



Policy Focus

A bi-monthly review of major policy developments in Brussels, London and Washington, prepared for BABC member companies

February 2007

Brussels/Washington

Doha Round is back on track

The Doha Round of trade talks is officially back on track after 30 ministers told their officials to get moving on a world trade deal in Davos, Switzerland, during the World Economic Forum (January 24-28). Negotiators for the US, EU, Brazil and other countries met in Geneva on January 29, 2007 to discuss the talks. EU Trade Commissioner Peter Mandelson, US Trade Representative Susan Schwab and British Prime Minister Tony Blair have all expressed optimism on the Round being completed over the next few months.

[LINK](#)

Brussels

Germany takes on EU Presidency

Germany took over the EU Presidency on 1 January 2007 and will therefore be chairing Council meetings until July 1, 2007. Germany is also chairing the G8 from for the whole of this year. During its EU Presidency, Germany intends to focus on energy, innovation policy, the European Constitution, and the internal market for electricity and gas. [LINK](#)

For the first time, three EU member states, Germany, Portugal and Slovenia, have agreed on a joint work program for their EU presidencies over the next eighteen months. [LINK](#)

Brussels

The EU welcomes Romania and Bulgaria

On January 1, 2007, the EU welcomed Romania and Bulgaria, but the two countries still face economic and border-control challenges. The fifth round of enlargement adds approximately 30 million people to the EU, which now comprises 27 Member States and 490 million citizens. [LINK](#)

Brussels/Washington

EU and US remain committed to "open-skies"

Washington

Bills on climate change in Congress

Congressional Democrats seem determined to take control of the issue of climate change from the White House and impose mandatory controls on carbon dioxide emissions. So far, four major Democratic bills have been announced. One of them, or a combination of them, stands a good chance of passage in this Congress or the next. Democrats' determination to move on climate bills is further evidenced by Speaker Nancy Pelosi's intention to create a select committee on Energy Independence and Global Warming. [LINK](#)

Washington

Electronic Filing of Tax Returns

The IRS has responded to our suggestion that, in certain cases, non-US based tax accountancy firms, whose principals were non-US citizens, be allowed to file their US Federal and State tax returns electronically.

Specifically, we had suggested that the issue might be resolved if tax accountancy firms registered as IRS Acceptance Agents or Electronic Return Originators were allowed to file returns electronically that either provide for tax to pay or are nil tax due returns. While this would not be wholly satisfactory, in that refund returns would have to be filed another way, it would be a significant step forward, especially as the majority of overseas filed returns show balances due.

In its response, the IRS stated that approval has been sought from the office of Electronic Tax Administration for an e-file pilot for the UK beginning with 2006 tax filings; and that this proposal is under consideration by top management.

despite setbacks

Hopes to conclude a deal on “open-skies” diminished in December 2006 when the US Administration did not act on EU requests to loosen up rules preventing European companies from taking more than a 25 per cent stake in US airlines. However, an American delegation met with EU officials in Brussels on January 10-11 to discuss renewing talks on liberalizing transatlantic air travel. It is now thought that a less ambitious deal could be concluded. [LINK](#)

London

Air passenger duty rise

In his pre-budget report in December, Chancellor Gordon Brown announced an increase of £10 on economy flights within Europe and £40 for long-haul flights to air passenger duty. The new rates came into force on February 1, 2007. Airlines and travel companies expressed displeasure at the retrospective nature of the increase, with some airlines choosing to absorb the costs, and others passing it on to their passengers. [LINK](#)

Brussels

Russia promises smoother energy flows to the EU

German Chancellor Angela Merkel, currently chairing the EU Presidency, chided Russian President Vladimir Putin for the disruption of oil supplies to the EU after a row with Belarus. President Putin responded to these concerns by promising that Russia would speed up work on building a gas pipeline to Germany to bypass transit countries such as Belarus and Ukraine. He also made it clear that Russia wants a right of access to foreign energy markets. [LINK](#)

London

UK to set carbon offsetting standards

The UK Government launched plans on Thursday, January 18, 2007, for a voluntary, United Nations-type standard for businesses and consumers to offset their emissions of greenhouse gases. Carbon offsetting involves paying others to cut emissions on your behalf (for example, by planting trees or investing in wind farms), with the aim of going carbon neutral (when all a person's emissions are offset). The new British standard would meet the same criteria as a regulated market in carbon credits, overseen by the UN Climate Change Secretariat for countries trying to meet emissions targets under the Kyoto Protocol on global warming. [LINK](#)

London

HM Treasury to implement EU money laundering directive

Washington

Tax break for big oil repealed

House Democrats passed an energy bill on January 18, 2007 which would repeal a tax break that oil and gas firms received in 2004, that lowered their corporate tax rates. It would also prevent oil companies from bidding on new federal leases unless they pay a fee on, or renegotiate, improperly drafted leases from 1998 and 1999 that did not require royalty payments on Gulf of Mexico production. The Bill would take the estimated \$13 billion to \$15 billion in revenues over a five-year period and set the money aside for tax breaks and appropriations that would go to renewable energy sources. [LINK](#)

London

John Tiner to step down at FSA

John Tiner announced that he would step down as Chief Executive of the UK's Financial Services Authority in July. Tiner's decision comes as the FSA is making a transition to a lighter approach to regulation. Tiner, who joined the FSA in 2001, and was appointed Chief Executive in 2003, has been instrumental in formulating the new approach. His decision to leave this year will give the FSA enough time to install a successor before the expected departure of Sir Callum McCarthy, FSA Chairman, in September 2008, when his five-year term ends. [LINK](#)

Washington

President Bush's State of the Union Address

In his State of the Union Address on January 23, 2007, President Bush tried to reach out to the opposition with proposals on healthcare, energy, immigration, and education. However, the decision to send more US troops to Iraq appeared to overshadow the potential for consensus on domestic policy. [LINK](#)

Significant Events

London:

16 Feb: Department of Trade and Industry (DTI) consultation on offshore natural gas storage and liquefied natural gas import facilities closes

Washington:

7 Feb: US Senate Committee Hearing on

The UK's Economic Secretary, Ed Balls, announced draft regulation to implement the EU's third money laundering directive, which is subject to consultation until April 2007. Balls specifically mentioned an easing of the current regulatory burden and tougher checks on certain deals, including those involving high-ranking public officials from overseas. The risk-related approach will mean that businesses and consumers in low-risk situations face fewer regulatory burdens than previously. The finalised rules are expected to come into force in December 2007. [LINK](#)

Commerce, Science and Transportation, "Climate Change Research and Scientific Integrity," Washington D.C.

8 Feb: US Senate Committee on Foreign Relations Hearing, "The President's Foreign Affairs Budget," Washington D.C.

Brussels:

5 Feb: EU Troika-Russian Federation, Third Country Meetings, Moscow

12-13 Feb: Informal Meeting of Ministers for Culture and the Media, Berlin

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