6. Green taxes and green public spending

UN ESCAP

Meeting of Expert Group on Tax Policy and Public Expenditure Management for Sustainable Development

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via skype from Bonn/Germany

Kai Schlegelmilch

President and Co-Founder
GREEN BUDGET GERMANY (GBG)

Vice-Chair of Adisory Committee and Co-Founder
GREEN BUDGET EUROPE (GBE)

GreenBudgetEurope

Environmental Taxes in the EU

- **Energy (fossil and nuclear fuels, electricity)**
- **Emissions (like CO_2 or SO_2)**
- **Transport (fuels, annual tax, registration/ importation/ emissions of cars, size of motor)**
- **Waste**
- **Wastewater**
- **Natural resources (material, minerals)**
- **Environmental harmful products (pesticides, fertilizer, plastic bags, tyres, batteries, etc.)**

Common features of EFRs

- **Energy (and carbon) taxes, and here transport fuels, are the core elements, not at least since they contribute to most of the revenues to make a tax shift possible.**
- **Mostly revenue neutrality is ensured by lowering social security contributions and/or income taxes**
- **Reduced rates often apply to businesses, yet the United Kingdom demonstrates the opposite.**
- **Social aspects are taken into account by the choice of tax bases, reduced rates or social welfare compensation.**
- **The size of the tax shift is up to 5% of total tax revenues and up to 2% of GDP.**
- **Mostly slight positive impacts on energy consumption, economic growth and jobs occur, proofing a politically attractive double dividend.**
- **Often first ETR is introduced, then the reduction of Environmentally Harmful Subsidies (EHS) is tackled.**

GreenBudgetEurope

German experiences with Environmental Tax/Fiscal Reforms

The government (Social Democrats + Greens) introduced an ETR on 1. April 1999:

•Increase and broadening of energy taxes and reduction of social security contributions [and increase of environmental protection promotion programmes]

•Steady increase of several energy taxes in 5 small steps between 1999-2003

•Steady decreases of social security contributions (here: pensions fund)

➔The reform resulted in a 2-3% reduction of overall CO2 emissions between 1999-2003, while 250,000 jobs were created in the energy efficiency and renewable energy industry

2005: Environmentally harmful subsidies were reduced, road pricing for lorries was introduced

2011: Air ticket tax and nuclear fuel tax were interoduced

China

On behalf of GTZ, Kai Schlegelmilch was the International Coordinator of the „Task Force on Economic Instruments for Energy Efficiency and the Environment“ of the „China Council for International Cooperation on Environement and Development“ (CCICED – an international advisory body for China).

Operating from 4.2008-11.2009
Final report published at the Annual General Meeting (AGM) in 11/2009

Recommendations on tools like :
- increasing energy productivity
- bank products such as credits, guarantees
- insurance premiums, liability schemes
- environmental taxation (including reducing environmentally harmful subsidies and introducing an energy/carbon tax)

Possible impact: Announcement that before 2015 China will introduce a carbon tax

Indonesia

• As 3rd largest democracy and as one of the largest oil exporters ID has a crucial role to play regarding EFR.

• Climate policy is high on the national agenda given the push thanks to the international climate conference on Bali 2007.

• Is shifting between subsidising domestic use and benefiting from internationally relatively high world oil prices. But in recent years managed to implement a substantial reduction of fossil fuel subsidies.

• Indonesia has already a very good basis of EFR-elements in its fiscal system, see next slides.

• Within the process of decentralisation, the law on provincial and local taxes (28/2009) was adopted and the tax bases determined therein have a direct or indirect relevance for the environment.

• Furthermore regions are prohibited from collecting taxes other than those types of taxes. This supports the conditions for further implementing EFR-elements.

Indonesia

The following types of taxes are already in place due to law on provincial and local taxes (28/2009) which comprises many environmentally related taxes, but still offers ample room for increases and reducing exemptions in terms of tax basis:

1.provinces:

- **Motor Vehicle Taxes;**
- **Excise/Taxes For Transfer of Ownership of Motor Vehicle;**
- **Taxes on Fuel for Motor Vehicles;**
- **Surface Water Taxes;**
- **Cigarette Taxes.**

Indonesia

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Land and Building Taxes;
Acquiring Right on Land and Building