

NTO WEBNAR

Environmental Taxation

“Implementing environmental taxes: best practice and lessons learnt”.

CONCEPT NOTE

As the world grapples with escalating environmental challenges, the imperative for effective environmental taxation has become more pronounced. The concept of environmental taxation gained prominence in the late 20th century with growing concerns about environmental degradation, pollution, and resource depletion, among others. The proposal for environmental taxation is based on the belief that traditional regulatory approaches alone might not be sufficient to address complex environmental challenges. Over the last two decades, the adoption of international agreements such as the Kyoto Protocol (1992) and the Paris Agreement (2015) has catalysed discussions and initiatives aimed at incentivising environmental protection. These agreements have played a pivotal role in shaping global efforts to utilize economic tools as part of a comprehensive approach to combating climate change. Consequently, numerous countries have integrated environmental taxes and other market-based instruments into their overarching strategies to tackle environmental issues and foster sustainable development. The adoption of environmental taxation reflects a paradigm shift towards recognising the economic dimensions of environmental preservation and underscores the global commitment to mitigating the impact of human activities on the planet.

Over the years, the implementation of environmental taxation has varied across countries and regions. Europe for example, has witnessed a dynamic evolution of taxes crucial to shaping environmental policies. From the period 1970s to 2020s, several environmental tax initiatives have prevailed and evolved including user charges (in 1970s), earmarked charges and fiscal environmental taxes (in 1980s) and ecological tax reforms (in 1990) culminating in the European Union's 2020 strategy. This evolution underscores the importance of environmental taxation. Environmental taxes are thus essential for several reasons, including integrating environmental considerations into economic decisions, contributing to meeting international commitments, correcting market failures, promoting corporate responsibility, and fostering a more sustainable and environmentally conscious approach to economic activities.

Categorically defined into four main dimensions, energy, transport, pollution, and resources¹, environmental taxes are instrumental in aligning economic activities with sustainability goals. **Energy taxes** target products, such as the carbon content of fossil fuels, coal, oil, natural gas, and electricity, impacting both stationary and transport purposes. **Transport taxes** include vehicle registration fees, road usage charges, and congestion-related levies. **Pollution taxes**, addressing issues such as waste disposal and air and water pollution, aim to incentivize responsible practices. **Resource taxes** on timber, minerals, water, and fishing activities promote sustainable resource management. Implementation involves legislative frameworks, targeted taxation on specific activities, emission-trading systems, incentives, public awareness, and international cooperation, among others. This multifaceted approach seeks to

¹ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Environmental_tax_statistics_-_detailed_analysis#General_overview
<https://discovery.ucl.ac.uk/id/eprint/14926/1/14926.pdf>

create a harmonious balance between economic development and environmental preservation, thus driving a global shift towards sustainability.

The focal point of international debates on environmental taxation predominantly revolves around CO2 emissions as the primary tax base of interest. This is because carbon emissions emanating from activities associated with each of the aforementioned categories of environmental taxation, have reached unprecedented atmospheric concentration levels.² Only 23% of global greenhouse gas (GHG) emissions are covered by 68 explicit carbon pricing instruments.³ In 44 OECD and G20 countries, 60% of energy-related carbon emissions lack coverage. The inadequacy of direct carbon prices to internalize social costs persists, exacerbated by rising global fossil fuel subsidies, doubling to USD 697.2 billion in 2021.⁴ Urgent carbon taxes or subsidy reforms can efficiently generate revenue and foster renewable energy investments. However, environmental taxes beyond carbon also have an important role to play in the global transition towards sustainability.

While continued discussions on the further development of environmental tax policy presses on, the application and implementation of environmental taxes by tax authorities from different regions and in different contexts offers significant potential for learning exchange.

Objective

In the face of these mounting environmental challenges and based on the **Network of Tax Organisations' (NTO) continued effort to facilitate peer-exchange and collaboration**, the NTO will host a webinar on 26th March 2024, focusing on **best practices and lessons learnt regarding the implementation of environmental taxes**. This event aims to bring together experts and professionals from tax authorities affiliated to NTO member organisations, offering a platform to showcase **country case studies** and delve into the different categories and implementation nuances of environmental taxation. The webinar will explore-through country case study presentations from **Norway and South Africa**, how environmental taxes, across the four key dimensions and including carbon taxes, harmonise economic activities with sustainability goals, shedding light on diverse global contexts. Join us in this insightful discussion, contributing to a global shift towards sustainability. The webinar features the following presentations:

- The presentation from Norway offers insights into Norway's utilization of CO2 taxes and road usage levies on fuel products, highlighting their environmental rationale. It delves into current challenges, such as CO2 tax and its relationship with emission trading and managing biofuels, while exploring innovations like GPS-based road user charges to accommodate the rising dominance of electric vehicles.
- The presentation from South Africa will start off with National Treasury providing an overview of the pivotal role that environmental tax reforms and carbon pricing play in steering the country towards a greener economy. It will demonstrate how by leveraging environmental taxes, South Africa aims to efficiently tackle environmental challenges while promoting sustainable practices. The country's carbon tax policy,

² <https://www.semanticscholar.org/paper/Global-Warming%3A-The-greenhouse-gases-Houghton/be3d2c5383c73a34669017cd1319a680461dc28b>

³ <https://www.worldbank.org/en/programs/the-global-tax-program/environmental-taxes#1>

⁴ <https://www.worldbank.org/en/programs/the-global-tax-program/environmental-taxes#1>

established after extensive stakeholder consultations and meticulous planning, serves as a cornerstone in enforcing accountability and ensuring that the true costs of greenhouse gas emissions are factored into decision-making processes, thus advancing the cause of environmental conservation.

- The country case presentation will be further complemented by the South African Revenue Services (SARS), and delve into South Africa's environmental tax administration governed by the Customs and Excise Act of 1964. The presentation will provide an overview of the seven environmental taxes and levies administered by SARS, and will go into the specifics of the CO2 on new motor vehicles levy, tyre levy, carbon fuel levy and carbon tax. It will also further elaborate on compliance measures highlighting South Africa's dedication to environmental conservation and fiscal responsibility.

Agenda

Time (Central European Time)	Agenda Item	Speaker(s)/Moderator
14h00-14h15	Welcome Remarks by Moderator	Ms. Tochukwu Onyemata, West African Tax Administration Forum (WATAF)
14h15-14h35	Country case (Norway)	Mr. Dag Bjørke Bremer, Senior Tax Lawyer at the Excise tax section of the Tax Directorate of Norway
14h35-14h50	Country case (South Africa): Environmental Tax Reform and Carbon Pricing to Facilitate the Transition to a Green Economy	Ms. Sharlin Hemraj, Director, Environmental and Fuel Taxes, Tax and Financial Sector Policy Division, <i>South African National Treasury</i>
14h50-15h05	Country case continued: Environmental Taxes in South Africa	Simphiwe Hlazo, Excise Specialist, Customs and Excise Division, <i>South African Revenue Services (SARS)</i>
15h05-15h25	Q&A/open discussion	All
15h25-15h30	Closing Remarks	Ms. Tochukwu Onyemata