

'Incentives of a fiscal nature to support the plastic strategy and finance the EU Budget'

Input for the Roundtable with stakeholders on Plastic Tax

Plastic makes a positive contribution to the European economy and improves the daily life of the European citizens. At the same time, the way plastics are currently designed, produced, used and disposed of generates important environmental externalities, and leads to a loss of potentially valuable resources that could be reinjected into the EU economy. This is particularly true for the generation of plastic waste. Europeans generate 25 million tonnes of plastic waste, of which less than 30% is collected for recycling. The recent Chinese import restrictions on plastic waste further increase the need to use plastics more efficiently and to increase recycling capacity within Europe.

The European Commission adopted on 17 January 2018 a Europe-wide strategy on plastics¹. This strategy announces 39 specific actions aiming at improving the recycling of plastics and promoting the transition to a circular economy as well as curbing plastic pollution and marine litter. At the same time, the strategy will help make our plastic industry more competitive and innovative. As part of this strategy, the Commission has announced the objective of ensuring that all plastic packaging on the EU market is recyclable by 2030, and that it is working on potential legislative measures to deal with the challenge of the increasing use of single-use plastics. The Commission has also initiated action to restrict the intentional addition of micro-plastics to specific products and the use of so-called oxo-degradable plastics.

The strategy also mentioned that the Commission will explore the feasibility of introducing measures of a fiscal nature at the EU level as a supplementary instrument. Using economic instruments could generate public revenues, part of which could be allocated to the EU budget. The MFF Communication² adopted in February 2018 reviews several potential new sources of own resources and highlights that other own resources are being considered.

Allocating proceeds from a plastics tax, other fiscal measures or economic instruments to the EU level, would result in the modernisation of the EU budget by making sure it contributes to implementing key EU policies such as a level playing field in the internal market, environmental protection, or the promotion of plastic recycling.

The purpose of the roundtable is to discuss the main options, to gather relevant information, arguments and feedback from the main stakeholders. It will allow the Commission to better assess the impact of an intervention in this area. The roundtable could be structured around the following two questions:

1. How can a fiscal measure stimulate behavioural changes on behalf of the industry and encourage more responsible consumer behaviour?

Fiscal measures, if well designed should stimulate innovation, hence growth and job creation while protecting the environment. Participants are invited to express views on:

¹ COM(2018) 28

² COM(2018) 98

- (i) How a production tax can be put in place without penalising European industry, which already operates in a competitive international environment;
- (ii) Whether a production tax is the most efficient tool to incentivise eco-design, recyclability and innovation.

Fiscal measures related to the consumption of products can provide effective incentives for changes in consumer choices and behaviour. For example, experience in Member-States shows that applying economic instruments that ensure that plastic bags are not provided free of charge can trigger significant behavioural change. Other Member States have used regulatory instruments to limit plastic bag consumption. Participants are invited to express their views on the following issues:

- (iii) Is taxation of selected products a suitable instrument to stimulate more sustainable consumer behaviour and reduce consumption of certain products?
- (iv) Which plastics products should be selected for end-user taxation to guarantee a positive policy effect of such taxation?
- (v) Is taxation an efficient instrument to stimulate recycling?

2. What could be the role of the revenue side of the EU Budget?

When considering an intervention, the Commission always assesses whether the action should be taken by the Member States rather than the Union. In this context, the EU budget could provide a financial incentive for the Member States to reduce plastic waste and promote its recycling. Member States could consequently adopt the most appropriate measures to achieve this objective. The Commission invites opinions as to:

- (vi) Whether the Member States should have a degree of discretion in deciding on the best measures (regulatory or economic instruments, including taxation), in line with the principle of subsidiarity.
- (vii) How to best use the EU budget to incentivise Member States to improve plastic waste management, in particular recycling?