COULD ENVIRONMENTAL TAXES HELP TACKLE PLASTIC PELLETS LEAKAGE?

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1. CASE INTRODUCTION

*Plastic pellets spills in the urban area of Stenungsund, Sweden*


- Swedish sole *polyethylene* facility is responsible for producing approximately 5% of the European demand on this type of plastic material.

- Plastic pellets (small round pieces with a regular shape of approx. 2-5 mm of Ø) are spilled throughout the entire production chain, i.e., at the site of their production, when transported to other manufacturing facilities and, during the final product production.

- Estimated that *3 to 36 million pellets are spilled annually at the production site and surrounding environment*. A higher number, if considered smaller fractions of plastic particles were considered, as well as other sites where the spills may have occurred.
2. WHY USE ENVIRONMENTAL TAXES TO TACKLE THE ISSUE?

• Plastic pellets spill remained happening disrespectfully of the non-compliance situation in relation to the environmental regulations in place (different levels – national, EU and international).
• Even if the spills could be stopped by such regulations, externalities such as the spills should be internalized (env. perspective).
• Optimal instrument – compulsory feature – raising revenue to increase the price of plastics and, the possibility to reduce the negative externality using the revenues raised to e.g., to clean the pollution on the affected sites.
• Complementary instrument – part of mixed instruments designed to tackle environmental harmful activities – all means to safeguard the environment
• Two approaches dealt: tax industrial and transport sector discharges (leaks) or tax plastic (life-cycle consideration).

“… taxation could at least improve the current legal system inefficiency to internalize these environmental externalities.”
2.1. TAX INDUSTRIAL AND TRANSPORT DISCHARGES

• Tax event: discharge (leaks) cross-sectors (industrial and transportation).
• Tax base: the amount of pollution – problematic to assess it at all levels?
  – Industrial discharge through water – technique issue.
  – Transportation discharge through road and water – accountability issue in water, not in road.
• Tax levied different moments (taxable events) in the production chain.
• Difficulties:
  – Administration issue (costs, technique etc).
  – Several legal sources, different levels & possibilities.
  – Alternatives available to solve these difficulties?
• Environmental externalities (spills) remain a societal cost.
2.2. TAX PLASTICS IN GENERAL

- Better if harmonized at EU level, best globally.

- Based on life-cycle.

- Plastic taxation main focus on new resources? Heavier taxation in comparison to recycled plastics.

- Rationale: tackle plastic that reproduces a linear economy instead of a circular one, the latter lower env. impact.

- Easier to administrate.

- Matter left to MS (EU Plastic Strategy).
3. STATE AID MAIN ISSUES APPLIED TO ENVIRONMENTAL TAXES

• Although it is a hypothetical the implementation of env. tax to tackle the spills, it is still relevant to consider S.A. questions.

• Selectivity question (more focus on the environmental issue, than on the taxpayer)
  – Tax on the discharge of plastic: same tax burden in relation to the taxpayer. In this case, industry & transport, however, the tax has to be widely applied to not favor any economic sector > focus on the taxable event (plastic spills/discharges), not on the taxable person. Possibility to reproduce a selectivity *de facto* because of the difficulty in assessing industrial spills.

  – Tax on plastics: two taxable events.
    1) Production phase: considering the source of the plastic resource, i.e., new or recycle.
    2) To internalize undesirable externalities (PPP), all sorts of externalities, including spills (this case it does not matter if the plastic was recycled or not). Problematic to assess different levels of such externalities to tax accordingly in relation to their societal costs.
4. FINAL REMARKS

The difficulties encountered should encourage discussion and development of effective ways to:

1\textsuperscript{st} stopping spills such as the case in reference;

2\textsuperscript{nd} internalize the externalities (always) so the market price of activities and products reflects their environmental reality and;

3\textsuperscript{rd} perhaps, will encourage the operators to improve their techniques, practices, choices and environmental awareness.
Thank you!

Do you have any questions or comments?

Please, do not hesitate to contact me personally or via e-mail. I will gladly discuss the points presented today, contained in my article or about my research.

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