Environmental Fiscal Reform in the EU

Global Conference on Environmental Taxation 15

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EU cycle of macroeconomic governance: the "European Semester"

- **Jan:** start preparing SWDs & NRPs
- **April:** National Reform programmes
- **May:** proposals for CSRs
- **June:** Country Specific Recommendations (CSRs) & Commission Staff Working Documents (SWDs)

**How can the environment contribute to green growth and jobs?**

Permanent dialogue with MSs
Greening the European Semester: the story of the mouse and the elephant?

Environment

GDP Growth
Jobs
Budget deficit
Over 20th century, global increase of fossil fuel use $x_{12}$ and material extraction $x_{8}$

Demand for food, feed and fibre may increase by $+70\%$ by 2050

60% of world’s major ecosystems that help produce these are already degraded or used unsustainably

WBCSD: by 2050 need for x4-x10 increase in resource efficiency; significant changes needed by 2020

EU consumes per capita $16t$ of material p.a. of which $6t$ becomes waste
Planetary boundaries and human activity

Rockstrom et al, Nature 461, Sept 2009
Vision of a Circular Economy

This means an industrial system that is restorative or regenerative by intention and design, which:

- Replaces the ‘end-of-life’ concept with re-use;
- Shifts towards the use of renewable energy;
- Eliminates the use of toxic chemicals, which impair re-use;
- Aims for the elimination of waste through the superior design of materials, products, systems and, within this, business models.

Today's waste becomes tomorrow's raw materials.
Concept of the circular economy

Linear economy vs Circular economy

Raw materials → Design → Remanufacturing → Distribution → Consumption → Repair → Collection → Recycling → Residual waste → Raw materials
We can make the environment part of the solution

How?

• Make the tax system more growth-friendly, for instance by shifting the tax burden away from labour onto tax bases linked to consumption, property, and combatting pollution
• Dismantle environmentally harmful subsidies, for example fossil fuels, company cars, or diesel compared to petrol
• Promoting resource efficiency by improving waste and water management, recycling and energy efficiency
• Encourage the job potential of the greening of the economy
## ENV/Climate CSRs in Semester 2014

<table>
<thead>
<tr>
<th>Issue in CSR 2014</th>
<th>No. of MS</th>
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<tbody>
<tr>
<td>Environmental tax shift</td>
<td>8</td>
</tr>
<tr>
<td>Increase env friendliness of tax system</td>
<td>2</td>
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<tr>
<td>Removal env harmful subsidies (EHS)</td>
<td>3</td>
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<tr>
<td>Congestion</td>
<td>2</td>
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<tr>
<td>Waste</td>
<td>1</td>
</tr>
<tr>
<td>Reduction of non-ETS GHG</td>
<td>2</td>
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<tr>
<td>Energy efficiency</td>
<td>11</td>
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<tr>
<td>Renewable energy</td>
<td>3</td>
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<tr>
<td>Energy networks</td>
<td>9</td>
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## Share of environmental taxes in total taxes (%)

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<tbody>
<tr>
<td>Energy taxes</td>
<td>5.33</td>
<td>5.10</td>
<td>4.38</td>
<td>4.55</td>
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<tr>
<td>Transport taxes</td>
<td>1.36</td>
<td>1.33</td>
<td>1.31</td>
<td>1.21</td>
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<tr>
<td>Pollution/resource taxes</td>
<td>0.18</td>
<td>0.20</td>
<td>0.21</td>
<td>0.25</td>
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<tr>
<td><strong>Total environmental taxes</strong></td>
<td><strong>6.87</strong></td>
<td><strong>6.63</strong></td>
<td><strong>5.89</strong></td>
<td><strong>6.01</strong></td>
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Share of environmental taxes in total taxes in 2012 (%)
Environmental taxes in 2012 (%)
Environmental fiscal reform study

- Builds on approach of European Environment Agency
- Focus on the potential of EFR in 12 MS
- Uses abolitions of exemptions or existing situations in other similar MS as potential, for example, for IT:
  - Tax diesel and petrol similarly, as in UK
  - Abolish reduced VAT for heating fuels
  - Align taxes on electricity for homes and businesses, as in NL, DE and DK
  - Increase tax on landfill and incineration waste to €50/t as in IRL
- 2015 study on remaining MS
EU12 Environmental Taxes + EHS removal - 2025

Revenues Generated (€ bn)

Countries: Austria, Belgium, Czech Republic, Estonia, France, Croatia, Hungary, Italy, Lithuania, Poland, Romania, Slovakia

Legend: Env. Taxes - EHSs
Env. Taxes in 2011 and Potential for Increase

Revenues as % GDP

Total Env. Taxes in 2011  Total Additional from Env. Taxes in 2025
EU12 additional Revenues, Summary by Type - 2025
EU12 additional Revenues, Transport (excl. transport fuels) - 2025
EU12 additional Revenues, Energy - 2025
EU12 additional Revenues, Pollution and Resource Taxes - 2025

Revenues Generated (% GDP)

Revenues Generated (€ bn)
Summary

- Potential for 2025 environmental fiscal reform – AT 1.01% GDP to RO 2.51% GDP
- Shows there is plenty of scope for increased revenues
- Indicates a range of suggested changes
- Member States should consider preferred options
- Seminars in Member States to discuss
- Contributes to meeting Country Specific Recommendations
- Good practice
Thank you for your attention!

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