

Project introduction:

Capacity building, programmatic development and communication in the field of environmental taxation and budgetary reform

Client: European Commission – DG Environment
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Background and aim

Economic instruments are increasingly being discussed and applied in the area of environmental policy. This is driven by various considerations, from the need for fiscal consolidation to concerns over impacts on the environment, human health, biodiversity, energy, resource use and food security. Economic instruments are an important part of the policy mix to support the shift to a green, inclusive global economy. In addition, such instruments help to improve price signals in the economy. Well-designed instruments can have a range of benefits and support financial, economic, social, environmental and security policy objectives. As well as individual instruments, packages of instruments are important, for example in the case of fiscal reform such as the reform of environmentally harmful subsidies (EHS) and environmental tax reform (ETR).

Efforts to date have mainly focused in the areas of energy, transport and climate. The use of economic instruments to address pollution and natural resource use has been limited to date, but is increasing in Europe, and focuses more on achieving environmental objectives than raising revenue.

The main objective of this project is to contribute to a broader development and application of market-based instruments (MBIs), and in particular environmental taxes, in the field of environmental policy. This will involve improving the knowledge base, stimulating exchanges of experience and best practice, in particular on pollution and resource taxes, and helping organisations to become better prepared to participate in policy-making processes at both the national and EU levels.

The project tasks

1. Preparing an inventory of economic instruments

During the first task, an inventory was compiled of MBIs to address pollution and resource use that are currently in place in the 28 EU Member States. The inventory gathered information on, for example: environmental relevance, governance level, year of introduction, rationale for the instrument, rates and revenues raised, who pays and collects, and exemptions.

The inventory focussed on three main types of instruments: pollution and resource taxes (including product taxes), schemes involving tradable permits/allowances, and deposit refund schemes. It will focus on eight environmental areas, which have been chosen due to their likely relevance for stakeholders:

- Water stress and availability, e.g. abstraction charges
- Water quality/pollution, e.g. waste water charges, pesticides taxes, fertiliser taxes
- Marine litter, e.g. product fees, plastic bag fees
- Air pollution (from stationary sources), e.g. SO₂ taxes, NO_x taxes, PM taxes
- Waste management & products, e.g. landfill and incineration taxes, deposit refund schemes, packaging taxes
- Materials (primary resource extraction/use), e.g. taxes on aggregates/natural resources
- Biodiversity, e.g. pesticide and fertiliser taxes, stumpage fees (payments for cutting down trees)
- Land use and management, e.g. pesticides and fertiliser taxes

In addition to the inventory, a questionnaire was sent to civil society representatives across the EU to gather information on their engagement with the development and implementation of MBIs. This information helped to identify: areas where civil society has already been involved in the development and

implementation of instruments, areas where more engagement is needed, and opportunities for future civil society engagement.

2. Analysing the use of MBIs

The second task analysed the use of a number of MBIs to address pollution and resource consumption. In total, 40 specific economic instruments, each relevant to one or more of the eight environmental themes, were selected for this more detailed analysis.

Under this task, aspects such as the following were investigated: instrument design, reductions and exemptions granted, revenue raised and any earmarking that takes place, links to other policies/instruments, political processes behind the instrument's introduction, the role of civil society in the development/implementation of the instrument, how the instrument is perceived by stakeholders, environmental effectiveness and insights, distributional and competitiveness impacts, and elements of best practice.

3. Regional workshops

Under the third task, a series of five one-day regional workshops were organised during March and April 2017, with around 30 participants present at each. Some financial support was provided to facilitate attendance by stakeholders unable to finance their own travel.

To facilitate the organisation of workshops and the attendance of stakeholders, the workshops brought together groups of Member States with broadly comparable thematic issues, policy approaches and instruments. The following workshops were held:

- **Circular economy (Amsterdam, 10 March):** focus on the Netherlands, Belgium, UK, Ireland, Estonia, Luxembourg
- **Water stress (Barcelona, 27 March):** focus on Spain, Cyprus, Greece, Malta, Portugal, Bulgaria, France
- **Water quality & marine litter (Copenhagen, 3 April):** focus on Denmark, Finland, Latvia, Lithuania, Poland, Sweden
- **Biodiversity & land use (Berlin, 25 April):** focus on Germany, Austria, Croatia, Italy, Slovenia
- **Air pollution (Budapest, 25 April):** focus on Hungary, Czech Republic, Slovakia, Romania, Poland

The workshops presented findings of the MBI analysis undertaken within the project, and facilitated the exchange of experiences and best practices amongst

stakeholders, helping to build capacity. The workshops also enabled the project team to gather views on how the project's findings can be translated into practical policy actions.

4. Consolidation and distribution of results

The final task is to ensure that the results of the project are adequately consolidated and distributed so that the project helps to build capacity amongst civil society to support the further development and use of environmental taxes and budgetary reform in the area of environmental policy.

This will take the form of both a final written report (due to be completed in October 2017) and a one-day conference for around 150 participants, due to be held in Brussels in 5 October 2017. Both the report and conference will present lessons learnt from the successful use of MBIs to date, and identify the way forward for the further development of environmental taxation and budgetary reform in the EU. This will include presenting future policy needs, windows of opportunity for progress, and the role of civil society in the process.

The Project Team

The project consortium is led by the Institute for European Environmental Policy (IEEP), with joint contractors Danish Centre for Environment and Energy (DCE), Aarhus University and ENT Environment and Management. The other consortium partners are: Eunomia Research & Consulting Ltd, Green Budget Europe, the Institute for Environmental Studies at VU University (IVM), Cambridge Econometrics, Denkstatt GmbH, Netherlands Environmental Assessment Agency (PBL), Galovic Consulting, Stockholm Environment Institute Tallinn Centre (SEI Tallinn) and Ekokonsultacijos JSC. The consortium also includes independent experts: Janis Brizga, Prof. Theodoros Zachariadis (Cyprus University of Technology) and Katja Kavcic Sonnenschein. See below for details of the main IEEP project contacts.

Express your interest in the project!

The project team are continuing to develop an extensive list of contacts including relevant individuals and organisations to invite to the final project conference on 5 October 2017.

Please email the IEEP project team if you would like to be added to the contact list!