

The proposal was formulated at the Atlantic Workshop on Energy and Environmental Economics, A Toxa (Pontevedra, Spain)

## **Experts recommend to link the Spanish taxes on buildings to their energy efficiency**

- *A new fiscal framework related to energy efficiency could decrease other tax burdens and deliver cost-neutral retrofit efforts in order to achieve the highest energy efficiency classification A.*
- *The most renowned global experts on energy and environmental economics present their research results at the Galician island of Q Toxa. Representatives of OPEC and various national governments also attend the meetings.*

**A Toxa, June 25th 2012.** – A new fiscal framework for energy efficiency could close the gap that Spain currently has in energy efficiency vis-à-vis its European partners. At the same time, other tax burdens could be cut. This recommendation made today by a group of experts gathered at La Toxa island (Galicia, Spain) includes installing a quantification system for buildings similar to the one already implemented for electric appliances. This would incentivize investments to improve the certification of buildings to level A, the maximum rating which is also exempt from taxation.

Today and tomorrow the renowned global experts gather at A Toxa island (Pontevedra, Spain) for the Atlantic Workshop on Energy and Environmental Economics, a venue which has already gained international reputation through its past editions. The experts present results of their latest research, attempting to deliver helpful information and guidance for decision makers in energy policy. This year's is the fifth edition of the workshop organized by the research centre Economics for Energy, the research group Rede (University of Vigo), and the Spanish foundation Barrié.

Pedro Linares, co-director of Economics for Energy, highlighted that Spain is significantly less efficient in its energy use than her neighboring countries. "This is partially due to the Spanish business model during the past years which relied heavily on the construction of living space and infrastructure. However, even when the activities in construction decrease, Spain would still remain below the average European energy efficiency, mostly in buildings and transport", Linares laid out.

The researchers showed that the potential to reduce energy demand at accessible prices is significant. According to recent research of Economics for Energy, technological advances and adequate policies to put them to use could reduce Spanish energy demand by 40% until 2030 relative to a scenario without these measures. However, the absence of suitable signals to the consumers is one of the main reasons why the savings are not realized. Therefore, the experts believe there to be room for additional fiscal tools to incentivize consumers to reduce their energy use.

Linares also said that European tax harmonization would clearly lead to higher energy prices in Spain. This requires applying energy saving measures. “In buildings, one of the sectors with the highest energy use in Spain, it is necessary to combine information efforts through energy certificates in the building stock with tax burdens for energy-inefficient buildings, just like we proposed in a recent research project,” Linares pointed out. In that way the owners of lower rated building would want to take retrofitting measures to acquire a better rating. The measure would thus be an incentive-driven tax, since it induces the necessary restorations to avoid the tax burden and facilitate energy savings. “But this does not necessarily mean to increase the tax burden for consumers. Other less efficient taxes in other areas, like some labor taxes, could be cut and substituted by other new income sources likes the ones we know as green taxes”, explained Linares.

María Sicilia, responsible for energy management at the Spanish ministry of industry agreed that the largest challenges in energy efficiency matters in Spain are in buildings and transport.

The experts concluded today that a fiscal reform and rearrangement of taxes to penalize energy consumption in Spain –and a parallel cut in labor taxes and other inefficient taxes– would benefit the economy as a whole, the environment, and the trade balance because of reduced energy imports. “During times of crisis such a reform should be received very positively”, explained the experts.

### **Efficiency will play a key role in the future**

Energy efficiency was a central topic during the meetings. Another important message sent out by the experts is that energy efficiency measures are not an obstacle to competitiveness.

These matters will be adressed this afternoon during a round table session on the future of energy efficiency in the Spanish energy policy. María Sicilia (Ministry of Industry), Gonzalo Sáenz de Miera (director of regulation of Iberdrola), Carlos Ocaña (general director of the foundation of Spanish Cajas de Ahorro, FUNCAS), Xavier Labandeira (director of Economics for Energy), and Javier López (general director of the foundation Barrié) are participating in this session.

The experts also highlight the necessity to improve the economic evaluations of the consequences of climate change as a tool to increase awareness among politicians globally. They claim that it is necessary for energy policies to address this problem with priority.

Moreover, it was agreed that the crisis must not be seen as a dragging element for technological advances which facilitate the entry of clean energies.

As in earlier editions of the workshop, the research papers presented will also be published in prestigious scientific journals, which ensures that they may be followed by administrations and institutions acting in the field of energy efficiency, renewable and climate change. This relevance of the research results brought forward at the workshop has also attracted a wide range of decision makers to this event, like business leaders, public administrations, or the Organization of the Petroleum Exporting Countries (OPEC).

Among the speakers at the workshop were Lawrence H. Goulder, professor at Stanford University, specialized in the evaluation of environmental and climate change policies; Ottmar Edenhofer, professor of climate change economics at the Technical University Berlin and co-chair of working group 3 of the Intergovernmental Panel of Climate Change (IPCC) of the United Nations, which precisely celebrates its only meeting in Europe for the production of the Fifth Assessment Report in the Galician city of Vigo in November 2012, an event supported by Economics for Energy, the University Vigo and Barrié Foundation. Also present at the la Toxa workshop is Anil Markandya, one of the most renowned climate change economists of the world and director of BC3, the only Spanish research center on climate change which is based in Bilbao.

Also, Javier López, general director of the foundation Barrié, explained that their project “educaBarrié” brought a group of highschool students from Cambados (Pontevedra) to the workshop at Aa Toxa to give these young interested students a flavor of scientific activities and venues. Indeed, the students had the opportunity to see the scientists at work during the meetings and speak to them in person.