



8th Environment Action Programme

Share of environmental taxes in total tax revenues

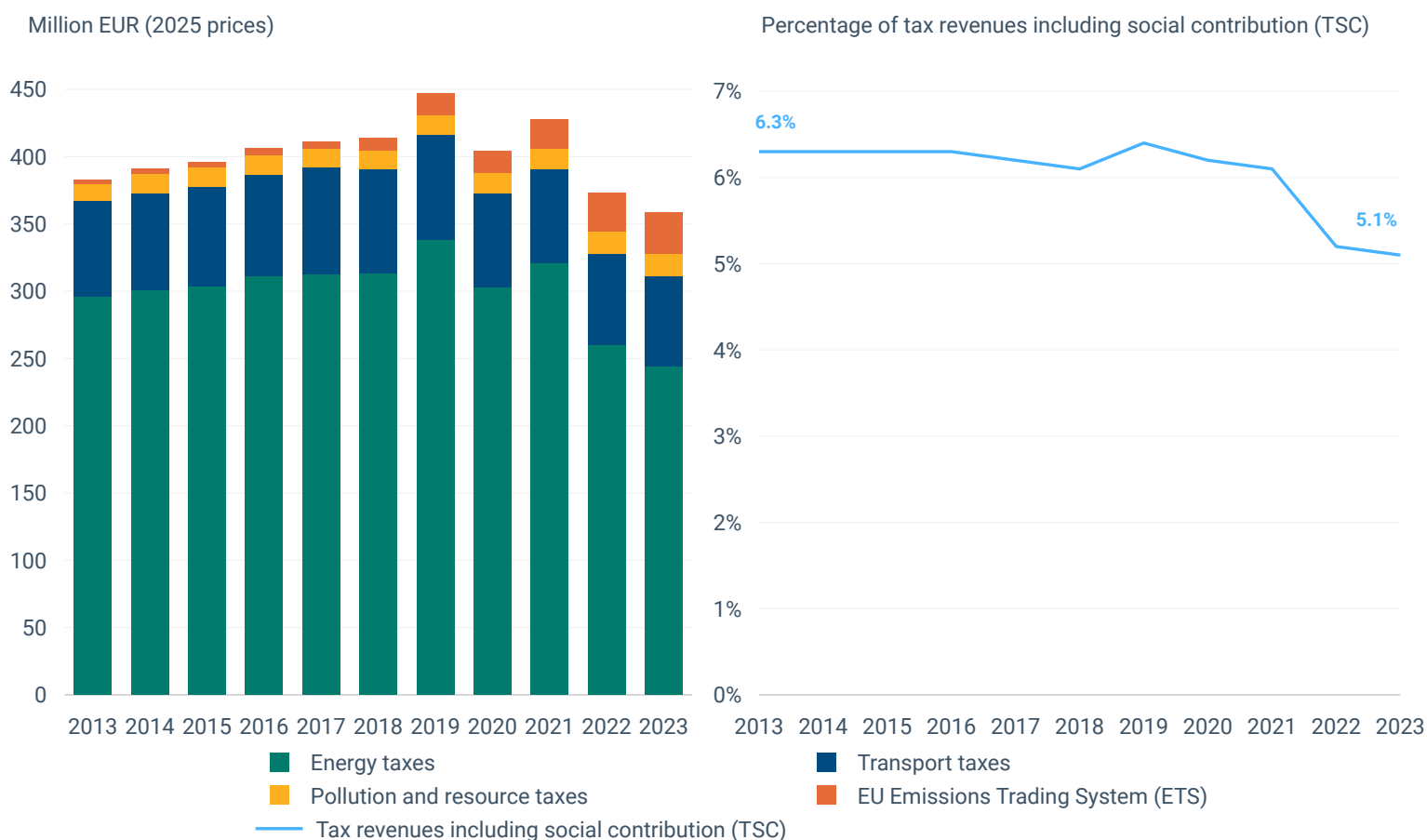


Share of environmental taxes in total tax revenues in Europe

Published 03 Oct 2025

Despite the essential role of environmental taxation for the transition to a greener economy, the share of environmental taxes in total revenues from taxes and social contributions in the European Union decreased. This share has fallen from 6.3% in 2010 to 5.1% in 2023, the lowest level since 2010, setting the indicator outlook towards 2030 to be likely off track. The reasons for a decline vary, including: a shrinking tax base linked to electrification, structural changes in the economy, absence of tax indexations, and resistance to environmental taxes.

Figure 1. Environmental tax revenues in the EU-27: in absolute numbers and as a share of total tax revenues including social contribution (TSC), 2010-2023



Environmental taxes encourage producers and consumers to pollute less and use resources more sustainably. Making **polluters pay** is at the core of EU environmental policy ^[1]. Both the **8th Environment Action Programme** and the **European Green Deal** acknowledge that environmental taxation is crucial for driving the transition to a greener, more sustainable economy.

Many EU Member States reduced excise taxes on petrol and diesel to alleviate the abnormal energy prices caused by the war in Ukraine. Therefore, 2022 was an exceptional year with unprecedented state interventions.

Energy and transport taxes combined accounted for 95% of total **environmental tax revenue** in 2023. Energy taxes, including carbon pricing revenues from the [EU Emissions Trading System \(EU ETS\)^{\[2\]}](#), accounted for 76% of total environmental tax revenue, transport taxes for 19%, and pollution and resource tax revenues for 5%.

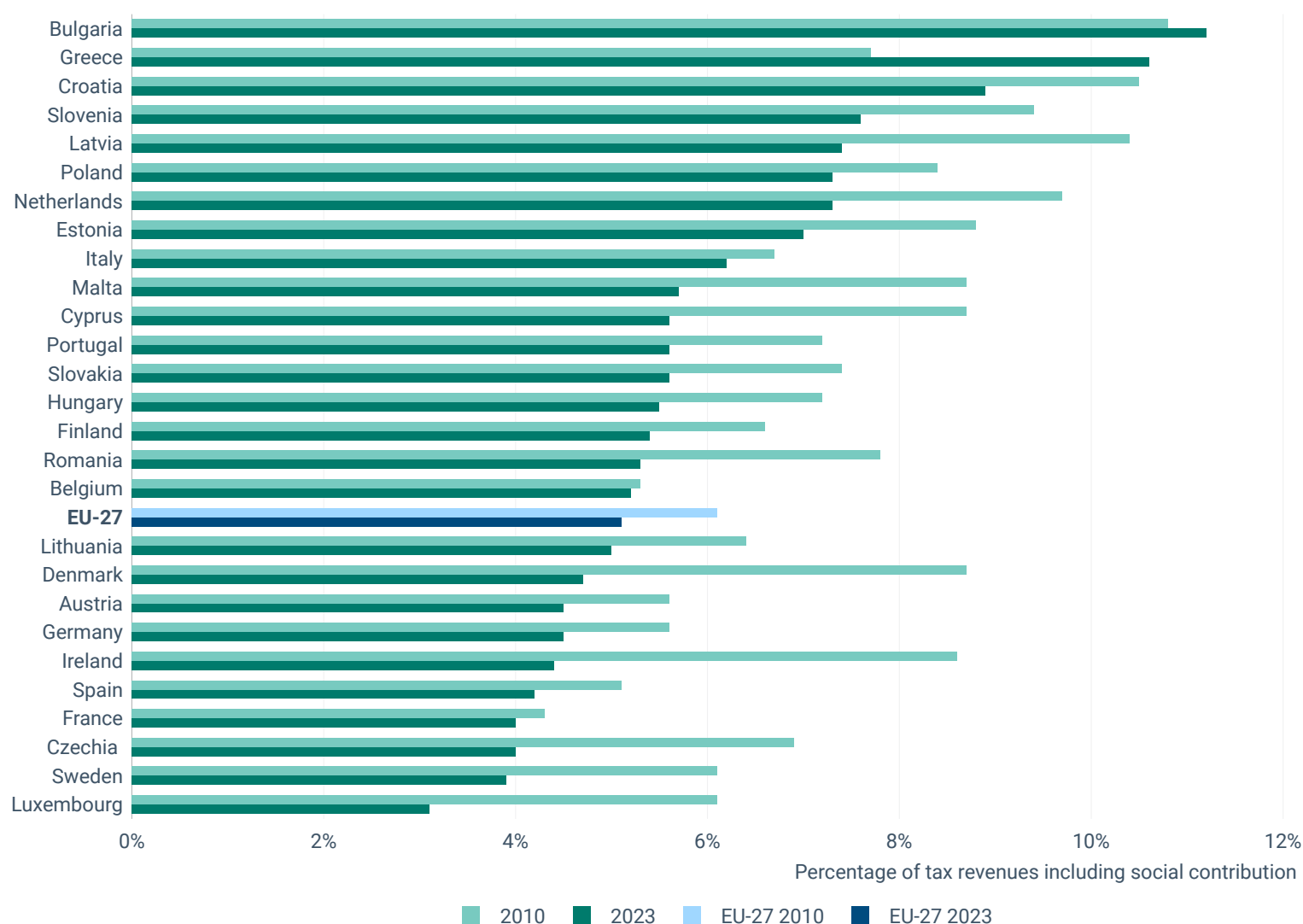
Environmental tax revenues in Europe have **fallen** as the shift to renewables, electrification, energy efficiency gains and structural change have reduced the tax base. In some countries, decades without indexation and temporary energy price relief since 2021 [have added to the decline](#).

The proposed revision of the [Energy Taxation Directive](#) aims to promote electrification, remove fossil fuel subsidies and align taxes with **decarbonisation goals**. The [Clean Industrial Deal](#) stresses that tax policies are vital for competitiveness, resilience and sustainability. Revenues from carbon pricing are expected to increase from 2027 with the start of the [new Emissions Trading System \(ETS2\)](#), but it is uncertain whether this is sufficient to reverse the persistent decline in environmental taxes.

This suggests that the EU could **increase environmental taxes** as a share of total tax revenue by 2030, however this is increasingly uncertain. Environmental taxes as a share of total taxes have persistently declined and fell sharply in 2022 and 2023. It is unclear if and to what extent environmental taxes will rebound, or whether the expected revenue from the EU ETS will be sufficient to offset this drop in future.

The social impact has been exacerbated in recent years as prices have risen sharply due to inflation. In response to these distributional impacts, EU instruments such as the [Social Climate Fund](#) have been established to support vulnerable households and mitigate the social costs of the green transition. Revenues also tend to decline over time as environmental taxes successfully deter spending on unsustainable goods. In the long term, revenue from the EU ETS is also expected to reach a peak and then decline as more stringent GHG emission **reduction requirements** are introduced and drive down emissions. Progress in the EU's transition to a climate neutral and green economy, while positive, will also erode the environmental tax base.

Figure 2. Revenue from environmental taxes as a share (%) of total tax revenue, including social security contributions, by EU Member State, 2010 and 2023



Trends in the share of **total tax revenue** accounted for by environmental taxes vary across the EU 27 Member States. Between 2010 and 2023, this share increased in only two Member States (Bulgaria and Greece). The largest increase, from 7.7% to 10.6%, occurred in Greece. The share declined in the remaining 25 Member States with the largest fall between 2010 and 2023 in Ireland (from 8.6% to 4.4%) followed by the Netherlands (from 9.7% to 7.3%). The lowest share was reported for Luxembourg at 3.1% in 2023.

Supporting information

Definition

‘An environmental tax is a tax whose tax base is a physical unit (or a proxy of a physical unit) of something that has a proven, specific negative impact on the environment, and which is defined in the ESA [European System of Accounts] as a tax’ [3]. This indicator measures environmental tax revenue as a share of total tax revenue, including social contributions, and is calculated by dividing environmental tax revenue by total tax revenue including social contributions.

The EU ETS is not a tax, but a market-based environmental measure designed with the prime objective to reduce carbon emissions and provide a financial incentive to polluters to reduce emissions. The carbon price is not fixed by a government, but determined by the market based on demand and supply fundamentals.

Methodology

This indicator is based directly on data published by Eurostat, and the underpinning methodology can be found in Eurostat [3].

Values are expressed in 2025 prices, estimated by the EEA using the Eurostat GDP pricing index up to 2024 (nama_10_gdp) and the 2% ECB inflation estimate for 2025.

Policy/environmental relevance

This indicator is a headline indicator for monitoring progress towards meeting the objectives of the Eighth Environment Action Programme (8th EAP). It contributes mainly to monitoring progress in relation to aspects of Article 3(v), which requires ‘making the best use of environmental taxation, market-based instruments and green budgeting and financing tools, including those required to ensure a socially fair transition’ [4]. The European Commission communication on the 8th EAP monitoring framework specifies that this indicator should be used to monitor the ‘increase in the share of environmental taxes in total revenues from taxes and social contributions’ [4].

Data sources and providers

- Environmental taxes by economic activity (NACE Rev. 2), Eurostat - European statistics
- Gross domestic product (GDP) and main components (output, expenditure and income), Eurostat - European statistics
- Environmental tax revenues [env_ac_tax], EUROSTAT -Statistical Office of the European Union
- Environmental tax statistics, EUROSTAT - Statistical Office of the European Union

Metadata

DPSIR

Response

Topics

Sustainable finance

Tags

environmental tax # SUFI001 # green economy # budget revenue # public budget # 8th EAP # Tax
total tax # Sustainable finance

Temporal coverage

2010
2013-2023

Geographic coverage

Austria	Belgium
Bulgaria	Croatia
Cyprus	Czechia
Denmark	Estonia
Finland	France
Germany	Greece
Hungary	Ireland

Italy
Lithuania
Malta
Poland
Romania
Slovenia
Sweden

Latvia
Luxembourg
Netherlands
Portugal
Slovakia
Spain

Typology

Descriptive indicator (Type A - What is happening to the environment and to humans?)

UN SDGs

SDG11: Sustainable cities and communities

Unit of measure

Environmental tax revenue as a percentage of total tax revenue including social contributions, and the absolute amount of environmental tax revenue, in million euros, in 2010 prices.

Frequency of dissemination

Once a year

References and footnotes

1. https://environment.ec.europa.eu/economy-and-finance/ensuring-polluters-pay_en
^a
2. The EU ETS is not a tax, but a market-based environmental measure designed with the prime objective to reduce carbon emissions and provide a financial incentive to polluters to reduce emissions. The carbon price is not fixed by a government, but determined by the market based on demand and supply fundamentals. Revenue raising is hence not the primary objective of the ETS. However, in Eurostat's statistics on environmental taxation, government revenues from the auctioning of emissions permits, such as those from the EU ETS, are classified as tax receipts in the national accounts. This is why this indicator accounts for them as tax revenues.
^a
3. Eurostat, 2023, 'Environmental tax statistics – detailed analysis', *Eurostat Statistic Explained* (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Environmental_tax_statistics_-_detailed_analysis) accessed January 16, 2023.
^{a b}
4. EC, 2022, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the monitoring framework for the 8th Environment Action Programme: measuring progress towards the attainment of the programme's 2030 and 2050 priority objectives, COM (2022) 357 final of 26 July 2022.
^{a b}