FINANCIAL ACTIVITY FOR GLOBAL SUSTAINABILITY

María Amparo Grau Ruiz

Financial and Tax Law Professor, UCM

Visiting Professor of Transnational Taxation, Northwestern University
=> Public finance related institutions are now considering SDGs in their activities
  - Court of Auditors: how to carry out their functions?
  - Ministry of Finance: CO₂ taxes and/or environmental tax incentives
=> Social economy agents supporting EGS values still experience barriers in their tax treatment
  - Cooperatives
  - Foundations
=> Solutions proposed through academic research projects
- Tax tools should also promote green behaviours, not only pursue revenue goals
- Fair tax systems should take into account all the environmental damages + cost-savings
- Robotics & AI, by gathering and processing data, can serve to adjust them
Financial activity for global sustainability

Pilar Moreno Cabrera
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MADRID, 9 December 2019
AGENDA

1. New Audit Approach

2. International Activity

3. Spanish Environmental Audits
In order to grow you must know who you are.

Environmental sustainability in the:
- Court of Audit Organic Act
- Strategy plan

NEW LEGAL FRAMEWORK
NEW AUDIT APPROACH

Spanish Court of Auditors
EUROSAI WORKING GROUPS AND TASK FORCES

- Working Group on Information Technologies (ITWG)
- Working Group on Environmental Auditing (WGEA)
- EUROSAI Working Group on the Audit of Funds Allocated to Disasters and Catastrophes
- Task Force Audit & Ethics (TFA&E)
- Task Force on Municipality Audit (TFMA)

SPANISH ACTIVITY IN THE INTERNATIONAL COMMUNITY

- 2017 “Air Quality Cooperative Audit”
- 2018 Poster Anual Congress
- 2019 Newsletter 1/19

"Working together we will get more"

MEDIA

www.eurosaiwgea.org
Linkedin Group

Spanish Court of Auditors
THE SAI OF SPAIN AND THE EAs
A challenging, yet satisfying journey, towards a new audit field

And now what’s next?
- Consolidate expertise?
- Co-lead cooperative audits?
- Greening our SAI?
- ¿…? 4

Currently, we are conducting several environmental audits (emission rights for greenhouse gases, sanitary control of water for human consumption).

The Presidency fostered the EAs and training was held.

After a long time, we joined our first WGCA cooperative audit: “Cooperative Audit on Air Quality in Europe”

In the beginning we just watched and collaborated with WGCA in a limited way: questionnaires, surveys, meetings.

In addition we did pseudo exercises in environmental audits (BNCE report and others)

We set up a team and took the MOOC.

Actually our mandate requires us to persevere.
1. Management of the rights to emit gases having a greenhouse effect, 2017 & 2018 (13)
2. Health control of drinking water in the health Ministry, 2017 (6)
3. Environmental activities undertaken in Municipalities with more than 10,000 inhabitants (6, 7, 12, 13).
4. Evaluation of actions to combat desertification, 2018 (15)
5. International coordinated audit in protected areas in Latin America, the Caribbean and the Iberian Peninsula (Spain and Portugal)
6. Control of the actions of the ministry for the ecological transition in relation to climate change, 2018 (13)
Thank you!
Taxes on greenhouse emissions of large ships

Belén García Carretero
Head of Research Studies, Institute of Fiscal Studies, Spanish Ministry of Finance

Madrid, 9th December, 2019
Outline

• Identification of the problem
• Regulatory framework
• Technological means
• Fiscal Measures
• Conclusion
The European Commission estimates that in the EU the emissions of air pollutants from ships annually cause **50,000 premature deaths** and cost **60 billion euros in health**.
Regulatory framework

• The International Convention MARPOL (1973, promoted by IMO)
  o Obligation of a **progressive worldwide reduction** of SOx, NOx and particles emissions for maritime transport and
  o Creation of **Emission Control Areas** to further reduce emissions of these pollutants in certain designated marine areas (now 0.1% of maximum sulphur content of marine fuels)

• At the international level:
  o Mandatory data collection system for large ships (to **report** fuel consumption from 1 January 2019)
  o A **sulphur limit** of 0.5% is set (from 1 March 2020)
  o 50% reduction in ships’ **greenhouse gas emissions** by 2050
The 2020 regulation will have no impact on emissions in ports and CEECs, because **the standard in the European ports is stricter** (0.1% vs 0.5%)

This situation should encourage the use of **alternative energies** and new technological measures:

- Propulsion systems based on **Liquefied Natural Gas**. It completely eliminates SOx emissions and particulate matter (PM), reduces NOx by 85% and reduces CO₂ emissions by nearly 30 %

- **Shore-side electricity** consists of ships being connected to the electricity grid. This technology reduces NOx gas emissions by 96%, SOx by 36%, particulate matter by 68% and CO₂ emissions by 45% and eliminates the noise pollution from auxiliary engines as they will stop when connected to the network
• New taxes

○ Environmental tax on **harbour emissions of large ships**
  (Regional Act of Catalonia on Climate change)
  - Tax event: the NOx emissions produced during the docking manoeuvre and the ship's stay at the port
  - The tax base is composed of the NOx kilograms emitted during the berthing manoeuvre and the ship’s stay at the harbour
  - The tax to be paid will be the result of applying to the tax base an estimated rate of 1,000 € per ton of NOx

○ **Carbon tax on emissions from marine fuels** (IMF)

○ Environmental tax on maritime navigation
  (Spanish Commission of Experts on Energy Transition)

• **Tax incentives:**
  to promote the use of **alternative** energies and **reduce** polluting emissions

  ○ Cold ironing and GNL
Conclusion

• The level of emissions from maritime transportation is a problem on which solutions must be articulated at international level.

• The fiscal measures could be a very effective instrument. The Marpol Convention applicable in all States opens the way towards a global taxation consensus.

Thank you for your attention.
• FACTS AND FIGURES OF THE SPANISH AND EUROPEAN FOUNDATION SECTOR: THE ECONOMIC CAPITAL
  • 0.8% of the GDP in Spain; 8,000 foundations in Spain and 147,000 in Europe.
  • Mobilizes private resources for the common good.
  • Complementarity.
  • Anticyclic sector.

• THE ROLE OF THE FOUNDATION SECTOR: THE SOCIAL AND RELATIONAL CAPITAL OF PHILANTHROPY. THE CONTRIBUTION OF THE SECTOR TO THE SDG
  • Fields of activities: at least one or more specific SDG; transversality/mainstreaming SDG; number 17 as a paradigm.
  • Beyond financial resources: expertise, deep knowledge and excellent stakeholder networks in the area of their activities.
  • Millions of individual and corporate donors are giving to good causes in Europe: a citizens’ tool.
  • Critical part of civil society and of our democratic and pluralistic societies.
PHILANTHROPY AND GLOBALISATION: THE OPERATING SPACE

- The need of a favourable social, culture and legal environment stimulating philanthropic engagement.
- **European Philanthropy Manifesto/Philanthropy Advocacy:**
  - Recognise Philanthropy and engage with it.
  - Facilitate cross border Philanthropy.
  - Enable and protect Philanthropy.
  - Co-grant and co-invest for public good and civil society: Invest EU, MFF.
- Global actors and engagement with NPO: FATF; OECD.
Tax treatment of Social Economy

María Pilar Alguacil Marí

Agrifood Co-operative Chair, www.uv.es/catedracaec
www.uv.es/empresocial
Agrifood cooperatives

Number of agricultural, Fishermen and Forest Cooperative per country - tot 22,399
Number of members in agricultural, Fishermen and Forest Cooperative per country

Ireland
143,741 members

Sweden
160,350 members

Finland
125,000 members

Latvia
4,846 members

UK
143,000 members

Austria
1,371,856 members

Hungary
4,000 members

Slovenia
13,082 members

Italy
742,078 members

Malta
4,000 members

Germany
1,452,000 members*
*including non active members

France
400,000 members

Portugal
300,000 members

Spain
1,150,341 members

Catedra
Cooperativas Agroalimentarias
UVCatedres
### Spain

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of cooperatives</th>
<th>Number of members</th>
<th>Turnover (EUR)</th>
<th>Salaried workers</th>
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<tr>
<td>SHEEP &amp; GOAT MEAT</td>
<td>101</td>
<td>51,637</td>
<td>364,155,562</td>
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<td>PIG MEAT</td>
<td>49</td>
<td>42,164</td>
<td>624,914,017</td>
<td>7,993</td>
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<td>BEEF &amp; VEAL</td>
<td>77</td>
<td>69,332</td>
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<tr>
<td>ARABLE CROPS</td>
<td>493</td>
<td>178,131</td>
<td>1,434,437,236</td>
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<td>HORTICULTURE</td>
<td>374</td>
<td>86,762</td>
<td>4,187,954,467</td>
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<td>SUPPLIES</td>
<td>1,260</td>
<td>689,001</td>
<td>2,777,864,509</td>
<td>6,404</td>
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</tbody>
</table>
Taxation in Corporation tax

Protected cooperatives:
Profits from members taxed -5% nominal tax rate

Specially protected coop:
-50% of the tax fee

Agrifood coop tax rate:
12.5%

Tax Ministry says Spanish multi-nationals companies have an average tax rate of 12.5%
Subproducts

Subproducts usually considered waste: oil mills and Cooperative wineries waste.
Success stories

Electricity:
http://eltejar.sbsoftware.es/

Biomass (Pellets)
http://www.agropalsc.com/

Biogás
http://www.grupoan.com/
Innovative Strategies to avoid abandonment of the countryside and rural areas:
- Common management initiatives
- Young people farmers
- Ecological farming cooperatives
- More activities, aimed to rural people needs

Tax treatment of cooperatives is not aimed to
- Multi-activity
- Multi-stakeholders

Losing the special tax treatment

Developing more than one activity: for instance, solar panels, or rural tourism

Having more than one kind of partner: for instance, consumers, workers, investors, consumers

The coop looses the special tax treatment
Conclusions

We need a change in the Corporate tax of Agrifood cooperatives

The tax rate and fee must be aware of positive externalities in the rural area

The corporate tax design must not penalize innovative agrifood cooperatives
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SOLUTIONS PROPOSED THROUGH ACADEMIC RESEARCH PROJECTS

Marta Villar Ezcurra
Tax Law Professor
CEU San Pablo University
KEY TAKE-AWAY MESSAGES

HOW MY INSTITUTION CONTRIBUTES TO ADDRESS THE CLIMATE EMERGENCY AND THE SUSTAINABLE DEVELOPMENT GOALS

• POLICYMAKERS SHOULD BASE THEIR DECISIONS ON RESEARCH / EXPERTISE
• LEGAL ISSUES MATTERS – MULTILATERALISM, TRANSPARENCY, MITIGATION ...
• SOLUTIONS FROM ACADEMIA ARE THE OUTCOME OF RESEARCH PROJECTS
• STUDENTS (PhD, final dissertations) WHAT WE NEED IS ...
  ❑ TO PUT ON THE TABLE THE QUESTION OF WHY THEORY MATTERS
  ❑ TO FAVOUR INTERDISCIPLINARITY & INTERNATIONALITY
  ❑ TO CREATE AND REINFORCE RESEARCH NETWORKS (GIZ, EEA ...)
  ❑ DON’T OVERLOOK DIVERSITY (in gender, age and background)
  ❑ DISSEMINATION ACTIVITIES

• UNIVERSITIES INTERNATIONAL COMMUNICATORS & SENSITIZING PLATFORMS
• ENVIRONMENTAL TAXES, TAX INCENTIVES & SUBSIDIES. SMART MBIs MIX
SOME OUTCOMES AND REFERENCES

• GLOBAL CONFERENCES ON ENVIRONMENTAL TAXATION (GCET) - IS THE LOW LEVEL OF TAX ON E-COMMERCE CONTRIBUTING TO AN ENVIRONMENTALLY UNFRIENDLY INCREASE IN TRANSPORT?

• ASSOCIATION CONGRESSES (IFA) AND ACADEMIC NETWORKS (EATLP)

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Monday, 9th of December – Financial Activity for Global Sustainability
FROM THEORY/ACADEMY
http://gcet19.uspceu.es/
TO ACTION/POLICY

https://unfccc.int/es/cop25
FOREST SECTOR
ONE OF THE BEST SOLUTIONS

YOLANDA AMBROSIO, PHD FOREST ENGINEERING
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FINANCIAL ACTIVITY FOR GLOBAL SUSTAINABILITY
Monday, 9th of December, 2019
THE PROBLEM

The developed countries consume goods produced worldwide

Data centers (MUST BE COOLED 24 H/DAY) consume 7% of the world's energy. It is expected to be the 15% in 2025. (One of them, in the USA, consumes more than half of the energy consumed by New York city).
ONE OF THE BEST SOLUTIONS

• REFORESTATION AND FOREST MANAGEMENT
  
  (1 m³ store 0,9 t of CO₂)

• HARVEST WOOD AND NON WOOD FOREST PRODUCTS
  
  (Particle board store 648 kg de CO₂, 15 years)

• USE FURNITURE, WOOD CONSTRUCTION, PAPER, BIOMASS (HEAT) AND ANY FOREST PRODUCT
  
  100% renewable, 100% sustainable, 100% CERTIFICATED

• FUNDAMENTAL MESURES ARE:
  
  • FISCAL INCENTIVES FOR ALL THE FOREST PRODUCTS
  
  • ENVIRONMENTAL TAXES TO OTHER PRODUCTS

• FOREST SECTOR = 10 SDG
SUBSTITUTION FACTOR (average reduction emission) (EFI, 2018):
WOOD PRODUCTS VS ALTERNAT. MATERIALS

FOREST

REFORESTATION AND FOREST MANAGEMENT (900 kgCO₂/m³)

HARVEST FOREST PRODUCTS

INDUSTRY

Particle board store 648 kg de CO₂, 15 años.

Transport Emissions
100 km -7 kg CO₂/m³

Harvest Emissions
3-7 kgCO₂/m³

Structural construction 1,3 kC/kC

Non structural construction 1,6 kC/kC

Other product (furniture, packaging...) 1-1,5 kC/kC

Textil 2,8 kC/kC
Subcommittee on Environmental Taxation Issues

Established: 20 October 2017
Coordinators: Natalia Aristizabal Mora (Colombia)


THANK YOU