

Environmental taxation and the double dividend hypothesis

Stefania Migliavacca*

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Introduction

Most of industrialized countries face two important challenges: unemployment and environmental degradation. Those problems seem to be quite independent but they both penalize the quality of human living and reduce common wellbeing. It would be very useful to find out an economic tool that could address both. In 1991 Pearce defined the "double dividend" as the result of a specific structure of environmental taxation that could give a double contribution. On the one hand environmental taxation discourages polluting activities, and on the other hand, the recycled revenue could lower labour taxation, encouraging employment. In other words, shifting the tax burden in a revenue neutral way, from labour to pollution, it seems we could easily solve two problems in one.

The real feasibility of double dividend is still under discussion, since there is no positive empirical evidence. In the meanwhile, in 1997, the Kyoto Protocol confirmed the urgency of effective environmental actions and introduced the so called Kyoto flexible mechanisms.

The aim of this paper is to outline the degree of implementation of Environmental Taxation Reforms in European Countries, trying to compare them with other market-base instruments implementation. Then I will focus on Italy and its new guidelines for the reduction of GHGs in which environmental taxation has a marginal-implicit role.

Environmental taxation

Jean Baptiste Colbert, financial assistant of King Louis XIV, used to say that "The art of taxation consists in so plucking the goose as to get the most feathers with the least hissing."

In spite of the disputable image, he hit the target: taxation is a powerful instrument, not only to collect revenue but also because it allows the government to discourage inefficient behaviours.

Nevertheless taxes have a distortional effect on consumption: they change relative prices of goods and services, modifying consumers' choices. As far as labour taxes are concerned, there is a tax wedge between the pay-roll and the employee's take home wage. This wedge modifies relative prices and then the consumption decisions.

Actually taxation can be used to correct or internalize externalities. Air pollution is a typical example of externality: introducing a tax on fuel carbon content, we expect a change in the fuel mix from carbon intensive fuels toward green fuels (natural gas instead of coal...).

An environmental tax reform scheme should:

- Reduce or remove perverse subsidies
- Restructure existing taxes to discourage polluting activities
- Introduce new environmentally related taxes, if needed

The basic idea is to realize a tax shift in a revenue neutral way, from labour (which is "good") to pollution (which is "bad"). In other words a win-win strategy that could realize two target in one, without additional costs. The distortional effect is turned to discourage pollutant behaviours.

* Researcher at Scuola Mattei – Eni Corporate University - stefania.migliavacca@enicorporateuniversity.eni.it

The double dividend

The first dividend refers to the environmental quality improvement, while the second dividend concerns the reduction of labour costs which should enhance employment. It is important to distinguish between weak and strong double dividend.

The weak double dividend occurs as long as the environmental improvement plus the tax revenue compensate the distortional effect generate a net positive benefit. The strong double dividend argument postulates that the introduction of green taxes is welfare improving for purely fiscal reasons, even when their environmental effect is negligible. However the existence of a strong double dividend is questioned in the literature.

Anyway there is a general consensus about conditions that must occur to realize an Environmental Taxation Reform (and hopefully a double dividend). They can be divided in:

National economic contest:

- The degree of substitutability among factors of production
- The labour market situation
- International harmonization

Political action contest:

- Timing
- Social consensus

Substitution rate

It is an important element to evaluate the feasibility of ETR. Green taxes should affect fuels relative prices so that firms switch to the most cost effective fuel mix. To do that, there must be few technological limits in fuel substitution. Moreover if it is possible to use more labour instead of energy, the double dividend is more likely to succeed.

Labour Market

The same ETR implemented in different labour market contests could generate quite different results. In particular the double dividend seems to be more frequent in models with wage rigidities hypothesis. In those cases the cut in social security contributions reduces labour costs and firms should demand more labour. Otherwise, if wages are flexible, they would cancel the employment gain.

International harmonization

A very important issue that has to be considered is the possible loss of international competitiveness in sectors affected by green taxes. For this reason the international harmonization of environmental taxation should play a crucial role to avoid carbon leakage and pollution havens phenomenon.

Timing

Green taxes are supposed to change relative fuels prices. But a sharp increase in fuel prices could have the opposite effect, generating strong inflation. That is why taxation should be introduced step by step.

Social consensus

People should be aware of the ETR mechanism, in order to understand the policy target and to be in favour of it.

The University of Surrey promoted the PETRAS project¹, aiming to promote ETR and its political acceptability. The project, which involve five European countries (Ireland, UK, Denmark,

¹ Policies for Ecological Tax Reform – PETRAS - <http://www.soc.surrey.ac.uk/petras/>

France and Germany), revealed a poor awareness of ETR mechanism among managers and a scarce visibility of benefits.

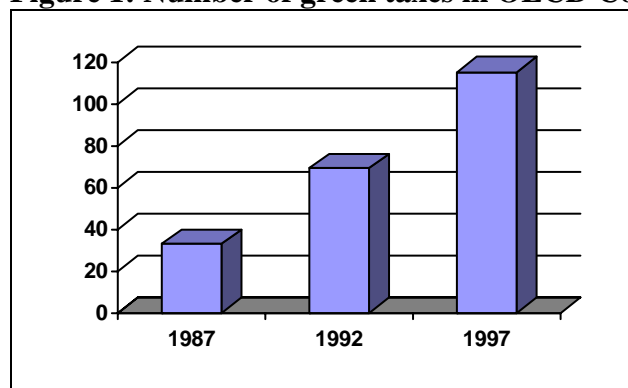
The double dividend feasibility depends crucially on the political-economic contest, and we are going to find out what is happening in different countries.

From economic theory to real world

In the last decade, industrialized countries increasingly referred to market based instruments to face environmental problems. Unlike command and control approach, economic instruments create price signals for firms and consumers about resource scarcities and pollution costs. Then the choice among different products or behaviours includes the full cost of each option. Environmental taxes are “major tools to get the prices right and to create market-based incentives for environmentally friendly behaviour...” (5th Environmental Action Program, EU Commission 1992). This approach allows firms and individuals greater flexibility in their energy and environmental decisions, reducing cost to the economic system.

As shown in figure 1, political decision makers seem to have followed the environmental economists’ advice on taxing pollution. In Europe in particular, green taxes are fast growing in recent years, nevertheless they assume different characteristics in different countries. As said before, the political acceptability of environmental taxes is crucial and therefore the action of powerful lobby groups (for example energy intensive industries) could strongly influence Government decisions. This political lobbying modifies the tax structure shifting the pressure from industries to final consumers. Further evidence comes from Svendsen e Daugbjerg² (figure 2).

Figure 1: Number of green taxes in OECD Countries



Source: Daugbjerg e Svendsen 2001

Figure 2: industry and households minimum level of environmental taxation (Euro/ton CO₂) 1997

	Finland	Sweden*	Norway	Denmark	Netherlands
Industry	7.8	10.4	19.6	8.9	8.1
Households	17.8	41.6	44.2	79.5	8.1

*CO₂ households taxation is defined as four times the industrial one.

In spite of many differences there are some common issues among all those green tax policies³:

- a. The tax shift has a positive effect on employment and a slightly negative effect on GDP.

² Svendsen, G.T. et al (2001) “Consumers, Industrialists and the Political Economy of Green Taxation: Co2 Taxation in OECD” Energy Policy 29 – 2001

³ OECD (2001) “Environmentally Related Taxation in OCSE Countries: issues and strategies” Paris

- b. Best results are obtained if the social contributions reduction is applied to unskilled employees.
- c. Taxation must be applied stepwise, increasing no more than 4% per year
- d. Further actions are needed to prevent competitiveness losses on international markets

Carbon Leakage

An important issue linked to international harmonization and national competitiveness is *carbon leakage*.

Carbon leakage occurs when the reduction of polluting emissions by one country induces higher emission levels by another country. Since negative externalities are associated with the total amount of emissions, this effect reduces the effectiveness of environmental policies.

A strong emission reduction policy applied in one country could incentive the delocalization of pollution-intensive activities in other countries where the environmental legislation is less stringent. Another cause of carbon leakage derives from fuel relative prices: suppose that in Country A the taxation of carbon intensive fuels reduces the demand for coal, reducing the price on the international market. Country B where environmental protection is null will increase the consumption of coal, since now it is cheaper than other fuels. This mechanism reduces the effectiveness of environmental policies because pollution has no national boundaries.

A chance of reducing carbon leakage and safeguarding the national competitiveness could be the green tax exemption of sensible sectors. But in this way the tax burden shifts obviously towards final consumers. Nevertheless tax exemptions are commonly applied all over Europe.

The general concern about competitive losses due to environmental taxation seems to be more a form of indirect lobbying than a concrete eventuality. Indeed Sweden and Denmark, where ETR is a reality, are the most competitive economies in Europe⁴.

The aim of green taxes is on the one hand to prevent pollution and on the other hand to raise revenue. Moreover much more revenue should be recovered removing the so called “perverse subsidies”. In fact the same activities taxed by ETR are often subsidized by the government.

In 1998, Norman Myers analyzed perverse subsidies in four economic sectors: agriculture, energy, transportation, fisheries. Myers estimated that public expenditure to “protect” these sectors is around 1500 billion dollars per year. The key principle of sustainable development “*Polluter pays*” is roughly reversed in “*Pay the polluter*”.

Figure 3: Perverse subsidies in OECD countries

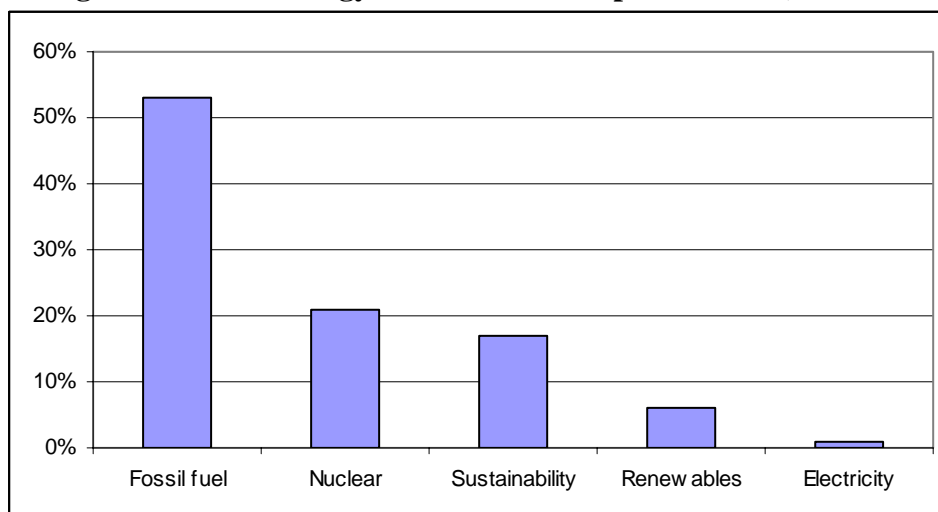
SUPPORT LEVEL IN OECD COUNTRIES US\$ BILLION											
	1987	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
AGRICULTURE	326				394					336	362
FISHERIES									6.8	6.3	
COAL PRODUCTION	13.2			10.8	11.9	9	10.3	11	9.3	7.7	6.1
INDUSTRY		36.9	41.6	45.7	44.1	43.7					

NOTE: fonti OECD e IEA

In OECD countries the energy sector is subsidized with around 20 billion dollars a year. One third is addressed to coal production. The following picture shows the detail:

⁴ European Commission (2002), “European competitiveness report” Enterprise Publication, Luxembourg.

Figura 4: direct energy subsidies in European Union (between 1990-95)



Source: European Union

The picture considers only direct subsidies; however it is clear that they are not environmental friendly. Almost 53% of total subsidies flow towards fossil fuel sector while only 6% goes to the development of renewable energy sources.

Environmental Taxation in other European Countries

The following table resumes the main features of Environmental Tax Reform around Europe: the starting year, the total amount of the revenue, which tax has been raised and which one has been cut. ETR is a recent instrument implemented first by northern countries such as Sweden and Denmark.

Figure 8: Environmental Tax Reform in Europe

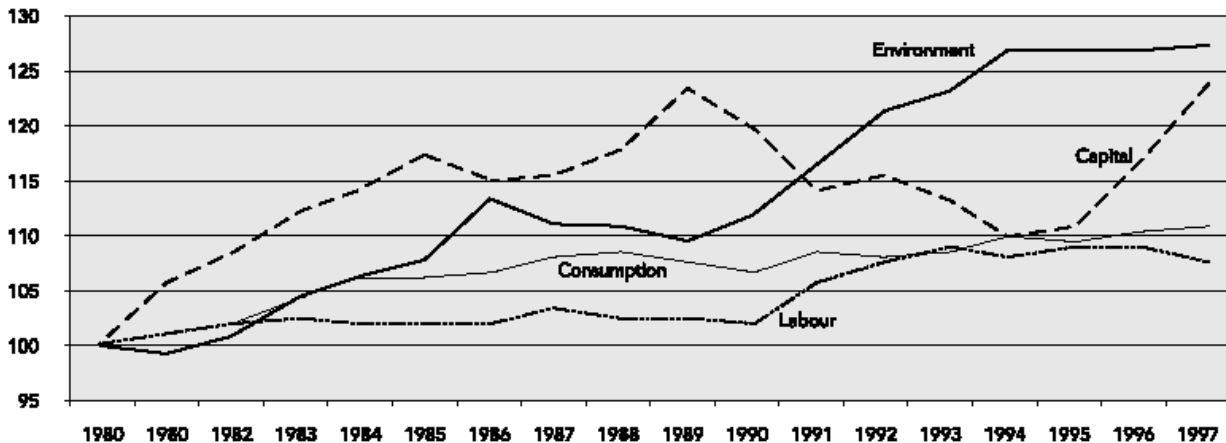
Country and year	Tax cut	Tax raised	Dimension
Sweden 1990	Personal Income Tax (PIT)	CO2 SO2	2,4% of total tax revenues
Denmark 1994	PIT Social Security Contributions (SSC)	CO2 Capital gains	Over 6% of total tax revenues
Netherlands 1996	PIT SSC	CO2 SO2	0,5% of total tax revenues
UK 1996	SSC	Landfill	Around 0,1% of total tax revenue in 1999
Finland 1997	PIT SSC	CO2 Landfill Corporate Profits	0,5% of total tax revenues
Norway 1999	PIT	CO2 SO2 Diesel Oil	0,2% of total tax revenues
Germany 1999	SSC Renewable energy	Petroleum products	Around 1% of total tax revenue in 1999
Italy 1999	SSC	Petroleum products	Less than 0,1% of total tax revenue in 1999

Source: European Union

Between 1985 and 1999 the environmental tax revenue has grown faster than the others (see figure 10). During the same period in the European Union environmental taxes revenue increased

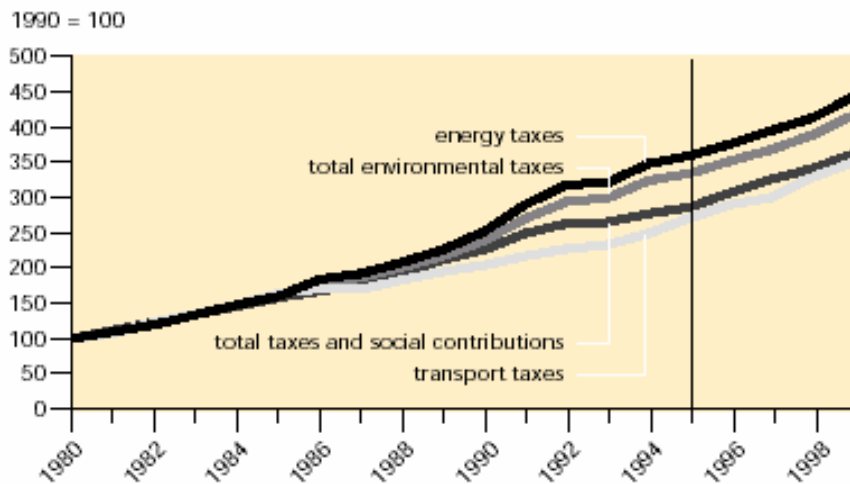
from 2,7 to 2,84% of GDP while labour taxes revenue decreased form 23,8 to 23% of GDP. This trend is even clearer in the northern part of Europe like Denmark, Finland and Netherlands. Figure 11 shows which countries are realizing a shift between labour taxes and environmental taxes: the right route towards an “ecological tax reform” is indicated with blue arrows. It is interesting that countries on the right track have a higher rate of taxation both on labour and on environment. On the contrary other countries, with lower levels of taxation are following different paths.

Figura 9: revenue growth index as % of GDP – different taxation, EU15, 1980=100



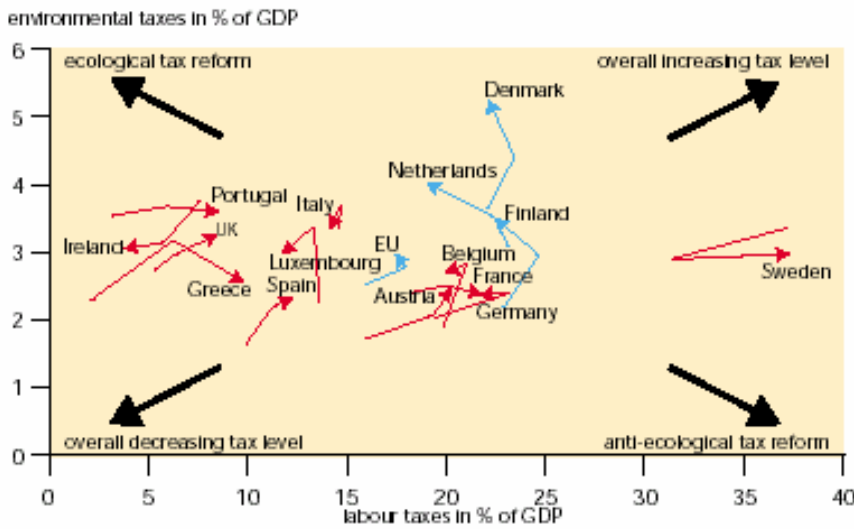
Source: Eurostat

Figure 10: Environmental taxation revenue compared with total revenue and social contributions (EU15)



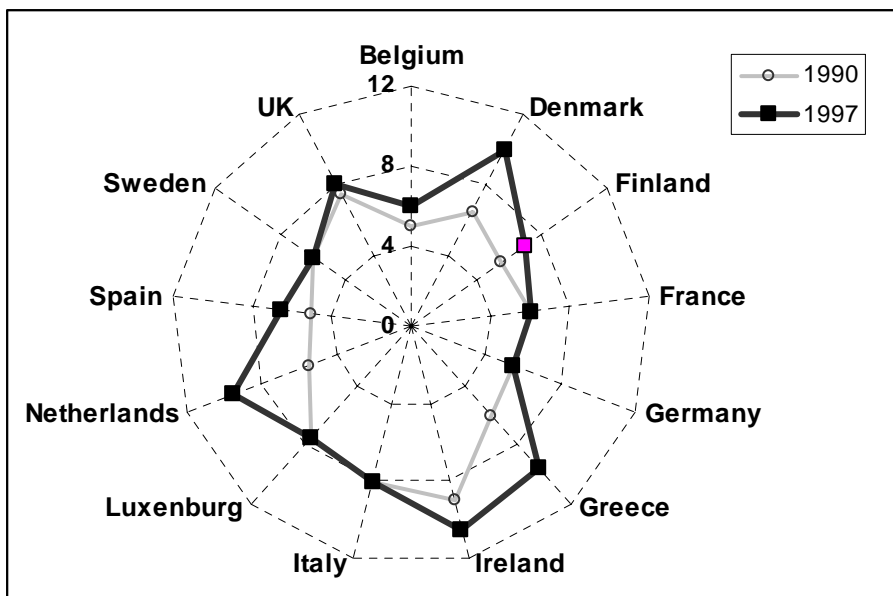
Note: the vertical line indicates a change of definitions used.
Source: Eurostat

Figure 11: environmental taxation and labour taxation revenues as % of GDP, EU15 (1995-2001)



Source: Eurostat, European Commission, EEA

Figure 12: green taxes revenue as % of total revenue, 1990 - 1997



Source: Eurostat

As the radar graph indicates, from 1990 to 1997 environmental taxes revenue (as percentage of GDP) increased almost in all European countries, except from Italy, Luxemburg, France, Germany and Sweden.

Certainly a specific focus should be dedicated to Eastern Europe Countries: the transition economy is a peculiar contest for the implementation of ETR. The main risk for these Countries is to incur all pollution intensive activities from near industrialized countries. To avoid this carbon leakage they choose to increase green taxes, in particular energy taxes and mineral oil taxes. Green taxes revenue is mostly assigned to national environmental funds.

Although the double dividend hypothesis is strongly debated in the economic arena, ETR seems to be a cost effective policy measure to reduce pollution. A part from the probable positive effect on employment, an eco tax reform mainly bring out the right price signal for polluting activities and

goods, making the individuals aware of their behaviour. Then even if the second dividend is uncertain, the first one is quite sure and useful.

Figure 31: ETR in European Countries: main features

	1		2		3		4		5			6		7		8	
	<i>Tax raised</i>	<i>Subsidy Cut</i>	<i>Pollution tax</i>	<i>Natural resources tax</i>	<i>Internalization</i>	<i>Rent capture</i>	<i>Explicit</i>	<i>Implicit</i>	<i>Budget positive</i>	<i>Budget neutral</i>	<i>Budget negative</i>	<i>Recycling</i>	<i>Earmarking</i>	<i>Labor tax cut</i>	<i>Capital tax cut</i>	<i>Mitigation</i>	<i>No compensation</i>
Sweden ^a	X		X		X		X				X	X	X	X		X	
Denmark ^a	X		X	X ^e	X		X		X			X	X	X	Tax ^e	X	
Netherlands ^a	X		X		X		X		X			X		X	X	X	
United Kingdom ^a	X		X		X		X		X			X		X		X	
Finland ^a	X		X		X		X			X	X			X	Tax ^d	X	
Norway ^a	X		X		X		X		X		X			X		X	
Germany ^a	X		X		X		X			X	X			X		X	
Italy ^a	X		X		X		X		X			X	X	X		X	
Austria ^b	X		X		X			X	X				X			X	
Belgium ^b	X		X					X	X					X		X	
Others ^b	X		X		X			X	X				X				

Notes:

- a) The explicit ETR packages, which have occurred since 1990, are listed in the non-shaded rows. Examples of implicit ETR or elements of ETR are given in the shaded rows.
- b) These countries are listed as examples of implicit budget-positive ETR. There has also been implicit ETR in each of the 8 countries with explicit ETR, since environmental taxes had been used for many years before the explicit shift in the tax base took place. As explained, before there was explicit ETR, all these implicit shifts were budget-positive.
- c) Denmark raised the tax on individuals' capital income as well as closed capital income loopholes for individuals to finance the third stage of its ETR.
- d) Finland raised corporate profit taxes in the second phase of its ETR.
- e) Denmark used a tax on the withdrawal of water to finance part of the first stage of its ETR. Such taxes are also in use in other countries, but they have not served to finance ETR

Source: Center for a Sustainable Economy

This last table help us to resume the main features of ETR in European Countries.

- Even though ETR does not require necessarily the introduction of new taxes (financing the shift trough perverse subsidies removals) this always happens (see column 1)
- All countries choose to tax emissions (column 2)
- Some countries choose implicit forms of ETR (column 4)
- ETR is not always *revenue neutral*
- The green revenue can be recycled to reduce other taxes or invested in different sectors. The latter solution is adopted in East Europe and in other countries with no specific unemployment problems (column 6)
- If the revenue is recycled, it is destined to labour taxes more than to income taxes. (column 7)
- As column 8 shows, there are always mitigation measures, tax reductions and compensations.

Italy

Italy is considered a very interesting case study as far as environmental taxation reform is concerned.

The Italian energy efficiency is quite relevant and the energy intensity low. In fact, as a consequence of high price instability in the Seventies, the Italian industry sector improved its energy efficiency and invested in energy saving processes. This means that a further improvement in this direction is very difficult to succeed. Furthermore, NOx emissions from road transport have been fast growing in the last decade and also ground pollution is a problem.

The Italian unemployment rate is high and the employment growth rate is one of the lowest in OECD Countries. The labour market is highly burdened with taxes. Including income taxes, the wage gap (the difference between disposable income and cost of labour) is around 45%, the highest in Europe together with Denmark and Finland. The ETR should be a good opportunity to solve two problems in one.

Nevertheless there are several elements of uncertainty: first of all it is difficult to forecast the second dividend, i.e. the impact on unemployment. Indeed the Italian wage rigidity is strictly downward. As a consequence, wage fluctuations to compensate unbalance are unidirectional. In addition, in Italy hiring and firing cost are relevant components of labour costs.

Once illustrated the background, what is the role of taxation in Italian energy environmental policy? In 1998 the Government introduced an explicit carbon tax to reduce CO₂ emissions, by penalizing carbon intensive fuels (art 8 Law n.448/1998). The tax scheme is indicated in the following table.

Figure 5: italian carbon tax

	2005 (lit/kg or mc)	1999 (lit/kg or mc)
Fuel oil	41.26	29.68
Diesel oil	32.21	24.64
Natural gas	8.7	0.87
Coal	41.84	5.08
Coke	59.24	6.82

Source: Autorità per l'energia elettrica e il gas 1999

As the table shows, the carbon tax was design to be gradually implemented, to avoid inflation consequences. The primary intent of carbon tax was to modify relative prices, in order to encourage a progressive substitution of fuel oil and coal with natural gas. This change in the fuel mix was considered useful to realize the Kyoto target for Italy.

Law n.448/1998 issued that 60.5% of the total carbon tax revenue raised in the first year must be used to reduce labour social contributions. In particular this share of revenues was addressed to cover social contributions for new hiring in the south of Italy. Another relevant share (31.1%) should be invested in compensation measures, to repair environmental damages, while 8.4% of the revenue should promote energy efficiency improvements.

The estimated revenue shifted through this carbon tax would have been around 1.1 billion Euro in 1999 and 5.4 billion euro in 2005⁵.

At the end of the first year of implementation, carbon tax revenue (around 1.2 billion Euro) was divided as follows: 681 milEuro reducing labour taxation, 353 milEuro reducing other taxes, 154 milEuro invested in environmental protection projects.

This carbon tax seems to be quite well planned. Yet, in 1999 the tax was suspended (and never re-established) because of the high increase in oil price. That is why nowadays we can not evaluate the effectiveness of Italian carbon tax. Economic studies on Italian carbon tax can only evaluate the potential ex ante. The result is frequently positive even if the high unions' coverage and density are higher than in the other European Countries.

Carbon taxes every now and then turn up again in the political debate on environmental measures. For a better understanding of the Italian environmental policy, we briefly sum up the recent progress.

The turning point for the Italian environmental policy was the European Union acceptance of the Kyoto Protocol and the consequent burden sharing agreement among member Countries (1998). The Italian target is a 6.5% reduction with respect to 1990 emissions level. This means around 487 Mton CO₂ emissions in 2008-2010, starting from 546 Mton CO₂ emitted in year 2000. It is evident that the effort required to the country is huge. In 1998 the Italian Government issued an energy environmental policy plan aiming to reduce greenhouse gases emissions. The main features of the document are listed below.

Figure 6: CIPE Resolution 1998

ACTIONS	REDUCTION TARGETS		
	MtCO ₂ 2002	MtCO ₂ 2006	MtCO ₂ 2008/2012
Power plants efficiency improvements	-4/5	-10/12	-20/23
Energy consumption reduction in transportation sector	-4/6	-9/11	-18/21
Renewables energy sources	-4/5	-7/9	-18/20
Energy consumption reduction in industrial/residential/service sectors	-6/7	-12/14	-24/29
Emissions reductions in energy sector	-2	-7/9	-15/19
Carbon sinks	-	-	-0.7
Total	-20/25	-45/55	-95/112

The power sector was in charge of the great reduction burden. This first CIPE resolution pointed out some qualitative guidelines for greenhouse gases emissions reduction. There is no indication about how to reach these targets or how much will it cost. In 2002 Italy ratified the Kyoto Protocol and in the same year the CIPE resolution has been updated with a more specific version. First of all there is a detailed picture of current Italian emissions and a forecast to 2020. Moreover policies and measures are detailed and for each one there is cost estimation per ton of CO₂ abated. The quantitative framework (stripped down to essentials) is summarized in the following table.

⁵ "Carbon Tax Boosts Italian Fossil Fuel Prices," *ENDS Environment Daily* (London: January 19, 1999); Organisation for Economic Co-operation and Development (OCSE), *Greening Tax Mixes in OCSE Countries: A Preliminary Assessment* (Paris: OECD, 2000), web-site <http://www.OCSE.org/env/policies/online-eco.htm>.

1	Kyoto Target		487.1
2	“BAU” Forecast	579.7	
3	"BAU" Surplus (2-1)		92.6
4	Effect of Already Specified Domestic Policies (ASDP)	39.8	
5	Surplus after ASDP (3-4)		52.8
6	Effect of Already Specified JI-CDM (ASCJ)	12	
7	Surplus after ASDP and ASCJ (5-6)		40.8
8	Residual (to be covered by further actions and Emissions Trading)	40.8	

Then, in the absence of any intervention (profit- or policy-induced) Italy should miss the Kyoto Target by a 92.6 Mton. CO₂ eq. per year. The CIPE guidelines then distinguish between a set of Already Specified Domestic Policies (ASDP) and a set of Already Specified CDM-JI actions (ASCJ) on the one hand, and a set of Further Domestic Policies (FDP) and a set of Further CDM-JI actions (FCJ) on the other hand. If we assume full implementation of ASDP and ASCJ we get the reference surplus of 52.8 Mton per year. It is then immediate to notice that ASDP and ASCJ leave a residual surplus corresponding to 44% of the whole adjustment from the BAU forecast to Kyoto target, to be covered by FDP, FCJ and emission trading. The CIPE Guidelines expect emission reductions from FDP (including reforestation for 10.2 Mton per year) ranging between 33 to 48 Mton. CO₂ eq. per year and reductions between 19,5 and 43 Mton CO₂ eq. per year from FCJ.

Then the joint potential of FDP-FCJ seems so large (between 62 and 101 Mton CO₂ eq. per year), that even in the least favorable of cases, Italy should turn out to be a net seller on the emissions trading market. On the other hand, especially as regards FDP/FCJ, the CIPE Guidelines provide just a list of possible actions, without any indication of how, when, by whom and under which incentives (profit opportunity, tax/subsidy incentives, legal constraints) they should presumably be implemented (see also Di Giulio-Migliavacca-Vaglio 2003). According to figures in the CIPE guidelines, 52% to 78% of FDP and almost 70% of FCJ have non positive private costs which implicitly mean that actually no public policy is required to reach the target, but that market should do the job. However, no explicit statement is available in this sense.

As regards the ASDP (56% of the planned CO₂ emission reductions), the burden of adjustment is distributed as follows:

1	Power industry	26
2	Residential and services	6.3
3	Transport	7.5
4	Total	39.8

That Italy relies to a large extent on policies affecting the electric industry for its meeting the Kyoto target is even clearer if one realizes that the 6.3 Mton. CO₂ eq. expected reduction which is attributed to residential and services also consists by 50% in interventions on household electricity consumption. Then 73% of domestic measures should affect, either on the supply or on the demand side, the electricity sector.

Of the 26 Mton of CO₂ emission reduction attributed to power industry, 41% should be attained by resort to increased imports (2300 MW), 25% by increased capacity in energy from renewable sources (2800 MW) and 34% by expansion of Combined Cycle Turbines (3200 MW). It is worth noting that the planned increased electricity imports somehow conflict with the frequently declared aim at reducing the foreign dependency of Italy as regards energy.

The draft version of CIPE 2002 included a carbon tax as a relevant action in the transportation sector: 1 Cent of Euro/litre of gasoline should be levied and invested in reforestation projects. This measure should abate 10.2 Mton CO₂ per year, which would be a great result in such a problematic sector. It is not clear why this action was excluded from the final version.

To conclude: Italian chance to reach Kyoto is partially linked to the need of investment in new technologies and carbon intensity reduction. A carbon tax could provide precise price signals to industry and consumer, encouraging a greening of the fuel mix. In spite of this, the Italian Government do not seem to believe in fiscal measure and a new carbon tax seems quite unrealistic. Moreover, policies and measures proposed by the CIPE guidelines are quite uncertain too. The document was issued in 2002 but the current degree of implementation is near to zero. In the meanwhile, Italian CO₂ emissions are growing out of control and, thanks to Russian ratification, the first Kyoto Commitment Period will start in 2008. This year should be a harsh awakening for the Italian Government because national policies and measures will probably generate less emissions reductions than expected, and Emissions Trading would be the only (quite expensive) way to reach the target. Moreover, we cannot exclude that the price of carbon credits will be higher than forecasted, due to the fact that other European countries will be in the same situation like Italy and will buy credits on the international carbon market.

Final Remarks

To sum up, over the last decade the *Environmental Taxation Reform* has been implemented in a growing number of European countries. Eastern Europe Countries are evaluating this opportunity, together with the other economic instrument for environmental protection, such as clean development mechanism and emissions trading.

From the empirical aspects of this study some distinctive features of ETR come out:

- First of all the cut in labour taxation, in particular starting from lower wages to avoid distribution inequalities
- Additional actions are needed to prevent competition losses in energy intensive sectors
- Further measures must keep under control price fluctuation in order to avoid inflation
- Energy saving and energy efficiency technology must be supported economically; best practises and best technologies must be shared

Anyway there are also open questions: for example the adaptation of ETR to economies in transition, the international harmonization of green taxes etc...

In particular, for Italy, the main problem is to really undertake any environmental action!

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