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## Think Gas is High? Try Europe

By BRUCE CRUMLEY/PARIS

American motorists are understandably grumbling over skyrocketing gas prices as the summer travel season approaches. But their pain hardly registers against the rage afoot in Europe these days. Fishermen, truck drivers and farmers are threatening to bring entire economic sectors to a halt with protests against crippling fuel costs. The wave of angry action is expected to spread further across Europe in coming days, despite efforts by political leaders to feel the pain and figure out how to alleviate it.

Strikes and blockades staged over the past three weeks by French fishermen spread this week to Spanish ports; Italy, Portugal, and Greece expect more of the same on Friday as mariners seek to force national governments to offset marine diesel prices, which have shot up by 40% since January. Single boat owners and entire trawler fleets face a real threat of bankruptcy.

Matters are no better on land. On Tuesday, hundreds of British truck drivers in London and Cardiff brought traffic to a crawl in a campaign to get their government to lower taxes on diesel fuel, which now costs over \$11 per U.S. gallon (3.8 liters). Other businesses owners who rely heavily on gas use — including farmers, ambulance and taxi drivers, and private bus companies — have joined the protest movement or are preparing to do so.

Those labor protests reflect the hit millions of Europeans are taking at the gas pump. As American drivers groan over prices nearing \$4 a gallon, the French are paying \$8.67 for a gallon of super, compared to \$7.10 in January, 2007. A gallon of diesel in French gas stations averages \$8.54, up from \$5.35 just a year ago. And in the U.K. diesel costs \$11.50 per gallon, compared to around \$3.90 in the U.S. Across the European Union, the average cost of a gallon of gas runs to about \$8.70 — more than twice what Americans are shelling out to fill up. And Europe's dizzying fuel costs would be even worse if it weren't for the considerable appreciation of the euro and the British pound against the dollar over the past year, which has partially offset the price escalation in dollar-traded oil.

One big reason for the difference is that European governments put a much higher tax burden on fuel than the U.S. does. State and federal taxes currently make up just 11% of the pump price in the U.S., according to the Energy Information Administration; in France and the U.K., taxes account for an average of around 70%.

Given the growing chorus of angry protests, it isn't surprising that leaders across Europe have begun scurrying for ways to provide some relief at the pump. But their margin for maneuver is limited. On Tuesday, for example, French President Nicolas Sarkozy proposed suspending most value-added tax (VAT) on gas, a measure he said would mean as much as \$267 million in savings per quarter to those hit hardest by fuel price increases. VAT rates on gasoline across Europe range from 15% to over 20%, so it's little wonder that Sarkozy's proposal was backed by leaders in Italy and Spain as a painless way to lower prices.

But as Sarkozy himself acknowledged, no nation among the European Union's 27 member states can make such a move without the unanimous approval of the others. Meanwhile, some observers warn that suspending VAT, like the proposed "gas holiday" for U.S. drivers, would deprive governments of sorely needed tax revenues and encourage producers to soak up most of the temporary cost cut. "Changing taxation on fuels in order to combat increasing prices would send a wrong message to producing countries," said E.U. energy spokesman Ferran Terradellas. "This would show them they could increase prices and that the citizens would have to pay."

Others suggest that such short-term efforts to reduce fuel costs send the wrong message anyway to drivers who need to cut consumption. Polls show that 70% of gas-rattled British voters are now unwilling to pay higher taxes to combat climate change. That hasn't stopped some European leaders from taking the bitter pill approach, arguing that today's pain over surging gas prices should be used to encourage longer-term environmental gain. "We don't need one-shot measures," Nathalie Kosciusko-Morizet, the French secretary of state for the environment, told parliament following Sarkozy's proposal, "but rather to free ourselves from oil." True enough. But that's cold comfort for truck drivers, fishermen, and summer vacationers who can't afford to fill up in the meantime.

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