

# Environmental taxation and environmentally harmful subsidies in Germany, Europe and international

**Kai Schlegelmilch**

Federal Ministry for the Environment, Nature Conservation, Nuclear Safety  
Division IK III 1 – National Climate Policy, National Climate Protection Plan 2050

kai.Schlegelmilch@bmu.bund.de  
www.bmu.de

Joint OECD/UNECE Seminar on Implementation of SEEA in Geneva, 20./21.02.2019



# Coalition Treaty in Germany (3/2018): Statements on the political developments regarding environmental fiscal policy

- **EU-Emissions Trading System** will be further strengthened as lead instrument.  
**Aim: CO<sub>2</sub>-Pricing system which is possibly globally oriented, but at least the G20-countries.**
- We will set up a **program for promoting the decarbonisation of the industry**. Aim is to ensure the long term duration of the industrial site Germany, to strengthen the international competitiveness of German enterprises and create sustainable jobs in Germany.
- We will implement fully the action program climate protection 2020 and the **climate protection plan 2050** with the for all sectors agreed measure packages and targets.  
This includes:  
**We will check continuously all subsidies – new and old ones – according to the subsidy policy guidelines and the principle of sustainability.**

We set up a Commission “Growth, Structural Change and Employment” which recommended:

- Phase out coal use by 2035-2038
- Monitor** the phase out every three years
- Propose measures to fill the gap for the 2020 target of a 40% reduction of greenhousegas emissions as far as possible.
- Propose a plan for the step wise reduction and a date for ending of coal used for electricity generation**, including the legal, economic, social and structurally policy **accompanying measures and the financial security of the necessary structural change** in the affected regions and a fund for structural change financed by the federal state:

For 20 years, 2 bn € p.a. should be given to the affected regions and for the coal companies as compensation.



The above mentioned **climate protection plan 2050** states i.a.:

1. **Transformation of the financing system and contributions to revenue**
2. The future model for financing an energy supply based on renewables, including the necessary infrastructure, needs to ensure that all energy-consuming sectors make an **appropriate contribution to financing it.**
3. The German government intends to **review the incentive and steering effect of the current components of energy prices in the form of levies, surcharges and taxes imposed by the state**
4. The German government will work at the national, European and international levels to ensure that **environmentally harmful subsidies are eliminated** with due regard for the interests of consumers and other aspects of the national economy.
5. Alternatively, those subsidies may be **diverted into future-oriented investments** that will benefit society and the environment.

## **Not part of the Coalition Treaty, yet relevant here:**

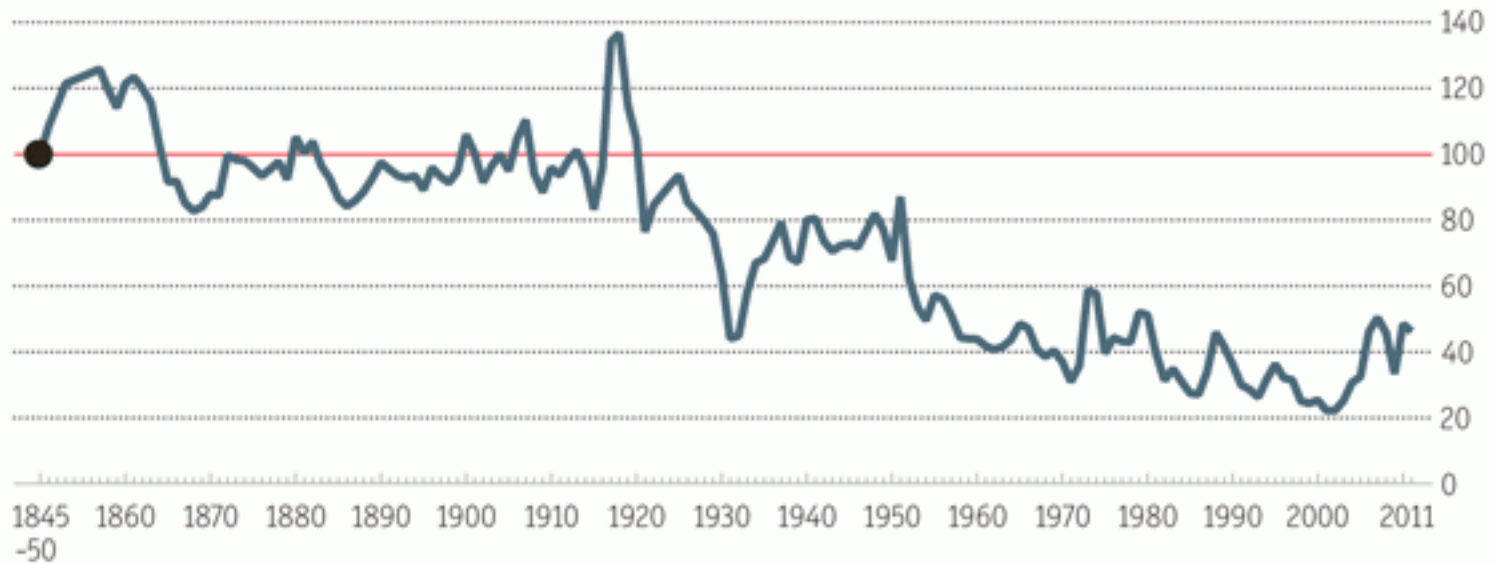
1. After many decades, a **major success** has been achieved:  
Germany **ended its hard coal subsidies** by the 31.12.2018.
2. Since 1967 **Federal Subsidy Report**:
  - Legal obligation of the German government to submit the Subsidy Report to Bundestag and Bundesrat **every two years** in conjunction with the government draft of federal budget since 1967 as in the Law on economic growth
  - Latest 26th Report for the period 2015 – 2018 was endorsed by the government on **23<sup>th</sup> August 2017** and submitted to the parliament
  - **The last two and the next report include sustainability impact assessments of all subsidies**

## Statistics matter a lot:

On the one hand:

Overall decreasing raw materials prices since the beginning of industrialisation

Economist „Metal-Detector“: Industry metal index 1845-2011 (1845 = 100%)

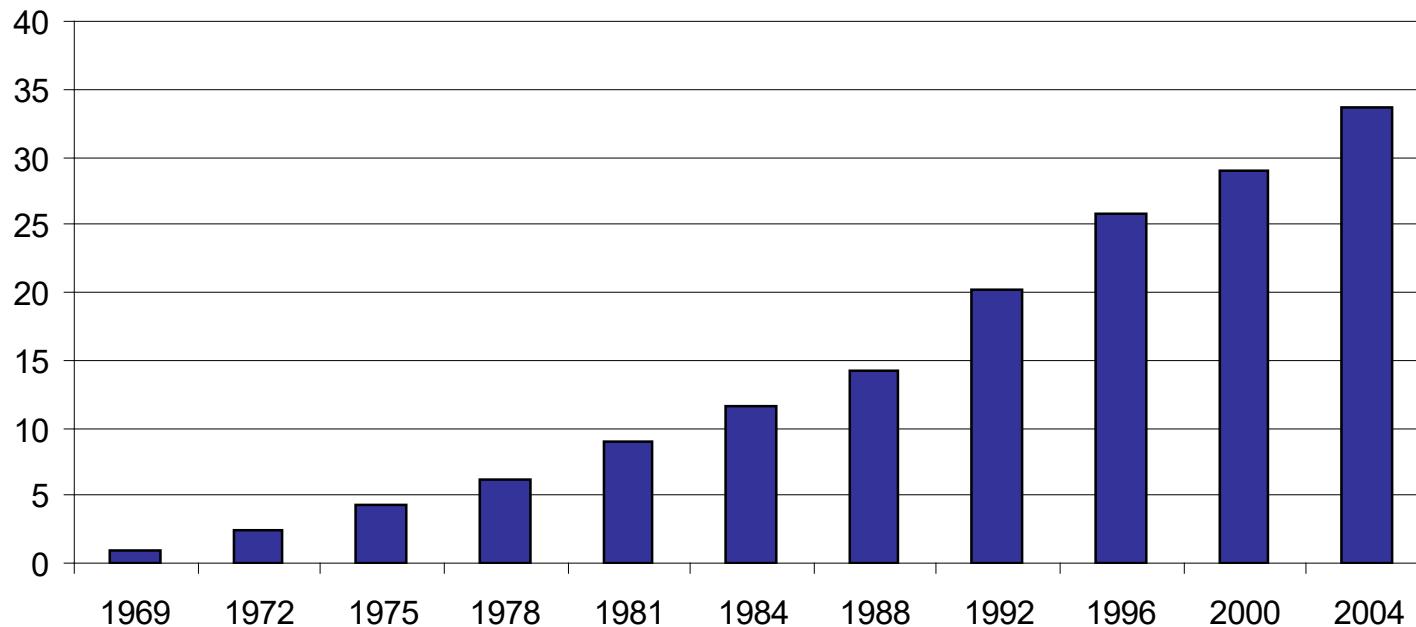


Sources: *The Economist*; Thomson Reuters

\*Adjusted by US GDP deflator

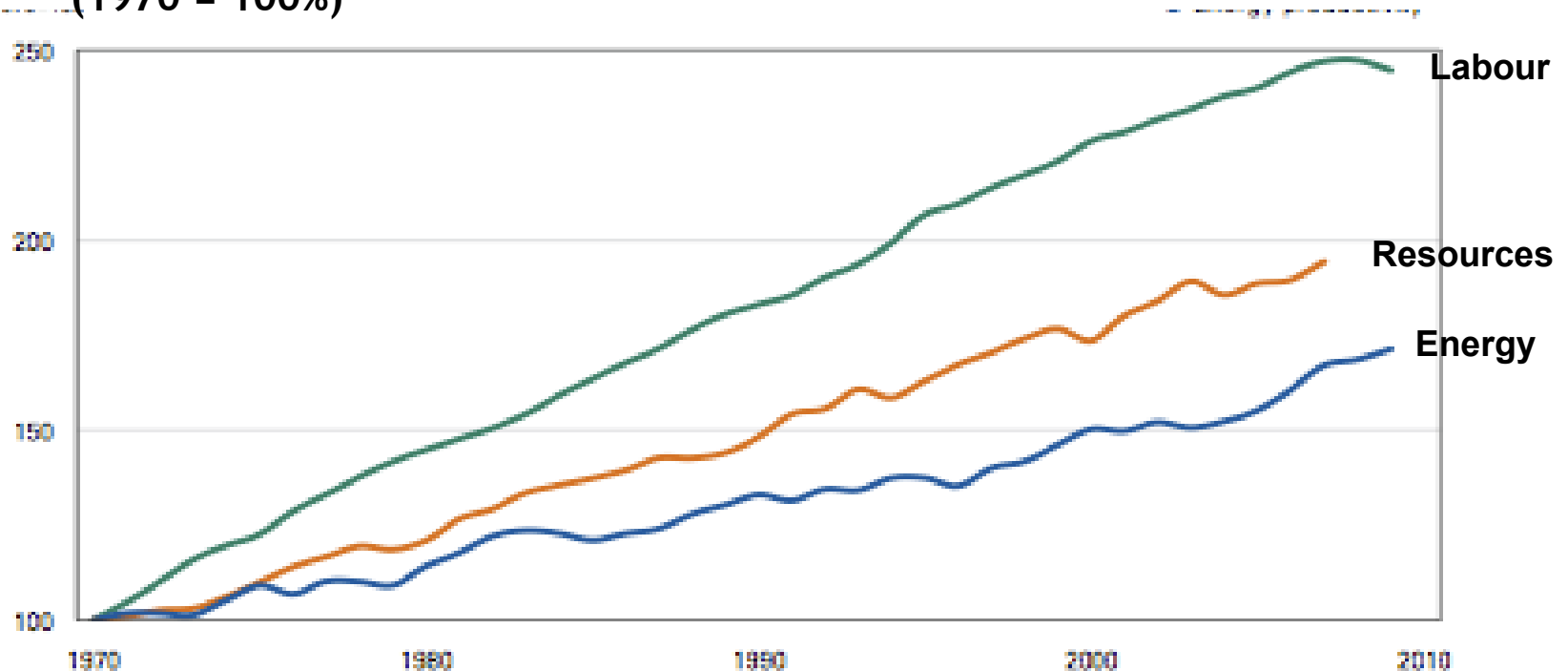
## On the other hand: Labour costs have increased continuously

Labour costs in the manufacturing sector in Germany 1969 - 2004 in Euro/h



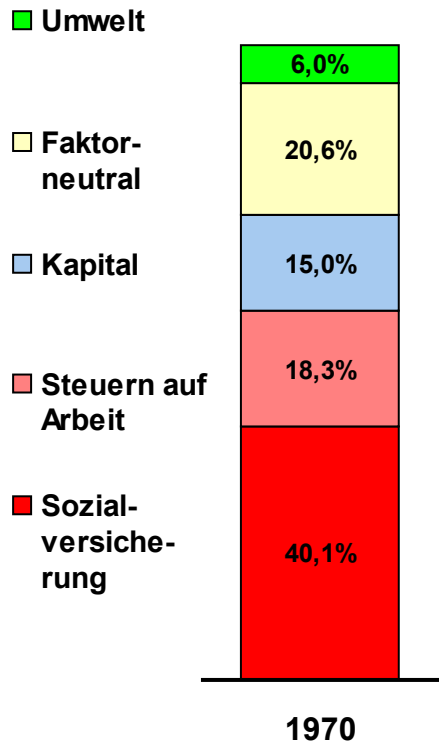
## In order to invest into efficiency innovations, companies require the right price signals

Labour-, Resource-, and Energy productivity in the EU-15 1970 - 2010  
(1970 = 100%)



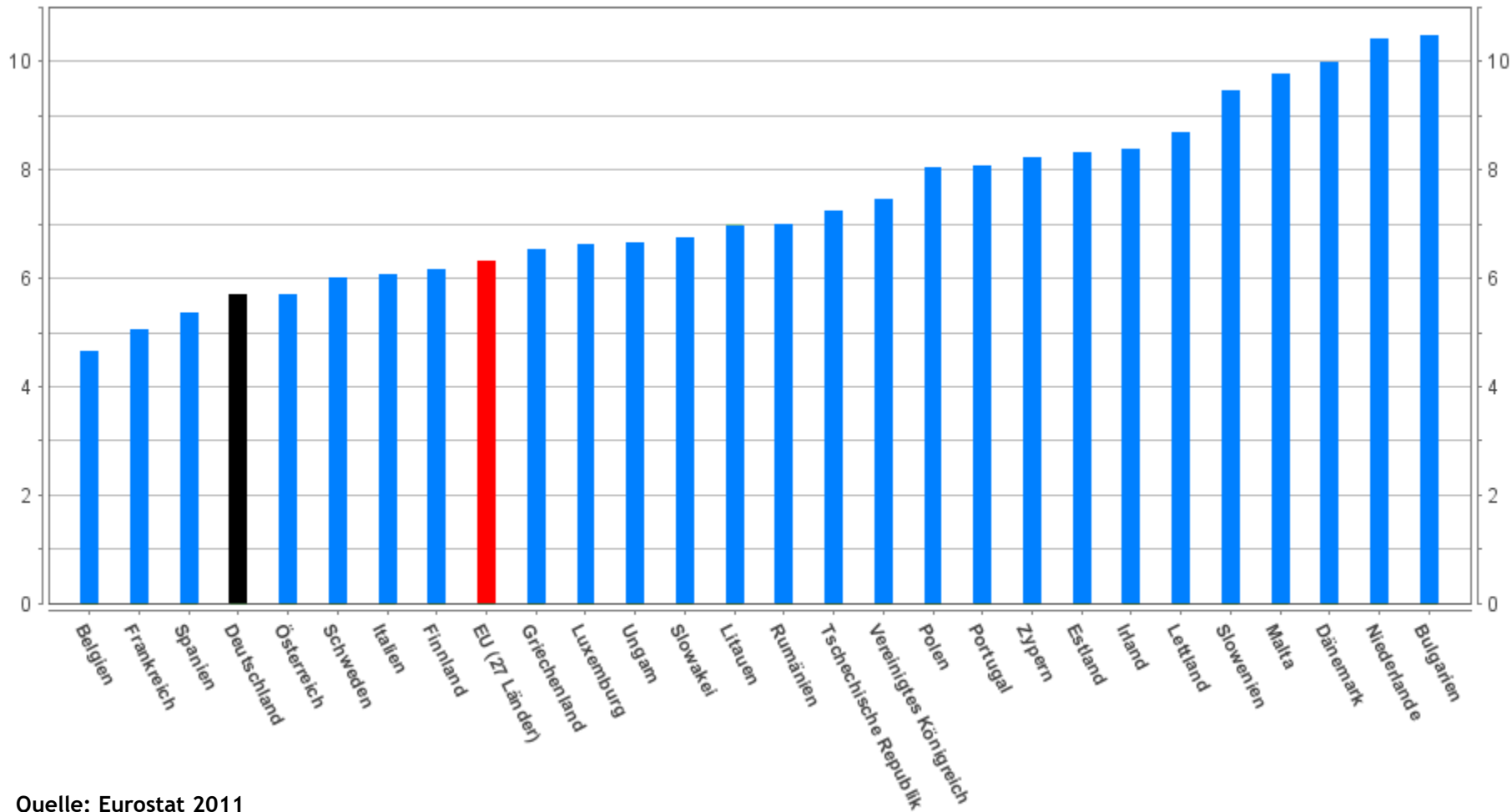


# Tax and levy-system provides the wrong incentives



# EU-Comparison of environmentally-related taxes (2009): Germany is no high tax land, but below EU-average

Percentage of the total tax revenues 2009



Quelle: Eurostat 2011

**Thank you very much for your attention!**

**Kai.Schlegelmilch@bmu.bund.de**

**www.bmu.bund.de**

**Sources:**

**1. Federal Ministry of Finance:**

The Federal Subsidy Report and  
Reformed Guidelines for Subsidy Policy:

- [https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Press\\_Room/Publications/Brochures/2018-01-24-26th-subsidy-report-summary-download.html](https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Press_Room/Publications/Brochures/2018-01-24-26th-subsidy-report-summary-download.html)

**2. Federal Ministry for the Environment (BMU/MoE):**

Climate Protection Plan 2050:

- <https://www.bmu.de/publikation/climate-action-plan-2050/>

**3. Environment Agency (UBA /EPA):**

The report on environmentally harmful subsidies:

- <https://www.umweltbundesamt.de/publikationen/environmentally-harmful-subsidies-in-germany-2014>
- <https://www.umweltbundesamt.de/publikationen/umweltschaedliche-subventionen-in-deutschland-2016>
- English: <https://www.umweltbundesamt.de/en/node/58868>