

The recent trend of the environment protection leads to introduction of new policy instruments to reach given goals. The most effective seem to be incentive-based instruments as taxes on energy products and electricity because they efficiently influence consumer and producer behaviour in order to mitigate energy consumption. This thesis is motivated by increasing requirements of implementing such environmental policy into individual tax systems. Energy taxation increases prices of the products, thus leads to the lower energy consumption and the emission abatement. Moreover, if additional revenues are used to cut existing distorting taxes, other positive effects can be reached. This will be discussed as the question of double dividend hypothesis. In the Czech Republic, the year 2008 denoted an important milestone when new taxes on solid fuels, gas and electricity were introduced as the first phase of ecological tax reform. The trend of introduction of new ecological taxes plays an important role not only for producers and providers but also for households since it brings a few pitfalls in the form of significant price regulation. The effectiveness of energy taxation and its distributional, macroeconomic and social welfare effects will be assessed. The general equilibrium analysis follows to show the major implication with the emphasis on the Czech economy.