

EUROPEAN EXPERIENCE OF ECOLOGICAL TAXES REFORM

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Currently Greenhouse Gas Emissions are the main reason of the threat of global warming. The introduction of Ecological Taxes Reform can become a powerful instrument to solve many environmental problems. Therefore the tax policy of the state must be concerted with the environmental policy. Taxes must realize basic priorities of the state - to provide a human right on a healthy environment which is constantly violated in the conditions of market economy.

As European experience testifies, green taxes are regarded as an effective economic instrument for the improvement of the state of environment. Many economists have long been regarding eco-taxation as a possible solution of many environmental problems. Sweden's Carbon Tax is one of the a few examples of such a taxation scheme in actual use.

For today in Ukraine the ecological taxation not spared the proper attention. The general level of tax collections on contamination does not reach 1% of GDP. The questions concerning adjusting of economic instruments of defence of environment in Ukraine are unsolved.

Sweden was one of the first country which introduced an Environmental Tax - tax on carbon. Carbon dioxide being a known greenhouse gas, in excessive quantities has been shown to cause a warming of the earth's surface by trapping solar heat within the earth's atmosphere. In response to this threat, Sweden signed the Rio Declaration. This declaration committed Sweden to stabilizing its carbon dioxide emissions at its 1990 level and there for on January 1, 1991, the Swedish Environmental Tax was enacted.

Sweden is one of few highly developed countries of the world, which managed to shorten Greenhouse Gas Emissions. In 2007 Sweden topped the list of countries that did the most to save the planet - for the second year running - according to German environmental group, Germanwatch. Since the imposition of the Environmental Tax, Sweden cut its carbon emissions by 9%, largely exceeding the target set by the Kyoto Protocol, while enjoying economic growth of 44% in fixed prices. Despite economic growth of around 55% between 1990 and 2007, emissions of greenhouse gases have still been able to be reduced. [National Inventory Report 2012 Sweden] It can be hypothesized that emission levels will continue to drop as a result of the increase in the overall tax rate and the reintroduction of the 50% industry rate.

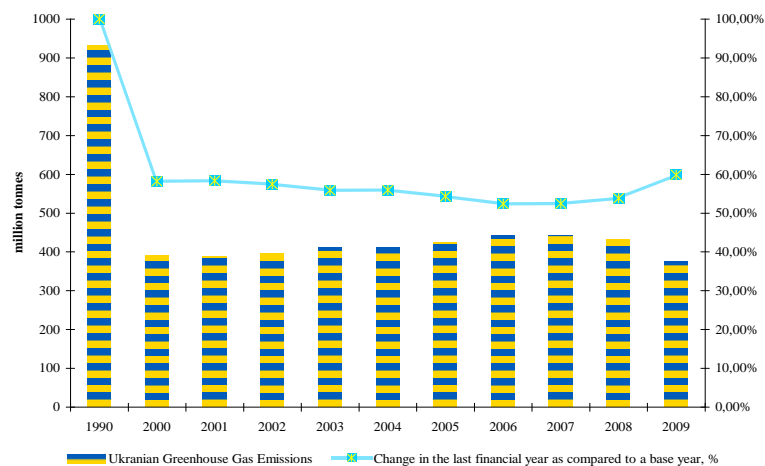
Overall, the Swedish Environmental Tax demonstrates the ability of an eco-taxation system to reduce Greenhouse gas emissions.

In 2010 Ukraine introduced an Environmental Tax and a Carbon Tax in Tax Code. But the tax rate in €0.02/t CO₂ is very-low for fear to lose a competitiveness of power-hungry domestic industry. At the same time a Carbon Tax rate in 40\$ per tonne CO₂ is considered reasonable in the industrial developed countries.

In 2010 revenues from Environmental Pollution Fee accounted only 0.18% of GDP. At the same time according to the forecast on 2011 the revenues from Environmental Taxes will decrease and will make 0.07% of GDP and in 2012 – 0.09% of GDP. [A law of Ukraine "On the State budget of Ukraine on 2012"].

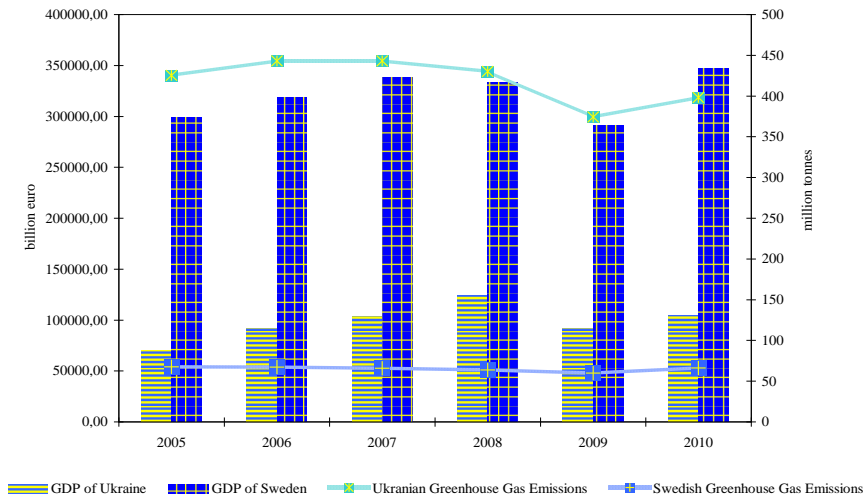
Graph 1 shows the dynamics of Greenhouse Gas Emissions in million tonnes in Ukraine and change in the last financial year as compared to a base year, %. In 2009 Ukrainian Greenhouse Gas Emissions decreased by 15.1 million tonnes as compared with 2000 and made 59.5% emissions of 1990, which is a base year according to Kyoto's protocol. It is necessary to mark that the fall-off of greenhouse gases extrass happened not as a result of careful attitude toward an environment, and by reason of disintegration of economy at the 1990. Many enterprises ceased to exist. Remaining shortened production volumes considerably. All of it in a complex formed the picture of decline of extrass.

Over the past ten years dinamik of Greenhouse Gas Emissions shows relative stability of volumes of emissions. There is insignificant decline in 2009 on 10,3 million tonnes. But it is related to the cutback of economic activity as a result of crisis in 2008. This tendency is very well seen on a diagram.



Graph 1. Dynamics of Greenhouse Gas Emissions in million tonnes in Ukraine and change in the last financial year as compared to a base year, %

Source: National Cadastre of antropogenic extrass from sources and absorption of greenhouse gases absorbers in Ukraine in 1990-2009.



Graph 2. Comparison of Greenhouse Gas Emissions and GDP in Ukraine and in Sweden

Source: National Cadastre of antropogenic extrass from sources and absorption of greenhouse gases in Ukraine in 1990-2009; National report about the state of natural environment in Ukraine in 2010; National Inventory Report 2012 Sweden
 © European Union, 1995-2012. - Gross domestic product at market prices.

Graph 2 shows that Greenhouse Gas Emissions in Ukraine more than 6 times exceed Swedish. And GDP is 3.4 times lower than in Sweden. The increase of rates on carbon will not decide this problem. But if to create the system of Environmental Taxes, which will replace the system of labour taxes gradually, then it would become a powerful incentive to high GDP growth.

On the example of Sweden an Environmental Tax demonstrates the ability of an eco-taxation system to reduce air pollution, to increase economy and to develop population ecological consciousness.

The Ukrainian legislation and environmental tax policy need future improvement, especially if to take into account Ukraine's adaptation to the requirements of European Union and fight for climate stabilizing. The necessity of creation of the effective Ecological Taxes System is obvious for replacement of the Labour Taxes System. Only a Carbon Tax can give considerable investment in the budget. In the whole green taxes can become the powerful source of GDP growth