

Capacity building for environmental tax reform

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Conference Summary

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Conference Summary

1. Introduction

The study 'Capacity building, programmatic development and communication in the field of environmental taxation and budgetary reform' for DGENV, carried out by IEEP and partners, aimed to develop an overview of existing economic instruments to address pollution and resource use, to contribute to the broader use of such instruments through exchange of information, and to encourage and help civil society to participate more actively and effectively in EU and national policy-making on the topic.

At the end of the project, a conference was held to bring together stakeholders to present the findings of the study, including several of the instrument-specific case studies that were developed, and to encourage an exchange of views on the subject of market-based instruments (MBIs) to address pollution and resource use. This document presents a brief summary of the conference, which took place at the Committee of the Regions in Brussels. It highlights some of the key points from the introductory presentation of the study, provides links to the presentations during the five thematic sessions (on Air pollution; Waste, resources and circular economy; Water quality and marine litter; Water stress and availability; and Biodiversity and land use), and summarises the concluding expert roundtable. It is therefore intended to complement the presentations and background paper for the conference.

We would like to thank all participants for their engagement and excellent contributions to the conference, as well as the participants of the five regional workshops held in early 2017 in Amsterdam, Barcelona, Copenhagen, Berlin and Budapest.

2. 'Setting the scene' session

The workshop was opened by **Roby Biwer of the Committee of the Regions** (Member of the communal council of the Commune of Bettembourg (Luxembourg) and member of the Committee of the Regions' Commissions on Economic Policy, Environment, and Natural Resources). He welcomed participants to the conference and highlighted the importance of the topic of environmental taxation. He pointed out that the regions of the EU have a role to play in the implementation of instruments, and highlighted that the Committee of the Regions is keen to help facilitate the sharing of information and implementation of instruments in this field.

Patrick ten Brink of IEEP provided an introduction to market-based instruments (MBIs) for pollution and resource use. The use of environmental taxes has grown over the past two decades, but the main focus to date has been on energy, transport and climate. The purpose of this conference, and the study that preceded it, was to investigate the growing number of instruments for pollution and resource use, how these experiences could be further spread, and the role that civil society could play in this process.

Patrick outlined the wide variety of tools for pollution and resource use, including taxes (e.g. for air pollutants, waste, products, mineral resources, fertilizers, pesticides and water), fees/charges (e.g. for waste, products,

water, forestry, hunting and fishing), and other instruments (e.g. deposit refund schemes for bottles, payments for ecosystem services, and biodiversity offsets).

Broadly, growing frustration over pollution (e.g. of air, water and beaches) is creating scope for new instruments. This is supported by growing acceptance of cost recovery approaches, the need to pay for services (including the protection of natural assets), and the fact that pricing can help with funding, efficiency and service delivery. In addition, it is understood that resources are finite, efficient management is needed, and citizens and businesses are responsible for the products they create, buy, use and dispose of. Nevertheless, fiscal instruments often face resistance from politicians, business and the public. Civil society engagement can help to address this and realise the opportunities of market-based instruments.

Emma Watkins of IEEP then presented the key tasks, outputs and results of the study.

An **inventory of existing MBIs in the 28 EU Member States** has been developed. This includes instruments on the following eight environmental themes: water stress; water quality; marine litter; air pollution; waste management & products; materials; biodiversity; and land use. The inventory lists over 350 separate MBIs, and includes information on their rationale, coverage, rates, revenues, exemptions, payers, collectors and beneficiaries.

The inventory is available on IEEP’s website at: <https://ieep.eu/publications/new-suite-of-40-case-studies-on-environmental-fiscal-reform>.

The inventory was used to identify instruments for the development of **40 detailed case studies**. The instruments were selected to ensure coverage of all eight of the environmental themes, all EU Member States, and a wide variety of MBI types. They include information on the design and scope of the instrument, revenues and revenue use, effectiveness and impacts (environmental, economic and social), and stakeholder engagement with the instruments at various stages of the policy cycle. The case studies are summarised in the table below (those marked with * are relevant in more than one environmental theme).

Air pollution	Water stress	Waste, resources & circular economy	Water quality & marine litter	Biodiversity & land use
Air pollution fees and taxes: CZ, HU, SK, SE	Water abstraction charges: BG, FR	Landfill taxes: AT, EL, UK	Wastewater fee: PL	Forestry-related fees/charges: AT, HR, SI, ES
Fluorinated greenhouse gas tax: ES	Water pricing: CY, MT, PT, NL	Pay-as-you-throw: BE, NL, LU	Pesticide/fertilizer/phosphorus-related taxes/charges*: DK x2, IT, SE	Biodiversity offsetting: DE
		Packaging charges/taxes/deposit refund*: BE, FI, LV, RO	Packaging charges/taxes/deposit refund*: BE, FI, LV, RO	Result-based agri-environment measures: DE
		Plastic bag levy*: IE	Plastic bag levy*: IE	Peatland tax reform: FI
		Environmental/natural resource charges*: BE, EE, LT	Environmental/natural resource charges*: BE, EE, LT	Pesticide/fertilizer/phosphorus taxes/ charges*: DK x2, IT, SE
		Aggregates levy: UK	Port fee reductions: NL	Hunting and fishing-related fees/taxes: EE, IE, IS
				Ecological fiscal transfers: PT

All 40 case studies are available on IEEP's website at: <https://ieep.eu/publications/new-suite-of-40-case-studies-on-environmental-fiscal-reform>.

Five regional workshops were held around the EU in early 2017, bringing together around 150 participants from Member State governments, NGOs and civil society. Each workshop was focused on one of the five grouped themes outlined in the table above:

- Circular economy (Amsterdam, 10 March);
- Water stress (Barcelona, 27 March);
- Water quality & marine litter (Copenhagen, 3 April);
- Biodiversity & land use (Berlin, 25 April); and
- Air pollution (Budapest, 25 April).

At the workshops, relevant case studies were presented, and interactive discussions on stakeholder engagement were held. These helped to identify past methods of engagement, as well as highlighting how engagement could be further developed in the future.

Emma then presented some of the study's key findings on instrument design:

- **Clear objectives linked to environmental goals** can increase the acceptability and success of an instrument;
- The **rate applied** and phased predictable changes in rates also impacts effectiveness;
- The **scope of the tax base** and **who pays the tax** impact on effectiveness;
- **Good management of administration costs** can reduce the administrative burden of an instrument;
- Good design can in some cases **stimulate innovation and investment**;
- **Wider tax reform** processes provide a window of opportunity for the introduction of new instruments, and for achieving coherence between instruments;
- **Clear communication** is critical to an instrument's success;
- **Revenue use** influences effectiveness, impact and acceptability, for example through revenue reimbursement, associated reductions in other taxes, and earmarking of revenues for environmental purposes; and
- Regular **monitoring and evaluation** is critical for the success of an instrument.

The study's findings on **civil society engagement with instruments** can be summarised as follows:

- There have been varying levels of engagement and influence at various stages of the policy cycle, with most engagement to date being found at the early problem recognition and policy formulation phase;
- At the **problem recognition and policy formulation** phase, civil society has helped to identify the need for (further) action, and provided input to consultations;
- At the **decision-making** phase, civil society organisations have helped to shape instrument design, and to increase the acceptance of new instruments;
- Some examples of engagement have been found at the **implementation phase**, including involvement in management of instruments, and decisions on rate-setting and revenue use;
- At the **monitoring** phase, some civil society organisations assist with data collection and reporting; and
- At the **evaluation phase**, some civil society organisations gather evidence on the impacts of instruments, to feed into evaluation processes.

In the future, civil society will still have an important role to play in contributing to the evidence base for new instruments, and engaging with consultation processes. There is however significant scope for further involvement throughout the rest of the policy cycle. For example, civil society could be more involved in the decision-making phase through greater involvement in instrument design and management. At the implementation phase, they could be involved more in expert groups, in the earmarking of revenues, in awareness raising on instruments and their implementation, and in encouraging good practices. At the monitoring phase, civil society could be more involved in on-the-ground monitoring of the impact of instruments, including through the use of new technologies (e.g. smartphone apps) and citizen science. Finally at the evaluation phase, civil society organisations could produce independent analysis and own reports on instruments, and participate in ‘name and fame’ or ‘name and shame’ activities to highlight good and bad practice.

3. Thematic sessions

The day then moved on to five thematic sessions. The proceedings of these sessions are not summarised here, as the presentations for each session are available on IEEP’s website (www.ieep.eu).

However, a list of the presentations for each session is provided below.

Air pollution

- Policy issues, relevance of market-based instruments (MBIs), key findings – [Andrea Illes \(IEEP\)](#)
- Case study: Spain: Tax on fluorinated greenhouse gases – [Ignasi Puig Ventosa \(ENT Environment and Management\)](#)

Waste, resources and circular economy

- Policy issues, relevance of MBIs, key findings – [Sarah Ettliger \(Eunomia\)](#)
- Case study: Finnish deposit refund system (DRS) – [Pasi Nurminen \(PALPA\)](#)
- Case study: Belgian pay-as-you-throw (PAYT) schemes – [John Wante \(OVAM\)](#)

Water quality and marine litter

- Policy issues, relevance of MBIs, key findings – [Mikael Skou Andersen \(Aarhus University-DCE\)](#)
- Case study: Poland: Waste water taxation to address urban and industry discharges – [Kamila Paquel \(IEEP\)](#)
- Case study: Netherlands: Addressing plastic waste in Dutch ports – [Coen Peelen \(Dutch Ministry of Infrastructure & Environment\)](#)

Water stress and availability

- Policy issues, relevance of MBIs, key findings – [Anders Branth Pedersen \(Aarhus University-DCE\)](#)
- Case study: Cyprus: Pricing for irrigation and the cost of scarcity – [Christos Zoumides \(The Cyprus Institute\)](#)
- Case study: The stake-pay-say principle in the Netherlands – [Herman Havekes \(Dutch Water Authorities\)](#)

Biodiversity and land use

- Policy issues, relevance of MBIs, key findings – [Daniela Russi \(IEEP\)](#)
- Case study: Fishing fees supporting salmon conservation and management in Ireland – [Dr. Ciaran Byrne \(Inland Fisheries Ireland\)](#)
- Case study: The Danish pesticide tax – [Jens Holger Helbo Hansen \(Danish Ministry of Taxation\)](#)

4. Concluding expert roundtable

The day concluded with an expert roundtable, chaired by [Patrick ten Brink of IEEP](#), and including [Aire Rihe of the Estonian Presidency](#), [Malgorzata Kicia of DG ENV, European Commission](#), and [Eero Yrjö-Koskinen of Green Budget Europe](#). The discussions are summarised in the following paragraphs.

The discussion started by looking at **inspiring practices from the past**.

[Aire Rihe](#) pointed out that pesticides taxes and deposit refund systems has been proven to be fast and easy to implement, demonstrating success over a short period of time. Market-based instruments can be beneficial where there is no regulation; for where there are no emission limits, MBIs such as taxes can be sufficient to achieve outcomes. She also added that if revenues from environmental taxes go back to municipalities/affected businesses, this can help to gain political support.

[Malgorzata Kicia](#) highlighted that the results of this study will feed into two European Commission work streams. Firstly, they will be used to make suggestions on incorporating environmental tax reforms in country-specific recommendations through the Greening the European Semester process. Secondly, they will feed into the two-yearly Environmental implementation review, to help Member States implement environmental policy. She also found it interesting to see how EU legislation has influenced the development of MBIs, e.g. application of the polluter pays principle. It can be noted that there is no one size fits all solution.

[Eero Yrjö-Koskinen](#) said the best results are achieved when consumers feel they have new opportunities from an instrument, not just a new tax, and they can achieve something apart from the environmental benefit. He stressed that consumers and the public do not generally have the time, knowledge or interest to understand the importance of every environmental benefit; new instruments should take this into account.

The discussion then moved on to what changes the panellists would like to see in **fiscal reform in the future**.

[Aire Rihe](#) said that in relation to MBIs, the Estonian Presidency is focusing on consumers, products, digitalisation and transparency. The agenda should be broadened to include circular economy; most EU Member States are thinking along the same lines, so the question is how to achieve it. Possibilities include:

- Making information about the environmental impact of products transparent;
- Installing taxes based on a whole life-cycle approach on the environmental impact of a product, based on transparent information;
- Member States should encourage voluntary agreements for companies to give consumers information on the environmental impacts of a product, to inform consumer choice.

There will be a paragraph in the Presidency conclusions on opportunities for financial incentives. She also stressed that civil society is very forward-looking and can help to drive improvements. Their support helps to give policy-makers a sense of security in their decision-making.

Malgorzata Kicia pointed out that green public procurement, extended producer responsibility and MBIs for waste are all elements of the Circular Economy package. Administrative burdens should be reduced, transparency and stakeholder engagement increased, and laws simplified. Civil society involvement is very important for good governance and policy-making, and should be encouraged and increased, through transparency and stakeholder consultations. For example the Commission always seeks input through consultations; there is a culture of evaluation and consultation that Member States could follow.

Eero Yrjö-Koskinen felt that the key challenge is to get environmental fiscal reform into the core of policy discussions. This can be done in several ways. Firstly, macro level objectives can convince on the importance and urgency of environmental problems, e.g. the Paris Agreement, biodiversity agreements and the UN Sustainable Development Goals (SDGs), all of which are extremely demanding. We need to realise that whilst these targets are internationally important, we are not currently on track to achieve them. We then need to do something about this: inform civil society and the public on what is at stake and the opportunities to act. For example, governments can increase environmental taxes and at the same time decrease labour taxes. In this way environmental taxes help to achieve more balanced taxation, and are not an additional burden.

Eero also suggested that Member States should get together, exchange views and best practices and forge coalitions of like-minded countries to start pilot projects to investigate new fiscal measures and MBIs.

Some **comments then followed from participants in the audience.**

One **participant from Portugal** pointed out that we know what we should do and what's already being done, but it needs to be made clear to the general public what the problem is, through good communication. Environmental taxation is a dry subject, and hard to understand. In the area of land use and biodiversity it is particularly difficult to grasp the link with taxation. Also the consequences are long term and there is a large local heterogeneity. The concept of payment for ecosystem services (PES) can help, but is not yet widely implemented enough. The concept can be applied more broadly through links to agricultural subsidies.

A **participant from Germany** made three points. Firstly, the forthcoming proposal on the new Common Agricultural Policy (CAP) offers a window of opportunity for change, e.g. to influence the reform of environmentally harmful subsidies and payments. Secondly, more coalitions of like-minded countries should be formed. This was a common approach in the 1990s, and should be revived, e.g. to discuss how to decrease subsidies for diesel cars. Finally, European Commission President Jean-Claude Juncker has pointed out the problem of unanimity voting on taxation issues and suggested it should be changed; this would be a crucial step to achieving greater progress on environmental tax reform.

A participant from Denmark requested that the European Commission undertake further initiatives for the development of economic instruments. For example there are no effective guidelines at present on how to implement the Waste Framework Directive or the Packaging and Packaging Waste Directive through the use of MBIs. The Eurovignette Directive could perhaps be a model for this.

He also highlighted that increasing public participation is challenging and will take a long time to develop. Some countries with a shorter democratic history, but also some older democracies, need to do more. But we should not be disheartened; new generations will offer an opportunity for change.

A **participant from the Netherlands** suggested that CAP money should be used more for environmental purposes, e.g. the provision of subsidies for sustainable farming and greening for nature activities. Money from both Pillar 1 & Pillar 2 should be used to stimulate sustainable farming. More should also be done to see how the agriculture sector and water sector can work together.

A [participant from Finland](#) asked how we can promote the circular economy to bring about a shift in the tax system and make the transition to a circular economy. Is there real potential to shift from labour taxation to environmental taxation, in particular resource taxation? Which economic instruments are suited to promote eco-design of products? On the latter question, [Patrick ten Brink](#) pointed out that extended producer responsibility, and in particular the use of modulated fees, could help.

A [participant from France](#) suggested it would be useful to carry out a meta-analysis of the 40 case studies produced within this project. It would be interesting to see if this would reveal systemic changes at the micro-level, or key variables that determine success or failure of instruments.

The day concluded with the panel being asked for their responses to the comments by participants, and to reflect on the **future of environmental fiscal reform**.

[Aire Rihe](#) said that the SDGs can be seen as a tool for budgets, to influence financing, monitoring and taxation to reach the goals. The CAP is related to the SDGs, and action on pesticides and fertilizers can perhaps be requested through the UN. She wants to see the polluter pays principle integrated around the world, and reinforced within the EU. She also agreed that closer cooperation and consultation between like-minded Member States is an excellent idea and should be pursued.

Environmental taxes should be promoted and should be part of the EU multiannual financial framework. The Estonian Presidency has sent a questionnaire to all Member States to ask about their future strategy, and discussions will be held in October on how to take things forward. The current Presidency trio (Estonia, Bulgaria and Austria) are looking at eco-innovation and sustainable investment plans. This includes for example transparency and standardisation (e.g. on recycled packaging), targets, and incentives (e.g. modulated fees for recycled packaging). Some results should be seen by December.

[Malgorzata Kicia](#) agreed that the post 2020 financing for the CAP offers an opportunity; she pointed out that work is ongoing at the moment and changes can be expected. Environmental objectives shall be integrated in all policies. She mentioned that future projects on environmental taxation will repeat the experience of producing and evaluating case studies, to investigate and demonstrate best practice.

[Eero Yrjö-Koskinen](#) concluded the day on a positive note, suggesting that it seems like a window of opportunity is opening up for environmental tax reform, and discussions will now continue at the EU level. Green Budget Europe is continuing to work on many of the issues mentioned (e.g. circular economy, MBIs, CAP), and through cooperation within the EU and stakeholders in its Member States we will be able to reach our final goal of environmental tax reform.

Next Steps

The final report for the study is expected to be published at the end of November 2017. The report will provide a synthesis of all 40 of the case studies developed within the study, and draws together conclusions on both instrument design and civil society engagement with instruments throughout the policy cycle.

Please contact Emma Watkins ewatkins@ieep.eu or Patrick ten Brink ptenbrink@ieep.eu for further information on the study.