

Greening of the European Semester through Environmental Taxation

Background paper
17 November 2025

This background paper summarises interim findings and is intended to inform discussions at the workshop “Greening of the European Semester – Environmental Taxation” on 17 November 2025. It has been prepared by the contractors for the European Commission. The information, analysis and conclusions it contains are solely those of the contractors and do not represent the official position of the European Commission. Nothing in this document commits the European Commission to any particular course of action, decision or policy.

Introduction and policy context

The European Semester is the EU's main tool for coordinating economic, employment and fiscal policies. Since its creation in 2011, it has evolved to address the green and digital transitions and now rests on four pillars of **competitive sustainability**: environmental sustainability, productivity, fairness and macroeconomic stability.

Environmental taxation is a crucial policy lever for achieving these objectives. It translates the *polluter pays principle* of Article 191(2) TFEU into practice, helping internalise the costs of environmental degradation and incentivising cleaner production and consumption.

This study, undertaken by RPA Europe with CEPS, Logika Group, Metroeconomica and Risk & Policy Analysts and commissioned by DG Environment¹, supports the European Commission in strengthening its **knowledge base on environmental taxation**, with the aim of informing the current and future cycles of the **European Semester**. The study contributes to broader EU policy objectives by examining the potential for fiscal measures — specifically environmental taxes — to support a **just, inclusive and effective green transition**.

This background paper summarises the work completed as of 3 November 2025, focusing on the assessment of the state of implementation of environmental taxes in each Member State, and the potential for new taxes, including an impact analysis.

Main findings

Overall, the findings point to the considerable yet still underexploited potential of environmental taxation within the EU. Pollution and resource taxes together currently account for less than five per cent of total environmental tax revenues, confirming that fiscal space for new measures remains significant.

Key results of the modelling and assessment:

- **Significant fiscal and environmental potential.** Introducing new pollution and resource taxes or increasing their tax rates where already in place, could generate between **€26 billion and €66 billion annually by 2030**, depending on ambition level, while reducing major environmental pressures such as air pollution, waste generation and resource extraction.

¹ Framework contract ENV.01/FRA/2023/0006.

Water-related taxes (on abstraction and effluents) alone could deliver around three-quarters of total additional revenues.

- **Notable environmental improvements.** Under the more ambitious scenario, reductions include **18% less landfill waste**, **9% less wastewater discharge**, and **8% lower water abstraction** by 2030, with further improvements by 2035.
- **Stable long-term revenue base.** Even as environmental pressures fall, revenues remain robust — around **€65 billion by 2035** — demonstrating the long-term viability of such fiscal reforms.
- **Manageable economic impacts.** Employment and output effects are negligible (less than 0.05% of sectoral GVA), with limited risks to competitiveness when reforms are phased in gradually and coordinated at EU level.
- **Social and distributional impacts require careful management.** Taxes on household utilities and waste can have regressive effects if poorly designed, but these can be offset through targeted **revenue recycling**, such as **rebates for low-income households** or **reductions in labour taxes**. Evidence suggests that dedicating even **10–15% of revenues** to compensation and social transfers can neutralise regressive effects and increase public acceptability.
- **High feasibility and governance readiness.** Most Member States already operate the necessary administrative systems, but **political and institutional coordination** — particularly between environment and finance authorities — remains crucial for successful implementation.

The study confirms that **well-designed environmental taxation can deliver a “triple dividend”**: improved environmental quality, enhanced fiscal resilience, and stronger competitiveness through innovation and efficiency gains.

The **effectiveness of these instruments remains context-dependent**. Differences in environmental pressures, institutional capacity and social conditions across Member States mean that national implementation will require tailored pathways. Feedback gathered during the **workshop on 17 November** will be instrumental in validating assumptions, understanding local contexts, and refining recommendations on how to design equitable, politically feasible and socially fair reforms for inclusion in the **final report (end of 2025)** and the next European Semester cycles.

Feedback gathered during the workshop on 17 November will be instrumental in better assessing the context dependency, refining the modelling, validating key assumptions and shaping the final report to be delivered in early 2026, including a set of recommendations specific to each Member State and guidance on implementation pathways.

Scope and methodology

The focus of this study is on **environmental(ly related) taxes excluding those related to energy and transport**. Specifically, the analysis focused on **taxes targeting pollution and natural resource use outside the energy and transport sectors**.

To identify environmental taxes in scope and assess their implementation status across the EU, a combination of methods was employed, including literature review, targeted online surveys, systematic screening of tax databases, and data mining from the websites of national, regional and international fiscal authorities (Eurostat & OECD PINE databases). A rigorous verification process was applied to all sources to ensure accuracy, up-to-date information, and full consistency and comparability across countries and regions.

This work led to the identification of **222 environmental taxes currently in place** across EU Member States. These were categorised following Eurostat’s environmental tax classification: **pollution taxes and resource taxes**. For analytical purposes, the following subgroups were defined:

- Pollution taxes
 - Taxes on agricultural activities
 - Taxes on NO_x, SO_x, and other pollutant emissions
 - Taxes on plastic bags and packaging
 - Taxes on polluting products
 - Taxes on noise emissions
 - Other pollution taxes
 - Taxes on waste disposal
 - Taxes on wastewater
- Resource taxes
 - Taxes on mining
 - Taxes on tree felling
 - Taxes on hunting and fishing
 - Taxes on water abstraction / water use
 - Taxes on land use
 - Other resource taxes

The analysis draws upon a combination of desk research, stakeholder consultation and economic modelling. It is supported by a comprehensive evidence base that includes a literature review of 160 scientific and policy sources, providing the theoretical and empirical foundations for the assessment. In parallel, an online survey was carried out, gathering twelve responses from nine Member States, which offered valuable insights from national authorities and experts directly involved in environmental taxation. This information was complemented by extensive data mining described above. Finally, detailed country factsheets have been prepared for all twenty-seven Member States, summarising the implementation of environmental taxes, their performance and the potential for new or strengthened measures.

The assessment is structured around **ten criteria designed to ensure a balanced analysis of environmental, economic and social dimensions**. These criteria examine the potential of different taxes to change behaviour and reduce pollution, their capacity to generate revenues in the long term, and their implications for competitiveness and social fairness. They also consider the administrative feasibility of implementation and the degree of policy coherence with existing national and EU frameworks.

To estimate the impacts of potential new environmental taxes, **two illustrative scenarios** were developed for all twenty-seven Member States, applying tax rates based on and updated from a 2016 study for the European Commission evaluating the environmental fiscal reform potential in the EU². Scenario A is relatively ambitious and is based on Hogg et al. (2016), updated to reflect inflation in the EU since that time and incorporating several methodological refinements. Scenario B is more

² Hogg, D., Elliott, T., Ettlinger, S., Chowdhury, T., Bapasola, A., Norstein, H., Emery, L., Skou Andersen, M., ten Brink, P., Withana, S., Schweitzer, J., Illes, A., Paquel, K., Puig Ventosa, I., & Sastre, S. (2016). Study on assessing the environmental fiscal reform potential for the EU28.

This study was the last comprehensive assessment commissioned by the European Commission to quantify the environmental and fiscal potential of environmental taxes across the EU. It provided a systematic modelling framework to estimate revenues and environmental effects for a broad set of pollution and resource taxes, supported by detailed data for all Member States. Because of its methodological robustness and extensive policy coverage, it has been used as a benchmark for analysing environmental fiscal reform potential in Europe.

moderate, applying tax rates roughly **25–50 per cent lower** than those in Scenario A while maintaining the same design logic and structure. Both scenarios modelled expected changes in emissions, resource use and fiscal revenues up to 2030 and 2035, using elasticity-based approaches to capture behavioural responses and longer-term environmental and economic effects. More specifically, in both scenarios, the modelling for the pesticide tax explored different rates for different pesticide categories, grouped according to their toxicity.

State of play of environmental taxation in the EU

In 2023, total environmental tax revenues (including energy and transport taxes) in the EU27 amounted to approximately **€317 billion**, equivalent to **2% of GDP**. However, their share of total tax revenues declined from 5.7% in 2019 to **4.6%**, and **as a share of GDP they decreased by 13.4%**. Energy and transport taxes continue to dominate, accounting for **around 95% of all environmental tax revenues**, while **pollution and resource taxes** together raise only **about €13 billion**, or **0.1% of EU GDP**. Across the EU, **222 pollution and resource taxes** have been identified, many of which are **regional and low-yielding**. The relative importance of environmental taxation has thus stagnated, and the anticipated tax shift from labour to pollution has not materialised.

Pollution taxes remain unevenly implemented across Member States. Taxes on air pollutants such as **NO_x, SO₂ and particulate matter** exist in only about **ten Member States**, with Sweden and Denmark being the most prominent examples. Sweden's NO_x tax, introduced in the 1990s and combined with a refund mechanism rewarding low-emission installations, has achieved a **40–50% reduction in emissions** while maintaining high public acceptance. In contrast, similar schemes in Eastern and Southern Europe have been limited by administrative capacity and lower monitoring coverage. Where emission-based taxes are in place, their effectiveness depends on accurate measurement systems and sufficiently high rates to influence investment decisions. These taxes work best when complementing regulatory standards, as seen in Denmark and the Netherlands.

Agricultural pollution taxes are even more sparsely applied. Around **one-third of Member States** have at least one levy related to pesticides, fertilisers or manure. Denmark and Sweden operate long-standing **pesticide taxes**³, with Denmark's differentiated system based on chemical hazard levels achieving steady reductions in harmful pesticide use. Only the Flanders region in Belgium and the Netherlands apply levies on manure. No other Member State have taxes on fertiliser use. Their limited diffusion reflects political sensitivity over farm income impacts. Experience with pesticide taxes shows that **gradual phase-in, targeted rebates, and revenue recycling into sustainable agriculture**, as in Denmark's case, are essential for political feasibility.

Waste-related taxation is widespread across the EU, with all but a few Member States applying **landfill taxes**. High-performing examples such as **the Netherlands, Belgium (Flanders), and the Nordic countries** show that steadily increasing rates, combined with strong enforcement and investment in recycling, can drastically reduce landfilling. In contrast, several Central and Eastern European countries maintain low rates (often below €10 per tonne), limiting effectiveness. **Incineration taxes** exist in roughly half of Member States but vary in scope; Denmark's high rate has successfully reduced waste incineration, while other countries use lower rates primarily for revenue generation. **Pay-as-you-throw (PAYT)** schemes are increasingly common at municipal level, particularly in **Germany, Italy and Slovenia**, where they have led to measurable increases in recycling and separate collection. Their

³ France and Italy apply fees on the turnover from the sale of authorised plant protection products. They do not qualify as environmental taxes as they are not levied on a physical unit of pollutant or environmental damage, and therefore are not directly tied to environmental pressure.

expansion elsewhere remains constrained by administrative complexity and social concerns over fairness, though careful design and transparent reinvestment have mitigated opposition.

Plastic and packaging taxes are now in place in nearly all Member States. Their design and impact differ substantially. For example, **Ireland's plastic bag levy** reduced consumption by over 90% within a year, while **Portugal's packaging tax** has helped fund recycling systems. These measures show that when the environmental purpose is clear and communication is effective, consumer-facing levies can achieve rapid behavioural change with limited administrative effort.

Resource taxes targeting the extraction or use of natural resources remain underused despite their potential. About **fifteen Member States** levy **mineral extraction taxes**, though most are modest in scope and primarily fiscal rather than environmental. The UK's (non-EU) aggregates levy historically inspired similar proposals in other countries, while **Sweden and Finland** apply differentiated royalty schemes for mineral extraction. Austria, Croatia and the Czech Republic levy **charges on gravel, sand or stone extraction**, but rates often fall below environmentally meaningful levels. Stronger rate differentiation and earmarking revenues for landscape restoration could increase both impact and acceptance.

Water abstraction taxes are widespread but vary considerably in rates and coverage. **Denmark and the Netherlands** apply high volumetric charges that have led to sustained declines in water use. In contrast, southern Member States often face difficulties in implementation due to water scarcity and fragmented governance, with Spain and Italy relying more on regional charges. The effectiveness of these taxes depends on local water conditions, administrative capacity and the reinvestment of revenues into water-saving infrastructure.

Forest felling and land-use taxes are applied in about **a dozen Member States**, but often at symbolic rates. Estonia and Finland link forestry levies to reforestation funding, while Croatia earmarks revenues for forest management. These examples show potential for aligning fiscal measures with biodiversity and carbon goals, though broader adoption is constrained by data gaps and fragmented property systems.

Taxes on hunting and fishing exist in almost all Member States, serving primarily regulatory purposes. While modest in yield, they contribute to conservation funding and illustrate how resource-based levies can be integrated into broader sustainability frameworks when combined with transparent management and reinvestment.

Overall, the implementation of non-energy environmental taxes across the EU is **highly heterogeneous**. Success depends on **policy design, administrative capacity, and public trust** in how revenues are used. Where these conditions are met — such as in the Nordic countries, the Netherlands, and Flanders — environmental taxation has delivered measurable reductions in pollution and resource use. In contrast, in countries where tax rates are low, enforcement weak, or revenues not transparently reinvested, environmental outcomes have been limited.

Potential for new environmental taxes in the EU and impacts

The study modelled **potential environmental and fiscal impacts that could result from the introduction of new environmental taxes by EU Member States** for eight categories of environmental pressure and resource extraction: air pollution, fertilisers, pesticides, water abstraction, waste incineration, landfill, water effluent/wastewater, and minerals.

For *Scenario A*, Error! Reference source not found. gives the average current and modelled taxes for each of the eight categories with an ambitious scenario, which draws on the earlier rates investigated in Hogg et al. (2016) for benchmark taxes, with adjustments for inflation.

Table 1: Scenario A current and simulated taxes				
Item Taxed	Current Average	Current Maximum (and Member State)	Benchmark Tax ⁴	Differences between Member States for modelled Tax?
Air Pollution SO ₂	€186/MT	€2,670/MT (SE)	€1,300/MT	No
Air Pollution NO _x	€71/MT	€4,500/MT (SE)	€1,300/MT	No
Air Pollution PM _{2.5}	€21/MT	€52/MT (LI)	€1,300/MT	No
Water Abstraction	€0.042/M ³	€0.573/M ³ (HR)	€0.145/M ³	Yes (1)
Water Effluent	€1.524/BOD5/Kg	€6.64/BOD5/Kg (AU)	€3.21/BOD5/Kg	Yes (2)
Waste to Landfill	€36.2/MT	€65/MT (BE) ⁵	€102.0/MT	No
Waste Incineration	€8.1/MT	€75.0/MT (DK)	€19.5/MT	No
Fertilizers	€0.0/Kg	€0.0/Kg	€25/Kg	Yes (2)
Pesticides	€0.14/Kg	€3.90/Kg (SE)	€13.12/Kg	Yes (2)
Minerals	€0.94/MT	€7.36/MT (DE)	€3.38/MT	No
Source: Own elaboration - Notes: (1) Adjusted for differences in water scarcity and purchasing power; (2) Adjusted for differences in purchasing power				

Error! Reference source not found. shows taxation in *Scenario B*, with a less ambitious rates.

Table 2: Scenario B current and simulated taxes				
Item Taxed	Current Average	Current Maximum (And Member State)	Benchmark Tax	Differences between Member States for modelled Tax?
Air Pollution SO ₂	€186/MT	€2,670/MT (SE)	€325/MT	No
Air Pollution NO _x	€71/MT	€4,500/MT (SE)	€325/MT	No
Air Pollution PM _{2.5}	€21/MT	€52/MT (LI)	€325/MT	No
Water Abstraction	€0.042/M ³	€0.573/M ³ (HR)	€0.042/M ³	Yes (1)
Water Effluent	€1.524/BOD5/Kg	€6.64/BOD5/Kg (AU)	€1.524/BOD5/Kg	Yes (2)
Waste to Landfill	€36.2/MT	€65.0/MT (BE) ⁵	€36.2/MT	No
Waste Incineration	€8.1/MT	€75.0/MT (DK)	€8.1/MT	No
Fertilizers	€0.0/Kg	€0.0/Kg	€6.35/Kg	Yes (2)
Pesticides	€0.14/Kg	€3.90/Kg (SE)	€5/Kg	Yes (2)
Minerals	€0.94/MT	€7.36/MT (DE)	€0.94/MT	No
Source: Own elaboration - Notes: (1) Adjusted for differences in water scarcity and purchasing power; (2) Adjusted for differences in purchasing power				

For each tax category and under both modelling scenarios, the assessment estimated the projected changes in emissions, resource use and fiscal revenues for 2030 and 2035. It also examined the wider implications of these changes for competitiveness, the functioning of the single market and the long-term sustainability of tax reforms. The results offer an indicative picture of the potential magnitude and distribution of impacts across EU Member States, highlighting how different types of environmental taxes that could potentially be introduced by EU Member States could contribute to the Union's environmental and fiscal goals.

⁴ Tax rates as modelled in Hogg et al. (2016), but adjusted for inflation.

⁵ Average for Flanders and Wallonia; lower level applies to non-combustible waste; higher level applies to combustible waste. Source: <https://www.eea.europa.eu/en/analysis/maps-and-charts/overview-of-landfill-taxes-on>

The findings, summarised in the following tables, present aggregated results for all Member States, while detailed country-level outcomes are set out in the accompanying Country Factsheets. Table 3 illustrates the outcomes of the simulation for Scenario A, demonstrating the dual potential of environmental taxation to deliver both ecological benefits and fiscal gains. If the benchmark rates identified in the study were applied by all EU Member States, additional revenues of approximately €65 billion could be generated by 2030, alongside significant reductions in pollution and resource use.

Table 3: Summary of results from simulated taxes: Scenario A⁶				
Scenario with proposed new tax — all MS	Emission/Use of inputs/Waste discharge or extraction of minerals		Additional revenue collected €MN	
	2030	2035	2030	2035
Air pollution NO _x , SO ₂ , PM _{2.5}	-18%	-13%	694	542
Fertilizer	-24%	-23%	563	547
Pesticides	-6%	-6%	1,797	1,786
Water abstraction	-24%	-24%	22,422	22,874
Waste to incineration	-12%	-12%	70	88
Waste to landfill	-18%	-16%	5,701	5,126
Water effluent	-9%	-9%	28,026	28,062
Mineral aggregates extracted	-13%	-13%	5,570	5,985
Total	-	-	64,842	65,009
Source: Own elaboration				

The largest projected increases in revenues stem from water effluent taxes, which account for around 43 per cent of the total, and water abstraction taxes, which contribute a further 34 per cent. By 2030, the model indicates that emissions, input use, waste discharges and resource extraction could decline by close to double-digit percentages across the assessed categories, yielding substantial environmental improvements.

Taken together, these results suggest that well-targeted environmental taxes applied to high-impact sectors can deliver measurable reductions in environmental pressures while strengthening public finances. Such instruments therefore hold the potential to advance both sustainability and fiscal resilience. However, their successful implementation requires careful attention to distributional and competitiveness effects, as well as to governance and administrative feasibility.

Table 4 presents the simulation results for Scenario B, which depict a more moderate but still significant potential for environmental and fiscal gains. If the benchmark rates were introduced under this scenario, total environmental tax revenues could rise by approximately €26 billion by 2030, alongside further measurable reductions in pollution and resource use.

Table 4: Summary of results from simulated taxes: Scenario B⁷				
Scenario with proposed new tax — all MS	Emission/Use of inputs/Waste discharge or extraction of minerals		Additional revenue collected €MN	
	2030	2035	2030	2035
Air pollution NO _x , SO ₂ , PM _{2.5}	-4%	-3%	213	168
Fertilizer	-6%	-6%	182	176
Pesticides	-3%	-3%	972	966
Water abstraction	-3%	-4%	4,909	5,085
Waste to incineration	-2%	-1%	16	16
Waste to landfill	-8%	-7%	1,668	1,407
Water effluent	-5%	-5%	15,977	15,994

⁶ The % of change in emissions linked to air pollutant are those comparing the taxable sectors.

⁷ The % of change in emissions linked to air pollutant are those comparing the taxable sectors.

Table 4: Summary of results from simulated taxes: Scenario B ⁷				
Scenario with proposed new tax — all MS	Emission/Use of inputs/Waste discharge or extraction of minerals		Additional revenue collected €MN	
	2030	2035	2030	2035
Mineral aggregates extracted	-3%	-3%	1,328	1,431
Total	-	-	25,265	25,242
Source: Own elaboration				

These results are based on an **elasticity-based model** that estimates how producers and consumers respond to price changes caused by the tax. The model assumes that the tax increases production costs in proportion to the emissions generated, creating incentives for firms to **adopt cleaner technologies, improve efficiency or substitute inputs** that produce fewer emissions. The reductions in emissions therefore reflect both **lower use of polluting inputs** and **technological or process changes** rather than a simple contraction of output. Price effects on final products are captured indirectly through the elasticity parameters, which measure how strongly emissions decline in response to higher costs. The assumed elasticities are derived from peer-reviewed literature and reflect typical behavioural adjustments observed in similar tax regimes.

The modelling results indicate that a harmonised and expanded approach to non-energy environmental taxation could deliver significant environmental and fiscal gains across the European Union. Applying minimum tax rates of €1,300 per tonne to emissions of nitrogen oxides, sulphur oxides and fine particulate matter (PM_{2.5}) could lead to average emission reductions of between 25 and 30 per cent in the taxed sectors, while generating around €700 million in additional revenue each year by 2030.

Taxes on fertilisers and pesticides, with rates adjusted for national purchasing power and resulting in average price increases of six to thirteen per cent, are projected to cut the use of these inputs by roughly 20 to 30 per cent. These measures could raise approximately €1 billion annually, while also stimulating more sustainable agricultural practices.

Introducing or strengthening water abstraction charges could reduce total abstraction volumes by an estimated nine per cent across the EU and yield between €10 and €12 billion in extra revenue each year. Similarly, taxes on mineral extraction could generate up to €5 billion annually, supporting the transition to a circular economy by encouraging material efficiency and reducing waste generation.

Taken together, these instruments could produce aggregate additional revenues of around €30 billion per year by 2030. This would represent an average increase of about 0.2 percentage points in the EU's overall tax-to-GDP ratio, while reducing key pollutants and resource pressures by an estimated 10 to 30 per cent.

Economic and social implications

The analysis indicates that, when the measures are carefully designed and phased in gradually also considering the potential regressive impacts, the overall negative economic impacts of introducing or expanding environmental taxes would be modest, generating increased efficiency and benefits from many sectors, as firms adopt cleaner technologies and resource-saving processes in response to price signals. Competitiveness risks can be further mitigated through coordination at the EU level, which helps prevent uneven application of taxes and reduces the risk of investment displacement between Member States. Moreover, the recycling of revenues from environmental taxation — for example, through reductions in labour taxes or targeted investment in innovation — can produce a double dividend by enhancing both economic efficiency and environmental outcomes. In this way,

environmental taxation can support competitiveness rather than undermine it, provided that the broader fiscal framework is designed with balance and foresight. However, the actual outcomes will vary significantly depending on national circumstances, including the structure of local economies, energy mixes, and administrative capacity, and cannot be fully captured within this EU-wide modelling exercise.

From an administrative perspective, most Member States already possess the core infrastructure needed to implement or expand environmental taxes, including established permitting, monitoring and reporting systems for emissions, waste and resource use. The modelling did not explicitly quantify administrative costs, but available evidence from existing national schemes suggests that **the additional burden of collection would be relatively limited**. Because many of the proposed taxes can be integrated into existing regulatory and reporting frameworks, the **marginal cost of administration is expected to remain low relative to the potential revenues generated**.

Empirical experience supports this conclusion. For example, evaluations of **water abstraction and landfill taxes in Denmark, the Netherlands and Belgium** indicate that administrative costs typically represent **less than 2–3 per cent of annual revenues**, substantially lower than for many other tax types. Even where new monitoring or reporting systems are required, such as for **emission-based taxes**, the investment tends to be offset by long-term environmental and fiscal gains.

Nonetheless, administrative feasibility and cost-efficiency are **context-dependent**. Countries with fragmented governance structures or less developed data systems may face higher start-up costs and capacity needs. These issues underscore the importance of building on existing mechanisms, ensuring consistency in definitions and measurement methods, and allowing sufficient lead time for implementation.

Overall, while some upfront effort would be needed to expand or harmonise environmental taxes, **the fiscal returns and environmental benefits identified in the modelling far outweigh expected administrative costs**. These aspects will be further explored and validated with Member States as part of the ongoing assessment and workshop discussions.

In social terms, the introduction of taxes on utilities such as water use and waste disposal can have regressive effects, as lower-income households spend a larger share of their income on these services. To maintain social fairness, the design of tax reforms should therefore incorporate measures to protect vulnerable groups. Direct compensation, lump-sum rebates and targeted social transfers are effective ways to offset distributional impacts, while earmarking part of the revenue for low-income support or community-level environmental improvements can enhance both public acceptance and the perceived legitimacy of the measures. Transparent communication about how revenues are used is also crucial in sustaining trust and encouraging behavioural change.

From an administrative perspective, most Member States already possess the institutional capacity to implement or expand environmental taxes. Many operate robust permitting, reporting and monitoring systems for emissions, resource use and waste management, which can serve as a foundation for efficient tax collection. Aligning new or revised tax instruments with existing systems would therefore entail relatively limited additional costs and administrative burden. Consistency in definitions, measurement methods and data reporting would further simplify implementation while improving comparability across the EU.

Stronger convergence of national approaches would also bring benefits for the Single Market, helping to reduce competitive distortions between Member States and prevent the relocation of polluting activities to jurisdictions with weaker fiscal regimes. Greater policy coherence would also bring certainty for businesses, encouraging long-term investment in cleaner production. Yet the feasibility

and desirability of such alignment depend on local contexts. The findings presented here are therefore preliminary: feedback from the workshop will be essential to validate assumptions, capture Member State experience and identify good practices for managing context-specific challenges.