

# GREENING TAXATION

Getting the prices right: How green taxation can help build fairer, more resilient economies

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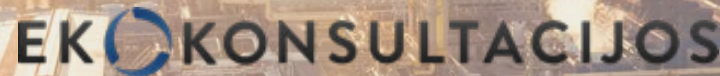
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Institute for  
European  
Environmental  
Policy



# Project participants



Katja Sonnenschein

Peter Hjerp



# Introduction

- Ongoing study into:
  - What the polluter pays as a % of damage caused (“internalisation”);
  - The macroeconomic impact of switching from labour to green taxes on growth, jobs, fairness;
  - Best practice design for new taxes and other instruments;

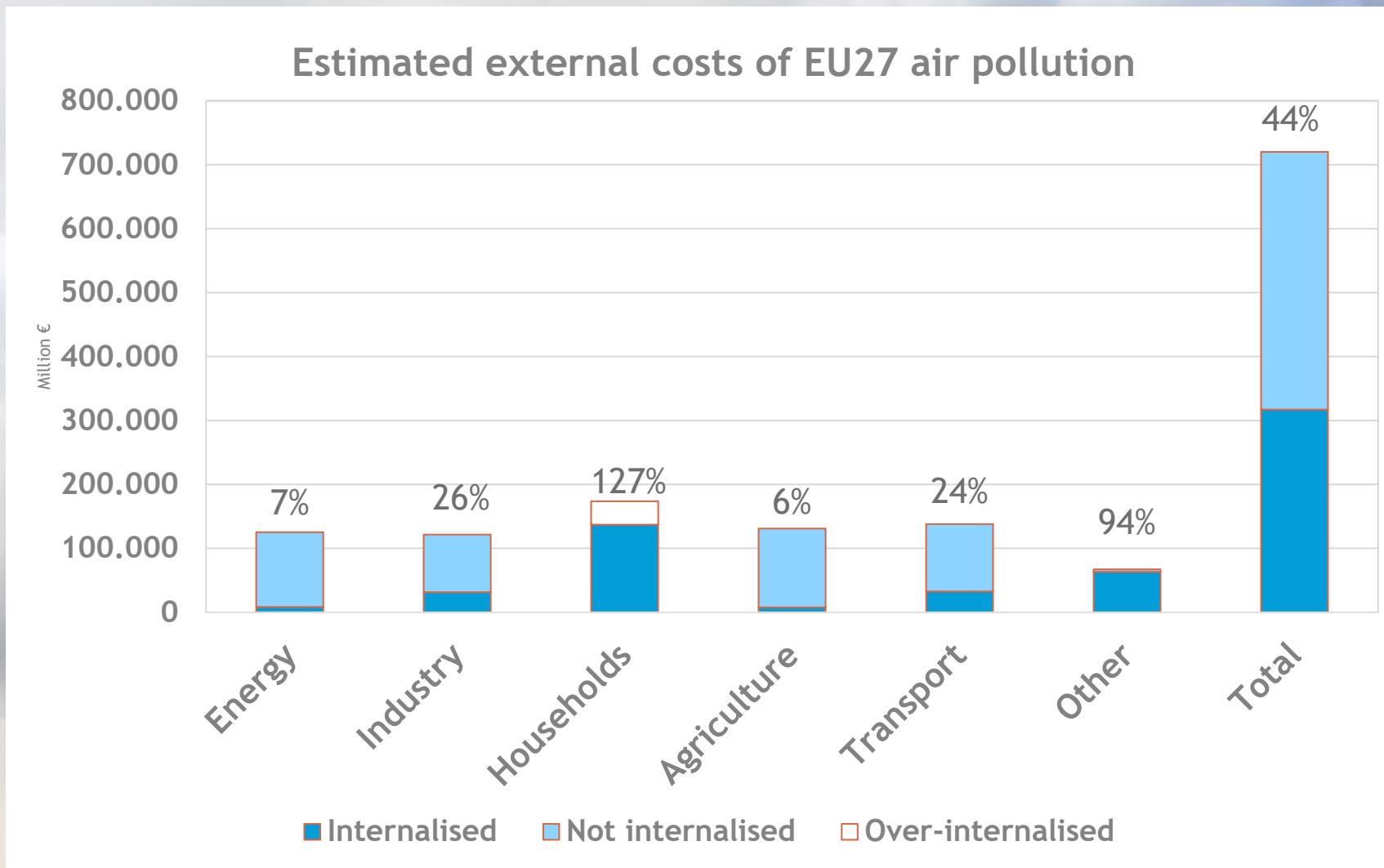
And will provide a toolkit for stakeholder action.

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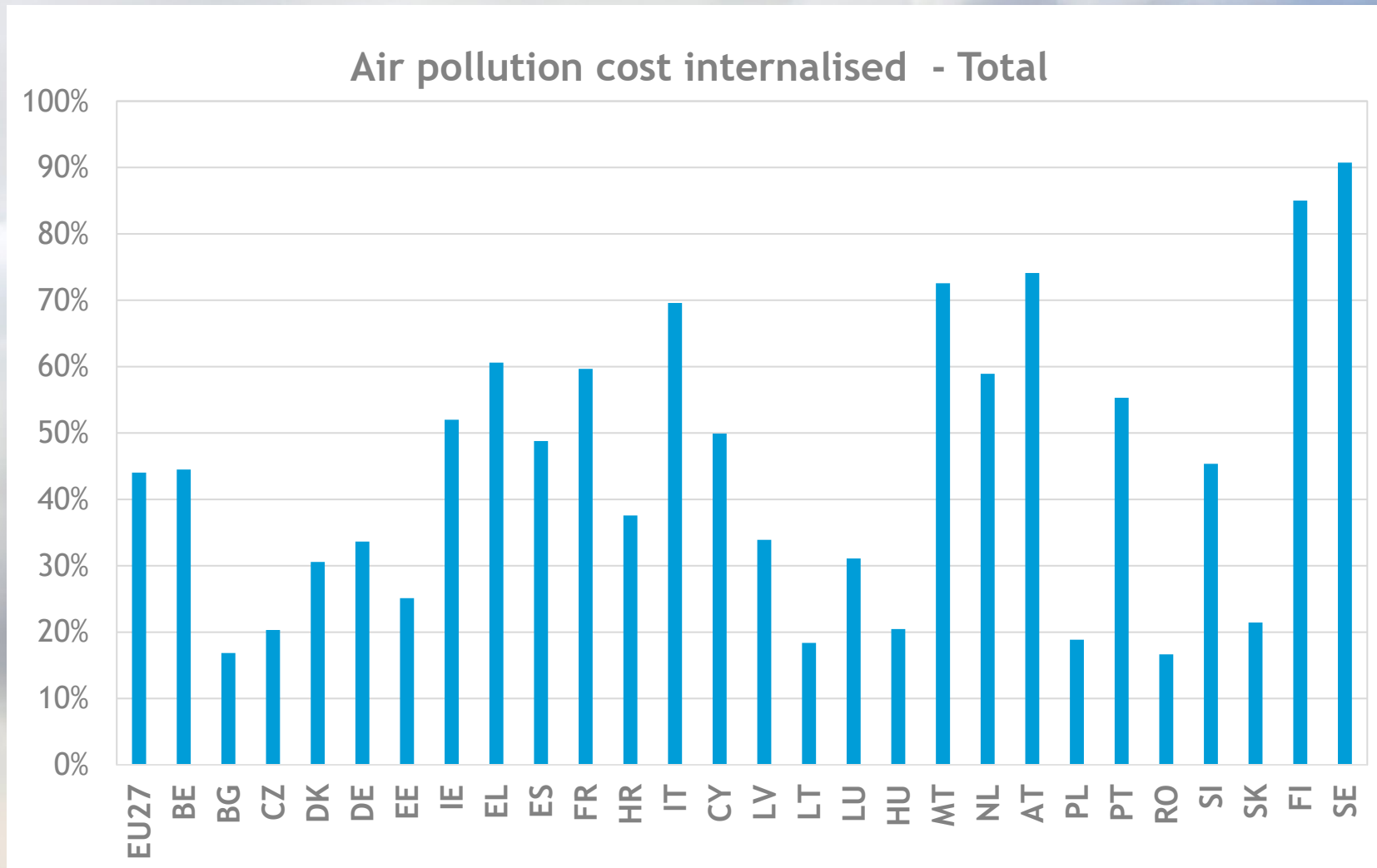
# Policy context

- 2011 Resource Efficiency Roadmap: “increase environmental taxes to at least 10% of public revenue as an EU average by 2020”
- 2019 actuality: 5.9% of revenue is from environmental taxes but over three quarters of this is from energy taxes (Eurostat). The share has gone down slightly since 2013.
- An opportunity to raise revenue sustainably whilst achieving environmental goals efficiently is being missed.

# Polluters pay under half the cost of air pollution

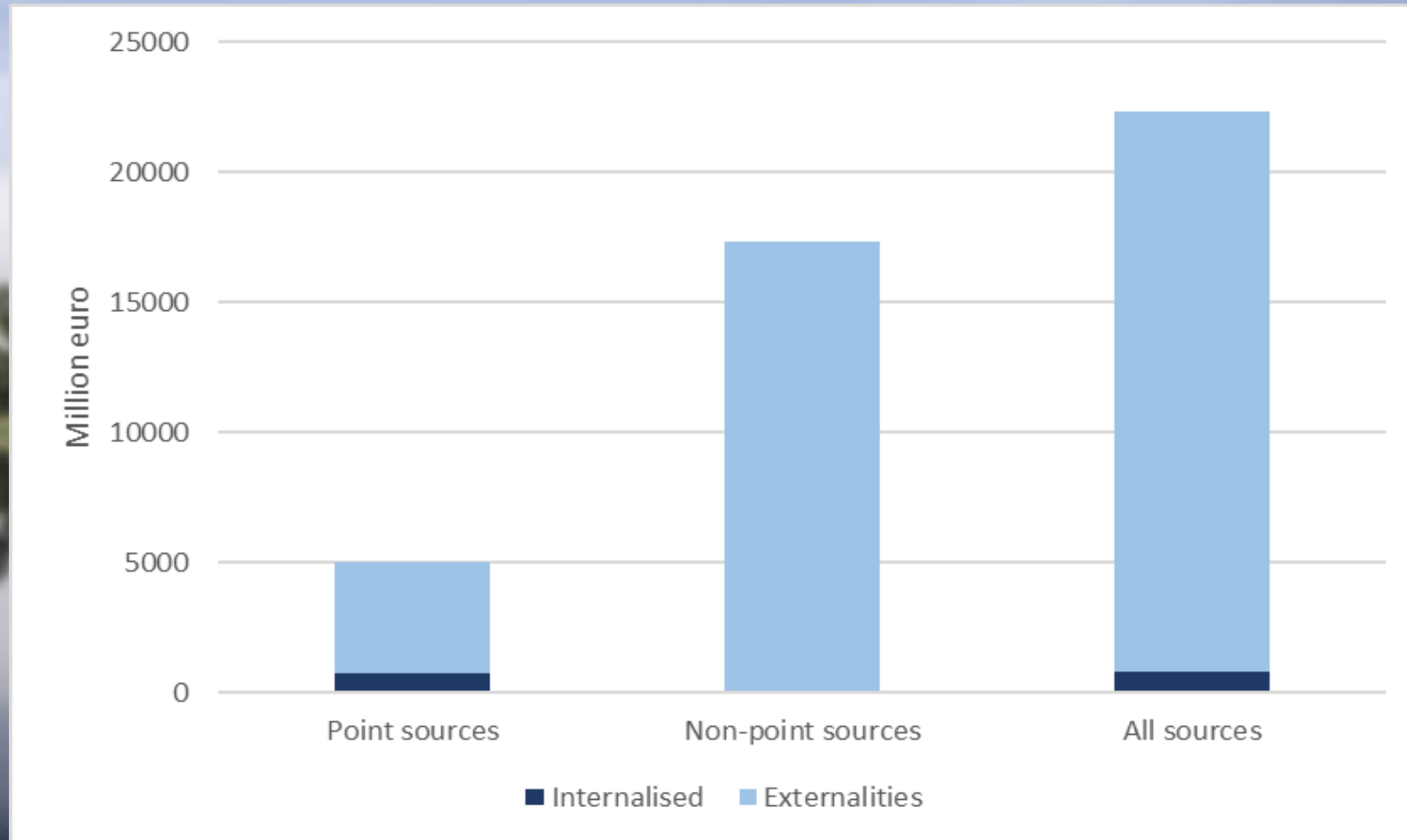


## Some Member States internalise most air pollution – it can be done!

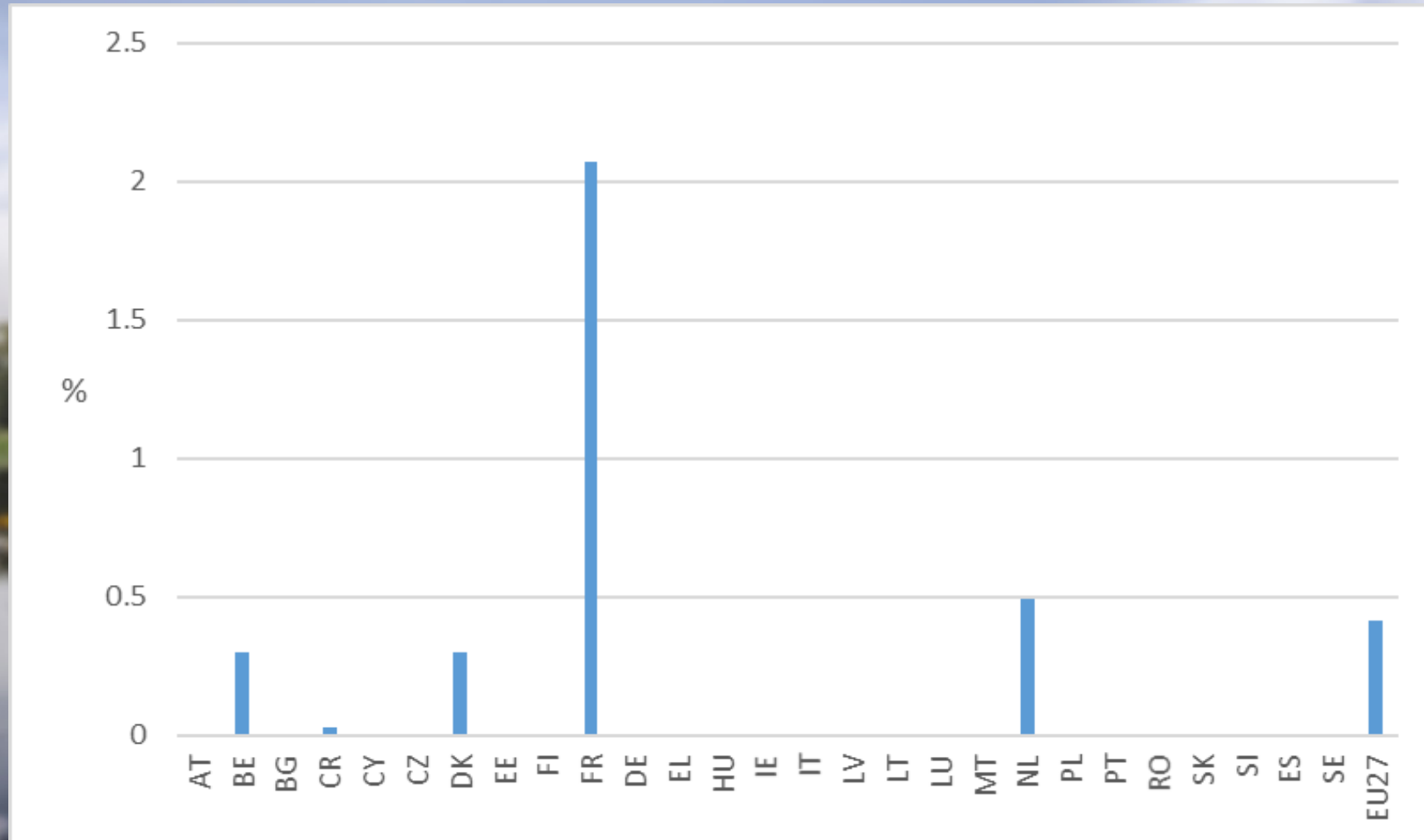




## For water pollution very little cost is internalised



## Non-point source water pollution particularly undertaxed





## Green taxes can be good for growth and jobs

- A simulated portfolio of €30bn of green taxes/Market Based Instruments to replace income tax raised EU GDP by €35bn (0.2%) by 2030, raising employment by 140,000 FTE (0.1%) – similar to the positive effects foreseen by the Commission if ETS revenues are recycled
- Green taxes are sometimes criticised as regressive. Our simulation showed positive or zero impacts on income in all parts of the distribution in all Member States.
- More positive redistribution is achievable through careful design of the taxes and MBIs as our report shows
- How to overcome the reluctance?

## Sharing best practice in design

- There is experience amongst the Member States to draw upon
- We will publish detailed advice on how to design green taxes and Market Based Instruments, based on existing best practice:
  - What to tax, and how to set rates
  - Who to tax, and who to exempt
  - How to make sure the tax is collected
  - How ensure they are fair, and vulnerable groups are not hard hit



# Making it happen!

- Technical workshops on instrument design
- Stakeholder workshop for civil society in Member States to encourage greater participation in policy process
- Ongoing support from the Commission – DG REFORM

# Conclusion

- Our work conclusively shows that air and water pollution are underpriced, as is environmental damage to other sectors, and that reservations about tackling this through green taxes and market-based instruments are unlikely to be well-founded
- The Green Deal and Recovery Package are an opportunity to signal political commitment
- Our project and the Commission offer technical support
- It is time to act