



American Chamber of Commerce in Croatia Američka gospodarska komora u Hrvatskoj

POSITION PAPER

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AmCham Encourages and Supports Adoption of Legislation/Regulation Promoting Environmentally-friendly Technologies, including Hybrid Vehicles, Solar Energy, Public Transport...

Climate change is one of the leading problems of today's society. It is in great part caused by the greenhouse effect. Production of CO₂ from increased industrial activity (fossil fuel burning) and other human activities has increased the CO₂ concentrations in the atmosphere, leading to the greenhouse effect.

On December 17, 2008, the European Parliament voted on the Climate and Energy Package, thus finalizing a deal that will help Europe transform into a low-carbon economy while increasing future energy suppliers. Fully in line with the Commission's proposals in January 2008, an agreement has been reached defining legally binding targets by 2020. The targets set are as follows: to cut greenhouse gas emissions by 20%, to establish a 20% share for renewable energy, and to improve energy efficiency by 20%. The agreements reached also included revisions to four key areas. The first was an agreement to revise the existing emissions trading system. The second a revision of the efforts to reduce CO₂ consumption that falls outside the scope of the emissions trading system. The third was an agreement to revise the legal framework for environmentally safe carbon capture and storage (CCS). As well as revisions related to proposals on CO₂ emissions from cars and on fuel quality.

As the first region in the world to commit to such far-reaching and legally binding emission reductions, Europe is leading the fight against climate change. This vote is an important contribution toward reaching the goals set in the international climate agreement that is to be signed in Copenhagen by the end of 2009.

One way to combat global warming is to introduce fiscal and non-fiscal policies to directly promote and support long-term environmentally-friendly initiatives that lead to improved energy efficiency and support investments in renewable and clean energy alternatives. These could be various incentives that would encourage businesses and individuals to adopt energy efficient practices. Examples include:

- tax incentives or granting aids for manufacturing and/or distribution of energy efficient products;
- incentives for adopting environment management standards;
- incentives for installing energy saving devices;
- incentives for reducing transportation-related emissions by, among other things, encouraging the use of public transport, reducing tariffs on importing fuel-efficient personal and public transport vehicles;
- tax credits for home improvements that are designed to make homes more energy-efficient, such as installing new energy efficient windows, heating/cooling systems or , solar power/fuel cell systems;
- tax incentives when purchasing energy-efficient home appliances;
- tax incentives for acquiring energy-efficient public transport infrastructure and vehicles.



As a member of U.S. Chamber of Commerce, the American Chamber of Commerce in Croatia (AmCham Croatia) is the voice of US and other international business in Croatia and of Croatian business abroad. AmCham Croatia is committed to ensuring an optimum business and investment climate in Croatia, promoting the highest standards of free-market commercial practice. AmCham Croatia facilitates the resolution of issues that impact business in Croatia and represents a membership that employs over 38,000 persons, generating over \$5 billion of revenue. Total US investment in Europe amounts to \$964 billion, and currently supports over 3.6 million jobs, with AmCham Croatia also being an integral member of the European Council of the American Chambers of Commerce (ECACC), networking 41 countries throughout Western and Central Europe.

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Another well-adopted approach in many countries has been to encourage consumers to purchase Hybrid Electric Vehicles (HEV). The main two advantages of HEVs are reduced CO₂ emissions into the air, due to lower fuel consumption, and reduced noise pollution resulting from the electric motor that is much more efficient at idling and low speeds. In line with the EU Climate Agenda, many European countries have incentives for hybrid vehicles, in most cases providing one-off incentives for the purchase of HEVs. Examples are listed in Table 1 where Belgium, Norway, Sweden, Island, Denmark, Ireland, Italy, France, Spain, Switzerland and Slovakia offer one-time incentives that vary from 266 EUR (Denmark) through to 4230 EUR (Belgium). Countries such as The Netherlands, Monaco, Greece, the United Kingdom and Cyprus have one-off and additional annual incentives for the purchase of HEVs.

Table 1: List of Countries with environmentally friendly HEV Incentives

Country	One-Off Incentive	Additional Initiatives
Belgium	4230 EUR for Prius	
Norway	2000 EUR for Prius	
Sweden	618 EUR	
Island	3072 EUR for hybrid vehicles	
Denmark	266 EUR	
Ireland	3794 EUR / year for Prius	
Italy	1808 EUR	
France	2300 EUR	
Spain	2500 EUR for Prius	
Switzerland	320 EUR	
Slovakia	1200 EUR for Prius	
Netherlands	8050 – 9400 EUR for Prius (depending on the model)	Additional 8000 EUR per year
Monaco	3000 EUR	Further incentive for buying Prius
Greece	3328 EUR for Prius	Additional 146 EUR annual incentive for hybrid vehicles
United Kingdom	1200 EUR	Additional 1875 EUR per year
Cyprus	One time discount for Prius registration 235 EUR	Additional 1200 EUR per year for hybrid vehicles, + lowest band of car tax, + exemptions from London emission tax for CO ₂
Republic of Ireland	50% Reduction of VRT = 25% of market value of car	
United States	Federal income tax credit of \$3150	Additional state-specific tax for purchase of hybrid car

Source: Poslovni Dnevnik

Interesting approaches have also been taken by the Republic of Ireland (ROI), the United Kingdom (UK) and the United States (USA) regarding HEVs. In the ROI, a 50% reduction in Vehicle





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Registration Tax (VRT) applies, which normally amounts to 25% of the market value of the vehicle. In the United Kingdom, HEV drivers benefit from the lowest band of vehicle excise duty (car tax), which is based on carbon dioxide emissions. In central London, these vehicles are also exempt from the £8 daily London congestion charge. Due to their low levels of regulated emissions, the greenest cars are eligible for 100% discount under the current system. To be eligible the car must be on the current Power Shift Register. At present, these include the cleanest LPG and natural gas cars and most hybrid, battery and fuel cell electric vehicles.

In the United States, the purchase of hybrid electric cars qualifies for a federal income tax credit up to \$3,150 on the purchaser's Federal income taxes. The tax credit is to be phased out in two calendar quarters after the manufacturer reaches 60,000 new cars sold. The US tax credit system works in the following manner: it will be reduced to 50% (\$1700) if delivered in either the third or fourth quarter after the threshold is reached. It will be reduced to 25% (\$850) in the fifth and sixth quarters and 0% thereafter. Many states give additional tax credits to hybrid electric car buyers.

As to public transport, it is much more energy efficient than transport by private vehicles. Cars use 58% more energy than railways, for example, while private cars create about 9 times the amount of greenhouse gases compared to transport by metro. People transported by private cars need about 20 times more space than those transported by public transport. The environmental advantages of public transport over conventionally powered automobiles are clear, and the EU has accordingly been consistent in its support for public transport both in current EU countries and in candidates for EU membership.

Croatia is an EU member-candidate, in the process of harmonizing its laws and regulations with EU's legislation, directives, and norms. Introducing environmentally friendly incentives, such as tax exemptions and state subsidies for hybrid vehicles and for public transport (as well as other initiatives), would benefit both the environment and align Croatian initiatives with those of the EU Climate Agenda. It would also directly benefit Croatian citizens and businesses by promoting and financially supporting sustainability and environmental initiatives. Unfortunately, Croatia has few if any such incentives. In line with this approach, AmCham Croatia encourages and fully supports initiatives, legislation & regulation that would encourage the sale and use of environmentally-friendly technology.



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