

POTENTIALLY ENVIRONMENTALLY HARMFUL SUBSIDIES IN AUSTRIA

FINAL TECHNICAL IMPLEMENTATION REPORT

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Sacha BAUD

STATISTICS AUSTRIA, Directorate Spatial Statistics, Environment Statistics

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STATISTICS AUSTRIA
Guglgasse 13, A-1110 Vienna, Austria
Phone: +43-1-711 28-0
www.statistik.at

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List of abbreviations

BHG	Bundeshaushaltsgesetz (Federal Budget Act)
CDM	Clean Development Mechanism
ESA 95	European System of Accounts
JI	Joint Implementation
NPISH	Non-profit institutions serving households
OECD	Organisation for Economic Co-operation and Development
ÖNACE	Austrian version of the NACE (Nomenclature générale des activités économiques dans les communautés Européennes, Statistical Classification of Economic Activities in the European Community)
SEEA	Integrated Environmental and Economic Accounting
SNA	System of National Accounting
WTO	World Trade Organization

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1. Introduction

Potentially environmentally harmful subsidies are attracting increasing attention at national and international level. In 2004, an initial study¹ on reforming subsidies referred to as environmentally counterproductive was carried out in Austria for the energy and transport sectors. At international level, this issue has been addressed by the OECD and the World Trade Organisation (WTO) as well as countries such as Sweden, Denmark or the Netherlands.

A standard international definition for potentially environmentally harmful subsidies has yet to be established despite all these diverse activities.

The main goal of this study was to record potentially environmentally harmful subsidies in Austria based on a proposal made by Eurostat and Statistics Sweden in a joint document² to the London Group on Environmental Accounting at their 14th meeting in Canberra from 27 to 30 April 2009. The proposal suggested taking into account subsidies as defined by the European System of Accounts (ESA 95) and other parts of National Accounts, particularly current and capital transfers to households. This definition is designated as “SEEA subsidy” and backed by the London Group on Environmental Accounting and by the Eurostat Reflection Group on Subsidies³. The study also examined whether there are further budget items in Austria which could be characterised as potentially environmentally harmful subsidies. Along with these subsidies contained in the public budget, non-budgetary subsidies such as tax deductions or tax exemptions were considered, as suggested by the Eurostat Reflection Group on Subsidies, too.

In yet another work step, the negative effects of potentially environmentally harmful subsidies on the environment were evaluated. Then the amount of these subsidies was compared with the volume of environmental taxes to determine how ecological the Austrian tax system is or where the most efforts have to be made to bring about an environmental tax reform.

¹ Köppl A., Steininger K. W. (2004)

² Cederlund M. (2009)

³ This Reflection Group on Subsidies was active in 2008 and 2009. Formed by Eurostat, it was a discussion group with representatives from several national statistics offices, the OECD, the European Environmental Agency and Eurostat, among others. It was charged with developing goals, definitions for environmentally related subsidies – both potentially environmentally harmful and environmentally friendly – and with determining methods for data collection.

2. Work objectives

2.1 Precise description of the work

Austria has time series for environmental taxes for the period 1995 to 2008 in accordance with the EUROSTAT questionnaire "NAMEA Tax Template", i.e. a breakdown for each environmental tax based on the NAMEA system. However, no complete current information about environmentally harmful subsidies is available.

Information about environmentally harmful subsidies is a necessary supplement for environmental taxes and would provide a valuable basis for taking decisions on an environmental tax reform.

Several initiatives have been launched at EU level to support the collection of data on environmentally harmful subsidies.

- The Sixth Environmental Action Programme⁴ values highly that identifying environmentally harmful subsidies and eliminating them is a first step toward correcting prices and reducing possible negative effects on the environment.
- The spring summit 2006 of the European Council⁵ approved the *"further exploration of appropriate incentives and disincentives, and a reform of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development, with a view of gradually eliminating them"*.
- The revised EU Strategy for Sustainable Development⁶ calls on the European Commission by 2008 to *"put forward a roadmap for the reform, sector by sector, of subsidies that have considerable negative effects on the environment and are incompatible with sustainable development, with a view to gradually eliminating them"*.

As part of this study, the following activities were to be carried out with respect to potentially environmentally harmful subsidies.

Phase 1: Conduct thorough research of the Austrian tax system at national and regional level to determine the presence of potentially environmentally harmful subsidies modelled on relevant professional literature on this matter, e.g. OECD (2005) Environmentally Harmful Subsidies – Challenges for Reform.

⁴ COM(2001) 31 final

⁵ Council of the European Union (2006a)

⁶ Council of the European Union (2006b)

Phase 2: Calculate the amount of potentially environmentally harmful subsidies for the latest available year and allocate these subsidies to the economic sectors based on the structure of the EUROSTAT questionnaire on environmental taxes.

Phase 3: Evaluate the negative effects of these potentially environmentally harmful subsidies on the environment.

Phase 4: Compare the amounts of environmental taxes with the potentially environmentally harmful subsidies to show, ultimately, how ecological the Austrian tax system is and where the biggest efforts would be needed to implement an ecological tax system.

2.2 Expected results

- A list of potentially environmentally harmful subsidies in Austria allocated to the economic sectors according to the structure of the EUROSTAT questionnaire on environmental taxes.
- Calculation of the amount of these environmentally harmful subsidies for the latest available year and evaluation of their negative effects on the environment.
- A list of areas requiring the biggest efforts in order to implement an ecological tax system.

3. Work accomplished

Phase 1:

As there is no standard international definition for environmentally harmful subsidies, a definition had to be chosen before the evaluation of the Austrian tax system and budget could be started.

The project team therefore began their work by reading the book “Environmentally Harmful Subsidies – Challenges for Reform”⁷. The object was to gain an insight into the methods used and then apply them in a suitable form to the current project. As it turned out, the authors did not deal with all environmentally harmful subsidies but rather concentrated on key sectors such as transport, energy, agriculture and fisheries.

By contrast, this present study sought to cover the full range of potentially environmentally harmful subsidies, both budgetary and non-budgetary.

In addition, the Austrian study entitled “Reform of Environmentally Counterproductive Subsidies in Austria – Energy and Transport”⁸ was evaluated. This study also covered only the key cases of environmentally harmful subsidies and was considered methodologically only to the extent that it provided information on potentially environmentally harmful subsidies. It dealt with housing subsidies, among other matters. The federal provinces are responsible for this instrument for promoting new construction and for rehabilitating flats and blocks of flats. The project no longer considered them environmentally harmful subsidies because the federal provinces linked the granting of subsidies to environmentally friendly actions such as energy-saving measures, thermal insulation, and the use of renewable resources.

Another important source was the final document of the Eurostat Reflection Group on Subsidies⁹. This document covers budgetary and non-budgetary subsidies. For the budgetary part, it suggests using subsidies as defined in the European System of Accounts (ESA 95) and other parts of National Accounts, particularly current and capital transfers to households, as the basis for determining the potentially environmentally harmful subsidies. The document views tax exemptions and tax deductions as examples of non-budgetary subsidies. The same holds true of price supports, e.g. through import duties or government-set prices.

⁷ OECD (2005)

⁸ Köppl A., Steininger K. W. (2004)

⁹ Cederlund M. (2009)

A definition was drawn up for potentially environmentally harmful subsidies based on these findings. It will be presented at the beginning of *Section 5 – Results*.

As a next step, the tax system at national level was analysed to pinpoint the taxes containing tax exemptions or tax deductions that could be viewed as potentially environmentally harmful subsidies. Specifically, the law underlying all taxes and duties was examined to determine any existing tax exemptions and tax deductions. The latter were then examined for potentially environmentally harmful effects. The expected volume was also included in the decision. In other words, small tax deductions or tax exemptions with little potential negative effect on the environment were disregarded. Then further possible non-budgetary subsidies were researched. More will be said about those later¹⁰.

Under § 54 Federal Budget Act of the Budget, the federal government¹¹ is required to publish a report on subsidies each year covering direct and indirect subsidies (revenues dispensed with). This report¹² served as a further source for determining tax exemptions and tax deductions. In addition, it contains detailed information about most direct subsidies, which were considered to the extent possible in the next work step, the budget analysis.

In this detailed analysis of the federal budget (budget of the central government), the latest available annual accounts, those for 2007, were examined, because major differences often arise between the budget statements and the final budget, known as “final results”.

The federal budget has somewhat of a systematic structure (see Figure 1) but it does not conform to the ESA 95. The budget statements consist of a decadically numbered schedule of budget lines structured as follows:

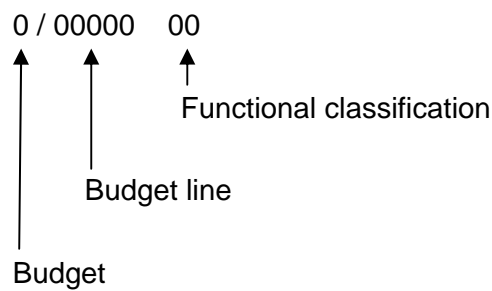
- 1-digit budget number
- 5-digit budget line
- 2-digit functional classification

¹⁰ See page 14ff

¹¹ Federal Budget Act (original version: Federal Law Gazette No. 213/1986; in the version Federal Law Gazette I No. 24/2007)

¹² Federal Ministry of Finance (2009c)

Figure 1: Division of the schedule of budget lines



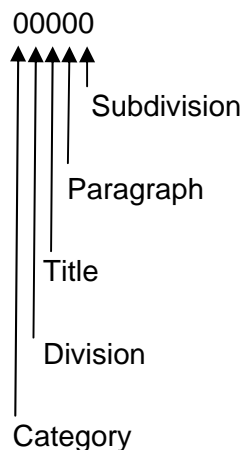
Source: Federal Ministry of Finance (2009a) – Own depiction

A distinction is made in the budget between the following:

- General budget expenditures1
- General budget revenues2
- Expenditures in connection with financial debt management7
- Revenues in connection with financial debt management8

The structure of the budget lines can be seen in *Figure 2*. They have different meanings on the revenue side and on the expenditure side.

Figure 2: Structure of the budget lines



Source: Federal Ministry of Finance (2009a) – Own depiction

Only expenditures are relevant for this project so the following section elaborates on the budget lines on the expenditure side, specifically on the fifth place, the subdivision. It describes the fiscal categories (see Table 1).

The definition for subsidies in the federal budget does not conform to the ESA. According to § 20 (5) Federal Budget Act (Bundeshaushaltsgesetz, BHG), the legislature defines this term as “the expenditures for monetary loans with favourable interest or amortisation terms, annuity, interest and credit-cost allowances and other monetary grants..., the Federal Government extends to a natural or legal person for a performance rendered or intended to be rendered by this party in which the Federal Government has a substantial public interest to safeguard without directly receiving a corresponding monetary counter-performance. Excluded from this estimation procedure are expenditures for financial allocations and other allocations to local authorities in accordance with § 12 Financial Constitutional Act (Finanz-Verfassungsgesetz, F-VG 1948) and for aid having the character of social benefits.”

By contrast, the System of National Accounts defines subsidies as “current unrequited payments which general government or the Institutions of the European Union make to resident producers, with the objective of influencing their levels of production, their prices or the remuneration of the factors of production.”¹³

Table 1: Fiscal categories

Fiscal categories	
Personnel expenditure	0 = Expenditure (mandatory expenditure), personnel expenditure
Tangible expenditure	2 = Assets (mandatory expenditure)
	3 = Assets (non-mandatory expenditure)
	4 = Subsidies (mandatory expenditure)
	5 = Subsidies – Loan (non-mandatory expenditure – has to be reimbursed)
	6 = Subsidies – Subsidy (non-mandatory expenditure – is not reimbursed)
	7 = Expenditure (mandatory expenditure), tangible expenditure
	8 = Expenditure – changes in property or debts of the federal government (non-mandatory expenditure)
	9 = Expenditure – no changes in property or debts of the federal government (non-mandatory expenditure)

Source: Federal Ministry of Finance (2009a) – Own depiction

¹³ Refer to Eurostat (1996), p. 78

Owing to these different definitions, it was not possible to concentrate only on the corresponding budget lines for fiscal categories 4 to 6 in the analysis of the federal budget. All expenditures in the general budget (1) and the Expenditures in connection with financial debt management (7) were therefore examined. As with taxes, the federal government's subsidy report for 2007 was brought into the selection process, as it contains additional information on most direct subsidies.

The next step was to analyse the data conforming to the ESA 95. This entailed ordering special evaluations for subsidies according to ESA 95 (D.3), for current transfers within general government (D.73), for current international cooperation (D.74), for miscellaneous current transfers (D.75), for investment grants (D.92) and for other capital transfers (D.99). These items were examined for the presence of potentially environmentally harmful subsidies.

One finding from the work performed was that a gradation of the potentially environmentally harmful subsidies contained in the budget had to be done. On the one hand, there are subsidies that should definitely be categorised in full as environmentally harmful based on the selected definition. On the other hand, there are items that should be allocated only in part as environmentally harmful but the portion cannot be determined without further information. Finally, there are subsidies that are possibly environmentally harmful. They cannot be definitively categorised, however, because information was either not available or the definition was insufficient. This task would be given to the coming Eurostat Task Force on Environmentally-related Transactions.

The budget lines were categorised as follows:

- Yes: If the subsidy was unequivocally environmentally harmful based on the selected definition.
- Yes, in part: If one part, the amount of which was indeterminable, was environmentally harmful.
- Possibly: If a subsidy was possibly environmentally harmful but a final assessment was unable to be made because information was lacking or the definition was inadequate.
- No: If the subsidy was not environmentally harmful.
- Not relevant: If the budget line was not budgeted.

Then the results from the analysis of the federal budget and of the special evaluations were reconciled. Afterwards the budget was evaluated to determine the amount of environmentally

harmful subsidies it contained that could not be identified with the ESA approach of the Eurostat Reflection Group on Subsidies.

The project proposal provided that investigations were to be made to determine the presence of potentially environmentally harmful subsidies, not just at national level but at regional level as well. The final budget for the federal province of Styria for 2007 was checked by way of example. Unfortunately, the budget documents did not contain sufficient information to draw up a list of potentially environmentally harmful subsidies. That could only have been done at great effort and cost and in close cooperation with the responsible departments in the offices of the federal provincial governments. It is therefore better to hold off with this task until a decision is made on a standard international definition.

The federal government's report on subsidies for 2007 already mentioned contains information about lost revenue¹⁴ for the federal government and for the state as a whole for most indirect subsidies, i.e. for tax exemptions and tax deductions. This group of subsidies can therefore be subdivided between the central government on the one hand and the regional and local governments on the other.

Each tax deduction or tax exemption covered in the report was checked for its potential to be environmentally harmful based on pertinent law. Only a minority of these items for 2007 turned out to be potentially environmentally harmful. In addition, these indirect subsidies were subject to the same restrictions in significance as the budgetary subsidies described above, i.e. they had to be divided as follows with regard to potential environmental harm:

- Yes
- Yes, in part and
- Possibly

Further potentially environmentally harmful tax exemptions arose from the provisions of the Value-added Tax Act 1994 [Umsatzsteuergesetz 1994].¹⁵ Most tax exemptions in this act have no potential for causing environmental harm based on the selected definitions. The following passages warrant mention, however:

- § 6 (1) No. 3 (d): *“transport of persons by ship and aircraft in international transport, except the transport of persons on Lake Constance.”*

¹⁴ Federal Ministry of Finance (2009c), p. 240 ff.

¹⁵ Federal Act for the Taxation of Sales Revenues, Federal Law Gazette No. 663/1994, in the version Federal Law Gazette I No. 101/2006.

- § 6 (1) No. 10 (c): *“Deliveries, modifications, repairs, servicing, chartering and hiring out of aircraft, including the objects incorporated in them or the objects for their operation which are used by government institutions.”*
- § 6 (4) No. 2: *The tax-free import of the “... objects indicated in § 9 (2) Nos. 1, 2 and 3 under the conditions named in these provisions.”*
- § 6 (4) No. 3a: *The tax-free import “of gas by means of the natural gas distribution network...”*

The next step entailed researching other non-budgetary subsidies by conducting research on the Internet, within Statistics Austria and by interviewing representatives of the federal ministries involved. This research yielded the following findings.

Greenhouse gas emissions certificates allocated free of charge should be categorised as an environmentally harmful indirect subsidy. They are classified in the System of National Accounts 2008 in general terms as tax¹⁶. No rules have been set, however, on how to treat trade in these emissions certificates. This task is now being tackled by a body set up specifically for that purpose: the OECD/Eurostat Task Force on Emission Permits in the National Accounts.¹⁷

The basic problem is as follows. A state issues a certain number of emissions certificates to industry in its country. These permits are then distributed among the companies according to a set formula. To give the companies an incentive to reduce emissions, these permits do not suffice to cover the company's own emission level. The companies therefore have to invest in actions to reduce emissions in their own operations or acquire certificates from others by taking other actions (trade in emissions certificates, joint implementation (JI) and clean development mechanism (CDM)). The higher the proportion of issued emissions certificates, the lower the monetary expense for acquiring certificates from others.¹⁸ Greenhouse gas emissions certificates allocated free of charge would therefore be a tax deduction from the standpoint of the SNA. These permits could even be called a tax exemption or a negative tax

¹⁶ *“Governments are increasingly turning to the issuing of emissions certificates as a means of controlling total emissions. These certificates do not involve the use of a natural asset (there is no value placed on the atmosphere so it cannot be considered to be an economic asset) and are therefore classified as taxes even though the permitted “activity” is one of creating an externality.”* Refer to European Commission, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, World Bank (2008), para. 17.393, p. 390.

¹⁷ Schwarz K. (2009)

¹⁸ Refer also to the Federal Act on a Greenhouse Gas Emissions Certificate Trading Scheme (Emissions Certificate Act), Regulation of the Federal Ministry for Agriculture, Forestry, Environment and Water Management on Monitoring and Reporting relating to Emissions of Greenhouse Gases and the Regulation of the Federal Minister for Agriculture, Forestry, Environment and Water Management on the Allocation of Emissions Certificates and the Administration of the Reserve (Allocation Regulation).

in cases where a company is able to reduce its emissions to an extent that it can do with the allocated certificates or even be in the special position of auctioning them off in trade in emissions certificates. Emissions certificates allocated free of charge do not become significant until 2008 to 2012¹⁹, however. Reduction of the greenhouse gas emissions is mandatory in this period to achieve the Kyoto target.

There are several regulations in foreign trade contrary to the very essence of free trade. They pertain to non-tariff barriers that serve to protect one's own economy against imports or to promote exports. Actions for protecting against unfair competition are excluded here. The provisions that interested this project were those protecting the economy of EU Member States against imports under certain circumstances.

This work identified additional possible subsidies that ultimately turned out not to be subsidies or that were not taken into account for other reasons.

For example, there was evidence that the electricity rates for operating snowmaking equipment were quite favourable. In markets where government institutions fix prices, these price reductions would actually be included as indirect subsidies causing environmental harm. In unregulated electricity markets, the electricity rate is determined solely by an agreement between two enterprises: the producer or trader in electricity and the operator of the snowmaking equipment. There are indications that operators of snowmaking equipment received subsidies from individual federal provincial governments to offset high electricity rates²⁰. However, the evaluation was conducted at central government level so these subsidies were not investigated any further.

Custom duties and the Rotterdam surcharge²¹ could be seen as potentially environmentally harmful indirect subsidies under certain circumstances. If a duty is levied against an imported product, that product becomes more expensive than the competing domestic product. This results in a price advantage for the domestic product that could lead to a larger output and that could be categorised as environmentally harmful based on the applied definition. A custom duty is a highly complex instrument. As one of its aims can be to protect the environment²², the potentially environmentally harmful effects have to be evaluated with great precision. With the European single market and the growth in global free trade, many

¹⁹ For this reason, the emissions certificates allocated free of charge for 2007 are not valued either and are shown as potentially environmentally harmful.

²⁰ See show.wuapaa.com/wkk/verkehr/seilbahn.ppt (accessed on 23.11.2009)

²¹ The Rotterdam surcharge is the imputed calculation of Austrian revenues from custom duties on goods destined for Austria already charged on the arrival of the goods in European ports, e.g. Rotterdam.

²² See the EU customs strategy at

http://ec.europa.eu/taxation_customs/customs/policy_issues/customs_strategy/index_en.htm (accessed on 25.11.2009)

duties have also been abolished or substantially reduced. Nonetheless, this aspect should not be disregarded. This project did not give attention to any further revenues from custom duties, as they are revenues of the European Union. The Republic of Austria is allowed to retain 25% of the revenues from custom duties but this money is considered compensation to Austria for expenses it incurs in collecting custom duties.

The project also examined how government influences prices. There are a number of ways it does so but they can not be classified as potentially environmentally harmful. Fixed prices for books or health care for example do not increase production output. Regulated rents are also not environmentally harmful. The same is true of certain prices stipulated by the legislature or regulatory authorities. These prices include postal rates and network tariffs for the provision of infrastructure (lines in a telephone network or power grid). These prices may generally be higher than market prices but that is no indication that they have environmentally harmful effects.

The Pricing Act of 1992²³ allows the competent federal ministers to set economically justifiable prices for goods and services under certain conditions, namely in crises. The need for this has never arisen. That fact aside, this price setting is done for social reasons and would not have environmentally harmful effects.

Further research indicated that agricultural holdings are permitted to draw water out of public bodies of water for use in irrigation. To do so, the farm must first obtain a permit under water act.²⁴ This step ensures that the use of the water will have no negative effects on the condition of the body of water.²⁵ No money is charged for using the water, so this use is an indirect subsidy but nothing environmentally harmful accompanies this use due to the strict conditions imposed on it.

Phase 2:

In the second phase the potentially environmentally harmful subsidies were assigned to economic sectors and their amount was calculated. These results are presented in *Section 5*.

The budgetary subsidies according to the ESA 95 were evaluated from two vantage points.

1. Subdivision by the benefiting sector according to the ESA 95, with a breakdown to the 4-digit level.

²³ Federal Act with which Provisions on Prices for Goods and Services are made

²⁴ Regulated by the Water Management Act of 1959 (WRG 1959).

²⁵ Phone call on 17 November 2009 with Dr. Veronika Koller-Kreimel, Department VII/1: National Water Management, Federal Ministry for Agriculture, Forestry, Environment and Water Management.

2. Subdivision by receiving area, i. e. the economic sector at ÖNACE two-digit level, the households as consumers and the rest of the world. Subsidies not directly allocable were classified in their own separate category.

The indirect subsidies were also allocated to economic sectors and households. Amongst companies, industries were not subdivided, however, as the necessary information for that was not available in most cases. Unlike the direct subsidies, a distinction was able to be made at least for lost income for the federal government and the other local government authorities.

Phase 3:

This work step involved evaluating the possible negative effects of the environmentally harmful subsidies. The report cites examples to illustrate them.

Phase 4:

In this phase, a comparison was made between the amounts of the potentially environmentally harmful subsidies and the environmental tax collected, including the other payment flows relevant to the environment that are not a component of the Eurostat definition of environmental taxes but that are considered significant at national level. On this basis, an assessment was made as to how ecological the Austrian tax system is. Examples were also cited to show how the tax system could be rendered more ecological.

4. Problems that occurred

This section describes problems that occurred while the project was being carried out.

The main problem was that the definition of the term subsidy in the budget differed from that in the European System of Accounts. Once a year, the federal government publishes a subsidy report containing the texts of the budget lines plus explanations for most subsidies. This report was also taken into account for the analysis of the federal budget wherever possible. Unfortunately, the term used in the report is “more restrictive” than in the ESA 95 or in the OECD publication.²⁶ It was therefore necessary to check each individual expenditure item to determine whether it was a subsidy as defined in this report. If so, the next step was to decide whether it was potentially environmentally harmful.

Owing to the insufficient description of the budget items, the items had to be subdivided as follows:

- Yes
- Yes, in part
- Possibly

This was possible only for the federal budget, however. At the level of the federal provinces and local authorities, the information on the individual items was not sufficient to conduct a serious analysis. For this reason, the data presented in *Section 5* is restricted to the budgetary subsidies at central government level.

Another problem was that not all potentially environmentally harmful subsidies that are budgeted can be allocated to a specific beneficiary. This was the case, for instance, with budget lines designated as follows

- Subsidy applicants not required to be individually listed,
- Legal entities not required to be individually listed or
- Subsidies not required to be individually listed.

In the presentation of the results in *Section 5*, they were therefore classified as “Non allocable” instead of being assigned a two-digit ÖNACE number.

The Eurostat Reflection Group on Subsidies proposed that the potentially environmentally harmful subsidies be determined for subsidies (D.3), current transfers within general government (D.73), current international cooperation (D.74), miscellaneous current transfers

²⁶ See *Section 3* for a more precise description.

(D.75), investment grants (D.92) and other capital transfers (D.99). The analysis revealed that the federal budget contained further potentially environmentally harmful subsidies that the Reflection Group did not cover in its own approach.

In addition, an attempt was made to obtain an overview of non-budgetary subsidies in Austria. Aside from tax exemptions and tax deductions, the only other potentially environmentally harmful subsidies that were able to be identified were the free allocation of greenhouse gas emissions certificates and several non-tariff barriers.

Tax exemptions and tax deductions are already valued in monetary terms in the subsidy report of the federal government already mentioned. A part but not all of the environmentally harmful tax deductions and tax exemptions were therefore able to be expressed in figures. There was also insufficient information to do a detailed breakdown by economic sector, so the results are presented incompletely and at a high aggregate level.

Non-tariff barriers are a highly complex matter. The corresponding legal principles were evaluated and the protective actions identified. Owing to the diverse measures and agreements in the scope of this project, it was not possible to calculate the financial effects, i.e. set a monetary value for the competitive advantages gained by the companies in the European Union.

Greenhouse gas emissions certificates allocated free of charge did not become potentially environmentally harmful subsidies until 2008, the year the period began in which reduction of emissions in accordance with the Kyoto Protocol became mandatory. It was possible to acquire the necessary emissions certificates, but it was not until 2008 that a company's own greenhouse gas emissions had to be covered by corresponding certificates. This aspect was nonetheless covered in this report because of its significance. The problem was that the only available information was about the free emissions certificates, not about which companies had how many certificates and not when and at what price they acquired the certificates. Without this information, it was impossible to calculate the monetary value of the free emissions certificates and the potentially environmentally harmful subsidies (tax deductions) associated with them.²⁷

It was also impossible to make a full comparison between the potentially environmentally harmful subsidies and the environmental taxes due to the problems just described.

²⁷ Telephone call with MMag. Katrin Seuss, registration office pursuant to Austrian Act on Emission Certificate Trading (EZG), Austrian Federal Environment Agency, on 24.11.2009.

5. Results

The definition used is explained in more detail at the start of this section. Due to the complexity of the issue and the lack of clarity (also at an international level) concerning the definition, there is no definitive formulation as would normally be the case. Instead, a number of basic principles serve as a guide for the relevant decisions.

The budgetary and non-budgetary subsidies are subsequently presented from a variety of perspectives.

The associated data can be found in the Annex.

5.1 Definition

The potentially environmentally harmful subsidies presented in this section are based on the following principles:

1. A subsidy is only taken into account if it enables a specific measure to be taken. If it can be assumed that a measure would be taken even without a subsidy, the relevant subsidy is not taken into account since it does not change the activity level.
2. The decision on the potential environmental harmfulness of a subsidy is based inter alia on the following guidelines:
 - a) New buildings are considered environmentally harmful due to the ground impermeability caused. Reconstruction and renovation are regarded as positive for the environment since it can be assumed that they result in lower energy consumption, improved thermal insulation and other environmentally friendly effects.
 - b) The environmentally harmful effect must be visible. Increased power consumption is not sufficient, for example.
 - c) Payments made within the context of the promotion of economic development are viewed as potentially environmentally harmful unless it is clearly obvious that they have a specific purpose that is not environmentally harmful.
 - d) Travelling allowances (commuting allowance) are recorded as potentially environmentally harmful subsidies in both budgetary (payments to federal employees) and non-budgetary (for private employees via the tax assessment for employees or as a payment via the employer) terms.

3. Items not taken into account include:

a) Payments for the railway infrastructure. Although this also has a negative impact on the environment, public transport is more environmentally friendly than private transport.

b) Sports subsidies are not generally regarded as potentially environmentally harmful. Large sporting events such as the European Football Championship, which involve large investments in infrastructure as well as increased environmental pollution locally during the event, are an exception.

c) Expenditure on health, family, development assistance and the like are not included since the social element prevails. Construction projects may form an exception, however.

d) Compensations for less-favoured areas (the second pillar of the Common Agricultural Policy) are not regarded as environmentally harmful in case of doubt. They aim to facilitate agriculture, settlement, preservation of the cultural landscape and the achievement of environmental policy goals. However, further studies should be carried out as to whether all these goals are good for the environment.

5.2 Budgetary subsidies

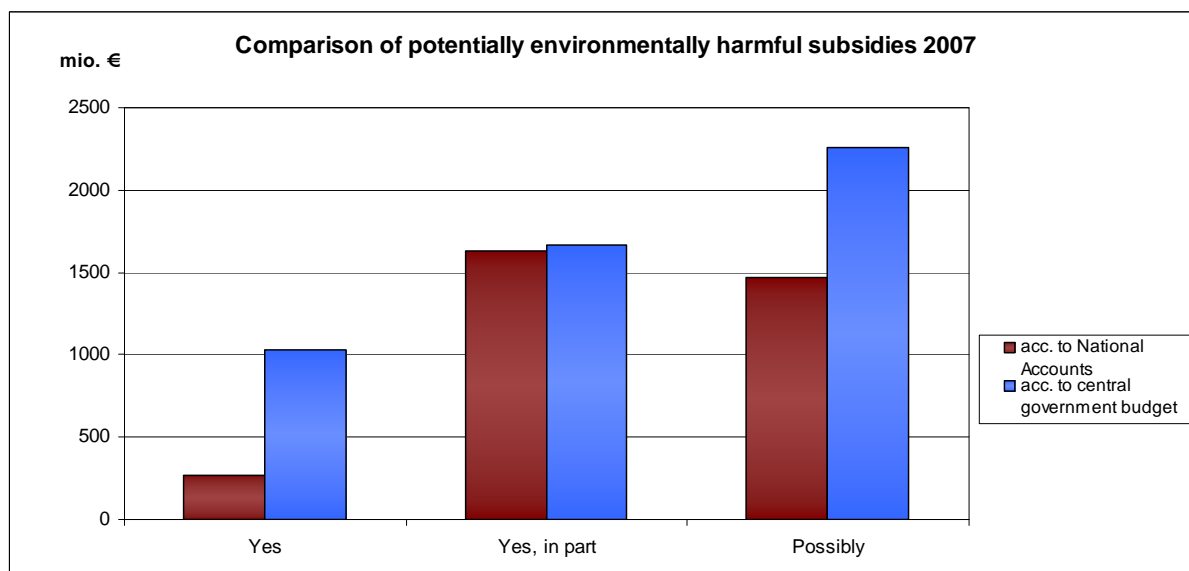
Based on the definition recommended by the Eurostat Reflection Group on Subsidies, payments from the federal budget for 2007 amounting to €272.3 million can be categorised as completely environmentally harmful, €1 632.7 million as partially environmentally harmful and €1 467.0 million as possibly environmentally harmful (see Figure 3).

By comparison, the complete budget analysis results in a number of figures that are much higher: €1 033 million can be regarded as completely environmentally harmful, €1 670 million as partially environmentally harmful and €2 256 million as possibly environmentally harmful subsidies.

The question arises as to whether the sole observation of certain transfer payments in accordance with the ESA 95 can give a complete overview of the potentially environmentally harmful subsidies. This question strongly depends on the definition. It should therefore be discussed in the context of the planned Eurostat Task Force on Environmentally-related Transactions and as a result will not be covered further in this report. However, examples of

potentially environmentally harmful subsidies in the federal budget that are not included in the transfer payments in accordance with the ESA 95 are presented.²⁸

Figure 3: Comparison of potentially environmentally harmful subsidies for 2007, in accordance with National Accounts or according to the federal budget



Source: STATISTICS AUSTRIA, own calculations

Closer observation of the transfer payments in accordance with the ESA 95 allows the following statements to be made.

5.2.1 Transfer payments by sector

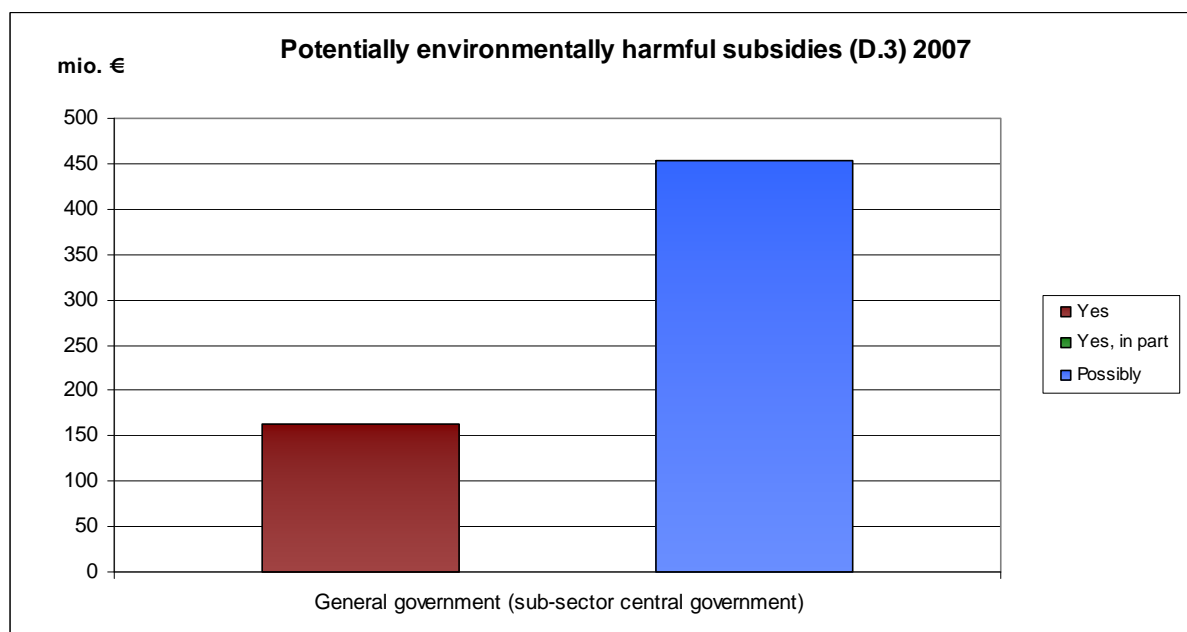
Potentially environmentally harmful subsidies (D.3)

Potentially environmentally harmful subsidies in accordance with the ESA 95 were only found within the sub-sector central government in 2007 (see Figure 4). €162.2 million were completely environmentally harmful, €0.7 million partially environmentally harmful (this amount is too low to be seen in the figure) and €454.0 million possibly environmentally harmful.

Examples of these kinds of subsidies were measures to promote economic development, grants to companies in the context of press subsidies and payments for the creation of training or educational facilities.

²⁸ See Section 5.2.3

Figure 4: Potentially environmentally harmful subsidies (D.3) in 2007



Source: STATISTICS AUSTRIA, own calculations

Potentially environmentally harmful current transfers within general government (D.73)

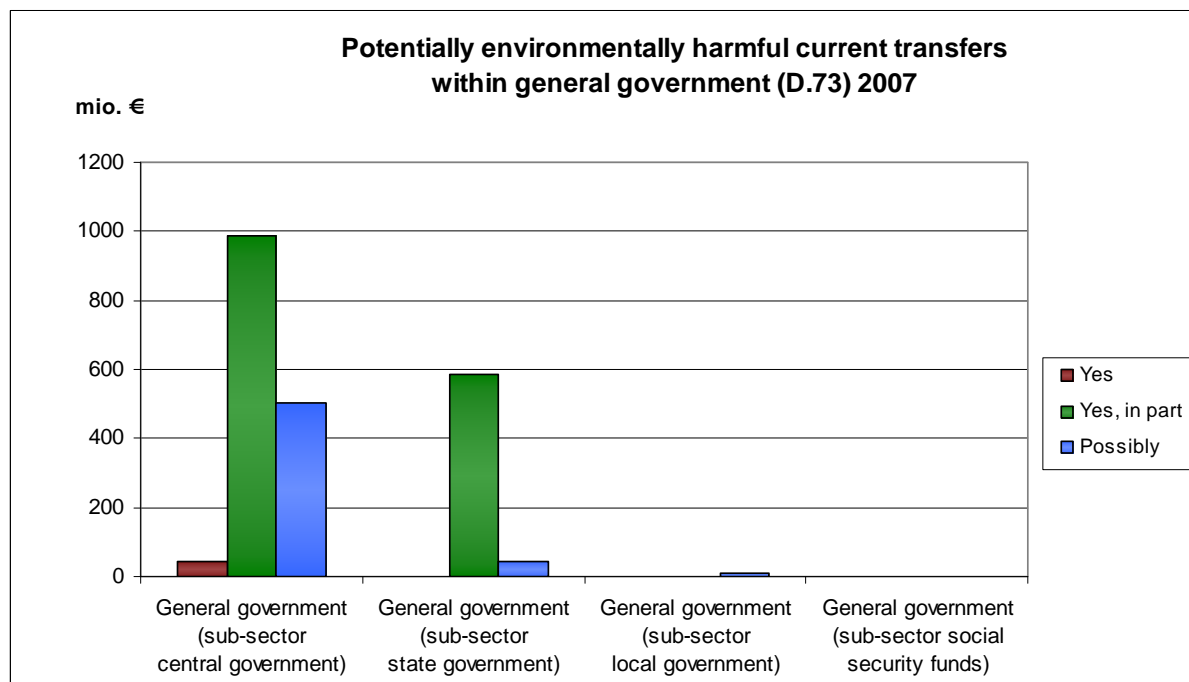
Within the sub-sector central government, completely environmentally harmful current transfers amounted to €45.3 million in 2007. Subsidies totalling €985.5 million were categorised as partially environmentally harmful and €504.6 million as possibly environmentally harmful (see Figure 5).

€2.3 million of completely environmentally harmful current transfers were made to the sub-sector state government, while €586.5 million were partially environmentally harmful and €44.6 million were possibly environmentally harmful.

Finally, the sub-sector local government received €7.7 million and the sub-sector social security funds received €0.3 million of possibly environmentally harmful current transfers from central government.

These transfers included research subsidies, agricultural subsidies and subsidies for obtaining a job or traineeship or to secure employment.

Figure 5: Potentially environmentally harmful current transfers within general government (D.73) in 2007

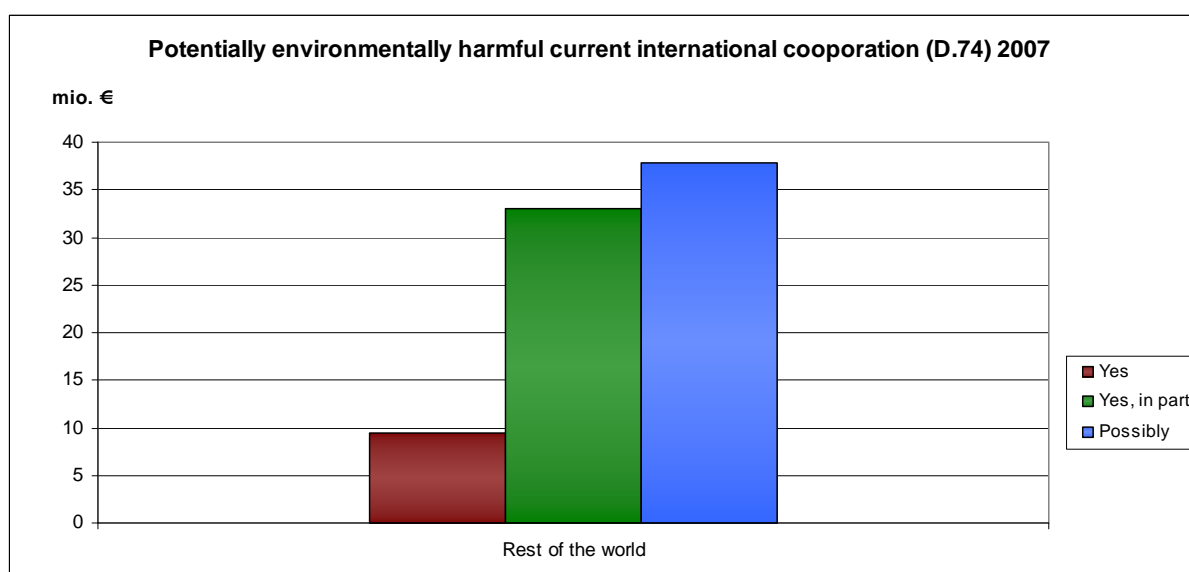


Source: STATISTICS AUSTRIA, own calculations

Potentially environmentally harmful current international cooperation (D.74)

Unequivocally environmentally harmful current transfers paid by central government to the rest of the world amounted to €9.4 million in 2007. The figures for partially environmentally harmful subsidies (€33.1 million) and possibly environmentally harmful subsidies (€37.8 million) were more significant (see Figure 6).

Figure 6: Potentially environmentally harmful current international cooperation (D.74) in 2007



Source: STATISTICS AUSTRIA, own calculations

Examples include the contributions made to CERN and to European Space Agency programmes as well as payments made within the foreign trade programme.

Potentially environmentally harmful miscellaneous current transfers (D.75)

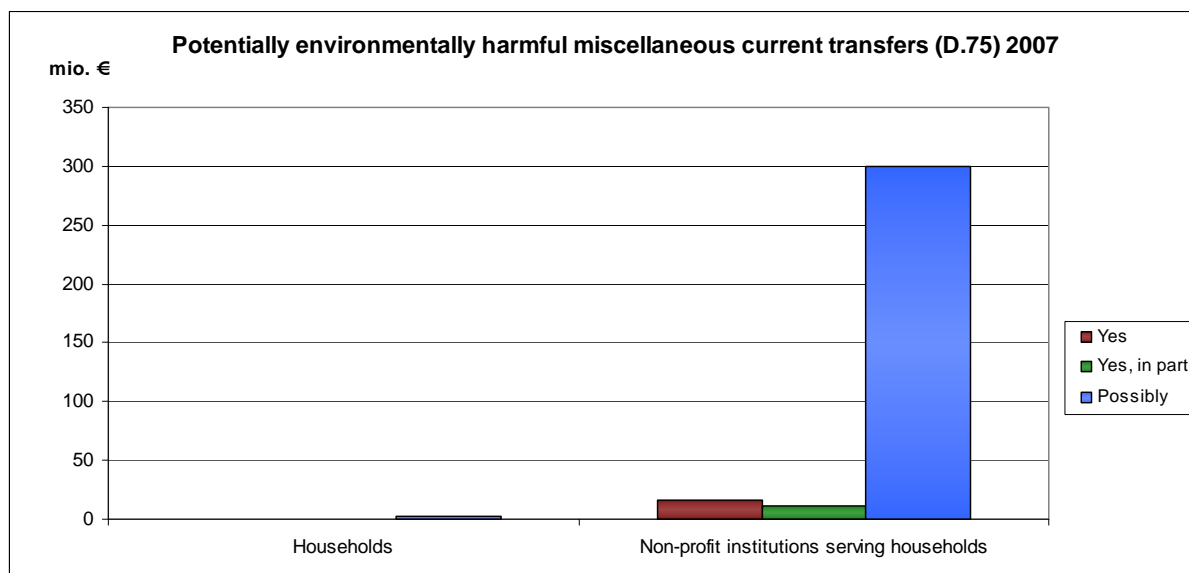
Potentially environmentally harmful miscellaneous current transfers were paid to the sectors households and NPISH (non-profit institutions serving households) by central government, with the NPISH sector benefiting to a much greater extent (see Figure 7).

Households received €0.2 million of unequivocally environmentally harmful miscellaneous current transfers, while €0.1 million were partially and €2.7 million possibly environmentally harmful. Some of these amounts are too small to be seen in the figure.

By contrast, €16.0 million of the miscellaneous current transfers received by NPISHs were completely environmentally harmful, €11.6 million were partially environmentally harmful and €299.8 million were possibly environmentally harmful.

These transfers include subsidies for major sporting events, research subsidies and subsidies in the agricultural field for consulting and training measures.

Figure 7: Potentially environmentally harmful miscellaneous current transfers (D.75) in 2007



Source: STATISTICS AUSTRIA, own calculations

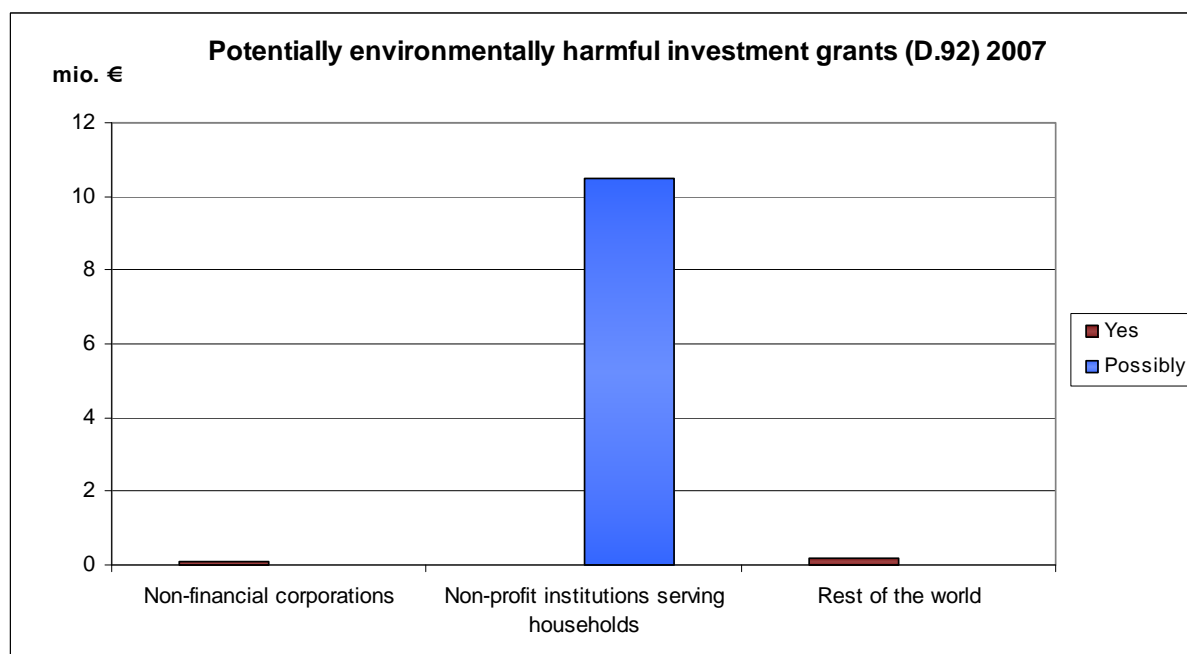
Potentially environmentally harmful investment grants (D.92)

Unequivocally environmentally harmful investment grants were awarded to non-financial corporations (around €0.1 million) and to the rest of the world (approx. €0.2 million) in 2007. At €10.5 million, the figure for possibly environmentally harmful investment grants to the

sector NPISH was much higher (see Figure 8). However it should be remembered that while this entry includes grants that may be environmentally harmful, no definitive assessment can be made due to a lack of information or an insufficient definition.

These grants primarily comprise subsidies for the construction and expansion of youth hostels and student halls of residence.

Figure 8: Potentially environmentally harmful investment grants (D.92) in 2007



Source: STATISTICS AUSTRIA, own calculations

Potentially environmentally harmful other capital transfers (D.99)

The sector non-financial corporations and the sub-sectors local, state and central government of general government received potentially environmentally harmful other capital transfers from central government (see Figure 9).

The non-financial corporations received €12.2 million of unequivocally environmentally harmful other capital transfers and €51.8 million that were possibly environmentally harmful from central government.

Corresponding funds amounting to €15.0 million that were partially environmentally harmful and €7.0 million that were possibly environmentally harmful were transferred to the sub-sector central government in 2007.

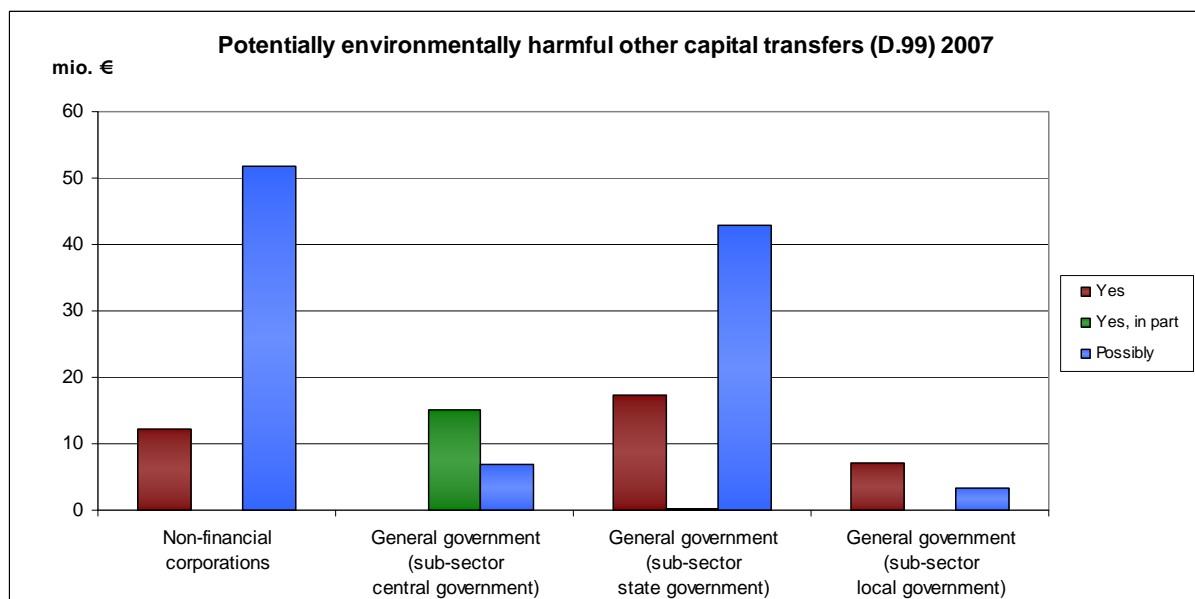
The federal provinces (sub-sector state government) received completely environmentally harmful other capital transfers amounting to €17.4 million from central government.

€0.2 million were partially environmentally harmful and €42.8 million possibly environmentally harmful.

The municipalities (sub-sector local government) received €7.0 million (unequivocally environmentally harmful) and €3.4 million (possibly environmentally harmful).

These transfers included inter alia subsidies for the modification of football stadiums for the European Football Championship, flood control measures (although only measures that have an impact on the environment were included) and agricultural consulting measures.

Figure 9: Potentially environmentally harmful other capital transfers (D.99) in 2007



Source: STATISTICS AUSTRIA, own calculations

5.2.2 Transfer payments by industry

The industries that benefit from potentially environmentally harmful subsidies can also be used to analyse these subsidies, with the ÖNACE 2008 classification that is now valid being used for this report. This differs from an analysis of transfer payments by sector in that the subsidies are assigned to the final beneficiaries, whereas this is not necessarily the case with the sectors. These often pass on the funds received; the Länder do so, for example, for the promotion of agriculture or tourism.

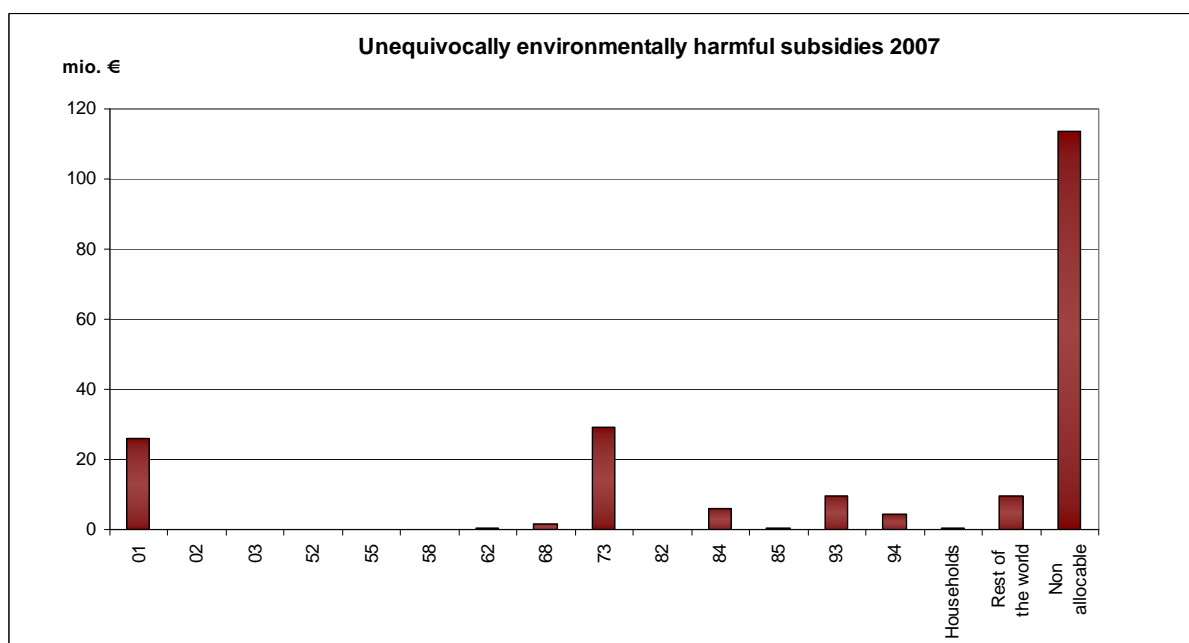
The data has in turn been subdivided into the criteria already applied:

- Yes,
- Yes, in part
- Possibly

The data can be viewed in more detail in the tables in Annex II, which were developed exemplarily on the basis of the Eurostat questionnaires. In addition to the industries at ÖNACE two-digit level, they also contain items for households as consumers, the rest of the world for current international cooperation and for payments that cannot be allocated.

Most of the unequivocally environmentally harmful subsidies were awarded to the accommodation sector (ÖNACE 55) (see Figure 10), followed by advertising and market research (ÖNACE 73), crop and animal production, hunting and related service activities (ÖNACE 01) and office administrative, office support and other business support activities (ÖNACE 82). The largest item, however, was subsidies that could not be allocated to a specific sector.

Figure 10: Unequivocally environmentally harmful subsidies in 2007

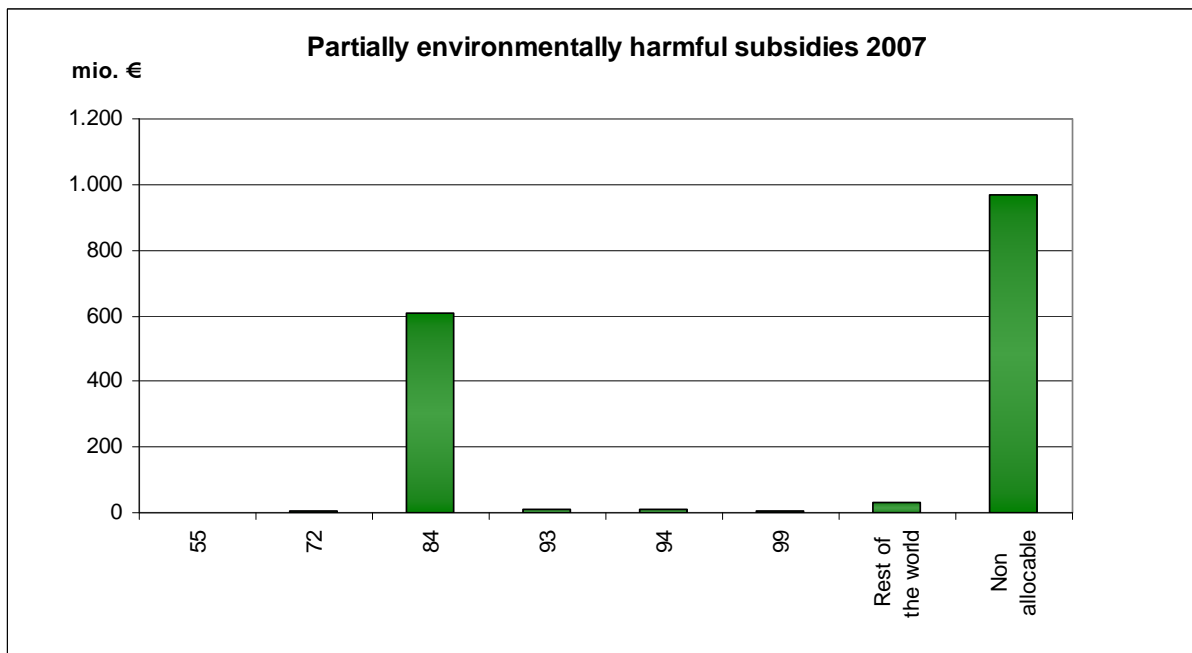


Source: STATISTICS AUSTRIA, own calculations

The industries to benefit most from partially environmentally harmful subsidies were public administration and defence; compulsory social security (ÖNACE 84), followed at some distance by the rest of the world (see Figure 11). However, it was not possible to assign the majority of subsidies directly.

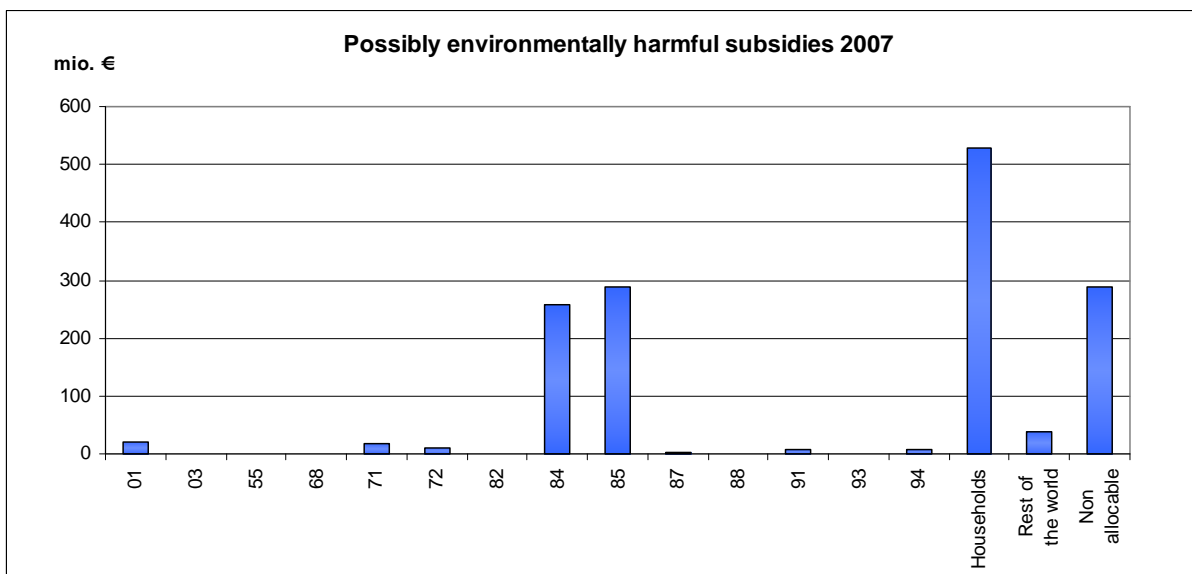
The main beneficiaries of possibly environmentally harmful subsidies were households, education (ÖNACE 85) and public administration and defence; compulsory social security (ÖNACE 84). Around 20% of subsidies – far fewer than for the other two payment flows – could not be assigned directly (see Figure 12).

Figure 11: Partially environmentally harmful subsidies in 2007



Source: STATISTICS AUSTRIA, own calculations

Figure 12: Possibly environmentally harmful subsidies in 2007



Source: STATISTICS AUSTRIA, own calculations

5.2.3 Other potentially environmentally harmful subsidies in the federal budget

A number of examples of potentially environmentally harmful subsidies in the 2007 federal budget are given below. These were identified on the basis of the definition applied in this report but are not covered by the transfers above.

Examples of other unequivocally environmentally harmful subsidies in the 2007 federal budget:

Text	Amount in €	Further description	Relevance
Premiums for suckler cows	64 750 000.00	EAGF (animal products), transfer to AMA	Yes

Explanation: These premiums were used to support cattle breeding, an activity that would not have been commercially viable without these payments. As a result, they are covered by the definition. Cattle also produce significant methane emissions and livestock breeding is more resource-intensive than crop production. These are reasons to regard the premiums for suckler cows as environmentally harmful subsidies in their entirety.

Text	Amount in €	Further description	Relevance
Measures for the production and marketing of honey	627 900.00	Other measures EAGF	Yes

Explanation: Measures for the production and marketing of honey were designed to increase the production level. This was an environmentally harmful subsidy.

Text	Amount in €	Further description	Relevance
Rebate for the processing of corn starch	486 000.00	EAGF (crop products), transfer to AMA	Yes

Explanation: It can be assumed that the processing of corn starch would be less profitable and therefore lower without this subsidy. To a certain extent, this would have reduced the production of maize. As a result, this was also an unequivocally environmentally harmful subsidy.

Example of other partially environmentally harmful subsidies in the 2007 federal budget:

Text	Amount in €	Further description	Relevance
Intelligent traffic systems	449 403.82	Expenditure	Yes, in part

Explanation: Intelligent traffic systems can be used to increase the capacity of traffic systems. This would lead to a higher volume of traffic and thus to more noise and higher levels of air pollutants.

Examples of other possibly environmentally harmful subsidies in the 2007 federal budget:

Text	Amount in €	Further description	Relevance
Promotion of young talent	8 928 324.82	Expenditure	Possibly

Explanation: These funds were used for the promotion of young researchers. This could result in environmentally harmful projects being supported. However, there was insufficient information to make a definitive assessment.

Text	Amount in €	Further description	Relevance
Individuals	148 201 781.90	Subsidies	Possibly

Explanation: These subsidies were used for labour market policy measures. They would have been environmentally harmful if they had been used to protect existing jobs or create new ones that would not otherwise have existed. This would have given the companies a cost and thus competitive advantage that could have led to a higher level of production. This category was selected since no unequivocal assessment could be made due to a lack of information.

Text	Amount in €	Further description	Relevance
Technological focuses (companies)	744 075.35	Expenditure	Possibly

Explanation: This item was used to promote innovation, but there was a lack of information about the projects. However, the subsidy could lead or may have led to products being particularly competitive and therefore achieving higher sales levels. This would be associated with higher consumption of resources.

5.3 Non-budgetary subsidies

As already discussed in *Sections 3 and 4*, it must be assumed that it is not possible to give a complete overview of the non-budgetary subsidies. Although the subsidy report²⁹ by the federal government provided detailed information on tax deductions and tax exemptions, it did not cover other non-budgetary subsidies. This report is therefore also intended to help generate ideas for further research activities.

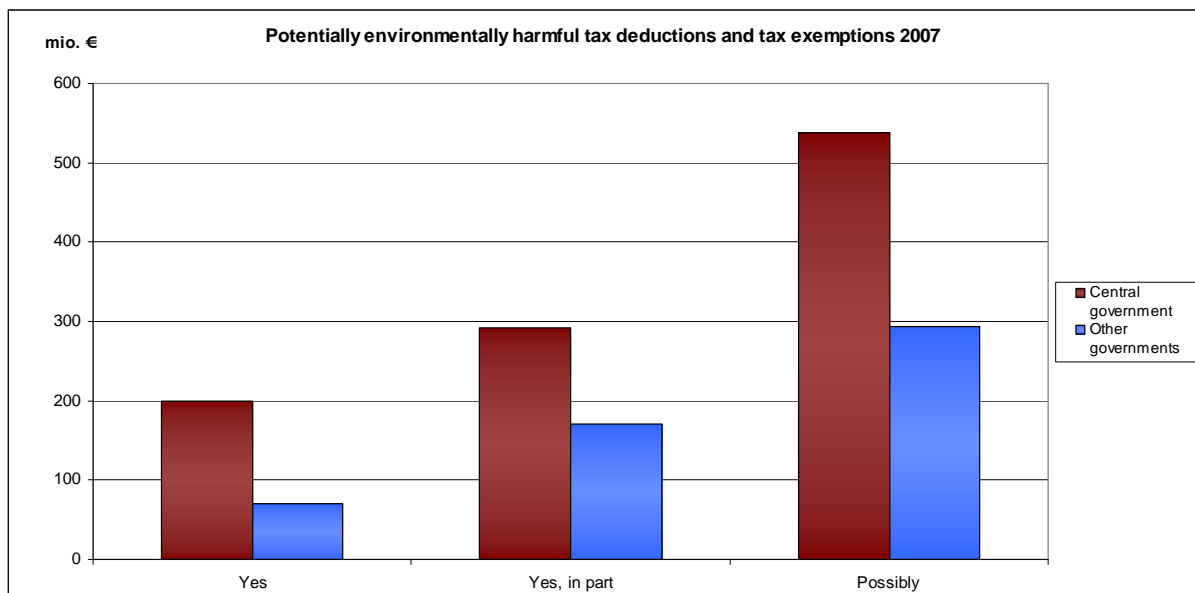
5.3.1 Tax deductions and tax exemptions

Figure 13 gives a graphical overview of the potentially environmentally harmful tax deductions and tax exemptions that can be shown in monetary terms. As with direct subsidies, tax deductions and tax exemptions were subdivided into:

- Yes,
- Yes, in part
- Possibly

in terms of their environmental harmfulness. A distinction was also made between loss of revenue for central government and loss of revenue for other regional governments.

Figure 13: Potentially environmentally harmful tax deductions and tax exemptions in 2007



Source: Federal Ministry of Finance (2009c), own calculations

²⁹ Federal Ministry of Finance (2009c), p. 240 ff

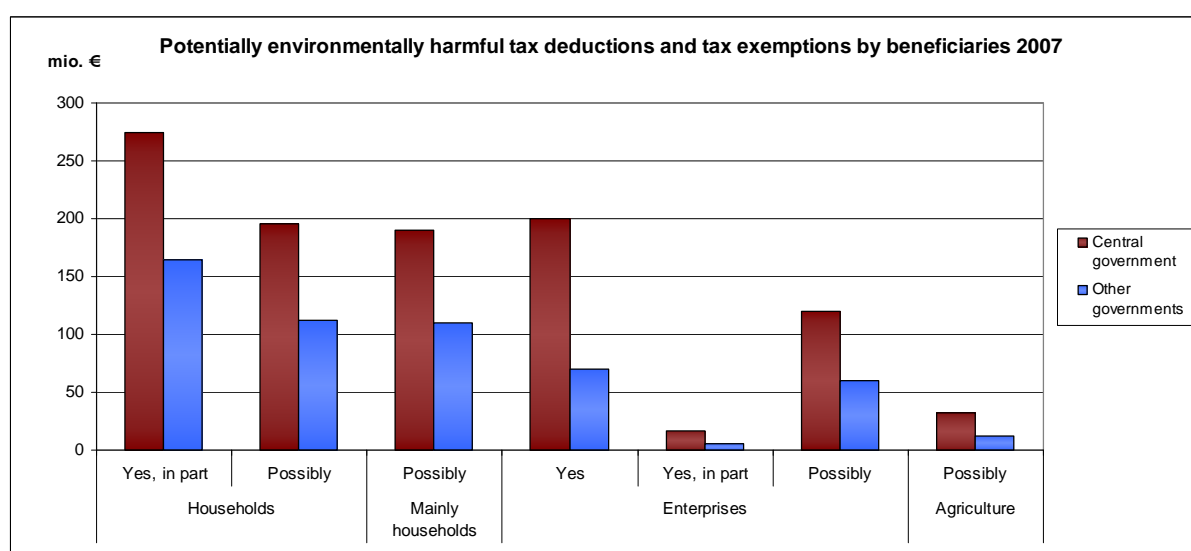
Tax deductions and tax exemptions amounting to €270.0 million were considered environmentally harmful in their entirety, with €200.0 million being apportioned to central government.

Revenue waived amounting to €463.0 million, including €292.0 million waived by central government, was partially environmentally harmful.

Finally, €832.0 million were possibly environmentally harmful, €538.0 million of which were apportioned to central government.

In addition, *Figure 14* gives a rough overview of the groups that benefited from these tax deductions and tax exemptions. The group to benefit most was households, although it should be emphasised that their tax deductions and tax exemptions were only partially or possibly environmentally harmful. They were followed by companies, which were the only group to receive unequivocally environmentally harmful subsidies. Combined with the partially and possibly environmentally harmful subsidies, their possible benefit was less than half that of households. Only possibly environmentally harmful tax deductions and tax exemptions were identified for agriculture, which accounted for only 2.8% of the total amount.

Figure 14: Potentially environmentally harmful tax deductions and tax exemptions by beneficiaries in 2007



Source: Federal Ministry of Finance (2009c), own calculations

As already stated in *Section 3*, the Value-added Tax Act 1994³⁰ contains a number of tax exemptions that are possibly environmentally harmful. Since the associated loss of revenue

³⁰ Federal Act on the Taxation of Sales Revenues (original version: Federal Law Gazette No. 663/1994; as amended by: Federal Law Gazette I No. 101/2006)

could not be calculated for 2007, only the potential for harm associated with the relevant regulations is discussed in *Section 6* below.

5.3.2 Greenhouse gas emissions certificates allocated free of charge

As already described³¹, the System of National Accounts defines greenhouse gas emissions certificates as taxes. Accordingly, certificates that are allocated free of charge should at least be classified as tax deductions. If companies can reduce their emissions of greenhouse gases to the extent that they are covered by the free emissions certificates or can even resell certificates, the first case equates to a tax exemption and the second case to a kind of negative tax. However this only relates to the years 2008 to 2012, the commitment period for reducing greenhouse gas emissions.

Even when analysing 2008, the extent of these tax deductions could not be determined since no information is available on which companies acquired how many certificates at which price. Without this data, the monetary value of the free emissions certificates and thus the extent of the tax deduction could not be calculated.³²

The following sectors are affected by these potentially environmentally harmful subsidies³³:

- Electricity industry
- District heat
- Petroleum processing
- Integrated iron and steel works
- Other iron and steel industry
- Cement industry
- Paper industry
- Chemical industry
- Lime industry
- Refractories
- Brick making industry
- Food industry
- Glass industry
- Timber industry
- Machine, steel building and automotive industry

³¹ See *Section 3*

³² Telephone call with MMag. Katrin Seuss, registration office pursuant to Emissions Certificate Trading Act (EZG), Austrian Federal Environment Agency, on 24.11.2009.

³³ Pursuant to Regulation of the Federal Minister of Agriculture, Forestry, Environment and Water Management on the Allocation of Emissions Certificates for the Period 2008 to 2012 (Allocation Regulation 2nd Period) (original version: Federal Law Gazette II No. 279/2007)

5.3.3 Non tariff barriers

Before examining these regulations and processes in more detail, it should be noted that they do not include measures intended to provide protection against unfair competition, in other words anti-dumping measures, anti-subsidy measures, protection against trade barriers and protection against subsidies and unfair pricing practices which cause injury in the air transport sector.³⁴ Instead, they relate to the safeguard measures taken if *“products are imported into the Community in such greatly increased quantities and/or on such terms or conditions as to cause, or threaten to cause, serious injury to Community producers”*³⁵. Although limited in time³⁶, they lead to a distortion of free trade.³⁷

There are a number of stages involved in the procedure before the safeguard measures are actually imposed. This report deals only with the steps required to understand the safeguard measures.

If producers of similar or competing products from the European Union could be injured by the import of a product or if required by Community interests, the import of this product may be subjected to Community monitoring by resolution of the Council or Commission. This can take place retrospectively (by evaluating statistical data) or in advance. If the product is subject to prior surveillance, an import document that must be issued to the importer for all quantities applied for must be presented when the product is imported.

A distinction is made between the following types of safeguard measures:

- Changing the period of validity of the import document
- Introducing an import authorisation process
- Establishing a quota for imports
- Enacting suitable measures to allow the rights and obligations of the Community or of its member states to be exercised and fulfilled at international level

³⁴ See http://europa.eu/legislation_summaries/external_trade/index_en.htm#s_344 (accessed on 29 November 2009)

³⁵ See http://europa.eu/legislation_summaries/external_trade/r11002_en.htm (accessed on 29 November 2009) and Regulation (EC) No. 3285/1994

³⁶ A maximum of eight years pursuant to Article 20 (5) of Regulation (EC) 3285/1994

³⁷ This regulation does not apply to textile products (Regulation (EC) 3030/1993 and Regulation (EC) 517/1994) or to imports from Albania, a number of countries in the Commonwealth of Independent States, Mongolia, China, Vietnam and North Korea (Regulation (EC) 519/1994), to which separate import regulations apply.

Examples of import regulations in 2007 include:

- Milk and dairy products³⁸
- Certain textile products³⁹
- Live bovine animals of a weight exceeding 160 kg and originating in Switzerland⁴⁰
- Maize and wheat⁴¹
- Sugar and sugar products originating in the Former Yugoslav Republic of Macedonia⁴²

³⁸ See Regulation (EC) No. 1255/1999 and Regulation (EC) 2535/2001 (for information on the import regulations in 2007 in the respective valid version)

³⁹ See Regulation (EC) No. 3030/1993 (for information on the import regulations in 2007 in the respective valid version)

⁴⁰ See Regulation (EC) No. 2172/2005 (for information on the import regulations in 2007 in the respective valid version)

⁴¹ See Regulation (EC) No. 573/2003 (for information on the import regulations in 2007 in the respective valid version)

⁴² See agreement in the form of an exchange of letters between the European Communities and their Member States, of the one part, and the Former Yugoslav Republic of Macedonia, of the other part, on a tariff quota for the imports of sugar and sugar products originating in the Former Yugoslav Republic of Macedonia into the Community (Official Journal of the European Union L 333/46, 20 December 2005)

6. Negative effects on the environment

6.1 Potentially environmentally harmful budgetary subsidies

Owing to the high number of potentially environmentally harmful budgetary subsidies, it is not possible here to provide a complete overview of their negative effects on the environment. Instead, typical examples illustrating the three groups of subsidies will be discussed.

Unequivocally environmentally harmful subsidies

Text	Amount in €	Further description	Relevance
Vienna Stadium	5 535 000.00	Subsidies	Yes

Explanation: This subsidy was granted for modification of the Ernst Happel Stadium in Vienna so that it complied with UEFA requirements for the 2008 European Football Championship. This was a large-scale once-off sports event that led to increased local environmental pollution as a result of the individual matches and their spectators. Other football stadiums were constructed specifically for this event. In these cases, ground impermeability made a further negative impact on the environment.

Text	Amount in €	Further description	Relevance
“Österreich Werbung” membership fee	24 095 000.00	“Österreich Werbung” association	Yes

Explanation: The membership fee paid to “Österreich Werbung” was classified as unequivocally environmentally harmful because these funds were used to promote Austria as a tourist destination. This was a measure aimed at increasing production that had an array of repercussions on the environment, e.g. air pollutant emissions caused by tourists arriving by aeroplane or car, damage to pastures caused by Alpine skiing, increased water consumption, higher volume of waste.

Text	Amount in €	Further description	Relevance
Suckler cow premium	6 190 000.00	National market organisation expenditure and measures for the production and marketing of honey, federal share	Yes

Explanation: The suckler cow premium is a subsidy for animal production in agriculture, which leads to a higher production level. In 2007, the increased output of methane caused by the cattle had a negative impact on the environment.

Partially environmentally harmful subsidies

Text	Amount in €	Further description	Relevance
Subsidies to federal provinces	576 209 000.00	Expenditure (mandatory expenditure)	Yes, in part

Explanation: These subsidies financed roads (maintenance and new roads). As a result of ground impermeability, the construction of new roads at least had to be classified as environmentally harmful. It also signified an increase in the transport of passengers and freight on the roads – with the corresponding air pollutant emissions.

Text	Amount in €	Further description	Relevance
Transfer to AMS pursuant to Article 41 (2) AMSG	299 358 000.00	Transfer to AMS pursuant to Article 41 (2) AMSG	Yes, in part

Explanation: Expenditure by Arbeitsmarktservice Österreich serving to safeguard endangered jobs and subsidise new jobs must be viewed as environmentally harmful as it enabled the companies to operate with a more economic cost structure and thus more competitively. The resulting higher production level also had a negative impact on the environment that would not have arisen without these measures.

Text	Amount in €	Further description	Relevance
Other rural development measures, transfer to AMA	23 866 260.40	Promotion of rural development, federal share	Yes, in part

Explanation: These funds were used inter alia to finance agricultural diesel and the Fisheries Structural Fund (FIFG). In the case of agricultural diesel, the subsidy is a reimbursement of the mineral oil tax that is granted to farmers and foresters on application for the management of their holdings.⁴³ The purpose of the Fisheries Structural Fund (FIFG) is to finance structural reform in the fishing industry. The measures are aimed at the sustainable exploitation of fish stocks, but also include measures to promote sales. Some of these measures were therefore environmentally harmful.

⁴³ See Regulation of the Federal Minister of Agriculture, Forestry, Environment and Water Management on the Reimbursement of the Mineral Oil Tax for Agricultural Diesel (Agricultural Diesel Regulation) (original version: BGBl. II No. 506/2004)

Possibly environmentally harmful subsidies

Text	Amount in €	Further description	Relevance
Private institutions (focus 1)	22 109 437.72	Subsidies	Possibly

Explanation: These subsidies were used to secure a workplace or apprenticeship or to safeguard a job. It is not known which specific measures were subsidised. However, if they were aimed at reducing wage costs, they should be viewed as potentially environmentally harmful as they increased the competitiveness of the company.

Text	Amount in €	Further description	Relevance
Other projects	31 906 689.38	Federal subsidy for construction and project costs, Hazard Zone Plan (for a specific purpose)	Possibly

Explanation: These projects comprised flood protection measures along major bodies of water. The measures were usually carried out in such a way that impact on the environment was minimised as far as possible. If environmental impact was unavoidable, renaturation measures had to be carried out in compensation. In the case of building measures, however, it was not always possible to prevent presumably certain negative impact on the environment, which is why this item was viewed as possibly environmentally harmful. There is, however, no information which projects were financed using this money. The Task Force on Environmentally-related Transactions must clarify how items of this kind are to be dealt with.

Text	Amount in €	Further description	Relevance
European Space Agency fee	14 644 022.04	Expenditure (mandatory expenditure)	Possibly

Explanation: The fee paid to the European Space Agency was viewed as possibly environmentally harmful as in 2007 it was also used to finance space travel. Due to high fuel consumption, rocket launches are to be seen as environmentally harmful. The Task Force on Environmentally-related Transactions must clarify and define how membership fees of this kind are to be treated.

6.2 Potentially environmentally harmful non-budgetary (indirect) subsidies

6.2.1 Environmentally harmful tax deductions and tax exemptions

The potentially environmentally harmful tax deductions and tax exemptions are based on three underlying acts: the Mineral Oil Tax Act⁴⁴, the Income Tax Act 1988⁴⁵ and the Value-added Tax Act 1994⁴⁶.

The following tax exemptions were to be classified as environmentally harmful in their entirety:

- In Article 4 (1) No. 1, the Mineral Oil Tax Act governs the tax exemption of *“mineral oil that is dispensed from bonded storage facilities to airlines as an aviation fuel for the commercial transport of persons or freight or for other commercial services provided by an aircraft against payment”*.

Explanation: This Act was deemed environmentally harmful because it meant that flights were cheaper without the taxation of kerosene and, as a result, a higher traffic volume was to be expected than would be the case with a corresponding tax burden.

- Pursuant to Article 6 (1) No. 3 (d) of the Value-added Tax Act 1994, *“the transport of persons by ship or aircraft across national boundaries, excluding the transport of persons on Lake Constance”* is exempted from value-added tax.

Explanation: The same reasons for the environmentally harmful nature of the Act apply here as for the above point. The transport of persons was cheaper due to the tax exemption and as a result was likely to be higher than with normal taxation.

- Article 6 (1) No. 10 (c) of the Value-added Tax Act 1994 provides that *“deliveries, modifications, repairs, servicing, chartering and hiring out of aircraft, including the objects incorporated in them or the objects for their operation which are used by government institutions”* are exempt from value-added tax.

Explanation: Tax exemption reduced the costs for airlines, which were able to offer their services, i.e. flights, more cheaply. The consequence can be assumed to be a higher volume of traffic with the ensuing negative effects on the environment.

⁴⁴ Federal Act with which the Mineral Oil Tax is adapted to Community Law (original version: BGBl. No. 630/1994, as amended by: BGBl. I No. 180/2004)

⁴⁵ Federal Act of 7 July 1988 on the Taxation of the Income of Natural Persons (original version: BGBl. No. 400/1988, as amended by: BGBl. I No. 155/2006)

⁴⁶ Federal Act on the Taxation of Sales Revenues (original version: BGBl. No. 663/1994, as amended by: BGBl. I No. 101/2006)

- Pursuant to Article 6 (4) No. 2 of the Value-added Tax Act 1994, the import of the “... items listed in Article 9 (2) Nos. 1, 2 and 3 under the requirements stipulated in these provisions” is exempt from tax.

Explanation: This rule again relates to the airline industry. It also reduced the costs for the companies, enabling them to offer cheaper flights. The consequences were the same as in the above points.

- Pursuant to Article 6 (4) No. 3a of the Value-added Tax Act 1994, the import “of gas via the natural gas distribution network ...” is exempt from tax.

Explanation: The environmental harmfulness of this tax exemption resulted from the fact that thereby this fossil energy source was more attractive than more environmentally friendly energy sources and was thus consumed in higher quantities.

Partially environmentally harmful tax deductions and tax exemptions derived from the following statutory provisions:

- Under the terms of Article 4 (1) No. 2 of the Mineral Oil Tax Act, a tax exemption is granted for “*mineral oil that is dispensed as lubricants for ships from bonded storage facilities to shipping companies for the commercial transport of persons or freight (including transport on own account) on the Danube or on Lake Constance, and fuels that are dispensed to such companies for use for said purposes on said bodies of water*”.

Explanation: The potentially environmentally harmful nature of this statutory provision relates to the fact that, due to the tax exemption, the commercial transport of persons on the Danube and on Lake Constance was cheaper than with the mineral oil tax, and as a result, a higher volume of traffic was to be assumed. However, this did not concern the commercial transport of freight, as this is a more environmentally friendly alternative to road or air transport.

- Pursuant to Article 7a (1) of the Mineral Oil Tax Act, diesel that “*is used to power agricultural and forestry vehicles, machinery and appliances used directly for agricultural and forestry purposes*” is “*to be reimbursed on application by an amount calculated pursuant to (3)*”.

Explanation: This reimbursement could be seen as potentially environmentally harmful as it reduces the costs for diesel. As a consequence, it is possible that diesel could not be used as economically as without the reimbursement, as the resulting price pressure is lower.

- Article 16 (1) No. 6 of the Income Tax Act 1988 permits tax relief for “*expenditure by the taxpayer for commutation between home and workplace*”. This is known as the commuting allowance.

Explanation: The granting of a commuting allowance depends on specific prerequisites. The tax relief reduces the costs of using one's own vehicle and thus makes this option financially more attractive to a certain degree. A distinction must be made between the minor and the major commuting allowance. The minor commuting allowance can be classified as potentially environmentally harmful because it is granted if the use of public transport – which is to be seen as more environmentally friendly than individual transport – is possible and reasonable for commutation between home and workplace. By contrast, the major commuting allowance is granted in those cases where it is not possible or reasonable for the given employee to use public transport.⁴⁷ The granting or refusal of the commuting allowance in this case has no repercussions on the behaviour of the person concerned and is thus not environmentally harmful.

- Based on Article 18 (1) No. 3 of the Income Tax Act 1988, under certain circumstances, expenditure on the creation and renovation of residential property may be tax-deductible.

Explanation: With respect to the creation of residential property, the construction of new buildings may result in ground impermeability. This case would be classed as environmentally harmful. As regards the renovation of residential property, it may be assumed that energy saving measures will be implemented during the renovation work. As a result, this case is not environmentally harmful.

The following tax deductions and tax exemptions are possibly environmentally harmful:

- Pursuant to Article 3 (1) No. 3 (c) of the Income Tax Act 1988, payments or grants “*from public funds, from the funds of a public foundation or a private foundation or from the funds of an institution named in Article 4 (4) No. 5 for the direct promotion of science and research (compensation of expenses or costs)*” are exempt from tax.

Explanation: This tax exemption would be viewed as environmentally harmful if it was related to environmentally harmful science and research. However, it is assumed that it will be very difficult to collect relevant information about the individual projects.

⁴⁷ Further information about the commuting allowance at <http://www.help.gv.at/Content.Node/80/Seite.800600.html> (accessed on 29 November 2009)

- Article 4 (4) of the Income Tax Act 1988 grants a number of tax exemptions for research and continuing education.

Explanation: The remarks above also apply to these tax exemptions. Their environmental harmfulness depends on the given projects for which they were granted. However, it will be difficult to obtain the information required to assess the projects.

- *“Natural persons may” pursuant to Article 12 (1) of the Income Tax Act 1988 “set off hidden reserves ((2)) that are disclosed by the sale of assets against the purchase or production costs or the partial amounts of the purchase or production costs within the meaning of Article 10 (7) Sentence 2 of the assets purchased or produced in the financial year of the sale”.*

Explanation: Environmental harmfulness in this case depends on whether the purchased or manufactured assets are environmentally harmful.

- Pursuant to Article 18 (1) No. 7 of the Income Tax Act 1988, allowances may be tax-reducing under certain circumstances.

Explanation: These allowances are environmentally harmful if they are used for environmentally harmful science and research. That said, it will be difficult in this case also to obtain the necessary information about the given projects.

- Article 18 (2) of the Income Tax Act 1988 stipulates that amongst other items, incidental expenditure for the provision of residential property may be offset against tax without a special certificate with a lump-sum amount of € 60 annually.

Explanation: The provision of residential property can lead to ground impermeability. For this reason, this opportunity for offsetting tax had to be classified as potentially environmentally harmful. That said, the amount is so low that it is doubtful that it would cause a change in behaviour as is implied in the definition. Nevertheless, this tax deduction was classified as possibly environmentally harmful. Whether a tax deduction of this kind should be taken into account in the future must be discussed by the Task Force on Environmentally-related Transactions.

- Article 108c of the Income Tax Act 1988 governs the enforcement of research and education premiums.

Explanation: These premiums would be environmentally harmful if the research or the (continuing) education measures served an environmentally harmful purpose.

6.2.2 Greenhouse gas emissions certificates allocated free of charge

As already discussed in detail in *Section 3*, due to the requirements of the System of National Accounts 2008, greenhouse gas emissions certificates are to be viewed as a tax. Certificates allocated free of charge would therefore be a tax deduction. If a company reduces its emissions to a sufficient extent, it would be exempt from tax. In the event that certificates not required could be auctioned, negative tax would arise. Because emissions certificates allocated free of charge are a special case, their negative impact on the environment is not dealt with in the context of other tax deductions and tax exemptions.

There are two reasons why they are environmentally harmful. Firstly, these certificates decrease emissions reduction as a cost factor. The lower this cost factor, the more economically and, as a result, competitively a company can act on the market. This results in a higher production level with the corresponding negative repercussions on the environment. Secondly, the companies have less incentive to invest in measures for preventing emissions, which is why emissions are higher than is potentially possible.

6.2.3 Non tariff barriers

As already described in *Section 5*, non tariff barriers serve to protect companies from the European Union against imports that cause or could cause significant damage. These safeguard measures have a time limit and are designed to allow the company to adapt to the changed market conditions. With respect to the environment, however, they are a harmful subsidy as they result in the distortion of free trade, and an increase in the competitiveness and production volume of companies from the European Union and, by consequence, to greater negative externalities on the environment than would be the case with an entirely free interaction of market forces.

7. Comparison between potentially environmentally harmful subsidies and environmental taxes and the further ecologisation of the tax system

This section is concerned with a comparison between potentially environmentally harmful subsidies and environmental tax payments, taking into account a number of special features.

As already discussed in the preceding sections, it was not possible to provide a complete overview of potentially environmentally harmful subsidies. Their actual extent is thus uncertain. Non-assessable tax exemptions from value-added tax, greenhouse gas emissions certificates allocated free of charge and non tariff barriers would result in an increase, while the partially and possibly environmentally harmful subsidies would contribute to a decrease, as the current analysis includes all payments, even though it is highly unlikely that all subsidies in 2007 were of an environmentally harmful nature.

Environmental taxes⁴⁸ comprise energy, transport, pollution and resources taxes and thus comply with the standard international definition⁴⁹. Austrian reporting on environmental taxes, however, takes into consideration additional environmentally relevant payments to general government authorities that are not taxes as per the definition, but that, owing to their characteristics, have a high ecological value and are thus of particular interest. In comparison to environmental taxes, they are also of increasing relevance. For this reason they were included in the analysis.

Even if a complete comparison of the two payment flows cannot be made, the structure of the payments nevertheless permits statements on necessary developments towards greater ecologisation of the tax system.

An analysis of *Figure 15* and the two tables 2 and 3 reveals immediately that, totalling around €10.7 billion, environmental taxes and environmentally relevant payments significantly exceeded potentially environmentally harmful subsidies, which totalled some €4.9 billion in 2007.

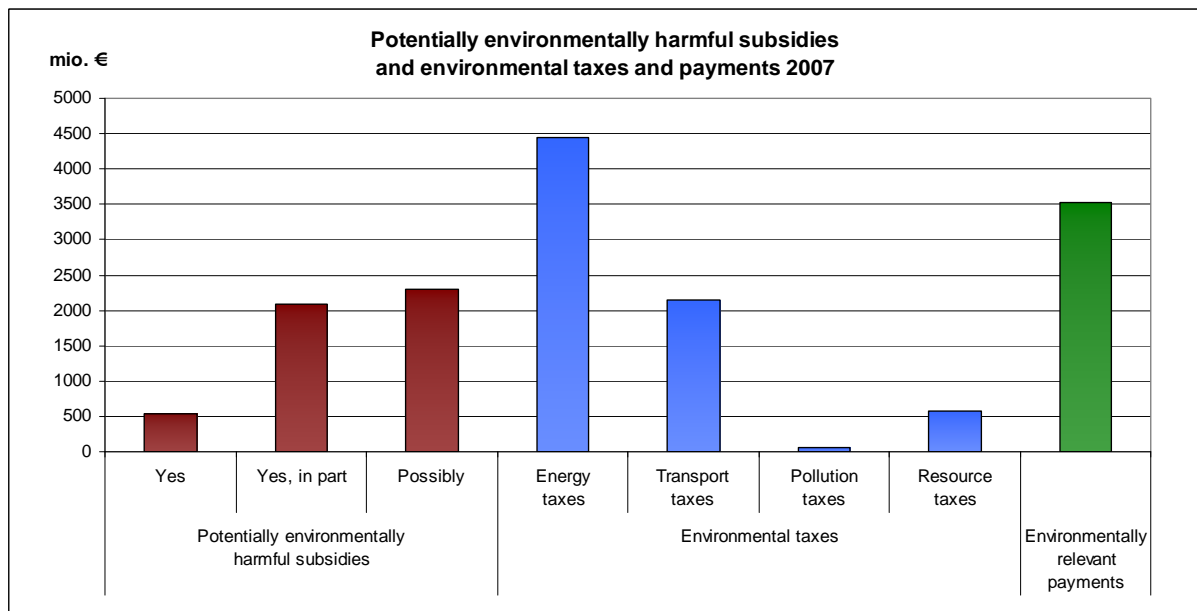
The most important group of environmental taxes were energy taxes totalling around €4.5 billion, followed by transport taxes at €2.1 billion. Of lesser importance were resource taxes generating revenue of €0.5 billion and pollution taxes generating €0.1 billion.

Environmentally relevant payments in 2007 totalled around €3.5 billion. The key items were wastewater charges, distance related toll revenues (Heavy duty vehicles) and waste charges.

⁴⁸ See Petrovic (2009)

⁴⁹ See Eurostat (2001)

Figure 15: Comparison of potentially environmentally harmful subsidies and environmental taxes and payments for 2007



Source: STATISTICS AUSTRIA, own calculations

Table 2: Overview of potentially environmentally harmful subsidies in 2007

Potentially environmentally harmful subsidies (mio. €)	2007
Yes	542
Yes, in part	2096
Possibly	2299
TOTAL	4937

Source: STATISTICS AUSTRIA; Federal Ministry of Finance (2009c), own calculations

Table 3: Overview of environmental taxes and further environmentally relevant payments in 2007

Tax name	2007
Taxes of central government (mio. €)	
Mineral oil tax (E)	3689
Motor vehicle tax (T)	130
Motor vehicle registration tax (T)	145
Motor related insurance tax (T)	1410
Levy on motor vehicles based on fuel consumption (T)	457
Energy levy (E)	764
Levy on dangerous wastes (P)	72
Land tax B (R)	529
Taxes of state governments (mio. €)	
Levy for hunting and fishing (R)	10
Viennese tree protection levy (R)	1
Levy for landscape protection and nature conservation (R)	10
Total environmental taxes	7216
Environmentally relevant payments (mio. €)	
Levy for parking of motor vehicles (Vienna)	56
Waste charges	572
Wastewater charges	1004
Water charges	396
Toll sticker revenues	322
Road section toll revenues	119
Distance related toll revenues (Heavy duty vehicles)	984
Toll evasion	18
Security charge, aviation	56
Total environmentally relevant payments	3526
TOTAL	10742

Source: STATISTICS AUSTRIA – Environmental taxes. – E = Energy taxes, T = Transport taxes, P = Pollution taxes, R = Resource taxes.

An analysis of a single year is of course insufficient for depicting ecologisation effects in the tax system – or, for the purposes of this report, with respect to subsidies. Notwithstanding, a number of general statements may be made based on the findings to date:

- When subsidies are awarded, the associated environmental repercussions are already taken into account in many cases, e.g. for flood protection measures and construction measures to protect against avalanches and flooding. This aspect should be further developed.

- There are some environmentally harmful tax deductions and tax exemptions, e.g. for aviation fuels, that should be abolished.
- For cost transparency, the costs incurred as a result of negative effects on the environment should be imposed to a greater extent on the parties that incur them. This could be done e.g. by means of higher taxes on specific fuels, higher road usage duties and a CO₂ tax.
- Increased cost transparency is also associated with regulating effects towards renewable energy sources, increased use of public transport and investment in environmental protection measures.

8. Summary

The primary goal of this Eurostat-funded study was to survey potentially environmentally harmful subsidies in Austria in 2007. This topic is attracting ever greater interest on national and international level, but there is as yet no uniform definition. For the subsidies included in the public budgets, the proposal put forward by Eurostat and Statistics Sweden, namely to consider subsidies in accordance with the definition of the European System of Accounts (ESA 95) and other data of the National Accounts, particularly current and capital transfers to households, was applied. This definition is designated "SEEA subsidy". By comparison, it was also examined whether there are further budget items that should be classified as potentially environmentally harmful subsidies. Non-budgetary subsidies were also surveyed. They include tax deductions and tax exemptions, greenhouse gas emissions certificates allocated free of charge and non tariff barriers. Furthermore, the negative effects of the given subsidies on the environment were illustrated by means of examples, and the extent of potentially environmentally harmful subsidies compared to environmental tax revenues (including additional environmentally relevant payments that are not regarded as environmental taxes pursuant to the definition), in order to show how ecological the Austrian tax system is and where further efforts are required in order to render the tax system more ecological.

Contrary to the original intention, it was not possible to survey the potentially environmentally harmful subsidies for Austria as a whole. On the one hand, the information in the budgets of the federal provinces and the municipalities was insufficient for assessing the intended uses of the given budget lines, and on the other hand it was not possible to calculate the costs of a number of non-budgetary subsidies.

The potentially environmentally harmful subsidies were classified into three groups:

- Yes: If the subsidy was unequivocally environmentally harmful based on the selected definition.
- Yes, in part: If one part, the amount of which was indeterminable, was environmentally harmful.
- Possibly: If a subsidy was possibly environmentally harmful but a final assessment was unable to be made because information was lacking or the definition was inadequate.

For 2007, of the "SEEA subsidies" included in the federal budget, payments totalling €272.3 million were classified as unequivocally environmentally harmful, €1 632.7 million as partially environmentally harmful and €1 467.0 million as possibly environmentally harmful.

In comparison, the full budget analysis resulted in much higher amounts in some cases: subsidies totalling €1 032.8 million were considered unequivocally environmentally harmful, €1 669.8 million partially environmentally harmful and €2 255.9 million possibly environmentally harmful.

With respect to non-budgetary subsidies, tax deductions and tax exemptions totalling €1 565.0 million were ascertained, of which €270.0 million was assessed as unequivocally environmentally harmful, €463.0 million as partially environmentally harmful and €832.0 million as possibly environmentally harmful.

It was not possible to compute the costs of further tax deductions and tax exemptions, greenhouse gas emissions certificates and non tariff barriers.

Accordingly, assessable potentially environmentally harmful subsidies in 2007 totalled around €4.9 billion. It must be noted that this figure also includes those items that were classified as partially or possibly environmentally harmful owing to missing information. By contrast, the non-assessable non-budgetary environmentally harmful subsidies are not included. These adjustments would affect the amount of potentially environmentally harmful subsidies. Nevertheless, it may be said that environmental taxes and additional environmentally relevant payments totalling €10.7 billion significantly exceeded potentially environmentally harmful subsidies in 2007.

In conclusion, it may be noted that the existing environmental taxes signify to some extent an ecological tax system in Austria, but that further efforts are nevertheless required in this respect. For instance greater consideration should be given to the environmental repercussions when subsidies are granted, increased charges should be imposed on perpetrators to cover the costs of the environmental damage they cause and environmentally harmful tax deductions and tax exemptions should be abolished.

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Annex

Annex I: Potentially environmentally harmful budgetary subsidies (ESA 95) by sector

Sector	Name	2007		
		Yes	Yes, in part	Possibly
Potentially environmentally harmful subsidies (D.3), mio. €				
S.1311	General government (sub-sector central government)	162,2	0,7	454,0
Potentially environmentally harmful current transfers within general government (D.73), mio. €				
S.1311	General government (sub-sector central government)	45,3	985,5	504,6
S.1312	General government (sub-sector state government)	2,3	586,5	44,6
S.1313	General government (sub-sector local government)	-	-	7,7
S.1314	General government (sub-sector social security funds)	-	-	0,3
Potentially environmentally harmful current international cooperation (D.74), mio. €				
S.2	Rest of the world	9,4	33,1	37,8
Potentially environmentally harmful miscellaneous current transfers (D.75), mio. €				
S.14	Households	0,2	0,1	2,7
S.15	Non-profit institutions serving households	16,0	11,6	299,8
Potentially environmentally harmful investment grants (D.92), mio. €				
S.11	Non-financial corporations	0,1	-	-
S.15	Non-profit institutions serving households	-	-	10,5
S.2	Rest of the world	0,2	-	-
Potentially environmentally harmful other capital transfers (D.99), mio. €				
S.11	Non-financial corporations	12,2	-	51,8
S.1311	General government (sub-sector central government)	-	15,0	7,0
S.1312	General government (sub-sector state government)	17,4	0,2	42,8
S.1313	General government (sub-sector local government)	7,0	-	3,4
TOTAL		272,3	1.632,7	1.467,0

Source: Statistics Austria, own calculations. – “-” = zero.

Annex II: Unequivocally environmentally harmful budgetary subsidies (ESA 95) based on ÖNACE

Country: Austria		
Potentially environmentally harmful subsidies		Yes
Unit	Million Euro	
Industry classification		2007
A 01	Crop and animal production, hunting and related service activities	26,15
A 02	Forestry and logging	0,04
A 03	Fishing and aquaculture	0,00
A 01-03	Agriculture, forestry and fishing	26,20
B 05	Mining of coal and lignite	
B 06	Extraction of crude petroleum and natural gas	
B 07	Mining of metal ores	
B 08	Other mining and quarrying	
B 09	Mining support service activities	
B 05-09	Mining and quarrying	0,00
C 10	Manufacture of food products	
C 11	Manufacture of beverages	
C 12	Manufacture of tobacco products	
C 13	Manufacture of textiles	
C 14	Manufacture of wearing apparel	
C 15	Manufacture of leather and related products	
C 16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	
C 17	Manufacture of paper and paper products	
C 18	Printing and reproduction of recorded media	
C 19	Manufacture of coke and refined petroleum products	
C 20	Manufacture of chemicals and chemical products	
C 21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	
C 22	Manufacture of rubber and plastic products	
C 23	Manufacture of other non-metallic mineral products	
C 24	Manufacture of basic metals	
C 25	Manufacture of fabricated metal products, except machinery and equipment	
C 26	Manufacture of computer, electronic and optical products	
C 27	Manufacture of electrical equipment	
C 28	Manufacture of machinery and equipment n.e.c.	
C 29	Manufacture of motor vehicles, trailers and semi-trailers	
C 30	Manufacture of other transport equipment	
C 31	Manufacture of furniture	
C 32	Other manufacturing	
C 33	Repair and installation of machinery and equipment	
C 10-33	Manufacturing	0,00
D 35	Electricity, gas, steam and air conditioning supply	
E 36	Water collection, treatment and supply	
E 37	Sewerage	
E 38	Waste collection, treatment and disposal activities; materials recovery	
E 39	Remediation activities and other waste management services	
E 36-39	Water supply; sewerage, waste management and remediation activities	0,00
F 41	Construction of buildings	
F 42	Civil engineering	
F 43	Specialised construction activities	
F 41-43	Construction	0,00
G 45	Wholesale and retail trade and repair of motor vehicles and motorcycles	
G 46	Wholesale trade, except of motor vehicles and motorcycles	
G 47	Retail trade, except of motor vehicles and motorcycles	
G 45-47	Wholesale and retail trade; repair of motor vehicles and motorcycles	0,00
H 49	Land transport and transport via pipelines	
H 50	Water transport	
H 51	Air transport	
H 52	Warehousing and support activities for transportation	1,54
H 53	Postal and courier activities	
H 49-53	Transportation and storage	1,54

Source: STATISTICS AUSTRIA, own calculations.

Annex II: Unequivocally environmentally harmful budgetary subsidies (ESA 95) based on ÖNACE

I 55	Accommodation	35,90
I 56	Food and beverage service activities	
I 55-56	Accommodation and food service activities	35,90
J 58	Publishing activities	12,77
J 59	Motion picture, video and television programme production, sound recording and music publishing activities	
J 60	Programming and broadcasting activities	
J 61	Telecommunications	
J 62	Computer programming, consultancy and related activities	0,36
J 63	Information service activities	
J 58-63	Information and communication	13,14
K 64	Financial service activities, except insurance and pension funding	
K 65	Insurance, reinsurance and pension funding, except compulsory social security	
K 66	Activities auxiliary to financial services and insurance activities	
K 64-66	Financial and insurance activities	0,00
L 68	Real estate activities	1,60
M 69	Legal and accounting activities	
M 70	Activities of head offices; management consultancy activities	
M 71	Architectural and engineering activities; technical testing and analysis	
M 72	Scientific research and development	
M 73	Advertising and market research	29,40
M 74	Other professional, scientific and technical activities	
M 75	Veterinary activities	
M 69-75	Professional, scientific and technical activities	29,40
N 77	Rental and leasing activities	
N 78	Employment activities	
N 79	Travel agency, tour operator and other reservation service and related activities	
N 80	Security and investigation activities	
N 81	Services to buildings and landscape activities	
N 82	Office administrative, office support and other business support activities	21,00
N 77-82	Administration and support service activities	21,00
O 84	Public administration and defence; compulsory social security	6,00
P 85	Education	0,20
Q 86	Human health activities	
Q 87	Residential care activities	
Q 88	Social work activities without accommodation	
Q 86-88	Human health and social work activities	0,00
R 90	Creative, arts and entertainment activities	
R 91	Libraries, archives, museums and other cultural activities	
R 92	Gambling and betting activities	
R 93	Sports activities and amusement and recreation activities	9,71
R 90-93	Arts, entertainment and recreation	9,71
S 94	Activities of membership organisations	4,37
S 95	Repair of computers and personal and household goods	
S 96	Other personal service activities	
S 94-96	Other service activities	4,37
T 97	Activities of households as employers of domestic personnel	
T 98	Undifferentiated goods- and services-producing activities of private households for own use	
T 97-98	Activities of households as employers; Undifferentiated goods- and services-producing activities of households for own use	0,00
U 99	Activities of extraterritorial organisations and bodies	
	Households	0,21
	Rest of the world	9,40
	Non allocable	113,66
	TOTAL	272,32

Source: STATISTICS AUSTRIA, own calculations.

Annex II: Partially environmentally harmful budgetary subsidies (ESA 95) based on ÖNACE

Country: Austria		
Potentially environmentally harmful subsidies		Yes, in part
Unit	Million Euro	
Industry classification		2007
A 01	Crop and animal production, hunting and related service activities	
A 02	Forestry and logging	
A 03	Fishing and aquaculture	
A 01-03	Agriculture, forestry and fishing	0,00
B 05	Mining of coal and lignite	
B 06	Extraction of crude petroleum and natural gas	
B 07	Mining of metal ores	
B 08	Other mining and quarrying	
B 09	Mining support service activities	
B 05-09	Mining and quarrying	0,00
C 10	Manufacture of food products	
C 11	Manufacture of beverages	
C 12	Manufacture of tobacco products	
C 13	Manufacture of textiles	
C 14	Manufacture of wearing apparel	
C 15	Manufacture of leather and related products	
C 16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	
C 17	Manufacture of paper and paper products	
C 18	Printing and reproduction of recorded media	
C 19	Manufacture of coke and refined petroleum products	
C 20	Manufacture of chemicals and chemical products	
C 21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	
C 22	Manufacture of rubber and plastic products	
C 23	Manufacture of other non-metallic mineral products	
C 24	Manufacture of basic metals	
C 25	Manufacture of fabricated metal products, except machinery and equipment	
C 26	Manufacture of computer, electronic and optical products	
C 27	Manufacture of electrical equipment	
C 28	Manufacture of machinery and equipment n.e.c.	
C 29	Manufacture of motor vehicles, trailers and semi-trailers	
C 30	Manufacture of other transport equipment	
C 31	Manufacture of furniture	
C 32	Other manufacturing	
C 33	Repair and installation of machinery and equipment	
C 10-33	Manufacturing	0,00
D 35	Electricity, gas, steam and air conditioning supply	
E 36	Water collection, treatment and supply	
E 37	Sewerage	
E 38	Waste collection, treatment and disposal activities; materials recovery	
E 39	Remediation activities and other waste management services	
E 36-39	Water supply; sewerage, waste management and remediation activities	0,00
F 41	Construction of buildings	
F 42	Civil engineering	
F 43	Specialised construction activities	
F 41-43	Construction	0,00
G 45	Wholesale and retail trade and repair of motor vehicles and motorcycles	
G 46	Wholesale trade, except of motor vehicles and motorcycles	
G 47	Retail trade, except of motor vehicles and motorcycles	
G 45-47	Wholesale and retail trade; repair of motor vehicles and motorcycles	0,00
H 49	Land transport and transport via pipelines	
H 50	Water transport	
H 51	Air transport	
H 52	Warehousing and support activities for transportation	
H 53	Postal and courier activities	
H 49-53	Transportation and storage	0,00

Source: STATISTICS AUSTRIA, own calculations.

Annex II: Partially environmentally harmful budgetary subsidies (ESA 95) based on ÖNACE

I 55	Accommodation	0,10
I 56	Food and beverage service activities	
I 55-56	Accommodation and food service activities	0,10
J 58	Publishing activities	
J 59	Motion picture, video and television programme production, sound recording and music publishing activities	
J 60	Programming and broadcasting activities	
J 61	Telecommunications	
J 62	Computer programming, consultancy and related activities	
J 63	Information service activities	
J 58-63	Information and communication	0,00
K 64	Financial service activities, except insurance and pension funding	
K 65	Insurance, reinsurance and pension funding, except compulsory social security	
K 66	Activities auxiliary to financial services and insurance activities	
K 64-66	Financial and insurance activities	0,00
L 68	Real estate activities	
M 69	Legal and accounting activities	
M 70	Activities of head offices; management consultancy activities	
M 71	Architectural and engineering activities; technical testing and analysis	
M 72	Scientific research and development	3,63
M 73	Advertising and market research	
M 74	Other professional, scientific and technical activities	
M 75	Veterinary activities	
M 69-75	Professional, scientific and technical activities	3,63
N 77	Rental and leasing activities	
N 78	Employment activities	
N 79	Travel agency, tour operator and other reservation service and related activities	
N 80	Security and investigation activities	
N 81	Services to buildings and landscape activities	
N 82	Office administrative, office support and other business support activities	
N 77-82	Administration and support service activities	0,00
O 84	Public administration and defence; compulsory social security	605,69
P 85	Education	
Q 86	Human health activities	
Q 87	Residential care activities	
Q 88	Social work activities without accommodation	
Q 86-88	Human health and social work activities	0,00
R 90	Creative, arts and entertainment activities	
R 91	Libraries, archives, museums and other cultural activities	
R 92	Gambling and betting activities	
R 93	Sports activities and amusement and recreation activities	8,82
R 90-93	Arts, entertainment and recreation	8,82
S 94	Activities of membership organisations	12,64
S 95	Repair of computers and personal and household goods	
S 96	Other personal service activities	
S 94-96	Other service activities	12,64
T 97	Activities of households as employers of domestic personnel	
T 98	Undifferentiated goods- and services-producing activities of private households for own use	
T 97-98	Activities of households as employers; Undifferentiated goods- and services-producing activities of households for own use	0,00
U 99	Activities of extraterritorial organisations and bodies	2,73
	Households	
	Rest of the world	33,09
	Non allocable	965,98
	TOTAL	1.632,68

Source: STATISTICS AUSTRIA, own calculations.

Annex II: Possibly environmentally harmful budgetary subsidies (ESA 95) based on ÖNACE

Country: Austria		
Potentially environmentally harmful subsidies		Possibly
Unit	Million Euro	
Industry classification		2007
A 01	Crop and animal production, hunting and related service activities	19,74
A 02	Forestry and logging	
A 03	Fishing and aquaculture	0,29
A 01-03	Agriculture, forestry and fishing	20,04
B 05	Mining of coal and lignite	
B 06	Extraction of crude petroleum and natural gas	
B 07	Mining of metal ores	
B 08	Other mining and quarrying	
B 09	Mining support service activities	
B 05-09	Mining and quarrying	0,00
C 10	Manufacture of food products	
C 11	Manufacture of beverages	
C 12	Manufacture of tobacco products	
C 13	Manufacture of textiles	
C 14	Manufacture of wearing apparel	
C 15	Manufacture of leather and related products	
C 16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	
C 17	Manufacture of paper and paper products	
C 18	Printing and reproduction of recorded media	
C 19	Manufacture of coke and refined petroleum products	
C 20	Manufacture of chemicals and chemical products	
C 21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	
C 22	Manufacture of rubber and plastic products	
C 23	Manufacture of other non-metallic mineral products	
C 24	Manufacture of basic metals	
C 25	Manufacture of fabricated metal products, except machinery and equipment	
C 26	Manufacture of computer, electronic and optical products	
C 27	Manufacture of electrical equipment	
C 28	Manufacture of machinery and equipment n.e.c.	
C 29	Manufacture of motor vehicles, trailers and semi-trailers	
C 30	Manufacture of other transport equipment	
C 31	Manufacture of furniture	
C 32	Other manufacturing	
C 33	Repair and installation of machinery and equipment	
C 10-33	Manufacturing	0,00
D 35	Electricity, gas, steam and air conditioning supply	
E 36	Water collection, treatment and supply	
E 37	Sewerage	
E 38	Waste collection, treatment and disposal activities; materials recovery	
E 39	Remediation activities and other waste management services	
E 36-39	Water supply; sewerage, waste management and remediation activities	0,00
F 41	Construction of buildings	
F 42	Civil engineering	
F 43	Specialised construction activities	
F 41-43	Construction	0,00
G 45	Wholesale and retail trade and repair of motor vehicles and motorcycles	
G 46	Wholesale trade, except of motor vehicles and motorcycles	
G 47	Retail trade, except of motor vehicles and motorcycles	
G 45-47	Wholesale and retail trade; repair of motor vehicles and motorcycles	0,00
H 49	Land transport and transport via pipelines	
H 50	Water transport	
H 51	Air transport	
H 52	Warehousing and support activities for transportation	
H 53	Postal and courier activities	
H 49-53	Transportation and storage	0,00

Source: STATISTICS AUSTRIA, own calculations.

Annex II: Possibly environmentally harmful budgetary subsidies (ESA 95) based on ÖNACE

I 55	Accommodation	1,13
I 56	Food and beverage service activities	
I 55-56	Accommodation and food service activities	1,13
J 58	Publishing activities	
J 59	Motion picture, video and television programme production, sound recording and music publishing activities	
J 60	Programming and broadcasting activities	
J 61	Telecommunications	
J 62	Computer programming, consultancy and related activities	
J 63	Information service activities	
J 58-63	Information and communication	0,00
K 64	Financial service activities, except insurance and pension funding	
K 65	Insurance, reinsurance and pension funding, except compulsory social security	
K 66	Activities auxiliary to financial services and insurance activities	
K 64-66	Financial and insurance activities	0,00
L 68	Real estate activities	0,79
M 69	Legal and accounting activities	
M 70	Activities of head offices; management consultancy activities	
M 71	Architectural and engineering activities; technical testing and analysis	18,00
M 72	Scientific research and development	10,26
M 73	Advertising and market research	
M 74	Other professional, scientific and technical activities	
M 75	Veterinary activities	
M 69-75	Professional, scientific and technical activities	28,26
N 77	Rental and leasing activities	
N 78	Employment activities	
N 79	Travel agency, tour operator and other reservation service and related activities	
N 80	Security and investigation activities	
N 81	Services to buildings and landscape activities	
N 82	Office administrative, office support and other business support activities	0,02
N 77-82	Administration and support service activities	0,02
O 84	Public administration and defence; compulsory social security	256,85
P 85	Education	289,18
Q 86	Human health activities	
Q 87	Residential care activities	2,00
Q 88	Social work activities without accommodation	0,74
Q 86-88	Human health and social work activities	2,74
R 90	Creative, arts and entertainment activities	
R 91	Libraries, archives, museums and other cultural activities	7,00
R 92	Gambling and betting activities	
R 93	Sports activities and amusement and recreation activities	0,62
R 90-93	Arts, entertainment and recreation	7,62
S 94	Activities of membership organisations	6,93
S 95	Repair of computers and personal and household goods	
S 96	Other personal service activities	
S 94-96	Other service activities	6,93
T 97	Activities of households as employers of domestic personnel	
T 98	Undifferentiated goods- and services-producing activities of private households for own use	
T 97-98	Activities of households as employers; Undifferentiated goods- and services-producing activities of households for own use	0,00
U 99	Activities of extraterritorial organisations and bodies	
	Households	527,71
	Rest of the world	37,79
	Non allocable	288,02
	TOTAL	1.467,08

Source: STATISTICS AUSTRIA, own calculations.

Annex III: Potentially environmentally harmful non-budgetary subsidies

Legal basis	2007		Potentially environmentally harmful			Beneficiaries
	Central government	Other governments	Yes	Yes, in part	Possibly	
	mio. €					
Income Tax Act: § 3 (1)	190	110			X	Mainly households
§ 4 (4)	100	50			X	Enterprises
§ 12	20	10			X	Enterprises
§ 16 (1) No. 6	45	25		X		Households
§ 18 (1) No. 3	230	140		X		Households
§ 18 (1) Nos. 6, 7	6	4			X	Households
§ 18 (2)	25	15			X	Households
§ 108c	155	86			X	Households
§ 108d	10	7			X	Households
Mineral Oil Tax Act: § 4 (1) No.1	200	70	X			Enterprises
§ 4 (1) No. 2	17	6		X		Enterprises
§ 7a	32	12			X	Agriculture
Total	1030	535				

Source: Federal Ministry of Finance (2009c), own calculations.