

8th Environment Action Programme

Share of environmental taxes in total tax revenues



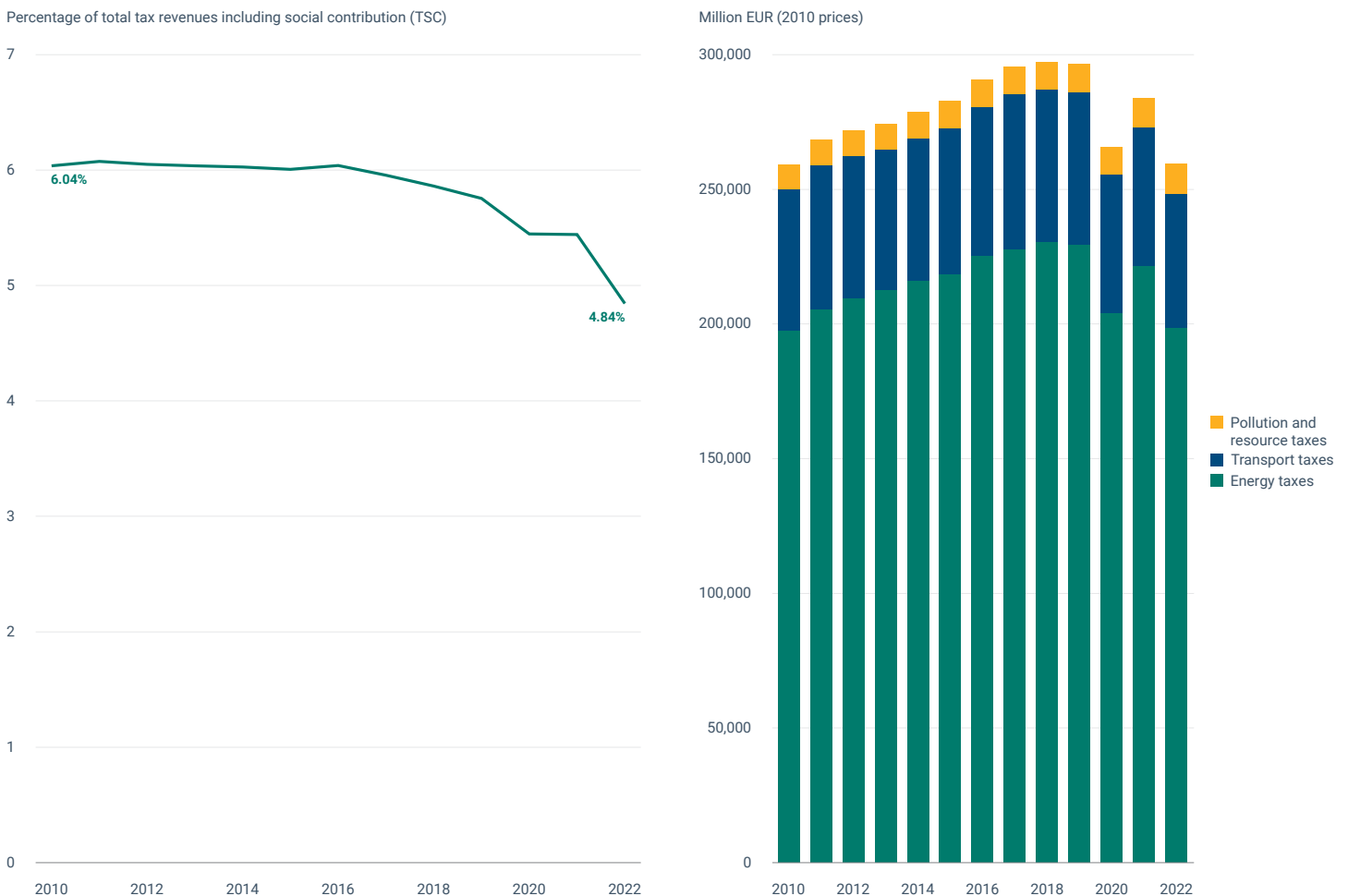
Share of environmental taxes in total tax revenues in Europe

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Despite the essential role of environmental taxation for the transition to a greener economy, the share of environmental taxes in total revenues from taxes and social contributions in the European Union decreased. This share fell from 6.0% in 2010 to 4.8% in 2022. Revenues from carbon pricing are expected to increase from 2027 with the start of the new Emissions Trading System. Whether this is sufficient to halt the persistent decrease in the overall share of environmental taxes is increasingly uncertain. Revenues from energy taxation may decline as future greenhouse gas emissions reductions erode the tax base.

Figure 1. Environmental tax revenues in the EU-27: in absolute numbers and as a share of total tax revenues including social contribution (TSC), 2010-2022



Environmental taxes encourage producers and consumers to pollute less and use resources more sustainably. Making **polluters pay** is at the core of EU environmental policy ^[1]. Both the [8th Environment Action Programme](#) and the [European Green Deal](#) acknowledge that environmental taxation is crucial for driving the transition to a greener, more sustainable economy.

Despite this, the share of total tax revenue accounted for by environmental taxes **fell** from 6.0% in 2010 to 4.8% in 2022. Driven by restrictions (e.g. on transport) related to the COVID-19 pandemic, environmental tax revenue declined in 2020 and 2022 to EUR317 billion (EUR260 billion in 2010 prices). Many EU Member States reduced excise taxes on petrol and diesel to alleviate the abnormal energy prices caused by the war in Ukraine. Therefore, 2022 was an exceptional year with unprecedented state interventions. Many measures put in place by Governments are temporary and environmental taxation could rebound as these are phased out.

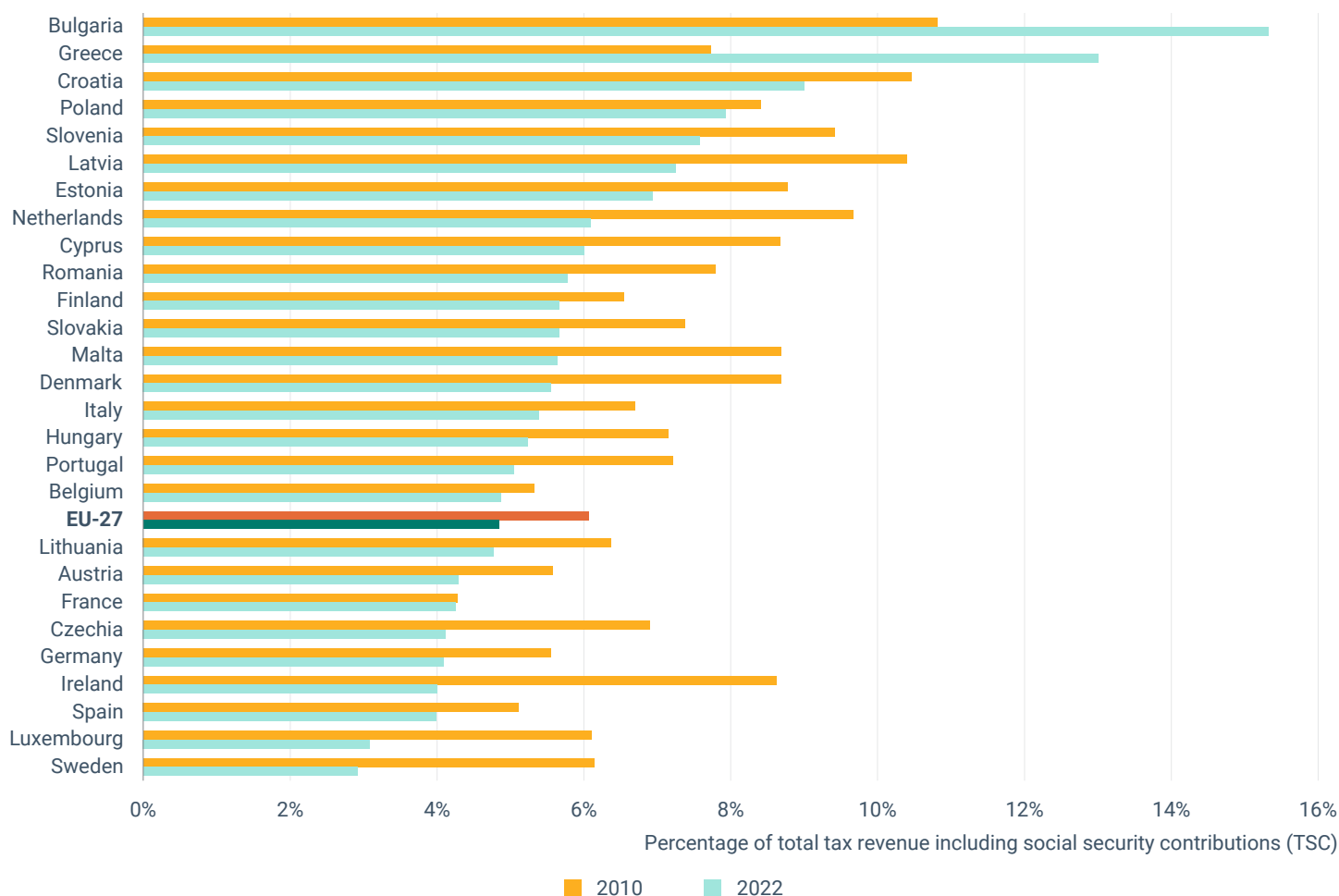
Energy and transport taxes combined accounted for 96% of total environmental tax revenue in 2022. Energy taxes, including carbon pricing revenues from the [EU Emissions Trading System \(EU ETS\)](#)^[2], accounted for 77%, transport taxes for 19%, and pollution and resource tax revenues for 4%.

Changes stemming from the [Fit for 55 policy](#) package may lead to an increase of EU ETS revenue. Sectors already covered by the EU ETS will have more ambitious greenhouse gas (GHG) emission reduction targets. From 2027 new sectors (road transport, heating of buildings, fuel use in certain industrial sectors) will be included in a [new EU ETS](#).

This suggests that the EU could increase environmental taxes as a share of total tax revenue by 2030, however this is increasingly **uncertain**. Environmental taxes as a share of total taxes have persistently declined and fell sharply in 2022. It is unclear if and to what extent environmental taxes will rebound, or whether the expected revenue from the EU ETS will be sufficient to offset this drop in future.

In the long term, revenue from the EU ETS is also expected to reach a peak and then decline as more stringent GHG emission **reduction requirements** are introduced and drive down emissions. Progress in the EU's transition to a climate neutral and green economy, while positive, will also erode the environmental tax base.

Figure 2. Revenue from environmental taxes as a share (%) of total tax revenue, including social security contributions, by EU Member State, 2010 and 2022



Trends in the share of **total tax revenue** accounted for by environmental taxes vary across the Member States. Between 2010 and 2022, this share increased in only two Member States (Bulgaria and Greece). The largest increase, from 7.7% to 13%, occurred in Greece. The share declined in the remaining 25 Member States with the largest fall between 2010 and 2022 in Ireland (4.6%) followed by the Netherlands (3.6%). The lowest share was reported for Sweden with 2.9% in 2022.

Supporting information

Definition

'An environmental tax is a tax whose tax base is a physical unit (or a proxy of a physical unit) of something that has a proven, specific negative impact on the environment, and which is defined in the ESA [European System of Accounts] as a tax' ^[3]. This indicator measures environmental tax revenue as a share of total tax revenue, including social contributions, and is calculated by dividing environmental tax revenue by total tax revenue including social contributions.

Methodology

This indicator is based directly on data published by Eurostat, and the underpinning methodology can be found in Eurostat ^[3].

The absolute amount of environmental tax revenue was deflated based on 2010 prices using the Eurostat gross domestic product (GDP) deflator.

Policy/environmental relevance

This indicator is a headline indicator for monitoring progress towards meeting the objectives of the Eighth Environment Action Programme (8th EAP). It contributes mainly to monitoring progress in relation to aspects of Article 3(v), which requires 'making the best use of environmental taxation, market-based instruments and green budgeting and financing tools, including those required to ensure a socially fair transition' [4]. The European Commission communication on the 8th EAP monitoring framework specifies that this indicator should be used to monitor the 'increase in the share of environmental taxes in total revenues from taxes and social contributions' [4].

Accuracy and uncertainties

Data sources and providers

- [Environmental taxes by economic activity \(NACE Rev. 2\)\[ENV_AC_TAXIND2\]](#), Statistical Office of the European Union (EUROSTAT)
- [GDP and main components \(output, expenditure and income\)\(nama_10_gdp\)](#), Statistical Office of the European Union (EUROSTAT)
- [Environmental tax revenues \[env_ac_tax\]](#), Statistical Office of the European Union (EUROSTAT)
- [Environmental tax statistics](#), Statistical Office of the European Union (EUROSTAT)

▼ Metadata

DPSIR

Response

Topics

Sustainable finance

Tags

environmental tax # SUFI001 # green economy # budget revenue # public budget # 8th EAP # Tax
total tax # Sustainable finance

Temporal coverage

2010-2022

Geographic coverage

Austria	Belgium
Bulgaria	Croatia
Cyprus	Czechia
Denmark	Estonia
Finland	France

Germany
Hungary
Italy
Lithuania
Malta
Poland
Romania
Slovenia
Sweden

Greece
Ireland
Latvia
Luxembourg
Netherlands
Portugal
Slovakia
Spain

Typology

Descriptive indicator (Type A - What is happening to the environment and to humans?)

UN SDGs

SDG11: Sustainable cities and communities

Unit of measure

Environmental tax revenue as a percentage of total tax revenue including social contributions, and the absolute amount of environmental tax revenue, in million euros, in 2010 prices.

Frequency of dissemination

Once a year

▼ References and footnotes

1. https://environment.ec.europa.eu/economy-and-finance/ensuring-polluters-pay_en
↵
2. The EU ETS is not a tax, but a market-based environmental measure designed with the prime objective to reduce carbon emissions and provide a financial incentive to polluters to reduce emissions. The carbon price is not fixed by a government, but determined by the market based on demand and supply fundamentals. Revenue raising is hence not the primary objective of the ETS. However, in Eurostat's statistics on environmental taxation, government revenues from the auctioning of emissions permits, such as those from the EU ETS, are classified as tax receipts in the national accounts. This is why this indicator accounts for them as tax revenues.
↵
3. Eurostat, 2023, 'Environmental tax statistics — detailed analysis', *Eurostat Statistic Explained* (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Environmental_tax_statistics_-_detailed_analysis) accessed January 16, 2023.
a b
4. EC, 2022, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the monitoring framework for the 8th Environment Action Programme: measuring progress towards the attainment of the programme's 2030 and 2050 priority objectives, COM (2022) 357 final of 26 July 2022.

