

Foreword

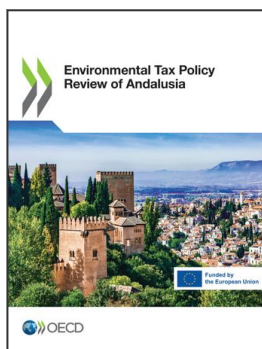
Environmental issues related to climate change, air pollution, waste and water management are key concerns in the Autonomous Region of Andalusia, Spain. Greenhouse gas emissions directly contribute to the global threat of climate change and air pollution has significant localised impacts on human health and the environment. Water pollution increases water treatment costs and degrades water quality, which is particularly concerning as water scarcity becomes more severe with climate change. A notable share of waste is disposed of in landfills and the extraction of raw materials damages ecosystems and generates greenhouse gas emissions and air pollution.

The report assesses how the Andalusia tax legal framework aligns with principles of good environmental tax policy, including a key focus on external (environmental) cost management. Andalusia has extensive responsibilities in taxation and environment policy, and therefore has scope to mitigate negative environmental outcomes while maintaining (or raising) tax revenues. As taxes can reflect the external costs of production and consumption activities on the environment, aligning taxes more closely with marginal external costs can improve market efficiency and move environmental outcomes towards socially optimal levels. The analysis also considers policy objectives beyond the efficient management of external costs, such as revenue raising and managing the distributional consequences from taxation, and considers other market-based or regulatory instruments, which may be better suited to address environmental concerns where taxation is less effective or where setting the “right” level of taxation would be too complex.

The analysis is guided by Andalusia’s environmental policy goals, existing legislation and the region’s legal competencies within the multi-level governance framework of Spain. The report provides the Andalusian government with strategic recommendations to use its tax competencies to pursue environmental goals in key environmental areas, namely greenhouse gas emissions and air pollution, water usage and pollution as well as waste and circular economy.

The report contains five parts. Part I describes the multi-level governance framework and tax competences in Spain and Andalusia. Part II analyses greenhouse gas emissions and air pollution focusing on stationary sources (industry and electricity, Section 3) and non-stationary sources (road transport, Section 4). Part III assesses water usage and pollution, Part IV assesses waste and circular economy, and Part V discusses the taxation of tourist stays. Parts II to IV begin by identifying the legal scope for action at the regional level. Parts II to V then assess how existing environmentally related taxes and fees applicable in Andalusia align with principles of good environmental tax policy and additional policy goals, and then close by providing strategic reform options in Andalusia. Detailed national and regional case studies are provided in the Annex to Parts II to V and underpin the strategic recommendations.

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