

Linking taxes to environmental benefits makes fees more palatable to consumers

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A majority of Norwegians feel that fuel taxes should be cut by NOK 1 per litre. But when people know that the tax revenues would be targeted to a specific environmental objective, the majority support raising fuel taxes by NOK 1. Credit: Colourbox

A majority of Norwegians would accept increased climate taxes – if the taxes are understood as targeting specific environmental purposes. Earmarking of the revenues could help to gain public acceptance for such taxes.

It is difficult to find climate policy instruments that are both effective and have the backing of the general public.

Economists and politicians prefer to avoid earmarking of [tax revenues](#) because it limits their ability to prioritise discretionary spending in the longer term.

"But the politicians should nonetheless consider earmarking revenues, for instance to make it easier to implement new climate measures," says Steffen Kallbekken, who is Research Director at the Center for International Climate and Environmental Research - Oslo (CICERO). He headed the project "Designing feasible and efficient climate policies", which received funding from the Research Council of Norway's Large-scale Programme on [Climate Change](#) and its Impacts in Norway (NORKLIMA).

Accepting higher fuel tax

"In a nationwide survey we conducted, a majority of Norwegians initially responded that fuel taxes should be cut by NOK 1 per litre. But when we told survey respondents that the fuel tax would be targeted towards a specific environmental objective, the majority stated they would support raising Norwegian fuel taxes by NOK 1. Politicians would do well to take note of this finding."

Furthermore, a focus group study carried out under the project showed that, compared to people in other countries, Norwegians in general are less sceptical of environmental taxes and have more confidence in the authorities in this sphere.

Experience leads to positive attitudes

Dr Kallbekken also conducted [laboratory experiments](#) that showed that [personal experience](#) makes people more positive towards measures. This was also the case with the introduction of Stockholm's extra toll on rush-hour traffic. Most people were hesitant regarding a toll of this type on roads into the downtown area. But within a few months of the toll's introduction on a trial basis, people experienced its benefits: less noise and pollution, and fewer accidents. In the follow-up referendum, a majority voted to make the toll permanent.

Dr Kallbekken believes politicians should be aware of the following points when devising [climate policy](#):

- Earmarking of funds for specific purposes has a major impact on acceptance.
- People often develop more [positive attitudes](#) after direct experience.
- Better information to the public about what the monies will be used for can be an effective way to gain acceptance for higher environmental taxes – particularly if earmarked for specific environmental measures.

People want a choice

"In the project we confirmed that people resent it when the authorities don't give them a choice in matters," continues Dr Kallbekken. "We see a strong correlation between a measure's lack of popularity and the degree to which it limits people's choice."

"If the people are instead given greater choice, it can lead to more support. One example is further investment in public transport, because this can offer greater choice in mode of transport. The result can be more public backing for investing in public transport."

"The key to gaining [public acceptance](#) is ensuring that people feel they'll get something in return. So if politicians want to muster support for [climate](#) and environmental measures, they need to use a balanced combination of carrot and stick. If people feel they are being railroaded into something, they will react negatively."

Provided by The Research Council of Norway

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