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NÁZOV MATERIÁLU: Towards a green fiscal reform in the Slovak Republic: Proposals for strengthening the role of market-based policy instruments

TYP VÝSTUPU*1: Analýza

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ANALYTICKÝ ÚTVAR, REZORT: OECD, Inštitút environmentálnej politiky

RECENZNÝ FORMÁT*2: 2

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PRIPOMIENKY:

Pripomienka sa vzťahuje k (strana, odsek):	Text pripomienky*3	Odôvodnenie pripomienky	Vysporiadanie sa s pripomienkou*4
Whole document	What is the objective of this document? This is not clearly stated. Who will benefit from it – the Ministry, the government, the OECD?		ACCEPTED The objective of this paper is to review the options for introduction or improved design of market-based policy instruments to address negative environmental externalities in a more environmentally effective, socially inclusive and economically efficient manner. (p. 6) The main beneficaire will be the Ministry of Environment of the SR as the study could serve as a basis for future green fiscal reform.
The first sentence of the summary	The first sentence of the summary is incomplete as it misses the year when the share of the		The amedment has been accepted .

¹ Podľa parametrov analytických výstupov opísaných v materiáli Recenzný postup.

² Podľa materiálu Recenzný postup.

³ Do tabuľky značiť pripomienky zásadného metodologického a obsahového charakteru (nie štylistické či gramatické opravy).

⁴ Pripomienka bola akceptovaná / pripomienka nebola akceptovaná a zdôvodnenie/ pripomienka bola čiastočne akceptovaná a zdôvodnenie.

	environmental taxes in GDP was the lowest (the same occurs later in the main text).		
	I like your recommendation that the tax on (fuels) should be based on the emission intensity of fuels.		NOTED
Whole text	One of your conclusions and recommendations is that environmental taxes should be increased as, currently, they are too low. One example of such a tax is the landfill tax. I agree with you. However, you do not discuss the consequences of such an increase in the Slovak context. For example, many people (especially in the countryside) would either be burning the trash or dispose of it illegally after the tax increase. So the overall effect is questionable. Therefore, when you talk about the stick, you should also not forget the carrot: for example, making access to the recycling facilities much easier or making it financially much more attractive for people to recycle. In general, the amount of waste is a consequence of the behavior of consumers and producers. I think we need to change their actions by a proper set of policy instruments.		ACCEPTED This proposal has been added to p. 20.
Whole text	<p>A related issue is enforcement of the (higher) taxes as well as their correct level. Setting them to their optimal level is not that difficult in theory, but how to do it in practice? Are there estimates of marginal external costs of all (or at least several) environmentally detrimental activities? Much more research in this direction is needed in Slovakia.</p> <p>This is exactly what I miss in this report – some reference values for the most important taxes. For example, on page 18 you argue that „waste [tax] should increase significantly.“ But to what level? Policymakers need some reference values to work with.</p>		<p>NOT ACCEPTED</p> <p>The objective of this paper is not to make concrete proposals for reference values or estimate marginal external costs (which is beyond the scope of the paper).-</p> <p>Following text has been added to p.6:</p> <p>„Making a proposal of the concrete correct level of taxation is beyond the scope of this paper. However, this is important information and should be subject of future research.“</p>
Page 2, second to last paragraph	What do you mean by: „sustainable use of biodiversity.“		ACCEPTED The comment has been noted. „Sustainable use of biological diversity“ is common expression. It is one of the tree objectives set out in CBD.

			It means to use natural resources at a rate that the Earth can renew them. This has been added to p. 2.
Table 1.1	No % sign necessary in the last column; -13 instead of 13 in the second row of National target 2020; Renewable sources (% electricity generation) in what? All renewable energy or only in all electricity?		ACCEPTED The comment has been reflected in the table. Following note relevant to 13% target in the second row has been added: „The 2020 target for GHG reduction in sectors not in the EU – ETS (e.g. transport, residential sector) is set as positive %, i.e. GHG emission in non ETS sectors could increase. However, in line with climate policy ambitions, the target should be treated as a ceiling rather than floor.“
Figure 2.1	Vertical axis: % of what?		ACCEPTED Following text has been added: „Share of number of instruments reported in PINE database by environmental domains“
All figures	I suggest highlighting Slovakia in all figures to make it easier for the reader to see.		ACCEPTED The comment has been accepted.
Page 11	One of the messages of the report is that the share of the revenue from environmental taxes in all tax receipts and GDP has been declining. You also explain that it is mainly due to non-existing indexation. Granted. But I think it is also important to have a look at the effect of the taxes. That is, what is the development of the revenue of environmental taxes in euros? Is it increasing, which would suggest the pollution and other negative externalities are on the rise?		ACCEPTED You can find the development of revenues in euros in figure 3.6. The excise taxes have the major share in total ERT. However, the link between pollution and the corresponding revenues is not that clear, as the excise taxes are not carbon differentiated.
Figure 3.2	What do the axes in Figure 3.2 denote? Not clear.		ACCEPTED The axes has been labelled.

Section 3.2	<p>„price-based instruments also avoid rebound effects that are common for standards“</p> <p>This statement is not true. Consider, for example, a tax on crude oil. If you reduce consumption domestically, the world price will fall, increasing consumption in the rest of the world. A typical example of a rebound effect.</p>		<p>ACCEPTED</p> <p>The statement has been deleted.</p>
Figure 3.4 and the discussion around it	<p>It would be helpful to explain why around 20% of CO2 emissions in the Slovak republic remain unpriced.</p>		<p>ACCEPTED</p> <p>Following text was added: „Unpriced emissions were emitted by sectors that are not covered by the EU Emission Trading Scheme and are excluded from excise duty, in particular small emitters in electricity and industry, followed by residential and commercial sectors.“</p>
Page 16	<p>„In addition, current excise taxes do not properly reflect other negative externalities related to transport, such as air pollution, noise, congestion and accidents.“</p> <p>Now I play the devil's advocate: how do you know it is not the case? Are there any studies for Slovakia?</p>		<p>NOTED</p> <p>This statement is based on several facts, e.g. Journal Paper (also cited in our study) about road fuel taxes in Europe. The paper compares current road fuel taxes and corrective taxes, estimated on the basis of negative externalities from road transport for 22 European countries including Slovakia.</p>
Section 3.3.2	<p>The interaction with the Ministry of Agriculture should be stressed more as the CAP determines biodiversity significantly.</p>		<p>NOTED</p> <p>The comment has been noted. We suggest in Conclusion to make more details analysis about biodiversity harmful subsidies.</p>
Section 4	<p>I applaud your suggestion to measure emission intensity of households and charge them accordingly. Again, however, a more detailed enforcement mechanism is necessary, especially in rural areas. People should pay the true cost of their actions. They need to understand that although natural gas is more</p>		<p>NOTED</p>

	expensive, it also has environmental benefits compared to (wet) wood.		
	I would be very careful about recommending wood pellets. To my understanding their production is very energy-intensive, thus leading to a significant amount of indirect CO2 emissions.		NOTED
Section 4.3	„Moreover, the Slovak Republic should consider extending the annual vehicle tax also to other motor vehicle owners, including households,...“ My understanding has always been that households pay the vehicle tax (well, a member of the households who owns the vehicle). Am I missing something? Could you please explain better?		NOTED Only companies and entrepreneurs pay the annual vehicle tax in Slovakia, yet household not. Households pay (and also companies) the fee for registration vehicle. The fee is one time duty only for the vehicle owner.
Whole document	A professional editor should proofread the text. My corrections of some typos are attached.		NOTED

CELKOVÉ HODNOTENIE: This report will be useful for Slovak policymakers to get an overview about the economic-environmental performance of the Slovak economy and can guide them in choosing environmental policies to tackle the pressing environmental issues of today.

SCHVÁLIŤ⁵: odporúčam
 neodporúčam



Dušan Drabik

podpis recenzenta

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NIE

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⁵ Hodiace sa označte krížikom.

RECENZNÉ KONANIE

PRIPOMIENKOVACÍ HÁROK

X ÁNO

 NIE