

The Czech Republic does not have effective fiscal measures to help achieve the objectives of climate protection and lags behind other EU countries

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The Supreme Audit Office examined the financial and tax measures taken from 2015 to 2018, which should help the Czech Republic protect the climate by combating emissions from transport and households. Setting such measures falls within the competence of the Ministry of Finance, the Ministry of Transport and the Ministry of the Environment. The audit results showed that the Ministries did not play their part as they should have. They did not prepare necessary tax measures aimed at protecting the climate in a significant manner. The Czech Republic has therefore failed to motivate citizens to use cleaner vehicles, reduce energy consumption and make the transition to sources of energy which are more environmentally friendly. Thus, it lags behind most EU countries.

Like other countries, the Czech Republic is committed to climate protection. In order to achieve its environmental policy objectives, it can also use tax measures and other financial instruments. Fiscal measures, especially, help motivate citizens to switch to cleaner vehicles or cleaner energy sources in their households.

However, the current set-up of taxes and other financial instruments is not fulfilling this role. This is why the Czech Republic is lagging behind most EU countries in greening automobile transport. The achievement of EU's objectives is dependent on the first generation of biofuels; this entails a number of disadvantages such as the use of agricultural land to produce biofuel to the detriment of plants for the production of food.

While in most EU countries financial measures are being actively promoted to protect the climate, in the Czech Republic the audited Ministries – in the area of transport – are only examining these measures. Moreover, the Ministries have not yet proposed amendments to the legislation on taxes and levies that could help in greening transport. In doing so, most EU countries are using these types of measures to increase the share of new cars which are powered in an environmentally friendly manner.

The SAO found that the rates of taxes and fees related to the use of vehicles and to the greening of transport have decreased in reality since their introduction and no longer fulfil their function. For some instruments, it is not possible to prove their effectiveness, be it changes in the rates of road

tax or discounts on excise duty rates for alternative fuels.

Some financial instruments are in essence dysfunctional, such as the recycling levy created in 2009 and intended to prevent the import of obsolete vehicles to the Czech Republic. Its effect in the years 2015 to 2018 was negligible due to its configuration.

The Czech Republic has also failed to make use of an option offered by EU legislation, that is, to tax noise and air pollution from freight transport through tolls. The SAO has calculated that in the years 2015 to 2018 alone the Czech Republic could recover an additional sum of CZK 3.8 billion through tolls.

As a result of the scheme, the vehicle fleet in the Czech Republic is becoming obsolete, imports of old vehicles are increasing, emissions are not decreasing, while the share of environmentally friendly vehicles is growing slowly and stays low.

The UN has assessed the way the Czech Republic implements the Sustainable Development Goals (SDG) strategy, and the process of fulfilling climate action goals came out worst in this assessment. According to the OECD, there is a carbon price gap in the Czech Republic which indicates the capacity of the carbon tax to cover the costs of eliminating the consequences of CO₂ pollution, at a rate of 70 %. As a result of Czech Republic's failure to tax carbon, it is not raising funds to finance the promotion of green vehicles and has to use other sources, such as emission allowances.

Tax measures aimed at persuading households to switch to environmentally friendly energy sources used for heating have a limited impact in the Czech Republic. Coal is the most cost-effective energy source for consumers. However, it should be noted that the Czech Republic does not substantially differ in its tax support of environmentally friendly sources of heating from other EU countries, and the Ministry of Finance is further examining the possibility of taxing emissions from domestic furnaces.

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