



# Green taxes

## Presentation to Danish Parliamentarians

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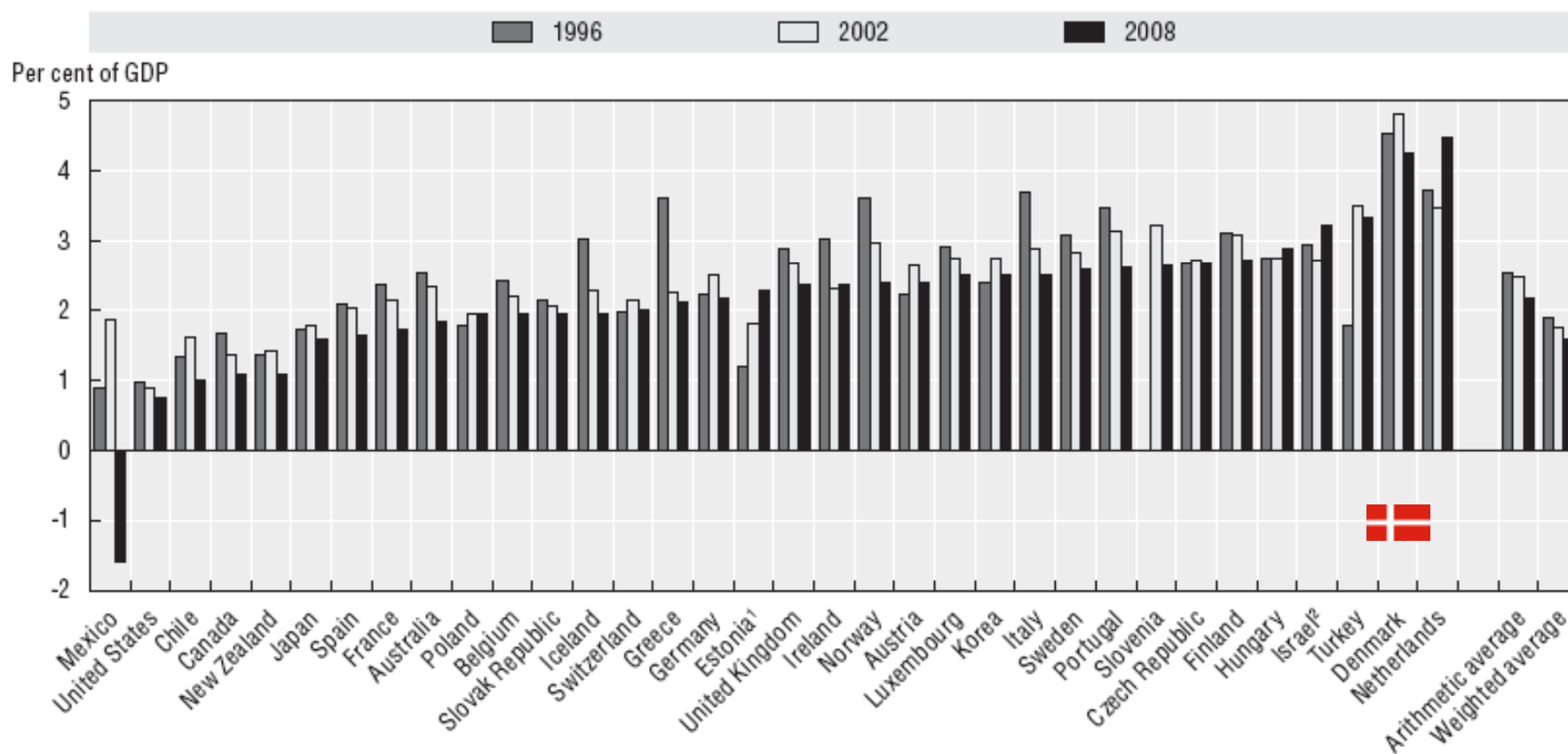
# Examples of tax expenditures: production

- **Tax deductions for depletion of oil and gas fields and coal deposits:**
  - e.g. producers in US can deduct a fixed percentage of gross revenue; amounted to US\$ 0.6 billion. Termination proposed in 2011 budget.
- **Accelerated tax depreciation allowances for capital equipment:**
  - depending on the royalty and tax regime for fossil fuel production, tax deduction of depreciation at a faster rate than that at which equipment becomes economically obsolete can represent an indirect subsidy.
  - e.g. for oil sands in Canada annual cost of tax advantage is 0.02% of GDP. Phased-out by 2015.
- **Tax exemption for fossil fuel producers' own energy use:**
  - common in most OECD countries for coal mining, oil extraction, refineries, etc.
  - e.g. in Germany estimated to be worth 0.01% of GDP.

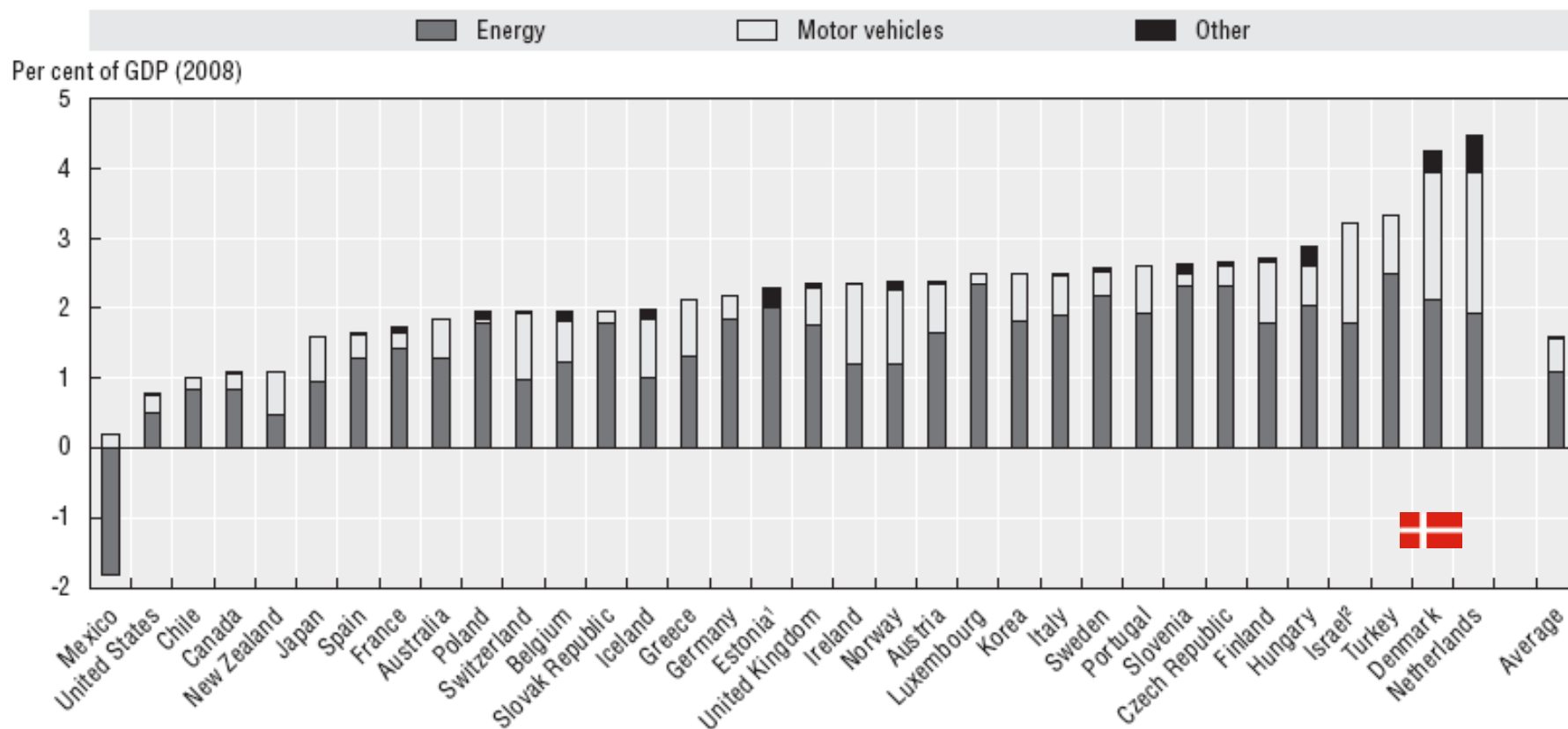
# Examples of tax expenditures: consumption

- **Low tax rates or exemptions on diesel for agriculture & fisheries:**
  - US\$ 8 billion for agriculture sector in OECD countries
  - US\$ 1.1 billion for fisheries sector in OECD countries
- **Reduced VAT rates and VAT exemptions, eg for heating fuels:**
  - e.g. Italy, Korea, UK
- **Automatic tax cuts and subsidies when fuel prices rise:**
  - in Mexico – with low oil prices, leads to net revenues, but with high oil prices in 2008 led to subsidies amounting to 1.8% of GDP.
- **Tax exemptions to fuel used by public sector:**
  - e.g. France had excise duty exemptions for natural gas used for heating by public agencies and fuel used by military, but recently been stopped.

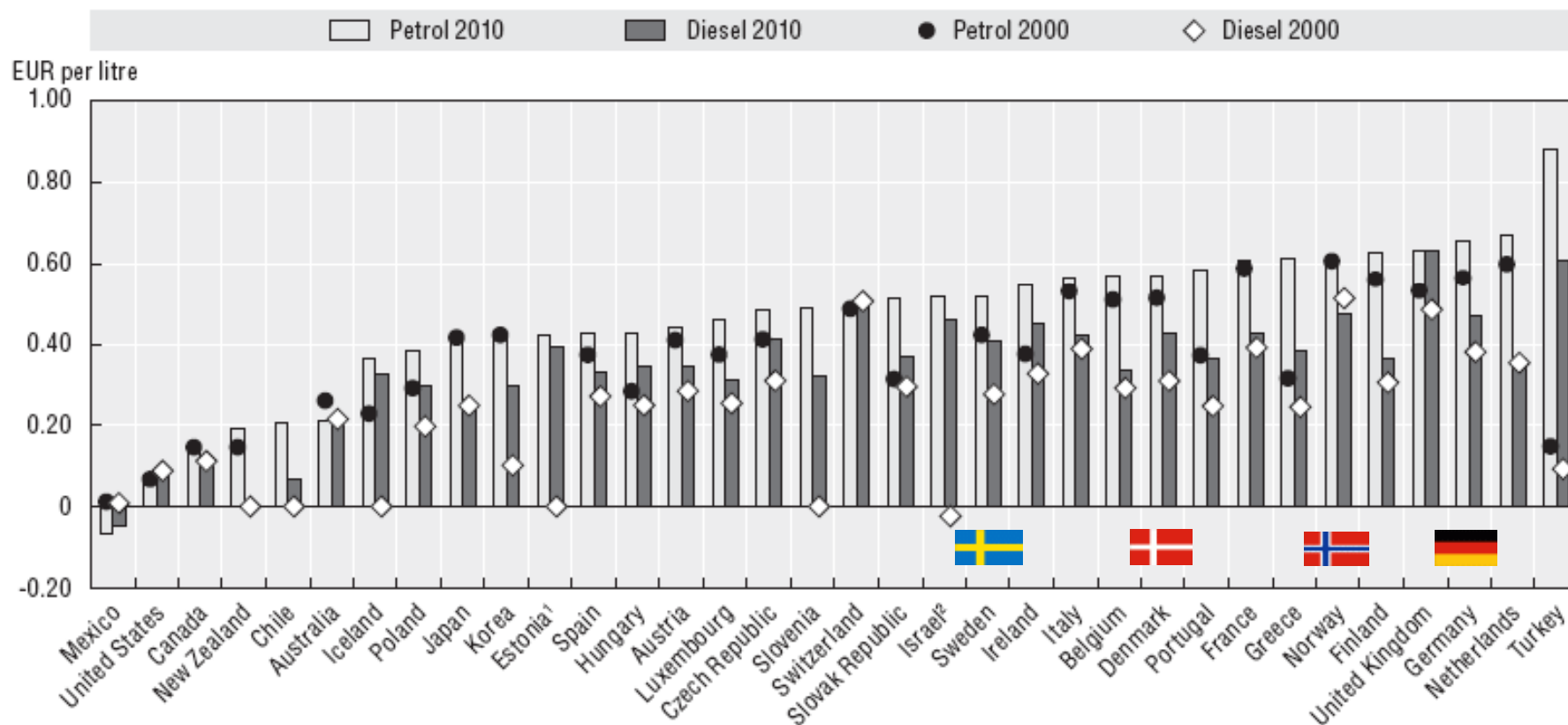
# High Danish revenues from environmentally related taxes ...



# ... but most is due to high taxes on motor vehicles

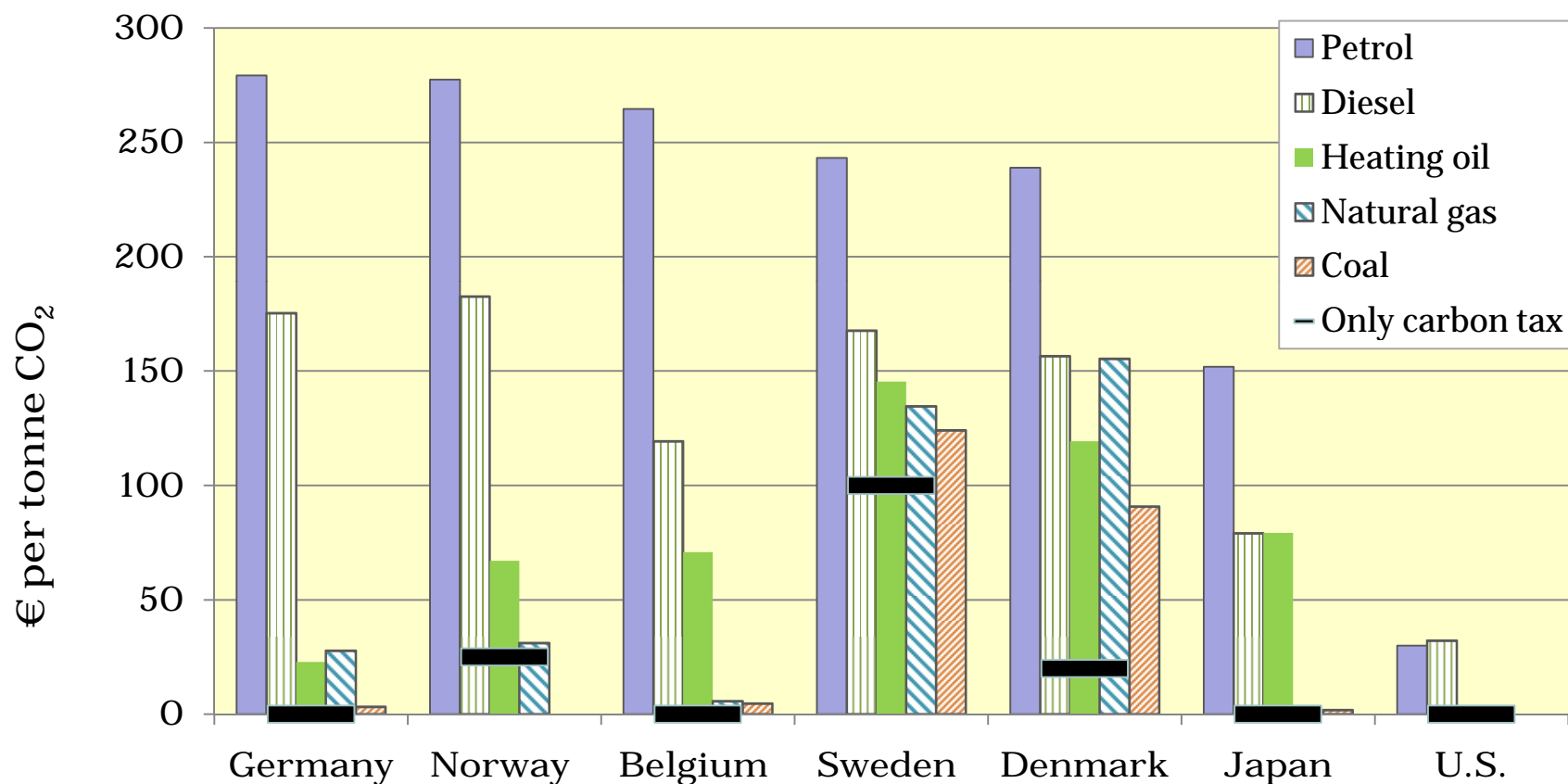


# Tax rates on petrol and diesel similar to neighbouring countries



# Total tax on CO<sub>2</sub> emissions

– from explicit CO<sub>2</sub> taxes and  
from CO<sub>2</sub> taxes and excise duties combined



# The Post-Copenhagen Tax Agenda

- A renewed interest in CO<sub>2</sub> Taxes
- Tax implications of Tradable Permits
- Using tax measures to promote environmentally friendly innovation
- Reviewing fossil fuel subsidies

“GREEN” and “GROWTH”  
can be COMPATIBLE