

ENSURING THAT POLLUTERS PAY

Finland

Finland's revenue from environmentally relevant taxes is slightly above the EU average. Environmental taxes stood at 2.8 % of GDP in 2019 (EU-27 average: 2.37 %). The largest portion of the environmental taxes were the energy taxes at 1.92% of GDP, against an EU average of 1.84 %. Transport taxes represented 0.86% of GDP (EU average being 0.45%), taxes on pollution and resources represented only 0.02%. In the same year, the environmental tax came to 6.62% of total revenues from taxes and social security contributions (above the EU average of 5.76 %).

Finland has several economic instruments in place, the DRS/package tax system and the peat tax are described below.

Further options

Incineration tax

An incineration tax is proposed to increase reuse and recycling. There is already a landfill tax in place of € 70/tonne and a high proportion of waste is currently sent to incineration. With a tax on incineration of € 30/tonne (annually increasing), diverting the waste higher up the waste hierarchy could be achieved.

Improving the design of the tax on peat extraction

Finland could consider improving the design of its peat tax. It is one of the most peat-rich countries in the world, over 9 million hectares of its 34 million hectares are peatland. Extraction is mostly for energy use. Finland has a permit system for peat extraction. This could form the basis of a tax, which could cover peat burning at a rate which reflects the full carbon price; it could also include an additional element to correct the external cost to biodiversity of peat extraction. The tax revenues could be recycled for regeneration of peatland.

MBIS IN FINLAND

THE DRS/PACKAGING TAX SYSTEM

Most beverage manufacturers and importers are members of return systems managed by Suomen Palautuspakkaus Oy, or Palpa. By becoming members of Palpa's return systems, beverage manufacturers and importers are exempted from the beverage packaging tax. There are 200 manufacturers funding the system through membership fees and packaging recycling fees. The producer of beverages can decide if they want to be part of Palpa's return system scheme or pay packaging tax. For small producers it is cheaper to pay beverage tax and not be a member of Palpa.

What it does

In 2016, the deposit system achieved a total return rate of 92%, with individual material return rates at 96% for cans, 92% for PET and 88% for glass. The DRS/packaging tax system has received a lot of praise but a potential improvement would be to expand the DRS to other products as well, but this has been currently deemed too expensive.

How did it come about

The deposit system for glass bottles started in 1952 as part of the arrival of Coca-Cola at the Helsinki Olympics and has then expanded over the years to other materials.



PEAT TAX SUBSIDY AND CARBON PRICE FLOOR

Peat provides around 6.2 percent of Finland's annual energy production. Finland has set an energy tax on peat, but it does not follow the normal model for deciding the tax based on energy content and CO₂ emissions. Instead, a large part of the tax has been subsidised by the government. The tax for peat is 3 euros per MWh but without the subsidy it would be 29.50 euros per MWh. In the government budget the calculated tax support for peat equals 180 million euros annually.

In September 2020, the Government announced a new approach to deal with the issue of the peat tax subsidy. It proposed a carbon price floor for peat, which would dictate the tax for peat. The tax would be linked to the price of emission allowances. When the price of emission allowances decreases, the peat tax increases

What it does

The subsidy of peat tax is an environmentally harmful subsidy based on national energy security and employment/forestry considerations. The carbon price floor is designed to reduce this subsidy and ensure that the burning of peat will be halved by 2030. The carbon price floor for peat is not going to be decided until Spring 2021. The mechanism will not be in place before 2022, which means that the tax subsidy will remain high until then.

How did it come about

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The measures suggested by the Government are a surprise as these have not been publicly discussed in advance, unlike the removal of the tax subsidy for peat. For instance, only a couple of weeks before the Government's announcement of the carbon price floor mechanism, the energy tax working group of the Ministry of Finance suggested to triple the peat tax by 2023.



Key stakeholders

Governmental institutions

Ministry of the Environment – <https://ym.fi/en/waste> or <https://ym.fi/en/biodiversity-and-nature-protection>

Environmental Protection Department, Material Economy

Finnish Environment Institute – https://www.syke.fi/en-US/Research_Development/Circular_economy or https://www.syke.fi/en-US/Research_Development/Nature

Association of Finnish Local and Regional Authorities – <https://www.localfinland.fi/>

Academics working on DRS/Packaging tax system

Aalto University, Circular Economy (<https://www.aalto.fi/en/departement-of-management-studies/circular-economy>),

Tampere University of Technology (<https://www.tuni.fi/en/about-us/tampere-university>)

Faculty of management and Business

NGOs

Finnish Association for Nature Conservation – <https://www.sll.fi/en/>

The Finnish Association for Nature Conservation has been campaigning against the subsidy for peat

Palpa – <https://www.palpa.fi/english/>

Palpa is responsible for the deposit system.

Useful links:

Aamulehti (2018), [Suomalainen pullonpalautusjärjestelmä on kallis ja useita työvaiheita vaativa – katso, miten pullo kiertää ja materiaalit matkustavat edes takaisin](#), 2.3.2018 (description of the DRS/packaging tax system)

Environment.fi (2019), [Waste charges and taxes](#), 22.1.2019.

Finnish Association for Nature Conservation (2020), [Turveveron nosto on riittämätön mutta talouden vihreään siirtymään miljardi euroa](#), 16.9.2020., (information about the peat subsidy and the Carbon Price Floor)

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