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Emily Sang Lynch

University of New Hampshire, Durham

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Environmental Taxation in Spain: Policy and Practice

Emily Lynch

Faculty Advisor: John Hasseldine

University of New Hampshire

Peter T. Paul College of Business and Economics Honors Thesis

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Table of Contents

Introduction.....	3
Literature Review.....	4
General Overview of Environmental Taxes.....	4
Environmental Taxation in the European Union: Current Trends.....	5
History of Environmental Taxes in Spain.....	8
Spain's 2008 Financial Crisis.....	9
Current Trends in Spain: Water Tax.....	10
Current Trends in Spain: Energy Taxes.....	11
Current Trends in Spain: The ETD and Green Deal.....	12
Method.....	14
Results.....	14
Environmental Taxes as a Percentage of GDP.....	14
Environmental Taxes as a Percentage of Total Tax Revenue.....	16
Environmental Taxes by Amount.....	17
Environmental Taxes by Type.....	20
Discussion and Conclusions.....	22
References.....	24

Introduction:

Spain is one of the many countries that imposes environmental taxes. While environmental taxes are common across most countries, they are particularly relevant for Spain because the country experiences many effects of climate change. One recent example is severe drought, which has reduced water availability and agricultural yields for the country. Other issues like air pollution from fossil fuels and livestock are issues for Spain. These environmental factors can be connected with and mitigated by environmental taxes.

Spain is a part of the Paris Agreement, an international treaty of countries with the main goal of reducing climate change. This treaty was signed by 195 parties, including Spain and many European Union countries. The Paris Agreement was signed at the United Nations Climate Change Conference (COP21) on December 12, 2015, and it went into force on November 4, 2016. The main goal of the treaty is to create a net-zero emissions world. Within that goal, there are other specific targets, like reducing greenhouse gas emissions to limit the global temperature increase to 1.5 degrees Celsius. Every five years, each country that signed the agreement must submit an updated climate action plan to communicate the changes they have made to reduce greenhouse gas emissions. This ensures that the countries are creating long term strategies to work towards the net-zero emissions goal (United Nations, 2024).

Environmental taxation can be a very effective tool for achieving the climate goals set out in the Paris Agreement. The main goal of this thesis is to analyze the trends and different types of Spain's environmental taxes and how they compare to the European Union and the OECD. Comparing how much emphasis Spain puts on environmental taxation in relation to other countries could have implications relating to climate change and the country's goals related to the Paris Agreement.

Literature Review:

General Overview of Environmental Taxes:

The main goal of environmental taxes is to help reduce environmental damage without damaging economic growth. They are designed to address externalities, or when there is a social cost over and above the private cost of production or consumption. Many countries specifically focus on taxing energy use, motor vehicle use, and fuels. These are the most highly taxed because they cause the most pollution, accidents, and congestion. While environmental taxes don't necessarily discourage the use of these things, it may help reduce them.

The Organization for Economic Cooperation and Development, hereafter the OECD, is an international organization that Spain is a member of. The OECD reports that the two primary advantages for using environmental taxes are: firstly, the taxes directly address the externalities by pricing in environmental costs, and secondly, the taxes give flexibility to businesses and consumers to determine the least costly way to reduce environmental damage (OECD, 2023). Environmental taxes also provide companies with a strong incentive to innovate, which is beneficial for the environment and the company if they can reduce costs. However, there are some disadvantages to environmental taxes. The taxes could encourage avoidance activities like dumping, which is more harmful for the environment. Some environmental taxes are also difficult to measure. Lastly, taxes on things like fuel, which most people use, may put a heavier burden on lower income taxpayers. These are all things to keep in mind when a country structures their environmental taxes.

There are nine key design principles that tax policy makers must consider for environmental taxes (Evans et al., 2017). The first step is to define whether the tax base is the pollutant or the polluting behavior. Next, the scope of the environmental tax should be the same

as the scope of the environmental damage. The tax rate should be proportional to the damage. The tax must also be credible with a predictable rate. Environmental taxes do not typically generate a lot of revenue, but any revenue should be used to reduce debt or other taxes. Policy makers must also address distributional concerns through policies outside tax. They should also preserve competitiveness and consider lower or higher tax jurisdictions. To gain trust and communicate the plan effectively, they should have clear communication with the public. Lastly, policy makers must know that environmentally related taxes alone are not the answer, they may need to be combined with other policy instruments to be effective (Evans et al., 2017).

Environmental Taxation in the European Union: Current Trends

The harmonization of environmental taxation in the European Union has been a heavily debated topic. It is an important aspect of overall tax harmonization, which is one of the EU's goals. The primary reason for environmental taxes in the EU is not to generate revenue, but to change the behaviors of people and businesses to benefit the environment. Environmental tax policy is especially important to achieve the Green Deal, which was signed by the European Union in 2019.

The European Union signed and announced the Green Deal, their plan to achieve carbon neutrality by 2050, in December 2019. By 2050, the EU has the ambitious goal to have Europe be the first climate neutral continent. The goal also includes the more specific targets of having at least a 32% share for renewable energy and a 32.5% improvement in energy efficiency (Delgado et al., 2022). The first goal of the Green Deal is to reduce greenhouse gas emissions by at least 55% by 2030, with respect to 1990 emissions. To achieve this, the European Commission announced a new "Fit for 55" legislation in 2023. The legislation introduced legally binding

climate and emissions reduction targets. These range from updating the emissions trading system to more detailed environmental taxation by putting a price on carbon pollution. The targets also put an increased focus on reducing transport emissions. This legislation puts the EU on track to meet and even exceed their original goal of a 55% reduction to 57% by 2030 (European Commission, 2023).

Environmental taxation is an important part of the EU's policy to reach these goals. A key aspect of the tax framework is the Energy Taxation Directive 2003/96/EC, hereafter the ETD. The ETD is the European Union's framework for energy taxes, which include electricity, motor, and heating fuels. The framework set in 2003 established minimum rates to encourage lower carbon usage (KPMG, 2024). However, the framework remained unchanged from 2003 to 2019. The original rates from 2003 are not high enough to achieve the EU's ambitious climate goals set out in the Green Deal. So, in April 2019, the European Commission published a communication urging the importance of reforming and updating the ETD. (European Commission, 2023).

As a result of the communication, the European Commission reformed the ETD and announced the changes in July 2021. There are two main changes made in the reforms. The first is that they changed the minimum tax rates to be expressed in euros per gigajoule. This is a significant change because it means the tax rates will now be based on energy content and environmental impact rather than volume. The second change is that the reforms widened the tax base to include aviation, maritime, and fishing activities. However, the main focus is still fossil fuels. While these changes were announced in 2021, it could be a few more years before they go into effect. The reforms came into force in January 2023, but each EU member state needs to make their own revisions. The ETD only sets a minimum, so each country could still set different

tax rates (KPMG, 2024). There will also likely be more changes and improvements to the ETD in the future, since it is also a part of the EU's "Fit for 55" legislation announced in October of 2023 (European Commission, 2023).

While the EU has a general goal for environmental tax harmonization, that might not be the case in practice. Delgado et al (2022) uses environmental tax data from 1995-2016 to analyze trends in the EU countries. The main goal of this study was to analyze the convergence of environmental taxation among the EU countries to determine the level of harmonization. The study focused on energy and transport taxes as a percentage of GDP and as a share of total taxation. The results of the study's group convergence analysis ultimately suggested that the "countries have not converged to the same steady state equilibrium in terms of environmental taxation between 1995 and 2016, despite the efforts undertaken to harmonise environmental taxation in the EU" (Delgado et al., 2022). The analysis of transport taxation did suggest an overall convergence as a share of total taxation for the EU countries. However, when looking at total environmental tax revenues as a percentage of GDP, the countries differed. The countries can be classified into three different groups. The first, with a higher taxation of 2.97% of GDP as an average for the past five years. The second group has an average of 2.19%, and the third has the lowest average of 1.92%. Spain falls into the third group, which has the lowest average. Based on this data, the study concluded that the harmonization efforts "are not succeeding as could be expected." (Delgado et al., 2022). However, it is not necessarily proven that harmonization is necessary to achieve climate goals. Some EU countries are not in favor of establishing common rules in regards to environmental taxation. It will be interesting to see how the harmonization efforts of the EU change as they approach the 2030 and 2050 deadlines for the European Green Deal.

History of Environmental Taxes in Spain

The OECD separates environmental taxes into four basic categories: energy, transport, pollution, and resources. Generally, Spain has focused heavily on energy taxes and some transport and pollution taxes. They do not have resource taxes, which is common for most OECD countries (OECD, 2023). Over the years, Spain, like many countries, has increased their environmental taxes. In the early 2000s, they had very limited environmental taxes compared to other OECD countries. In 2012, they did introduce more environmental tax reforms, but they were “fragmentary and limited” (Böhringer et al., 2019). There are three main reasons that the government was hesitant to increase environmental taxes: concerns about regressive impacts, the threat of adverse competitiveness effects, and the potential instability of environmental tax revenues. The government was also concerned that taxes on electricity, natural gas, heating oil, and gasoline could hurt poorer households. So, while Spain still has less environmental taxes compared to some countries, they have increased them in recent years (Böhringer et al., 2019).

Since Spain is a member of the EU, they also signed the Green Deal. For Spain to meet the ambitious climate goals laid out in the Green Deal, they need to implement new regulations or new environmental taxes. In response to this goal, Spain issued a National Plan of Energy and Climate 2021-2030, where they stated that they needed a 23% reduction in greenhouse gas emissions in order to meet the 2030 goal for the EU. Spain also stated that their goal was to have 42% of the final use of energy be renewables, a 39.5% improvement in energy efficiency, and have 74% renewable energy in electricity. To meet these targets, the government needs to change environmental tax policy and increase taxes on the consumption of oil, coal, and natural gas. However, this does come with the challenges mentioned above, but change is necessary to achieve these ambitious targets (Blazquez et al., 2021).

Spain has taken some action to increase environmental taxes. On April 8, 2022, Spain published Law 7, or “Waste and Contaminated Soils for a Circular Economy.” The law introduced two new types of environmental taxes. The first is a new tax on single-use plastic containers, at a rate of a tax of 0.45 euros per kilogram of non-reusable plastic. The second is a tax on the waste in landfills and incineration of waste, which is taxed at rates up to 40 euros per metric ton. However, there are certain exemptions. These taxes went into effect on January 1, 2023 (Orbitax, 2022).

Spain’s 2008 Financial Crisis

Spain experienced a financial crisis and recession from 2008 to 2014, beginning in 2008 when the housing bubble burst. From 2002 to 2007, housing prices in Spain rose by 250%, and the country’s GDP was also increasing steadily each year. The real estate industry was a huge source of income and jobs for Spain, but in 2008, the housing bubble hit a breaking point. Housing prices began to fall and over two million jobs were lost that year. Spain’s banking system was also highly unregulated and relied on risky mortgage loans that the banks did not have to disclose to the government. When the housing bubble burst, Spain’s banking system declined and only contributed to the recession.

In 2012, the Spanish government requested the help of the European Union to enact a series of reforms in Spain and help end the recession. These reforms consisted of financial market, fiscal measures, and labor market reforms. The main goals of these reforms was to reform the framework for regulation of banks and help many banks regain the capital they lost during the recession. They also addressed outdated labor laws to help reduce the unemployment rate. These reforms eventually helped Spain exit the recession in 2014 (Baudino et al., 2023).

The recession had a large impact on Spain's economy and tax revenue in general. While tax revenue and GDP decreased significantly during the recession, they began to increase steadily again after the reforms in 2012.

Current Trends in Spain: Water Tax

While Spain's environmental tax revenue has generally been lower than EU and OECD averages, they have been trying to increase their environmental taxes. Water scarcity and drought are huge problems for Spain. While there has been a lot of public concern and efforts to conserve water, the Spanish government has also tried to help by increasing taxation. In 2001, the Spanish Water Act was passed, which shifted the responsibility for wastewater treatment from the municipal to the regional government. As a result, each autonomous community in Spain created their own sanitation charge for wastewater. These charges were created with the goal of reducing wastewater and help cover the costs of water infrastructure. However, these taxes are not as effective in helping the environment as they claim to be. It is difficult to measure the level of environmental harm, and the tax is further complicated because each autonomous community approaches it differently. Many do not distinguish between whether they are charging taxes for wastewater, water consumption, or both. Both aspects play a role in reducing effects from drought (Vallés-Giménez & Zárate-Marco, 2013). Currently, water scarcity is still a large problem in Spain, and the country has two main taxes: a regulation fee and a water utilization rate. However, these taxes still do not consider environmental criteria, so there is still more potential for change (European Union, 2021).

Even though Spain has increased water taxes overtime, the taxes still might not be as effective as they seem. There has been a reduction in water demand, but it "appears to be due to

the environmental charge rather than any actual increase in firms' water costs" (Vallés-Giménez & Zárata-Marco, 2013, p. 133). There is a lot of public concern due to the water scarcity, so the reduction in water demand could be mostly due to environmental concerns rather than the effect of the tax. A report from the European Environment Agency also found that "taxes on wastewater discharges were relatively low in Spain and did not produce the necessary stimuli to achieve the desired environmental ends" (Vallés-Giménez & Zárata-Marco, 2013, p. 134). In order to reduce water consumption and wastewater discharge more effectively, it appears that more environmental tax reform is needed.

Current Trends in Spain: Energy Taxes

Energy taxes make up the majority of environmental taxes in Spain. Spain taxes both renewable and nonrenewable energy sources. Wind power is very popular in Spain, and the proportion of wind power generation has increased from 9.5% in 2007 to 24.5% in 2020. While wind power is much better for the environment than carbon-based fuel sources, it is not completely harmless. The Spanish government has been taxing wind power since 1995. The tax is based on the negative impacts such as construction and maintenance related to the number of wind turbines. Wildlife impacts like habitat disruption are also considered. However, there is still a "lack of framework" for these taxes, and taxing renewable energy may backfire and paralyze investments in wind power (Regueiro-Ferreira & Cadaval Sampedro, 2023). Energy taxes should be structured in proportion to their level of environmental damage, so the focus on wind tax does not align with this. While wind energy isn't harmless, it is much better for the environment than other sources. Focusing on taxing renewable energies might cause negative impacts to Spain.

Spain's taxation of renewable energy "contrasts with the nonexistence of such tax figures in the installation of other energy infrastructures and other larger infrastructures (motorways, airports, ports, dry ports)," which can be more harmful to the environment (Regueiro-Ferreira & Cadaval Sampedro, 2023, pp. 1741-42). Spain does have taxes on nonrenewable energy sources, like fuel. They also have other taxes aimed to decrease carbon emissions, like a landfill and incineration tax on municipal waste. However, there are many areas that Spain does not tax that contribute to carbon emissions. Ammonia pollution from livestock is a large source of air pollution, and there is currently no tax for this in Spain. Introducing an environmental tax related to this issue could help (European Union, 2021). Taxing carbon emissions is especially important now for Spain in order to meet the goal for the Green Deal. More environmental tax reform on carbon emissions is needed if Spain wants to come close to the EU's goal for carbon neutrality.

Current Trends in Spain: The ETD and Green Deal

Spain has made some changes to their environmental taxation policy and will need to make more in the future to comply with the European Union's Green Deal. As mentioned above, the European Union's reforms to the Energy Taxation Directive came into force in January 2023, and there were more changes made in the EU's "Fit for 55" legislation. While these tax reforms could have potentially negative impacts on Spain's economy, there are ways the government can mitigate them.

After the COVID-19 pandemic in 2020, Spain's demand for fossil fuels grew as activity increased, and energy prices overall started to increase. Russia's invasion of Ukraine further complicated supply, since Russia was one of the main suppliers of the EU's fossil fuels. This made energy prices in Spain increase even further. In March 2022, Spain's electricity price

reached the highest level ever, at 283 euros per megawatt hour. In 2020, it was less than 50 euros per megawatt hour. The government has reduced taxation on electricity to try and reduce prices, but demand for fossil fuels has still been increasing.

Spain's demand for fossil fuels needs to decrease to meet the 2050 carbon neutrality level. While Spain does use renewable energy, there is still a high demand for carbon. Spain has not yet implemented changes from the ETD reforms and the "Fit for 55" legislation. The ETD reforms will impact every EU member state differently, since each country has different existing taxation levels. For Spain, the reforms mean they will need to increase taxes on fossil fuels and further reduce electricity taxes. These changes are projected to increase the price of diesel by 2% and coal by 5%. They will also reduce electricity prices by 3.6%. Overall, these increased taxation levels could lead to negative impacts for households, and it is projected that the Spanish government will lose 325 million euros of revenue annually from the changes.

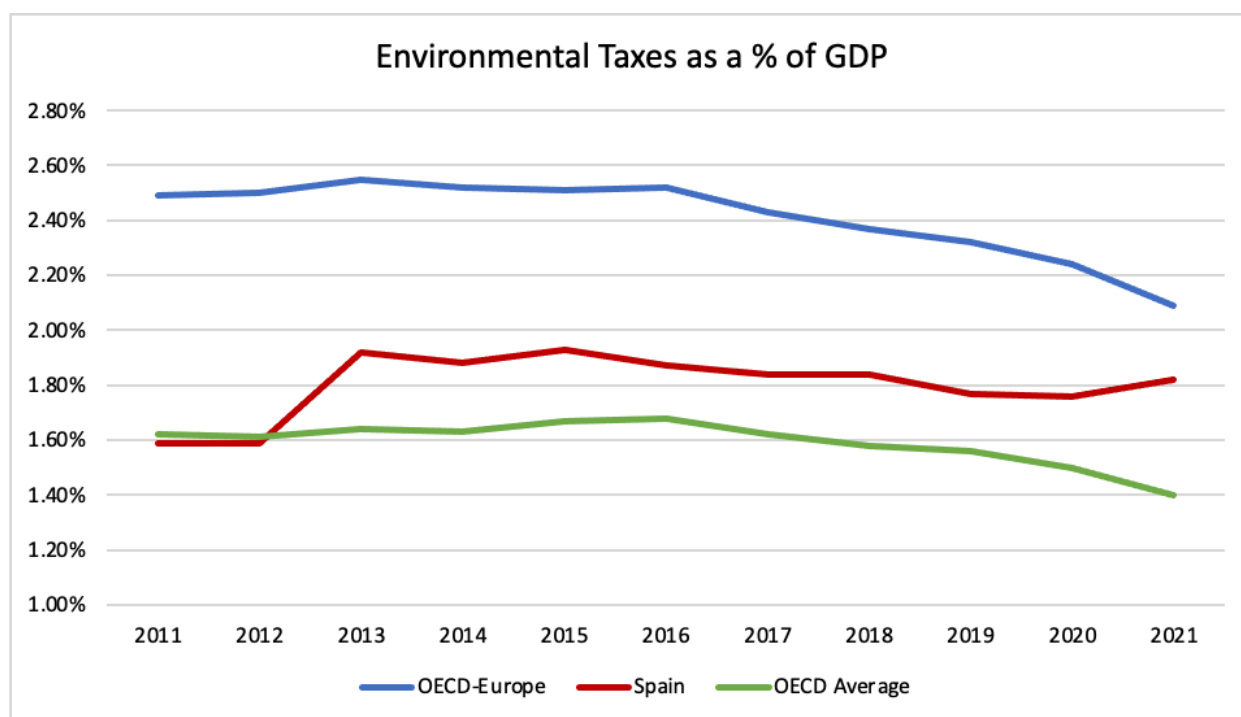
However, there are some ways that the reforms can be used to still have a positive impact on Spain's economy. The increased taxation from the ETD is good because it focuses on taxing the polluter. However, this can still increase prices for households. The Institute for European Environmental Policy (IEEP) says the increased taxes can lead to positive distributional effects in addition to helping the environment. It depends on how the revenue from the increased taxes is used. The government can combat negative effects by recycling revenue to help mitigate the regressive effects increased taxes might have on lower income households. By using revenue recycling, they could create positive distributional effects (Urios, 2022). With these changes, Spain can successfully implement the necessary reforms and move towards renewable energy without creating a large negative impact on the economy.

Method:

The main goal of the research is to determine Spain's policy on environmental taxes and compare it to European Union and OECD countries. Data from 2011 to 2021 will be used from the OECD database (OECD.Stat, 2024). The data included will be environmental taxes as a percentage of GDP and environmental taxes as a percentage of total tax revenue. Environmental taxes by amount and by type will also be analyzed. For all the data, Spain will be compared with two other averages: OECD-Europe and the OECD Average. The OECD-Europe average will show how closely Spain compares to the rest of the European Union. The OECD-Europe data is an average that includes 22 of the EU-27 countries. Bulgaria, Croatia, Cyprus, Malta, and Romania are not members of the OECD, so they are not included. When compared with European Union data from Eurostat, the numbers are very similar for 2011 to 2021, with an average difference for environmental taxes as a percentage of GDP of 0.008%. So, the OECD-Europe is an accurate representation of EU data. The OECD Average includes all countries in the OECD, like the United States, Australia, and more. This average is a better measure of how Spain's environmental taxation compares to the rest of the world. Comparing Spain to both these averages will allow for a more comprehensive analysis.

Results:**Environmental Taxes as a Percentage of GDP**

The first measure used is environmental taxes as a percentage of GDP. This is a common way to measure and compare levels of environmental taxation (Evans et al., 2017). This graph shows the three averages:



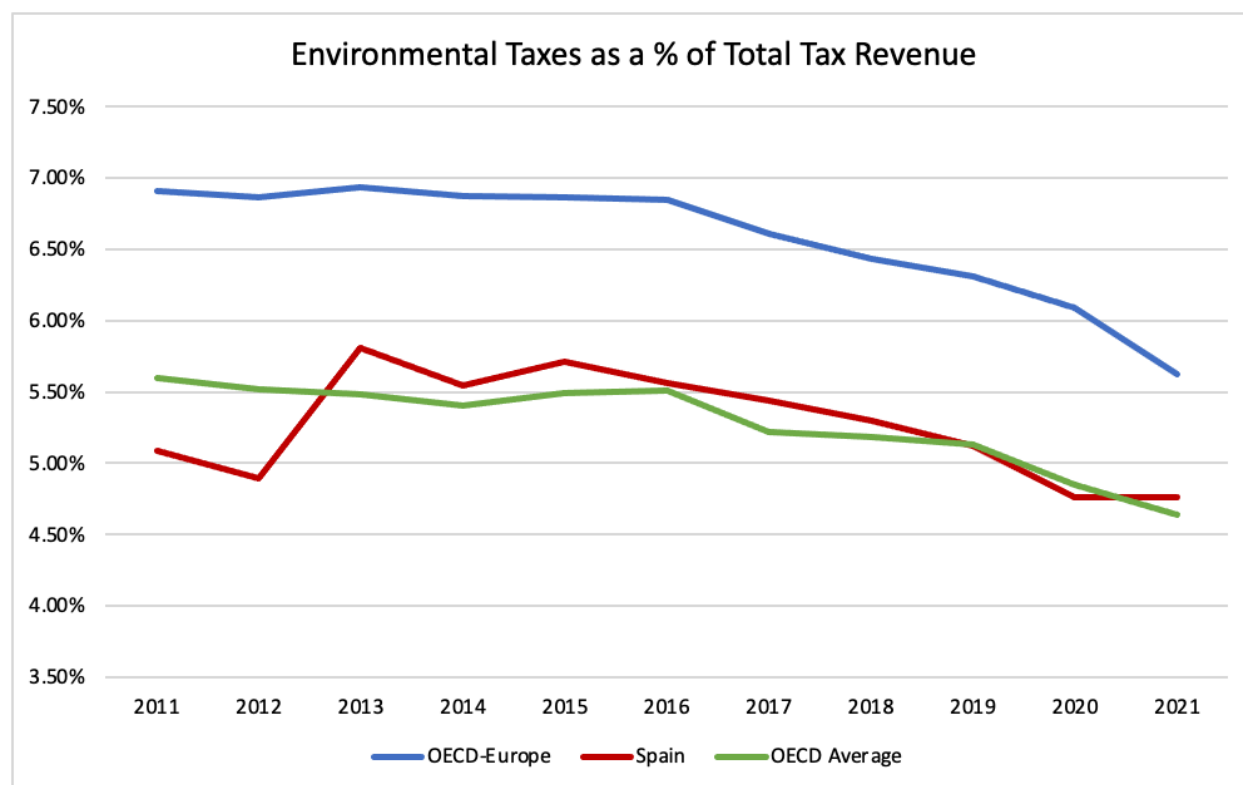
Spain's average falls in the middle of OECD-Europe and the OECD Average. The OECD-Europe average is the highest, suggesting Spain has a slightly lower level of environmental taxation compared to the European Union average. There is also a slight downward trend in the averages from 2011 to 2021. The OECD-Europe average decreased from 2.49% in 2011 to 2.09 in 2021. The OECD Average also decreased from 1.62% in 2011 to 1.40% in 2021. Spain's average, however, increased from 1.59% in 2011 to 1.82% in 2021. These averages could also be more affected by fluctuations in GDP rather than the level of environmental taxation.

While the graph does suggest that Spain has a lower level of taxation compared to the European Union, the OECD-Europe number is only an average of many European countries. One way to test if Spain's level of taxation is significantly lower than the EU standard is to look at the individual countries in the OECD-Europe average. In 2011, Denmark had the highest environmental taxes as a percentage of GDP at 4.14%. Spain had the lowest average of the

OECD-Europe countries at 1.59%. And, the second lowest was Lithuania at 1.72%. The data from 2011 suggests that Spain does have a lower level of environmental taxation compared to the other EU member countries. In 2021, Slovenia had the highest percentage at 3.47%, and Ireland had the lowest at 1.13%. In 2021, Spain was no longer the lowest but fell more in the middle at 1.83%. This is more consistent to the OECD-Europe average in 2021 of 2.09%. So, this data suggests that by 2021, Spain's level of environmental taxation as a percentage of GDP was not significantly lower than the EU standard.

Environmental Taxes as a Percentage of Total Tax Revenue

The second measure is environmental taxes as a percentage of total tax revenue. This graph also shows a downward trend from 2011 to 2021:



Spain's average also falls in the middle here, although it is closer to the OECD Average. Similar

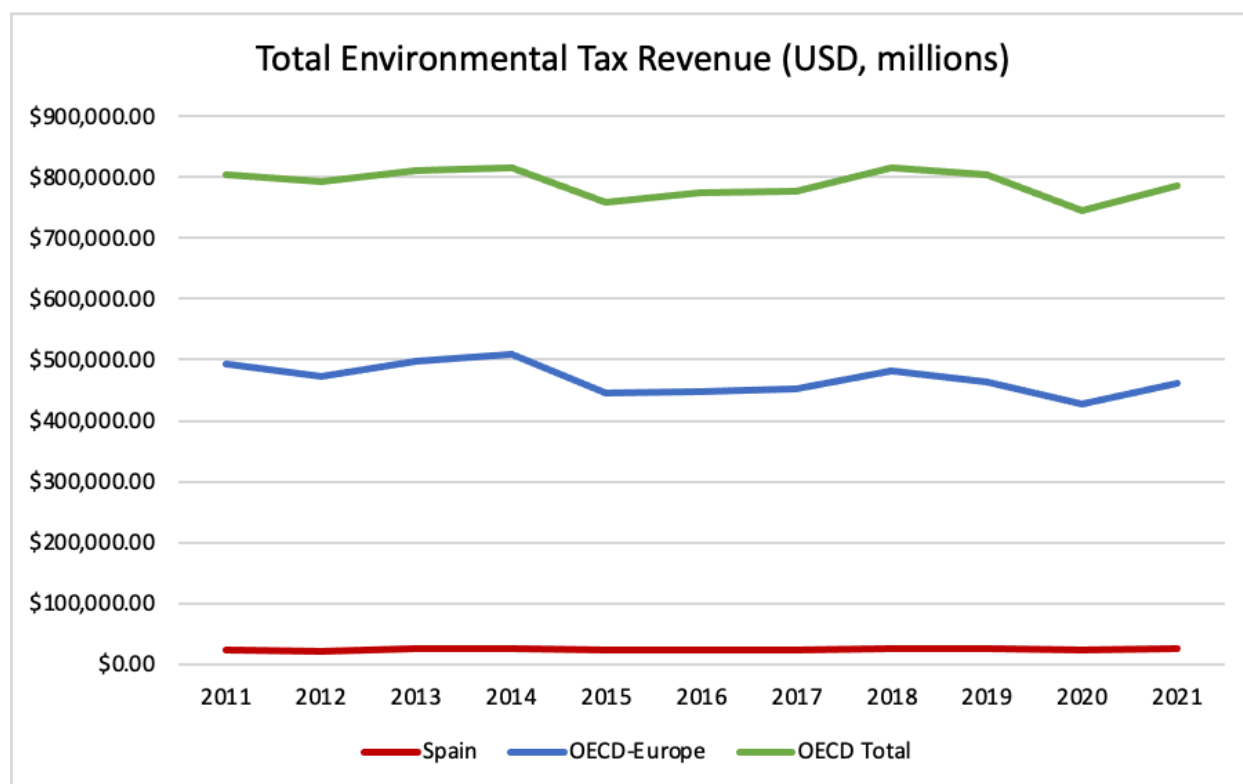
to the measure of environmental taxes as a percentage of GDP, the OECD-Europe average is the highest. This graph also shows a downward trend for all three averages. This suggests that environmental taxes are decreasing. However, that might not be the case. If total tax revenue is increasing faster than environmental taxes, this could be the reason that the averages are decreasing. To examine if environmental taxation levels are actually decreasing, environmental taxes by amount will be analyzed in the next section.

Similar to environmental taxes as a percentage of GDP, the OECD-Europe average can be further analyzed into individual countries. This will help determine if Spain's percentage is at the low end of the European Union or if it is more average. In 2011, Latvia had the highest percentage of environmental tax as a share of tax revenue at 10.78%, and Belgium had the lowest, at 3.96%. Spain's percentage in 2011 was 5.09%. In 2021, Latvia still had the highest percentage at 9.85%, and Luxembourg had the lowest, at 3.07%. Spain's percentage in 2021 was 4.76%. So, while Spain is not the lowest percentage, 4-5% is still on the lower end. This suggests that more EU countries have a higher percentage of environmental tax as a share of total tax revenues compared to Spain.

Environmental Taxes by Amount

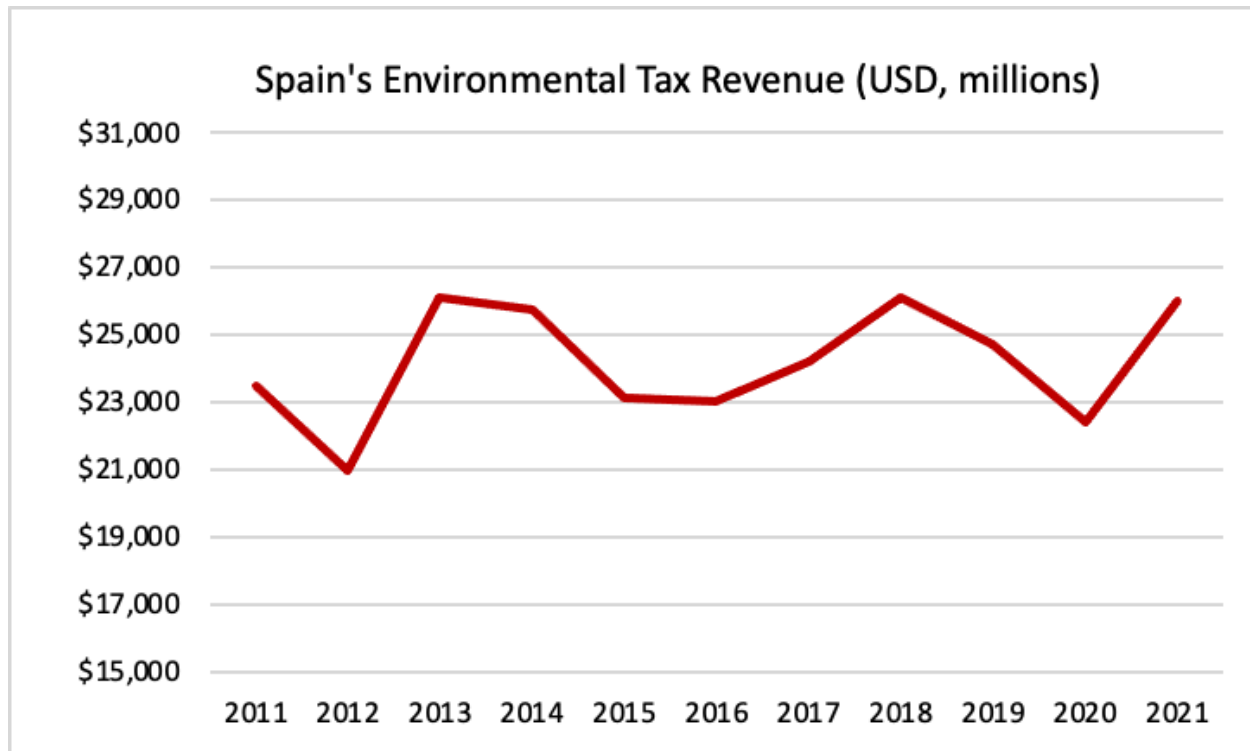
Examining environmental taxes by amount can help explain the downward trends in the first two graphs, environmental taxes as a percentage of GDP and as a percentage of total tax.

This graph shows total environmental revenue in USD:



The average amount of environmental tax revenue has remained fairly steady from 2011 to 2021 for the three averages. The graph does not indicate any large downward or upward trends in total revenue. The OECD-Europe amount between 2011 and 2021 has stayed between the range of \$420,000 and \$510,000 million, hitting its lowest point of \$427,893 million in 2020. The OECD Total stayed between \$740,000 and \$820,000 million in the ten years. The OECD Total also hit its lowest amount of \$744,119 in 2020. The drop in 2020 most likely is not due to changes in tax policy, but changes in activity. 2020 was the beginning of the COVID-19 pandemic, so energy and fossil fuel uses were lower. Activity was much lower due to the pandemic, and in 2020 tax revenues declined 12% globally (Fan & Estevão, 2022). So, looking at total environmental tax revenue does not suggest that tax policy is creating any downward trend. It also does not indicate any steady increase.

Since total environmental tax revenues in Spain is a much smaller amount, it can be examined further in this graph:



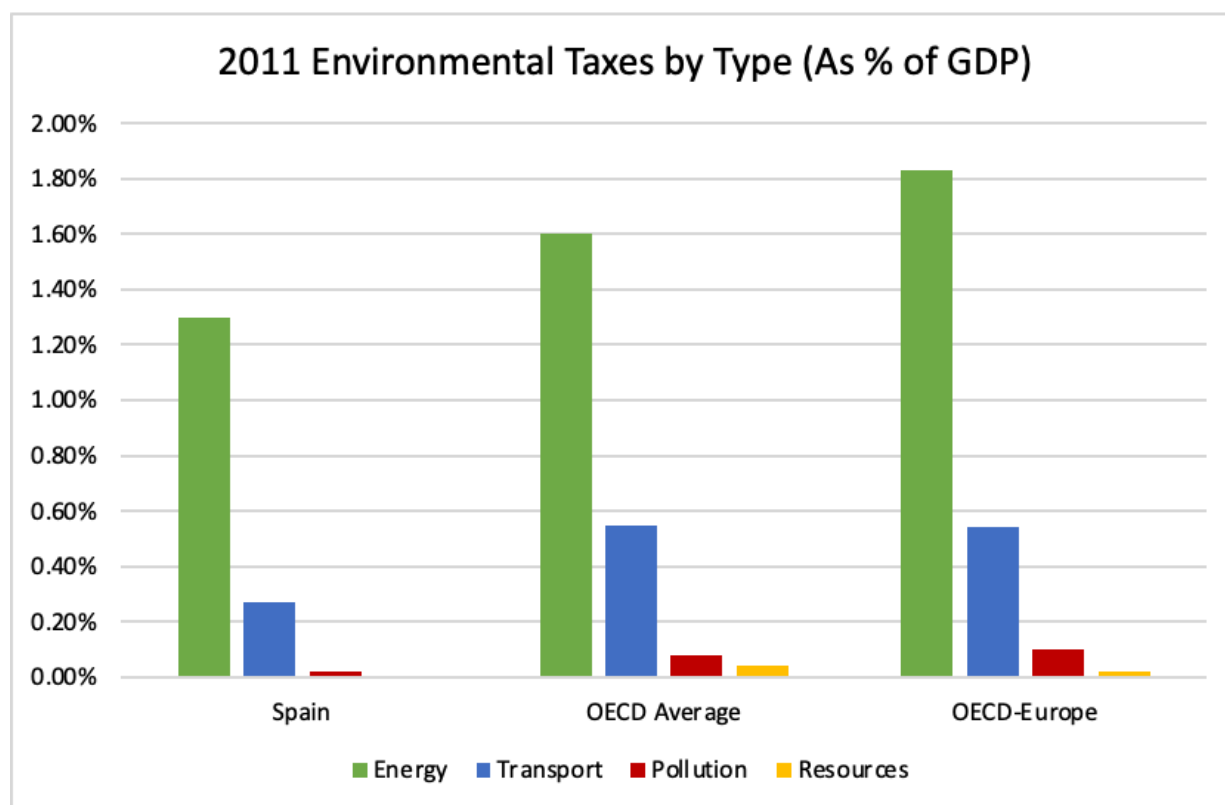
There are some fluctuations between 2011 and 2021, which can also be explained by external factors. As mentioned in the literature review section, Spain experienced a financial crisis from 2008 to 2014. In 2012, Spain received assistance from the European Union to enact reforms to help end the recession. These reforms did help revive the Spanish banking system and the economy. So, it makes sense that the amount of environmental tax hit its lowest point in 2012 of \$20,991 million then started to increase. The environmental tax also reached a low point in 2020, totaling at \$22,419 million. This can also be explained by the COVID-19 pandemic, which caused a decrease in economic activity.

Overall, the amount of environmental tax for the three measures might not be steadily increasing, but they are not decreasing. The downward trends in the first two graphs are not

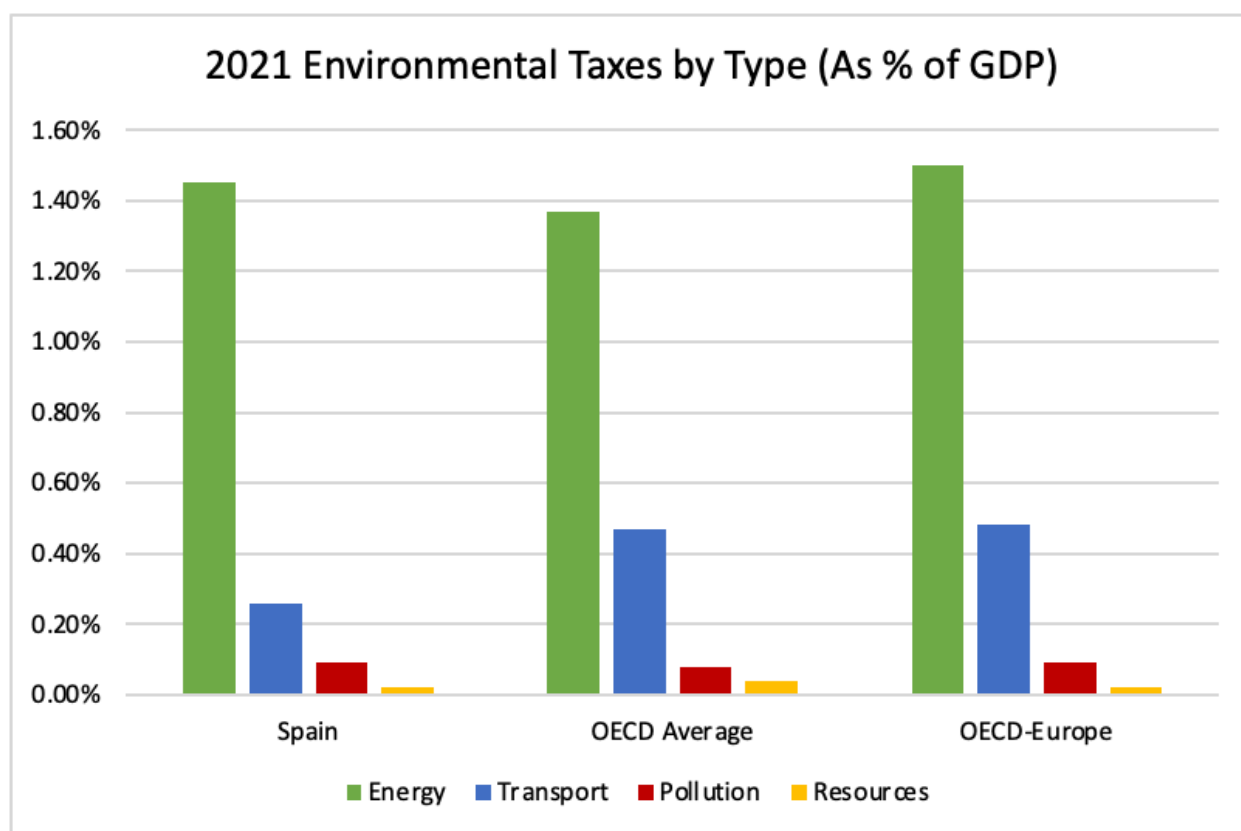
necessarily due to environmental tax decreasing, but GDP and total tax revenue increasing. This could be due to increased tax revenue from people and businesses if more people are working. Additionally, reforms made in connection to the Green Deal might also take longer to go into effect. For example, the reforms associated with the Energy Taxation Directive were announced in 2021. It will take years before the individual EU countries implement the changes. So, while environmental taxation has not increased significantly from 2011 to 2021, it is projected to increase in the near future so the EU can comply with the Green Deal.

Environmental Taxes by Type

An important part of environmental tax policy is the tax base being used. The OECD divides total environmental taxes into four categories: energy, transport, pollution, and resources. This graph shows the environmental taxes by type as a percentage of GDP in 2011:



Energy is the largest tax base for Spain, the OECD Average, and OECD-Europe. Spain's average transport taxes as a percentage of GDP, however, is much lower than the other two measures at 0.27%. Pollution and resources make up for a very small portion of the total environmental taxes. Increasing taxation for pollution and resources remain challenges for the future, which might be addressed in future reforms to the ETD. The changes made to the ETD in 2021 mainly focused on energy taxes and things like increasing energy tax rates. While the reforms did widen the tax base for environmental taxes, the main focus is still fossil fuels (KPMG, 2024). So, pollution and resource taxes are still not the main focus. This next graph shows the same comparison in 2021:



Compared to 2011, energy taxes have not increased significantly. Spain's average increased by .15%, and the OECD-Average and OECD Europe decreased compared to 2011. Spain's transport tax only changed by 0.01%. It is still much lower than the other two measures, suggesting Spain's policy on transport taxes might be different. However, pollution tax for Spain increased

significantly from 2011 and is now at 0.09%, which is more consistent with the OECD Average and OECD-Europe. Resource taxes have stayed low.

Discussion and Conclusions:

Overall, this data, along with the data for environmental taxation by amount, suggests that the environmental tax policy and amount has not changed significantly from 2011 to 2021. This is most likely due to the lack of policy changes during this time period. The ETD was established in 2003 by the EU, and it remained unchanged until 2021. The Green Deal was also not signed by the EU until 2019, and the “Fit for 55” legislation was announced in 2023. This lack of policy changes explains the taxation levels for the EU and Spain. It is interesting that the OECD Average has a similar pattern to OECD-Europe, just with slightly smaller averages. While there are 22 EU countries in the OECD, there are still 16 other member countries from the rest of the world. The amount of taxation is lower for the OECD Average, but it appears that policy is consistent with the European Union.

The data also suggests that pollution and resource taxes are not being utilized effectively. Spain and the European Union’s tax policy focuses heavily on fossil fuels. While this is beneficial to the environment and the Green Deal’s goals of lowering carbon usage, other areas should be taxed as well. The recent reforms to the ETD have widened the tax base for the EU, but the focus is still fossil fuels. Pollution and transport taxes are harder to measure, but increasing taxes for those two categories could help the European Union and Spain reach their climate goals even faster. The reforms to the ETD and the five year reporting requirement under the Paris Agreement will hold Spain accountable in the future. The Paris Agreement requires Spain to submit an updated climate action plan every five years, and environmental taxes should

be a part of that plan. So, there should be more changes to Spain's environmental tax policy in the future to make progress towards the climate targets under the Paris Agreement and the Green Deal.

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