

Environmental Fiscal Policy

Extract from France's 2021 Environmental Performance Review



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Nearly 40 taxes exist on products and activities that are harmful to the environment. Known as environmental taxation (Eurostat criteria¹), they encourage households and businesses to adopt environmentally positive behaviour by penalising products or activities that have negative impact. Environmental taxation focuses on fossil energy consumption while addressing other issues such as pollutant emissions, artificial land use, the impact on biodiversity, and consumption of natural resources.

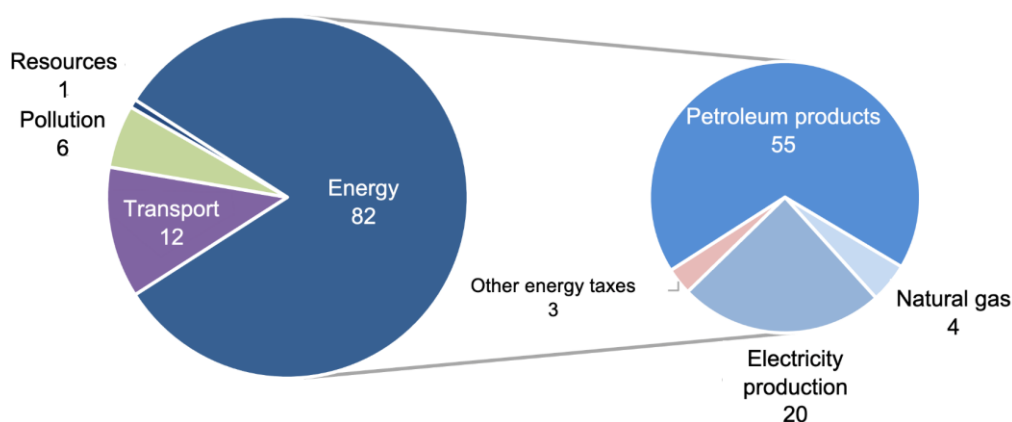
ENERGY TAXES: MAIN SOURCE OF ENVIRONMENTAL TAX REVENUES

In 2020, environmental tax revenues amounted to €50.4 billion, compared to nearly €41 billion in 1995. Energy taxes are by far the greatest share at over €41 billion and 82% of all French environmental tax revenues. This is largely explained by the amount of the domestic consumption tax on energy products (TICPE) at 65% of all energy taxes.

Transport taxes are the second highest category generating 12% of revenue at €6 billion. This mainly concerns taxes on vehicle registration certificates and transport operators such as motorway services and civil aviation. Taxes on pollution emissions account for only 6% of revenue at €2.8 billion and on natural resources less than 1% at €381 million, due to low extraction activity in France (Figure 1).

Figure 1: Breakdown of environmental tax revenues by category in 2020

In %



Note: provisional data.
Scope: France.
Source: SDES, 2021

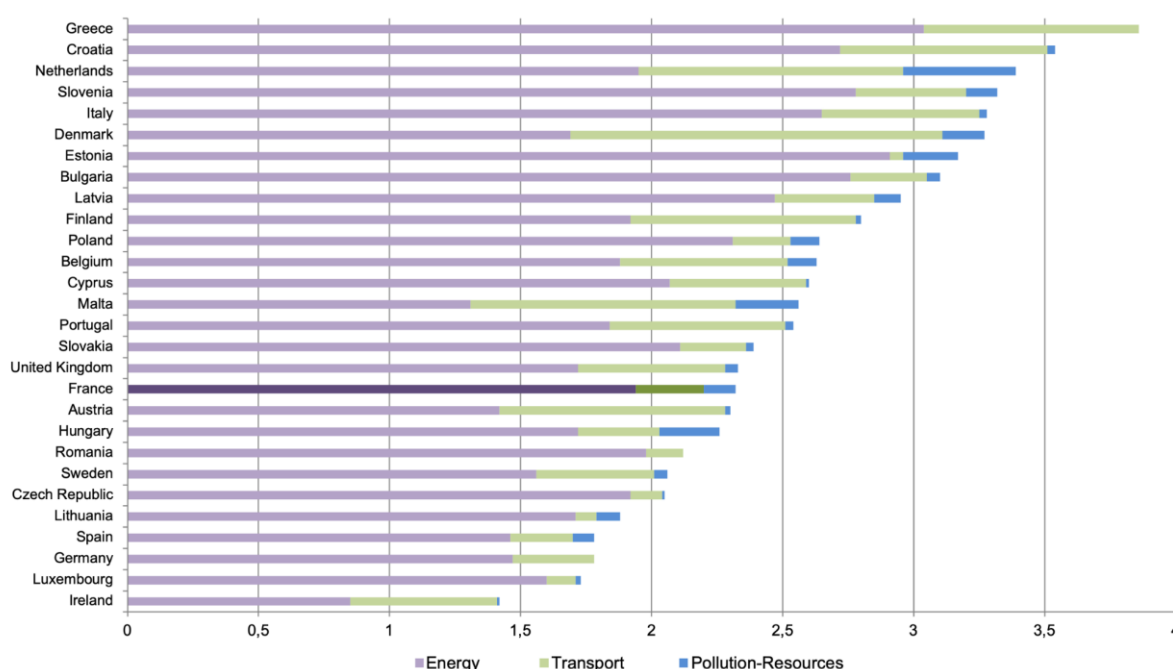
¹ The basis of this tax is a physical unit (or a proxy of a physical unit) of something that has a proven and specific negative impact on the environment (Eurostat methodological guide). This criteria was chosen for international comparisons. In some cases, the environment is not necessarily the primary objective of such taxes.

Fact Sheet: Environmental Fiscal Policy

In 2019, revenue from French environmental taxes was 2.32% of GDP, slightly lower than the European Union average of 2.36%.

According to this criteria, France is 18th out of 28 in Europe. Some countries, particularly in northern Europe such as Denmark and the Netherlands, have higher environmental taxes, generating much higher revenue, reaching almost 4% of GDP in the Netherlands – (Figure 2). On the other hand, several non-European OECD countries, such as Canada, Australia and the United States, have lower environmental tax revenues than Europe due to significantly lower energy taxes, particularly on fuel.

Figure 2: Breakdown of environmental taxes by sector in EU Member State GDP in 2019
% of GDP



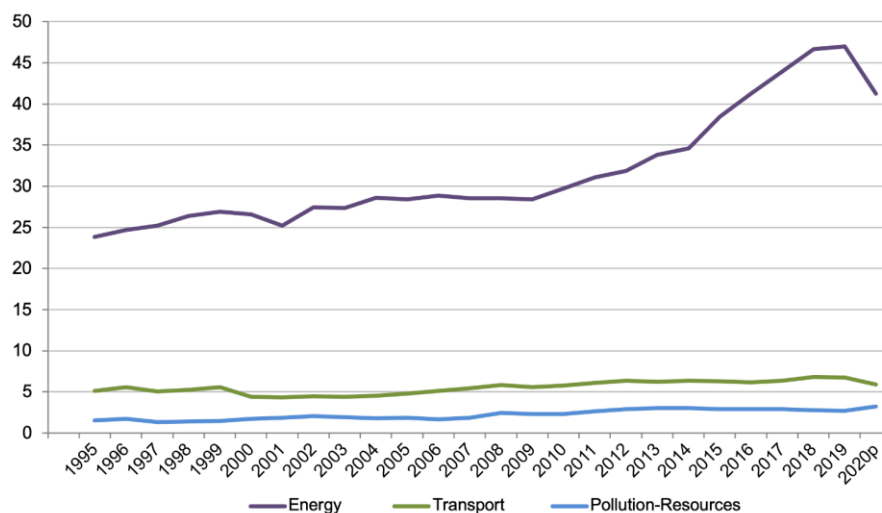
Source: Eurostat, 2021. Treatment: SDES

2020 SAW A SHARP DROP IN ENVIRONMENTAL TAX REVENUES

Historically, environmental tax revenues have known two distinct periods. Between 1995 and 2008, the proportion of GDP decreased from 2.5% to 1.8%. This decrease is explained by the sharp increase in vehicles using diesel which was subjected to lower taxes and no inflation indexation on most environmental tax rates. Environmental tax revenue has increased since 2009, reaching over 2% of GDP. Hit by the health crisis, 2020 saw a decrease of 11% in total environmental tax revenues due to the sharp decline in activity overall and travel in particular. Transport and energy taxes were the hardest hit, with drops of 12% and 11% respectively. The TICPE, which has been steadily increasing since 2010, dropped by 14% (–€4.4 billion) compared to 2019. This is largely due to the sharp drop in fuel consumption due to lockdowns during the pandemic in 2020. (Figure 3).

Figure 3: Trends in environmental tax revenues by category

In €bn



p = provisional data.

Scope: France.

Source: SDES, 2021

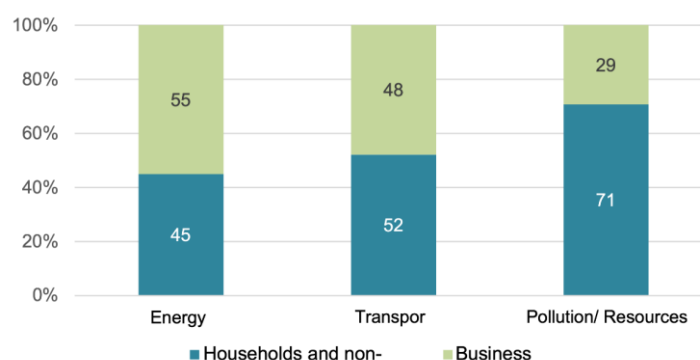
HOUSEHOLDS MAKE IMPORTANT CONTRIBUTIONS TO ENVIRONMENTAL TAXATION

Just over half of environmental tax revenues are financed by business (53%), followed by households and non-residents (47%), with variable distribution by area (*Figure 4*).

This taxation revenue is collected by the national government, local authorities and other bodies such as operators with special status and public operators such as water utilities.

Figure 4: Environmental tax funding agents by field in 2020

In %



Note: provisional data.

Scope: France.

Source: SDES, 2021

FOR MORE INFORMATION

- [Environmental tax revenue](#) - Eurostat