



Rt Hon George Osborne MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

24 May 2011

Dear Mr Osborne

Re: EU Energy Tax Directive proposals

We are writing to you with an urgent request; namely to support the recent proposals from the European Commission for reforming energy taxation in the EU on the pragmatic grounds that they will serve the UK's environmental and economic interests.

We know that the Treasury instinct is to reject EU tax proposals like this as infringements of national sovereignty. However, in this case we believe that in many ways the proposal is positive for the UK – it can help to achieve the UK's climate change targets, and also help UK competitiveness. The UK stands to gain economically from one of the most contentious points of the proposal which is the increase of the EU minimum tax on diesel. As you are aware, the UK's tax levels are above those of its neighbours and far above the EU minimum levels and would hence not be affected by this change. Increasing the EU minimum level would be in the UK's economic interest, as it would level the playing field on diesel taxation in Europe. This would increase, not decrease, national autonomy on tax issues, and would further increase the possibility to use fuel tax as an instrument to mitigate climate change and manage travel demand.

The proposal can increase national sovereignty over taxation and help fight climate change in another way too. Rather unfortunately the proposal keeps the existing ban on energy taxation on kerosene for flights from and to the EU. This is unnecessary; there is no international legislation that forces the EU to ban such taxation, and it runs against principles of subsidiarity. Ending this ban would make it possible to renegotiate bilateral air service agreements with third countries, with an eye on making kerosene taxation by Member States gradually possible. If the EU does not even end the ban in its own legislation, there is no hope that this ban can ever be lifted in the bilateral air service agreements. We would therefore urge you to seek to remove this ban on kerosene taxation on EU flights from the proposal.

We hope therefore that the UK will not veto or oppose European action on energy taxation - we think this would be very counterproductive for the UK. In 1992 and 2003 the UK agreed to previous versions of the directive and we sincerely hope that a pragmatic approach to this issue will prevail again.

Yours sincerely,



Stephen Joseph
Chief Executive,
Campaign for Better Transport



Colin Howden
Director,
Transform Scotland



Richard Dyer
Transport Campaigner,
Friends of the Earth
England, Wales and
Northern Ireland