Analiza eko poreza u Švedskoj i Hrvatskoj

Analysis of Eco Taxes in Sweden and Croatia

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Utjecaj eko poreza na turističku potražnju

The impact of eco taxes on tourist demand

DIPLOMSKI RAD

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ABSTRACT

Green tax as a tool for environmental protection and fiscal efficiency is becoming more and more accepted globally. In countries where it still isn’t mandatory by law to collect green taxes in order to prevent environmental damage, it is only a question of time when it will become mandatory. However, some countries don’t have the sufficient economic strength and balance to be able to accept a sudden imposition of such a strict environmental tool. There have been suggestions that certain forms of Green tax might not be helpful at all for the environment, and that tourism industry could be affected negatively due to implementation. The objective of the thesis is to point out the connections between educational tourism and implementation of Green taxes. This thesis sets out to create better understanding of positive and negative side effects that Green tax has on the tourism industry, with a focus on the newly introduced airline taxes on flight tickets, and with international students being seen as relevant role players in educational tourism.

Keywords: green tax; environmental protection; tourism industry; educational tourism.
SAŽETAK

Eko porez kao alat za očuvanje okoliša i fiskalnu efektivnost postaje sve više globalno prihvaćen. U zemljama u kojima još uvijek nije zakonom propisano ubirati ekološke poreze u svrhu prevencije zagađenja okoliša, samo je pitanje vremena kada će postati obavezno. Međutim, neke zemlje nemaju dostatnu ekonomsku snagu i ravnotežu da bi mogle uspješno prihvatiti naglo nametanje ovako strogog alata za očuvanje okoliša. Određene sumnje nalažu da neke vrste ekoloških poreza uopće nisu od pomoći za okoliš, i da bi turistička industrija mogla biti negativno pogođena u mogućnosti nameta poreza. Cilj ovog diplomskog rada je ukazati na povezanost između turizma u svrhu obrazovanja i nameta ekološkog poreza kroz intervjue. Ovaj rad pokušati će kreirati bolje razumijevanje pozitivnih i negativnih posljedica koje namet eko poreza ima za turističku industriju, sa glavnim fokusom na novo implementirani porez na avionske karte, s obzirom na to da se međunarodni studenti smatraju bitnim doprinosiocima edukativnom turizmu.

Ključne riječi: eko porezi; zaštita okoliša; turizam; obrazovni turizam.
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INTRODUCTION

Tremendous challenges in environmental protection have arisen over the past few decades, and as a result of growing environmental concern worldwide, the environmental policy instruments are included in many national constitutions (Faure and Skogh, 2003). Environmental issues have been growing on a global level, but they need to be influenced first on a local and regional level. As stated by Stern (2006), climate change became a serious issue and it will become worse unless there is a global response to it. Since the issue of environmental conservation became a broadly accepted problem, many tools for environmental protection have appeared. Forms of taxation based on market mechanisms like trading of emission credits is an effective tool when combined with other internationally agreed measures.

Green tax and environmental changes are closely connected to the tourism industry. Depending on the tourism area’s different characteristics and market structures, the green tax effects can be different. It is suggested by Piga (2003) that such taxes can incorporate a useful instrument in areas with sensitive environment. He considers a premise that local government can play an important part in encouraging tourism to be more sustainable. However, the local government in European Union has to follow the European Union’s environmental policy framework. European Union environmental policy is very closely connected to global environmental policy. Changes in the world are interconnected both directly and indirectly through impacts of global environmental changes and through intensified socio-economic pressures (Hodžić and Bratić, 2015).

According to Lopez, Fernandez and Incera (2016), the recent globalization of markets is rapidly increasing the number of students enrolling in tertiary education outside of their country of residence. In the past few decades, the number of students studying outside of their country of residence has risen from 0.8 million (1975) to 4.5 million (2012), which is considered to be quite a dramatic growth (OECD, 2012). This fact is closely connected to a growing interest of promoting academic and cultural ties among countries. Thus, the rapid growth of this market represents not only opportunities for universities, but for the tourism industry as well.
According to Lopez, Fernandez and Incera (2016), the proportion of inbound students can potentiate the arrival of new visitors, such as friends and families and thus create a positive effect on tourism. The thesis consists of 9 chapters, which will present the history, importance and side effects of green taxes and their connection to tourist behavior.

Problem statement

The objective of a green tax is to internalize the externalities through imposing payment on the polluter and to reduce the emission of harmful substances while creating revenues. Some market failures occur in this situation, including that the polluter is not always the one that pays, but rather a victim of pollution (Faure and Skogh, 2003). One more issue that occurs upon implementation of a green tax lies in administrative costs and difficulties (Smulders, S., Vollebergh, R.J., 2001).

According to Cottrell, Schlegelmilch, Runkel and Mahle (2016) in less developed countries, there is a limited evidence that the implementation of green tax reform plays an important role in efficient addressing of problems such as GDP growth and pollution control. The reason for that is that environmental tax rates are very often too low to realize the potential benefits of them. Thus, the environmental effectiveness has been compromised by the low tax rates. Cottrell, Schlegelmilch, Runkel and Mahle (2016) also claim that there has been a lack of academic literature on the topic of sensitivity of tourism industry on green taxes.

Green tax enactment is quite debatable, as many service providers fear that they might lose customers due to higher prices. Thus, in certain places which rely on tourism incomes, enactment of green tax can be controversial. For example, after the introduction of green tax in Maldives, many service providers became concerned that they might lose potential tourists because of green tax tariff raising (Hameed, 2016). Another segment of tourism that can be influenced heavily by the price changes are educational tourists, in this case exchange students, as they are most commonly travelling on limited resources. Another country with a lot of revenues from tourism is Croatia. The economic instruments applied in Croatia can be characterized as “fiscally oriented” rather than “environmentally oriented”, since their main objective is to generate revenues. The
rates are generally still too low to have an incentive effect, i.e. to change polluter behavior, as said by Tisma, Pisarovic and Jurlin (2003).

The legal European Union framework is constantly evolving and Croatia is obliged to harmonize its national legislation to with the European Union acquis (Bratić and Hodžić, 2015). As Croatia is a relatively new member of European union, a sudden levy of green tax can occur, and doesn’t have to result in good outcomes for tourism industry, as tourists (in this research, exchange students are being viewed as tourists) may be rejected by sudden growth of prices. Sweden, on the other hand, has been a member of European Union since the year of 1995, and has already started implementing mandatory tax rates.

Thus, it can serve as a good example for research on tourists’ perspectives of travelling due to increase of green tax. As a researcher, I am interested in applicability of the findings in a country with a different environment, Croatia.

A segment of tourism that will be observed in this research is the educational tourism segment. According to Abubakar, Schneikat and Oday (2014) there is a lack of literature on students’ main motives to travel abroad, and it is believed that prices are one of the motives. As said, students’ motives for travelling haven’t been explored enough, so this thesis will set out to explore the connection between green tax implementation in Sweden (higher prices of airline tickets) and students’ willingness to still pay.

Objectives and research question

The aim of this study is to find out how sensitive are the tourists to green tax through a research conducted in a country that faced the green tax reform back in the 1995 (Sweden), and is currently working on implementing green tax on plane tickets. In further research, this research can serve as a good example for service providers in other EU countries (such as Croatia) which will be forced to implement the green tax reform in the future.
For example, Croatia is a country whose economy mostly depends on tourism incomes, and many of them come from exchange students e.g. educational tourists (Štefalić, 2016), thus it can be important to find out how the green tax reform imposed by European Union laws and regulations can affect this growing segment of tourism industry, and a good way to find that out is to conduct a research in a country whose industry has already been put through green tax reform. Can it bring positive or negative outcomes for tourism influenced by green tax reform?

Tourism is well known as a sector which can bring many negative effects to the environment, thus it is important to create a balance between revenues and environmental protection through green taxes. The European Union as an institution is imposing the green tax on its members. The sudden imposition of a green tax may result in big changes in the terms of market competition. One example for green tax enactment is carbon dioxide taxation, more known as the aviation charges. Aviation charges in European union were suggested repeatedly in EU Commission documents and in debates which suggested that own EU taxes are a good option to reform the EU system of own resources that are being used to finance the EU budget (Krenek, Schratzenstaller, 2016). Krenek and Schratzanstaller (2016) also claim that every country would be better off with aviation taxes, as it would bring each country a socially optimal level of air traffic. As mentioned before, tourists may be rejected by sudden growth of prices in a case of aviation charges, and it can affect tourism on a national level.

It is suggested by Solund (2007) that some industries may be exempt from paying the green tax as it can abate the effects of the tax. Researchers have been focusing on the impact of a green tax on many different sectors, mostly on the industrial sector, as it is the one that creates the biggest pollution. The tourism and hospitality sector has been rapidly growing and many researchers addressed the importance of implementing green technology, but not many have touched upon the implementation of a green tax within the tourism sector (like aviation charges) as certain forms of green tax are yet to be implemented. In this case, this is the aviation charge, and it according to IATA, it will be enacted in Sweden in 2018. A research question is; how does the implementation of green tax on airline tickets influence educational tourists’ travel behavior?
1. LITERATURE REVIEW

In this segment of thesis, a review of literature relevant for this field of study has been presented. Most of the literature review consists of authors touching upon the history of green tax, sustainability and possible outcomes of green tax implementation for certain industries.

1.1. Achieving sustainability

According to Kuhlman and Ferrington (2010), sustainability is a policy concept that originates from the Brundtland Report in 1987. Brundtland Report is a document concerned with the connection between aspirations of mankind to have a better life in the future and with nature’s limitations. Throughout the years, the concept of sustainability began to encompass three dimensions; social dimension, economic dimension and environmental dimension. It is quite hard to achieve full sustainability in today’s world governed by global capitalism. Jonathon Porrit (2005) concludes that we should seek to replace capitalism with a fairer and more ecologically friendly economic system, but still points out that we have to work with capitalism since it is the dominant global economic system. As suggested by Balakrishnan, Duvall and Primeaux (2003) we must seek to integrate all the factors of production into the logic of development in order to provide a sustainable alternative to the system currently implemented. Green economy can’t be a wasteful economy since it’s important to reduce the consumption of resources and to make sure all of them are used efficiently. Current market is based on economic growth only, so the sustainability seems impossible. What society can do is examine the alternatives and to include opportunity costs related to economic, social and ecological aspect.

Ikerd (2008) suggests that a sustainable economy must be based on a fundamentally different paradigm, the paradigm of living systems, since living things by nature are self-making and reproductive. He admits that the ecological risks of capitalism are many, but no other economic system was ever efficient enough in the terms of productivity. All the other systems have been rejected by society due to their insufficient productivity. Ikerd (2008) claims that regarding all the
negative sides of capitalism, is it still the best hope for sustainability, and it is ultimately a questions of morality and ethics.

Certain market failures may occur on the path of achieving sustainability. It was stated by Coase (1960) that the distribution of rights has no importance from the economic point of view. Coase’s theorem is based on the assumption that it would be equal from the economic efficiency point of view if the victim paid to the polluter not to pollute. However, the theorem is valid for the situations where involved parties are able to trade without additional transaction costs. This Nobel prize winning theorem can best be explained through an example by Faure and Skogh (2003) of a factory creating pollution. Let’s say there is a factory creating pollution and wronging people residing nearby. On the other side, we can view this situation as complete opposite—people living nearby limiting the rights of the factory. The suggestion is to view this situation as a case of conflicting uses of property rights. In a case of environmental harm, it seems very clear that the polluter should pay. But considering the laws and regulations, the polluter has a right to claim that pollution is his right. The solution is “the victim pays principle” (VPP) which is from the economic point of view, on the same level of efficiency like the “polluter pays principle” (PPP). Regarding all the doubts, the PPP is still the most efficient way of internalizing the externalities.

With all this being said, it is hard to achieve sustainability in today’s world of capitalism, but thankfully, the issue has been recognized on time and the progress towards different sustainable solutions and instruments for environmental protection is visible.

1.1.1. Instruments for environmental protection

To create better understanding of the thesis, it is important to briefly present globally accepted. instruments for environmental protection, their history and the reason why they are being implemented.
All the threats and costs of pollution are result of human behavior. Pollution is defined by Weale (1992, p.3) as “the introduction into the environment of substances or emission that either damage or have the risk of damaging the built or natural environment”. The economic term for pollution would be “externality”. Externality is every unwanted side effect of production, and it is external to the market because the market pricing of goods and services isn’t incorporating extra costs caused by pollution. Out of all the pollution forms, CO2 emission is the one that has a global effect, thus it has been chosen as the most appropriate case of taxation by Aslaksen and Synnestvedt (2003).

Market-based instruments and fiscal mechanisms are the tools that provide financial benefits and guidance towards environmentally friendly activities. According to European Environment Agency (2008), the spectrum of policies used for environmental interventions is widened, since there is no single policy instrument able to provide solutions to all the environmental issues. Thus, many environmental policies combine: traditional regulatory approaches (emission standards and banning of toxic instruments), market based instruments (green taxes) and awareness raising (energy efficient labels).

One of the instruments is “tradable pollution permits”. They have been introduced by Dales (1968). Later on, it has been demonstrated by Montgomery (1972) that tradable permits show the same level of economically efficiency as the green taxes. During the 1970’s, there was an ongoing debate focusing on these two available options for environmental protection.

According to Kreiser, Sterloing, Herrera, Milne and Ashiabor (2012) some policy makers might claim that the only objective to environmental regulation is environmental protection. However, environmental protection policy is a more complexed and broader term than just the environment protection (from the policy maker’s point of view).

From the economist’s point of view, environmental protection can be seen as the aggregation of welfare maximization with the criteria for environmental protection. This can be seen as the Pareto efficiency, which means maximizing the net benefits and deducting the costs (Black, Hashimzade and Miles, 2009).
Hahn and Stavins (1991) have questioned the efficiency of incentive based instruments. The reason for doubt is the assumption that these instruments provide a more cost-effective way of achieving the wanted level of environmental protection only on theory. The picture is less clear in practice since these instruments are mainly implemented in political environment. The authors have suggested that economists should focus on the design of various environmental protection instruments in order to meet the particular objectives. Regarding the approaches towards this issue, they have suggested a wider range of non-market approaches, like different kinds of standards, strong monitoring and enforcement mechanisms.

Market-based instruments have been globally accepted and recognized by many researchers as more efficient instruments than control measures, such as prohibitions. In today’s world of global warming and big environmental issues, it is important to impose certain instruments for environmental protection, as stated in this subchapter.

1.1.2. Development of green tax

After a brief presentation of environmental protection instruments, the history of a specific instrument should be touched upon; the green tax. In the history of environmental tax development, one of the most notable authors Pigou (1920) introduced a tax policy that would be globally accepted. Concerned by the smog problems in London around the turn of the last century, Pigou introduced an environmental tax in a more general externality context. He argued that the government needs to intervene and correct the occurrence of negative externalities by taxing them. In his work, the ideal tax will cost the producer of pollution the amount that’s equivalent to the harm that the pollution causes others. Since the introduction of Pigouvian tax, the behavior that causes negative externalities has been discouraged. In some situations where that does not apply, it is raising funds to help the ones being affected by that negative externality.
When it comes to better understanding of green tax implementation importance, there are many objectives. The first one is the improvement of the environment, and many authors agree that green taxes are efficient policy instruments. A second objective is showing the importance of green taxes as an effective instrument for fiscal consolidation. As stated by Speck and Gee (2011, p.3) green taxes can be defined as “a valuable measure for dealing both with short term budgetary imbalances and spurring the transition towards a green economy”. One more important objective is enabling a labour tax cut, which is known as the green tax reform.

In conclusion, since the 1920’s, the importance of discouraging negative externalities has become more important than ever. As said in this subchapter, the importance of green taxes lies not only in protecting the environment, but also in the improvement of economic activities of a country where they’re being implemented.

1.1.3. Measuring the outcomes of environmental tax

When it comes to measuring “the greening of a tax system” (a concept that is often used by international organizations, such as the The Organisation for Economic Co-operation and Development and The European Economic Area) on a national level, it is usually done by using two main indicators; the revenues from taxes that are environmentally related as a percentage of total GDP and as percentage of total tax revenues. Both of the methods are suitable for international comparison and they are gathered on a yearly basis.

Once the greening of a tax system is accepted as a policy goal on a national level, the need for evaluation of the progress towards this goal arises. Policy-makers usually prefer indicators that are easy to interpret over complex scientific evaluation methodologies, as assumed by Bachus (2012). Bachus defined seven key criteria when it comes to choosing a method of measurement, and they are: concept and measurement validity, data availability, suitability for international comparison, suitability for comparison over time, feasibility of aggregation, coverage of exempting and limited complexity.
Before enactment of any new environmental policy laws and regulations, it is crucial to find out the possible positive and negative outcomes. Cost-benefit analysis (CBA) can provide a tool for estimating social benefits and costs. Some authorities even require CBA before applying new laws. CBA is also very applicable in the evaluation of environmental laws, as stated by Faure and Skogh (2003). A step before conducting the official CBA regrading environment protection is the impact analysis. An important discovery by these authors is the problem of conducting the impact analysis; positive and negative impacts are not easy to compare due to their multi-dimensions. In the environment protection area, costs may be calculable, while the benefits don’t show up as monetary gains. The solution of this problem lies in presenting the estimates of monetary benefits, and leaving the weighing of positive and negative outcomes to the authorities responsible for decision-making.

Barrios, Pycroft and Saveyin (2013) consider two specific tax categories which are proposed as good candidates for efficiency tax shifting policies, and those are labour taxes and green taxes. Their analysis suggests that distortion in the economy caused by labour taxes are larger than the distortions caused by green taxes, thus their results are suggesting that the implementation of green taxes would be more efficient and preferable to labour oriented taxes. This suggestion is made under the assumption that both taxes would create the same revenue. The authors suggest that the use of green taxes for fiscal consolidation would be more effective under the assumption that all European Union countries would coordinate very closely.

As said before, it is quite important to measure the possible outcomes of any new instrument that is being implemented in a country. There are many econometric models that can help measure the outcomes and side effects, but they will not be touched upon in this research, as qualitative methods are being used. The one method that is always recommended by many researchers before enactment of any activity is cost-benefit analysis.
1.1.4. Environmental protection on a corporate level

Over the past twenty years, environmental protection has become extremely important, especially in the corporate management. Important questions occur while considering this topic: what are the incentives to invest in the technologies that reduce pollution? Are companies investing in those technologies because of fear that green tax might rise in the future? Aslaksen and Synnestvedt (2003) are investigating the uncertainty of green tax and the incentives of big corporations to invest in the environmentally friendly technology. An important issue regarding this topic is significant costs that may come with investment in pollution abatement technology.

The decision of investing into environmentally friendly technology is an important determinant of the relationship between environmental and economic efficiency of a company. The findings of the research conducted by Aslaksen and Synnestvedt are supporting the assumption that tax (on its own) does not provide an incentive for corporations to invest in green technologies.

However, if a small number of companies invests, there is a high possibility of obtaining a high market share and elimination of the possibility of being taxed. Both of those factors can contribute to improved economic performance. The findings are suggesting a positive relation between economic and environmental performance on a corporate level. On the other hand, if many companies decide to invest in green technology, issues like over investment in green technology may occur. Thus, market share of a company may not cover the investment costs and it supports the assumption that it pays to be green, provided that not too many other companies decide to do the same.

In this subchapter, environmental protection on a corporate level has been discussed. Airline industries that are the main topic in this research, however, can be viewed differently, as they are the ones charging their customers with green taxes. That is one way of dealing with environmental damage, some other airline companies are contributing in different ways, such as implementing greener technology that are more environmentally friendly.
1.2. Green tax and tourism

Tourism has been rapidly growing over the past few decades. A lot of places in the world are marked with persistent expansion of mass tourism. Regarding this particular issue, it is important to address the fact that tourism is closely linked to environment and its preservation which means that it is also linked with green economy. Tourism within a green economy implies all the activities that are possible to maintain or sustain. Sustainable tourism is tourism that is satisfying the need of current participants while making sure that in the future all the social, economic and environmental needs will be satisfied.

Sustainable tourism should take full account of the needs of visitors, the industry, the environment and host communities, as defined by UNEP (2011). In some countries or provinces, tourism has been identified as one of the main sectors that contribute to national economy. For example, research conducted in that Limpopo province in Africa by Nhemachena, Jonas and Karuaihe (2016) identifies that this province as a highly developed tourism province, but lacks the green economy initiatives.

The source of that problem mainly lies in the lack of information and education on green technology and the way it can benefit tourism. Perhaps if the government would increase green taxes in the future, the companies that participated in the research would be forced to implement green technology, as mentioned before by Aslaksen and Synnestvedt (2003).

The constant growth of tourism is accompanied with the growth of pollution caused by traffic. Reasons for travelling with a personal vehicle may be various, and one of the main concerns is preventing the negative consequences from spreading. Research that has been conducted in Malaga (Spain) by Pisano, Lafuente and Priego (2012) points to the benefits of green taxation on vehicles. The targets are various and complex, so three measures against pollution have been proposed; the path of demand, the path of supply and the road tax. Out of three instruments of measures questioned in the research, the one that occurs as the most efficient one is taxation, as it impacts both the users and producers, while the other ones affect only producers or only suppliers.
Drivers on their automobile journey are most likely to only consider the private costs of their journey, as hypothesized by Arnott and Small (1994). Thus, the use of popular roads at certain hours can cause automobile traffic congestion. Many governments have considered certain tolls to internalize these externalities. London is a good example of successful congestion charging.

The congestion charging proposal reaches back to early 1960s, and in early 2003, London finally imposed a daily charge for driving a vehicle on public roads in the city center between 7:00 am and 6:30 p.m. during weekdays. According to Leape (2006) traffic has substantially declined ever since the implementation of congestion charges.

In conclusion, many tourist areas are fighting a battle against mass tourism and environmental damage. Thus, it is important to accept the instruments for environmental protection, even though certain touristic destinations are strongly against them. The main reason for that may be the fear of losing tourists and revenues.

1.2.1. The influence of prices on tourist behavior

The performance of an industry in world markets highly depends on the competitiveness of the industry, as said by Dwyer, Forsith and Rao (2000). Any country that has a potential to develop the tourism industry substantially depends on the ability to maintain the high level of quality in delivery of services and goods. Competitiveness is a term that implies price differentials combined with productivity level of various components in tourism industry and certain qualitative factors that are affecting the attractiveness of a destination.

Dwyer, Forsith and Rao (2000, p.3) are distinguishing some determinants that affect the tourism demand and they are;

- socio-economic and demographic factors, meaning that it includes determinants such as population, income of a tourist, tourists’ leisure time, education etc. out of all those factors, income per capita is the one that impacts outbound tourism the most. The countries where outbound tourism is growing the fastest are usually the countries with high rates of economic growth.
- **Qualitative factors**, implying the category that consist of tourist appeal, their image, tourist service quality, marketing of a destination and similar. These factors are usually changing as the tastes and fashions change.

- **Price factors**, which are most important for this subchapter. The price factors include the widest range of activities, such as cost of transportation to and from the destination and the cost of other content, such as accommodation, food and beverages etc.

According to Crouch (1992), it is widely accepted that international travelers are sensitive to prices, so it is important to pay attention to the price competitiveness of a tourism industry and compare it to the one of their competition.

### 1.2.2. Consequences of green tax introduction for tourist behavior

As said before, many environmental economists have been consistently claiming that market-based instruments for environmental policy are more efficient that command and control measures (such as mandatory standards and prohibitions), and thus they recommend market-based instruments.

However, some researchers such as Frey (1999), expresses certain doubts regarding green tax efficiency. He argues that monetary incentives can compromise individuals’ moral and motivation to contribute to the well-being of the environment. In case of presence of these negative side effects, there might be a reduction of positive environmental impact of green taxes. According to Kirchgassner (2008), these side effects can be explained through a simple model of human behavior, the Homo Oeconomicus. Homo Oeconomicus approach suggests that individuals pay attention only to their own consumption of private and public good. Some environmental goods (global climate, ozone layer) are also considered public goods, but however, according to the model, individuals will only contribute to these goods voluntarily if the benefits of doing so will exceed individuals’ private costs. Even though Homo Oeconomicus is a widely accepted model, it cannot explain why certain people nowadays bother to recycle their waste (there is an absence of economic incentives in that case) and why certain people are willing to pay more for products that are eco-labelled.
As mentioned, it is possible that incentives may undermine individuals’ motivation to compensate to public goods. An interesting study by Gneezy and Rustchini (2000) discovered that imposing a fine on parents who arrive late to collect their children after school has not decreased the number of parents arriving late, but increased the number. They have also found that among high school students who were collecting charitable cause donations, students who were paid by a percentage of their collections collected less than the ones who weren’t paid. Students who were paid, were paid by the researchers conducting this research.

Nyborg (2000) states an obvious question regarding this research; what are the reasons that incentives (in this case, green taxes) are undermining individuals’ motivation? In the context of the environment, some researchers are claiming that green tax may undermine individuals’ motivation to act environmentally friendly. Frey (1999) argues that the only reason why that can occur, is if green taxes are perceived as controlling by public. However, if it is being perceived as supportive of the public’s moral motivation. The taxes can easily make people act more environmentally friendly.

An interesting claim was brought to life by Benabou and Tirole (2006), suggesting that a certain individual is not fully aware of his/her moral values and that moral values are put to test each time an individual makes a decision. Thus, contributing to the environment can indeed increase a person’s confidence in their own moral behavior. The critique of the imposed green taxes here is that in case that an economic incentive is imposed, the individual can become uncertain of their actions, wondering why they’ve done it (was it because of the economic incentives or because of moral “goodness”). And in the case of this research, green taxes are imposed, thus it is suggested that they might destroy a person’s image of themselves doing something good for the environment.

According to Nyborg, in each population individuals are showing different patterns of behavior. The prediction of Homo Oeconomicus goes far into the past, but Homo Oeconomicus is surely present today, and some researchers refer to them in terms of “free riders”, the ones that are not willing to contribute to the environmentally friendly activities. Thus, green taxes are in this case demoralizing the behavior of “free riders” by forcing everyone to contribute.
Conclusively, it is difficult to find out what exactly can encourage an individual to act environmentally friendly, as a person’s behavior is based solely on their own beliefs and norms. However, nowadays more and more people are being encouraged to act in sustainable manners.

1.2.3. Willingness to pay

When researching the effects of green tax on tourism, one important field of investigation is tourists’ willingness to pay (WTP) as it is a crucial factor when it comes to possible losses of tourists in certain areas. Green taxes in tourism are earmarked, which means that their usage is restricted on specific usage. The study conducted by Alrawadieh, Cetin, Dincer and Ioannides (2017) argues that tourism and environment related taxes should be spent on tourism expenses. And the findings of their study conducted on tourists in Istanbul, Turkey argue that tourists are more willing to pay if their money is spent on something that can improve their experience as tourists.

Hiemstra and Ismail’s (1993) discoveries argue that only 54% of the tourist tax is being used for tourism related expenses in a tourist destination. Their assumption is that in developing countries such as Turkey, the local government does not have the proper authority and financial resources to steer the tax revenues into enhancement of tourist experience. Some of the participants in the research stated that there is already a big financial burden on the tourists even without paying for the additional taxes, and therefore it should not be their responsibility to participate in solving the fiscal problems of a country. One more discovery of this research shows that if tourists had a certain part in the decision-making process of tax allocation, they would be more willing to pay for it.

When it comes to connection of educational tourists and willingness to pay, it has been said by Levent (2016) that the cost of education is one of the most important motives for shaping the international mobility among students.
As mentioned above, not all the revenues from tourist tax are being spent to enhance tourists’ experience, and it is highly likely that tourists will be willing to pay more if they were ensured that the money is spent properly. However, local governments usually lack the authority to govern the money and they are the ones that know on which tourist experiences the tax revenues would be best spent. A solution to this problem would be a better collaboration between the local government and the national one.

The Oxford Encyclopedia of Economics used a simple term to define willingness to pay; it is the maximum amount that a person is willing to pay in order to acquire a specific good or service. The concept of “willingness to pay” applies to the products that are not priced based on the market rules. According to Kazeminia (2016), economists differentiate among three forms of approaches when measuring a person’s willingness to pay: the revealed form (this term refers to the money and time that people invest in order to take advantage of a public good), the derived form (the amount of money that a person is willing to pay in order to avoid undesirable consequences of a lost public good) and expressed form (amount that people are willing to pay to preserve or use a certain public good).

According to Attaran and Celik (2015), many studies have shown that education, training and incentives encourage university students to be more concerned about the environment. Nowadays, students are concerned more than ever about providing the opportunity for future generations to live in a sustainable environment. In the United States, universities are making efforts to attract more students based on ranking on green organizations lists, such as “The Green College List”. It is quite important for researchers and policy makers to understand the factors which affect environmental behavior. Attaran and Celik (2015) believe that delivering a proper message to consumers can greatly promote environmentally friendly behavior and their willingness to pay more. Universities are in a good position to encourage sustainable behavior and to educate the population on the environmental issues. However, Attaran and Celik (2015) do claim that there is limited information on how university students view environmentally friendly behavior and sustainability.

Conclusively, it can be said that the more people are involved in green tax allocation and the more they are informed, the more they would be willing to pay it.
1.2.4. Allocating the green tax revenues

The bodies that govern most of the environmental issues are large political entities, as the amount of environmental issues has exceeded the capacities of individuals and local initiatives to govern them. Harring and Jagers (2013) ask the obvious question; what would be an appropriate political route towards a functioning and legitimate handling of environmental issues? There are different theories in this regard. Some of them claim that the environmental efficiency can best be achieved through top-down politic, while others claim that it can be achieved only in discursive democratic ideals. There are many ongoing debates discussing the most appropriate instruments or policy aiming to shape individuals’ behavior towards the environment. As mentioned before, environmental protection has always been based on certain state-based instruments, such as prohibition and legislation. Today, however, environmental issues have been highly perceived as being based on an individual. Some still believe that rigid policies will solve environmental issues, while others are claiming that market-based instruments are more efficient (majority of individuals and policy makers prefer market-based instruments).

However, even though it has been proven by many that market-based instruments are environmentally and economically more efficient, it is still hard to gain public support for them (Harring and Jagers, 2013). This particular issue has inspired researchers to investigate why some individuals show more acceptance towards market-based environmental instruments while other individuals do not. According to Stern (2000), environmental behavior is determined by one’s value orientation, norms and beliefs. However, a big drawback on market-based instruments for environmental protection is that they are closely related to various political factors that are undermining their public acceptability. This claim especially refers to green taxes. Market-based instruments are often being criticized and called “unfair” as they have regressive effects on incomes and sometimes they may be uneven in certain countries with a large income variation.

According to Cetin et al. (2017), customers can be introduced with either direct or indirect taxes. However, there is a big concern about how these taxes are being spent. Certain literature suggests different areas where tax revenues are being spent and many alternative uses of tax revenues (Litvin, 2006).
Hammar and Jagers (2013) have conducted a research among Swedish population’s attitudes towards market-based instruments for environmental protection, and discovered several factors that can explain a person’s support of environmental policies. These factors are self-interest, economic status and sense of justice. Uslaner (2002) stated that a person’s support towards green taxes is highly dependent on their political trust. He claims that the more an individual trusts their politicians (the bodies that govern the green taxes), the more likely he/she is to accept the implementation of certain taxes. Thus, unless people trust that their government is capable of efficiently allocating the tax revenues and that the green tax introduction is a road towards success, they won’t be so eager to accept the green tax introduction.

According to Harring and Jagers (2013), in the past few decades, the entire Europe has adopted greater usage of market-based instruments for environmental protection and those instruments are increasingly being adopted worldwide. However, they suggest that it is important not to forget the importance of legitimacy. In case there is no public acceptance of certain policy instruments, they might not be successfully implemented.

As said in the problem statement, one of the interest of this thesis is the applicability of the Swedish experience in some other countries. In the conclusion of this subchapter, it can be assumed that it is quite hard to look at different countries in the same way, as some countries have a lack of trust in their governments, thus the people do not believe that the allocation of tax revenues would be legitimate.

1.2.5. The importance of awareness

According to Robinson, Pemberton and Holmes (1997), all industries including tourism sector highly depend on accessible and relevant information. They suggest that the majority of information already exists, but lacks consistence in terminology, communication, reporting and national policy, thus it is limiting the benefits of tourism industry.
Any actor in public sector often requires an array of useful and sophisticated information in order to function properly. Certain management levels in tourism depend on information in order to be able to perform strategic planning, development and evaluation. Within organizations, being informed is a key factor when it comes to tourism planning. Robinson, Pemberton and Holmes (1997) pointed out the existence of numerous gaps in tourism information provision, but that there are also many surveys monitoring domestic and overseas tourism available. In 1997, the authors claimed that most of the important sectors of tourism have been properly covered with information, such as accommodation, attractions and employment structure in tourism. Today, tourism is one of the most rapidly growing industries, and many more sectors require new information. Thankfully, in today’s world of social media, the information coverage is growing as well.

As mentioned before, Robinson, Pemberton and Holmes (1997) suggest that the key factor when it comes to tourism planning is being informed. That claim mostly implies the management level, and public organizations involved in tourism. Thus, it can be important for higher management levels of public or government organizations to be informed about tourists’ preferences. However, there are many relevant information collected by (or available from) other sectors that are not directly connected to tourism, but are closely connected to it. One of those sectors can be the aviation sector, as it does not necessarily have to be connected to tourism (in Sweden, many people use airlines for business trips and such), or educational tourists, as their main motive for travelling is education, followed by tourism.

The ideal willingness to pay might be created if two important factors would combine; if people were more informed on what they are paying and if they would be more involved in the allocation of tax revenues.

1.3. Environmental protection in European Union

In this segment of the thesis, environmental protection laws in European union will be touched upon, in order to create better understanding of historical points of view of green taxes. As the objective of thesis is mainly researching students’ point of view on green tax implementation, there will be a short summary of benefits of educational tourists and their motives for travelling.
During the 1990s and 2000s, many changes in environmental protection were taken in the European countries. One of the significant changes was the introduction of environmental taxes. The main aim of the environmental tax was to broaden the overall tax base and to reduce labour costs. The Nordic governments were the first one to adopt the concept of Environmental tax reform (ETR) which was later followed by other countries like the UK, Netherlands and Germany. As stated by Speck, Summerton, Lee and Wiebe (2011). The main reason for the implementation of environmental taxes were reducing the CO$_2$ emissions and the labour costs and income taxes, but the design of the taxation programs is different. The most common subjects of taxation are energy consumption and CO$_2$ emission. However, some other countries in European union introduced different taxation, like Denmark, which introduced taxes on waste disposal and landfill usage.

European union is rapidly introducing more and more environmental protection tools and policies. Most of the significant changes appeared recently, and so far they have proven to be efficient economically and environmentally. However, green taxes are still quite controversial in some countries.

1.3.1. Environmental laws in the European union

The European Union’s Lisbon Treaty entered into effect in 2009, and one of the objectives in art.3(3) states “a high level of protection and improvement of the quality of the environment”. This treaty is however not limited to the acts of environmental protection inside the area of European union, but its objectives rather apply on the global level. The European Union as an institution seeks to assist the territories outside of it and helps the development of third world countries.
The historical point of view on the original EU Treaty was analyzed by Kramer (2012). The original EU Treaty from 1957 did not contain any provision on the environmental law, until the 1970 treaty when the necessity of establishing an efficient action program on the environment was described by the Club of Rome (1960). The first official suggestions on establishing the measures of environmental policy occurred in 1971. The official suggestion was then followed by a proposal for an environmental action program. Four years after the proposal, in 1975, the first legal instruments on environmental protection were successfully adopted based on arts 115 and 352 TFEU. Measures chosen for the environmental protection were determined by the environmental action program.

It is important to mention that European Union does not only provide environmental protection inside the Union area, but also on a global scale. Even though the first EU Treaty did not contain any provision on the environmental law, it was only a matter of time when it will become relevant to start introducing measures of environmental policy.
1.3.2. Political and legal instruments for environmental protection in European Union

The entire environmental policy of European union is governed by the EU institutions together with the national governments of the member countries. The institutions of European union are governing the environmental laws and policies on different degrees. The actors of EU connected to environmental policies (Kramer, 2012) are: The European Commission, The European Parliament, the Economic and Social Committee, the Council, the European Courts and non-institutional actors. The European Commission consists of 28 members, and each member represents one EU country. The Commissions’ duty is to take part in the law-making regarding environmental protection policies and in shaping new measures that involve environmental protection. The European Parliament has been suggesting administrative improvements in the EU since the 1970. The members of The Economic and Social Committee have not been showing much interest in environmental protection so far, however they do have a substantial advisory function. The role of The Council in environmental protection is conducting meetings every few months in order to discuss environmental issues. The European Courts are responsible for providing the compliance of all environmental laws and for penalizing when the environmental laws have not been obeyed. The non-institutional actors are professional organisations, environmental organisations and individuals.

Kramer (2012) stated that instruments used in European union for environmental protection can be legal instruments and instruments which influence behavior towards the environment. One of the legal and political instruments are regulations, and regulations can be applied in every Member State. This division of instrument for environmental regulation stated below is limited to The Treaty of the Functioning of the European Union (2012); European Environmental Agency, Cohesion Fund and the financial instruments LIFE. Other regulations are uniform measures which are obligated to transfer the environmental laws in the EU. This mainly refers to international trade and flora and fauna conservation.
The European Environment Agency’s regulations were adopted by the EU in the 1990, but it became official in the 1993. EEA’s main function is to provide information about environment for countries that are trying to develop and implement environmental policy. These functions also refer to the general public, not just the Member States (European Environmental Agency, 2018).

EEA states that its mandate is helping the community make good decisions towards the sustainable future. EEA now consists of 33 EU countries and 6 countries in co-operation, and the Agency works closely with national bodies responsible for the environment.

The Cohesion Fund was established 1994 (European Commission, 2018) and its main cause is providing support in Europe (mainly in the countries with less stable economies) through promoting sustainable growth and employment. The Cohesion Fund’s budget until 2020 is in total 63.4 euros, and the funding is mainly spent on the activities of trans-European transport networks and the environment (mostly projects regarding the sustainable transportation solutions in Europe).

Another legal instruments used for environmental protection is directives, and as stated by Kramer (2012), directives are the most used instrument in European union. The main aim of EU directive is to insure that all the member states are achieving the goals which are set. However, the goals that must be achieved are set by each country’s government. Directives don’t necessarily need to be closely connected to environmental protection, but in many cases they are.

Decisions are also a legal instruments used to achieve certain goals, and the most frequent type of a decision in enactment of new bodies which will further be responsible for helping the environmental goals to be achieved.

Recommendations only play a limited role in the environmental policy since they have no binding force (Kramer, 2012). Recommendations haven’t had significant influence on environmental projects so far, but their main aim is to help the institutions in their action without legally obligating them. Another instrument which is not legally binding is communications. Communications can appear as green papers, strategies etc.
Action Programmes have been developing in the European union since 1970s. One of the programmes worth mentioning is the 7th Environment Action Programme, which will make sure that three key objectives are reached (European Commission, 2018): protection and conservation of European union’s natural capital, turning the European union in a green and low-carbon economy, and safeguarding citizens from environmental pressures that can be a health risk.

Other instruments used for environmental protection are resolutions, environmental agreements and contracts.

As mentioned before, Kramer (2012) also mentioned instruments that influence the behavior of individual persons and undertakings (like different projects that can influence the environment etc.). European union has many different provisions in order to influence the behavior. However, the provisions don’t address individuals directly, they are meant to address the governments of member states. The governments are then obliged to transfer the knowledge and messages to the individuals.

The main aim of this subchapter was presenting the actors of environmental protection in European union, as well as the legal instruments that are being used for environmental protection to create better understanding of how the implementation of environmental laws works in European Union and who is in charge of them.
1.3.3. Market based instruments for environmental protection in European Union

According to European Environmental Agency (2005), the most common mistake in environmental issues is incorrect pricing of produced goods and services, that is why market-based instruments are supposed to help the community take into account all components of sustainable development in a cost-effective way. Those components are social, economic and environmental. Europe puts big emphasis on economic and social goals and on the environment protection goals (European Commission, 2005). The goal is to pursue all three goals simultaneously while using a proper set of market-based tools.

It has been said before that many economic activities create externalities, which are unwanted side effect of those activities. However, in many situations, polluters are not the ones paying for the externalities. For that reason, market-based instruments have been introduced in European Union, and their main goal is to result in pricing mechanisms that can reflect the total value of environmental goods and services. Market-based instruments create revenues that can be used in a national budget or for environmental protection (European Environmental Agency, 2005). However, it is stated in the European Environmental Agency’s report from 2005 that considering all these factors it is still not very likely that all the resources are going to be properly allocated and that certain distortions will always exist.

A benefit of using market-based instruments are dynamic incentives which are not necessarily available through other instruments. The most used market-base instruments for environmental protection are: emission trading, taxes and subsidies (European Environmental Agency, 2005). Emissions trading is an incentive that ensures the aim is achieved by combining appropriate allocations of emission allowances. Tax has an objective of reducing pollution or a use of natural resource. The cost of this type of tax can vary, depending on the cause, the pollution level etc. Subsidies are a useful instrument when it comes to introducing new technologies to the market.
### 1.3.4. Environmental tax revenues in European union

#### Table 1. Environmental tax revenues in European Union in million euros

<table>
<thead>
<tr>
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</thead>
<tbody>
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Table number 1 is showing total revenues from green taxes in European union from 2014 to 2016. Total revenues from green taxes in European union have increased by 2.4% per year since 2002 to 2015 (Eurostat, 2017). The total GDP, however, rose at annual average of 2.7%. The table only shows green tax revenues from 2014 to 2016, so it needs to be mentioned that from 2002 to 2015, the level of green tax revenues was around 96 billion euros higher. The economic and financial crisis caused certain irregularity in 2008 and 2009, which resulted in lower tax revenues. In 2010, the tax revenues went higher again. From 2014 to 2016, the green tax revenues in EU countries has been rapidly growing. Almost every member country has shown a rapid growth of tax revenues. However, in United Kingdom, Sweden, Luxembourg, the green tax revenues have not been growing proportionally, and in 2016 the tax revenues were lower than in 2014. United Kingdom is still the country with highest green tax revenues, despite the fact that it is not as high as in 2015, followed by Poland and Denmark.
<table>
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<td>1.249,57</td>
<td>13,475.62</td>
</tr>
</tbody>
</table>

*Note: adapted from http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do.*
Table number 2 is showing environmental taxes by category in European Union in 2016. According to Eurostat, energy taxes represented the highest share of all tax revenues. Energy taxes are all taxes related to products used for transportation, heating and electricity. According to European Commission, the primary objective of energy taxation is ensuring that the Single Market runs smoothly and preventing any distortions in trade within the EU. In 1992, a tax on nitrogen has been introduced in Sweden (it falls under the energy taxes). This action helped reduce nitrogen emission by 40%. And according to European Environmental Bureau, it has led many companies to implement emission reduction measures ahead of the tax implementation. The second highest share of all tax revenues in 2016 was transportation tax. European Environmental Agency states what the transportation taxes consist of; road transport charges, taxes on the possession of a freight vehicle, time based charges (like congestion charges presented earlier), strongly territorial road charge etc.

1.3.5. Carbon-based flight ticket tax in European Union

One of the most notable forms of green tax in general is the one concerning the CO₂ emissions. The aviation sector is growing rapidly over the past few decades, and so is the Carbon Dioxide pollution, as said by Krenek and Schratzenstaller (2016). There has been an ongoing debate whether taxing flight tickets is a good solution to this environmental issue, and according to The International Air Transport Association, there is more negative sides than positive ones, and this issue can be solved in different ways. They believe that in case of implementation of this sort of green tax could be used to reduce other taxes that can be harmful fur growth or employment. Considering the current political situation in European Union, it is believed by Krenek and Schratzenstaller (2016) that taxing the flight tickets has more chances of implementation than tax on airplane fuel, and is considered more sustainable. The general proposition if this specific carbon based tax is charging each passenger departing from an airport within the European Union and each passenger arriving from outside the European Union.
European Commission suggested a two level scheme (which would be voluntary for each EU member). First step would include the decision of a member state to implement such taxation, and the second one would be the passengers departing from a member state deciding whether they are willing to pay the tax. However, this kind of scheme would imply creating a large administrative burden for the airlines and not enough revenues to cover the expenses.

As said by Kosonen and Nicodeme (2009), taxes are an important market based instrument for environmental policy, thus aviation taxes are a powerful instrument that can internalize the external costs on aviation. As said by Krenek and Schratzenstaller (2016), there are a few empirical analyses of the experiences of European countries with airline taxes, and those analyses are mostly base on descriptive statistics. They suggest that so far, there has been a mild influence on the number passengers using airlines, which implies a mild environmental influence as well. Some EU member countries have failed to introduce a flight ticket tax, and certain suggestions claim that this kind of tax cannot be successfully implemented on a national level, there has to be a coordination between the countries in order to implement the taxes effectively. It is thus suggested that every European Union member implements aviation tax at some point.

A major benefit of aviation taxes is that their range is on a global level, meaning that reduction of CO\textsubscript{2} emissions can benefit the entire world, not just one certain area. Implementation of carbon dioxide tax on aviation can be expected to encounter several problems. One of them is that in case of insufficient international coordination between the countries, tax rates might be set inefficiently low. This problem occurs due to the existence of cross border externalities, according to Jones, Keen and Strand (2012). It is suggested for every European Union country to implement this sort of green tax, as it would lead to a socially optimal level of air traffic. However, each country has certain incentives for introducing or not introducing this the aviation taxes. Some of the problems regarding this tax are concerning The International Air Travel Association, thus they have listed certain issues that might occur upon implementation of airline tax.
The International Air Travel Association states that environmental issues are at the top of their agenda, together with safety and security. IATA believes that there is a wide section of the economy which is influenced by the implementation of air transport taxes, and the sections influenced by it are passengers, governments and tourism sector. Air transportation generally has extremely high price elasticity, according to IATA, so it is believed that additional charging (like taxation) would result in negative outcomes for the demand for air travel.

As said earlier, IATA listed certain parties involved in air travel that can be negatively influenced by air travel taxes. Passengers might choose not to travel because of the price increase, or they could choose another transportation option, which can lead to even bigger pollution and CO₂ emission. So the problem would not be solved, just displaced. Airlines can be affected because of the decline in passenger revenues, which can lead to their inability to compensate such tax from passengers. Furthermore, tourism sector can be negatively influenced as there would be a smaller demand for travelling due to the increase of ticket prices. That would reflect in negative way on the GDP. And finally, the governments would not necessarily benefit from these taxes, as airlines’ price elasticity is extremely high and the decreased number of passengers might outweigh the tax revenues. Thus, IATA came to a conclusion that implementation of taxes on tickets would be inappropriate and that there are more effective ways of compensating for the environmental damage caused by air travel.

In conclusion, there are many arguments against and for the introduction of green tax on airline ticket. The issue to point out here is that carbon emission would be reduced more easily if the whole world would participate in its’ reduction, not only some countries. However, there is more ways to reduce carbon emission without introducing the green tax, as IATA claims.
1.4. Green tax in Sweden

Sweden is known as a country of high taxes and some of the reasons for that might be inflation and tax denomination in nominal currency (Sterner, 1995). Until the late 1980’s, there was just a little interest in green tax as a policy instrument. However, several big events occurred in the environment, like massive death of seals. After that, an environmental party in Sweden was elected to parliament, and major changes in the environment and tax system started happening. According to Sterner (1995), Sweden was keen to harmonize legal structure with EU legal structure even before the official joining.

1.4.1. The history of Green tax in Sweden

In the early 1980’s, the Swedish tax system occurred some issues. Large segments of populations were paying 80% of marginal tax rates and it became a priority for the Swedish government to reduce tax on labour, but to somehow maintain budget efficiency (Sterner, 1995). That issue presented a good chance for environmental taxes to be accepted, since the main focus was to reduce marginal taxes. As mentioned before, it is hard to see the environmental benefits of green taxes in a short period of time, but they serve their purpose as revenue collectors.

According to OECD, Sweden has the 16th highest revenues from green tax among 34 OECD economies. In 2014, green tax revenues were at 2% of total GDP, and among other OECD countries, the average was 2.0%. In Sweden, energy taxes represented 80% of all green tax revenues, while an average in other OECD countries is 70%.

This short subchapter discusses the reason and aim of green tax reform in Sweden, and points out the economic benefits of it. It can be said that green tax revenues are important for Swedish GDP and their goal is to expand them on an even higher level, like the new airline tax that has been introduced on the first of April 2018.
1.4.2. The green tax reform

One of the most notable forms of green tax in Sweden so far has been energy tax, as said by Hammar, Akerfeld and Sterner (2013). Up until the year 1991, it was the only form of green tax and its main purpose was to raise public revenues. In 1991, Sweden perfected the energy tax with a specific CO$_2$. The reason was most likely the importance of environmental policy on the political agenda. During that period of time, the energy tax rates were reduced by 50%. According to Hammar, Akerfeld and Sterner (2013), this implied a pioneering and a very high level of taxation on fuels comparing to other countries in the European Union.

The introduction of this specific tax (CO$_2$) was one part of a big and important tax reform which was implying dramatically lower taxes on labour and income. It can be said that this reform happened for mainly two reasons; one of them was a demand for drastic reduction in marginal income tax, and the other one was increasing interest in environmental issues. CO$_2$ tax was introduced at a moment when tax on other factors on production was reduced, thus a need to fill that gap appeared. This reform can be seen as an early green tax shift reform.

Over the years, the CO$_2$ tax rates have been increasing in order to achieve the cost effective reduction of harmful emissions, and the most effective way to achieve it is the use of taxation instruments (Hammar, Akerfeld and Sterner, 2013). The changes in taxation system have been applied slowly, in order for companies and households to adapt to changes. However, in Sweden, when this certain tax was increased, it is followed by reduction of other taxes in other areas, so that the increase in the overall level of taxation could be avoided. This kind of combination of measures is a result of desire to create a tax efficient tax scheme which will ensure a balance between different policy considerations. Regarding the general law making procedures in Sweden which enable stakeholders to participate in the tax policy designs, Sweden has had right-wing governments and left-wing governments. However, that does not mean that there were many deviations from the chosen road forward regarding the CO$_2$ tax.
All proposals by Swedish government have to be based on an analysis (conducted by independent committees) which includes experts from different areas. After that, proposals must be sent out for public consultations before being finalized. Overall, the Swedish experience of CO₂ tax introduction shows that reduction of harmful emission can be combined with economic growth. During the period of first introduction of CO₂ tax until the year 2011, the CO₂ emissions were reduced by 16%. During that period of time, economic activity increased by 58%. It is important to mention that tax can be combined with other instruments of energy policy (subsidies, green certificates, regulations etc.).

As it can be seen, the main goal of implementation of green tax reform in Sweden was creating public revenues, but today it also serves a higher purpose of environmental protection. Sweden serves as a good example of implementing this reform slowly, so that the industries and households have enough time to adapt to changes.

1.4.3. The airline tax in Sweden

As said earlier, it is suggested for all European Union countries to implement the airline tax together, so that the effects can be seen on a bigger level since it is harder to see them on a national level. One of the countries that implemented the airline tax on the first of April 2018. is Sweden. The tax is charged on domestic and international flights from the country. This tax is pitched as a form of green tax with a purpose of encouraging customers to choose environmentally friendly options of transportation, and it is yet unsure if the higher prices will discourage them despite the fact that it is environmentally friendly.

As it is already known, the positive sides to introducing such tax are revenues and preventing pollution. However, it is argued by the Moderate Party in Sweden that negative sides might be big, as the cost for travelers will increase without actually benefiting the environment.

Seeing international students (educational tourists) as important contributors to national economy, it is relevant to research how would the sudden change of cost in airline tickets affect their choices of a country of education. As argued by Harazneh, All-Tall, All-Zyioud and Abubakar (2018), one of the main motivations for student’s travelling abroad is the cost, and in this case the cost will increase.
1.5. Educational tourism

The recent growth of both tourism and education as separate industries has led to recognition of those industries from a social and an economic prospective (Ritchie, Carr and Cooper, 2003). With the growth and harmonization of these two industries, education facilitating mobility became a really important part of tourist’s experience. There seems to be an increase of tourists’ demand for educational components in their experience, and Ritchie, Carr and Cooper (2003) suggest that the reason for that might be the promotion of lifelong learning and tertiary education among the Western countries. There are many claims of educational tourism really is, but one of the most significant claims could be the one by Jenner and Smith (1997). They stated that tourism broadens the tourists’ minds, which means that any kind of tourism can be considered educational tourism. But they do acknowledge that educational tourism should be viewed as a smaller segment of tourism.

Ritchie, Carr and Cooper (2003) suggest that educational tourism consists of the following: 

*general travel for education*, which mainly refers to adult or senior travelers who find educational component of travelling extremely motivating and *university students as travelers*, which refers to students travelling to different universities in the purpose of learning. The main difference between these two components of educational tourism is that adult travelers are usually putting the educational component of their travel on the second place (while travel for leisure is usually theirs first motive), while students are putting the educational component first.

According to McGladdery and Lubbe (2017), in the past few decades there has been a significant increase of tourism packages being offered to school groups or university students. It is suggested that the demographic range of educational tourists is from the pre-school children to senior citizens, which stimulates the tourism industry and provides many opportunities for product development. Thus, Ritchie, Carr and Cooper (2003) claim that these growing opportunities should not be ignored by the tourism industry, and that their potential should be fully used. Roppolo (1997) claimed that the connection between tourism and education is yet to be examined. However, even today’s authors like McGladdery and Lubbe (2017) are still criticizing the lack of academic literature on educational tourism and large amount of grey literature on the topic of educational tourism.
Beneker and Middelkoop (2014) suggest that the primary and the most important outcome of international education is being able to achieve the intercultural competence and personal development to a point where an international student starts considering his/her role within a broad and multi-cultural environmental context. They also suggested that characteristics of learning on a global level are: becoming more open minded, becoming more tolerant, developing a sense of responsibility towards self, others and towards the environment. Becoming more responsible towards the environment is one of the characteristics that will be more thoroughly touched upon in the analytic part of the research. In some literature, the process of global learning is being referred to as “global citizenship education” and its’ progression in the environmental context follows three steps; global awareness (becoming more aware of the environmental issues in the global context), global mindedness (changing the attitude and the way of thinking towards environmental issues) and global competence (change in the behavior that is more sustainable and better for the environment).

McGladdery (2017) suggest a model for effective learning. According to the model, there are three categories that are supposed to be accomplished for educational tourists. The categories are; cognitive outcomes (this implies all the knowledge gained), affective outcomes (change in the attitude or ways of thinking) and behavioral outcomes (skills that are supposed to be developed after the educational trip).

McGladdery (2017) also believes that international education and international tourism have become extremely globally developed, while international educational tourism has not kept the pace with their development, meaning that international educational tourism is still an underdeveloped sector. Many countries have rebranded themselves in order to attract more internationally mobile students. According to Rhoades (2016), the countries that have been rebranding themselves for educational tourists are mostly UK, Australia and New Zealand. They have centralized their marketing strategies to attract full-degree students and short-term international students. Finland is also one of the European countries that is rebranding their image to attract international students. Providing international students with degrees is clearly not the point of tourism business, however, the tourism industry can develop complementary services and products for international students in order to create more revenues.
Certain studies on connection between tourism and international students have been conducted. One of them was conducted in Australia by Michael, Armstrong and King (2003) and it examines the reasons of students travelling abroad for studies. One of their findings important for this research are the ones connected to international student’s preferences of activities while studying abroad. Their study suggests that activities preferred by international students often include dining, festivals, theme parks and museums, which is all closely connected to tourism revenues. The further suggestion for tourism organisations is to consider taking more advantage of presented findings. Michael, Armstrong and King (2003) concluded that even though the research has been conducted in Australia, the findings are applicable to other destinations as well. One of the findings that can be applicable in Europe is improved coordination between tourism and education institutions, given the rapid growth of opportunities in this field.

According to Harazneh, All-Tall, All-Zyioud and Abubakar (2018), over the past decades, there have been numbers of policies to increase the number of international students in order to create diversification of tourism activities into educational tourism. They claim that there are many motivational factors that can affect student’s choice of a country to study in. Some of the motivational factors are quality of education, safety, cultural and political factors, social factors and most importantly for this research; environmental and cost factors.

Ortiz, Chang and Fang (2015), suggested that by 2017, tourism industry will attract 1,070,000 students. Another relevant suggestion at that time was that the global spending of international students would increase from 4.4. trillion USD to 6.2. trillion USD from 2012 to 2017. With all the facts being stated, it can be said that educational tourism is growing rapidly, as the students’ mobility is growing. An important segment of educational tourism to be explored deeper is motives of students for choosing a certain country for travelling, and how important are prices for them.
1.5.1. Shaping the demand for educational tourism

According to Ritchie, Carr and Cooper (2003), there are three key aspects that play an important role in shaping the demand for educational tourism. One of them is *demographics*, meaning that almost one fifth of the population of Europe is being educated at a university. However, the number of people studying at a university has recently declined due to the falling birth rate. It is being suggested by Ritchie, Carr and Cooper (2003) that this trend of falling birth rate may be concerning for educational tourism in the future. Educational tourism is highly shaped by *educational structures*, meaning that there are many variations in periods of compulsory schooling and age entries for schools, as well as the length of holidays. All these factors are shaping the demand for educational tourism. The third key aspects are *educational administration and initiatives*, which implies approaches like “Learning through discovery” with an aim to stimulate the educational tourism market.

As said by Levent (2016), international students are nowadays being viewed as an important source of incomes for many countries. Thus, many countries in the world are trying to make certain investments in order to become a center of attraction for international students. Levent (2016) also claims that surviving in the international education market requires satisfying certain requirements. These requirements are all factors that are closely connected to prices such as tuition fees, living expenses and in the case of this research; the green tax prices. It is being suggested that countries that want to increase the number of international students should consider revising their price policies.

1.5.2. The impact of international educational tourists on economy

Educational tourism is one of the fastest growing areas of tourism industry, and unfortunately it is often being overlooked by marketers and tourism makers. The term “international student” implies a student that has changed his/her country of residence in the purpose of studying abroad, according to OECD (2014). As said before, the number of exchange students has been growing rapidly, and according to OECD (2014), they find Europe as the most interesting destination from the global perspective.
In this research, exchange students are being viewed as educational tourists, as they are spending their revenues in a foreign country, and as they are potentially bringing in more tourists (such as families, friends etc.). Thus it is relevant for this research to touch upon the topic of educational tourism and its benefits for the tourism and economy.

1.5.3. Measuring the economic impact of international students

It has been said by Lopez, Fernandez and Incera (2016) that international students don’t think of creating the revenue for tourism industry as their objective when travelling abroad, but there is still a high chance of relevant effects that can occur for tourism industry. However, over the past two decades, it has been proven that it is not that easy to measure the economic impact of tourism expenditure. Thus, Lopez, Fernandez and Incera (2016) suggest a simple three step analytical methodology for measuring the economic impact. Their research has been conducted in Galicia, and their discoveries can be relevant for this research as well. They concluded that economic impact of academic tourism is higher that the economic impact of international tourists. They suggested that if each student receives an average of 3.3. visitors, it can significantly modify the economic impact connected to their stay abroad. Lopez, Fernandez and Incera (2016) did bring out the point that considering the entire Galician region in Spain, international students have very little impact on tourism industry. However, they do suggest that international education does offer significant spin-offs for the tourism sector in general.
1.6. Tourist behavior

According to Pearce, all tourists are very different, meaning that they are diverse in motivation, age, level of affluence and the activities they prefer. Thus, it is being suggested that all researchers specify which types of tourists are being discussed in the research. Moving towards better understanding of tourist behavior means recognition of multiple perspectives on behavior. According to the approach of Pike (1966), an important approach lies in etic-emic distinction.

Emic approach is based on the perspective of the participant (the one engaged in the behavior), as said by Pearce. For example, the topic of the interest can be a young traveler on a budget (or an educational tourist with a budget in the case of this specific research). The emic approach of their behavior consists of finding out their vision of world, the setting, the other people and how they value the experience of it. Etic approach, however, sees the researcher as the outsider describes tourists’ behavior. It has been stated by Pearce that it is hard for younger scholars to have a clear distinction of the two approaches. However, the core distinction is that when people ask the participants to describe their experiences using their own words, they adopt an emic perspective and they start seeing the world from the point of view of a participant.

The question to be asked before the analysis of data is: to whom does the tourists behavior matter? According to Pearce, it matters both to tourists and to people making decisions about tourists. People often tend to be concerned with their experience of life and they like to understand it. Thus, tourists are concerned with how they experience their holiday and would like to maximize the experience. Regarding the people who are making decisions about tourists: this implies a wide range of such decision makers, but most importantly it implies everyone whose job involves making a decision about tourism related activities. There are further groups who still may be concerned with tourist behavior, only less frequently. For example, a local community can often be concerned about tourist behavior, as tourists may have a negative impact on certain areas. However, the individuals who are the most concerned about tourists’ behavior are certainly academic researchers.
The earliest work in tourism research was applying the work on social roles that was being conducted in sociology and anthropology. Smith (1978) suggested a model which studies how tourists change over time for any given destination. In his work, the earliest tourists were explorers, followed by adventurers and after the adventurers there were drifters. That was the early work in tourist behavior, however, with expanding numbers of tourists, mass and charter tourists appeared.

The following work on tourist roles has included schemes that connect tourist behavior to their motives for travelling. In these studies, tourist roles are being seen as vehicles which that are used for tourists to achieve their goals and motives. Horne (1992) was one of the first ones that presented modern day tourists as ones who appreciate the culture and history of the places they visit. There have been studies connected to that claim which are outlining the basic role responsibilities of a tourist and the additional role responsibilities of a sustainable tourist. According to Horne (1992), tourist in general possesses these responsibilities; obeying the local laws, not participating in widely condemned activities, not offending religious beliefs, not damaging the physical environment and not overusing the resources of a destination. On the other hand, a sustainable tourist possesses these responsibilities; not visiting places that have a poor human rights record, being responsible to learn about the visited place including some language, meeting and forming friendships with locals, not spreading diseases and contributing to the local economy. After the presented responsibilities, we can conclude that educational tourists fit more into the role of a sustainable tourist, as they are more educated about the environment and they are interested in getting to know the local culture by studying in a certain place.

According to Kozak and Kozak (2016), consumer behavior started attracting the attention of researchers during the late 1970’s. Today, it is highly likely to see increasing number of books and journals focusing their attention on tourist behavior. The subjects that have been researched most frequently are motivations, satisfaction and loyalty, while other important subjects such as evaluation of alternatives and choice still remain as potential subjects for further research.
1.6.1. Environmentally-friendly tourist behavior

According to Kvasova (2015), environmentally-friendly tourist behavior is also referred to as green behavior in some literature. Green behavior occurs when a tourist is aiming to minimize his/her impact on the environment or to contribute to environmental protection in any way. Tourists’ green behavior can be viewed as willingness to pay more for green hotels and engaging in energy and water conservation, recycling and waste reduction. Many researchers have been attempting to understand how green behavior can be encouraged in a tourist. Much of the environmental research focuses on tourists’ values, beliefs and norms in shaping the green behavior. Hirsh and Dolderman (2007) have suggested that a very important predictors of human’s behavior is personality. It is important to mention that the participants of this case study are all young and educated tourists, which can also mean that their actions are more environmentally friendly, but that statement is questionable and will be discussed in the further research.

Several studies in the past few years have examined environmentally friendly behavior from the perspective of a tourists’ personality. However, there is a lack of literature that connects environmentally friendly behavior with tourism (Kvasova, 2015). From the available literature, certain interesting findings occur, such as the one by Miao and Wei (2013) which implies that tourists are more likely to act environmentally friendly at home than on a vacation. Generalizations in this context are not quite possible, as eco-friendly behavior is not consistent across different settings. This knowledge gap call for an investigation of individuals’ personality determinants of eco-friendly behavior. However, Budeanu (2007) pointed out that there is evidence of tourists declaring positive attitudes towards environmentally friendly behavior in a tourism destination, but only a few tourists act upon those attitudes. Many conducted studies have been quite limited in ability to explain actual green behavior in tourists.
2. CASE STUDY DESCRIPTION

Given that Sweden is a European Union member with strict and strong grounded environmental laws, it is seen as a good example for the comparison. New proposals have been developed in order to reach a newly adopted target of reducing transport CO2 emissions in Sweden until the year 2030 by 70%.

The area of study is Jämtland county, more accurate- the city of Östersund. Jämtland County is a county in the middle of Sweden and it consists of the provinces of Jämtland and Härjedalen, together with two more parts of Hälsingland and Ångermanland. Jämtland County is 12 percent of Sweden's total area, 49,443 km2 and is the third largest county in the country. Regarding its tourism, the most important events for tourism are the ones related to winter sports, thus the city is attracting tourists from all around the world.

Figure 1. Map of Jämtland County
2.1. International students studying in Sweden

Table 3. International student commencements for Sweden by region of origin and category in 2014

<table>
<thead>
<tr>
<th>Area of origin</th>
<th>Student category</th>
<th>Year 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Free mover</td>
<td>7,170</td>
</tr>
<tr>
<td></td>
<td>Exchange</td>
<td>8,520</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>15,690</td>
</tr>
<tr>
<td>EU/EEA and Switzerland</td>
<td>Free mover</td>
<td>2,140</td>
</tr>
<tr>
<td></td>
<td>Exchange</td>
<td>5,990</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8,130</td>
</tr>
<tr>
<td>Outside of Europe</td>
<td>Free mover</td>
<td>2,640</td>
</tr>
<tr>
<td></td>
<td>Exchange</td>
<td>2,530</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,170</td>
</tr>
</tbody>
</table>

Note: adapted from http://monitor.icef.com/2015/12/swedens-international-student-numbers-up-for-the-first-time-since-2011/

The most recent information on exchange students in Sweden is from the year 2014. As seen in the table, there is more foreign students from the inside of Europe than from the outside. Regarding the European students, more of them are financed by scholarship, while the ones outside of Europe are mostly free movers. However, the difference in numbers is quite small (only around 100).

According to Bennet, Johansson, Lundstedt, Persson, Fredman and Gudmundson (2014), international students are important for Sweden, as Swedish companies are largely international and it is important for them to attract new talent. Since Sweden introduced tuition fees for all the students outside of Europe, Sweden has lost almost 80% of international students (the ones from outside the Europe). The average of students from outside of Europe.
The interviews were conducted among exchange students in the presented area (Jämtland) in order to create better understanding of sensitiveness of educational tourists to green tax reform. Croatia is a new member of European union and therefore the influence of green tax reform still can’t be seen in tourism industry, which is why the research outcomes can provide a good insight into the pros and cons of green tax for tourism industry, and can be used as a model for applicability of green taxes on other European Union countries. The outcomes will be better understanding of how green taxes influence the travel behavior by looking at the case of exchange students as educational tourists.
3. METHODS

The method applied for this research is qualitative methods of research, as it is believed by Miller (1997) that qualitative methods offer distinctive opportunities to develop analytic perspectives that can speak directly to the practical circumstances and processes of everyday life. Qualitative methods may also be used for application and evaluation of general theory. I will base my research on constructivism, meaning that the opinions are created on collecting participant-generated meanings, as said by Dudovskiy (2018).

The research method to be used in this research are interviews, which are a simple overview of a conversation that has a structure and a purpose, as stated by Kvale (1996). The interview in the purpose of research is a form of basic human interaction. Miller (1997) claims that there are different forms of conversation; the conversation in everyday life, the conversation in literature and the conversation in the professional meaning. The interview structure is a semi-structured interview, which is defined as an interview with a purpose to obtain descriptions of the world of the interviewee with respect to interpreting the meaning of the described phenomena (Miller 1997). Interview is a proper choice of a research method for this specific study, as it can create an insight to people’s opinions on green taxation from first hand. The selection of the sample is based on the current extent of student mobility in Europe and its impacts on the national economy (Lopez, Fernandez, Incera, 2016).

The research data in this thesis comes from interviews with educational tourists, meaning that they are travelling in the purpose of education, and they are being stereotypically characterized as tourists on a budget. All participants are international university students, and their age is between 20 and 30. The interview analysis follows the grounded theory approach, rounding off the coding, conceptualization and categorization of the gathered data. The interview transcripts and codes can be found in appendix.
Table 4. List of Interviewees

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Gender</th>
<th>Country of origin</th>
<th>Area of studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anna</td>
<td>27</td>
<td>Female</td>
<td>Germany</td>
<td>Social work</td>
</tr>
<tr>
<td>Leonna</td>
<td>20</td>
<td>Female</td>
<td>Germany</td>
<td>Law and social work</td>
</tr>
<tr>
<td>Rasmus</td>
<td>29</td>
<td>Male</td>
<td>Estonia</td>
<td>Eco-technology</td>
</tr>
<tr>
<td>Sarah</td>
<td>30</td>
<td>Female</td>
<td>Canada</td>
<td>Social work</td>
</tr>
<tr>
<td>Elias</td>
<td>22</td>
<td>Male</td>
<td>Austria</td>
<td>Sport equipment technology</td>
</tr>
<tr>
<td>Emily</td>
<td>30</td>
<td>Female</td>
<td>Canada</td>
<td>Social work</td>
</tr>
</tbody>
</table>

*All names are pseudonyms*
4. FINDINGS AND DISCUSSION

Before the analysis of gathered data, there are certain points to be discussed. While researching a certain market based on tourists’ behavior, it is important to take stereotypes into consideration, as the research is based on a small sample of tourists. Stereotypes are agreed images of some entities (Secord & Backman, 1964). Some of the first work on stereotypes suggests that at least 15% or more of the sampled group has to agree with certain characteristics before they can officially be considered as stereotypical. Throughout this research, results and data analysis have been based on a stereotype that students are travelers on a budget, as all of the participants are full time students meaning they are unemployed.

As said before, tourists are very different, thus it is inefficient to pay attention to individual cases while conducting a certain study. Pearce (2002) claims that it would be very difficult for researchers to pay attention to every variable like age, gender, nationality, travel style, sexual orientation etc. while characterizing a certain market. However, it is preferable to see some commonalities among the tourist behavior variables. Thus, even though it is extremely hard to consider all the details while researching a market, there is always a certain level of detail for a specific purpose.

The following subchapters are divided into different themes which occurred during the coding of gathered interviews. The themes are closely connected to each other and their objective is answering the research question through the discussion of four major themes: the importance of being informed, the importance of prices when travelling, consequences of green tax introduction for tourism behavior, tourists’ willingness to pay and the importance of proper allocation of green tax revenues.
4.1. Awareness of green tax: Being informed

Before the interviews officially began, the participants were presented a critical article by International Air Transport Association with the title “Swedish Aviation Tax to Cost 7,500 Jobs, Conflicts with Global Carbon Agreement” in order to be better informed on the topic they are being interviewed about. As a researcher, I believed that this article is relevant since it contains information presented by the International Air Transport Association, as IATA represented 83% of all global airlines, thus their opinion is relevant. Maslen (2017) claims in that article that it has been argued that the reason for the introduction of this tax is considered to have minimal environmental benefits, and significant negative consequences for transport and regional policy.

As said in the literature review, Robinson, Pemberton and Holmes (1997) claimed that all industries including tourism sector highly depend on accessible and relevant information. However, it cannot be objectively said that this information is necessarily relevant for the tourism sector (the information about green tax may be more relevant for some other sectors). They also suggested that the majority of information already exists, but lacks consistence in terminology, communication, reporting and national policy and is limiting the tourism industry. Considering the fact that two of the participants in interviews are from Canada, it could have been even harder for them to gain information on this certain topic, as this kind of green tax seems to concern European countries more than the rest of the world. According to Robinson, Pemberton and Holmes (1997) one of the major issues in providing information is the lack of communication and reporting, which could also be seen in this particular research, as some articles are written very subjectively and critically, which leaves no space for participants’ personal opinion. The article presented to participants before the enactment of interviews was the one published by the International Air Transport Association “Swedish Aviation Tax to Cost 7,500 Jobs, Conflicts with Global Carbon Agreement”. The article is written critically, claiming that the introduction of such taxes can only hurt the Swedish economy. However, after reading the critically written article, participants still claimed that they would support the introduction of this tax. As said by Elias;

*I read one article, a very good article. So I know what it is about.*
After he had read the article, he even suggested that this kind of tax should be applied in other countries as well:

*It’s probably a good start to save the environment and the pollution. Or the Co2 emission. But it’s very expensive anyway. But it’s probably good to have taxes like this. Maybe not just in Sweden.*

Participants have also shown a very high interest in being informed what happens to the tax revenues, which could also be an issue regarding national policy, as that information is not available anywhere.

There can be many reasons for participants’ lack of knowledge on the topic, such as the language barrier (as most of the available information on the topic were presented in Swedish). Participants were honest about the lack of information, like Sarah, who said that this is her first time hearing about it, or Elias, who said that his first time hearing about it was from the presented article. However, one participant (Rasmus) claims that he was informed about the green tax at University, as his studies are relevant to the topic.

As said earlier, there are numerous reason why the students were not introduced to green tax on airline tickets. One of the main reasons may be that there are not many sources in English on this topic, and the news has not gone worldwide (yet). It can be said based on the small sample of educational students and on their lack of information about this big change in aviation sector, that the management “failed” to provide information. However, research is based on a very small sample, this change in aviation sector does not present a big issue to them when choosing a destination to travel, as we will come to discover in the further analysis.

With all being said and keeping the research question in mind, we can conclude that the green tax implementation does not necessarily have any effect of international students’ travel behavior if they are not aware of it. And in the case of this research, they were only informed about it through the researcher.
4.2. Student budget; importance of prices when travelling

As mentioned in the literature review, Crouch (1992) believes that it is widely accepted that international travelers are sensitive to prices. Thus, it is important to pay attention to the price competitiveness of a tourism industry. Sweden is already a country with very high standards, meaning that the prices for goods and service are already quite high.

Any kind of change in a consumer income can affect demand for a destination. An increase in income can provide consumers a greater spending power. However, the participants in this research are full time international students, implying that they are unemployed and have limited resources. As mentioned earlier, Crouch (1992) mentioned an interesting fact suggesting that some customers are very likely to switch to a product that they see as a more desirable one even if it has a higher price than the regular one. This research results can also be viewed through that perspective, as air travel can be seen as a “product”. Thus, some participants view Sweden as a desirable country to visit and to study in and they would be willing to pay more for that desirable destination, but only if the prices would not become too high. This claim can be supported by Sarah’s words:

*Usually I choose the destination first and then wait for tickets in my price range, but occasionally I might think about going somewhere new because it will be cheap to get there.*

As said earlier, students have a limited budget as most of them are unemployed or work part-time, thus it makes them very sensitive to the change in prices. In this case, Swedish airline industry can be viewed as a part of the whole tourism industry, and its sensitiveness is being measured through educational tourists. One of the interviewees, Elias claims that in the case of a price change, some people are still more likely to choose airline transport, as it is more efficient time wise.

*But people are maybe going by car then so it’s bad as well. And especially in a country like Sweden you have to travel by plane sometimes. For example, if you need to go to Stockholm from Ostersund, by plane it is I guess 1-2 hours and by car it’s 7 or 6. So if you want to go there it’s easier to go by plane.*
Another interviewee Rasmus from Estonia also claims that it would be better to choose air transportation and the price would not affect his decision at all. He was asked whether the higher prices due to green tax would affect his choice of transportation and he replied;

*Well not so much. Because I’m a comfortable person so I tend to use transportation that is wise in time and moneywise. Even if the ticket for example is really cheap, I’d still need to take more time to go home.*

Emily claims that if the prices would get too high it would decrease her ability to travel.

*...So if the prices became too high for the amount of money that I had to spend it would mean that I wouldn’t be able to travel.*

This statement clearly implies that the only reason she would not travel to a desired destination is if the prices would become **too** high. And in the case of newly introduced green tax on airline tickets, the prices would be 80 kronor ($9) higher to the cost of internal and EU flights, while long-haul flights from Sweden would cost a maximum of 430 ($49) kronor more, which is acceptable for educational tourists according to their answers about willingness to pay.

In the case of a big change in prices, students are fully aware that sometimes travelling by plane is the only way to travel. However, the new green tax on airline tickets does not present a big issue while travelling, as the prices did not increase above their budget. Leonna claims she would be willing to pay more in the case tickets were 25% more expensive:

*Maybe up to 25%. It’s one quarter of the price would be a good thing, since we are still students.*

According to the answer of Anna, the prices are still inside the range of a student budget:

*...and if I have a feeling that it is for a good cause. well let’s say it’s up to 50 euros then it would be fine.*

However, educational tourists would still prefer to be aware that they are still paying for a good cause and that they are helping to save the environment, as said by Anna:

*...well it kind of depends on whether I think they are really doing it for a better cause and not just “greenwashing”.*
With the research question in mind, it can be concluded that higher prices of airline tickets do not affect students’ choice of transportation too much, as they are fully aware that prices of trains, cars etc. are high as well. The prices of airline tickets did not change too much, and the students are aware that it is sometimes the only way to travel. So the airplanes are still the most efficient option. In one of the next subchapters, more will be said about allocation of the tax revenues and trusting the policy maker’s decision when it comes to green taxes, as well about the willingness to pay for green taxes.

4.3. Side effects of green tax, saving the environment; Consequences of green tax introduction for tourist behavior

As said earlier in the literature review, tourist behavior has often been explained through a model named Homo Oeconomicus (Kirchgässner, 2008). The model suggests that individuals pay attention only to their own consumption of private and public goods. Some environmental goods (global climate, ozone layer) are also considered public goods, but however, according to the model, individuals will only contribute to these goods voluntarily if the benefits of doing so will exceed individuals’ private costs. Homo Oeconomicus is a widely accepted model, but it cannot explain why certain people nowadays bother to recycle their waste (there is an absence of economic incentives in that case) and why certain people are willing to pay more for products that are eco-labelled. However, nowadays, the environmentally friendly tourist behavior occurs and it implies a tourist that is willing to contribute to environment protection in any way without receiving incentives. Regarding educational tourists and their connection to environmentally friendly behavior, many studies have shown that education and training are encouraging students to take part in the environment conservation and that today’s students more concerned about the environment than before. That claim is supported in the research findings, as students showed a very high interest in environment conservation and support towards the green tax introduction.
According to the research outcomes, most of them are fitting into a pattern of modern day student; aware of the bad outcomes of airlines for the environment and willing to participate in the environmentally friendly activities. One of the participants, Rasmus claims that he supports the introduction of green taxes and that he would be willing to pay more if he would be ensured that the extra price he is paying is going to a good cause;

I would support it if they would use the money that they get from the green tax... if they don’t add it to the government budget but if they only add it someplace connected to sustainability. Then I would 100% support it because I would know that the money is going to stop the effects that we are making.

Going back to the literature background, we can surely claim that this statement proves Benabou and Tirole’s (2006) claim that contributing to the environment can increase a person’s confidence in their own moral behavior. In this case, their confidence would be increased if they would be ensured that the tax money actually does help the environment. Another similar claim was brought upon by Leonna, saying that she would also gladly support the green tax introduction, and that she would like to be sure that she is doing a good deed.

...so everything that is for the nature and for the sustainability and for the economics, I would always support it, but maybe after they have thought about the critics and gave some answers and solutions and suggestions, for example where does the money go and such.
As said earlier, some researchers developed a term “free riders” for individuals that are not willing to contribute to environmentally friendly activities. In the case of the imposed green tax on airline tickets, there isn’t much choice for travelers to avoid paying for it, which excludes the option of “free riding”. However, if travelers do want to avoid taxation, they can choose a different form of transportation, such as a car or a train. This option can be profitable for them, but there are some arguments against green tax and people choosing different transportation, such as ones by IATA’s Regional Vice President Rafael Schwatzman, stating the following:

“This tax will be disastrous for the Swedish economy. Those promoting the tax are essentially suggesting that 7,500 Swedish workers are worth sacrificing to save 48 hours-worth of carbon emissions on Sweden’s roads. We urge Swedish businesses and the Swedish people to persuade the government to reject this tax and are eager to support them in this important task. Sweden should be working with European and world partners to make a success of existing aviation climate policies, not imposing ineffective measures that cripple the economy while having almost no impact on the environment”.

As said in this subchapter, in some cases it has been proven that economic incentives can undermine a person’s willingness to pay the green tax, and that existence of “free riders” has been proven. In the case of green tax on airline tickets, there is no possibility for a “free ride”, however, there is a possibility that a person can change their form of transportation to avoid paying more. Similarly, it has been said that economic incentives may undermine a person’s willingness to pay. However, in the case of this particular tax, there is no economic incentive, whereas there is a “joy” of helping the environment by contributing. As said earlier, many studies have shown that education and training are encouraging students to take part in the environment conservation and that today’s students more concerned about the environment than before. That claim can be proven by the interviewee’s claims of willingness to pay a higher price for the environment. With the research question in mind, we can conclude that these particular individuals in the research are willing to pay a higher price, and their travel behavior would not change. However, they would prefer to know where the money goes, and more will be said in the next subchapter.
4.4. Paying more for a good cause, achieving sustainability: Willingness to pay

As said earlier in the literature review, Alrawadieh, Cetin, Dincer and Ioannides (2017), measuring tourists’ willingness to pay can be extremely important when it comes to possible losses in tourist areas. Hiemstra and Ismail’s (1993) discoveries argue that only 54% of the tourist tax is being used for tourism related expenses in a tourist destination. The reason for that can be that sometimes the local government does not have the proper authority and financial resources to steer the tax revenues. However, in the case of Green tax on airline tickets, the national government is the one in charge for allocating the tax money.

Some of the participants in Himestra and Ismials’ research stated that there is already a big financial burden on the tourists even without paying for the additional taxes, and therefore it shouldn’t be their responsibility to participate in solving the fiscal problems of a country. Contrary to that, this research has shown that tax paying educational tourists would like to participate in the environmental conservation by paying additional taxes. However, they would prefer to know what exactly they are paying for and where the money is going. For example, Sarah claims;

*Usually I’d be fine donating to a charity of my choice, but I don’t know how it would affect my willingness to buy airline tickets when they can be prohibitively expensive already.*

According to her statement, she would prefer to pay extra money to a charity, so that at least she would know what she is paying for. However, she still finds this green tax acceptable, as the prices are still not higher than 100 euros/dollars;

*As a student, paying 100 dollars/euros more might be a deal breaker for using a certain airline even if it was going towards a good cause.*
Levent (2016) claims that one of the most important motives that shaped the demand among international mobility among university students is the cost of education. This claim can be supported by the words of Leonna, saying that the airplane tickets are important as they are usually the most expensive part;

*For me as a student it’s really important because most of the times it’s the most expensive part of the travel.*

Some students claim that they would still travel by plane, as all other options would present a less comfortable way of travelling, like Elias, suggesting that other forms of transportation would present a waste of time:

*It’s much wiser to do that than start taking trains and boats. It would take much longer time and just a little bit cheaper even.*

Conclusively, all students’ willingness to pay is quite high, and the prices of airline tickets for them are still affordable. However, many expressed the desire to learn better about the allocation of green tax revenues, thus next subchapter will discuss the allocation further.
4.5. Supporting the green tax, being aware of where the money goes: Allocating the green tax revenues

As said earlier, local initiatives and individuals don’t have the proper authority to manage tax incomes. Hence the bodies that govern most of the environmental issues are mainly large political entities. There is an ongoing debate on which political route is more appropriate to choose in order to achieve a functioning and legitimate allocation of green tax revenues. A theory by Harring and Jagers (2013) has been presented in the literature review earlier, stating that some theorists are claiming that the top-down politics are legitimate for the proper tax revenue allocation, while the others are claiming the allocation should be based on democratic ideals. In this particular research, all the participants are well aware that the government is in charge of handling the green tax revenues, however, they have expressed their wish to know where the tax money goes and they would like to know that the tax revenues will help the environment.

It has been said by Stern (2000) that the persons’ environmental behavior is based mainly on their values, norms and beliefs. This statement can be connected to the one by Attaran and Celik (2015), claiming that the education and training at universities are encouraging more students to engage in environmentally friendly behavior. Hence we can assume that the participants in this case study might be more concerned about the environment than some other tourists, as they are students and well informed on the influence that traveling has on the environment.

In the case of this particular research on green taxes on airline tickets, it is considered that the usage of plane is a luxury, and the ones using airlines are capable of paying the additional tax price as well or just use another form of transportation. However, in a country as big as Sweden, it can be difficult to get around with other forms of transportation. As one of the participants Elias claim, the ones that need to save time should always travel by plane:

…and especially in a country like Sweden you have to travel by plane sometimes. For example, if you need to go to Stockholm from Ostersund, by plane it is I guess 1-2 hours and by car it’s 7 or 6. So if you want to go there it’s easier to go by plane.
Harring and Jagers (2013) suggest that the less trustworthy politicians and governments are, the less likely it is that market-based instruments will be accepted by public. It is suggested that the reason for such claims is that the motives of instruments can easily be questioned, or because it is unclear to the public what happens with the tax revenues once they have been collected by the government. This claim has also been proven through the conducted interviews, as many participants claimed that they would be willing to pay a higher price if they were more informed of what happens to the collected tax revenues. Rasmus stated:

*I would support it if they would use the money that they get from the green tax... if they don’t add it to the government budget but if they only add it someplace connected to sustainability. Then I would 100% support it because I would know that the money is going to stop the effects that we are making.*

As said earlier, an individual’s support towards green taxes is highly dependent on their political trust. The interviewees in this study, however, might trust the Swedish government to allocate the tax revenues properly, but they are not properly informed. As said by Leonna when she was asked if she would support the implementation of green tax;

*…so everything that is for the nature and for the sustainability and for the economics, I would always support it, but maybe after they have thought about the critics and gave some answers and solutions and suggestions, for example where does the money go and such.*

As said early, Harring and Jagers (2013) stated the importance of legitimacy, and the importance of public acceptance of a certain policy instrument, as the policy instrument might not be successfully implemented in the case of a lack of public acceptance. Concerning this certain research, green tax on airline tickets has been successfully implemented, hypothesizing that Swedish citizens trust their government and that they believe that the revenues are for a good cause. However, international educational students lack the information on Swedish governance, thus they expressed certain doubts about allocation of the green tax revenues. Emily as well claims that she would be more willing to pay if she knew more about the allocation of revenues:
“I think it would depend on the percentage of the ticket price. If it was maybe marginal 1% or 2%, then sure, on a ticket that’s about 500 dollars I would pay another 10 dollars or so, but if it was next to a 100 dollars or so I don’t think I could pay it. Or would want to. Only because it would really depend on where the money is going and who’s to say if it was actually for a good cause.”

Cetin, Alrawadieh, Dincer and Ioannides (2017) believe that collecting a tax would not be completely fair unless the tax payers are fully consulted and aware on how the tax money is being spent.

Their claim is proven to be correct in this research, as students declared that they would be more likely to spend more tax money if they were aware of where the money is being spent. Since the introduction of the green tax is accepted amongst Swedish citizens, there is a hypothesis that they are fully aware of the money allocation and they are showing trust to their government. However, foreign educational students are not at all aware of the tax allocation, which can be due to many different reasons. As there is an interest in applicability of this type of tax to other European Union countries, it is important to touch upon this subchapter. In Croatia, there is a massive lack of trust for the government, thus the opposition towards introduction of green tax might be enormous.

The awareness of green tax revenue allocation would change the educational tourists’ behavior in a better way, according to the research findings. As said earlier, green tax implementation is only fair if the people paying for it are aware of the allocation, however, the interviewees seem to trust the Swedish government but would still prefer to know more about the allocation.
CONCLUSION

European Union suggests that every country should introduce a green tax on airline tickets in order to create a socially optimal level of air traffic, thus it is only a matter of time when every European Union member country will face the introduction of this controversial tax. The sensitivity of tourism industry to Green tax has not been explored enough in academic literature yet, as Green taxes are yet to be introduced in many countries. Thus, it is important to research this area in order to create better understanding of how certain segments of tourism industry may react to certain taxes.

There are many different sectors in tourism industry, and all of them are defined by certain factors, such as social structure, age, gender, incomes etc. The tourism sector being studies in this research is educational tourists, hypothesized as environmentally aware people with limited incomes, which makes them sensitive to changes in tourism sector. One quite big change occurred in Sweden on the first of April 2018, as the new green tax on airline tickets was introduced, and the research question occurred; how does the implementation of green tax on airline tickets influence educational tourists’ travel behavior? In response to the research question and aim, the main finding is as follows: even though the prices of airline tickets are important for travelers on a budget, their attitude towards the conservation of environment is still quite positive. Hence they are willing to pay the higher prices, however, they would still prefer to know what exactly they are paying for. Educational students are quite prepared for high educational expenses nevertheless, thus the higher prices of airline tickets do not mean that they would choose another form of transportation. As long as university students continue to be encouraged to act environmentally friendly and to be more sustainable, they will be more willing to accept the green tax imposition.

Perhaps if the national policy of a country that is introducing a new green tax was more transparent and open to public, the taxes would become more accepted as people would know what they are paying for.
Limitations

The additional aim of the thesis was to find out how the results can be applied in a different European union country which may soon undergo a similar tax introduction, such as Croatia. However, the findings could hardly be applied in a country with such different economic situation and environmental awareness. As said earlier, Sweden has been a member of European union for a much longer period of time than Croatia, thus the green taxes are more accepted by public in Sweden and they don’t represent an economic “shock”.

Regarding the interviewees, their countries of origin are countries with higher standards of living (Canada, Germany, Austria, Estonia), which may have influenced their responses regarding the willingness to pay, as it can be said that they possess more financial resources than the other countries. However, it is interesting to mention that there was a lack of possible participants that come from countries with lower standards of living which can suggest a fact that they apparently were not willing to travel to Sweden due to increased prices or due to the high cost of living in general. Perhaps if the interviewees were from different countries with lower standards of living, their willingness to pay wouldn’t be that high.

The gathered data is based entirely on what is taken out of a narrow segment of tourism industry, even though educational tourism is growing rapidly. Likewise, the research is based on a small geographical segment as well, which could be limiting.

Suggestions for further research

The methods used in this research were exclusively qualitative. A statistical research of educational tourists’ behavior would be recommended in case of a need for more structured and generalizable results. As mentioned in the literature review, many authors already suggested that the field of educational tourism should be explored more.

The most important suggestion, however, would be to broaden the research on bigger tourism sectors which bring more revenues, such as leisure tourists or similar.
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## APENDICES

### Appendix 1- Interview guide

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