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ENVIRONMENTAL TAX REFORM IN ITALY

Something in the way...

**Opinions are the responsibility of the Authors
and not necessarily of the Organizations they work for**

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An apparently “favourable climate”

- ✿ Stern Report (oct. 2006) on the costs of Cl.Ch.;
- ✿ IPCC Reports of Paris & Bangkok (feb. & april);
- ✿ UE targets 20-30-20% for GHG emissions, energy savings and renewables (Spring Council, 8-9 mar.);
- ✿ 1° European Tax Forum organised by the Tax Commissioner in mar. and devoted to “Taxation for Sustainable Development” (19 mar.);
- ✿ Green Paper by the European Commission on market-based instruments for environment and related policies (esp. energy) (28 mar, in consultation until end june);
- ✿ The G8 of Heiligendamm (German Presidency);
- ✿ The Peace Nobel Prize to Gore and IPCC (oct)



Europe at work (with its Member Countries)

- Commission asked Position Papers for the Spring Council commitments for GHG emissions, renewables and energy savings (Minister Bonino, EU affairs)
- National Action Plan for Energy Efficiency presented in aug. (Minister Bersani, Economic Dvpt)
- Commission DG Economy: ongoing review and assessment of economic instruments used for climate change (Minister Padoa-Schioppa, Economy & Finance)
- ENEA (European Network of Environmental Authorities for Cohesion Policy): Working Group on Cohesion Policy & Climate Change (Mattm)
- Open Consultation by the Eu Commission on the Green Paper on market-based instruments for environmental policy and energy (comments from Italy only by Maiocchi-Ravazzi)



SOMETHING IN THE WAY...



**Underneath the bridge
The tarp has sprung a
leak**



...



**Its okay to eat fish
cause they don't have
any feelings**



**Something in the way,
mmm**



**Something in the way,
yeah, mmm**



not Nirvana

SOMETHING IN THE WAY...

Something in the way
she moves

Attracts me like no
other lover

Something in the way
she woos me

but George Harrison



ENVIRONMENTAL TAX REFORMS IN ITALY

Precedent attempts:

- 1990-1 Economic Instruments Package for the Financial Law (Minister of Environment Ruffolo) ---> plastic bag tax
- 1992 Commission SECA at MoE on Economic Instruments in the Environmental Field (Minister of Environment Ripa di Meana)
--- > anticipated elections
- 1994 White Paper at MoF on tax reform with taxation shift from labour and capital to energy and natural resources (Minister of Finance Tremonti)
--- > anticipated elections

ENVIRONMENTAL TAX REFORMS IN ITALY

Only “piecemeal elements” introduced:

- plastic bag tax 1991 (transformations)
- water reform 1992 (full-cycle recovery principle for charges)
- waste recycling consortia fees 1991-2005
- landfill tax 1995 (before UK)
- SO₂-NO_x tax 1996 on combustion plants emissions
- waste reform 1997 (Ronchi Decree) (from waste tax to a waste charge based on volume/quantity – experiments ongoing)
- car replacement incentives 1997-98; 2d phase openly ecological
- CO₂ tax 1999 (component of the fuel tax), suspended after 2 years, some recycling
- ...

Financial Law 2007

Incentives/subsidies introduced, as in several Countries before, for:

- vehicles scrapping and replacement
- transformation of polluting vehicles (e.g. gas and LPG)
- restructuring of vehicles taxation
- solar panels, photovoltaic, renewables
- energy requalification of existing buildings
- high energy efficiency of new buildings
- replacement of energy inefficient industrial engines
- high energy efficiency lightening in stores
- replacement of polluting refrigerators (A+)
- plastic bags
- traceability of waste
- ...



Local and Regional Measures - Federalism?

Sardinia “Luxury Tax”

Three elements:

1. Coastline dwellings tax (houses within 500m from the sea, exemption for local residents, emigrants issue, ...)
2. Aircrafts arrivals tax (progressive with power and dimension of aircrafts ...)
3. Boat tax (progressive with power and dimension, exemption under 10m length, ...)

Introduced in 2006 – legal problems – now effective

Luxury tax or Environmental Tax? (contribution to the environmental value of Sardinia, price for natural resources)

Introduced in a Policy Instrument Mix (Landscape Planning, Urban Areas Planning, Regional Development measures, ...)

Local and Regional Measures - Federalism? Maddalena Archipelago National Park

Between the three small islands of Budelli (Spiaggia Rosa), Razzoli and Santa Maria, a small bay of high natural and marine value.

Accession charge based on:

- nature (engine or sailing)
- dimension (length).

Natural Parks as an interesting laboratory for Economic Instruments e.g. Capri and Venice





Local and Regional Measures - Federalism? Extraction of Materials

Most Italian Regions have introduced some charge/fee/
/tax on the extraction of materials

- from quarries (e.g. marble);
- from rivers (e.g. sands).

Criteria vary:

- on quantity (weight, tons, raw vs. selected);
- on volume (cubic meters, raw vs. selected);
- on value (euro).

Revenue mostly earmarked to environmental riqualifica-
tion, often partly recycled to region/province/communes

Assessment needed on:

- relation to the environmental problem;
- effectiveness of the rate/measure.



Local and Regional Measures - Federalism?

Tourist Tax

42 Italian Majors (including Roma, Venezia, Palermo, Taormina, and headed by the major of Firenze Dominici, president of Anci, the Cities National Association) ask for the introduction of a Tourist Tax with the next Financial Law 2008:

-5€ per night in large cities;

-2€ per night in small cities.

Old Sojourn Tax (abandoned for management costs).

Opposition by tourism entrepreneurs associations.

Different weight of the measure on a Camping Night (10-20€) or an average Hotel Night (50-100) or Luxury Hotel Night (200-400€).

Environmental and economic justifiability (peak load contribution for water supply and treatment, waste collection and treatment, infrastructures construction and maintenance, ...).



Local and Regional Measures - Federalism?

Urban Areas measures

Singapore, London and Stockholm have important economic instruments for access to central urban areas.

Rome and Bologna have interesting systems of access and pricing to historical urban areas; Milano has adopted one and will soon implement it (jan. 2008).

Large range of measure through the 8.100 Italian municipalities:

- access fees
- parking fees
- multi-hour charging
- traffic regulations and limitations
- vehicles limitations (car, motorbikes, vans, tourist buses, ...)
- ...

Issue of exempting residents

Issue of alternative sustainable transport



Financial Law 2007

Assessment of Financial Law 2007 measures would be useful at this stage (eco-efficiency, environmental effectiveness, economic efficiency) but not systematically available

Financial Law 2008

(at present Govt proposal in Parliament)

- Many measures should be confirmed**
- Some cancelled (e.g. incentives for A+ fridges and refrigerators)**
- Some new (e.g. solar panels on all 40.000 state schools)**



Prevailing Driving Forces and Debate

Political acceptance

- ✿ Cutting down taxes in general (new taxes and shifts difficult to be accepted)
- ✿ Debate concentrated often on the margin (e.g. tesoretto) and not on the bulk (tax structure)

Helpful Driving Forces

- ✿ Use of EU Structural Funds: the new cycle 2007-13 has started; some help on capacity building, PPP and incentives may come
- ✿ Climate Change



CNCC 2007 (September)

National Conference on Climate Change

Climate Change Manifesto

13 first actions for sustainable adaptation

[...]

2) Confirm and expand the system of incentives for energy saving in the residential sector; start a program to support bio-building (eco-building – eco design)

3) Incentivate forms of consumption compatible with climate change needs - hypothesis of water labelling

[...]

13) Realize forms of environmental incentives for labour and enterprises also in relation to the new rules on environmental accounting.



Environmental Accounting Law proposal

The Government has approved in Sep.2007 Delegated Law proposal (now it goes to the State Regions Conference and then to Parliament).

The Government (Economy and Environment leading) would have 12 months to establish a Law of Environmental Accounting System:

- connected to Financial Law,
 - connected to National Accounting System,
 - at all (State, Regions, Communes) levels,
 - assessment, costs, satellite accounts, ...
- Implementation in 24 following months.

Environmental Tax Reform in Italy

Preliminary Assessment

Instruments:

- Environmental taxes: modest
- Environmental charges: average
- Markets creation: average
- Incentives (subsidies, aids, exemptions) environmentally favourable: average-high
- Elimination of incentives (subsidies, aids, exemptions) environmentally damaging: none
- Level (effectiveness) of incentives/tax rates: modest
- Shift from labour/enterprises to pollution/natural resources: limited-none



**SOMETHING IN THE WAY,
does she move...**

Somewhere in her smile she knows
That I don't need no other lover
Something in her style that shows me

I don't want to leave her now
You know I believe and how

ETR in Italy as an unavoidable necessity...