



European Commission

EU House
Nicosia

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Environmental tax reform in times of economic crisis: What are the prospects?



CIRCULAR ECONOMY
saving resources, creating jobs





Environmental Tax Reform in Times of Economic Crisis: What Are the Prospects?

Friday, 6 June 2014, EU House, 30 Vyronos Avenue, Nicosia, Cyprus

Green Week 2014 satellite event

*jointly organized by the European Commission Representation in Cyprus
and the Jean Monnet project "European Energy and Environmental Policy at a Crossroads"
of the Cyprus University of Technology*

Governments across Europe need to raise revenue to pay off debt and reduce deficits. At the same time they are committed to implement EU legislation. Member States will be asked to pursue the implementation of structural reforms and to consolidate public finances in a growth-friendly way, i.e. by promoting the EU resource efficiency roadmap.

Environmental Taxes are key for a cost-effective fiscal consolidation. European states generate most of their revenues by levying taxes on labour and income. At the same time, activities causing environmental degradation and depletion of scarce natural resources (such as consumption of electricity, fuels and water as well as production of waste) account for a small fraction of government finances. This endangers economic growth and employment while rewarding over-exploitation of natural resources. Environmental fiscal reform can correct this disparity by shifting the focus of government taxes from labour/income to environmentally harmful and resource-depleting activities.

Market-based policy instruments that can be used for this purpose are carbon taxes, emissions trade, water abstraction charges, levies on the production of waste, traffic congestion charges etc. Another instrument is phasing out of environmentally harmful subsidies to fossil fuels.

Several European countries have already introduced such policy instruments. Apart from saving energy and improving the environment, environmental taxes can produce better economic results than conventional taxes: Many studies and best practices show that, depending on whether and how the additional public revenues generated from environmental taxation are recycled in the economy, an environmental fiscal reform may also be beneficial for economic growth.

Such a reform is relevant for Cyprus. The importance of environmental taxation is even more pronounced in countries that currently apply fiscal consolidation policies as part of broader structural reforms in their economies. To increase public revenues, governments often consider raising excise taxes on goods and services or increasing income tax rates. However, according to many economists, independent studies and international organizations, environmental and natural resource taxes are among the most promising measures to improve public finances without being detrimental to economic growth: They can discourage polluting and resource-depleting activities and at the same time generate much needed public revenues – some of which may also be used for compensating vulnerable households that may suffer from the increase in environmental charges.

Cyprus is one of the Eurozone countries faced with a serious financial and fiscal crisis. Therefore, this is the right time for national authorities to consider moving to a rigorous environmental tax reform. In this conference, the European experience from such reforms is presented; examples from other countries in crisis are provided; and national experts present their thoughts about the potential effects of such reforms on economic activity and household welfare.



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PROGRAMME

08:30 – 09:00 Registration & welcome coffee

09:00 – 09:30 1. Introductory speeches

- Mr. George Markopouliotis, Head of the EC Representation in Cyprus
- Mr. Nicos Kouyialis, Minister of Agriculture, Natural Resources and Environment
- Professor Sir Christopher Pissarides, Chairman of the Council of National Economy of Cyprus

09:30 – 11:00 2. The European Experience

- Environmental taxation in the EU: Challenges for economic growth, fiscal sustainability and environmental protection

Speaker: Dr. Manfred Rosenstock, DG Environment, European Commission

- Market-based instruments for environmental policy and green growth

Speaker: Dr. Kai Schlegelmilch, Vice President, 'Green Budget Europe'

- Experience from Germany: Environmental Tax Reform to consolidate the budget

Speaker: Mr. Hans Eichel, Former Minister of Finance in Germany (1999-2005)

- Environmental Fiscal Reforms in the United Kingdom

Speaker: Mr. Nico Heslop, Head of Energy and Climate Change Taxes, HM Treasury, UK

- Ireland's carbon tax and the fiscal crisis – Issues in fiscal adjustment, environmental effectiveness, competitiveness and equity

Speaker: Dr. Louise Dunne, Research Manager, University College Dublin, Ireland

11:00 – 11:30 Coffee break

11:30 – 12:30 3. Applying Environmental Tax Reforms in Cyprus

- Reflections on environmentally friendly fiscal reforms

Speaker: Andreas Charalambous, Director, Ministry of Finance of Cyprus

- Targeting poor households? Distributional aspects of energy and environmental taxes in Cyprus

Speaker: Professor Panos Pashardes, Department of Economics, University of Cyprus



- 'Pay as you Throw': Initiatives for the implementation of market-based instruments for waste management in Cyprus

Speaker: Mr. Haris Tsangarides, Municipality of Aglantzia, Nicosia

12:30 – 13:15 4. Discussion: Opportunities for Environmental Tax Reforms in Cyprus on its way to sustainable economic recovery

13:15 – 14:30 Lunch

Conference moderator:

Dr. Theodoros Zachariadis, Assistant Professor, Cyprus University of Technology

Simultaneous interpretation will be provided in English and Greek.

