



# ENSURING THAT POLLUTERS PAY

Tradeable permits

This factsheet presents an example of a tradable permits scheme in place in the EU. See the EU polluter pays Member State factsheets for more examples of other polluter pays instruments in each Member State.

# 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 CO<sub>2</sub> 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

## 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.

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.



## 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.

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