the source of the vast majority of environmental laws of its member states. As Kelemen puts it (2009): “On issues ranging from climate change, to biodiversity, to trade in toxic wastes, to the regulation of persistent organic pollutants, the EU has taken on a leadership role”.

Starting in the 1970s, a continuous legal and constitutional effort has indeed given life to a « European preference for the environment » (Fitoussi, Laurent and Le Cacheux, 2010). Environmental policy in the EU now relies on close to 600 texts that have been added to the *acquis* since 1972 (Manual of Environmental Policy, 2004). As for global leadership, Vogler et al (2007) note that “The negotiating histories of recent conventions indicate that the EU has seized the opportunity provided by US abandonment of its previous undisputed role as a

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<sup>4</sup> See <http://www.unep.org/Documents.Multilingual/Default.asp?documentID=97>

leader in international environmental policy”<sup>5</sup>. How did this global environmental takeover happen? What were the key factors in this “green” metamorphosis of Europe?

### Norms, regulation and governance

There is today a rich and diverse literature that tries to shed light on the reasons for the flourishing of environmental policy in the EU. Kelemen (2009) reviews a large part of it in a very illuminating paper. Including Kelemen’s own account of the process, the most consistent line of argumentation in our view goes from Europe as a normative power, to “regulatory politics” and finally to the role of multilevel governance within the EU. It is not of course the only possible approach, but it is to us the most convincing.

- Europe as a normative power

It was Manners (2002) that started the “normative power” literature. His well-known argument is that, as a power, the EEC, and even more the EU, does not use crude force on the world stage to assert itself, but rather exercises influence through its capacity to project its values on the global scene. These values are comprised of “core norms” and minor norms, of which sustainable development is part (Table 1). According to Manners, it “became important following the Rio Earth summit when it was included in the Treaty of Amsterdam.”

Table 1. The EU as a normative power

<i>Founding Principles</i>	<i>Tasks and Objectives</i>	<i>Stable Institutions</i>	<i>Fundamental Rights</i>
Liberty	Social solidarity	Guarantee of democracy	Dignity
Democracy	Anti-discrimination	Rule of law	Freedoms
Respect for human rights and fundamental freedoms	Sustainable development	Human rights	Equality Solidarity
Rule of law		Protection of minorities	Citizenship Justice
Treaty base – set out in art. 6 of the TEU	Treaty base – set out in arts. 2 of TEC and TEU, arts. 6 and 13 of TEC	Copenhagen criteria – set out in the conclusions of the June 1993 European Council	Charter of Fundamental Rights of the European Union

Source: Manners (2002).

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<sup>5</sup> Vogler, John and Hannes Stephan. 2007. The European Union in global environmental governance: Leadership in the making? *International Environmental Agreements*, 7: 389-413.

If the idea of Europe as a “civilian power” in international affairs is not new (Duchêne, 1973), the relevance of the normative power approach lies with the identification of the channels through which Europe’s power is felt in a soft way.

Manners identifies five main channels of action for the European normative power: “contagion” (the diffusion of norms from the unintentional diffusion of ideas from the EU to other political actors; “informational diffusion” (the result of the range of strategic communications and declaratory communications by EU institutions); “procedural diffusion” (the institutionalization of a relationship between the EU and a third party); “transference” (the diffusion of EU norms taking place when the EU exchanges goods, trade, aid or technical assistance with third parties) and finally “overt diffusion” (the result of the physical presence of the EU in third states and international organizations)<sup>6</sup>.

We will come back to this typology when we will articulate our own model of European environmental global influence. It is enough to note for now that the environmental domain offers a fertile ground for the EU to exercise its influence through those channels, especially in opposition to the US. Scheipers and Sicurelli (2007) remark in this respect that “The EU presents its strategies, its policy position and the means it selects as radically opposed to the US...the EU builds its identity with reference to multilateralism, a commitment towards international law and the instruments to achieve its goals.” As noted by Kelemen (2009), “it does seem likely that the EU’s desire to establish an identity and a reputation as a ‘normative power’ encouraged EU leadership on global environmental issues.”

#### - Regulatory politics

Kelemen (2009) puts at the centre of his explanation as to how the EU became a global leader in environmental issues a model that “combines the effects of domestic politics and international regulatory competition”. Under the influence of domestic political forces, the author argues, member states and later the EU have developed ambitious environmental policies. But international politics also come into play: the second part of the model comes in the form of an interested commitment to multilateralism by Europeans: “Given this commitment, it is in the competitive interests of the EU to support stringent international agreements that will pressure other states to adopt similarly costly environmental regulations.” This regulatory politics the EU plays translates for instance in its attempt to “globalize the environmental standards it favors through Multilateral Environmental Agreements” and also by an effort to “green the international trade regime.”

Oberthür and Roche Kelly (2008) develop a similar analysis but also consider the logic of regulatory politics in the reverse way: “the position of the EU in the international system and its strategic orientation in international relations, specifically including its strong support for multilateralism, also support EU leadership on climate change.”

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<sup>6</sup> Manners (2002).

## - Multi-level governance

The final stage, according to our interpretation, of this chain of reasoning comes in the form of the influence that multi-level governance plays in stimulating advances in environmental policy within the EU. Schreurs and Tiberghien (2007) for instance argue that “EU leadership in climate change is the result of a dynamic of competitive multi-level reinforcement among the different EU political poles within a context of decentralized governance”.

There is certainly a complex combination of reasons stemming from EU’s peculiar political economy that make a number of explanations as to *why* it became leader in environmental policies plausible. Yet, we don’t want to add to the complexity. Rather, we want to contribute to understanding *how* this happened, by stressing a factor that is sometimes omitted or minimized in the existing literature: the Single market.

As Vogler (2005) puts it: “Even without formal policy commitments, the sheer presence of an economic enterprise on the scale of the European single market was always going to be significant for the global environment”. What if “formal policy commitments” emerged precisely from the Single market?

### **The logics of market integration**

To understand how the EU became a global leader in environmental policy, we have to go back to how environmental law emerged in the EU in the first place. Our view is that it did so through market integration.

One of the major objectives of the EEC, inscribed in the very first paragraphs of the Rome Treaty, has been to insure free circulation of goods. And environmental law was not part of the arsenal of European integration. The concern that environmental national measures could come as obstacles to free circulation triggered the first integration effort in the environmental domain. The rationale of European level policy being the preservation of free circulation, it was simply logic that market integration called for policy integration in the environmental domain.

Except for fisheries, the Rome Treaty did not contain any action at the European level for the preservation of natural resources, ie there was no European competence for the environment. The first European environmental legislation has thus been integrated to the *acquis* through texts aiming at promoting free circulation of goods. The two first European environmental regulations, Directive 67/548/CE of 27th June 1967 and Directive 70/157/CE of 23rd February 1970, respectively aimed at making national legislations converge on dangerous substances and noise from motor vehicles. This free circulation motivated environmental approach was explicit for instance in the Council Directive no. 80/778, 1980 O.J. (L 229) 11 relating to quality of water intended for human consumption:

“[A] disparity between provisions ... in the various Member States relating to the quality of water for human consumption may create differences in the conditions of competition and, as a result, directly affect the operation of the common market ... ”.

In this respect, the Paris Declaration of 1972 does not appear decisive as a legal basis, but rather for institutional evolution. Yet this evolution is interesting as it shows that from the beginning, environmental policy was indeed linked to competition and industrial policy, that is to Single market policies: 1973 marks the creation of a service of protection of the environment and consumers in the European Commission within the realm of the Direction of industrial policy.

The true legal basis for environmental competence came in 1985, when the ECJ acknowledged that the protection of the environment was now an “essential objective” of the EEC (Case 240/83, *Procureur de la République v. Association de Défense des Brûleurs d'Huiles Usagées*, 1985 E.C.R. 531) that could even justify restriction on the free circulation of goods (Article 30 of the Rome Treaty did not specify environmental protection as a valid motive for restriction)<sup>7</sup>.

This movement, from negative to positive integration, happened before the Single Act formally introduced a Title VII on “Environment” in the Treaty of Rome<sup>8</sup> and thus provided a constitutional confirmation of the already existing legal basis. As noted by Sand (1991), “by 1987, when the Single European Act amendments to the Treaty of Rome came into effect, the Community had already adopted more than 150 acts of secondary environmental legislation”<sup>9</sup>. The Maastricht Treaty advanced environmental competence much further, recognizing environmental protection as an EU policy goal (and not only principle) and constitutionalizing the polluter-payer principle. The Amsterdam Treaty (1999) finally made “sustainable development” a principle applicable to all EU policies.

In all, as Sands (1991) notes, during the period of development of environmental regulation in the EEC, “Community environmental law...was largely motivated by a desire to remove non-tariff barriers to intra-Community trade by harmonizing member states' environmental laws”

Yet, the existing literature tends to downplay the role of the Single market as a driving force for EU environmental policy. It also downplays the role of market integration in the EU environmental leadership. This is where the second part of our argument on the logic of market integration kicks in: the matter of global life is that the EU has become the world's leading economy in our globalization. To the first logic of market integration within the EU is thus added a second logic of market integration at the global level whereby the EU imposes its environmental rules worldwide through the Single market, both logics combined being the driving forces of the EU as a global ecological power.

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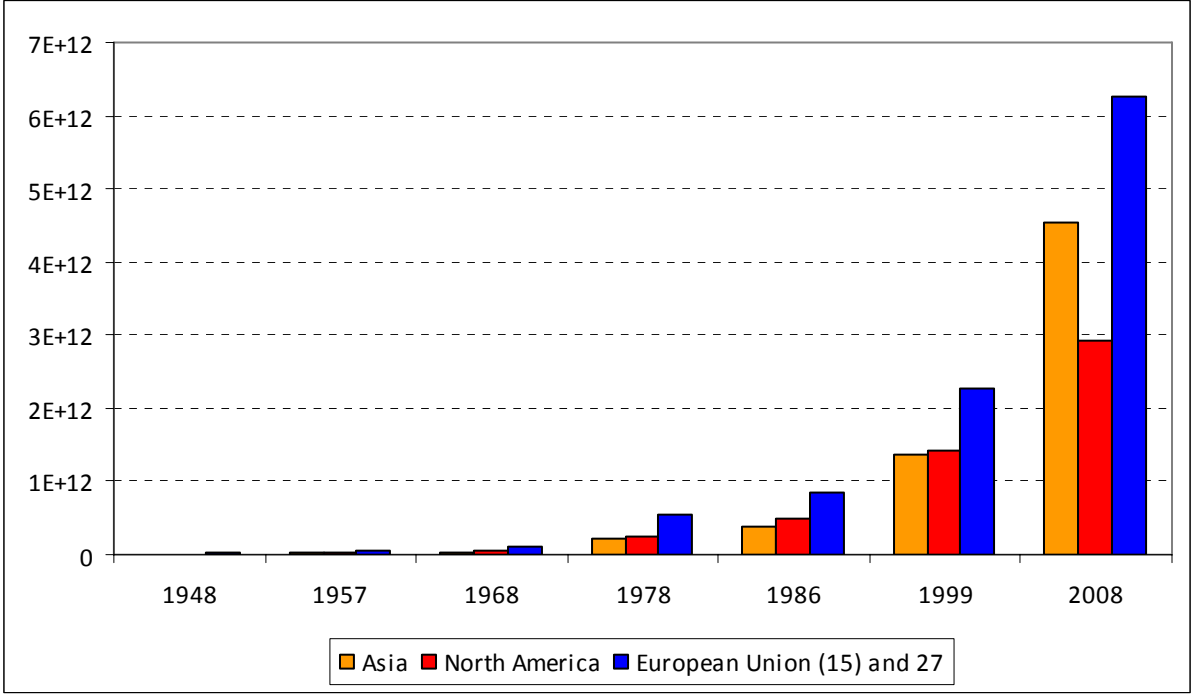
<sup>7</sup> The Court noted that the limitations to restrictive measures should not “go beyond the inevitable restrictions which are justified by the pursuit of the objective of environmental protection.”

<sup>8</sup> Article 130R states that the EEC should follow three main objectives: “(i) to preserve, protect and improve the quality of the environment; (ii) to contribute towards protecting human health; (iii) to ensure a prudent and rational utilization of natural resources.”

<sup>9</sup> Sand adds that “Between 1973 and 1987, the Community adopted an extensive body of substantive environmental rules covering water, air, and noise quality, the control and management of waste and hazardous substances, and the protection of flora, fauna, and countryside. It also introduced various environmental protection procedures, including environmental impact assessments and mandatory notification to the Commission of certain environmentally harmful activities.”

There are two ways to assess the global reach of the Single market. The first one is through the evolution of the volume of imports since the post-war period (graph 1): Europe is now the largest market and the first economy in the world with 500 millions consumers.

Graph 1. Imports from the world, Total merchandise trade in US dollar at current prices



EU intra-trade included; EU 27 in 2008 and EU 15 before  
 Source: WTO.

The other way to assess the reach of the Single market is through the volume of legislation attached to it. The European Commission notes on its website that “The volume of the existing body of EU legislation (“the Community acquis”), represented nearly 9 000 pieces of legislation (At the end of 2006, over 7 000 regulations and 1 930 directives were in force), much of which relates to the single market”. In other words, if the Single market has become the center of our globalization, it is also heavily regulated.

The line of argumentation that locates the key driver of EU’s global influence in environmental policy in market integration has already been developed, for instance by Selin and VanDeveer (2006) in the case of toxic substances legislation. Their essential argument goes as follows: “If non-EU firms want to continue to sell their products in the EU, they will have to comply with EU product rules and standards.”

They thus note that “expansion of EU hazardous substances and e-waste policy under WEEE, RoHS, and REACH already influences firms and political actors beyond the EU’s borders—from the United States to China and elsewhere.” They go on to remark that: “Historically, many product standards for consumer and environmental protection were set in the United States because of the size of the U.S. economy and the stringency of early U.S. standards. Whereas U.S. chemical policy in the 1970s and the early 1980s often acted as an inspiration for European policymaking, the EU has taken over the role as leader in chemical policy



development. The EU is increasingly replacing the United States as the de facto setter of global product standards and the center of much global regulatory standard setting is shifting from Washington, DC, to Brussels”.

Today, with a strong environmental legislation in place in the EU that ranges explicitly from domestic integration to global influence (see Box 1) and with the Single market vibrant, the early steps of European environmental policy have been all but reversed: national environmental laws result overwhelmingly from the transposition of EU law and this EU law impacts countries outside the EU, including the US.

#### Box 1. Environmental protection in EU Treaties

DETERMINED to promote economic and social progress for their peoples, taking into account the principle of sustainable development and within the context of the accomplishment of the internal market and of reinforced cohesion and environmental protection, and to implement policies ensuring that advances in economic integration are accompanied by parallel progress in other fields,

3. The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.

#### TITLE XX- ENVIRONMENT, Article 191

1. Union policy on the environment shall contribute to pursuit of the following objectives:

- preserving, protecting and improving the quality of the environment,
- protecting human health,
- prudent and rational utilisation of natural resources,
- promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate change.

2. Union policy on the environment shall aim at a high level of protection taking into account the diversity of situations in the various regions of the Union. It shall be based on the precautionary principle and on the principles that preventive action should be taken, that environmental damage should as a priority be rectified at source and that the polluter should pay. In this context, harmonisation measures answering environmental protection requirements shall include, where appropriate, a safeguard clause allowing Member States to take provisional measures, for non-economic environmental reasons, subject to a procedure of inspection by the Union.

3. In preparing its policy on the environment, the Union shall take account of:

- available scientific and technical data,
- environmental conditions in the various regions of the Union,
- the potential benefits and costs of action or lack of action,
- the economic and social development of the Union as a whole and the balanced development of its regions.

4. Within their respective spheres of competence, the Union and the Member States shall cooperate with third countries and with the competent international organisations. The arrangements for Union cooperation may be the subject of agreements between the Union and the third parties concerned. The

previous subparagraph shall be without prejudice to Member States' competence to negotiate in international bodies and to conclude international agreements.

#### TITLE V - Article 21

The Union shall define and pursue common policies and actions, and shall work for a high degree of cooperation in all fields of international relations, in order to:

...

(f) help develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure sustainable development;

Source: Consolidated versions of the Treaty on European Union and the Treaty on the functioning of the European Union.

This strategy of influence through market integration was actually very apparent when the EEC attempted to institute a hybrid energy-carbon tax in 1991:

With the completion of the Internal Market, the European Community will be the biggest economic/trading partner in the world with the potential to exercise an important level of moral, economic and political influence and authority. As such the Community owes it to both present and future generations to put its own house in order and to provide both leadership and example to developed and developing countries alike in relation to protection of the environment and the sustainable use of natural resources.<sup>10</sup>

Even if the EEC, and later the EU, was eventually unsuccessful in its attempt to integrate carbon taxation at the European level, the case of economic instruments used to mitigate climate change illustrates how the EU as a global ecological power works.

### **The case of economic instruments to mitigate climate change**

The leadership of the European Union on the pressing issue of climate change is hardly debatable. In the early 1990s, as the first international negotiations began, European countries immediately pushed for the adoption of ambitious targets and constraining instruments for industrialized economies. The European Union then played a major role in the development of the 1992 United Nations Framework Convention on Climate Change and the Kyoto Protocol (dec. 1997), where the EU offered the most important cut in greenhouse gas emissions (-8% with respect to the Protocol base-year). In 2007, while the EU was by far the only industrialized region on track to respecting its Kyoto commitment (table 3), it offered to unilaterally deliver a 20% cut with respect to 1990 emissions by 2020, and a potential 30% cut if other countries aimed for comparable targets. In preparation of the Copenhagen

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<sup>10</sup> European Commission (1991).

conference, the EU confirmed those targets in its “climate-energy package” (adopted in December 2008 and passed into law in Spring 2009).

Table 3. Countries performance under the Kyoto Protocol

	Change base yr-2000 %	Change base yr-2007 [Kyoto target] %
All Annex I	-6,9	-4 [-5,2]
Annex I EIT parties	-41,3	-37
Annex I non-EIT	+8,8	+11
EU 15	-3	-4,3 [-8]
US	+14,1	+16,8 [-7]
Japan	+6	+8,2 [-6]
Australia	+19	+ 30 [+8]
Canada	+21,2	+26,2 [-6]

Source: United Nations.

Furthermore, as early as 1995, the EU wrote down in its secondary law the basis of the scientific consensus on climate change built since 1988 by the Intergovernmental Panel on Climate Change. The EU acknowledged the need to limit the increase in earth's temperature to 2° C, which is now a global reference included in the otherwise disappointing Copenhagen Accord (December 2009)<sup>11</sup>.

This EU climate leadership became particularly manifest when the US decided on March 2001 to withdraw from the Kyoto Protocol. In April 2002, the EU nevertheless adopted the Protocol. And in 2007, the European Commission made no mystery of its intention to weight on international negotiations: “Climate change is happening. Urgent action is required to limit it to a manageable level”...“The EU must adopt the necessary domestic measures and take the lead internationally to ensure that global average temperature increases do not exceed pre-industrial levels by more than 2°C”. When the 2007 Report by the IPCC was published, the then Commissioner for environment Dimas, also made this approach very clear:

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<sup>11</sup> The first paragraph of the Accord reads “We underline that climate change is one of the greatest challenges of our time. We emphasise our strong political will to urgently combat climate change in accordance with the principle of common but differentiated responsibilities and respective capabilities. To achieve the ultimate objective of the Convention to stabilize greenhouse gas concentration in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, we shall, recognizing the scientific view that the increase in global temperature should be below 2 degrees Celsius, on the basis of equity and in the context of sustainable development, enhance our long-term cooperative action to combat climate change...”

“This synthesis report is vital reading for decision-makers everywhere ahead of the UN climate change conference in Bali starting in just over two weeks. It fully supports the EU policy that global warming must be limited to no more than 2°C above the pre-industrial temperature. The global community must respond to this scientific call for action by agreeing in Bali to launch negotiations on a comprehensive and ambitious new global climate agreement. Efforts will be needed by all major emitters if we are to have a chance of controlling climate change before it is too late.”

Maybe more importantly, the EU also leads the way in terms of economic instruments mobilized for climate change mitigation, whether one considers fuel efficiency standards and norms, cap-and-trade (carbon markets) or carbon taxes. In this respect, as noted by Oberthür and Roche Kelly (2008), it is fair to say that the architecture of the Kyoto Protocol, and especially the fact that it relies on carbon markets, was more inspired by the American position than by European demands. Yet, the EU fully embraced the logic of the Protocol and was the first region in the world to implement its first “flexibility mechanism” (by creating a cap-and-trade carbon market as early as 2005) and now leads the way in this domain as well as with the other mitigation instruments.

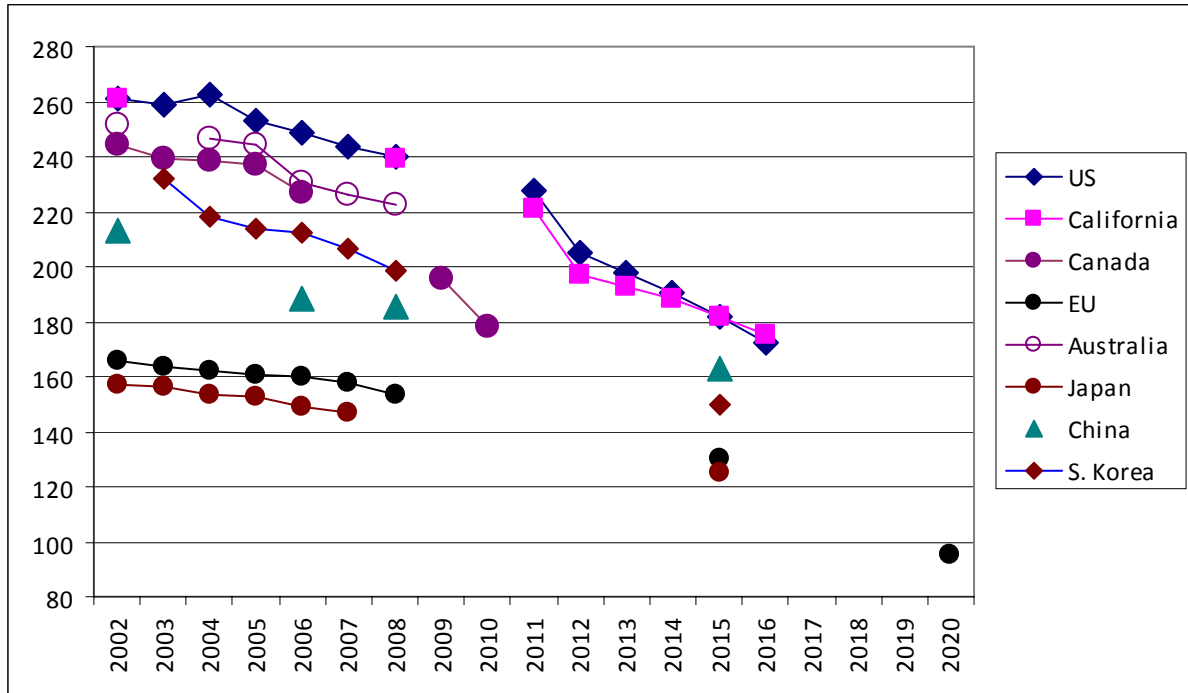
#### *Greenhouse gas emissions standards for light vehicles*

Greenhouse emissions from road transport account for more than 90% of all transport emissions in the EU, which account themselves for around a fifth of all EU greenhouse emissions and are on a very dynamic path (+ 25% since 1990). Starting in 1995, the European Commission thus engaged into a series of so-called “voluntary commitments” with the European, Japanese and Korean car makers to curb emissions from their new cars sold in the Single market to an average of 140g/km by 2008 (for European manufacturers) or 2009 (for Japanese and Korean manufacturers).

The strategy has only been partly successful: between 1995 and 2004, average emissions from new cars sold in the EU 15 fell by 12.4%, from 186g CO<sub>2</sub>/km to 163g CO<sub>2</sub>/km, roughly half of what was initially planned. The new objective set in the climate-energy package is therefore more ambitious and aims at reaching 130g/km in 2015 and 95g/km in 2020.

Still, the European effort, because it was targeted towards European and Asian car makers had a global effect. Data from the ICCT show that a race to the bottom in greenhouse gas emissions standards was triggered in recent years by the European leadership (graph 2).

Graph 2. Emissions by new light vehicles, in CO<sub>2</sub>g/km, 2002-2020



Source: ICCT.

The EU is indeed in 2009 the first car market worldwide, with 14 millions cars sold or 30% of the total. As noted by Selin and VanDeveer (2006), “most firms operating in multiple markets prefer to produce their products to as few different standards as possible, and they often follow the highest regulatory standard”. In other words, in this case, the global European influence is mediated by Asian car makers in Asia and the US.

### *Carbon markets*

Since January 2005, the main pillar of Europe’s environmental strategy is a market for emission permits, the EU Emission Trading Scheme (EU ETS). The economic logic behind this instrument was inspired by the work of Ronald Coase (1960): according to the coasian approach of the pollution problem, the market, provided it exists, can efficiently allocate resources and determine the right price of pollutants. The role of the State should thus be limited to defining property rights in order to create the market, set a cap of emissions allowed to firms and let the market find the « right price » of carbon through permits trading between firms.

The growing importance of the European carbon market is obvious. With 3.09 billion tons exchanged in 2008, it represents 64% of world carbon markets and 94% of allocation markets (table 3). From 2007 to 2008, its development was also impressive (+66%), see table 4.

The EU influence in the development of carbon markets to mitigate climate change is thus twofold: first, its experience serves as a benchmark, for instance in the US; second, the global price of carbon is determined in the European Union, which influences all firms engaged in developing new energy and environmental technologies in the process of “green transition”<sup>12</sup>.

Table. The European carbon market in international comparison

	2007		2008	
	Volume (MtCO <sub>2</sub> e)	Value (MUS\$)	Volume (MtCO <sub>2</sub> e)	Value (MUS\$)
<b>Allowances Markets</b>				
EU ETS	2,06	49,065	3,093	91,91
New South Wales	25	224	31	183
Chicago Climate Exchange	23	72	69	309
RGGI	na	na	65	246
AAUs	na	na	18	211
Sub total	2,108	49,361	3,276	92,859
Global carbon markets	2,984	63,007	4,811	126,345

Data Source: World Bank; Laurent and Le Cacheux, 2009.

Note: In its accounting, the World Bank distinguishes between two types of carbon-credit exchanges: transactions which place weight on projects linked to the Kyoto Protocol’s clean development mechanism and transactions made possible by an initial allocation of emission permits like the EU ETS.

### *Carbon taxes and tariffs*

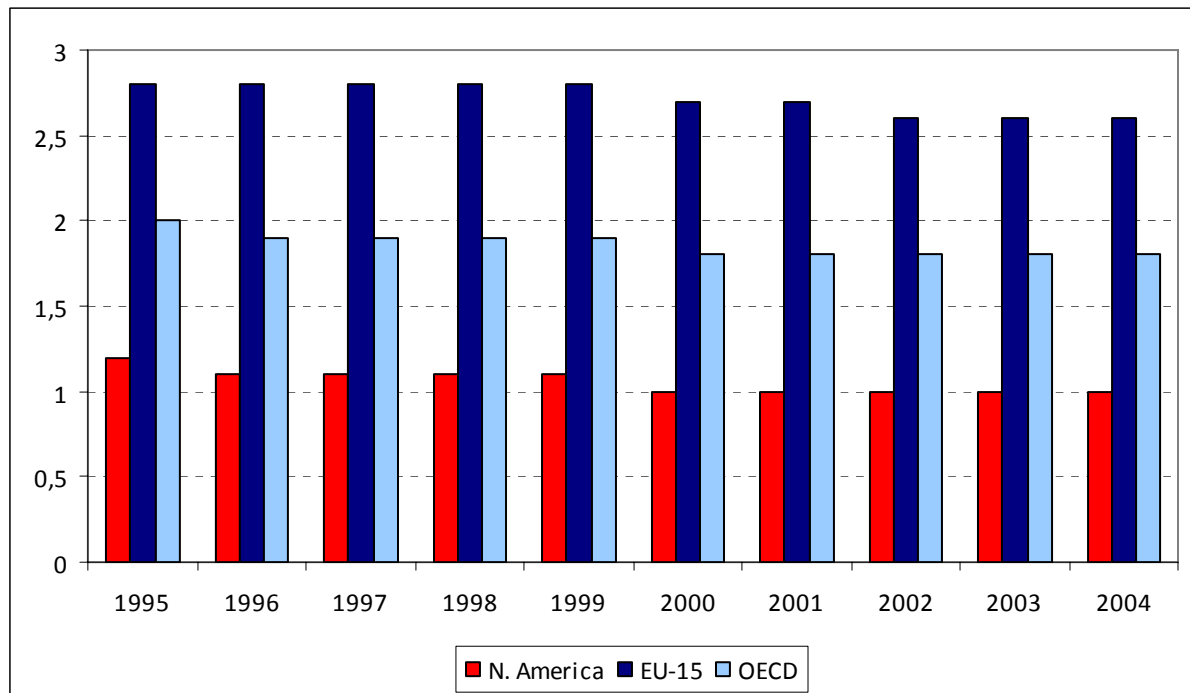
The economic theory of environmental taxation goes back to the work of Pigou (1920), whose idea was to internalise external environmental damage by means of taxation. With this objective, carbon taxation aims at integrating the “social cost” of the use of carbon (in terms of climate change, health, etc.) into the cost of the private use of fossil fuels.

EU countries are distinguishable by relatively high environmental taxation – in particular when compared with the United States, Japan, Canada and Australia and more generally OECD countries (see Graph 3).

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<sup>12</sup> The importance of the European market makes it all the more crucial for it to function efficiently, which is not the case at the moment. For a review of problems and proposals of reform, see Laurent and Le Cacheux (2009).

Graph 3. Environmental taxes as a % of GDP



Data source: OECD.

Here also, the influence of the EU is twofold. The first influence comes into play on how to design carbon taxes (there are now a number of different European case studies (such as Sweden, Finland, and, to a lesser extent, Germany, the UK or Slovenia) that are rich of lessons for countries wanting to engage in carbon taxation. The EU Commission has also announced that it is revising the fuel taxation directive that imposes minimum levels of taxation for fossil fuels in all member states. This is of course also in the logic of market integration, though still quite far imposing a EU carbon tax. Proposals for such a bold move exist though, in particular in the form of a European Carbon Added Tax (ECAT) (Laurent and Le Cacheux, 2009).

The second influence can be more direct: in the case of failure of international negotiations, the EU could decide to levy a carbon tariff which would influence directly producers around the world to comply with European emissions standards, once again through the influence of the Single market. An embryonic implementation of this logic is already being phased in with the imposition of emission quotas to air carriers flying to EU airports.

### **Conclusion: The EU's accidental foreign policy**

The Copenhagen conference was wrongly interpreted in some circles as a failure of the European leadership on climate change and the need for the US and China to takeover the reins from a tired environmental leader. This is at once unfair and untrue.

Before it even began, the Copenhagen conference was a success, because no country could pretend to ignore any longer the scientific consensus on climate change, and a failure, because it was clear that no binding treaty or full protocol would emerge from it. The success was largely due to the EU and the failure largely the result of US obstruction. The meager agreement painfully reached in Copenhagen calls for a renewed European leadership. It also calls for the development and extension of European climate change mitigation economic instruments: as we enter the nuts and bolts era in climate change policy, fewer and fewer grand declarations will be needed and more and more small steps towards efficient economic instruments will be required.

It is often thought and said that the EU has no real foreign policy. According to this paper, this may not be true: the Single market, through the soft power it exerts on hundreds of millions of producers eager to comply with the rules of the largest global markets of (rich) consumers, may well be the true, albeit implicit, EU foreign policy. And environmental issues may well be where this accidental European foreign policy is most felt in years to come.



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