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PRESS RELEASE

Towards more environmental taxes?

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In recent decades, there has been a considerable increase in attention paid to both local and international environmental issues, and the environmental challenges for the future should also not be underestimated. Global warming caused by the emission of greenhouse gases is undoubtedly one of this century's biggest problems which urgently requires an appropriate solution. That solution necessarily involves many aspects, but governments will clearly have a key role to play. Governments have various instruments for tackling those challenges, such as market instruments like environmental taxes and tradable emission rights. This article examines the use and importance of environmental taxes in Belgium and Europe.

While the early 1990s had seen an increase in environmental tax revenues expressed as a percentage of GDP in Belgium and in the EU as a whole, in the past decade there has been no further rise. On the contrary, the trend has been downwards, despite a gradual widening of the spectrum of environmental taxes and their application to an increasing range of products. The main reason for this downward trend is that the energy intensity of GDP has diminished, and new taxes or increases in the rates of existing environmental taxes have led to changes in behaviour and have consequently reduced or curbed consumption.

For the future, there is clearly scope for increasing revenue from environmental taxes in Belgium. A substantial proportion of this new revenue is linked to the commitments concerning the reduction of emissions of CO₂ and other greenhouse gases. For one thing, the auctioning of an ever-increasing proportion of the emission rights can generate government revenues. Also, steadily expanding use of environmental taxes can be assumed to be necessary in order to achieve an efficient reduction in the emission of greenhouse gases by households. Owing partly to the scarcity of budget resources as a result of the financial and economic crisis, and taking account of the expected impact of population ageing and the "polluter-pays" principle, it is desirable to step up the taxation of the main energy sources and introduce legislation on energy performance standards, rather than grant any new tax benefits.

Since Belgium is a small country, the relocation of production or consumption may prove a serious obstacle for environmental policy. It is therefore essential to maximise the international coordination of the initiatives. The fact that less well-off households have to bear much of the burden of taxation on energy may also hamper the introduction or raising of those taxes. However, it is possible to devise compensatory arrangements for those households, without losing the price signal. If these obstacles are overcome, environmental taxes and the auctioning of emission rights could become important instruments for addressing environmental challenges.