Eco-fiscal Tools and Municipal Finance: New Practices and Opportunities

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New practices and opportunities

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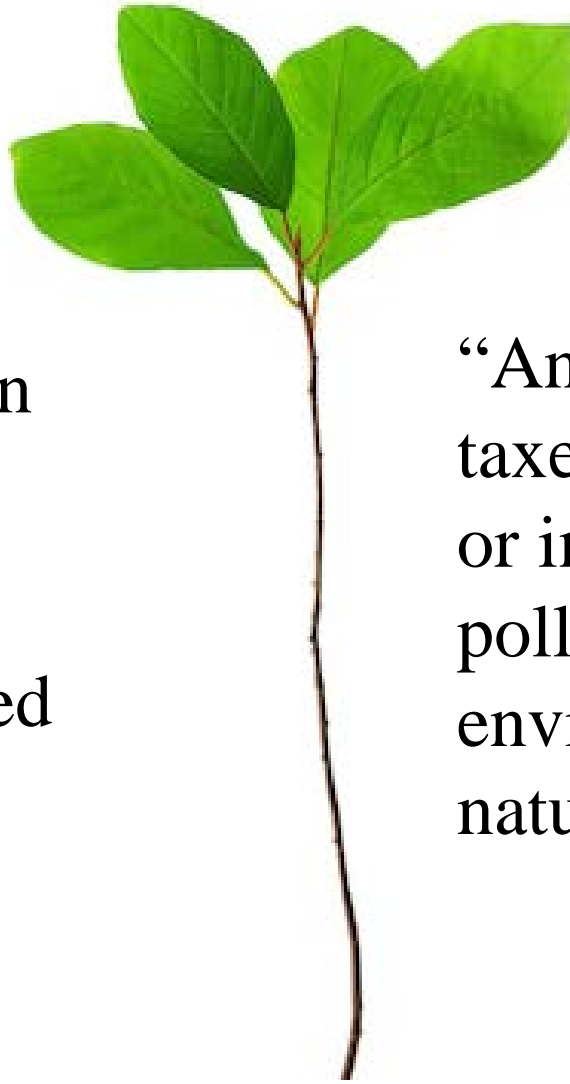
What are eco-fiscal tools ?

Similar terms

Environmental taxation
Ecological taxation
Green taxation
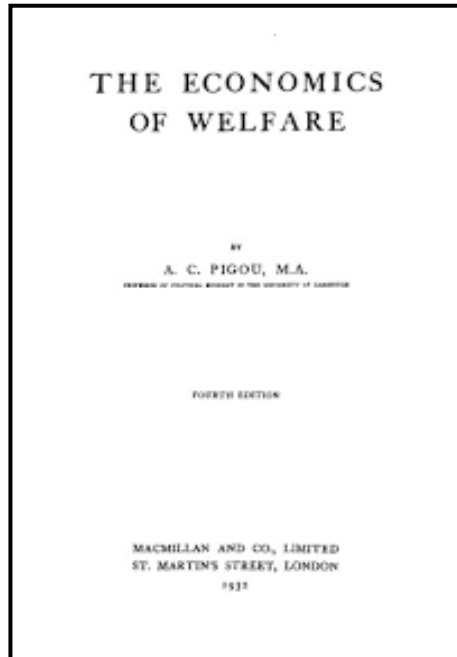
Environmentally related
tax revenue

OECD

Definition

"Any form of municipal levy (including taxes, fees and charges) that has a direct or indirect impact on a behaviour or pollutant that deteriorates the environment or results in the loss of natural resources."

Benefits of eco-fiscal tools

The concept of double dividend

THE ECONOMICS
OF WELFARE

BY

A. C. PIGOU, M.A.
PROFESSOR OF POLITICAL ECONOMY IN THE UNIVERSITY OF CAMBRIDGE

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1932

Improve the environment

Improve tax efficiency

Coercive measures

Rules and regulations

Eco-fiscal measures

Communication tools

Free choice

The importance of eco-fiscal tools in Canada

Environmentally related tax in % of tax revenue, 2021
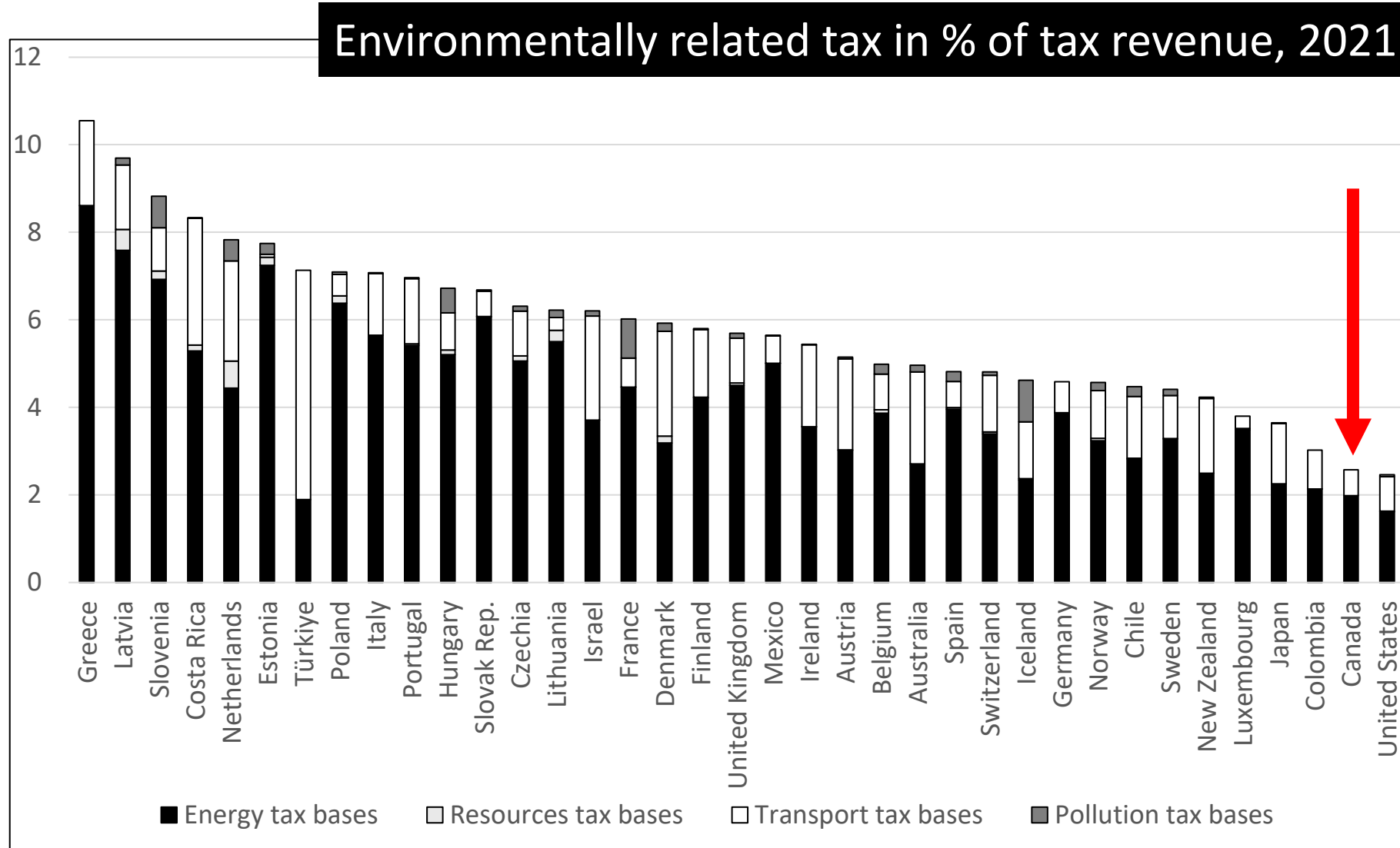
Legal basis of municipal eco-fiscal tools

- **Tax**
  - Economic levy with no link to the payer's right to a public service
  - Direct tax
  - General taxation power or specific power
- **Regulatory charge**
  - Payment collected by a public authority associated with its regulatory regime.
  - Must focus on either of two objectives:
    - 1) collect money to finance exclusively the regulatory regime (e.g. development charges);
    - 2) induce behavioral changes of the person who pays.
- **User fee**
  - "Price tag" imposed on users in exchange for access to public services received or made available.
  - User-pay principle, employed to partially fund municipal services.

Behavioural changes: induced by disincentives and incentives

- **Taxes, regulatory charges & user fees**
  - Because they often vary according to actual consumption or use, they can influence the behaviour of the users sensitive to price tag (residents, businesses or institutions) and thus may promote resource conservation.
  - They can also influence behavior by funding programs, infrastructure or services that generate environmental benefits.

Municipalities and eco-fiscal measures

Objective / Withdrawal	Sustainable mobility	Urban planning and development	Air quality and reduction of GHG emissions	Drinking water and wastewater	Residual materials destined for landfill
Tax	Motor vehicle registration tax	**Tax on parking spaces** **FAR tax** **Vacant commercial property tax** **No-tree frontage tax** **Vacant home tax**	**Tax on oil heating or dual-energy appliances**	-	-
Regulatory charges	**Regulatory charges on major trip generators** **Development cost charges (for transit)** **Regulatory charges on parcel delivery**	**Regulatory charge for recultivating unused farmland** **Regulatory charge to reduce canopy loss** **Revitalization levies** Development charges	**Charge to offset GHGs associated with real estate development**	**Stormwater charges** Drinking water use and treatment charges	**Levy on single-use or individual containers** **Regulatory charge on construction, renovation and demolition waste**
User fees	**Tax for transit service** Variable pricing/parking stickers	-	-	Drinking water and wastewater fees	Incentive pricing for the collection and treatment of residual materials

Does it work ?

YES!

Does it work ?

Carbon tax reduces carbon emissions, stimulates innovation and improves the environment

Pricing helps to manage drinking water sustainably

Incentive-based pricing contributes to waste reduction

Road pricing (congestion charges) improves sustainable urban mobility

What's the problem then?

Distributional effects
Although the global impact of an eco-fiscal measure can be positive, there will always be winners and losers.

Administrative costs
Some measures are expensive to implement.

MERCI

THANK YOU

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