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- **Comments and questions are welcome:**
 - Questions and **chat:** Please use the chat box to ask written questions to the presenters
 - Raise your hand and we will **give you the floor:**
 - All will be placed under “mute” except the designated speaker
 - Request permission to speak directly to the plenary via your voice connection
 - Introduce yourself to the audience

Welcome message from the Commission

Stephen White, European Commission DG Environment



Study on the polluter pays principle and environmentally harmful subsidies

Overview of objectives, methodology and consultation activities

Online workshop 20 November 2023

Marco Camboni & Zinaida Manžuch - RPA Europe

Presentation outline

- Who we are
- General and specific objectives
- Methodology of the study
- Overview of the consultation activities
- Outcomes of the public consultation



Who we are

RPA
Europe

 **Logika Noise**
Air Quality
CONSULTANTS

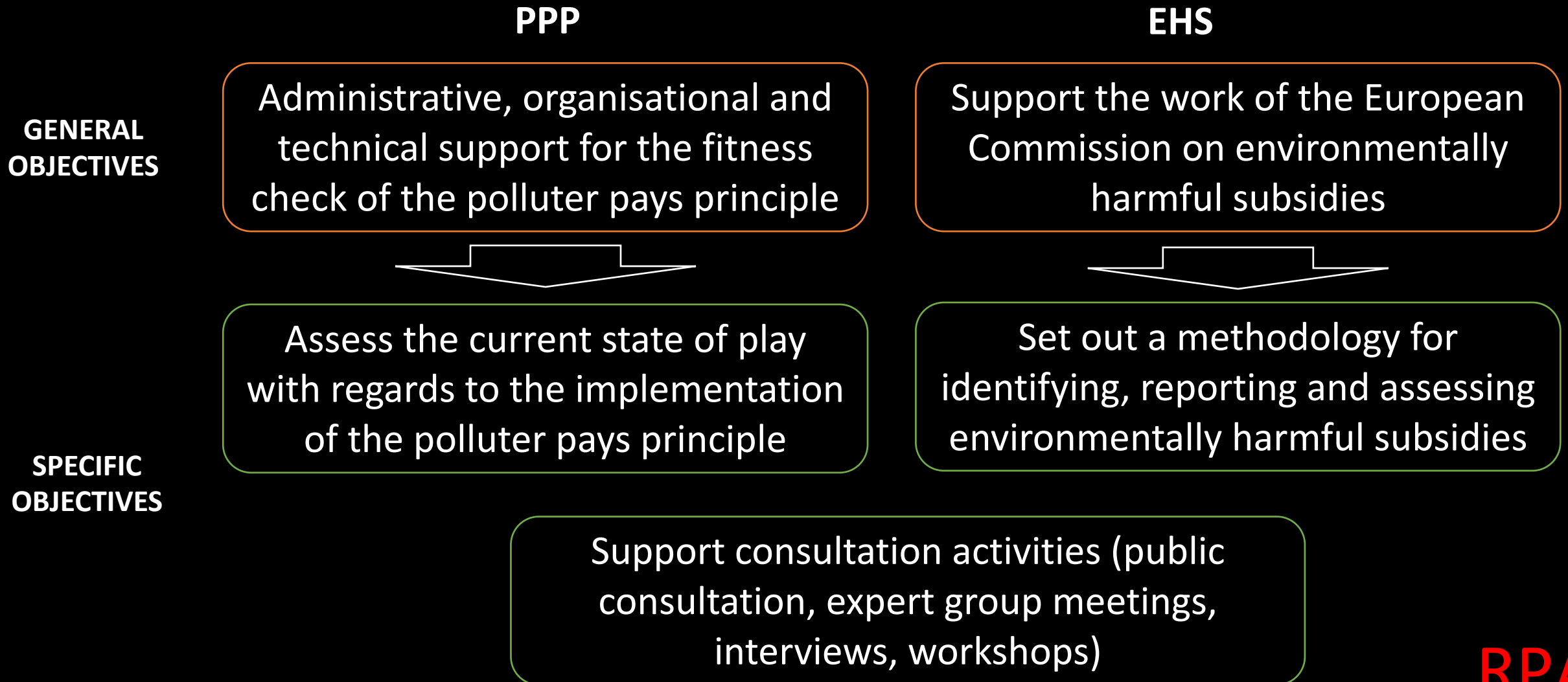
 **Metroeconomica**

 **CENTRE FOR
EUROPEAN
POLICY
STUDIES**

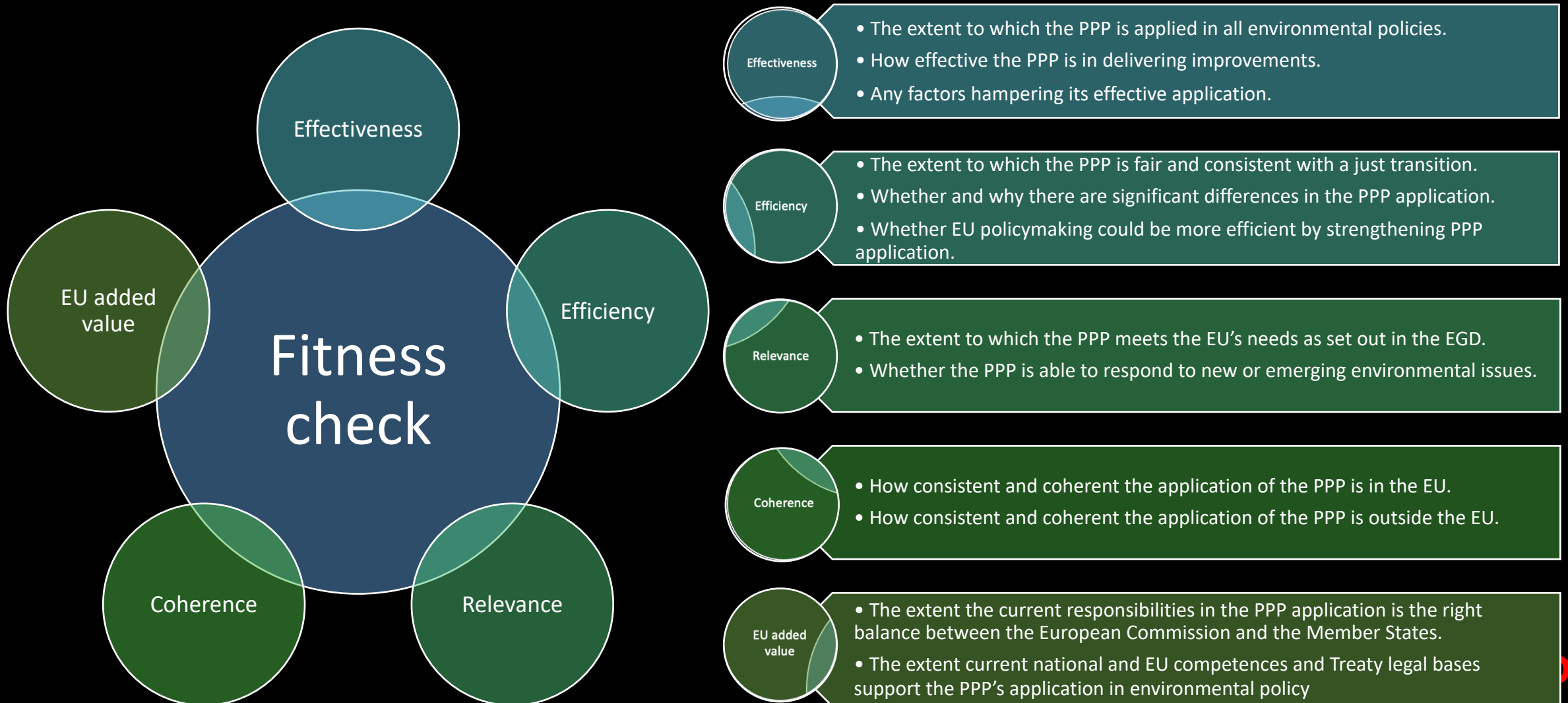
 **RPA**
Risk & Policy Analysts

RPA
Europe

General and specific objectives



Methodology



Consultation activities

To collect public views and evidence about the PPP implementation
CfE: (11 November 2022 - 11 December 2022)
PC: (12 May – 4 August 2023)

Call for evidence
and public
consultation

- To share information about the study and validate its findings
- To get feedback, insights and suggestions relevant to the study

(1st workshop – 4 July 2023;
2nd workshop – 20 November 2023)

Stakeholder
workshops

Interviews

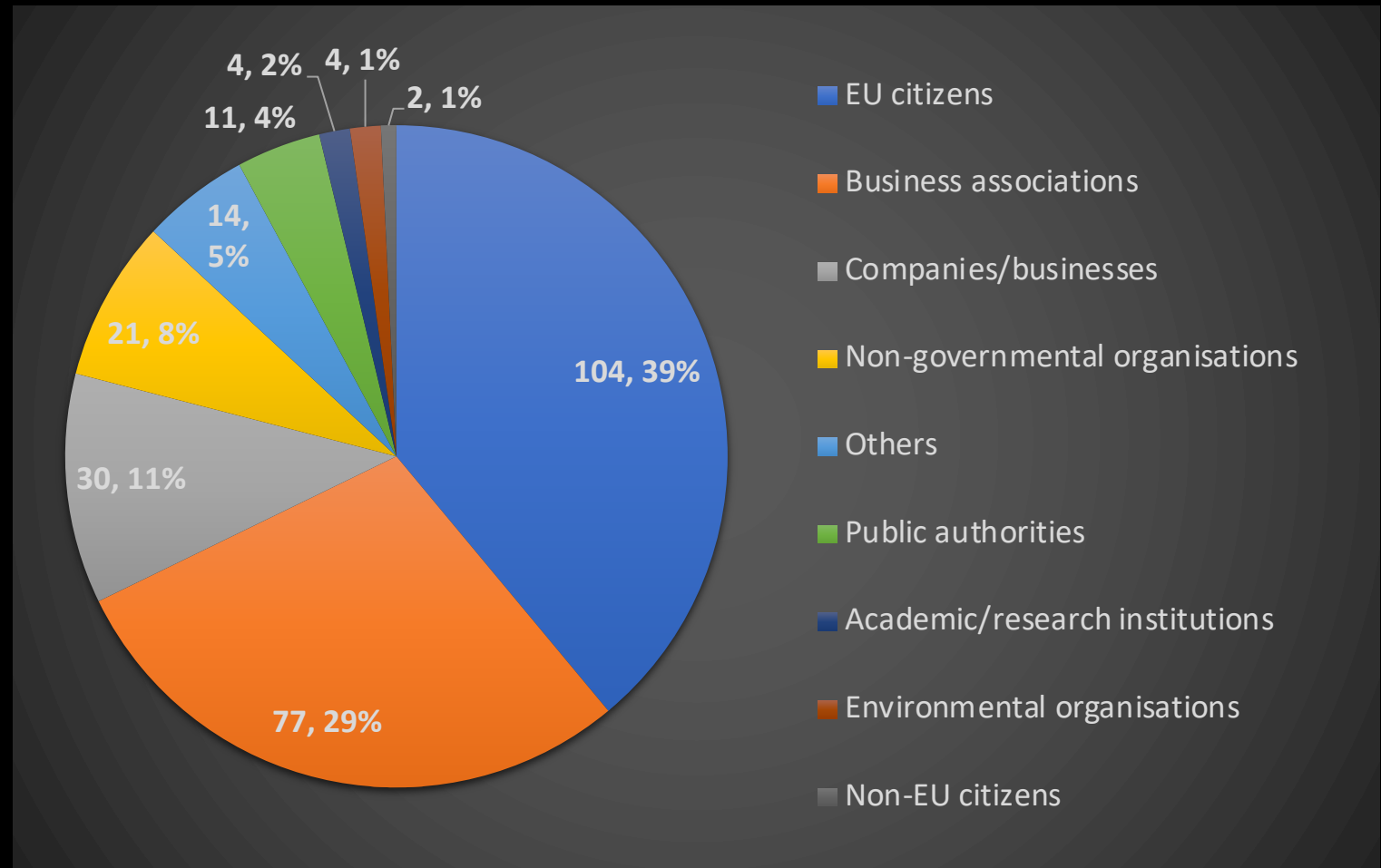
To get insights into:

- the issues of practical implementation of the PPP
- the design of policies and tools for implementing the PPP at the EU and Member States' levels

(November – December 2023)

Public consultation: who contributed?

- Received – 268 responses; 267 – used for analysis
- Responses from 27 countries: 95% from EU Member States, 5% from non-EU countries
- Over two thirds of the responses from **Germany** (16%), **Belgium** (13%), **Portugal** (12%), **Italy** (9%, 25), **France** (9%) and **Spain** (8%)
- 85% of respondents are familiar with the PPP



Overview of responses: implementation



The implementation of the PPP is a major priority / important (~90% of respondents)



Prevention and reduction of pollution

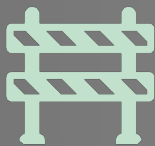
Market-based / economic instruments are sufficiently or fully effective (61%)

Command & control instruments are sufficiently or fully effective (56%)

Remediation of pollution

Market-based / economic instruments are sufficiently or fully effective (54%)

Command & control instruments are sufficiently or fully effective (53%)



Lack of political willingness to introduce and enforce implementation of the PPP (59%)

The price of products and services does not internalise the environmental damage (externalities) of the products and services' lifecycles (55%)

National authorities fail to enforce environmental legislation and to make the polluters pay (51%)



At the national level, the EU PPP requirements have been implemented:
to a large extent (27%), to a limited extent (51%), not at all (6%)

Overview of responses: impacts

- **PPP has not led** to disproportionate costs of products and services for EU consumers (61%)
- The **PPP has not caused** disproportionate costs in the production of products and provision of services by EU companies (56%)
- Negative effects on some social groups:
 - No negative effects (40%)
 - Negative effects at least to some extent (35%)

For a more detailed overview of public consultation responses, see the Summary Report, https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13546-Polluter-Pays-Principle-fitness-check-of-its-application-to-the-environment/public-consultation_en



Thank you!



What is the state of play of the implementation of the polluter pays principle?

David Tyrer

Logika Group

20 November 2023

Introduction

PPP

- This session provides an overview for how the polluter pays principle has been implemented in the EU. We call this the “state of play”
- The session is structured as follows:
 - Scope, definitions and approach
 - Three perspectives:
 - **Policy perspective:** implementation of the principle in individual pieces of legislation and by policy area
 - **Sector perspective:** implementation of the principle by economic sector
 - **EU funds:** implementation of the principle in EU funds

Scope

- Our scope includes all environmental outcomes targeted in the 8th EAP and focusses on 8th EAP Priority Objectives
- To ensure a manageable scope, we disaggregate these into thematic policy areas and then groups of individual policies
- State of play based on review of legislation, secondary evidence and consultation
- Emphasis is on current implementation, but evaluation will examine the period 2014-2024
- The fitness check examines a *principle* not a *policy*, per se.

Definitions

- Application of the principle means that polluters bear the costs of their pollution including the cost of measures taken to prevent, control and remedy pollution and the costs it imposes on society.
- What are the types of costs?
 - **Costs of pollution prevention and control**, investments and expenses arising from provisions to prevent or control pollution (including accidental pollution)
 - **Costs of administrative measures** needed to implement measures taken to prevent, control or remedy pollution, including reporting, monitoring and assessment etc.
 - **Costs of environmental damage**, costs of pollution borne by wider society that involve costs to remedy damage caused by pollution, or to address externalities from allowable residual pollution or accidental pollution.

PPP in EU climate change policies

PPP

- **Polluters:** Energy supply, energy products, energy intensive industry, transport (aviation, road, and maritime), agriculture
- **Costs of pollution:** Estimated EU27 annual cost to abate GHG emissions to achieve the Paris Agreement was €403 billion for the year 2017 (IEEP, 2021)
- Implementation in *individual EU climate policies:*

Policy	Pollution prevention and control	Administrative and enforcement	Costs of environmental damage
EU ETS	Green	Green	Green
ES Regulation	Green	Red	Yellow
AFI Regulation	Green	Red	Red
CO ₂ emission performance standards	Green	Green	Red
EED	Green	Green	Red
EPBD	Green	Green	Red
Energy Taxation Directive	Red	Red	Yellow
F-gas Regulation	Green	Green	Red
RED	Green	Green	Red
ODS Regulation	Green	Green	Red
Ecodesign Directive	Green	Green	Red
Ecolabel	Green	Green	Red

Key for implementation of the polluter pays principle
G - Provisions incur a cost largely borne by the polluter
A - Provisions incur a cost partially borne by the polluter
R - Provisions incur a cost not borne by the polluter
S - Costs are not addressed by the legislation

PPP in EU waste management policies

PPP

- **Polluters:** Producers, distributors and end-users of products resulting in generation of waste (construction, mining, manufacturing (plastic, electrical and electronic, vehicles, textiles), households)
- **Costs of pollution:** To manage GHG emissions and air pollution from landfill (€317/tonne waste managed), incineration (€112-193 tonne), and recycling (€132 tonne) (IEEP, 2021)
- Implementation in *individual EU waste management policies:*

Policy	Pollution prevention and control	Administrative and enforcement	Costs of environmental damage
WFD (waste)	Green	Yellow	Yellow
Batteries Directive	Green	Yellow	Yellow
ELV Directive	Green	Green	Yellow
Landfill Directive	Green	Green	Yellow
Ship Recycling Regulation	Green	Green	Yellow
Waste Shipments Regulation	Green	Green	Yellow
Single-use plastics Directive	Green	Green	Yellow
Plastic Bags Directive	Green	Red	Yellow
Directive on packaging	Green	Green	Red
Extractive Waste Directive	Green	Green	Yellow
WEEE Directive	Green	Yellow	Red
RoHS Directive	Green	Green	Yellow

Key for implementation of the polluter pays principle

- G - Provisions incur a cost largely borne by the polluter**
- A - Provisions incur a cost partially borne by the polluter**
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- S - Costs are not addressed by the legislation**

PPP in EU zero pollution policies (water)

PPP

- **Polluters:** Agriculture, Industry, Households
- **Costs of pollution:** Key impacts are damage to ecosystems and human health from nitrate pollution and hazardous substances. Estimated annual EU 27 costs of water pollution at EUR 22 billion (IEEP, 2021)
- Implementation in *individual EU water quality policies:*

Policy	Pollution prevention and control	Administrative and enforcement	Costs of environmental damage	Key for implementation of the polluter pays principle
MSFD				G - Provisions incur a cost largely borne by the polluter
WFD (water)				A - Provisions incur a cost partially borne by the polluter
ND				R - Provisions incur a cost not borne by the polluter
SSD				R - Provisions incur a cost not borne by the polluter
UWWTD				R - Provisions incur a cost not borne by the polluter
Bathing Water Directive				R - Provisions incur a cost not borne by the polluter
Drinking Water Directive				R - Provisions incur a cost not borne by the polluter
EQS Directive				R - Provisions incur a cost not borne by the polluter
Groundwater Directive				R - Provisions incur a cost not borne by the polluter
Safety of Offshore Oil and Gas Operations				G - Provisions incur a cost largely borne by the polluter
Ship-source pollution Directive				R - Provisions incur a cost not borne by the polluter
Floods Directive				S - Costs are not addressed by the legislation
Water Reuse Regulation				S - Costs are not addressed by the legislation

PPP in EU zero pollution policies (air)

PPP

- **Polluters:** Industry, transport, households, agriculture
- **Costs of pollution:** By pollutant, estimated EU 27 costs of air pollution incurred through impacts on human health and ecosystems (annual, billion €) are: 65 (NH₃), 8 (NMVOC), 34 (SO₂), 143 (NO_x), and 69 (PM_{2.5}) (IEEP, 2021)
- Implementation in *individual EU air quality policies:*

Policy	Pollution prevention and control	Administrative and enforcement	Costs of environmental damage
AAQD			
NEC Directive			
IED			
MCPD			
Euro Standards Regulation			
Eurovignette Directive			
FQD			
PVR Directives			
Sulphur Content of Liquid Fuels Directive			

Key for implementation of the polluter pays principle
G - Provisions incur a cost largely borne by the polluter
A - Provisions incur a cost partially borne by the polluter
R - Provisions incur a cost not borne by the polluter
S – Costs are not addressed by the legislation

PPP in EU zero pollution policies (noise)

PPP

- **Polluters:** Roads, railways, airports and industry
- **Costs of pollution:** Long-term exposure is estimated to contribute to 48 000 new cases of heart disease per year and to 12 000 premature deaths (EEA, 2020).
- Implementation in **EU noise policy:**

Policy	Pollution prevention and control	Administrative and enforcement	Costs of environmental damage
END			

Key for implementation of the polluter pays principle
G - Provisions incur a cost largely borne by the polluter
A - Provisions incur a cost partially borne by the polluter
R - Provisions incur a cost not borne by the polluter
S - Costs are not addressed by the legislation

PPP in EU zero pollution policies (chemical risk management)

PPP

- **Polluters:** Agriculture, industry
- **Costs of pollution:** No single cost estimate at EU 27 level. Estimates for specific end points/substance groups which suggests costs of € several billion
- Implementation in *individual EU chemical risk management policy:*

Policy	Pollution prevention and control	Administrative and enforcement	Costs of environmental damage	Key for implementation of the polluter pays principle
REACH	Green	Green	Red	G - Provisions incur a cost largely borne by the polluter A - Provisions incur a cost partially borne by the polluter R - Provisions incur a cost not borne by the polluter S – Costs are not addressed by the legislation
CLP Regulation	Green	Green	Red	
Biocidal Regulation	Green	Yellow	Red	
CMR Directive	Green	Red	Red	
Chemical Agents Directive	Green	Green	Red	
Cosmetics Regulation	Green	Green	Green	
Fertiliser Regulation	Green	Green	Red	
Mercury Regulation	Green	Green	Light Red	
POPs Regulation	Green	Light Red	Green	
Pesticides Directive	Yellow	Yellow	Red	
Plant Protection Products Regulation	Green	Green	Red	
Export and import of hazardous chemicals Regulation	Green	Yellow	Red	
Toy Safety Directive	Green	Green	Red	
Seveso	Green	Yellow	Green	

PPP in EU nature policies

PPP

- **Polluters:** Agriculture, forestry, construction, industry
- **Costs of pollution:** No cost estimate. Range in ecosystem service values is significant making it difficult to establish an estimate at EU level (IEEP, 2023)

- Implementation in *individual EU nature policies:*

Policy	Pollution prevention and control	Administrative and enforcement	Costs of environmental damage
Nature Directives			
Regulation on Invasive Species			

Key for implementation of the polluter pays principle

G - Provisions incur a cost largely borne by the polluter

A - Provisions incur a cost partially borne by the polluter

R - Provisions incur a cost not borne by the polluter

S – Costs are not addressed by the legislation

- Implementation in **EU nature strategies** (strengthening role):

- EU Biodiversity Strategy for 2030 strategy: highlights polluter action to prevent and correct environmental degradation (ref. the Nature Directives)
- EU Forestry Strategy for 2030: highlights polluter action to prevent and remedy environmental damage (ref. the Nature Directives and ELD).
- EU soil strategy for 2030: identifies polluter action to prevent and restore degraded soils, and to remediate contaminated sites (ref. policies for zero pollution ambition and ELD).

PPP in horizontal EU environmental policies

PPP

- **Polluters:** Industry, transport, construction
- **Costs of pollution:** No cost estimate. Costs include damage made to protected species and natural habitats, air, water and soil
- Implementation in **horizontal EU environmental policy:**

Policy	Pollution prevention and control	Administrative and enforcement	Costs of environmental damage	Key for implementation of the polluter pays principle
ECD				G - Provisions incur a cost largely borne by the polluter
ELD				A - Provisions incur a cost partially borne by the polluter
EIA Directive				R - Provisions incur a cost not borne by the polluter
SEA Directive				S – Costs are not addressed by the legislation

Sector perspective

PPP

- Pollution prevention and control costs largely or partially borne by the main polluting sectors identified (agriculture, construction, industry, and road transport sectors)
- Costs of administrative measures and of environmental damage largely or partially borne by industry but not consistently borne by the polluting sector for agriculture, transport and for households.
- Gaps in how the PPP is implemented in EU policy identified for forestry, aviation, maritime sectors and households.
- By policy area:
 - Climate: Good sectoral coverage achieved under the EU ETS and Effort Sharing Regulation to address GHG emission abatement, costs of externalities borne by agriculture and fisheries, buildings, electricity, industry, off-road transport and road transport which together account for all CO₂ emissions from energy use.
 - Main polluting sectors not wholly targeted in EU policies for zero pollution ambition (e.g. under water acquis costs are partially borne by agriculture, industry and households)

PPP in EU funds and state aid

PPP

- EU funds and state aid do not contain provisions to prevent, control or remedy pollution, except in the case of the CAP and environmental requirements linked to direct payments

Policy	Pollution prevention and control	Administrative and enforcement	Costs of environmental damage or externalities	Key for implementation of the polluter pays principle
Horizon 2020 Regulation				G - Provisions incur a cost largely borne by the polluter
Common agricultural policy (CAP) funds				n/a – Not relevant to prevention, control or remedy of pollution
Coehsion policy funds				
LIFE+ Regulation				
Recovery and resilience facility regulation				
InvestEU Regulation				
State Aid Rules				

- But risk to effective implementation of the PPP when used for:
 - Environmentally harmful subsidies (EHS) or to contribute to clean up actions that should otherwise be paid for by the polluter
- To mitigate above risks proofing processes safeguard from EHS. The Do No Significant Harm Principle applies since the 2021-2027 programming period, strengthening the application of the PPP

Conclusions

PPP

- From a policy perspective
 - EU policy often incurs a cost for pollution prevention and control borne by polluter.
 - Costs of administrative measures commonly borne by competent authorities.
 - Few measures that address costs of environmental damage or externalities.
- From a sector perspective
 - Pollution prevention and control costs borne by the main polluting sectors
 - Costs of administrative measures and of environmental damage not consistently borne by main polluting sectors
 - Gaps identified for forestry, households, aviation and maritime sectors
- PPP in EU funds and state aid
 - PPP is largely not relevant (except for direct payments under CAP)
 - EHS and contributions to clean-up actions present a risk to effective implementation of the PPP. Do No Significant Harm Principle mitigates risk.



Questions



Thank you!

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Emerging findings of the evaluation

Hetty Menadue

Logika Group

20 November 2023

Introduction

PPP

- Analysis was carried out according to the Commission's Better Regulation Guidelines:
 - **Effectiveness:** the extent to which the PPP is implemented in EU policy and whether it has contributed to the reduction of pollution.
 - **Efficiency:** whether applying the principle improves the efficiency of EU policy and the extent to which any costs are borne by the polluter in a fair manner.
 - **Relevance:** whether the PPP is consistent with the current, new and emerging environmental needs and other related issues.
 - **Coherence:** the consistency in the way the PPP is applied between EU policies, and whether EU policy plays a role in applying the PPP in third countries.
 - **EU added value:** the extent to which Member States would have been able to apply the PPP in national policies without EU action.

Effectiveness: implementation in policy

PPP

- Majority of policies (50 policies, 75%) incur costs of pollution prevention and control which are largely or partially borne by the polluter.
- Gaps in how the PPP is implemented to address the costs of administrative measures where costs are largely or partially borne by competent authorities (30 policies, 45%).
- Environmental damage is not addressed by 42 policies (63% of total).
- Command and control mechanisms most common to implement the PPP in EU policy.
- Market based instruments less common (e.g. used for climate, waste and liability).
- Limited degree of Member State choice in implementing the PPP via EU policy.
- Limited evidence of improved implementation of the principle in the appraisal period. Improvement likely following planned changes triggered by the EGD.

Effectiveness: pollution reduction

PPP

- Expenditure on environmental protection by corporations has increased while pollution trends for selected headline indicators have improved.
- Rate of internalisation of pollution costs varies between 8th EAP priority objective.
- EU policy is effective in delivering efficient environmental improvements where compliance costs are borne by the main polluting economic activity or sector.
- Conflict between the effective application of the PPP and environmentally harmful subsidies and EU funding used for clean up actions.
- Diffuse pollution and residual allowable pollution present a challenge for delivering environmental improvements via the PPP.
- Risk of adverse effects on internal competition is often perceived as a barrier to Member States when implementing the PPP.

Efficiency: fair distribution of costs

PPP

- A key challenge is distinguishing the overall costs of implementing EU environmental policy from costs to implement the PPP.
- There are costs to competent authorities to apply the PPP, and this reflects the cases of partial implementation.
- The PPP is fair and consistent with a just transition in that it shifts the costs of pollution away from society and towards the polluters causing it.
- Risk of unfair distribution of costs where the efficiency gain is achieved from an inversion of the PPP (i.e. where the user pays rather than the polluter).
- Revenue raised from implementing the PPP can be used to redistribute costs to address distributional and affordability impacts (e.g. under the EU ETS via CBAM).

Efficiency of policy via the PPP

PPP

- The PPP provides an incentive to polluters to take action and reduce pollution at the lowest cost possible and develop new technologies and ways of working that are cleaner.
- No significant differences in the (efficient) application of the PPP across EU policies and between Member States based on the relatively consistent implementation of the PPP but differences occur when implemented at national level.
- Lessons learned for an efficient implementation of the PPP include:
 - Early planning to facilitate adequate development of the options available to the polluter
 - The use of a third party responsible for clean-up where the polluter pays a fee
 - Price volatility can hinder efficient application of the PPP

Relevance

PPP

- Effects of the PPP fully relevant to achieving an efficient and fair EU policy, supporting the 8th EAP objectives and the needs of the European Green Deal.
- Relevance is increasing: more ambitious environmental policy and strategy targets, requiring greater investment from the private sector, including from the polluter.
- Evidence shows that external costs of pollution remain significant, so the PPP is expected to remain relevant in the future.

Coherence

PPP

- PPP is largely consistently implemented between policies.
- Varied Member State approach to establish environmental liability and the cost borne by polluters under ELD affects how consistently the principle is applied to costs of environment damage between policies and between Member States.
- Few EU policies implement the PPP to address costs of pollution outside EU (except to restrict the export of products and wastes that have harmful, toxic impacts).
- EU trade agreements implement the PPP via implementation of relevant multilateral agreements on pollution as well as through the upcoming initiative on sustainable corporate governance.
- The EU engages in environmental diplomacy to achieve a reduction of pollution at source outside its borders through strengthening of the PPP application in third countries.

EU added value

PPP

- In the absence of EU action, high risk of inconsistencies between Member States and their implementation of the PPP which risks unfair competition on internal market.
- The main benefits of implementing the PPP via EU policy include:
 - Consistent incentivization for polluters to find least cost abatement option, enabling environmental policy to be more ambitious and creating market condition that better supports industry-led innovation
 - Greater market harmonisation with reduced risk of unfair competition between Member States on internal market
 - Enabling Member State collaboration to address costs of transboundary pollution in a fair and consistent manner
- Existing competencies and legal bases generally support the application of the PPP, but tension exists with the subsidiarity principle.

Conclusions

PPP

- **Effectiveness:** the PPP is largely implemented in EU policy to address costs of pollution prevention and control but less so to address other pollution costs. Challenges establishing the extent to which the PPP alone has contributed to the reduction of pollution for many policies.
- **Efficiency:** The PPP shifts the costs of pollution away from society and towards the polluters causing it. Policy could be made more efficient via recourse to the PPP.
- **Relevance:** the PPP is consistent with the current, new and emerging needs.
- **Coherence:** the PPP is applied consistently between EU policies. EU policy plays a limited role in applying the PPP in third countries.
- **EU added value:** PPP less effective and efficient in the absence of EU action.



Questions



Thank you!

<https://www.logikagroup.com>

Break

Back at 11:20 CET

Ensuring that polluters pay

Thematic discussion

Invited experts:

Femke Groothuis, the Ex'tax Project Foundation

Anil Markandya, Basque Centre for Climate Change



Discussion on the initial findings of the fitness check

David Tyrer

Logika Group

20 November 2023

Introduction

PPP

To guide a discussion on the emerging findings of the fitness check, you are invited to share your experiences and reflections on:

1. Does the polluter pay? In those instances where the polluter does not pay (partially or fully) what are the causes?
2. What costs which are typically not borne by the polluter?
3. Can the wider application of environmental taxes ensure the polluters pay?

Why does the polluter not pay

PPP

- **Question for discussion:**
- **Does the polluter pay? In those instances where the polluter does not pay (partially or fully), what are the causes?**
- *For example, the evaluation findings suggest:*
 - *Challenges of identifying who the polluter is and extent of pollution they are responsible for, e.g. diffuse or transboundary pollution*
 - *Equity concerns, where there is a need to address distributional and affordability impacts from the implementation of the PPP*
 - *Risk to fair competition on internal market where PPP is not applied consistently, or where the use of public funds is preventing effective and consistent implementation*

Costs not borne by the polluter

PPP

- **Question for discussion:**
- **What costs are usually not borne by the polluter?**
- *For example, the evaluation findings suggest:*
 - *Some costs of administrative measures are often borne by competent authorities*
 - *Some costs of environmental damage are often not borne by polluter*
 - *Costs of pollution are rarely borne by the end user (e.g. road users in transport, or fertiliser/pesticide/plant protection product for agricultural or domestic use)*

Role of environmental taxes

PPP

- **Question for discussion:**
- **Can the wider application of environmental taxes ensure that polluters pay?** *For example, the evaluation findings suggest:*
- Environmental tax revenue is varied between MSs and sectors, which suggests potential for EU added value to establish level playing field by setting minimum standards for taxes
- EU frameworks can establish minimum tax rates – e.g. Energy Taxation Directive, Eurovignette
- Examples of taxes applied by MS for effective implementation of the PPP cover policy areas/ sectors where the PPP is not fully implemented in EU policy. E.g. congestion charges, emissions to air (e.g. NO_x, SO_x), effluent collection, non-point sources of water pollution, pesticides, fertilisers, waste management, noise, water abstraction, harvesting of forestry resources

If the PPP implementation was a movie, what genre would it be?



Adventure

A



Action

B



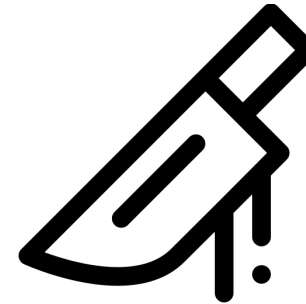
Comedy

C



Drama

D



Thriller

E



Fantasy

F

Write a letter or propose your genre in the chat

Discussion questions

- Does the polluter pay? In those instances when the polluter does not pay (partially or fully), what are the causes?
- What costs are usually not borne by the polluter?
- Can the wider application of environmental taxes ensure that polluters pay?
- Are there successful examples of implementation of environmental taxes in the EU?

Examples of environmental taxes

- Tax on No_x
- Landfill tax
- Pesticide tax
- Fertilizer levy
- Forest felling charge
- Air passenger tax

Environmentally Harmful Subsidies

DG Environment

ENV01, Unit for Strategy, Digitalization, Better Regulation and Economic Analysis

Stephen White

I. Context



Developing the document

- **Response to 8th Environment Action Programme**
- **Being developed with ‘Member States Working Group on Environmentally Harmful Subsidies and the Polluter Pays Principle’**
- **Reflects work of Organisation for Economic Cooperation and Development, the World Trade Organisation and Eurostat**
- **Commission will issue final guidance (Commission Notice) early 2024**

Purpose of the guidance

- **Common basis for reporting in the future**
 - **Term EHS includes ‘potentially’ EHS**
- **Member States decide if a (non-energy) subsidy should be identified as an EHS**
- **Focussed on identification – only informs reform in Member States (based on consideration of economic, social and environmental impacts)**

Future revisions consider

- **Methodology, feasibility**
- **Consistency with other reporting exercises**
- **Comparability of information provided by Member States**
- **Treatment of tax expenditures**
- **Which subsidies should be considered as an EHS, allowing for the revision of the examples and where relevant prioritisation**

II. Definition of Environmental Harmful Subsidies

Is there a subsidy?

- **World Trade Organisation definition used of active government interventions:**
 - **Excludes non-internalisation of externalities**
 - **Explicit subsidies eg direct transfers**
 - **Implicit subsidies eg tax exemptions**
 - **Excludes public infrastructure (government investment) and so provision of public goods**

Is it environmentally harmful (1)?

- **Yes ... if it results in significantly increased negative environmental impacts**
 - **Exclude minor impacts**
 - **Where applicable Article 17 and delegated acts of the Taxonomy Regulation on Do No Significant Harm (DNSH)**
 - **OECD provides useful methodologies**
 - **Some element of judgement**

Is it environmentally harmful (2)?

- **Counterfactual** – what would have happened in the absence of the subsidy
 - **Counterfactual may vary between countries and sectors affecting comparability**
 - **Behavioural response**

Is it environmentally harmful (3)?

- **EU funds**
 - **Spending complies with DNSH then it is not an EHS**
- **State Aid**
 - **State aid cannot be approved that would violate EU environmental law**
 - **Spending complies with DNSH then it is not an EHS**
 - **Compliance with the DNSH not assessed then require assessment by Member States.**

Will provide examples

- **Reminder that this is about mapping subsidies and choices on reform come later taking account of economic, social, environmental impacts**
- **Not a comprehensive list**
- **Commission not labelling a subsidy as automatically an EHS**

Agriculture

- Reasoning same for Common Agricultural Policy and national subsidies for agriculture
- General subsidies, “potentially” distorting
- Pesticides, fertilisers, meat production, Investments in physical assets

Construction

- **Subsidised loans, tax exemptions for construction, reduced VAT, subsidies that promote the development of greenfield sites over brownfield sites etc**
- **Artificialisation of land (areas that have been significantly shaped by human activity), loss of biodiversity or damage to soil.**
- **Taxonomy criteria**

Manufacturing

- **Below-market finance, loans or below-market equity returns. Includes mix of grants and corporate tax concessions**
- **What is the impact of the firm or sector**
 - **Support that is for greening the sector is not associated with environmental damage**

III. Reporting process

Timing

- **In parallel to reporting on fossil fuel subsidies under the Governance Regulation, so by March 2025 and every two years thereafter.**
 - **Commission will report the data onwards to the European Parliament and the European Council:**
 - **EHS present in each Member State, analysis of the EHS landscape, assessment of the quality including comparability, reform processes in the EU.**

Consistency with other reporting

- **Energy Subsidies** [EUR-Lex - 52023DC0651 - EN - EUR-Lex \(europa.eu\)](#)
- **Green Budget reporting**
- **Biodiversity Harmful Subsidies (Target 18) in 2026**

Background documents

Toolbox on [Phasing out Environmentally Harmful Subsidies \(europa.eu\)](#)

Toolbox on [Ensuring that polluters pay \(europa.eu\)](#)

Energy subsidies [Report on Energy subsidies \(europa.eu\)](#)

European Court of Auditors:

[Special Report 12/2021: The Polluter Pays Principle: Inconsistent application across EU environmental policies and actions \(europa.eu\)](#)

Call for Evidence entry:

[Polluter Pays Principle – fitness check of its application to the environment \(europa.eu\)](#)

8th Environment Action Programme (EAP)

- **“methodology developed in consultation with Member States, by 2023, to identify other environmentally harmful subsidies; on the basis of that methodology Member States shall identify other environmentally harmful subsidies and report them regularly to the Commission, allowing for a Commission report on the level and type of such subsidies in the Union, and on progress made on phasing them out.”**

COP Target 18

- **“Identify by 2025, and eliminate, phase out or reform incentives, including subsidies, harmful for biodiversity, in a proportionate, just, fair, effective and equitable way, while substantially and progressively reducing them by at least 500 billion United States dollars per year by 2030, starting with the most harmful incentives, and scale up positive incentives for the conservation and sustainable use of biodiversity.”**

Thank you



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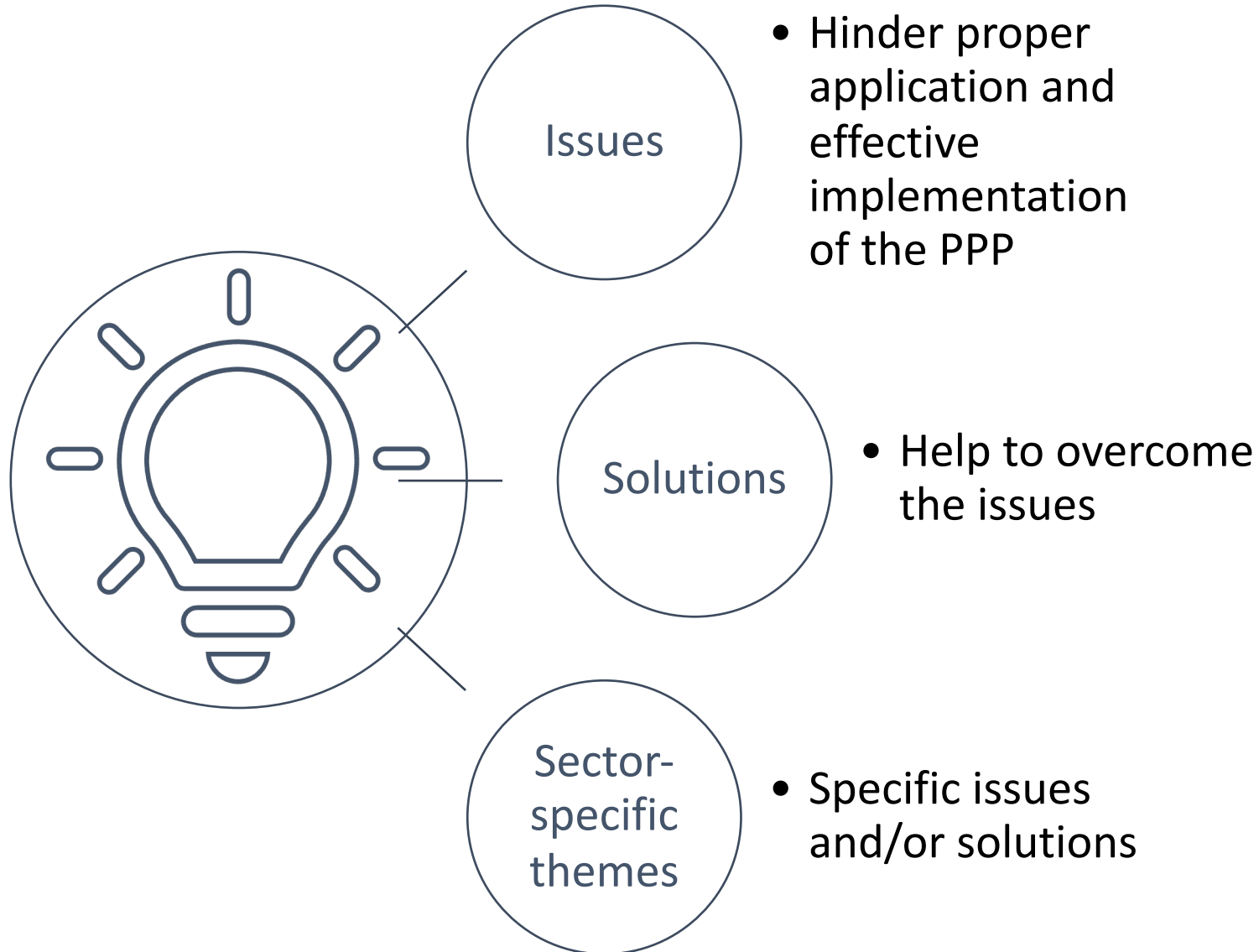


Questions?

Lessons learned and areas for improvement

Open discussion

Highlights of position papers (public consultation)



Issues

- Imagine that you should compile a list of top-five issues that prevent the effective implementation of the PPP:

- Which issues should stay on the list?
- Which issues should be added to the list?
- What issues should be removed?
- Are these issues relevant for all areas of the PPP application?



Lack of measures and requirements in legal acts – absent/insufficient provisions in legislation for the PPP implementation



Exemptions and derogations allow the polluters to avoid paying for the environmental damage they made



Diffuse and legacy pollution complicates the identification of a polluter



Lack of clear and standardised definitions that would help to determine environmental damage and the scale of adverse effects



Use of EU and national funds for funding clean-up/remediation projects that should be paid by the polluter

Solutions

- Imagine that you should compile a list of top-five solutions for the effective implementation of the PPP:
 - Do these solutions solve the top-five issues?
 - Which solutions should stay on the list?
 - Which solutions should be added to the list?
 - Which solutions should be removed?
 - Are these solutions relevant to all areas of the PPP application?



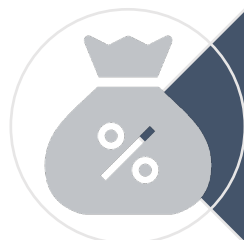
Extended Producer Responsibility (EPR) schemes:
Extending the scope of EPR
Applying a modulated fee approach



Preventive measures, control-at-source measures,
rectify-at-source measures



Strengthen the application of the PPP in some sectors
(e.g., textile, agriculture, aviation)



Apply environmental taxes and other market-based
instruments

Next steps

- Finalising consultation activities (end of 2023)
- Publishing the final report of the “Study on the Polluter Pays principle and Environmentally Harmful Subsidies” (the beginning of 2024)

Thank you!

If you have questions or wish to provide more information, please contact us at: zinaida.manzuch@rpa-europe.eu