The Swiss incentive tax on VOC

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Objective

• The VOC tax is a market-based instrument designed to create a financial incentive to further reduce VOC emissions,
  • by substitution or recycling of organic solvents
  • and by giving a price signal in favor of VOC-free or low-VOC products.
• additional instrument to emission limit values (ELVs) for organic compounds, mainly to address fugitive sources of emissions
• incentive tax leaves it up to the company or the consumer to make an optimal choice for technical solutions or alternative products.
Background and driving forces

• Swiss ozone control strategy calls for a reduction of 70 to 80% of ozone precursor emissions (NOx and VOC) compared to their maximum emission level in the mid-1980s

• This target corresponds to a reduction of approximately 30% compared to 2005, which is also the emission reduction commitment of Switzerland for VOC in the amended Gothenburg Protocol
Description (1)

- The tax is levied on importers, manufacturers and wholesalers of VOC (solvents) or VOC containing products.
- VOC are taxed at the time of importation into Switzerland or domestic production.
- Imported products containing VOC are taxed on importation according to the quantity of VOC they contain.
- Products manufactured in Switzerland are taxed indirectly through the tax already levied when VOC are purchased.
Description (2)

- Tax is only applicable to VOC included in positive list
- Tax is not applicable to
  - Motor fuels and heating fuels
  - VOC in products whose VOC content does not exceed 3%
- Exemptions from the tax can be granted
  - for VOC eliminated by abatement techniques or exported as substances or in products.
  - for companies that have reduced their VOC emissions along the whole production process in accordance with best available technology, which has to be demonstrated by establishing a solvent management plan.
Costs, funding and revenue allocation

- Tax rate: CHF 2 per kg after entry into force in 2000; CHF 3 per kg since 2003.
- Tax revenue showed a peak of over CHF 140 million in 2005; meanwhile has leveled off at approx. CHF 125 million.
- Tax revenue - after deduction of administrative costs - is redistributed to the population per capita through the health insurance system (corresponding to approx. 15 CHF per person and year).
Effectiveness of VOC tax

- 49%
- 32%
Conclusions

- The incentive tax on VOC has been effective in further reducing emissions from industrial and commercial sources, especially fugitive emissions.
- The VOC tax is an instrument for the fulfillment of the basic obligations of the 1991 Geneva VOC Protocol and the 1999 Gothenburg Protocol.
- It is considered as an alternative reduction strategy according to art. 3 para. 2 and 3 of the Gothenburg Protocol.