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EU split over plan to levy import tax on polluters

Carl Mortished, World Business Editor

A row has erupted in Brussels over proposals to introduce a carbon tax on goods entering the European Union from countries that fail to take measures to curb carbon dioxide emissions.

The tax would hit powerful emerging market exporters, such as China, which do not comply with the Kyoto treaty on climate change. The proposal is opposed by Peter Mandelson, the EU Trade Commissioner, who fears that it would fall foul of World Trade Organisation rules.

Sources at Mr Mandelson's office said the proposal was "dead", while a spokesman for Stavros Dimas, the Environment Commissioner, said several drafts of the proposal were being discussed and debated. "It's at the beginning of the process," he said.

The Trade Commissioner's spokesman argued that the proposed tax was "too complicated" and would create problems with the United States, which has not signed the Kyoto treaty. Some American states, such as California, have taken measures to curb carbon emissions and, arguably, should be exempt from a carbon tariff.

Europe is committed to reduce emissions by a fifth by 2020 and carbon-intensive industries, such as steel, chemicals and car manufacturing fear that a severe clampdown will leave Europe uncompetitive.

The issue is coming to a head as Brussels seeks to tighten its Emissions Trading System, which enables carbon polluting industries to trade carbon dioxide emission permits.

The scheme has been criticised for allowing member states to hand out free carbon permits and for issuing too many permits, resulting in a low price for carbon pollution.

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