Addis Tax Initiative

ATI Workshop Series: Environmental taxation and related instruments

Workshop 5: Domestic Revenue Mobilisation and Policy Coherence

10 April 2025

Tax systems that work for people and advance the Sustainable Development Goals

german cooperation DEUTSCHE ZUSAMMENARBEIT

Co-funded by the European Union

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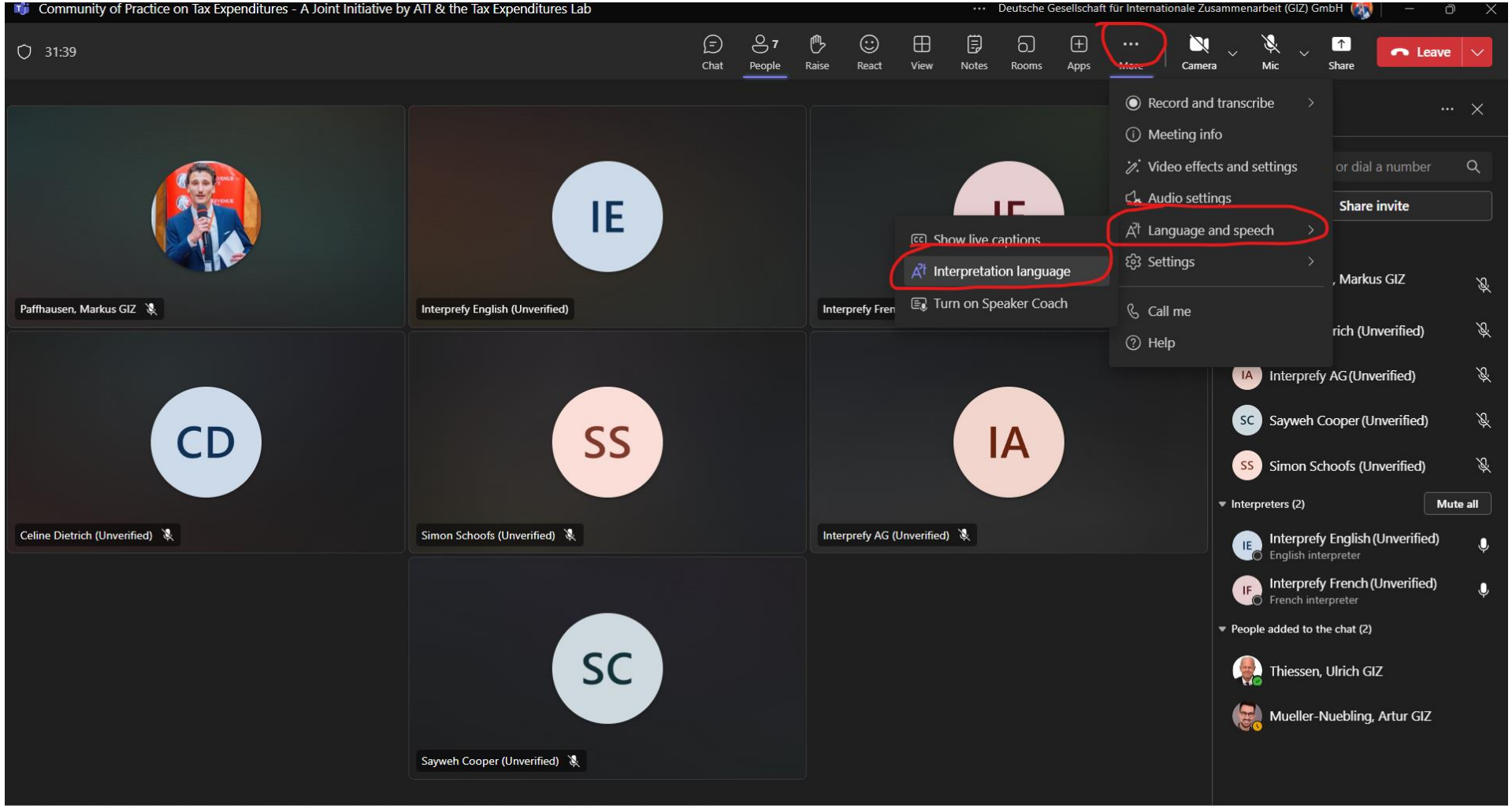
Interpretation



Agenda

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Time (CET)	Topic	Speaker / facilitator
13:00 – 13:10	Welcome and introduction	ATI Secretariat
13:10 – 13:40	Introductory presentation: domestic revenue mobilisation and environmental taxation	Jacqueline Cottrell Consultant
13:40-14:10	Maximising the benefits of carbon taxation through revenue use	Diana Cardenas Monar, I4CE
14:10-14:30	Kenya's experience in revenue mobilisation from fuel-related taxes	Polly Kibui Kenya Revenue Authority
14.30-14.45	Quiz on environmental taxation	ALL
14.45-15.00	Key messages and close	Jacqueline Cottrell Consultant ATI Secretariat

Workshop methodology and rules

To maximize learning outcomes, this workshop series will be **interactive** and facilitate for peer-to-peer learning and exchange

Everyone will have the opportunity to **participate actively** and share their experiences with the group

Please **mute your microphone** and keep your camera off when someone is presenting

Please **raise your hand** when you would like to ask a question

Please have your camera on for group work and discussions in the plenary, if your connection is stable enough

Central bank of Uzbekistan
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Introduction to workshop 5: Domestic revenue mobilization and environmental taxation

Balancing fiscal and environmental policy approaches

- Primary aim of ET is to reduce environmental harm
- DRM can be an important secondary benefit
- There can be tension between the two
- Policymakers need to find a balance between fiscal and environmental objectives

Which taxes will mobilize larger volumes over the longer-term?

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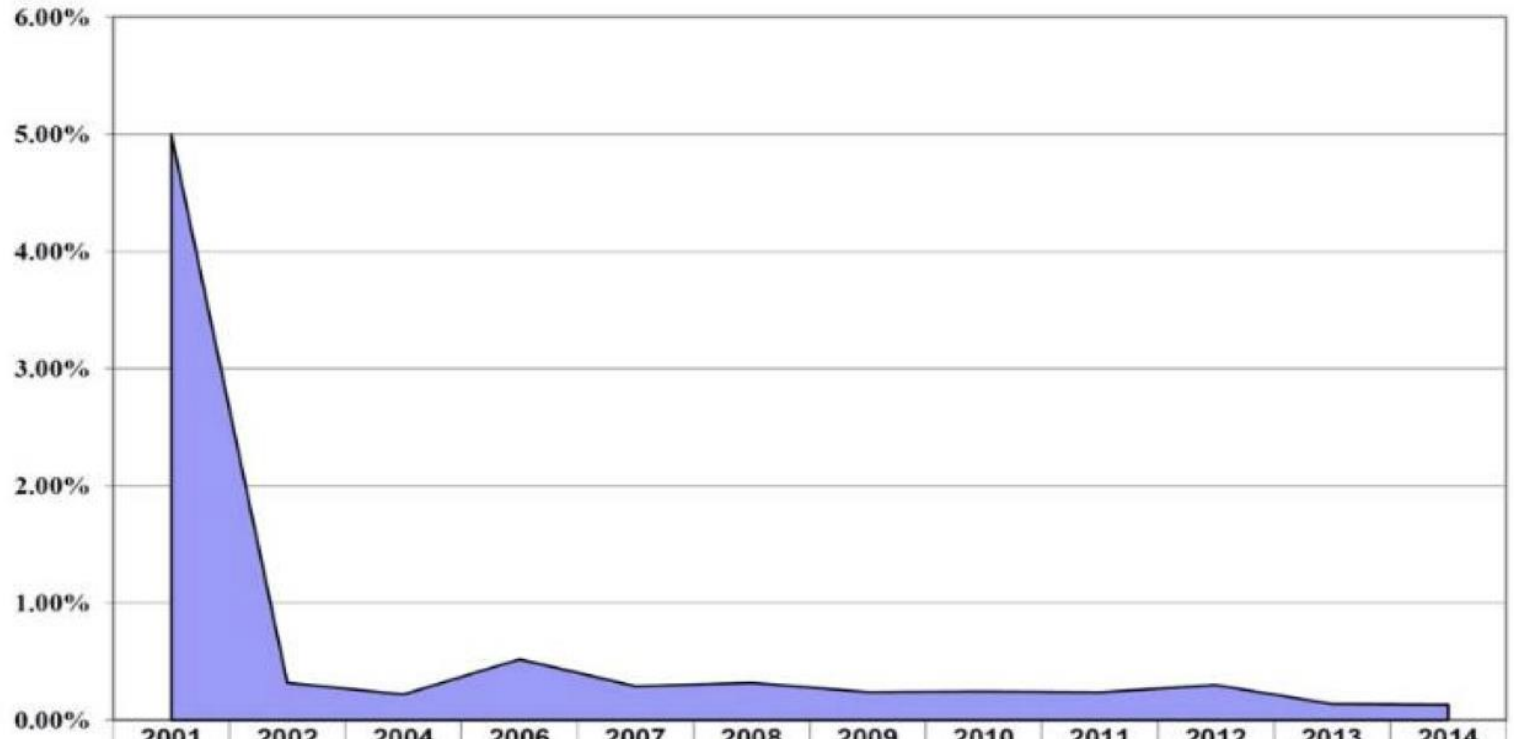
Elasticity of demand:

- If it is possible for economic actors to respond by changing their behaviour and substitute polluting for less polluting behaviours and technologies, **elasticity of demand is high**
- If economic actors cannot easily change their behaviour and switch to cleaner practices or technologies, **elasticity of demand is low**

High elasticity of demand	Lower elasticity of demand
Taxes on batteries Plastic bags Packaging	Energy taxes Carbon taxes Taxes on land and resources Water taxes Waste taxes

Implications for environmental tax revenues (1)

Plastic bag levy introduced in 2002 in Ireland



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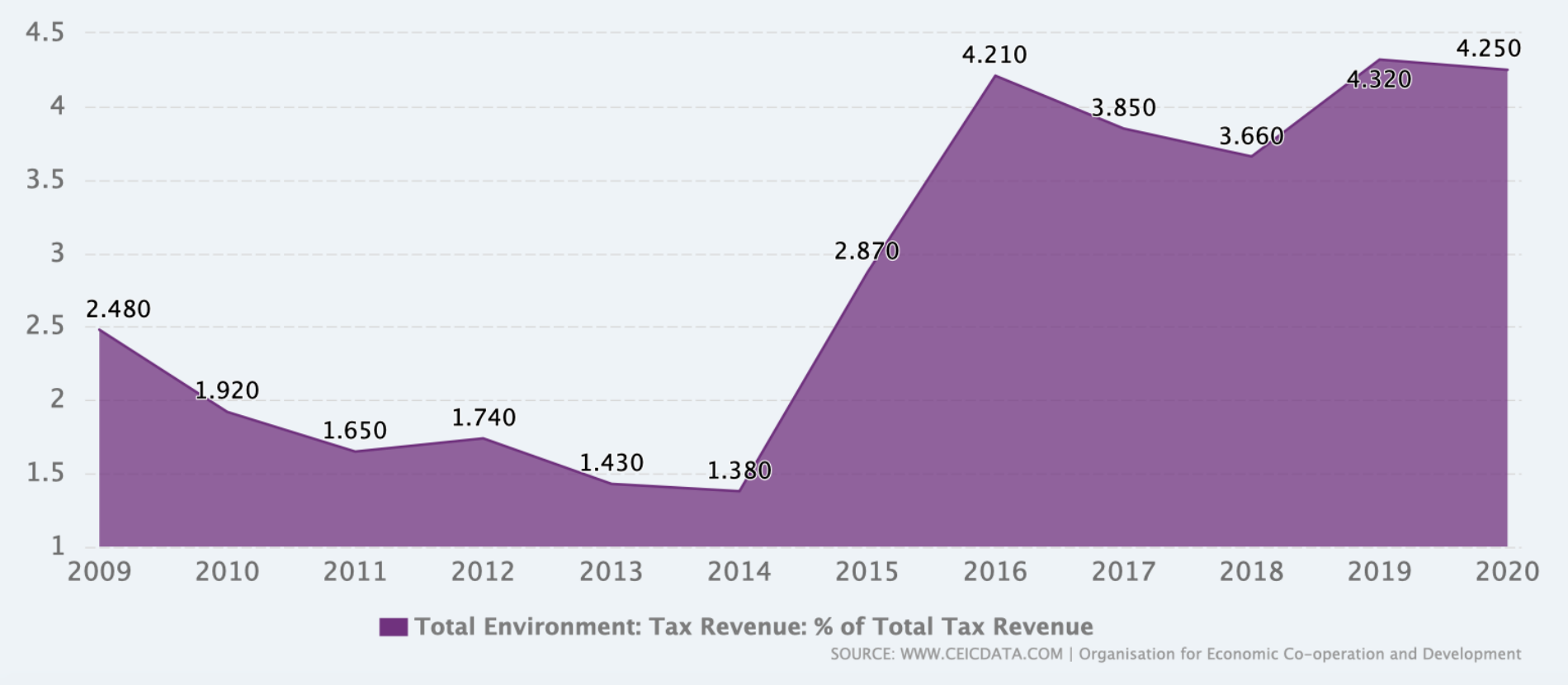
Source: https://ieep.eu/wp-content/uploads/2022/12/IE-Plastic-Bag-Levy-final-1-1.pdf

Implications for environmental tax revenues (2)

Environmental tax revenue as a proportion of total tax revenue in Vietnam 2009-2020



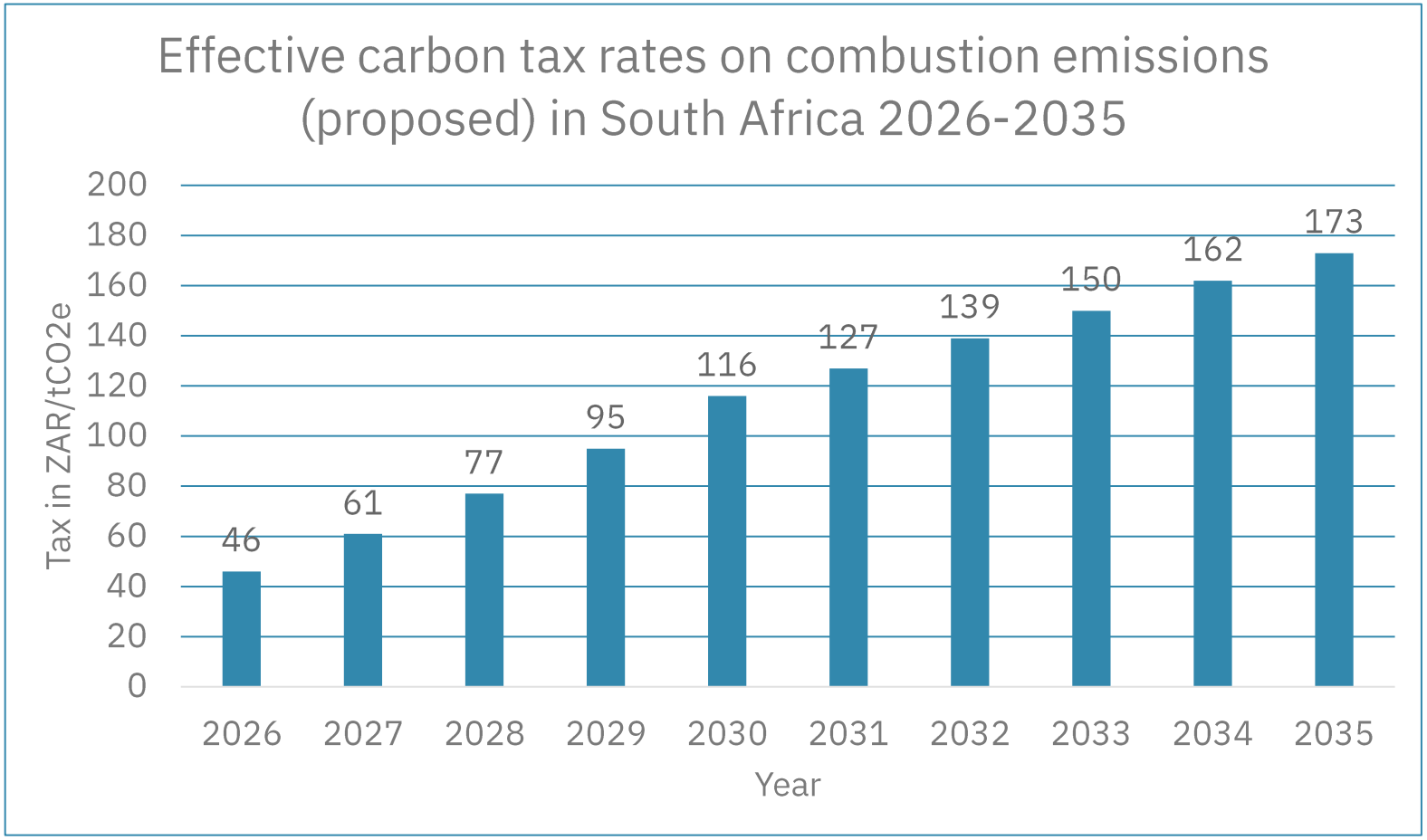
Source: https://www.ceicdata.com/en/vietnam/environmental-environmentally-related-tax-revenue-by-environmental-domain-non-oecd-member-annual/total-environment-tax-revenue--of-total-tax-revenue

Elasticities are dynamic not static
How they change over time is important

The example of transport fuel taxation

- When prices change, it takes time for consumers to adjust – there are not many viable substitutes for transport fuel consumption
- Consumers tend to consume similar amounts of fuel within a year of a fuel tax increase
- This inability to change behaviour in the short-term can result in strong protests, e.g. the Gilets Jaunes in France
- Over the long-term, consumers discover alternatives – public transport, more efficient vehicles
- Long-term elasticities are about three times greater than short-term elasticities

Tax escalators: a possible response to elasticities and falling revenue



Source: https://www.treasury.gov.za/public%20comments/TaxationOfAlcoholicBeverages/Phase%20two%20of%20the%20carbon%20tax.pdf

DRM and environmental taxation in selected LMICs

Country	Instrument	Revenue as a proportion of GDP
China	Environmental pollution tax	0.02%
Ecuador	Environmental tax on vehicle pollution	0.12%
Ghana	Environmental tax on plastics	0.03%
Guyana	Pollution (non-returnable beverage containers)	0.15%
India	Cess on coal derivates	0.08%
Kenya	Petroleum levies	1.2%
Liberia	Forestry taxes and fees	-
Malaysia	Variable licence fees on effluent emissions	0.07%
Mauritania	Taxes, levies, royalties on fisheries	0.98%
Mauritius	MID levy on fossil fuels, plastics, HCFCs + excise	0.93%
Mongolia	Water pollution fee	0.0043%
Morocco	Plastics tax	0.01%
Niger	Taxes on timber and fuel wood	-
Philippines	Coal tax	0.01%
Peru	Selective consumption taxes on the harmfulness of fossil fuels	0.41%
South Africa	Carbon tax	0.01%
Uganda	Environmental levy on second-hand motor vehicles	0.28%
Ukraine	Taxation of nuclear fuels and radioactive waste	-
Viet Nam	Environmental pollution tax	0.77%
Zambia	Mining royalties tax on copper	1.30%

Source: OECD 2021a; OECD 2021b; World Bank Data, authors calculations

DRM and ET in Mauritius

- MID levy (levy on petroleum products) more or less a carbon tax on transport fuels, coal and LPG
- Plastic bag tax, duties on bottles & cans
- Environmental taxes raised 12.5% - 14.7% of total tax revenue 2009-2020
- Fiscal driver and political support for measures have enabled taxes to be retained over the medium term
- Limited opportunities for abatement have limited the environmental effectiveness of the levy = trade-off between fiscal and environmental policy
- The 2024 Corporate Climate Responsibility Levy is a revenue-raiser for climate change initiatives financed through the Climate and Sustainability Fund (NOT an environmental tax, it is a 2% tax levied on corporate income)

DRM and fisheries in Mauretania

- Environmentally related taxes made up 9.4% of total tax revenue in 2019

- Port taxes
- Licences
- Customs and export taxes
- Municipal taxes
- Surveillance taxes
- Catch fees, differentiated by species
- Flat fees for fishing licences

Expert input

Placeholder for:

Maximising the benefits of carbon taxation through revenue use

Diana Cardenas Morar, I4CE

Commentary from ATI countries

Placeholder for:

Kenya's experience in revenue mobilisation from fuel-related taxes

Polly Kibui, Kenya Revenue Authority

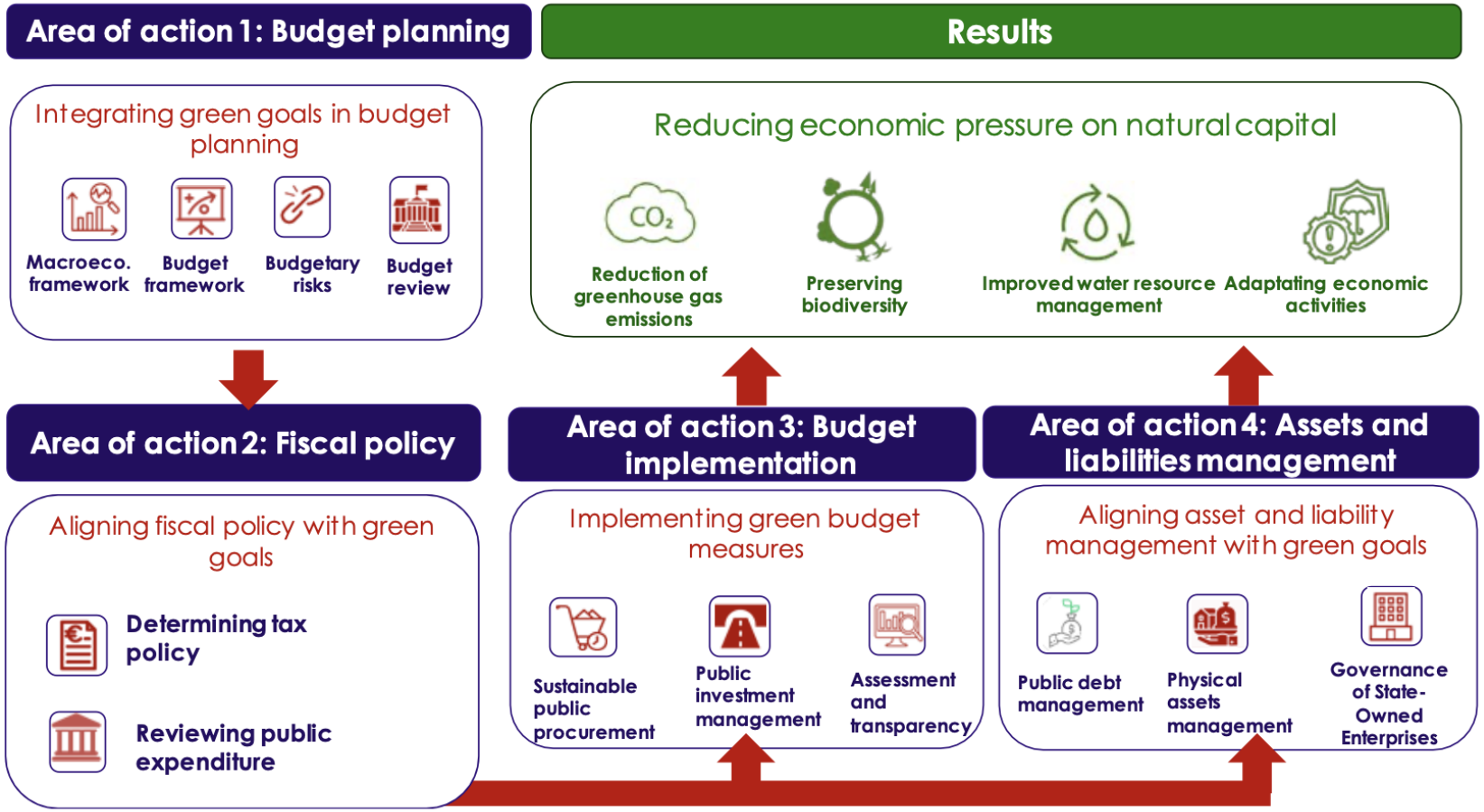
Quiz: How much have you learned about environmental taxation?

Key messages

Does anyone have a key message from the workshop series that they would like to share?

Key message: policy coherence

The Green Budgeting Transition: green fiscal policies and financial management



Source: https://www.afd.fr/en/ressources/green-budgeting-transition#:~:text=Implementing%20a%20transition%20to%20a,compatible%20with%20the%20Paris%20agreement.

Policy coherence and green public finance: the GIZ publication "Navigating Green Public Financial Management

- One-stop user-friendly guide
- Inventory of resources for PFM
- Includes guidance for implementation and country examples
- Covers 72 resources spanning all stages of the PFM cycle
- Practical resources – focussed on strategic process, budgetary planning, assessment and implementation
- Thematic diversity – climate and environment, biodiversity, etc.
- Geographical coverage is extensive – global applicability
- Over 2/3 of resources published in last 4 years – prescient topic

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Thank you for your attention!
Merci pour votre attention !

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