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NÁZOV MATERIÁLU: Towards a green fiscal reform in the Slovak Republic: Proposals for strengthening the role of market-based policy instruments

TYP VÝSTUPU*1: Analýza

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ANALYTICKÝ ÚTVAR, REZORT: OECD, Inštitút environmentálnej politiky

RECENZNÝ FORMÁT*2: 2

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PRIPOMIENKY:

Pripomienka sa vzťahuje k (strana, odsek):	Text pripomienky*3	Odôvodnenie pripomienky	Vysporiadanie sa s pripomienkou*4
p.5, p.32	Motivation: Making the case for carbon tax, some more advantages could be added. For instance, trading (ETS) could lead to spatial concentration of the damages, i.e. environmental inequality. As well, some participants could be encouraged to develop exotic market instruments with uncertain consequences. Under a carbon tax business face greater certainty as the cost increase would be specified by the tax rate. A drawback is that a tax may not provide certainty on the amount of emission reductions – empirical support needed, the responsibility of setting the right price levels at the marginal cost of emissions is up to the regulator. Potential for offsetting a rebound effect makes for meeting environmental goals and is also well documented in literature on green taxation. Environmental tax evasion is much lower than for other taxes, administrative costs are reported to be low.		ACCEPTED This proposal has been added to p. 17
p.5, last par.	unclear expression "Conversely, .. further away"- meaning "lagging behind"?		ACCEPTED The meaning of the expression is „lagging behind“.
p.5, par. 2	Mentioning ETS, what is the composition of the effective carbon tax for Slovakia today compared to		PARTIALLY ACCEPTED

¹ Podľa parametrov analytických výstupov opísaných v materiáli Recenzný postup.

² Podľa materiálu Recenzný postup.

³ Do tabuľky značiť pripomienky zásadného metodologického a obsahového charakteru (nie štylistické či gramatické opravy).

⁴ Pripomienka bola akceptovaná / pripomienka nebola akceptovaná a zdôvodnenie/ pripomienka bola čiastočne akceptovaná a zdôvodnenie.

	<p>the one after the implementation of the proposed measures. What is the of share sectors / industries not covered by ETS on the total pollution?</p>		<p>The goal of this study is not to assess neither the change in the composition of the effective carbon tax nor in other issues (e.g. the change in central budget tax revenue) after the implementation of proposed measures.</p> <p>Morover part 5. Conclusions, last para contents the ideas and the need for future research about the effectivenss and cost-efficiency of proposed policies and measures.</p> <p>The share of non -ETS on total pollution has been added.</p>
p.11, par.1	<p>How does 2% of GDP and 6,1% of total tax revenue in SK compare to OECD or EU averages? Does it correlate with the level pollution? I suggest that the stress is put on EU legislation and European perspective along with the one of the OECD. Effectiveness of the MBIs increases with the participation rate (i.e. Nordhaus, 2008: a participation rate of 50 percent instead of 100 percent will impose a cost penalty on abatement of 250 percent). The recent investigation undermines the effectiveness of the taxation due to steepness of the supply curve for higher prices - carbon prices even as high as 200 dollars per ton of CO2 will only reduce cumulative emissions from oil by 4% (Heal and Schlenker, NBER 2019) which calls for a careful verification.</p>		<p>NOTED</p> <p>The share of ERT in Slovakia is below the OECD Europe average as given on p. 12.</p> <p>The optimal set of policy instruments including regulatory instruments should be an objective of future research.</p>
p.17, Box 3.1	<p>Fiscal neutrality is aptly picked up as a relevant issue for Slovakia. The long-term decline in taxes on labour given the constant rate is brought about by the aging problem which looms ahead, in a more severe manner for Slovakia (Ageing Report, Fiscal Sustainability Report; EC 2018). I believe that the point could facilitate selling the reform to decision makers and should be stressed in the motivation. It is though desirable to comment on distributional issues as well since higher energy prices would be particularly burdensome for lower-income households. The concrete design of the reform should take the social aspect into account.</p>		<p>NOTED.</p> <p>We agree with you that the social aspect should be taken into account.</p>

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CELKOVÉ HODNOTENIE: The document is in line with the concentrated push of the international organizations (OECD, WB) for the global carbon pricing. The paper mainly builds on the OECD materials giving a broader perspective and economic rationale, specifying afterwards domains and instruments relevant for Slovakia. Further concrete implementation will require OECD-average-based recommendations to be elaborated into SK-specific arrangements. The tax reform will bring about macroeconomic consequences across the interlinked domains with the main concern raised in distributional area. In Slovak republic, this could strongly affect political viability of the proposal. Therefore, the proposed particular measures should be corroborated by empirical investigations on the national level involving a range of methods /models of various complexity. These could be anticipated and specified in comments. At large I find the proposal of a good quality. Complemented by analytical findings it could provide a solid foundation for a proper implementation.

SCHVÁLIŤ⁵: odporúčam
 neodporúčam



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⁵ Hodiace sa označte križikom.