Slovakia Has Until Aug. 18 to Answer EU Questions on CO2 Tax

By Ewa Krukowska and Mathew Carr

July 20 (Bloomberg) -- Slovakia has until Aug. 18 to provide the European Union with more information about the one-off 80 percent tax on excess carbon dioxide allowances under the bloc's emissions trading system, according to the EU.

Slovak lawmakers approved in December the introduction of the tax, which may raise as much as 70 million euros ($99 million). They overruled a veto by President Ivan Gasparovic, who said the move is retroactive and not in line with the country's commitment to reduce greenhouse gases blamed for global warming.

The tax is preventing some trade in the nation, including swapping more-valuable EU allowances for cheaper United Nations Certified Emission Reduction credits, said Jan Pravda, director of Dublin-based CO2 brokerage Carbon Warehouse.

"This tax has totally paralyzed the ability of Slovak companies to execute swaps as the proceeds from the sale of EU allowances are taxed regardless whether they are used for the purchase of CERs or not," Pravda said today by e-mail from Prague. "It is complete nonsense."

The European Commission, the EU's regulatory arm, in June sent a letter to the Slovak government to seek "further clarification with regard to the tax" and its compatibility with the bloc's law on emissions trading, Isaac Valero-Ladron, climate spokesman for the commission in Brussels, said today.

"To date, no formal infringement procedure has been initiated," he said by e-mail. "A decision on this will only be taken in the light of the Slovak reply."

The EU emissions trading system imposes pollution limits on more than 11,000 utilities and manufacturers, including Electricite de France SA, Europe's biggest power generator and Royal Dutch Shell Plc, the continent's largest oil company, allowing those that emit less than their quota to sell surplus permits. One permit gives the right to discharge one metric ton of carbon dioxide.

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