

THE ISSUE REGARDING THE FISCAL ENVIRONMENTAL INSTRUMENTS IN ROMANIA

Lecturer PhD.Ec. Oana DAVID¹

¹ University Politehnica of Bucharest, davidgioana@yahoo.com

ABSTRACT: The paper aims to approach the field concerning the fiscal environmental instruments. For this it starts with their general presentation, in the end showing what have been achieved in this field in Romania. In our country, despite the fact that have passed over 20 years from the moment when it was changed the political system and more than this, we have been an UE member from 2007, these fiscal environmental instruments are scarce and therefore we may consider important the existing ones.

KEYWORDS: economy, ecology, environmental licence, environmental tax, sustainable development

1. Introduction

Economy, *the art of administering properly a household*, according to its etymology, is the science of allocating rare resources. Ecology, *discourse upon logic and by extension upon the natural environment* is the science of protecting rare natural resources. The etymologic closeness is more than a mere words game: the common interest for goods available in limited amounts should bring near the two approaches. In fact it is noticed that numerous environmental issues are expressed in an economic language. The expressing of the issue in economic terms is one thing and the application of the approach made by the economists focused on the environmental issues is another.

The definition of the sustainable development is qualitative and there are numerous acceptions. In all cases the economists admit the necessity of taking into account the natural capital, beside commercial products. But the exigencies regarding the preservation of this natural capital may vary according to the conception of sustainable development we use, the economists proposing means for eliminating irreversibility.

Fiscal instruments such as environmental taxes and licenses may be a remedy. For defining them it is necessary to find a compromise, always imperfect, between the necessity for simplicity, global coherence and fineness of instigation. On another hand, their distributive effect leads to the appearance of an hostile attitude between the economic agents.

Each economic or non economic instrument implies both costs and benefits. For building up a policy of sustainable development, the political deciders must offer all types of instruments available, economic and non economic, being aware of their costs and benefits.

2. Content paper

The placement of the environment in the free market system may generate favourable results, raising the issue concerning the necessity of defining certain property rights upon the environmental factors, by governmental acts, removing these factors from the area of common property – state property – and leaving them free, exposed to the market mechanisms.

A first allocation of these pollution rights would be their distribution among those persons who may be disadvantaged by the environmental damages and then to ask the economic entities who are willing to

run an activity which may have negative impact upon the environment to buy or rent these rights from the initial owners.

Due to the fact that the number of those who produce environmental damages is significantly lower than of the ones who are affected, it may be suggested that the pollution property rights to be granted initially to them. Practically this solution is not feasible either.

The benefit resulting from the improvement of environment quality represents the sum of the damages borne by certain persons and generated by the same polluter and consists in the attainment of certain favourable effects expected as a result of allocating the environmental resources – air, water, soil - to the market.

The governmental authorities may simply set certain prices and fees upon the use of the resources generating external costs. May be required payments, prices or taxes from all those who want to discharge pollutants in water or in the air, drill the land or build in zones with special sightseeings, fly with jets making big noise, use in towns cars generating smoke. In such cases the externality costs would be somehow internalized.

On the market the price fixing mechanism is based on forces represented by offer and demand, which mean the cumulative effect of a multitude of individual decisions.

In what regards the environment, the prices structure is fixed by a single decision of the governmental authorities. Because of this reason the effect of the system will depend on the way in which is carried on this duty.

In principle the government should fix the price for certain activities with destructive effects on the quality of the environmental factors, using as a calculation basis the size of the external costs implied by these activities.

The taxes or prices based on the external costs would approximate, in certain circumstances considered as ideal, the prices generated on a concurential market of the resources.

The optimal theoretical price which must be attributed to an activity with negative impact upon the environment is the price at which an increase in the costs implied by the cut of the damaging effects becomes equal with the decrease of the resulting damages.

If it is fixed a lower tax the level corresponding to the pollution control could not be the optimum one, cause an additional monetary unit spent on control woul reduce damages more than the initial monetary unit.

On another hand, if it is fixed a higher price or tax, the costs of the additional control will exceed benefits.

If it may be found an optimum level of the price for each destructive activity affecting the environment, the result will be rational from the economic point of view both for the society and for the individuals.

The market will integrate the individual activities of production and consumption within the offer and demand which could take into account the costs as well as the productivity of the various uses of the environment.

In practice it is seldom possible to measure extremely accurately the externality costs, using them as a basis for prices. It is not known entirely the extent of the damages resulting from some activities. They are frequently spread and manifest themselves in small amounts which generate an impact measurable only after accumulations resulting after long time. In addition, certain kinds of damages cannot be easily expressed in monetary terms.

A usable system for fixing prices begins starts from the frequently met concept of environmental standards. Some of the important advantages of the prices-taxes in the theoretical model lead to this alternative. The purpose of this approach is to achieve a specific pre established level of the environment' s quality. This tztpe of standards maz be established for a certain zone/region by a combination of analytical procedures and political processes.

The environmental standards, especially those elaborated for the quality of air and water, are component parts of the environment s protection and preservation programs from many countries of the world.

It may be made a focused study upon the adoption of a unitary tax for a given region. In this way it may be fixed a certain tax for water pollution which to be the same for all sources of pollution in a certain hydrographic basin or in a certain zone of control of the water quality. This is not the only possible configuration of the tax. The taxes on biodegradable substances may be variable depending on the source localization.

Theoretically there is a price for behavior with negative impact upon the environment which shall be found in the establishing of any standard regarding its quality. The individual sources of pollution will answer to this kind of payment in the same way in which they would behave towards the ideal, theoretic type of tax.

This type of tax will not result from an optimum market balance but from mere coincidence. The price paid by the polluter may be higher or lower than the externality costs created implied by the discharges of pollutants. The tax will act in the meaning of determining a quality level of the environment which corresponds to a political option as well.

The polluters for whom the control is relatively expensive will eliminate a lower percentage from their discharges than those for whom the control is less expensive. For example, a tax of a certain level may determine the polluter A who has high control costs to eliminate 70% from its pollutant discharges while the source B with lower costs might reduce its discharges with up to 90%. The use of taxes makes possible the differentiation between the costs of control for the sources of pollution, reaching the lowest level possible for the overall costs of control. The differential approach of the taxes will lead to a lower level of the overall cost than if it would be imposed to reach the same environment quality level, demanding both to the enterprise A and B to diminish their discharges at the same level, for example 85%.

This comparison is very important because the approaches by means of regulation for the control of the air and water resources pollution requires uniform standards for effluents, related to different categories of polluters. This will lead to higher overall costs of control for each category, than it would result as an effect of the application of a tax system.

In Romania in 2013 was established the environmental stamp for cars which represents an income for the budget of the Environmental Fund, being used by the Administration of the Environmental Fund at financing programs and projects for the protection of the environment.

The environmental stamp must be paid once, at the registration of a vehicle, when it is obtained the property right for that. In the case when it is changed the owner of the vehicle, this tax must be paid if the first owner did not do it or he was given back the pollution tax for automobiles or the tax for polluting emissions generated by vehicles.

The financial competent body calculates the value of the environmental stamp, on the base of the documents from which it results the property right for the vehicle and the calculation elements for the environmental stamp, submitted by the tax payer who intends to make the registration or the transcription of the property right for the owned vehicle.

The environmental stamp it is paid by the owner of the vehicle in an account opened at the units of the State Treasury, belonging to the Administration of the Environmental Fund and the proof of this payment will be presented at the car registration or the transcription of the property right for the vehicle.

The certificates for the gas emissions with greenhouse effect represent „pollution rights” from which are benefiting for free over 220 companies from Romania. Each year the companies which activate in the fields of energy, oil products refinement, cement, metallurgy or glass receive a certain number of certificates of this kind for free.

These certificates are given taking into account the pollution degree of each company. If the company pollutes more, must buy more certificates, if it pollutes less, may sell its surplus and finance with the money obtained, its investments for modernizing its activity.

The certificates for gas emissions with greenhouse effect, also called CO₂ certificates or carbon certificates are financial instruments used in the European Union in the purpose of prevention or control of the pollutant emissions. A certificate is equal with a tone of CO₂ emissions. These certificates started to be used after it was signed the Protocol from Kyoto by 183 states from the

world, Romania being one of these. The protocols entered into effect from 16th of February 2005, though it was initially agreed to be from December 1997. Romania received for 2008-2012 350 millions of such financial instruments.

The brokers from the capital market may buy such certificates directly from the state institutions in the bids organized by the Unique European Stock Market for selling them in accordance with the regulations of the National Commission of Transferable Securities.

At European level most of the countries may sell these certificates only by bids organized by the Stock Market European Energy Exchange from Germany and the brokers from Romania who want to participate at the bids must receive a special authorization from the National Commission of Transferable Securities.

The brokers will participate directly in their own name having the possibility to buy the certificates and then resell them on a secondary market and they would also have the right of auction for their clients. According to a regulation established by the National Commission of Transferable Securities the brokerage companies who want to purchase in their own name environmental certificates, must have an initial capital of minimum 730.000.euros.

The brokerage houses which want to buy certificates for their clients need a capital of at least the equivalent in national currency of 125.000 euros.

In July 2013 the European deputies approved a plan of delay for the commercialization of the new environmental certificates, for rising their price. The result will be an increase of the investments in green technologies as an alternative at the payment of the certificates. After vote the price of these certificates rose.

The green certificate is a title which attests the production of electric energy from renewable sources. The green certificate may be transacted apart from the amount of electric energy which it represents, on an organized market representing the support scheme of promotion for the production of energy from renewable sources.

The Romanian state supports the investors in green energy-renewable energy by means of the green certificates and by ensuring the legal framework for their commercialization. At present each MWh of green energy produced from renewable sources is rewarded with a number of green certificates.

These green certificates are bought by the suppliers of electric energy as well as by the producers of electric energy for the energy afferent to the own final consumption, other than the own technologic consumption or that afferent to the supply of the consumers connected by direct lines to the power plant. The companies of profile are bound to have a certain amount of renewable energy in that supplied to consumers.

The renewable sources of energy mean non fossil energy sources: solar, aeolian, aero thermal, geothermal, hydrothermal, hydraulic in power plants with a power of up to 10 MW, biomass gas resulting from the fermentation of wastes and muds from the sewage water and biogas installations. The green certificates are found on all the bills of energy issued after 30.11.2012 calculated for the energy consumed starting from 26.07.2012.

3. Conclusions

Such a way of approach of the issue regarding the distribution of the rights of pollution or of property upon the potential of the environmental factors is difficult to achieve in practice. It is hard to suppose that like it is done in the case of common economic products, would be possible to identify European entrepreneurs which to buy property rights for air portions in a city from the Far East for instance or in any other part of the world.

The costs afferent to the creation and maintenance of the mechanisms for such markets would be huge and probably much bigger than the value of transactions with the property rights in circulation.

It would be extremely difficult for the numerous population from that area who would like to benefit of clean air, to buy a sufficient number of property rights for being able to achieve a significant improvement of the air quality. In this way we go back to the issue regarding the costs of transactions.

As a result, the global damage may be high in relation with the costs for reduction, but a person's damage or even a group of persons' damage is probably small comparing it with the costs related to the diminishing of that damage. That is why it does not exist anywhere in the world a real case in which a small community or a certain person to pay to the polluters the money for reducing or stopping the discharges of pollutant substances.

But such schemes complicate situations and in practice might generate a series of administrative problems whose costs for resolution would exceed the advantages of applying the taxes.

A approach of the tax centered on the environment quality will keep certain characteristics specific to the approach of the tax, based on the finding of the damages caused to the environment.

Because of the fact that the price is the same for all those who discharge a certain pollutant in a certain area, they will operate with the same level of the marginal cost, which is the additional cost necessary for producing a supplemental unit from a certain product. This does not mean that it would be reached the same level of control for all polluters. The marginal costs for a certain interval among the limits of control vary usually substantially from a type of source to another.

Other benefits which derive from the application of a system of taxes offer to a person or a company involved in activities with negative impact upon the environment, a prompt economic stimulant for the control of such effects. The activity itself creates an obligation which cannot be avoided by delaying payments or by the evasion from adopting control measures. That respective source of pollution may reduce these obligations, legally, only by making several steps towards the diminishing of the amount of pollutants discharged.

There is no delay to depend on the completion of the actions of activity reinforcement before the existence of an economic stimulant which to reduce pollution. In addition the adoption of these taxes leaves in the polluter's responsibility the issue of the techniques of control and of the manufacturing technologies.

This represents an improvement in the approach of a system of regulation which is in a way oriented towards measures of treatment and purge of the discharged pollutants, an option which is often more expensive than the alternative consisting in the application of clean technologies.

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