

Evaluation of Environmental Tax Expenditures in the Netherlands

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Environmental fiscal reform in the Netherlands

Resulted in the introduction of several environmental tax expenditures:

Instrument	Year of implementation
<i>Free Depreciation at Will (Vamil)</i>	1991
<i>Green Funds Scheme</i>	1995
<i>Energy Investment Allowance (EIA)</i>	1997
<i>Pollution Prevention Allowance (MIA)</i>	2000

Policy aim and groups aimed at

- EIA aims at stimulating investments in energy saving and in the production of renewable resources.
- MIA and Vamil aim at stimulating investments in technologies that prevent pollution.
- The Green Funds aim at involving citizens and banks in providing funding for green projects.
- Groups aimed at:
 - Entrepreneurs (EIA, MIA and Vamil).
 - Investors, banks and owners of Green Projects (Green Funds).

Evaluations

- Evaluations can be used to see whether policy instruments are effective and efficient.
- Recently 3 evaluations have been carried out:
 - 1 Report (OCFEB, 2005) on the optimal design of environmental investment subsidies.
 - 2 Report on the MIA, Vamil and Green Funds (Ministry of H, SP & E, 2007 forthcoming)
 - 3 Report on the EIA (SEO, 2007 forthcoming)

Main Results

Outcome is mixed.

- An investment allowance can be more effective than a direct subsidy when benefits are equal.
- The Energy and Environmental Lists play an essential part. The lists facilitate the search of entrepreneurs for qualified technologies and draws interest to available innovative technologies.
- Financial resources were in agreement with the aims of the schemes.
- EIA leads to an impulse in investments.
- However, the contribution of each instrument separately to the entire policy area is more difficult to quantify or can even have lost significance.

Recommendations

- **The instruments are efficient and can be effective.**
- **However, to be certain of the effectiveness:**
 - **Assessment on a regularly basis of the aims and design of the instruments remains necessary;**
 - **Free-riders should be removed from the technology lists;**
 - **Datasets of sufficient quality should be compiled.**
- **The relation between the ETS and different national policies should be examined in more detail.**

Developments of present interest

- **Current government is implementing new environmental tax reforms.**
- **In the budgetary prospects (late September) 3 major changes have been presented:**
 - **Introduction of a tax on airline tickets;**
 - **Introduction of a tax on packaging materials;**
 - **Differentiated tariffs for car taxes among others based on the emission of greenhouse gasses.**
- **A start up of studies is made for further fiscal reforms in the near future.**