



Tools for the Efficient and Sustainable Management of Natural Resources

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Avenues for Green Growth



- Energy and resources become scarcer over time
- Resulting need to adapt our economic structures („**green growth**“, „**eco-efficient economy**“) figures as key point in **Europe 2020** strategy:
- **Flagship Initiative: Resource-efficient Europe and Roadmap to a resource-efficient Europe**
 - Emphasises need to use **efficient instruments** to ensure correct price signals: Often policy mix required.
 - Call for intensified use of environmental taxes by Member States and removal of environmentally-harmful subsidies. Follow-up in **European Semester 2012**.
- Context of crisis : Revenues from MBI and need for **fiscal consolidation**. Policy coherence

Potential for tax shift - Acceptability issues



- Economic arguments in favour of environmental taxes.
- But no increase in relative terms, rather stagnation and **relative decline** in the EU over the last 15 years. Why?
- **Other MBI** – cap and trade, habitat banking, subsidies
- But: Environmentally-**harmful subsidies** not phased out
- In many sectors external **costs not** or not fully **internalised**
- Also: Significant **differences between Member States** -
Some very advanced but obstacles....

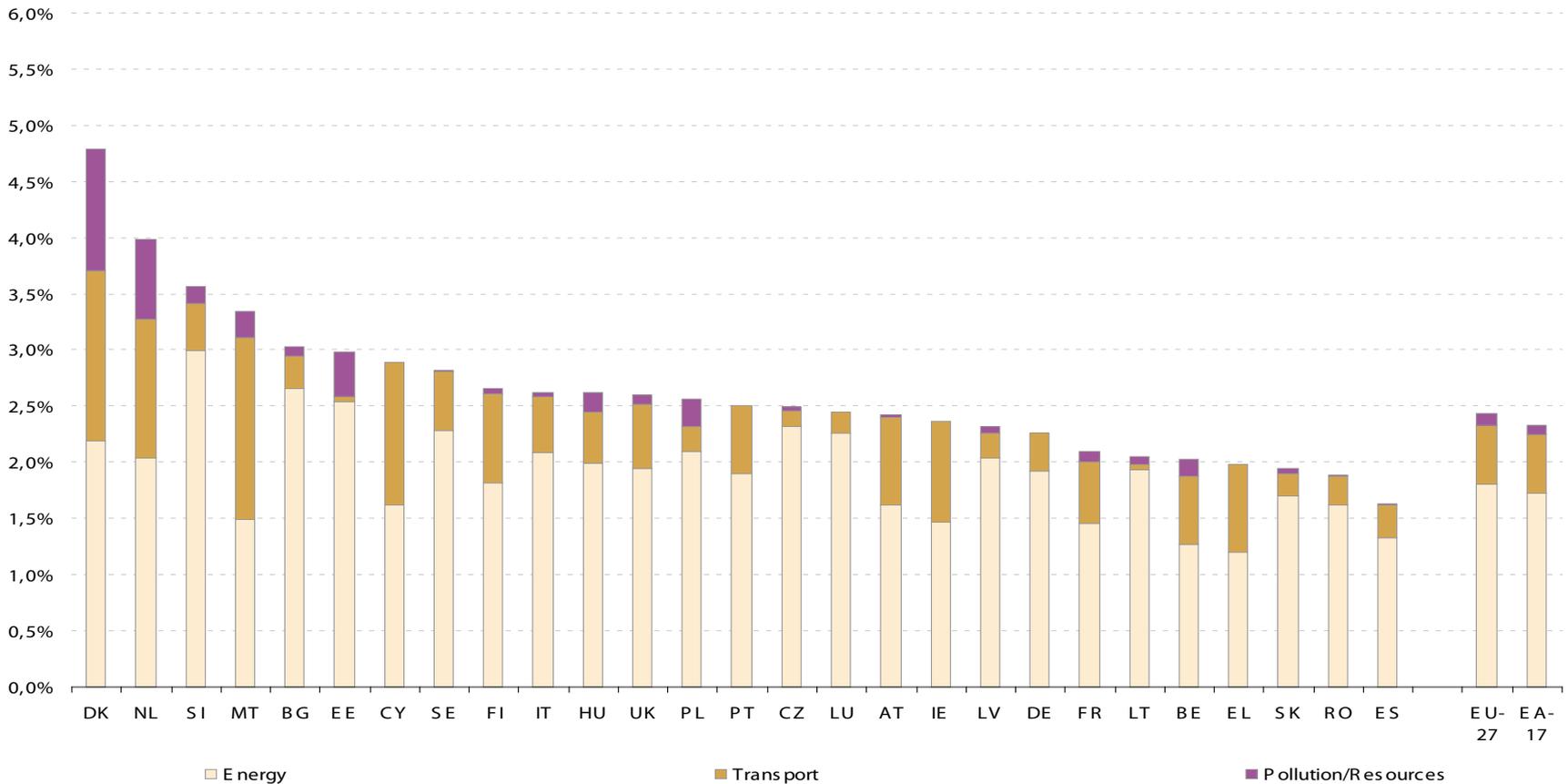
Share of environmental taxes in total taxes



EU-15/EU-27	1980	1995	2010
Energy taxes	4,2	5,4	4,7
Transport taxes (excl. fuel)	1,4	1,4	1,3
Pollution taxes	0,2	0,2	0,2
Environmental taxes	5,8	7,0	6,2

Source: Eurostat, 2012

Revenue from environmentally-related taxes in % of GDP, 2009



Potential for tax shift - Acceptability issues



- Reasons for acceptability problems:
 - **Competitiveness and distributive/social concerns**
 - Resistance – perception of **high fiscal burden**
 - Resistance - **Strong industrial lobby**
- Thus further increases challenging. Possible Solutions:
 - **ETR - shifting tax burden** from labour and capital to resources (Revenue recycling)
 - Mitigating measures – **targeting vulnerable groups through derogations**
 - **Co-ordination/Harmonisation** at EU level
 - **Earmarking** for „green“ purposes,
- Limited size means **limited role** for environmental taxes in **fiscal consolidation**

Avenues for resource taxation



- Any new instrument requires a careful **analysis**: data collection and assessment against resource efficiency objectives
- Many instruments have features that are **country or region specific** (water, soil)
- **Gradual approach** is preferable, with carefully designed timeframe, creating stable expectations, and holistic view
- **Competitiveness and social concerns** must be addressed
- Strong **political will** is essential
- **EU role**: guidance and co-ordination
- **Examples** of resource taxes: Water, Virgin materials and waste management, plastic bags, biodiversity protection.

Subsidies and their evaluation



- Subsidies as means to ensure adoption of useful policies/**acceptability**, e.g. ETR
- Subsidies to **help create and develop markets** – innovation, new technologies, but avoid lock-in effects
- But need to ensure efficient use. Introduction of **sunset date** and **regular evaluation**:
 - Original rationale still valid?
 - Subsidy effective? Costs?
 - Design appropriate?
 - Use new information, experiences

Challenge of **identification and quantification**, assessment of harmfulness

Social issues and vested interests – reform creates losers

Problems of **Sectoral approach** to policy making

EHS reform supports 2 **policy priorities** in EU: Europe 2020/resource efficiency and budgetary consolidation

Focus on **concrete subsidies**

Link to **international commitments**

Smoothen transition for losers by **compensation measures**