

Tax as a force for good: rebalancing our tax systems to support a global economy fit for the future

27 February 2019

REPORT

On 27 February 2019, ACCA and Deloitte jointly organised an event in Brussels called **Tax as a force for good: rebalancing our tax systems to support a global economy fit for the future**, in order to explore how shifting tax from labour to natural resource use, pollution and consumption could help meet the goals of the Paris Climate Agreement, the UN Sustainable Development Goals (SDGs) and an inclusive, circular economy.



Gianmarco Monsellato, EU Tax Public Policy Leader at Deloitte EU policy Center, opened the event. Key note speeches were delivered by **Florens Flues**, from the OECD's Centre for Tax Policy and Administration, and MEP **Heidi Hautala**. The panel discussion, moderated by

Yen-pei Chen, senior tax manager at ACCA, welcomed **Femke Groothuis**, President & Wavemaker at The Ex'tax Project, **Carola Maggiulli**, Head of sector, Environmental, energy, transport taxation and FTT at DG TAXUD, **Dr Andreas Strub**, Head of Unit of Tax Policy, Export Credits and Regional Policy at the Secretariat General of the Council, **Clemens Rosenmayr**, Policy Advisor, Energy & Environment of Eurochambres, and **Constance Hervé-Roux**, Corporate Tax Director at Veolia. **Gianpiero Nacci**, Deputy Head of Energy Efficiency & Climate Change Department at the EBRD gave concluding remarks.



The debate confirmed that EU tax systems are out of sync with the main challenges of our time, such as globalisation, digitisation, climate disruption, pollution, water scarcity, waste, unemployment and underemployment. Climate change and the transition towards a cleaner energy are a priority in the political agenda. The question is how to better balance different tax bases and align policy with the goals of inclusive circular growth. Taxation has an important role to internalise externalities. Specific tax measures, such as a carbon tax, landfill levies or taxes on single-use plastic, may help but they are no longer enough. In order to craft a tax system that is fit for the 21st century, it is necessary to think more widely about what governments should be taxing, and how the tax revenues should be used.

Several speakers however stressed that it is crucial to consider policy intent and its revenue implications together: carbon taxes raise revenue and thus create opportunities, while subsidies and tax expenditures spend revenue and thus harden existing challenges. It is also necessary to consider the impact on environment of environmental taxes, who would pay them, as well as the link with growth and jobs, and whether these taxes would generate sufficient revenues for redistribution. The difficulties to find a uniform answer within the EU to the question was also stressed, but the EU is a useful laboratory to verify what can be agreed between sovereign Member States with a variety of interests.



Main highlights

Gianmarco Monsellato, EU Tax Public Policy Leader, Deloitte EU Policy Center

- There was a time when international tax was a very small and exclusive club. The environment has changed dramatically since. Tax has become a very important topic for a broad range of our society. This change is welcome because the tax debate must be a part of any democratic system.
- However, tax remains a very technical subject. The challenge is to make sure that the level of information is sufficient in order to make proper policy decisions.
- Can tax be a force for good? The meaning of the word *tax* differs in many languages. We can find examples throughout history where tax has changed behaviours. This raises a question whether tax can enable shift towards green economy.
- In order to answer this question, we need to first understand that green tax already exists with an unclear impact. Probably because it is part of unbalanced tax system. The search for more tax neutrality is probably the first step toward a smart tax policy fit for the XIX century.
- The unclear impact of existing green tax policies exists. The first impact of green tax is negative. In many European countries, public rejection of the green agenda because of tax can be seen. Public refuses to pay more taxes, even for the green economy. Ecology is at risk of being contaminated by highly unpopular tax policies in the EU. Several



Think Ahead

Deloitte.

European countries already have high taxes and it is unacceptable for the public to introduce even more.

- We cannot change the behaviour of people if we don't offer them alternatives. The environmental tax can, however, work where there is a true benefit that the public can clearly see.
- Tax is a tool to fund public policy before being a force for good. There is a limited correlation between tax changes and investment decisions.
- Due to complexity of the international tax system, we see less SMEs engaging in international trade.
- Behavioural taxes are paradoxes and it will not raise money: if we have taxes on behaviour we want to suppress, taxes will disappear. It is not natural and it is also not the goal of the state.
- There is a need for more neutrality. Systems are unbalanced – they tax too much labour. There are also many risks of double tax for companies when they export.
- We first need harmonisation at least within the EU. Harmonisation will bring more neutrality and ability to deal with double taxation.
- Tax could be used as a tool to ensure fair pricing, by including in the prices of goods and services the cost of pollution.
- We don't want the green economy to be contaminated. Tax is necessary, green economy is vital. Do not downgrade green economy to a new basis for raising tax revenue, but price the cost of pollution through allocated tax and use focused public spending via negative tax or other means.
- The best way to use tax to promote the shift to a green economy is to have an efficient tax system that provides funding for public policies defined as a force of good: neutral tax is a powerful policy tool

Florens Flues, OECD's Centre for Tax Policy and Administration

- With regards to the role of tax, it finances government expenditures that government needs to fund its economic and social programmes. The ultimate goal is protect citizens against risks and increase their well-being. At the same time, can taxes directly contribute to governments programs? Can they protect against risks? Can they increase well-being?
- The word *tax* means different things in different languages. For example in German, the word *Steuer* is used also for the driving wheel. In this context, tax could be seen as a tool to drive the economy where we want to have it.
- Looking forward, there are some big themes for governments in order to increase well-being and protect against risks.
- DNV (a world leading classification organisation) has produced a [Global Opportunity report](#) that looks into creation of new markets and driving economies that also foster sustainable development goals.
- As regards to risks, WEF's [global risks report 2019](#) mentions that the failure to mitigate against and adapt to climate change is top 2 risk, both in terms of likelihood (that it occurs) and impact. We have to keep in mind that we cannot fail.
- Decarbonisation means huge opportunities because it will create cleaner air, which means people will be healthier and more productive. Studies show that this results in better educational outcomes and positive effects on labour supply.
- We need to look into how tax systems can help dealing with decarbonisation. One option is putting a price on emissions. For example, the UK has increased its carbon price in



electricity sector which resulted in electricity sector emissions decreasing by about 60%. The OECD has produced a publication on [Effective carbon rates](#) that looks at how countries tax carbon emissions today. The findings show that, across OECD and G20, countries are not where they need to be.

- Huge variations across countries need to be considered. If countries move forward to close the gap, the implications on revenues will be significant. These revenues would enable significant cuts in labour, social security, or corporate income tax contributions
- We should consider what the alternatives to carbon pricing are. Subsidies or tax expenditures are often mentioned as an option. However, they are less effective and would require raising additional revenues somewhere else. That might mean increasing labour or corporate income taxes.
- The lesson that needs to be learned is that we always need to consider policy intent and its revenue implications together. Carbon taxes raise revenue and thus create opportunities throughout the economy. Subsidies and tax expenditures spend revenue and thus harden existing challenges.
- With regards to the role of tax, it finances government expenditures that government needs to fund its economic and social programmes. The ultimate goal is protect citizens against risks and increase their well-being. At the same time, can taxes directly contribute to governments programs? Can they protect against risks? Can they increase well-being?
- The word *tax* means different things in different languages. For example in German, the word *Steuer* is used also for the driving wheel. In this context, tax could be seen as a tool to drive the economy where we want to have it.
- Looking forward, there are some big themes for governments in order to increase well-being and protect against risks.
- DNV (a world leading classification organisation) has produced a [Global Opportunity report](#) that looks into creation of new markets and driving economies that also foster sustainable development goals.
- As regards to risks, WEF's [global risks report 2019](#) mentions that the failure to mitigate against and adapt to climate change is top 2 risk, both in terms of likelihood (that it occurs) and impact. We have to keep in mind that we cannot fail.
- Decarbonisation means huge opportunities because it will create cleaner air, which means people will be healthier and more productive. Studies show that this results in better educational outcomes and positive effects on labour supply.
- We need to look into how tax systems can help dealing with decarbonisation. One option is putting a price on emissions. For example, the UK has increased a carbon tax in electricity sector which resulted in electricity sector emissions decreasing by 60%. The OECD has produced a publication on [Effective carbon rates](#) that looks at how countries tax carbon emissions today. The findings show that, across OECD and G20, countries are not where they need to be.
- Huge variations across countries need to be considered. If countries move forward to close the gap, the implications on revenues will be significant. These revenues would enable significant cuts in labour taxes or social security contributions.
- We should consider what the alternatives to carbon pricing are. Subsidies or tax expenditures are often mentioned as an option. However, they are less effective and would require raising additional revenues somewhere else. That might mean increasing labour or corporate income taxes.
- The lesson that needs to be learned is that we always need to consider policy intent and its revenue implications together. Carbon taxes raise revenue and thus create

opportunities throughout the economy. Subsidies and tax expenditures spend revenue and thus harden existing challenges.

Heidi Hautala, MEP and Vice-President of the European Parliament

- Tax has been and still is a force for good. However, situation differs in all countries. In Scandinavia, associations for happy tax payers have even been established because people feel that they get value for their money.
- The willingness of people to pay tax varies and it is important to understand the societies, their traditions and challenges. However, we all have one challenge in common – the aging population. We need to understand what it means when the number of people over 60 years old will double by 2050.
- Another major challenge is the unsustainability of how we treat the planet. It is well documented that our lifestyles already have reached beyond our planetary boundaries. It is not always the polluter that pays the price. This is a global challenge and western countries bear responsibility how to mobilise individual people, governments, international organisations and enterprises to address the issue of sustainability.
- Another challenge that needs to be mentioned is the tax injustice. SMEs often bear the burden of paying taxes in comparison to big multinationals that can shift taxes from country to country. This is very demoralising for SMEs who often operate within the limits and borders of one country.
- Companies are often driven by short termism. The purpose of a company need to change. There are more and more responsible companies that want to contribute to global challenges but we need a proper company law reform that goes towards long term approach.
- We have a fundamental deficiency in the European Union when it comes to tax. After so many decades the member states still stick to their sovereignty and believe they will be lost as states if they give a little bit of competence to the EU in the area of taxation. We might be stuck with this issue for quite a while unless we have a Treaty reform.
- The European Commission has given some good indications on what member states should learn from each other in terms of economic and financial incentives. We have quite progressive legislation in place on reducing the single-use plastic.
- The Club of Rome has recently published the [Emergency plan on climate change](#). One of their ideas is introducing price on carbon to reflect the true cost of fossil fuel use and embedded carbon by 2020. This obviously would need to be a global process because climate change is global by definition.
- It is time for us all to be active in this debate because otherwise we will come up with very clumsy instruments and we will not be able to get the results that we need. We need to go towards a just transition. If there will be a feeling of tax injustice, people won't follow our ideas. The EU is in the perfect place to discuss how this just transition can look like.



Think Ahead

Deloitte.



Yen-Pei Chen, senior tax manager at ACCA

- ACCA has been thinking about tax policy for a long time. Back in 2011 ACCA published the Twelve Tenets of Tax, where it highlighted the importance of having tax systems that are transparent, simple to administer, and provides certainty for taxpayers and governments alike. As we stare into the face of climate crises around the world, ACCA really wants to shine the spotlight on how our tax systems can really evolve to become a force for good, one that works for our societies and our planet.
- Of course, tax is only one among a range of different policy options to halt the pace of climate change: regulation (like extended producer responsibility schemes, or the ban on single-use plastics), green incentives, and changes to capital markets, such as those that the EU's sustainable finance action plan seek to bring about, must all play a role. It's often too easy to focus on individual measures, we should all take a step back and think holistically about how the different actions that are at our disposal interact with each other, and the wider knock-on impacts that these interactions can have on our societies and our planet.
- Sometimes the discourse on climate change mitigation can feel unremittingly negative, because it's about limiting the damage – and indeed, the full scale of the damage is overwhelming to contemplate. However, when we think about the knock-on effects, there might be positive outcomes, even in the short term, that can motivate us to go further. For example, the right tax policies can spur business model innovation, get more people into fulfilling jobs, and support circular businesses which, in turn, help to reduce our carbon footprint.
- ACCA has published its ['Tax as a Force for Good'](#) paper and is holding events and roundtables in Canada, Pakistan and Sri Lanka with more still being planned this year.

Femke Groothuis, President & Wavemaker, The Ex'tax Project

- Our tax systems are quite outdated – they were built before globalisation, digitisation and climate disruption. Our tax systems are still aligned with the linear 'take-make-waste' economy and we are facing the effects right now. The external costs of pollution are huge and they are not paid by the polluter but by society at large.
- One would imagine that there would be a price on pollution by now. However, only 6% of our tax revenues are based on green taxes and only 0.2% on average of tax revenues



Think Ahead

Deloitte.

across the EU are based on pollution and natural resource use. A similar picture emerges across the OECD. Over the past 15 years, environmental taxes as a percentage of GDP have declined in 52 out of 79 countries in the OECD database.

- Pollution is relatively still tax free, while at the same time, we are putting high tax burden on labour. Across the EU, 50% of governments' budgets are based on payroll tax, personal income tax and social contributions.
- Tax can have a great impact on people's decisions, the way we consume and conduct our business. What the system currently does is incentivising to minimise the number of employees in a company and there are a lot of creative ways to do that, including moving activities to lower income countries, move from customised to more mass-produced products and services, hire workers informally, using automation and robotisation.
- We see the effects of that which sparks rage across the EU. People lack opportunities for decent jobs. Data from 2017 shows that 36 million Europeans are either unemployed or underemployed. On a global scale, there is a growing human capital and at the same time we are draining natural resources.
- The concept of the 'circular economy' comes up more often and it is now a goal of the European Union. Business models based on circular economy, such as recycling, reuse, repair and maintenances and R&D require much more human input, creativity and innovation. They require more personal attention if business want to provide a service with a product rather than just a product. Personalisation and customer services will grow in circular economy.
- However, when pollution is basically tax free, and labour costs are high, this creates barriers for businesses to move into the circular economy and to scale up their circular activities. The EU Expert Group Financing the Circular Economy confirms that there should be a level playing field in financial incentives, as circular business models are more labour intensive and less material intensive than linear take-make-waste businesses.
- The idea to shift taxes away from labour to pollution has been around for decades and it is based on solid theory and practice. It has gained the support over the years from the European Parliament, European Commission, Eurogroup, OECD, World Bank, IMF, IPCC. For the past 20 years, the European Commission has been calling on member states to shift the tax burden away from labour.
- It has been implemented in several countries and the principle is basic – to tax less what you want more of. Some think it is bad for business and economy but that is not what the data tell us.
- In cooperation with Deloitte, EY, KPMG and PwC, The Ex'tax Project has developed tools and scenarios demonstrating that it can work in every member state. There are more than 100 options available to governments to actually shift the tax burden, ranging from putting a price on air pollution such as Carbon emissions, to water use, waste and the extraction of materials.
- Business leaders understand the challenges and every sector is developing new and sustainable business models. Innovation and adaptation are in the DNA of business. For example, IKEA has set a goal to become a circular company by 2030.
- The shift towards circular economy will not be easy but it can be done. It is about the EU remaining competitive in the face of globalisation and a resource-restrained world. The ultimate goal should be shifting incentives to enable economic growth based on human potential rather than extraction of natural resources. That is the growth model that fits the SDGs.
- Some worry that environmental taxes can be regressive. Lower income groups spend more of their income on energy intensive products. However, it is possible to prevent



inequality to grow and there are many policy options available for a just transition. The right solution differs per country.

- For the EU and its institutions, it is very important to support member states and share best practices.

Dr Andreas Strub, Head of Unit for Tax Policy, Export Credits and Regional Policy, Secretariat General of the Council

- My personal comments in relation to the ACCA report, without speaking on behalf of the Council, are as follows
- One of the important questions in this debate about the function of taxation in our society today and in the future. This reflection is certainly in the minds of most politicians when shaping domestic and international tax policies.
- As regards the concept of shifting taxes away from labour, this is a trend seen in some countries. If one wishes others to follow this trend, some responses will need to be given. Not all policy makers may find it easy to find the specific answers they need for their constituency.
- Regarding environmental taxation, many countries have started using this form of taxation while reducing the tax on labour. It would be useful to measure the concrete impact this has on improving the environment and whether the taxes are well targeted towards those one wishes to influence the behaviour of.
- Perhaps more precise elaboration is needed on the link this form of taxation has with growth and jobs and what it means for different types of businesses.
- With regard to environmental taxes generating sufficient revenues for redistribution, some countries may have gained experience on how much revenues really flow from this type of sources into the state budget. Do we have enough information on administrative costs, which accompany the collection of those taxes? How does this relate to the level of revenues collected? Most importantly, can citizens feel the added value in their daily lives? Is the overall tax burden for citizens commensurate with what the state is giving them back?
- These are the questions that policy makers are likely to ask before taking a decision on the right mix. Once the decision is taken, the discussion is likely to continue in the national parliaments, which have an important say on issues related to the budget. Citizens will also have to understand and accept that the way taxes are collected is the best way of implementing the policies for which their government has been elected.
- Taking into account the large variety of sensitivities, it can be difficult to find a uniform one size fits all solution, which is acceptable to several countries. Not all of them have the same vision on how tax policies should be aligned to face the challenges of our time.
- Against this background it can be noted that, as far as the EU is concerned, the Treaties allow member states to maintain a considerable control on how their tax systems are being shaped. Before carving legislation in stone, it is very important to spend more energy on looking at three things. First of all, it would be useful to put sufficient emphasis on reaching common ground on the meaning of principles to be promoted (e.g. protecting the environment, promoting growth and jobs) and to talk about a logical order of priorities. One has to look into realistic timeframes for action and into regional specificities. Secondly, we need to have a thorough and fact-based assessment of the role taxation can actually play as an incentive, disincentive or source of revenue. There might be other incentives that could have stronger impact than taxation. Finally, we



should understand what the impact of a tax shift from labour to consumption and environment will be for individual countries and their citizens.

- The diversity of its Member States makes the EU an interesting laboratory: Where we manage to reach agreement at the EU level, e.g. by adopting binding legislation, this may serve as a blueprint or source of inspiration for other more global efforts.

Carola Maggiulli, Head of sector, Environmental, energy, transport taxation and FTT, DG TAXUD, European Commission

- There is an urgency to tackle climate change. The decision making process in the Council raises a lot of concerns in this area. The European Commission has again made the proposal in order to switch to qualified majority from unanimity, at least in some areas. Environmental and energy taxation is one of them.
- Climate change and the transition towards a cleaner energy are a priority in the political agenda. This priority goes along with priorities on growth and employment. Recently the Commission proposed a [communication on sustainable Europe by 2030](#). Taxation is one of the instruments mentioned in the communication.
- Taxation has an important role to internalise externalities. Taxation should not be seen as a punishment, but as a means to internalise social costs which are not directly taken into account in the price formation. It is in line with the way of working of the market economy.
- When we look at last years' developments, the evolution of environmental tax revenues is at the same level as it was 20 years ago. If we look at national differences in Europe, the data differs from country to country. It differs not only in amounts of revenues but also in composition of taxes.
- One of the main problems is that we have many different taxes and charges in different member states. This is an issue, especially for our productive sector. There has not been political willingness in the member states to integrate CO2 taxation in our energy tax. This resulted in member states introducing national CO2 tax. However, it would have been more efficient to have a coordinated approach on it.
- It is the view of the European Commission that environmental taxation should be implemented in the framework of overall tax system reform. It is well known that indirect taxation has less negative influences on growth than direct taxation. If we switch from direct to indirect taxation, we should have positive impact on growth.
- In the view of the Commission, incentives have proven to be ineffective for environmental purposes and tend to complicate tax systems.
- Coordination in Europe would be a preferred option. Taxes should benefit the people paying them. We are being confronted by the reality and we have to consider the best measures to address it through coordinated action. Dealing only on the national level is not the most effective way to manage the situation.
- The European Commission is evaluating the working of the Energy Tax Directive. The Commission evaluation will be published by the summer.. Considering the change of the Commission, we do not know what the next steps will be, however if there will be one, it should be impact assessment for a new proposal.
- Member states should really take into account the general interest and help the Commission to put it forward.



Think Ahead

Deloitte.

Clemens Rosenmayr, policy advisor, Energy and Environment, EUROCHAMBRES

- The shift from labour taxation to environmental taxation has to be assessed carefully. By design, environmental tax is a tool to decrease certain activities (e.g. CO2 intensive). We see where the legislative train is going and very much welcome that sustainability and combating climate change remain high on the agenda.
- EUROCHAMBRES has published its [Circular Economy Report](#) and is currently working on policy recommendations for the incoming Commission.
- Energy taxation is a topic that is especially high on the agenda. For EUROCHAMBRES members, self-generation and -consumption of renewable energy is an interesting topic and it was also quite controversial during the negotiations on the Renewable Energy Directive & Electricity Market rules. EUROCHAMBRES is convinced that self-generation and -consumption can contribute to the decentralisation and flexibilisation of the electricity market and can act as a driver for renewable energies. It argued that for the elimination or at least significant reduction of taxes or levies of any kind on self-consumed electricity, some major obstacles in a number of member states persist.
- Investment taxation can create leeway for innovative solutions, e.g. in a number of countries there is a tax-free profit allowance conditional upon reinvestment. Here the sustainable finance initiative and especially the taxonomy can play an important role in giving guidance to national governments in designing this kind of tax incentive, although it is not always easy setting investments off against each other.
- When it comes to risk capital (business angels), tax breaks can be a very useful tool, e.g. when we talk about access to finance for innovative SMEs & start-ups.
- There is an internal debate at EUROCHAMBRES about VAT differentiation for circular products. There is no definite conclusion on this topic, although there is awareness that even a small change in consumption tax and VAT rates can trigger different consumption behaviour.
- In terms of public awareness and acceptance, EUROCHAMBRES still sees it more useful to use incentives rather than tax increases to foster sustainable development, e.g. tax on plastic packaging could have a quantitative effect, but in order to achieve that the tax would have to be 100% or higher; in addition, especially when it comes to (food) packaging, large-scale alternatives out there are not yet available in some cases.
- It is important to focus more on communication and changing consumption behaviour.
- Top priorities when implementing sustainable taxation from the point of view of SMEs, it is important to keep the administrative burden and costs in mind. It is essential to keep things as simple as possible. Whatever we do, we need to make it as harmonised as possible. It is essential in order for the single market to function.
- The shift from labour taxation to environmental taxation has to be assessed carefully. By design, tax is a tool to decrease certain activities. We see where the legislative train is going and it is welcome that sustainability and combating climate change remain high on the agenda.
- EUROCHAMBRES has published its [Circular Economy report](#) and is currently working on policy recommendations for the incoming Commission.
- Energy taxation is a topic that is especially high on the agenda. For EUROCHAMBRES members, self-generation and -consumption of renewable energy is an interesting topic and it was also quite controversial during the negotiations on the Renewable Energy Directive & Electricity Market rules. EUROCHAMBRES is convinced that self-generation and -consumption can contribute to the decentralisation and flexibilisation of the electricity market and can act as a driver for renewable energies. It argued that for the



- elimination or at least significant reduction of taxes or levies of any kind on self-consumed electricity, some major obstacles in a number of member states persist.
- Investment taxation can create leeway for innovative solutions, e.g. in a number of countries there is a tax-free profit allowance conditional upon reinvestment. Here the sustainable finance initiative and especially the taxonomy can play an important role in giving guidance to national governments in designing this kind of tax incentive, although it is not always easy setting investments off against each other.
 - When it comes to risk capital (business angels), tax breaks can be a very useful tool, e.g. when we talk about access to finance for innovative SMEs & start-ups.
 - There is an internal debate at EUROCHAMBRES about VAT differentiation for circular products. There is no definite conclusion on this topic, although there is awareness that even a small change in consumption tax and VAT rates can trigger different consumption behaviour.
 - In terms of public awareness and acceptance, EUROCHAMBRES still sees more useful to use incentives rather than tax increases to foster sustainable development, e.g. tax on plastic packaging could have a quantitative effect, but in order to achieve that the tax would have to be 100% or higher; in addition, especially when it comes to (food) packaging, large-scale alternatives out there are not yet available in some cases.
 - It is important to focus more on communication and changing consumption behaviour.
 - Top priorities when implementing sustainable taxation from the point of view of SMEs, it is important to keep the administrative burden and costs in mind. It is essential to keep things as simple as possible. Whatever we do, we need to make it as harmonised as possible. It is essential in order for the single market to function.

Constance Hervé-Roux, Corporate Tax Director, Veolia

- As an environmental group, Veolia is fully aware of the urgency that is put on the environmental issues. Price to pollution needs to be given and that is a purpose of environmental taxes. We have seen an example in the UK, where landfill tax was introduced and that has significantly reduced the amount of waste subject to the standard income tax applicable for landfill tax. China has also recently introduced tax in order to reduce the pollution. The idea is to tax more polluters if we want them to pollute less.
- When it comes to reducing the taxation on labour, it works if want it to be a long term income. This plan has been implemented by Germany and appeared to be efficient.
- It is good to give price to pollution but alternative ways need to be presented. This is where the money should be used for, at least at first. For example, only a limited portion of plastics can be recycled, there are technical limitations to it.
- We need to improve the global capacity to depollute. A second branch should be added to the motto “the polluter pays” which should be “the de-polluter receives aid”. This could also help in fighting unemployment and creating jobs.
- For example, Veolia’s survey has looked at the impact of increasing recycling capacity of European plastic system. The survey has shown that it would help creating 80 000 jobs in Europe.
- Taxation should be the burden of the polluter, which is not always the case. In order to have the environmental tax, it needs to be socially just. Veolia realized a survey in France, which tells us that more than 70% of the French people are ready to contribute financing of environmental solutions, for example to pay 1 cent more on the price of a bottle of soda if it ensured that this bottle was made from recycled plastic. People are ready to make a financial effort, provided that it is known and controlled."



Think Ahead

Deloitte.

Gianpiero Nacci, Deputy Head of Energy Efficiency & Climate Change Department at the EBRD

- Taxation plays a systemic role in societies. In this respect, we need to look at taxation as a force for good.
-
- Multiple environmental crises, particularly climate change, can have significant implications of financial stability. The EBRD has recently conducted a study on Kazakhstan looking at scenarios of sustainable development and its implications, which shows that low carbon development would create a big gap in tax revenues under the current tax system mostly based on taxing oil and energy resources.
- We must talk about the importance of partnerships. The Network for Greening the Financial System (NGFS) is carefully looking at implications of climate change on financial markets.
- We need to look at how to deal with these issues at global level and what partnerships need to be triggered and incentivised.
- The decision making process of formulation taxation should also be examined and addressed. It is important to develop tax by taking into account technology, innovation and societal changes. This is where the EU can play an important role.
- Consistency of tax policies with other policies should be considered.
- We need to look at alignment of our tax systems to international agreements, especially the Paris Agreement. Financial institutions are trying to do this exercise.
- We must link the very daunting environmental issues with the story of long term prosperity. The transition has a societal cost that should not be underestimated.
- The EBRD is a market based organisation and it believes that private sector plays an important role in this transition. Any tax policy that want to target transformation to low carbon circular economy, has to take private sector into consideration.