

THE INSTRUMENTS OF THE ENVIRONMENTAL POLICY'S ECONOMIC REGULATION WITH A PARTICULAR REGARD TO THE HUNGARIAN SYSTEM¹

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Abstract

The paper describes the environmental policy regulation's theoretical basis in economics with a particular regard to the main elements of the theories of Pigou, Baunol and Oates, and Coase. Different analytical methods which play an important role in case of economic instruments of environmental policy are presented. The environmental objectives are going to be reached by the implementation of economic instruments and the essential considerations in the formation of an effective system of assets are also described. The theoretical basis of the implementation of economic instruments of environmental policy in the European Union and the problems emerged, and the implementation of economic instruments in Hungary in respect of the OECD Report are key features. At the end of the paper the system of the economic instruments of environmental policy (environmental taxes, environmental subsidies) are described according to the Hungarian regulations in force.

Keywords: *environmental protection, environmental law, environmental taxes, environmental subsidies, environmental policy, economic instruments of environmental policy, environmental pollution, environmental economics.*

1. The theoretical basis of the environmental policy's regulation in economics

The environmental pollution has been in the focus of the state regulations and these economic regulators act on the sustainable development and the sustainable use of the environment. These environmental problems are the parts of the externalities, which have long been interested the representatives of the economic theory of which some theories are going to be analysed.²

Alfred Marshall was the first, who introduced the concepts of external cost and benefits in his work the "Principles of Economics". Arthur Pigou dealt with the problem of the externalities, within this the environmental problems in "The Economics of Welfare" from 1920.³

The externality is an unexpected benefit and an extra cost, which is realized for the actors outside of the economic events, whom do not have any influence on these events. Any economic event, economic policy measure, changes in the domestic or the international markets, environmental or health impact can be an

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² Nagy Zoltán: Fenntartható költségvetési elvonások rendszere a környezetvédelem területén, Publicationes Universitatis Miskolciensis, Sectio Juridica et Politica, Tomus XXIX/1. Miskolc University Press, Miskolc, 2011. 247. p.

³ Kerekes Sándor: A környezetgazdaságtan alapjai, Budapest, 1998. www.mek.mii.hu 73. p.

externality.⁴ These external economic impacts must be taken into account during the functioning of the market. The result of the market's failure – when the market's operation is unregulated – is that the resulted allocation of factors is different from the socially optimal resource utilization. The decision of the resource user is individually rational, but this decision can be socially harmful or not optimal, which is obvious when they are using the environmental elements of the sources. The literature also highlights the causes:⁵

- the lack of information about the impacts of the use of environmental resources,

- the users of the environmental do not consider the future impact of their acts,

- unclear property rights,

- imperfect price structure,

- the diversity of the cultural and legal regulation.

We can distinguish between the externalities:⁶

- positive and negative externalities;

- production and consumption related externalities;

- reversible and one-way externalities.

The externalities can be positive and also negative, depending on their impact on the stakeholders, but also may occur that the externalities emerge together. The economic impacts can appear in the level of the consumers and also the producers.

The typical cases of the negative externalities are the consumption of the environmental sources, the pollution and the environmental burden. Within the negative

externalities financial and technology types can be distinguished, which also have an environmental impact. The other classification of the negative externalities is related to the public and private goods. The externalities linked to the public goods have got more importance, because of their greater economic impact than the ones linked to the private goods. These are e.g. the polluted water and air... etc., because these sources are non-renewable. Their consumption is common and not limited. This is why it is so important to internalise the externalities, thanks to these main features.⁷

The literature also distinguishes the harmful economic impacts that they have got low or dominant ecological impacts. When these impacts are ecologically low, the ecosystem can break down the environmental pollution, irreversible damages are not produced. Contrary the ecosystem damages beside dominant ecological impacts.

The other pair of the externalities is the reversible and one-way externalities. Primarily the reversible economic impacts linked to the problem of the common goods. In this case the participants can pass the costs on each other. In the case of one-way impacts this is not possible, the one-way source consumption endangers the other participants.

According to the literature the externalities can cause significant damages in the unregulated markets and also can disrupt the functioning of the market:⁸

- the activity and the good, which cause the pollution can be excessive,

⁴ Kovácsy Zsombor – Orbán Krisztián: A jogi szabályozás hatásvizsgálata, Dialóg Campus Publisher, Budapest – Pécs, 2005. 97. p.

⁵ Kovácsy – Orbán (2005.): op. cit. 98. p.

⁶ Joseph E. Stiglitz: A kormányzati szektor gazdaságtana, KJK-Kerszöv Kft., Budapest, 2000. 237-238. p.; Kerekes (1998.): op. cit. 74-75. p.; Szlávik János: Fenntartható környezet és erőforrás-gazdálkodás, KJK Kerszöv. Kft., Budapest, 2005. 172-175. p.

⁷ Kovácsy – Orbán (2005.): op. cit. 98. p.

⁸ Szlávik (2005.): op. cit. 171. p. Kerekes (1998.): op.cit. 76-77. p., Stiglitz (2000.): op. cit. 238-244. p.

- the price of these activities and goods are too low,
- the polluter is not encouraged to use environmentally friendly technologies and goods, because of the external costs of the pollution,
- the lack of the disposal of the environmental pollution inhibits the waste recycling.

Without the internalisation of the externalities the polluters establish and develop harmful activities, which also impact the society and the economy. Nowadays' modern society is not able to fully eliminate pollution, but it can be reduced to a socially, ecologically and economically optimal level. Although there is a view, which considers the optimal level as zero in special cases. For instance the environmental damage is not in proportion with the benefits from the economic activity, when a negative externality ecologically determines and endangers an ecosystem.⁹

The representatives of the economic theory analysed the problem of the environmental pollution.

Pigou gives a theoretical solution.¹⁰ According to him the main cause of environmental problems is that the price of the use of the environment does not appear in the market price. The environmental externality can be internalised with a tax on the production, i.e. the external economic impacts can be conveyed to the ventures with tax instruments. An important aim is the development of the human environment into valued factors of production such as capital or work. As the users of the environment try to reduce their costs, the competitiveness of environmentally friendly technologies is rising. According to Pigou

state aids should be provided for those ventures, which have got a positive external effect. Pigou take a significant step with his theory, but also has got its weak points. The first is he assumes a clear competition, but it does not exist in reality. Then he assumes equality between per unit material consumption and per unit pollution, thus the taxation of the production- with the same tax - is sufficient for maintaining the balance between the consumption and pollution. It clearly shows that this theory is unreality, because the production of a good and with this production the emission of the pollutants depends on the used raw materials, technologies and environmental solutions. From the aspect of the environmental pollution there are significant differences between the alternative technologies. However the tax on the production does not encourage the spread of the technologies, which have got low environmental load.

Defining tax levels is another problem, because this relates to define the size of environmental damages. This fourth problem means a very difficult theoretical and practical problem. Pigou's theory highlights the importance of the use of economic instruments and tries to give a price, which appears in the production's costs.

In 1970s Baumol and Oates – American economists - searched for the solutions of the theory of Pigou¹¹. According to them the emission of pollutants have to be taxed and not the production. They give a method for determining the size of the damages, which are caused by the pollution, and this method is suitable for determining the tax rates too. With the use of environmental taxes a minimal cost level

⁹ Szlávik (2005.): op. cit. 175. p.

¹⁰ Herich György: Nemzetközi adózás, PENTA UNIÓ Kft., Pécs, 2006. 482. p.; Kerekes (1998.): op. cit. 79-80. p.; Szlávik (2005.): op. cit. 183-186. p.; Fucskó József: A környezeti adózás klasszikus és újabb elmélete Magyar Környezetgazdaságtani Központ, Budapest, 2011. www.makk.hu (date of download: 2012. 06. 16) 1-3. p.

¹¹ Szlávik (2005.): op. cit. 185. p.

should be pursued. If the environmental aims are not realized, the rates of the taxes have to be modified, until the expected level of environmental quality is realized. However, it is a question, how the permanent changes of taxes impact the economic processes.

An American economist, Coase states against Pigou, that the interventions are unnecessary, because the market itself can reach the social optimum with negotiations.¹² The polluters and the stakeholders will negotiate about reducing pollution and defining the optimal level of polluting activities. With negotiations an automatic tendency is forming to reach the social optimum. So the harmed party must pay to the polluter to reduce his harmful activity. This model also has its theoretical and practical problems. The first one is the parties, because usually in a negotiation there are more than two parties and also the appointment of the parties means a practical problem. In practice it is difficult to clearly define the harmed one and the polluter, because of the lack of information. The costs of the negotiation are high. According to practical experiences the market participants are not willing to bargain or it does not sound as a solution.

However based on Coase's theory new instruments were developed in the field of economic regulators, e.g. voluntary agreements between the states and the ventures, the market of the pollution rights.

The principle of double-dividend was the prevailing conception until the first half of the 1990s.¹³ It states that with a properly chosen instrument of environmental policy the quality improvement of the environment can be reached with zero cost. The double-dividend is made up by the improvement of

the environment's quality and the fiscal returns. The latter means that the income from the environmental taxes allows the reduction of other taxes' levels, namely the taxation of capital, investment and labour is less desired than pollution. The representatives of this perception think that the fiscal dividend itself can verify the environmental taxation. In practice the second dividend does not always realized, because if the government wants to sustain general tax revenues does not reduce the tax rates of labour to compensate environmental taxation's negative impact on the real wages. The negative tax interaction is often bigger than the revenue recycling effect. However the double-dividend does not have to be excluded if the environmental taxation's conditions are appropriate.

Different types of analytical methods play an important role in the case of economic instruments. Among these, the essential of the cost and risk analysis methods:¹⁴

- cost-benefit analysis,
- cost-effectiveness analysis,
- cost-consequence analysis,
- cost-utility analysis,
- risk analysis.

During the cost-benefit analysis all of the costs and benefits are calculated and then compared. These rates are produced as the impacts of the regulation. If the social benefit is bigger than the cost, then the regulation should be implemented. The monetarisation of the costs and benefits usually experience difficulty in the field of environmental elements. The damage, which is generated in the ecosystem and the biosphere, is hard to express in cost rates, thus it can't be compared to the benefit.

¹² Kerekes (1998.): op. cit. 81-85. p.; Stiglitz (2000.): op. cit. 241-242. p.; Szlávik (2005.): op. cit. 191-197. p

¹³ Herich (2006.): op.cit. 482. p.; Fúcskó József – Kis András – Bela Gyöngyi – Krajner Péter – Valené Kelemen Ágnes: Ökológiai adóreform II., Magyar Környezetgazdaságtani Központ, Budapest, 2000. 3-4. p.

¹⁴ Kovácsy – Orbán (2005.): op. cit. 99-110. p.

The cost-effectiveness analysis means the enumeration of the impacts and their costs. The aim of the analysis is to choose a rule, which in order to the impacts can concentrate the resources at the best way. (Defining the costs of environmental elements is also a problem here.)

During the cost-consequence analysis the possible costs and benefits of the alternatives are calculated and then enumerated, i.e. it gives a systematic list of the costs, which are important to know for making a sustainable regulation.

The cost-utility analysis is for comparing different types of impacts. It analysing costs, which is difficult to determine, e.g. environmental damages' cost... etc.; and also can take subjective elements into consideration.

The risk analysis shows a clear and systematic view about the impacts of the regulation, its possibility of occurrence and risks. Because of the change of ecosystem (e.g. global warming) the regulation faces many difficulties, which were not significant before, so in the future the regulation must be updated.

2. The aspects of economic regulation

The economic regulators and incentives are based on legal regulations, such as the directive instruments, but unlike these the economic regulators' incentive effect is based on economic interests.¹⁵

Basically the environmental beneficially activities have got more importance for the economic operators than other activities. These regulators can estimate the economic operators' benefits and costs in environmental terms. So these

economic instruments can encourage the operators to use environmentally friendly solutions when they are using the environment.¹⁶

To establish an appropriate economic incentive system two criteria should be met:¹⁷

- the primary aim of the economic instruments is to represent the environmental interests,

- and these are the instruments of market organization so they collaborate in establishing fair prices.

During this process basic requirements have to be taking into account too, such as: static efficiency, dynamic efficiency, the simplicity of monitoring and execution, flexible adaption of changes in economy, social impact and political considerations.¹⁸

Static efficiency basically means extensive environmental protection. Efficiency is reached by standardised taxes and charges. All of the costs of the emission reduction are taken into account and after this an optimal tax and charge regime is being established.

Dynamic efficiency encourages a preventive source or source-oriented environmental protection with pointing out that the polluters can save money with polluting at a low level. It can be realised with a technological change, resettlement, taxes, charges and tradable permits. The continuous encouragement is very important to minimise the damages and to install environmentally friendly technologies. These instruments are more effective than others in reaching the optimal reduction in pollution.

The monitoring and execution are the instruments of the authorities. They can

¹⁵ Kobjakov Zsuzsanna: A környezetpolitika eszközei, a környezetvédelem szabályozása, In: Kerekes Sándor: A környezetgazdaságtan alapjai, Budapest, 1998. www.mek.niif.hu (2012.06.06.) 98. p.

¹⁶ Szlávik (2005.): op. cit. 175-179. p.

¹⁷ Bándi Gyula: Környezetjog, Szent István Társulat, Budapest, 2011. 277. p.

¹⁸ Szlávik (2005.): op. cit. 229-235. p.

measure how many data is needed to use the instrument. The importance of the criterion is rising when different polluting activities are damaging the environment in different ways. The problem of the monitoring and execution processes depends on the regulation system and the technical condition of the pollution processes.

The flexible adaption of changes in economy means if the processes of the economy changes the adaption with the instruments have to be easily flexible and the principle of environmental policy also have to be realised. In the field of the instruments the taxes and charges are less flexible than others, although the change is easier in them than to review the whole regulation system or to change the whole complex system of pollution.

Finally the social impacts and the political considerations are also important criteria from the aspect of the regulation system, because these are applied to stabilise the ethical, the distributive and the economic system. The costly instruments are less popular than others. If the budget transmits these instruments to separated funds and uses for environmental aims, their whole judgement can improve. The extent and the impact of the pollution raise ethical issues; therefore the social perception has shifted towards the regulators rather than taxes or charges. This comprehension has also changed, because the very restrictive instruments can endanger social welfare. These problems clearly reflect that the application of the economic instruments is a very hard task to do.

The European Union has also dealt with the processes and the consequences of the market-based instruments in the Green

Paper.¹⁹ The EU has been setting up ambitious goals in the field of environmental policy, but to reach them an effective system of the instruments is needed:

- climate change,
- environmental sustainability,
- to ensure the dependence on external resources,
- the competitiveness of the European industry,
- to stop the reduction of biodiversity,
- to protect the environmental resources,
- the protection of public health.

These targets can't be realised without the Member States' regulation, but the EU primarily prefers the market-based instruments to others, because of their flexibility and cost-effectiveness. The EU's target is the more intense application of these market-based instruments at national and supranational level.²⁰

The economic instruments have got a lot of advantages against the traditional direct instruments:

- thanks to that internalisation of the external costs the operators can change their behaviour, reduce negative environmental impacts and increase the positive environmental impacts;
- the incentives ensure flexibility for the economic activities, so the operators can realise the aims of the environmental policy with lower costs;
- the development of environmental technologies is incited on the long run by these and it can promote the reduction of environmental impacts,

¹⁹ Green Paper on market-based instruments for environment and energy related policy purposes – Commission of the European Communities, Brussels 28.3. 2007. {sec (2007) 388}

²⁰ Szilágyi János Ede: Környezetvédelem az európai uniós jogban. In: Nagy Zoltán – Olajos István – Raisz Anikó – Szilágyi János Ede: Környezetjog II. – Tanulmányok a környezetjogi gondolkodás köréből, Novotni Alapítvány, Miskolc, 2010. 51-72. p.

- an environmental related tax or fiscal reform means economic benefits in the field of employment.

The market-based instruments give specific practical tools. The Green Paper uses these instruments in a narrower sense than the theoretical system of the economic instruments. The Paper lists taxes, charges and emission-trading systems within this category. Subsidies are not listed here. The conception highlights what kind of impacts can be reached in the environmental policy's sub-areas.

The ecological sustainability, the security of supply and the competitiveness mean a great challenge in the field of energy use, that is why a more effective energy consumption, a cleaner use of energy and new technologies are needed in the future. The tax policy (energy tax) and the EU-ETS (EU Emission Trading System) have got the biggest importance in this field. In the name of efficiency the taxation have to be more linked to the aims of the policies, therefore taxation can help realise the targets of environmentally friendly energy consumption.

The environmental impact of transport is significant, particularly in air pollution, dust contamination, noise pollution and traffic jams. A general and a transparent model is needed to apply the optimal market-based instrument. Basically it helps to rate all those costs, which form the basis of the infrastructural taxes and charges. An impact analysis for all of the transport sectors and a development of a strategy can help to introduce gradually this model with internalising the external costs.

Basically the introduction of the market-based instruments into the sector of transport means the application of different

types of taxes and charges, especially taxes on cars, which can incite the car-buyers to choose and buy cars with lower pollutant emission. The EU-ETS is also an applicable market-based instrument. Its application for air and surface transport has also arisen.

The European Union incites the application of market-based instruments in its policies, which is especially true for the protection of the resources and the management of pollution. The supranational harmonisation arises in cross boarder cases and if the national regulation can affect the internal market. The Green Paper mentions two highlighted areas: water and waste management. The water framework directive²¹ tries to incite the efficient water-use through the price policy, thus the user has to pay the costs of environmental and resource protection. The Member States can apply taxes and charges (as Hungary does) for the removal of surface and subsurface waters and for the water-consumption. These market instruments can promote the reduction of consumption, seepage and pollution.²²

In the field of waste management the basic aim is to separate economic growth and waste-generation. The establishment of landfill is the typical solution; therefore the taxation of landfills and waste disposal can incite waste recycling and recovery. In this respect the Member States have to cooperate in order to determine a minimum tax rate to avoid the distortion of competition and the shipment of waste between the Member States and the Regions. One of the exciting issues of waste management is the packaging materials. In this field the market-based instruments incite the sustainable consumption. The majority of the Member States use different kinds of taxes, deposit

²¹ 2000/60/EC Water Framework Directive

²² Raisz Anikó – Szilágyi János Ede: Az agrárjog kapcsolódó területeinek (környezetjognak, vízjognak, szociális jognak, adójognak) fejlődése az Európai Unióban, a nemzetállamokban és a WTO-ban. *Journal of Agricultural and Environmental Law*, 2012/12. 107-148. p.

and return obligations and tradable permits which are efficient if clearly shows the individual substances' environmental impact (e.g. the Danish taxation system).

Market-based instruments can be efficient in the field of biodiversity's protection. All of the three types (taxes, subsidies, and tradable permits) are used to protect the ecosystem and the individual species. Taxes, charges and permits (hunting, fishing) facilitate the sustainable protection of biodiversity. The fiscal subsidies basically mean payment, e.g. given compensations to the forest and land owners to protect forests and wetlands. The habitat banking and credits related to habitats clearly shows the transformation of environmental duties into sellable instruments.²³

Finally the market-based instruments are applied in the field of air pollution. Beside taxes and charges on air pollution, the national emission-trading systems have got more and more importance in the reduction of air pollution. The Paper also mentions the disadvantages of the emission-trading systems, which is the critical places from the aspect of pollution.

The OECD's report from 2008 assessed the Hungarian environmental policy's performance and within this the application of the economic instruments and the OECD formulated recommendations for developing these tools.²⁴

The OECD stated that Hungary increased the application of economic

instruments. The report does not address all of the instruments, only deals with environmental load charge and product fees.²⁵

The environmental load charge was introduced in 2004. The Report assessed this step as a positive change in the Hungarian system, because it is important to fully execute the principle of polluter pays.²⁶ But it also states that the relatively low extent of the charges, the given subsidies and benefits inhibit the system's efficiency. The benefits in the field of air and water pollution incited the polluter to make pollution reduction measures, facilities and technologies.

The duty to pay soil pollution charges incites the polluter to use the available utility infrastructures, so the number of the households, which were attached to the community's sewage system, is on the rise.

The product fees have facilitated positive results in waste management. The underlying reason is the application of these fees and the collection and recycling of packaging waste (e.g. refrigerator, battery). The product fee system firstly was introduced in 1995 and then in 2004 the whole system was reformed. By 2005 the collection and recycling of the waste significantly increased, namely 57 %. The Reports states an extensive development of this system for the future.

The OECD Report draws up different kinds of problems with waste management, e.g. the annual fees paid by the households. The environmental policy has to face a

²³ The Green Paper mentions the habitat banking in wetlands, which is a special, sellable trading instrument. The case of credits is a logical process: a specialized venture creates habitats, then it sells credits related to the created habitat to the developers.

²⁴ OECD Environmental Performance Reviews: Hungary (2008.) OECD report (date of download: 2012. 07. 10.) www.oecd.hu

²⁵ Raisz Anikó: Környezetvédelem a nemzetközi jogban. In: Nagy Zoltán – Olajos István – Raisz Anikó – Szilágyi János Ede: Környezetjog II. kötet – Tanulmányok a környezetjogi gondolkodás köréből, Novotni Alapítvány, Miskolc, 2010. 9-24.p.; Raisz Anikó: A környezetvédelem helye a nemzetközi jog rendszerében. Miskolci Jogi Szemle, 2011/1. 90-108.p.

²⁶ Bobvos Pál – Csák Csilla – Horváth Szilvia – Olajos István – Prugberger Tamás – Szilágyi János Ede: A szennyező fizet elv megjelenése a mezőgazdaságban. Journal of Agricultural and Environmental Law, 2006/1. 29-55. p.

double pressure. On the hand the significant increase of the fees significantly affects the households, i.e. it can be a disincentive force in waste management. The other problem is that the paid fees are only sufficient for the operating costs and not sufficient for the financing of the investments' needs.

The OECD formulated recommendations in the issue of the economic instruments in order to meet the environmental policy's future targets. The recommendations affect important areas. In the field of support policy the energy, source and pollution dependency of the Hungarian economy have to be improved, for this purpose the sustainable production and consumption have to be supported. The harmful subsidies for the environment should be terminated. The environmental policy should be facilitating the application of the EU grants. This requires the development of the economic and professional expertise, especially the cost-benefit analysis, strategic environmental assessment and the application of environmental integration.

The Report mentions, that the development of these instruments is not only a problem for Hungary, but for all of the Member States of the EU. The Report highlights, that the assessment of the economic instruments is a very important issue, because with this the principles of the polluter pays, and the user pays can be achieved. Their wider application means that naturally the economic and the social requirements have to be taken into account (e.g. competitiveness).

Thirdly the Report points out those other factors, which can influence the application of the market-based instruments. These are e.g. the integration of the environmental aims into the sector policies

and the institutional cooperation at a national and a regional level.

The implementation review and monitoring systems influence the effectiveness of the instruments, especially the economic instruments. An appropriate scoreboard and publicity can facilitate the operation of the monitoring systems.

Beside the monitoring system, the cost-effectiveness management and enforcement capacity is necessary for the enforcement of the economic instruments. Important parts of this system are the sufficient financing and staff for the environmental management. Taking into account the OECD's Report Hungary created the National Environment Programme (2009-2014). Besides developing the economic regulatory system other important targets were defined:²⁷

- development of the product fees' system, prevention of the generation of waste, increasing waste recycle, reduction of administrative burden;

- reform of consumer tariffs (energy sources – natural gas, electricity, drinking water, sanitation, water-cleaning) to incite efficient use and to cover all of manufacturing-service charges;

- reform of the water and sewer charges to prevail cost recovery of water supply and only the needy can get social based support;

- the revision of the toll system is needed to incite the highway use;

- the reform of the public procurement system;

- with reforming the subsidy's system and the traffic engineering tools the public transport has to be more attractive to improve air quality.

²⁷ III. NEP. 40. p.

3. The economic instruments in the Hungarian system

The economic regulation's instruments are complex and its classification system is incoherent, because as many authors deal with them as many typifying exists. And the legal regulation also does not provide a consistent system.

Our Act on Environment Protection (or shortly as we use it Kvt.) does not organize the instrument systematically and does not give an explanation for the given instrument's role in the regulation:²⁸

- subsidies,
- charges to be paid after using the environment,
- procedural costs and fees,
- collaterals and insurance,
- environmental fines.

In the subsidies two types of subsidies exist: direct and indirect. Direct subsidies mean different types of exemptions and benefits on taxes, customs and fees. Direct subsidies are come from the two system of public finances, namely from the central and the local governments' budget. The Act prefers the subsidies financed by the central budget to the local governments' budget, because the Act tries to support the environmental tasks with these subsidies:²⁹

- supports the environmental tasks to be performed, which we have assumed in the NEP (these are domestic and international duties);
- supports the environmental protection's measures (especially the establishment and the operation of the information system, the administrative control, the education, the research, the dissemination of knowledge and the social and environment protection activities);

- finances the measures which prevent environmental damages and the recovery-costs, which can't be devolved;

- reimburses the costs of troubleshooting and reconstruction of the environmental damages;

- if it is necessary advances the costs of immediate actions, especially the costs of troubleshooting and reconstruction of the environmental damages.

It is important to highlight that the central budget creates a specific chapter management appropriation for the different types of environmental tasks to be performed. The aim of the appropriation is to incite to create a sustainable economic structure, to prevent the environmental damages, to eliminate the damages caused, to sustain natural values and areas and to facilitate the research on environmental protection.³⁰

The efficient use of subsidies can be realised with prescribing basic requirements to be performed. The literature considers the following ones as basic requirements:³¹

- marking resources,
- defining the aim of the use,
- the method of subsidising (tendering),
- proposal evaluation board,
- the criteria of requesting a subsidy,
- decision-making process,
- agreement on subsidies,
- the possibility of public participation,
- the control of use,
- legal consequences of abuse.

The Act considers the costs to be paid after using the environment as sources of financing the reduction of environmental load. The Act defines four types of these costs:

- environmental load charges,

²⁸ Act LIII of 1995 on the general rules of environment protection, Bándi (2011.): op. cit. 287-294. p.

²⁹ Kvt. 56. §

³⁰ Kvt. 57. §

³¹ Bándi (2011.): op. cit. 293. p.

- utilization levy,
- product fees,
- deposit and return obligations.

It is important to mention that the Act regulates the charges with a framework character, i.e. other acts define the detailed rules. The Act does not deal with those taxes and charges, which are regulated by other acts, and the Act also does not place them taxonomically within the economic funds. (The Act deals with the benefits on taxes, customs and levies.)

The Act gives top priority to charges within the economic instruments. The legislator defines general rules for defining the charges:³²

- an incentive effect: the charges' rates have to be defined for inciting the environmental-users for reducing environmental load,
- negotiation and gradual introduction: the legislator defines that charges have to be introduced gradually and have to be defined by time and rate; and the aims and measures of consumption have to be negotiated with the representatives of the interest,
- defining the aim and method of consumption: the protection of environmental elements are primarily against fiscal considerations, as the Act states that a significant part of these charges have to be paid to mitigate the environmental load.

The environmental-user has to pay environmental load charge for loading the environment. The Act defines the charge for those materials and types of energy, which have a valid measurement standard and the measure of emission can be defined technologically.

The legislator does not define detailed rules for this charge, only in special acts. The

detailed rules define three types of the environmental load charges:³³

- air pollution charge,
- water pollution charge,
- soil pollution charge.

The environmental-user has to pay utilization levy for using the environmental elements. The Kvt. does not state the detailed rules as it does before, so other acts contain them. Its rate has to be defined proportionally according to quantity used. The act states the duty of registration, data reporting and notification.

Product fee is a charge specialised on during or after using one of the elements of the environment, the production, the import and the sale of particularly threatening and endangering products. The measure of the fee is defined according to the products' per unit quantity. A separate Act states the range of products, the rate of the fee and the duty of registration and data reporting.³⁴ A specific act exists on the readmission of the used products. If the act obligates the producers, the distributors and the importers for readmitting the products, then the fee on this product has to be paid for financing the product's utilization, the disposal and the investments for realising these activities.

Deposit and return obligations are special charges, because they are not the part of the central budget's income, so in a traditional sense they are not payment obligations. The environmental-loader and the distributor of the product have to take care of the readmission of the used product and to pay the deposit and return obligations to the take-back provider of the product.³⁵ So the deposit and return obligation is a part of the distributors' revenue, if the distributor does not have to refund it.

³² Kvt. 59. § Paragraph (2)-(4).

³³ Act LXXXIX of 2003 on environmental load charge.

³⁴ Act LXXXV of 2011. on product fee.

³⁵ Government Regulation No. 209 of 5 October 2005 on the use of the deposit and return obligation.

Procedural fees and costs partially mean the administrative service fees of the administrative proceedings conducted by the environmental and nature conservation authorities and the other parts consist of the costs of the investigations during the proceedings and other administrative costs. The Act only specifies the supervision fees; we can find the other types of fees in different acts. The supervision fee is the revenue of the environmental authority, which finances the operating costs of the supervisory activities of the authority. The fee is paid by the environmental-user, whose activity is subject to authorization and notification.

The issue of collaterals and insurance are regulated in the field of environmental liability. The legislator can prescribe the duty of providing collateral when an activity impacting the environmental. We can find these instruments in specific acts, especially in acts on waste management.³⁶ The aim of the environmental insurance is to ensure the environmental-user's funding, if an unpredictable environmental damage occurs.

The environmental fines are special economic instruments. Firstly from the aspect of the legal consequence the fines have to be classified as direct instruments. The second special feature of them is that they are financial liabilities. Then if we consider the measure of the fine, it can be interpreted as an economic instrument, because with increasing or reducing the rate of the fine it can indirectly influence the management of environmental pollution. The Act also illustrates well its special feature, because the environmental fine is considered as a public debt, which has to be recovered as taxes. If the regulations and limits of the acts, regulatory decisions and community acts are violated, the fine is imposed by the

authorities' administrative acts. Naturally the scale of the fine is aligned to the unlawful conduct's weighs, measure, period and recurrence.

The Act on Environment Protection defines the economic instruments of the environmental policy as a framework, but the regulation does not contain all of the instruments and does not also make their transparent scheme. The National Environment Programme (2009-2014) gives a more accurate regulation than the Act, because it divides the instruments to three fields (as it was mentioned before): negative incentives, positive incentives and other special incentives. Taxes and fees are the parts of the negative incentives, direct and indirect subsidies are the parts of the positive incentives. It is obvious, that the indirect subsidies are the parts of the negative incentives, but because of the tax exemptions and reliefs we have to be dealing with them within the taxes. Direct subsidies mean financial subsidies, which source can be the EU, international, the central budget or the municipal budget.³⁷

The NEP divided the special incentives into two groups: the trade of pollution rights and the scheme of the collaterals. These instruments cover a wider range than the others and also forming a continuously expanding system.

The negative incentives make an excessively wide range, because besides taxes and fees, other instruments like annuities, fines and other payment obligations are included here. The trichotomy gives a good overview of the system, because this categorise the instruments, illustrates their role in the fiscal and environmental regulation, but does not cover all of the instruments.

³⁶ Government Regulation No. 181 of 8 July 2008 on taking back the batteries' waste.

³⁷ Nagy Zoltán: A közpénzügyi támogatási jogviszony a közjogi és magánjogi szabályozás metszetében. Publicationes Universitatis Miskolciensis Sectio Juridica et Politica, Tomus XXX/2. Miskolc University Press, Miskolc, 2012. 339-341. p.