

# Fitness Check on the Polluter Pays Principle

DG Environment

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# What is the PPP?

- Article 191(2) of the 2007 Treaty on the Functioning of the European Union (TFEU) states that: “Union policy on the environment (...) shall be based on the ... principles ... that the polluter should pay” so relevant for policies affecting waste, water, air, soil, nature, etc
- Polluters bear the cost of measures taken to prevent, control and remedy pollution and the costs it imposes on society.
  - Covers market based instruments, **liability**, prevention actions etc; EU funds; also EU / national split

# European Green Deal

- **“Well-designed tax reforms can boost economic growth and resilience to climate shocks and help contribute to a fairer society and to a just transition.”**
- **Recognition that prices complement command and control legislation and essential for effective and efficient legislation**



# What did the European Court of Auditors find?

## The Polluter Pays Principle in EU environmental policy



the PPP is **reflected to varying degrees** in the different EU environmental policies and its **coverage and application is incomplete**.

PPP applies to **the most polluting installations (IED)** and to **pollution above emission**

**limits**



Waste legislation reflects the PPP but **does not ensure that polluters cover the full cost of their pollution**



Polluters **do not bear full costs** of water pollution



**No overall EU legislative framework** to protect against soil pollution



# What did the European Court of Auditors find?

## The Environmental Liability Directive (ELD)



- ELD provides for a partial application of the PPP in the event of environmental damage but **gaps in the implementation** across Member States



- Key ELD concepts remain **undefined**: different interpretations and application at Member State level



- Absence of mandatory financial security at EU level means in practice that **taxpayers pay for remediation costs** when an operator causing environmental damage becomes insolvent

# Zero Pollution Action Plan

- **Response: a “recommendation on how to better implement the polluter pays principle on the basis of a fitness check in 2024”.**
  - **A fitness check is an evaluation of a group of linked interventions justifying a joint analysis.**
  - **Compliant with Better Regulation Guidelines Call for Evidence, evaluation questions, evaluation report (SWD) at end.**
  - **Will be scrutinised by the Regulatory Scrutiny Board**

# Methodology

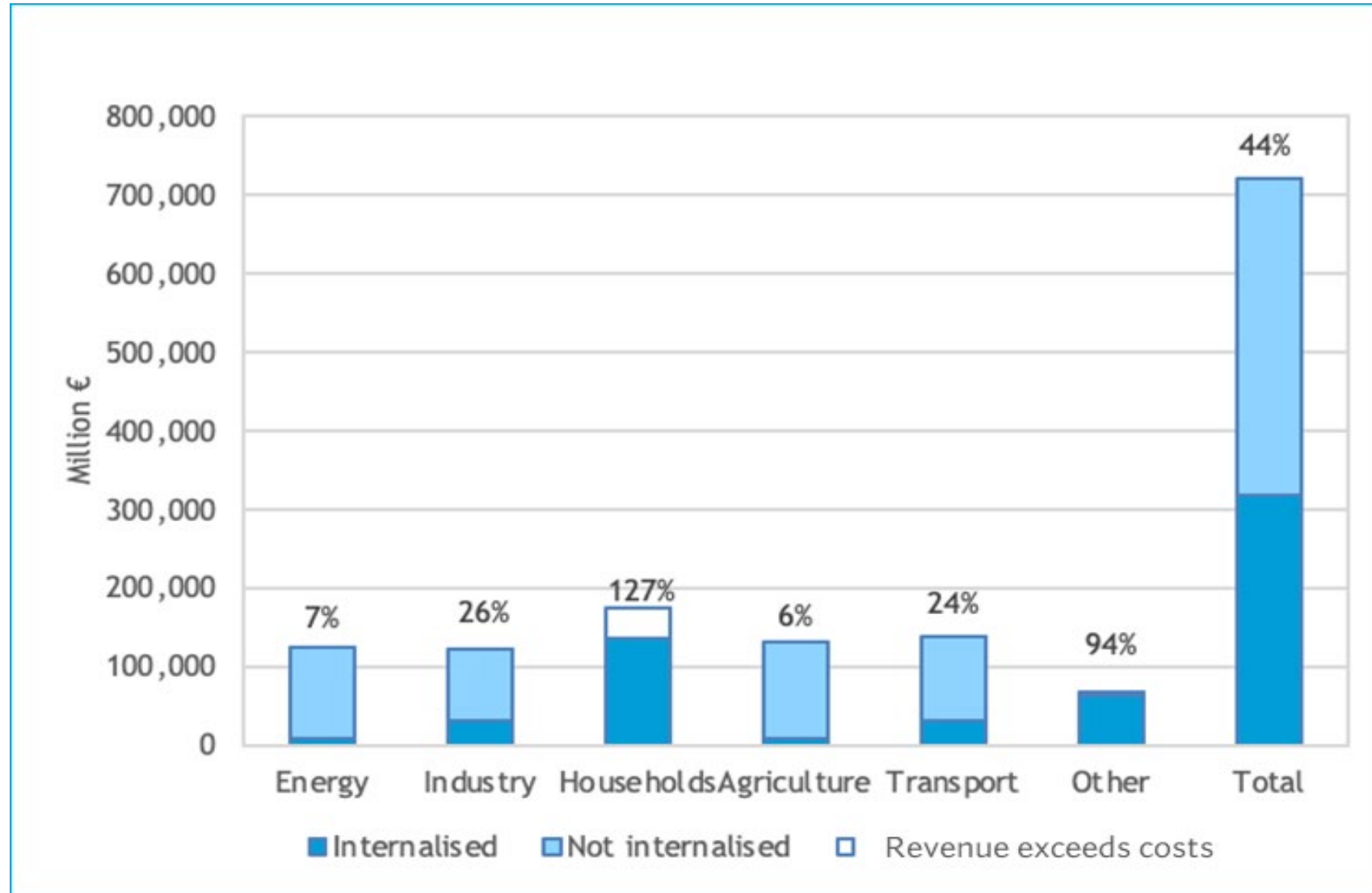
- Evaluation questions on effectiveness, efficiency, coherence, relevance, EU value added set in the Call for Evidence
- Open for feedback [Polluter Pays Principle – fitness check of its application to the environment \(europa.eu\)](#) until 9 December
- Scope is considerable – policies affecting the environment
- ELD evaluation will feed into it

# Scope covers national and EU policies

- Taxes are usually subject to unanimity in co-decision
- EC does promote pricing
  - ETS/CBAM; Energy Taxation Directive; charges, such as for water use, or through extended producer responsibility schemes, such as for waste; plastic bag charging or the emissions trading scheme; Environmental Liability Directive
  - Country specific recommendations under EU Semester



# We don't internalise the costs of air pollution and GHGs, EU-wide



# Environmentally Harmful Subsidies - don't pay the polluter



# 8th Environment Action Programme (EAP)

- “methodology developed in consultation with Member States, by 2023, to identify other environmentally harmful subsidies; on the basis of that methodology Member States shall identify other environmentally harmful subsidies and report them regularly to the Commission, allowing for a Commission report on the level and type of such subsidies in the Union, and on progress made on phasing them out.”

# Starting points

- **OECD definition, broad consensus and two distinct parts:**
  - 1. Subsidy - government action confers an advantage on consumers or producers, in order to supplement their income or lower their costs.**
  - 2. Environmentally harmful if causes negative environmental impacts**
- **Fossil Fuel Subsidies and Governance Regulation for the National Energy and Climate Progress Reports**

# Stakeholder consultation

- **Feedback ongoing on Call for evidence**
- **Online Public Consultation (12 weeks)**
- **Workshops and Targeted consultation**
- **Expert Group (also covering PPP)**