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Policy recommendations

Considering the Andalusian context (main economic sectors, current environmental taxes, and current waste sectors) and a stocktake assessment of economic instruments used to incentivise circular economy (at EU, national and regional level), this chapter identified two environmental taxes with the potential to incentivise circularity in Andalusia while raising revenue: 1) an increase in the tax rates for two subcategories of the national waste disposal tax and 2) an aggregates extraction tax. These taxes would address the circularity of different economic sectors while increasing waste prevention and improving waste source separation and recycling rates. In addition, such taxes would help to operationalise the Polluter Pays Principle in the region.

The recently published Spanish Law 7/2022 on Waste and Contaminated Soils for a Circular Economy has reconfirmed the interest of these two proposals. Firstly, the regional increase of the national tax rate on hazardous waste would be necessary in the region to prevent an increase of hazardous waste disposal, as the amount of hazardous waste treated and/or disposed of by Andalusia is already around two and a half times the hazardous waste than generated in the region. Additionally, the regional increase of the national tax rate on CDW disposal, together with an aggregates extraction tax, could increase the circularity and prevention in the construction sector, which is one of the sectors contributing the most to global warming.

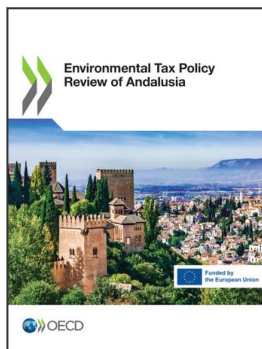
Looking at economic implications of each instrument, the highest revenue would be obtained with the aggregates extraction tax whose revenue could range from 20 to 57 million EUR. The tax rate increase on CDW disposal is estimated to generate a potential revenue of 6 million EUR. Finally, the instrument with the lowest potential revenue would be the regional increase of the national tax rate on hazardous waste disposal. In addition to the environmental advantages and revenues derived from the two regional taxes proposed, there might also be a strategic argument as occupying these tax bases on the level of the AC may make the Junta eligible for compensation by the national government if national taxes were to be introduced for these tax bases.

While different economic sectors would be affected by these instruments – namely, the building sector, the industry generating hazardous waste and households generating general waste –, consumers are expected to bear most of the tax costs in the three instruments.

This chapter has estimated the implications of each of the instruments using a *ceteris paribus* approach, thus results should be taken as approximations. More detailed studies would be needed to get more accurate results. A more detailed study could also consider alternative tax designs, such as a progressive tax that would ease the administrative and/or financial burden on small and medium enterprises. Nevertheless, the adoption of the suggested instruments in the proposed form or slightly modified would certainly provide a better incentive structure for moving towards more resource efficiency and material circularity.

Table 11.1. Key aspects for tax instruments

Tax instrument	Description	Tax rate	Expected revenue	Comments (environmental, economic and behavioural implications)
Waste Disposal Tax	Increase of the national tax rates on landfilling of hazardous waste and CDW located in Andalusia.	<ul style="list-style-type: none">• For hazardous waste, increase the basic national tax rate to make it equal to the current Andalusian rate (from EUR 8 to 35 per tonne for waste without pre-treatment required and EUR 5 to 15 per tonne for the rest of the waste).• For CDW, the tax rate could be increased to 5 €/t disposed of in landfills for inert waste without pre-treatment and 3 €/t with pre-treatment.	<ul style="list-style-type: none">• Hazardous waste without pre-treatment: EUR 92 610• Hazardous waste with pre-treatment: EUR 68 955• CDW: EUR 12 051 000• Total revenue: EUR 12 212 565	<ul style="list-style-type: none">• Increases the circularity of waste: incentivises the use of recycled CDW that would prevent the use of primary building materials.• The revenue associated to the national tax rate increase would come mainly from the disposal of CDW. Only 1% would come from the disposal of hazardous waste.• The proposed regional increase of the national tax rate on hazardous waste disposal has been calculated to maintain the same level of the existing tax on hazardous waste disposal in Andalusia, so no major changes are expected. Contrarily, the national disposal tax on CDW disposal, and its suggested regional increase, is expected to induce a change in the behaviour of CDW generators.
Regional Tax on Aggregates Extraction	<ul style="list-style-type: none">• Setting a regional tax on aggregates extraction that could incentivise reuse and material recovery of construction and demolition waste and could generate revenue to mitigate some of the impacts of extractive activities.• It is recommended to tax all aggregates to avoid substituting one for another and thus favour the use of recycled construction and demolition materials.	<ul style="list-style-type: none">• An Ad Quantum Tax: 1.35 €/t• An Ad Valorem Tax: 10.00% of the aggregate price.	<ul style="list-style-type: none">• Scenario Ad Quantum and 0% demand elasticity: EUR 57 340 906• Scenario Ad Quantum and 10% demand elasticity: EUR 55 495 350• Scenario Ad Valorem and 0% demand elasticity: EUR 20 774 150• Scenario Ad Valorem and 10% demand elasticity: EUR 20 566 408	<ul style="list-style-type: none">• An environmental impact of the aggregate tax would be the decrease of CDW landfilling when the decrease in demand of aggregates is compensated with an increase in the demand of recycled aggregates.• An additional impact would be reduced extraction of aggregates.• For the 4 scenarios, limestone is the aggregate contributing the most to the total revenue of the tax (40-41%)• Assuming relative price-elasticities (i.e., demand more inelastic than supply), most of the tax would be passed to the consumer and thus the competitiveness of the aggregates industry in Andalusia would not be much affected by such a tax.



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