Plenary sitting

A7-0036/2011

10.2.2011

REPORT

on innovative financing at global and European level
(2010/2105(INI))

Committee on Economic and Monetary Affairs

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(*) Associated committee, Rule 50 of the Rules of Procedure

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on innovative financing at global and European level
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The European Parliament,

– having regard to the conclusions of the European Council of 17 June 2010 and the conclusions of the European Council of 11 December 2009,

– having regard to the minutes of the ECOFIN meeting of 19 October 2010 and to the report to the European Council quoted therein,

– having regard to the Belgian Presidency's programme, in particular the proposals on innovative financing,

– having regard to its resolution of 10 March 2010 on financial transaction taxes – making them work[1],

– having regard to its resolution of 20 October 2010 on the Financial, Economic and Social Crisis[2],

– having regard to its resolution of 22 September 2010 on European Supervisory Authorities[3] and, specifically, its resolutions of 22 September 2010 on the European Insurance and Occupational Pensions Authority[4], of 22 September 2010 on the European Banking Authority[5], of 22 September 2010 on the European Securities and Markets Authority[6], and of 22 September 2010 on macro-prudential oversight of the financial system and establishment of a European Systemic Risk Board[7],

– having regard to the Commission staff working document on innovative financing at a global and European level (SEC(2010)0409) and the Commission Communication on the taxation of the financial sector (COM(2010)0549/5), along with the accompanying staff working document (SEC(2010)1166),

– having regard to the proposal for a regulation of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories (COM(2010) 0484/5),

– having regard to the Commission Communication on Bank Resolution Funds (COM (2010)0254),

– having regard to the G20 Declaration issued on 15 November 2008 in Washington, the

[1] Texts adopted, P7_TA (2010)0056.
[2] Texts adopted, P7_TA(2010)0376.
[3] Texts adopted, P7_TA-(2010)0336.
[4] Texts adopted, P7_TA-(2010)0334.
[5] Texts adopted, P7_TA-(2010)0337.
[6] Texts adopted, P7_TA-(2010)0339.
[7] Texts adopted, P7_TA-(2010)0335.

G20 Declaration issued on 2 April 2009 in London and the Leaders' Statement of the G20 Summit of 25 September 2009 in Pittsburgh,

– having regard to the 2010 IMF report to the G20 on Financial Sector Taxation,

– having regard to the OECD Trade Union Advisory Committee paper entitled 'The parameters of a financial transaction tax and the OECD global public good resource gap, 2010-2020' of 15 February 2010,

– having regard to the 2010 OECD report entitled 'The elephant in the room: the need to deal with what banks do',

– having regard to the Austrian Economic Research Institute (WIFO) study entitled 'A General Financial Transaction Tax: Motives, Revenues, Feasibility and Effects' of March 2008,

– having regard to the Foundation for European Progressive Studies paper entitled 'Financial Transaction Taxes: Necessary, Feasible and Desirable' of March 2010,

– having regard to the Centre for Economic Policy Research study entitled 'Benefits of a Financial Transactions Tax' of December 2008,

– having regard to the report from the Commission - State Aid Scoreboard - Report on recent developments on crisis aid to the financial sector (COM(2010)0255),

– having regard to the Notre Europe study entitled 'An ever less carbonated Union? Towards a better European Taxation against climate change',

– having regard to the outcome document of the High-level Plenary Meeting of the General Assembly of the United Nations ‘Keeping the promise: united to achieve the Millennium Development Goals’ of September 2010,

– having regard to the Declaration issued at the Seventh Plenary Meeting of the Leading Group on Innovative Financing for Development held in Santiago in January 2010,

– having regard to the 2010 Report of the Committee of Experts to the Taskforce on International Financial Transactions for Development 'Globalising Solidarity: The Case for Financial Levies',

– having regard to Rule 48 of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs and the opinions of the Committee on Development and the Committee on Industry, Research and Energy (A7-0036/2011),

A. whereas the unprecedented global financial and economic crisis in 2007 revealed significant dysfunctions in the regulatory and supervisory framework of the global financial system, which can be described as the combination of unregulated financial markets, overly complex products and non-transparent jurisdictions; whereas Europe needs more transparent and efficient financial markets,

B. whereas free markets are the foundation of wealth creation worldwide, and whereas market economies and free trade create wealth and lift people out of poverty,

C. whereas the spectacular rise in the volume of financial transactions in the global economy within the last decade – a volume which in 2007 reached a level 73.5 times higher than nominal world GDP, mainly owing to the boom on the derivatives market - illustrates the growing disconnection between financial transactions and the needs of the real economy,

D. whereas the financial sector is heavily reliant on trading patterns, such as high-frequency trade (HFT), which are mainly targeted on short-term profits and are exposed to a high degree of leverage, which was one of the main causes of the financial crisis; whereas this has caused excessive price volatility and persistent deviations of stock and commodity prices from their fundamental levels,

E. whereas the ability of businesses, governments and individuals to borrow and lend to one another is a crucial factor for the global economy; whereas the financial crisis has provided examples of unfortunate features of the international capital market; whereas for that reason it is necessary to strike a balance between the need to take steps that help to preserve financial stability and the need to maintain banks' ability to provide credit to the economy,

F. whereas at the G20 summits held in Washington in 2008 and in Pittsburgh in 2009 an agreement was reached to implement reforms to strengthen financial-market regulatory regimes and surveillance in order to make financial institutions assume their fair share of responsibility for the turmoil,

G. whereas the main costs of the crisis have been borne thus far by taxpayers, whose money governments in many parts of the world have used to bail out private banks and other financial institutions; whereas there are growing calls for financial institutions and stakeholders, which have enjoyed years of excessive returns on equities and excessive annual bonus payouts and accounted for the majority of global corporate profits, to contribute their fair share to meeting the costs,

H. whereas in the EU in particular the cost of the bail-outs has worsened and accelerated the onset of a fiscal and debt crisis that has placed an unexpected burden on public budgets and severely endangered job creation, welfare state provision and the achievement of climate and environmental goals,

I. whereas short-termism and speculation on the European government bond market were important aggravating factors in the eurozone sovereign deficit crisis in 2009-2010 and have exposed the close links between the drawbacks of the financial sector and the problems in guaranteeing the sustainability of public finances at times of excessive budgetary deficits and growing public and private debt,

J. whereas the ineffectiveness of the Stability and Growth Pact in its present form and the disparities in competitiveness between Member States prompted the current debate on European economic governance, key components of which should be measures to strengthen the Stability and Growth Pact, mainly its preventive provisions, launch without any further delay unavoidable structural reforms and coordinate taxation policies and the fight against tax avoidance, fraud and evasion in order to safeguard tax justice, while gradually shifting the tax burden from labour towards capital and activities with strong negative externalities,

K. whereas the crisis has highlighted the need to raise new, broad-based, fair and sustainable revenues and to enforce existing laws on tax evasion and improve their effectiveness in order to ensure that fiscal consolidation is effectively combined with long-term economic recovery and the sustainability of public finances, job creation and social inclusion, which are key priorities of the EU 2020 agenda,

L. whereas the serious budget constraints resulting from the recent crisis come at a time when the EU has entered into highly important commitments at global level, mainly relating to climate-change targets, the Millennium Development Goals (MDGs) and development aid, in particular for climate change adaptation and mitigation for developing countries,

M. whereas on 17 June 2010 the European Council stated that the EU should lead efforts to establish a global approach to the introduction of systems of levies and taxes on financial institutions and called for the issue of the introduction of a global financial transaction tax (FTT) to be explored and further developed,

N. whereas it has already asked the Commission to carry out an impact assessment and provide an analysis of the positive merits of an FTT; resolving, therefore, to wait for this analysis before taking further action,

1. Takes note of the work carried out so far by the Commission to respond to the call made by Parliament in its resolution of March 2010 for a feasibility study on financial transaction taxes at global and EU level; stresses the need for a comprehensive impact assessment and calls for the result of the impact assessment and possible concrete proposals to be made public by summer 2011, as announced in the Commission's communication on Taxation of the Financial Sector; emphasises that a balanced and thorough feasibility study on an EU FTT should be the basis on which the procedure for introducing such a tax is implemented;

2. Emphasises that an increase in the rates and the scope of existing taxation tools and further cuts in public expenditure can be neither a sufficient nor a sustainable solution to address the main challenges ahead at European and global level; stresses that, when addressing these challenges and discussing new systems of financing, one of the main priorities should be creating means to strengthen the European competitiveness and economic growth;

3. Stresses that a properly functioning single market is the EU's most valuable tool in a global and competitive world and the main driver of European growth; stresses that the focus should be on strengthening the internal market and on finding ways to spend national and European resources more intelligently by taking a holistic view of budget reform, covering both the expenditure and the revenue side of the budget; points out that spending needs to be delivered in a way which is designed to bring results and new financial instruments for budget delivery must be smart, integrated and flexible;

4. Emphasises that removing the remaining barriers within the internal market is the best way to promote real growth policies that deliver; notes that studies show that as much as EUR 200 to 300 billion could be saved annually if all barriers to the four freedoms were removed;

5. Stresses the importance of the relaunch of the Single Market and emphasises that the EU must draw up and effectively implement common rules to enable the internal market to serve as a relay for structural growth; stresses that efforts must focus on the driving force of the European economy: Europe's 20 million businesses, especially the small and medium-sized ones run by entrepreneurs and other creative spirits;

6. Emphasises that one of the European Union’s greatest assets is its scale and that this asset must be used to the full by exploiting the potential of the Single Market and by using funds from the EU budget to bring added value to the public sector’s efforts to stimulate the drivers of growth;

7. Stresses that the Commission should adopt a common strategic framework, outlining a comprehensive investment strategy which translates Europe 2020’s targets and objectives into investment priorities and indentifies investment needs in relation to headline targets and flagship projects and the reforms needed to maximise the impact of investment supported by cohesion policy;

8. Stresses that one of the main advantages of innovative financing tools is that they can bring a double dividend, as they can at the same time contribute to the achievement of important policy goals, such as financial market stability and transparency, and offer significant revenue potential; stresses, in this context, that the effects of these tools on the negative externalities produced by the financial sector should also be taken into account;

Taxation of the financial sector

9. Recalls that the financial damage caused by tax evasion and tax fraud in Europe is estimated at between EUR 200 and 250 billion every year; considers, therefore, that reducing tax fraud levels would help to reduce public deficits without increasing taxes; points out, against this background, that innovative financing should reinvigorate efforts by the Member States, the EU and the international community to combat tax avoidance and fraud as well as other forms of illicit capital flight which have a significant budgetary impact;

10. Stresses that in the aftermath of the crisis the EU needs to convince its citizens that it has the will and the tools to go forward with a balanced combination of a fiscal consolidation strategy and stimulus policies in order to safeguard a long-term economic recovery;

11. Considers that, while major progress has been achieved recently both on the regulatory and the supervisory fronts, tax policy is the missing dimension in the EU approach to the financial sector;

12. Welcomes the Commission's recognition that the financial sector is under-taxed, in particular because no VAT is levied on most financial services, and calls for innovative financing measures to raise more from this sector and contribute to shifting the burden of

taxation away from working people;

13. Considers that the introduction of an FTT could help to tackle the highly damaging trading patterns in financial markets, such as some short-term and automated HFT transactions, and curb speculation; stresses that an FTT would thus have the potential to improve market efficiency, increase transparency, reduce excessive price volatility and create incentives for the financial sector to make long-term investments with added value for the real economy;

14. Emphasises the current revenue estimates for a low-rate FTT, which could, with its large tax base, yield nearly EUR 200 billion per year at EU level and $650 billion at global level; considers that this could constitute a substantial contribution by the financial sector to the cost of the crisis and to public finance sustainability;

15. Notes the developments in the debate concerning the FTT and the differing views concerning the feasibility, efficiency and effectiveness of such a tax, as well as the emerging discussion concerning a Financial Activities Tax (FAT), but notes that the G20 has so far been unable to promote meaningful joint initiatives on this matter; calls on the G20 leaders to speed up the negotiations for an agreement on the minimum common elements of a global FTT and to provide guidance on the desired future of these various kinds of taxation;

16. Favours the introduction of a tax on financial transactions, which would improve the functioning of the market by reducing speculation and help to finance global public goods and reduce public deficits; considers that the introduction of a tax on financial transactions ought to be as broadly based as possible; calls on the Commission swiftly to produce a feasibility study, taking into account the need for a global level playing field, and to come forward with concrete legislative proposals;

17. Points out that when examining options for the taxation of the financial sector at global and EU level the lessons learned from the introduction of sectoral transaction taxes at Member State level should be taken into account;

18. Stresses, further, that the flow of merely speculative transactions to other jurisdictions would have few detrimental effects, but could also have the potential to contribute to increased market efficiency; also stresses that not all actions deemed to be speculative are to be condemned, since certain forms of risk-taking can enhance the stability of EU financial markets;

19. Stresses that within the centralised European central market clearing and settlement services could facilitate the introduction of an EU FTT, making it cheap in administrative terms and simple to implement; recalls, however, that the global and interconnected nature of the financial industry must be taken into account when the technical aspects of the FTT are designed;

20. Notes the recent Commission Communication as a first step in getting to grips with this topic; considers that the burden of proof regarding the possible advantages and/or drawbacks of the introduction of an FTT at EU level lies with the Commission and its impact assessment;

21. Notes that the recent Commission Communication announced an impact assessment of various options for the taxation of the financial sector and calls on the Commission also to address in its feasibility study the geographical asymmetry of transactions and revenues and the possibility of a graded or differentiated rate on the basis of the asset category, the tax incidence, the nature of the actor involved or the short-term and speculative nature of some types of transactions; asks the Commission to draw on all available research;

22. Calls on the Commission to analyse in its feasibility study the various possible options for an EU FTT and their impacts, including the benefits for the economy and society of reducing the scale of speculative financial transactions, which currently cause severe market distortions;

23. Stresses that an FTT should have the broadest base possible so as to guarantee a level playing field in the financial markets and not drive transactions to less transparent vehicles; considers, therefore, that the Commission's feasibility study should look into all transactions with financial assets, such as exchange-traded spot and derivatives transactions carried out on markets and Over-The-Counter (OTC); points out that the grading of an FTT, with differentiated rates across trading venues, could further enhance market stability by creating positive incentives for financial actors to move transactions away from OTC vehicles to more transparent and well-regulated venues;

24. Welcomes, in that context, the recent Commission proposals on OTC derivatives and short selling which impose explicit central clearing and trading repository requirements on all OTC derivatives transactions, thus making the implementation of this broad-based EU FTT technically feasible;

25. Insists on determining who will ultimately be paying the tax, as the burden usually falls on the consumer, who in this case would be retail investors and individuals; stresses the need for comprehensive rules on exemptions and thresholds, in order to prevent this;

26. Welcomes the recent proposals from the IMF, supported by the Commission, for a tax on bank assets to allow every country to levy between 2 and 4% of GDP to finance future crisis-resolution mechanisms; believes that bank levies should be proportionate to the systemic significance of the credit institution concerned and to the level of risk involved in an activity;

27. Notes that bank levies, an FAT and an FTT each serve different economic objectives and have different revenue-raising potential; emphasises that, since they are based on balance-sheet positions, bank levies cannot take on the role of curbing financial speculation and further regulating shadow banking; in that connection, stresses, moreover, the importance of financial supervisory mechanisms and transparency in enhancing the resilience and stability of the financial system;

28. Notes the IMF proposal on a FAT and the Commission's recent commitment to conduct a comprehensive impact assessment of its potential; stresses that an FAT is mainly a revenue-oriented tax tool that targets the financial sector, making it possible to tax economic rents and profits from excessive risk-taking, and as such could provide a solution to the current VAT exemption of the financial sector;

29. Is aware of different options for the management of the additional revenues generated by the taxation of the financial sector at both national and European level; stresses that, the question regarding the purpose for which the revenues raised by an FTT should be used needs to be resolved and that, in order to give taxpayers a proper picture of the rationale behind additional financial sector taxation, the assessment of and prioritisation among different options should be seen as an essential element in the overall debate on innovative financing; stresses that, owing to its global nature, the revenue raised by a global FTT should be used to provide financing for global policy goals, such as development and poverty reduction in developing countries and the fight against climate change; notes the Commission's aim to increase the volume of the EU budget through the use of innovative financial instruments; is convinced that in order to safeguard the European added value of the aforementioned innovative financing tools a part of those revenues could be allocated to finance EU projects and policies; recalls that the Commission's recent Communication on a review of the EU budget regards EU taxation of the financial sector as a possible source of own resources; calls for a broad debate involving the EU institutions, national parliaments, EU stakeholders and civil society representatives on the choices available regarding those policies, the shares of revenue to be allocated at EU and national level and the various ways of achieving this; notes, with regard to the management of the share of the revenue allocated at national level, that all possible options should be evaluated, including the allocation of revenue to consolidate public finances;

30. Emphasises that the possible introduction of these new taxation tools in the financial sector should be analysed in the context of the existing tax environment in that sector, taking into account secondary effects and keeping a special focus on identifying synergies between old and new taxes;

31. Notes the Commission's aim to increase the volume of the EU budget through the use of innovative financial instruments and recognises the potential benefits of leveraging private sector funding with public money; is aware, however, that the use of special purpose vehicles for financing projects can result in increased contingent liabilities; believes, therefore, that such measures should be accompanied by fully transparent disclosure combined with appropriate investment guidelines, risk management, exposure limits and scrutiny and surveillance procedures, all to be established in a democratically accountable manner;

Eurobonds and European project bonds

32. Notes that Eurobonds are increasingly referred to as a common debt management instrument; notes all recent proposals and initiatives to that effect; calls on the European Council and the Commission to provide an immediate response to call Parliament made in its resolution on the permanent crisis mechanism (P7_TA-PROV(2010)0491) for the necessary political signal to be given for a Commission investigation into a future system of Eurobonds, with a view to determining the conditions under which such a system would be beneficial to all participating Member States and to the eurozone as a whole;

33. Supports the idea of issuing common European project bonds to finance Europe’s significant infrastructure needs and structural projects in the framework of the EU 2020 agenda, anticipated new EU strategies, such as the new Strategy on Energy Infrastructure

Development, and other large-scale projects; believes that EU project bonds would secure the investment required and create sufficient confidence to enable major investment projects to attract the support they need and would thus become an important mechanism for maximum leverage of public support; recalls that, if Europe is to be put on a sustainable footing, these projects must also contribute to the ecological transformation of our economies, paving the way for the zero-carbon economy;

34. Emphasises that greater use should be made of the EU budget to leverage investment; stresses that the norm for projects with long-term commercial potential should be that EU funds are used in partnership with the private banking sector, in particular via the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD);

35. Calls on the Commission and the European Central Bank to investigate the moral hazard implications for Member States of financing critical infrastructure projects via EU project bonds or Eurobonds, especially where such infrastructure projects are transnational in scope;

Carbon tax

36. Stresses that the current taxation model should fully embrace the polluter-pays principle by using appropriate innovative financing tools in order gradually to shift the tax burden on to activities which pollute the environment, create significant greenhouse-gas emissions or use considerable volumes of resources;

37. Supports, therefore, a strengthening of the Emissions Trading Scheme (ETS) and a comprehensive revision of the energy taxation directive to make CO_2 emissions and energy content basic criteria for the taxation of energy products;

38. Stresses that both tools have a strong double dividend, providing major incentives to shift towards carbon-free and sustainable and renewable energy sources, on the one hand, and significant additional revenue, on the other; recalls, however, that the main motive for introducing a carbon tax is to change behaviour and production structures, since the expected revenue will diminish when production patterns shift towards sustainable and renewable energy sources;

39. Believes that a carbon tax and the revision of the energy taxation directive should set the minimum mandatory requirements for all Member States, leaving it to up to each Member State to go further on if it sees fit;

40. Emphasises that adequate transitional periods should be laid down in order to avoid carbon leakages and to prevent overwhelming burdens being shifted to low-income consumers; considers it useful, moreover, to provide for specific targeted measures in favour of low-income households and to enhance investment in public-sector infrastructure and in household energy efficiency;

41. Considers, however, that the scope for a global agreement at G20 level or within the WTO should be fully explored before such a tax is imposed on foreign imports into the EU in order to ensure that this border taxation adjustment tool does not give rise to a shortage of

raw materials, on the one hand, and retaliatory measures by third countries against EU exports, on the other;

42. Calls on the Commission to research the feasibility of a European carbon-added tax along the lines of VAT, imposed on every product within the internal market, which would be a less distortive and fairer tool; also calls on the EU to raise the issue of a global carbon tax in order to rule out competitive disadvantages for the internal market and to strengthen the fight to establish carbon-free, sustainable and renewable energy production;

43. Draws attention, bearing in mind the rising energy demand in emerging countries, to the EU's imperative need to come up with adequate investments in the areas of energy supply and efficiency that will strengthen its energy infrastructure and reduce as much as possible its vulnerability to market fluctuations which could have negative consequences for the EU economy and the EU 2020 objectives;

44. Calls on the Member States to consider allocating revenues from climate-change taxation to finance R&D and measures aimed at reducing carbon emissions and combating global warming, stimulating energy efficiency, tackling energy poverty and improving energy infrastructure in the EU and in developing countries; recalls, in this context, that under the ETS Directive at least 50% of revenues from carbon dioxide emissions auctioning under the EU ETS should be earmarked for measures to combat climate change, including in the developing countries;

45. Notes that revolving financial instruments for energy efficiency measures represent an innovative way of financing climate-friendly projects; welcomes the creation of a dedicated financial facility, which could also attract private investors (in the framework of public-private partnerships (PPPs)), which would use uncommitted funds from the European Energy Programme for Recovery (EEPR) Regulation to support energy efficiency and renewable initiatives; asks the Commission to assess carefully the effectiveness of this instrument and to analyse the potential for applying a similar approach, including initiatives on energy, energy efficiency and raw materials, to future unspent funds in the EU budget;

46. Notes the importance of energy efficiency and therefore urges the Commission and Member States to make effective use of the Structural Funds to increase energy efficiency in buildings, in particular residences; calls for the effective use of funding by the EIB and other public funding bodies, as well as coordination between EU and national funds and other forms of assistance which could leverage investment in energy efficiency with a view to achieving EU objectives;

47. Reminds Member States of the possibility of applying reduced rates of VAT to services offering home improvement and enhanced energy efficiency;

48. Considers, also, that the thrifty use of resources and innovation in green technologies are of major importance in terms of competitiveness;

49. Stresses the need, as new, innovative taxation is developed and ultimately introduced, for an overall, cross-border and cross-sectoral assessment of different types of existing and planned financing, taxation and subsidies for environment and climate activities, what

might be termed a ‘de Larosière process for environment financing’, in order to target these new tools more effectively and eliminate the possibility of overlapping and/or conflicting policies;

50. Acknowledges that a carbon tax would be an instrument to reduce emissions rather than a long-term source of income, as this source would eventually dry up should that instrument be effective;

Financing for development

51. Calls for a re-affirmation by the Member States of their pledge to earmark 0.7% of their gross national income GNI to official development assistance (ODA); deplores the fact that while all EU Member States have accepted this 0.7% GNI target for spending, only Sweden, Luxembourg, Denmark and the Netherlands reached or exceeded this goal in 2008;

52. Recalls that, despite the global crisis, the European Union as a whole, including its Member States, remains the leading development aid donor, accounting for 56% of the worldwide total, worth EUR 49 billion in 2009, which is confirmed by the EU governments’ collective pledge to earmark 0.56% and 0.70% of GNI to ODA by 2010 and 2015 respectively;

53. Stresses the paramount importance of sound financial management in respect of all EU development and humanitarian aid, in particular because the European institutions involved in the decision-making and implementation of this aid must be fully accountable to European citizens and taxpayers;

54. Emphasises that innovative financing for development can complement traditional development aid mechanisms and so help them to achieve their goals on time; recalls that innovative financing instruments should be additional to the UN goal of 0.7% of GDP devoted to development cooperation; stresses that innovative financing for development should be characterised by diversity of funding, in order to reach maximum revenue potential, but also be fully tailored to each country's priorities, with strong country ownership; emphasises, at the same time, the need for developing countries to step up their own efforts in the area of taxation, mainly as regards tax collection and the fight against tax evasion, which are crucial to achieving a sound fiscal policy;

55. Stresses that effective, high-quality development aid delivery calls for a particular effort in terms of donor coordination and governance arrangements; believes that tackling the problem of fragmentation in European development aid, which causes inefficiencies which have both financial and political consequences, would bring efficiency gains estimated at up to EUR 6 billion a year for Member States and also facilitate the work of partner country administrations;

56. Recalls that USD 300 billion will be needed in order to achieve the MDG objectives by 2015; deplores the fact that, despite their recent declaration at the UN's High Level Summit on the MDGs in September 2010, a majority of developed nations have not yet honoured their 2005 commitment to increase development aid and points out that a much more concerted effort has to be made; emphasises that it is not acceptable that innovative

financing mechanisms (IFMs) might be seen as encouraging certain countries to renounce official development assistance (ODA); stresses that ODA commitments and innovative financing mechanisms must be seen as essential and complementary in the fight against poverty;

57. Stresses that public supervision and transparency of innovative financing systems are a sine qua non for their introduction, reflecting the lessons of the recent financial and food crises;

58. Stresses the urgent need to improve EU coordination of wealth-creation measures in local markets and that promoting innovative financing for development should not focus only on increasing taxation but should also explore other paths, such as enhancing domestic revenue, which can be best achieved through the recognition and protection of property rights, land mapping, and improving the business and investment environment in developing countries;

59. Recalls that major pandemic diseases – AIDS, tuberculosis and malaria – which strike developing countries, and sub-Saharan Africa in particular, constitute a major obstacle to achieving the MDGs; recalls, in this context, that a solidarity contribution levied on air tickets is an important financial tool in addressing health problems and one that needs to be further developed; calls, in particular, on the Commission to examine further financing mechanisms to address global health issues, and to facilitate access to medicines in poor countries;

60. Points out that climate change will affect developing countries in particular and takes the view that funding measures to alleviate the effects of climate change and reduce energy poverty will contribute to achieving the MDGs;

61. Welcomes the fact that the Final Declaration of the UN Summit on the MDGs, adopted on 22 September 2010, refers, for the first time, specifically to the role of innovative financing in achieving the MDGs;

62. Underlines the success of innovative financing mechanisms to date, in particular the UNITAID international facility for the purchase of drugs, the International Finance Facility for Immunisation (IFFIm) and the advance market commitment (AMC) for vaccination against pneumococcal disease, which have to date raised over USD 2 billion; notes that other innovative financing mechanisms have also proved effective, for example debt-for-nature or debt-for-health swaps or bunker fuel taxes;

63. Recalls the firm support given by a number of European Heads of State or Government to the implementation of a tax on financial transactions at the UN Summit on the MDGs in September 2010 and expects decisive action from them in support of this commitment;

64. Calls on the Member States which have not yet done so to join the pilot group on innovative financing mechanisms set up in 2006 and participate in all existing mechanisms, including the solidarity contribution on airline tickets;

65. Urges the Commission to propose the implementation of innovative development financing mechanisms at EU level;

66. Calls on the institutions and EU governments to examine closely the possibility of creating a worldwide lottery to fund measures to combat hunger, as proposed by the World Food Programme, along the lines of the Food Project;

67. Takes the view that ODA will fail to eradicate poverty if the G20, the EU and financial institutions do not take a determined stance in opposing corrupt administrations in recipient countries; stresses, therefore, the need to upgrade the EU's assistance in the area of the strengthening of tax authorities, the judiciary and anti-corruption agencies in developing countries; urges the EU Member States to combat bribery committed by companies which are domiciled in their jurisdictions, but which have operations in developing countries;

68. Recalls that an estimated EUR 800 billion, i.e. 10 times the amount of ODA, is lost annually from developing countries through illicit practices such as unlawful capital flows and tax evasion, the prevention and reduction of which could prove decisive in achieving the MDGs; urges the EU and its Member States to place the fight against tax havens, corruption and harmful tax structures at the top of the agenda in all international fora so as to enable developing countries to increase their domestic revenues;

69. Recalls the collective responsibility of the G20 to mitigate the impact of the crisis on developing countries, which have been hard hit by its indirect effects;

70. Urges that, in order to achieve transparency in ODA, accountability should be promoted through the strengthening of national control mechanisms and parliamentary scrutiny of aid; calls on the EU and the G20 to pursue their agenda of cracking down on tax havens and tax secrecy, promoting country-by-country reporting;

71. Calls on the Council and the Commission to promote and work towards the implementation of innovative financing instruments for development, such as an international financial transaction tax, transport levies, measures to combat illicit capital flows and the reduction or alleviation of remittance costs;

72. Notes that the economic and financial crisis will throw many developing countries into a new debt crisis, and calls on the Commission and the Member States to renew their efforts to alleviate the debt burden on developing countries;

73. Recalls that developing countries are the least well-equipped to deal with climate change, and are, generally speaking, likely to be the principal victims of this phenomenon; calls for the implementation of the EU financial pledge given under the Copenhagen Accord and in the context of the Global Climate Change Alliance; urges the EU to assume a pivotal role in joint initiatives by the industrialised countries to make a larger and more specific contribution to supporting development in the third world, to which they have a historic responsibility;

74. Instructs its President to forward this resolution to the European Parliament Policy Challenges Committee, the Commission, the European Council, the EIB, the ECB, the IMF, and the ACP-EU Joint Parliamentary Assembly.

EXPLANATORY STATEMENT

The general framework into which the debate on innovative financing is taking place

The global economic and financial crisis of 2007-2009 has exposed the severe weaknesses in the regulatory and supervisory framework of the global financial system. Financial transactions today are characterised by an enormous rise of volume and by a remarkable discrepancy between the volume of financial transactions and of the underlying needs in the "real world". Moreover new trading patterns such as short term investing and automated high frequency trading have taken a central role in the global financial trends and have led to excessive volatility and risk taking.

It is clear that the financial sector switched to a large extent its role of financing the needs of the real economy to short term profits through operations that can severely affect market prices.

In EU the financial crisis was followed by a fiscal crisis in 2009-2010, an important factor of which was the excessive and in several occasions unjustified pressures of the markets against national bonds. It was once more short term and highly speculative transactions that were in the middle of that crisis and have underlined the clear connection between inefficient financial regulatorion and supervision and the sustainability of public finances.

The problems caused by that behaviour of the markets were fully impacted on public finances and citizens around the world, when in the outburst of the crisis trillions of dollars were spent on bailing out the main players of the financial sector that were "too big to fail".

The economic costs of the crisis are still to be fully assessed, since apart from the bailing out costs, the crisis has led to an important slowdown of the global economy and has triggered unprecedented levels of government deficits (according to 2010 OECD data the estimated size of fiscal consolidation is projected at 300-370 billion dollars for the next years).

However, what is clear by now is that the world and EU can not afford and should not allow for another crisis of a similar magnitude. The first reactions at the global level (in the G20 summits that followed the outburst of the crisis) but also at EU level were to go forward with concrete regulatory and supervisory changes that would help shape a safer financial environment and would prevent similar crisis in the future.

However this is not enough: taxpayers are assuming today the main burden of the cost of the crisis not only through direct contributions but also due to rising unemployment, falling incomes, reduced access to social services and rise in inequalities.

In order to provide with comprehensive and integrated responses to the crisis we need new tools which can:

- Curb speculation and reinstore the main role of the financial sector towards covering real economy's needs and supporting long term investments;

- Guarantee a fair distribution of the burden especially amongst the key financial players;

- Create new additional resources to meet the key global and European challenges such as climate change and development goals and to achieve a long term higher growth in the framework of the EU 2020 strategy.

The choice of innovative financing - The "Double Dividend"

In order to deal with those three targets we need tools that can assume multiple roles.

Traditional taxation tools, focused only on revenues raising, are not sufficient. Moreover cuts on public expenditures and further increases of the rates of existing taxation can not be a sustainable response given the current demand for boosting global and European growth. We need to opt for a stimulus rather than a single approach austerity strategy and in that sense the debate on innovative financing tools should become our key priority.

Innovative financing tools can address today's challenges as they can assume at the same time a regulatory role (for example by reinforcing market efficiency, transparency and stability) and a revenue raising role (by generating important and new resources for EU and national budgets).

The allocation of the additional revenues

EU and national policy makers are focusing their interest on the revenue potential deriving from those new financing tools. However what we should not forget is that only after an agreement on the implementation of an innovative tool, can we really discuss in concrete regarding the new revenues.

There are different arguments and choices to be made regarding the management of those revenues. However in principle we should agree that in order for those innovative financing tools to have the added value we need them to have, a substantial part of those revenues should be allocated at a EU budget to finance EU projects and policies.

One should not forget that the critical point today is to reach an agreement and implement innovative financing tools, the allocation of revenues coming in second.

Taxation on Financial Sector

Contrary to any other industry providing goods and services to final consumers, the financial sector is largely untaxed. In EU there is a basic VAT exemption approach for all basic financial activities. At the same time financial sector's activities stand for 73.5% of global GDP and therefore their tax exemption a major market distortion.

The idea of a tax on financial transactions (FTTs) -already suggested since 1930s - presents an important advantage especially today in the aftermath of the crisis. By placing an FTT we can curb speculation and stabilize markets, we can create incentives for long term investments, we can put an audit trail on every transaction and thus reinforce transparency and we can make the financial actors assume their fair share for the cost of the crisis. Moreover with the revenues potential of a 0.05% FTT being nearly 200 bn € in EU and 650 bn $ at global level, it can decisively contribute to the need for new and sustainable resources.

The global crisis has revealed the need for global responses and therefore the introduction of a global scale FTT is of course the best possible way to move forward. However and in spite of the progressive views of the G20 summits right after the crisis, there seems to be today a retreat towards "business as usual". If we leave this momentum go by and opt for inaction, we will be unable to draw the right lessons of the crisis and deem our economies for yet another hit in the years to come.

EU is today the biggest financial market of the world and as such its own interest is not to "hide" behind the reluctance of its international partners but to lead the way both at global and European level.

The long anticipated impact assessment by the Commission on the feasibility of an EU FTT - already asked by the EP since March 2010 but absent from the Commission's Communications of April and October 2010 - should be presented as soon as possible. It should constitute the first step towards legislative proposals for the introduction of an EU FTT. At the same time this will provide a clear mandate for the EU to put pressure at G20 level.

Regarding the argument on competitiveness risks possibly caused by unilateral introduction of an EU FTT, the recent examples of UK stamp duty or of the Hong Kong FTT show that a well designed FTT can efficiently deal with that risk and avoid transaction flaws. Moreover investors are not going to be keen to opt for less known or opaque jurisdictions if the transaction costs are low. The main actors tempted to "migrate" will be the extremely short term traders (which will assume the main burden), but even if parts of short term transactions fly outside EU, this could be of an added value for the European economy.

The main features for an EU FTT should be:

- Low rate, between 0.01% and 0.05% so that there is no important risk for transaction flaws;
- Broad tax base including every type of transaction, in order to enable a level playing field and avoid flaws towards less regulated parts of the financial sector;
- Clearly defined exemptions and thresholds, taking into account the needs of the retail and small investors.

Additionally to FTT the current debate on the taxation of financial sector includes two other instruments: bank levies and Financial Activities Taxes (FATs).

Both of them seem to have the support from IMF and the Commission. However apart from the fact that the revenue potential of both is lower than the one from FTT, the main characteristic in both cases is the absence of the "regulatory value". Neither bank levies nor FATs can directly contribute to curbing speculation and reinforcing market stability and efficiency. Bank levies are based on balance sheet positions leaving outside the transactions in shadow banking systems, which are the ones presenting the main leverage risks. FATs constitute taxation on the profits deriving from financial transactions but irrespective of the "quality" transaction itself.

Therefore they can in no way constitute an alternative to a FTT. Each one however can assume a supplementary role:

Bank levies as a tool to finance national crisis resolution funds in the banking sector, ensuring that in the case of a next crisis its costs will be bared by the sector itself.

FATs as an additional tool in the case that after introducing FTT the rents of financial sector continue to be excessively high and taxation equity principle would imply additional tax.

Eurobonds

The idea for a common European financial instrument that will enable a common debt management through the mutual pooling of parts of national sovereign debt has been debated for a long time. However in the light of the recent financial and fiscal crisis, the need for reinforcing economic governance and putting in place permanent tools and mechanisms became more clear than ever.

In that sense it is today more appropriate than ever to go through with an in depth impact assessment fully analyzing the different potentials vis a vis Eurobonds.

At the same time the idea of Eurobonds has been also linked to financing key projects and infrastructures at EU level. This is an additional potential that we can welcome and ask to be included in the abovementioned feasibility study.

Given that Eurobonds are now assuming a diverse role it would also be of added value to fully assess the possibility to establish a permanent EU institution under the responsibility of which Eurobonds issuing and managing will fall.

Taxation of the energy sector

Sectors like labour are currently assuming the main tax burden and sectors with important and negative externalities in the contrary are not assuming their fair share. Apart form the financial sector, the sector of environmental polluting activities falls in that category. We need to put in force the principle "the polluter pays" in order to enable the shift of tax burden from labour to polluting activities.

Currently the EU ETS covers only specific parts of the European economy and mainly industrial sectors. At the same time the Directive on Energy Taxation makes no differentiation between low and high CO2 content services neither does it use the criteria of energy content or energy efficiency. This neutral approach constitutes a disadvantage regarding energy efficient fuels, carbon free activities and products and is completely inconsistent with the main EU climate change goals.

Some Member States have already dealt with this inconsistency at national level by introducing a carbon tax. Although we should welcome such initiatives, the need for a coordinated EU approach is substantial for the functioning of the internal market.

We need to revise the current Energy Taxation Directive in order to include the criteria of CO2 emissions and energy content. Moreover in order to safeguard the competitiveness of the EU internal market, different options should be fully envisaged regarding non EU products entering internal market that do not comply with those criteria. Negotiating a Border Taxation Adjustment in the framework of WTO can be an option. However the most comprehensive way out would be to put in place a common EU Carbon Added Tax levied on every product in the European market.

However what should be fully taken into account is that neither option should be to the detriment of vulnerable consumers neither lead to new forms of energy poverty. The recent example of the French constitutional court rejecting the proposal for a carbon tax on the basis it was placing overwhelming burden on households, is a clear sign that any proposal should be well balanced and safeguard a fair transition period.

Taxation for Development

Development aid policies such as Millennium Development Goals can use the abovementioned innovative tools as revenue raising sources. At the same time there are possibilities for specialised innovative financing tools linked only to development policies such as the recent Commission's proposal for a Global Climate Change Financing Mechanism in favour of the most vulnerable and poorest developing countries and the air tickets levies. In either case what is important is to safeguard strong country ownership and full alignment to each country’s priorities.

9.12.2010

OPINION OF THE COMMITTEE ON DEVELOPMENT(*)

for the Committee on Economic and Monetary Affairs

on innovative financing at a global and European level
(2010/2105(INI))

Rapporteur (*): Nirj Deva

(*) Associated committee – Rule 50 of the Rules of Procedure

SUGGESTIONS

The Committee on Development calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Recalls that 300 billion dollars will be needed in order to achieve the MDG objectives by 2015; deplores the fact that, despite their recent declaration at the UN's High Level Summit on the MDGs in September 2010, a majority of developed nations have not yet honoured their 2005 commitment to increasing development aid and that a much more concerted effort has to be made; underlines that it is not acceptable that innovative financing mechanisms (IFMs) might be seen as encouraging certain countries to renounce official development assistance (ODA); stresses that ODA commitments and innovative financing mechanisms must be seen as essential and complementary in the fight against poverty;

2. Stresses that public supervision and transparency of innovative financing systems are a sine qua non condition for their introduction, incorporating the lessons of the recent financial and food crises;

3. Stresses the urgent need to improve EU coordination on wealth creation measures in local markets and that promoting innovative financing for development should not be found only in increasing taxation but should also explore other paths, such as enhancing

domestic revenue, which can be best achieved through the recognition and protection of property rights, land mapping, and improving the business and investment environment of developing countries;

4. Recalls that major pandemic diseases – AIDS, tuberculosis and malaria – which strike developing countries, and sub-Saharan Africa in particular, constitute a major challenge for the Millennium Development Goals; recalls, in this context, that a solidarity contribution levied on air tickets is an important financial tool in addressing health problems and one that needs to be further developed; calls, in particular, on the Commission to examine further financing mechanisms to address global health issues, and to facilitate access to medicine in poor countries;

5. Notes that the fundamental objective of IFMs, such as an international tax on financial transactions or a share of the revenues generated from carbon emission auctions, is the allocation of additional financial resources, over and above development aid to meet the major global challenges in the areas of climate change and development policy, thereby enabling us to achieve the objectives set out in the Millennium Development Goals and cope with climate change; notes that these mechanisms enable us to rely on more stable resources which are more predictable than development aid and are particularly suited to financing non-financial services essential for development such as health and education;

6. Welcomes the fact that the Final Declaration of the UN Summit on the Millennium Development Goals, adopted on 22 September 2010, refers, for the first time, specifically to the role of innovative financing in order to fulfil the MDGs;

7. Underlines the success of innovative financing mechanisms to date, in particular the UNITAID international facility for the purchase of drugs, the International Finance Facility for Immunisation (IFFIm) and the advance market commitment (AMC) for vaccination against pneumococcal disease, which have to date raised over USD 2 billion; notes that other innovative financing mechanisms have also proved effective, for example debt-for-nature or debt-for-health swaps or bunker fuel taxes;

8. Notes that a number of Member States have come out in favour of a tax on financial services;

9. Recalls the firm support given by a number of European Heads of State or Government for the implementation of a tax on financial transactions at the UN Summit on the Millennium Development Goals in September 2010 and expects decisive action from them in support of this commitment;

10. Calls on the Member States which have not yet done so to join the pilot group on innovative financing mechanisms set up in 2006 and participate in all existing mechanisms, including the solidarity contribution on airline tickets;

11. Urges the Commission to propose the implementation of innovative development financing mechanisms at EU level;

12. Calls on the institutions and EU governments to examine closely the possibility of creating a worldwide lottery to fund measures to combat hunger, as proposed by the

World Food Programme, in the form of the Food Project;

13. Takes the view that ODA will fail to eradicate poverty if the G20, the EU and financial institutions do not take a determined stance in opposing corrupt administrations in recipient countries; stresses, therefore, the need to upgrade the EU's assistance regarding the strengthening of tax authorities, the judiciary and anticorruption agencies in developing countries; urges the EU Member States to combat bribery committed by companies domiciled in their jurisdictions but which have operations in developing countries;

14. Recalls that an estimated EUR 800 billion i.e. 10 times ODA, is lost annually from developing countries through illicit means such as unlawful capital flows and tax evasion, the prevention and reduction of which could prove decisive in achieving MDGs; urges the EU and its Member States to place the fight against tax havens, corruption and harmful tax structures at the top of the agenda in all international fora so as to enable developing countries to raise domestic revenues;

15. Recalls the collective responsibility of the G20 to mitigate the impact of the crisis on developing countries, which have been hard hit by indirect effects of the crisis; recalls, furthermore, that, although the 2008 financial crisis was triggered by a lack of regulation and excesses in the financial sector, financial services are exempted from VAT; welcomes, accordingly, the proposal of the Commission to consider in its 2011 work programme a financial activities tax (FAT) to respond to global and European challenges;

16. Urges that, in order to achieve transparency in ODA, accountability be promoted through the strengthening of national control mechanisms and parliamentary scrutiny of aid; calls on the EU and the G20 to pursue their agenda to crack down on tax havens and tax secrecy, promoting country-by-country reporting;

17. Calls on the Council and the Commission to promote and work towards the implementation of innovative financing instruments for development such as an international financial transaction tax, transport levies, the fight against illicit capital flow and the reduction or alleviation of remittances' costs;

18. Notes that the economic and financial crisis will throw many developing countries into a new debt crisis and calls on the Commission and the Member States to renew their efforts to alleviate the debt burden on developing countries;

19. Recalls that developing countries are the least well equipped to deal with climate change, and are, generally speaking, likely to be the principal victims of this phenomenon; urges implementation of the EU financial pledge under the Copenhagen Accord and the Global Climate Change Alliance; urges the EU to assume a pivotal role in joint initiatives by the industrialised countries to make a larger and more specific contribution to supporting development in the third world, to which they have a historic responsibility.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	9.12.2010
Result of final vote	+: 15 –: 0 0: 5
Members present for the final vote	Thijs Berman, Michael Cashman, Ricardo Cortés Lastra, Nirj Deva, Leonidas Donskis, Charles Goerens, Catherine Grèze, Filip Kaczmarek, Franziska Keller, Miguel Angel Martínez Martínez, Gay Mitchell, Maurice Ponga, Birgit Schnieber-Jastram, Michèle Striffler, Alf Svensson, Eleni Theocharous, Iva Zanicchi, Gabriele Zimmer
Substitute(s) present for the final vote	Santiago Fisas Ayxela, Martin Kastler, Judith Sargentini, Patrizia Toia

2.12.2010

OPINION OF THE COMMITTEE ON INDUSTRY, RESEARCH AND ENERGY

for the Committee on Economic and Monetary Affairs

on innovative financing at a global and European level
(2010/2105(INI))

Rapporteur: Marian-Jean Marinescu

SUGGESTIONS

The Committee on Industry, Research and Energy calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Points out that successful implementation of the targets in the energy and climate package requires substantial financial commitment, in particular investment in innovation and research, and new ways of supplementing existing financing for initiatives tackling climate change, energy and raw materials' supply challenges; stresses, therefore, the added value of adopting new financial instruments which serve a dual purpose by striking a balance between, on the one hand, the creation of necessary new resources and, on the other, the formulation of basic policies on the functioning of the markets, sustainable development, security of energy supply and climate change; welcomes, in connection with this, efforts by the Commission to find innovative means of financing and encourages Member States to explore ways of shifting taxation systems so they are based on carbon emissions, as this would create both revenues for the budgetary authorities and climate-friendly incentives for consumers and industry, thus lowering carbon emissions in the environment; highlights the importance of reprioritisation of existing means and of an appropriate regulatory framework incentivising private investment;

2. Draws attention, bearing in mind the rising energy demand in the emerging countries, to the EU's imperative need to come up with adequate investments in energy supply and efficiency that will strengthen its energy infrastructure and reduce as much as possible dependency on market fluctuations which could have negative consequences on the EU's economy and the EU 2020 objectives;

3. Points out that climate change will affect developing countries in particular and takes the view that funding measures to alleviate the effects of climate change and reduce energy poverty will contribute to achieving the Millennium Development Goals;

4. Acknowledges that forms of carbon tax already exist in some Member States and warns of the risk they pose to competition in the single market; believes in the greater benefit of introducing carbon taxation in a coordinated manner, based on an evaluation of Member States' best practices as well as on a thorough impact assessment; calls on the Commission to recommend possible instruments coordinating carbon taxation for non-ETS sectors at EU level which could be based on agreed EU minimum rates; calls on Member States to inform the other Member States in the Council before adopting unilateral measures;

5. Points out that gradually shifting the tax burden to pollution activities could, in the long run, reduce other taxes and labour costs, thus increasing the EU's competitiveness;

6. Calls on Member States to consider allocating revenues from climate change taxation to finance R&D and measures aimed at reducing carbon emissions and combating global warming, stimulating energy efficiency, tackling energy poverty and improving energy infrastructure in the EU and in developing countries; recalls, in this context, that under the ETS Directive at least 50 % of revenues from carbon dioxide emission auctioning under the EU ETS should be earmarked for measures to combat climate change, including in the developing countries;

7. Notes that revolving financial instruments for energy efficiency measures represent an innovative way of financing climate-friendly projects; welcomes the creation of a dedicated financial facility which could also attract private investors (within the framework of public private partnerships (PPPs)) to use uncommitted funds from the EEPR Regulation to support energy efficiency and renewable initiatives; asks the Commission to assess carefully the effectiveness of this instrument and to analyse the potential for applying a similar approach, including initiatives on energy, energy efficiency and raw materials, to future unspent funds in the EU budget;

8. Notes the potential merits of 'EU project bonds' for financing new infrastructure, including energy infrastructure, which could have an effective European added value; calls, however, upon the Commission and the European Central Bank to investigate the impact such bonds would have on financial markets, transparency, risk-taking and responsibility in the market as well as the budgetary implications for Member States of financing critical infrastructure projects via EU project bonds or Euro-bonds, especially where such infrastructure projects have a transnational reach;

9. Welcomes efforts by the Commission and the Member States to investigate innovative ways of achieving investment in European infrastructure and fostering innovation; notes the comments of the EIB on 23 September 2010 in its 'Report on the Action undertaken in response to the Resolution of the European Parliament' regarding the European Commission's proposal to increase to 10 % or 20 % the volume of the EU budget dedicated, through financial instruments, to leveraging funds; recognises the need for public sector investment to complement and enhance private sector funding where possible, but is however aware that the use of special-purpose vehicles for financing projects can result in increased off-balance sheet liabilities as well as increased cost of capital for European institutions, the European Union or Member States; believes such measures should be accompanied by fully transparent disclosure with appropriate

investment guidelines, risk management, exposure limits, scrutiny and surveillance procedures, all to be established in a democratically accountable manner;

10. Notes the importance of energy efficiency and urges accordingly the Commission and Member States to make effective use of the structural funds to increase energy efficiency in buildings, in particular residences; calls for the effective use of funding by the EIB and other public funding bodies, as well as coordination between EU and national funds and other forms of assistance which could leverage investment in energy efficiency with a view to achieving EU objectives;

11. Reminds Member States of the possibility of applying reduced rates of VAT for services offering home improvement and enhanced energy efficiency;

12 Is of the opinion that any EU initiative in the field of financial activity taxation should be properly assessed on its implications for the real economy in terms of passing through of costs and access to finance; takes note of concerns that unilateral measures to combat climate change may affect the competitiveness of European industries; considers also that an economic use of resources and innovation in green technologies are of major importance in terms of competitiveness;

13. Stresses that innovative financial instruments should be used to support public private partnerships and should be envisaged as an alternative to pure public spending as a way to leverage funds and address market failure.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	2.12.2010
Result of final vote	+: 37 –: 4 0: 7
Members present for the final vote	Jean-Pierre Audy, Zigmantas Balčytis, Ivo Belet, Jan Březina, Reinhard Bütikofer, Maria Da Graça Carvalho, Jorgo Chatzimarkakis, Giles Chichester, Pilar del Castillo Vera, Ioan Enciu, Adam Gierek, Fiona Hall, Jacky Hénin, Edit Herczog, Romana Jordan Cizelj, Arturs Krišjānis Kariņš, Béla Kovács, Marisa Matias, Judith A. Merkies, Angelika Niebler, Jaroslav Paška, Herbert Reul, Teresa Riera Madurell, Jens Rohde, Paul Rübig, Amalia Sartori, Francisco Sosa Wagner, Konrad Szymański, Britta Thomsen, Evžen Tošenovský, Ioannis A. Tsoukalas, Claude Turmes, Vladimir Urutchev, Alejo Vidal-Quadras
Substitute(s) present for the final vote	Antonio Cancian, Françoise Grossetête, Andrzej Grzyb, Jolanta Emilia Hibner, Yannick Jadot, Oriol Junqueras Vies, Ivailo Kalfin, Bernd Lange, Werner Langen, Marian-Jean Marinescu, Vladimír Remek, Silvia-Adriana Ţicău
Substitute(s) under Rule 187(2) present for the final vote	Spyros Danellis, Morten Messerschmidt

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	1.2.2011
Result of final vote	+: 30 –: 4 0: 6
Members present for the final vote	Burkhard Balz, Sharon Bowles, Udo Bullmann, Pascal Canfin, Nikolaos Chountis, George Sabin Cutaş, Leonardo Domenici, Derk Jan Eppink, Markus Ferber, Vicky Ford, Ildikó Gáll-Pelcz, José Manuel García-Margallo y Marfil, Jean-Paul Gauzès, Sylvie Goulard, Liem Hoang Ngoc, Othmar Karas, Wolf Klinz, Jürgen Klute, Rodi Kratsa-Tsagaropoulou, Philippe Lamberts, Astrid Lulling, Arlene McCarthy, Íñigo Méndez de Vigo, Sławomir Witold Nitras, Ivari Padar, Anni Podimata, Antolín Sánchez Presedo, Olle Schmidt, Edward Scicluna, Peter Simon, Peter Skinner, Theodor Dumitru Stolojan, Ivo Strejček, Kay Swinburne, Ramon Tremosa i Balcells, Corien Wortmann-Kool
Substitute(s) present for the final vote	Robert Goebbels, Danuta Maria Hübner, Danuta Jazłowiecka, Thomas Mann, Gay Mitchell, Sirpa Pietikäinen
Substitute(s) under Rule 187(2) present for the final vote	Michail Tremopoulos