



PREMIER MINISTRE



Développement durable

Public incentives harmful to biodiversity

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The Process

- Commission made up of experts, economists, trade union representatives, businesses, environmental groups, local authorities, members of Government;
- Chaired by Guillaume SAINTENY.

Request

- Review public subsidies and tax spending harmful to biodiversity ;
- Propose evolution leads and reforms so as to reduce, or even eliminate these measures impacts on biodiversity.

Aslo requested by :

- **The EU biodiversity strategy to 2020 (2011):**
Objective to « provide the right market signals for biodiversity conservation, including work to reform, phase out and eliminate harmful subsidies »
- **The World Summit on Sustainable Development, Johannesburg (2002):**
Adoption of a **Plan of implementation** which calls for « restructuring taxation and phasing out harmful subsidies, where they exist, to reflect their environmental impacts ».
- **COP Convention on Biological Diversity, Nagoya (2010):**
Adoption of a **Strategic plan for biodiversity 2011-2020**.
Among Aichi Biodiversity Targets : « By 2020, at the latest, incentives, including subsidies, harmful to biodiversity are eliminated, phased out or reformed »
- **OECD, FAO...**

Aslo requested by :

- **In France :**

The Loi Grenelle I (art. 48 et 26) explicitly provides that "the State, on the basis of on an audit, will review tax measures that are harmful to biodiversity and will propose new tools to allow a gradual transition to a tax regime that will better suit to new environmental challenges."

The 5 great causes of biodiversity loss

- Destruction and degradation of habitats ;
- Overexploitation of renewable natural resources ;
- Pollution ;
- Climate change ;
- Exotic invasive species.

Public incentives taken into consideration

Definition 1:

Financial transfers from the State or its territorial communities to a private or possibly public agent :

Subsidies (payment from a public entity to the beneficiary)

Tax credits (waiver of a monetary transfer from the beneficiary to a public entity).

Definition 2:

All governmental actions that could grant an advantage in terms of income or costs (OECD) :

Définition 1

+ **Regulatory advantages**

+ **Non-application or partial application of regulations**

Definition 3:

Difference between observed price and the marginal social cost of production (Economic theory, TEEB report of 2009) :

Définition 2

+ **implicit subsidies** (internalisation of externalities failure)

The Working Group accepted the largest definition (definition 3):

- Direct and indirect subsidies
- Tax credits
- Regulatory advantages
- Non-application or partial application of regulations
- Internalisation failures

Some examples of public incentives harmful to biodiversity and reform proposals

1) Terrestrial biodiversity

2) Aquatic biodiversity

Natural environments

Examples of public incentives harmful to biodiversity of natural environments (forests, fallow lands, heathlands, pastoral lands) :

Public incentives	Habitats	Overexploitation	Pollution and CC	Exotic IS
Tax credit: Land tax (TFNB) on woodlands exemption	X			
Tax credit: Domestic consumption tax (TIC) on energy products exemption or reduced rate		(X)	X	
Internalisation failure: General tax on polluting activities (TGAP) applicable on atmospheric emissions			X	

Rural environment

Examples of public incentives harmful to biodiversity of rural environment :

Public incentives	Habitats	Overexploitation	Pollution and CC	Exotic IS
Tax credit: Incentives to urban sprawl Ex: Development tax abatement applicable to warehouses and hangars	X			
Tax credit: VAT reduced rate on fertilisers and pesticides	X	X	X	
Tax credit: Domestic consumption tax (TIC) reduced rate on domestic fioul oil used as fuel in agriculture	X	X	X	

Urban and peri-urban environment

Examples of public incentives harmful to biodiversity of urban and peri-urban environments :

Public incentives	Habitats	Overexploitation	Pollution and CC	Exotic IS
Internalisation failure: Development tax applicable on parking areas	X		X	
Internalisation failure: Ex-ante evaluation of linear infrastructure projects	X		X	
Internalisation failure: Eurovignette Directive	X		X	
Urbanisation documents	X		X	

The development tax (Taxe d'aménagement): examples of tax credits

Several tax credits :

- 50% deduction of the value per square metre on which the development tax amount for hangars and warehouses is calculated ;
- Possibility offered to regional and local authorities of exempting 50% of the development tax for individual homes built in sparsely populated areas and partially financed by the PTZ+ ;
- Possibility offered to districts or inter-municipal bodies to exempt low-density payments for logistical areas, warehouses and hangars.

Pressure on biodiversity :

These measures reduce construction costs and therefore encourage land artificialisation and urban sprawl.

Reform proposal :

Eliminate these deductions and exemptions.

The development tax : example of internalisation failure

Since 2010, this tax is implementable on indoor parking areas when integrated to the building on a basis of:

- 9240 € by parking space when individual parkings ;
- 16 500 € by parking space when collective parkings.

Also implementable on outdoor parking areas on a basis of between 2000 and 5000 € by parking space.

Pressure on biodiversity :

Indoor parkings lead to less artificialisation than outdoor ones since they are integrated in a building.

However, the basis of the tax of indoor parkings is 2 to 8 times higher than outdoor ones, which reduces the construction cost of outdoor parking as compared to indoor ones.

Reform proposal :

Reduce price gap between indoor and outdoor parkings.

Seas and littorals

Examples of public incentives harmful to biodiversity of seas and littorals:

Public incentives	Habitats	Overexploitation	Pollution and CC	Exotic IS
<u>Incentives to new uses of seas :</u> Ex: Off-shore wind electricity feed-in tariff ; Tax credits applicable to deep sea mining activities	X		X	
<u>Direct subsidies :</u> EU co-financed subsidies for fishing vessels investments and modernisation		X		
<u>Tax credits:</u> Domestic consumption tax (TIC) exemptions on domestic fioul oil used as fuel		X	X	
<u>Internalisation failure:</u> Domestic consumption tax (TIC) exemptions/reduced rate on long distance transport (ballast waters)			(X)	X
<u>Internalisation failure:</u> General tax on polluting activities (TGAP) applicable on extractive materials (sea aggregates)	X		X	
<u>Internalisation failure:</u> Legal vacuum beyond 12 nautical miles	X			
<u>Internalisation failure:</u> Fees for occupying public maritime domain	X			

Surface and ground waters

Examples of public incentives harmful to biodiversity of surface waters:

Public incentives	Habitats	Overexploitation	Pollution and CC	Exotic IS
Direct subsidies: Local authorities subsidies for irrigation	X	X		
Direct subsidies: Support for collective hill or substitution lakes	X	X		
Tax credit: Domestic consumption tax (TIC) reduced rate on domestic fioul oil used as fuel	X	X	X	
Tax credit: VAT reduced rate on agricultural inputs	X	X	X	
Internalisation failure: Water abstraction fee	(X)	X		
Internalisation failure: Domestic and non domestic pollution fees			X	
Internalisation failure: Diffuse pollution fee			X	
Public subsidies reducing the cost of impermeabilisation	X		X	

Wetlands

Examples of public incentives harmful to biodiversity of wetlands:

Public incentives	Habitats	Overexploitation	Pollution and CC	Exotic IS
Direct subsidies: Local authorities subsidies for drainage	X	X		
Internalisation failure: Water abstraction fee	(X)	X		
Incentives encouraging wetland pollution (cf. previous slide on superficial waters)			X	