



# 8th Environment Action Programme

Share of environmental taxes in total tax revenues

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# Share of environmental taxes in total tax revenues

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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 EU decreased from 6% in 2010 to 5.4% in 2021. The share may increase by 2030 as a result of the plans to increase the ambition and scope of EU emissions trading. This is relatively uncertain because increased revenues from emission trading schemes may be offset by decreased revenues from energy taxation as future greenhouse gas emissions reductions erode the tax base.

## Figure 1. Revenue from environmental taxes in the 27 EU Member States, in terms of absolute revenue and as a share (%) of total tax revenue including social contributions, 2010-2021



Source: Eurostat.



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 <sup>[1]</sup>, and both the Eighth Environment Action Programme <sup>[2]</sup> and the European Green Deal <sup>[3]</sup> acknowledge that environmental taxation is crucial for driving the transition to a greener, more sustainable economy.

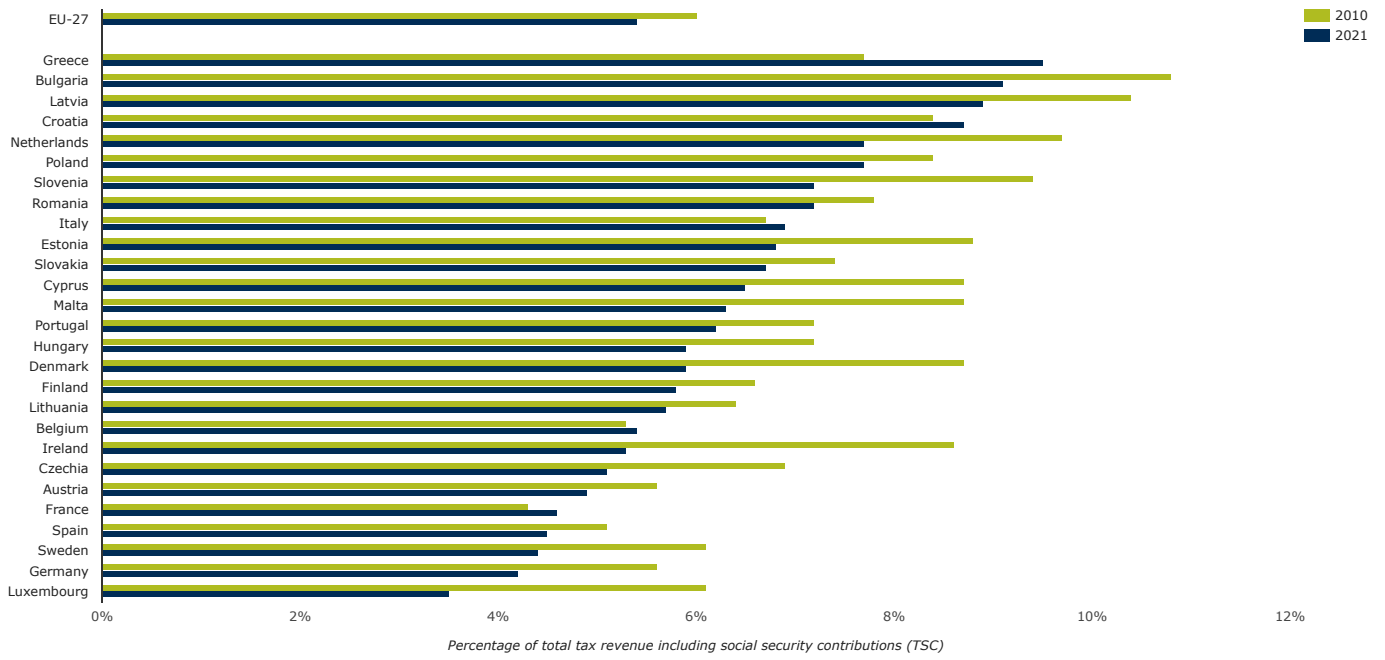
Despite this, the share of total tax revenue accounted for by environmental taxes fell from 6% in 2010 to 5.4% in 2021. This lack of progress is mainly attributed to the social and economic difficulties that countries can face in maintaining or increasing environmental taxes, which can have the effect of increasing the cost of necessary goods such as food and energy. The marked decline in environmental tax revenue in 2020 can be largely attributed to restrictions (e.g. on transport) related to the COVID-19 pandemic. Environmental tax revenue had increased again in 2021, by 5.9% compared with 2020, but was still lower than before the pandemic.

In 2021, energy and transport taxes combined accounted for 96% of total environmental tax revenue, with energy taxes, including revenue from the [EU Emissions Trading System \(EU ETS\)](#), accounting for 78% and transport taxes for 18% <sup>[4]</sup>.

Whether or not environmental taxes will account for a larger share of total tax revenue by 2030 is uncertain. On the one hand, changes as part of the Fit for 55 policy package <sup>[5]</sup> are expected to increase EU ETS revenue, as sectors already covered by the EU ETS will have more ambitious greenhouse gas (GHG) emission reduction targets and new sectors (road transport, heating of buildings, fuel use in certain industrial sectors) will be included in a new EU ETS <sup>[6]</sup>. On the other hand, this revenue is expected to reach a peak and then decline as more stringent GHG emission reduction requirements are introduced and drive down emissions. Moreover, technological breakthroughs in the energy and transport sectors are expected to further drive the EU's transition to a low-carbon, green economy. The resulting erosion of the environmental tax base will make it difficult to increase environmental tax revenue during the 2030s.

Research and analysis suggest that environmental taxation schemes are more likely to succeed, with minimal negative economic and social impacts, if they are carefully planned and based on widespread consultation <sup>[7]</sup>. This should be borne in mind when devising environmental taxation strategies for the coming years.

## **Figure 2. Revenue from environmental taxes as a share (%) of total tax revenue, including social security contributions, by EU Member State, 2010 and 2021**



Source: Eurostat.

## Data used in the graph

<b>Countries</b>	<b>2010</b>	<b>2021</b>
EU-27	6	5.4
Greece	7.7	9.5
Bulgaria	10.8	9.1
Latvia	10.4	8.9
Croatia	8.4	8.7
Netherlands	9.7	7.7
Poland	8.4	7.7
Slovenia	9.4	7.2
Romania	7.8	7.2
Italy	6.7	6.9
Estonia	8.8	6.8
Slovakia	7.4	6.7
Cyprus	8.7	6.5
Malta	8.7	6.3
Portugal	7.2	6.2
Hungary	7.2	5.9
Denmark	8.7	5.9
Finland	6.6	5.8
Lithuania	6.4	5.7
Belgium	5.3	5.4
Ireland	8.6	5.3
Czechia	6.9	5.1
Austria	5.6	4.9

Countries	2010	2021
France	4.3	4.6
Spain	5.1	4.5
Sweden	6.1	4.4
Germany	5.6	4.2
Luxembourg	6.1	3.5



Trends in the share of total tax revenue accounted for by environmental taxes vary across the Member States. Between 2010 and 2021, this share increased in only five Member States (Greece, Croatia, Italy, Belgium and France). The largest increase, from 7.7% to 9.5%, occurred in Greece, although this level was still lower than its share in the mid-1990s, which was more than 10%. The largest fall between 2010 and 2021 – of more than 2 percentage points – occurred in Ireland, followed by Denmark, Luxembourg, Malta, Slovenia, Cyprus and Estonia.

## ▼ 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' <sup>[8]</sup>. 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.

### Methodology

This indicator is based directly on data published by Eurostat, and the underpinning methodology can be found in Eurostat <sup>[8]</sup>.

The absolute amount of environmental tax revenue was deflated based on 2010 prices using the Eurostat gross domestic product (GDP) deflator.

### 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’ [9]. 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’ [9].

### Accuracy and uncertainties

### Data sources and providers

- [GDP and main components \(output, expenditure and income\) \[NAMA\\_10\\_GDP\\_\\_custom\\_3489075\]](#), Statistical Office of the European Union (Eurostat)
- [Environmental tax revenues \[ENV\\_AC\\_TAX\\_\\_custom\\_4559839\]](#), Statistical Office of the European Union (Eurostat)

## ▼ Metadata

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### DPSIR

Response

### Topics

# Sustainable finance

### Tags

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

### Temporal coverage

2010-2021

### Geographic coverage

Austria	Belgium
Bulgaria	Croatia
Cyprus	Czechia
Denmark	Estonia

Finland  
Germany  
Hungary  
Italy  
Lithuania  
Malta  
Poland  
Romania  
Slovenia  
Sweden

France  
Greece  
Ireland  
Latvia  
Luxembourg  
Netherlands  
Portugal  
Slovakia  
Spain

### **Typology**

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

### **UN SDGs**

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

### **Contact**

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## **▼ References and footnotes**

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1. [https://environment.ec.europa.eu/economy-and-finance/ensuring-polluters-pay\\_en](https://environment.ec.europa.eu/economy-and-finance/ensuring-polluters-pay_en)  
[↵](#)
2. EU, 2022, Decision (EU) 2022/591 of the European Parliament and of the Council of 6 April 2022 on a General Union Environment Action Programme to 2030, OJ L 114, 12.4.2022, p. 22-36.  
[↵](#)
3. EC, 2019, Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions 'The European Green Deal', COM (2019) 640 final of 11 December 2019.



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4. EEA calculation based on national tax lists, downloaded from the Eurostat Statistics Explained article 'Tax revenue statistics' (Eurostat, 2022)  
↵
  5. EC, 2021, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "Fit for 55": delivering the EU's 2030 climate target on the way to climate neutrality', COM(2021) 550 final of 14 July 2021.  
↵
  6. See the press release of the European Council "Fit for 55": Council and Parliament reach provisional deal on EU emissions trading system and the Social Climate Fund' of 18 December 2022 and amended on 8 February 2023 (European Council, 2022). This deal sets out an increase in emission reduction targets for the sectors covered by the existing ETS to 62% by 2030 compared with 2005 levels. These targets are to be achieved via an increase in the annual reduction rate of the existing EU ETS to 4.3% per year from 2024 to 2027 and to 4.4% from 2028 to 2030 as compared with the linear reduction rate of 1.74% per year during phase 3 of the EU ETS between 2013 and 2020 and the annual reduction rate of 2.2% from 2021 for phase 4  
↵
  7. IEEP, 2015, 'Overcoming obstacles to green fiscal reform', in: Institute for European Environmental Policy, University of Venice, Venice, Italy.  
↵
  8. 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](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Environmental_tax_statistics_-_detailed_analysis)) accessed January 16, 2023.  
[a](#) [b](#)
  9. 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](#)