



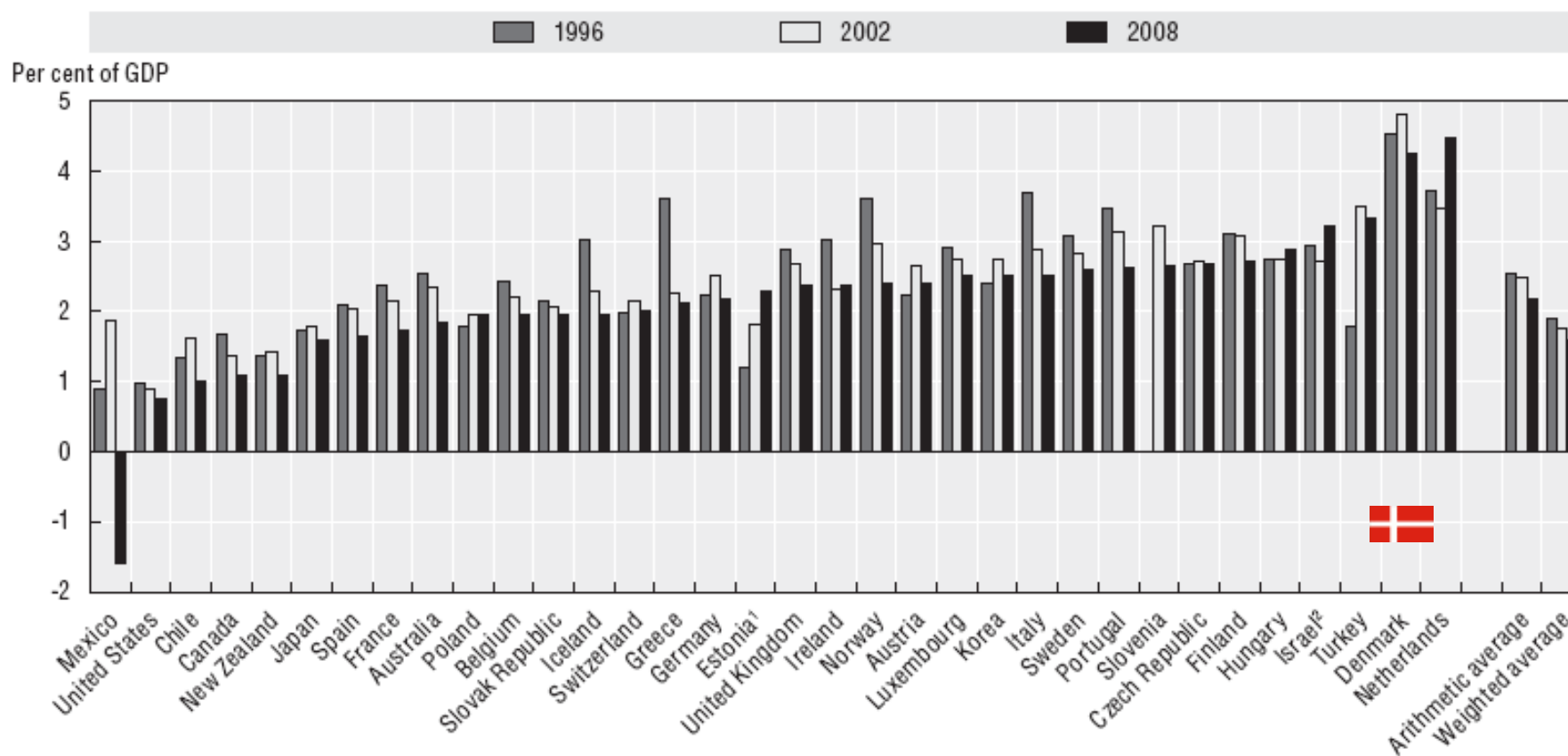
Examples of tax expenditures: production

- **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.

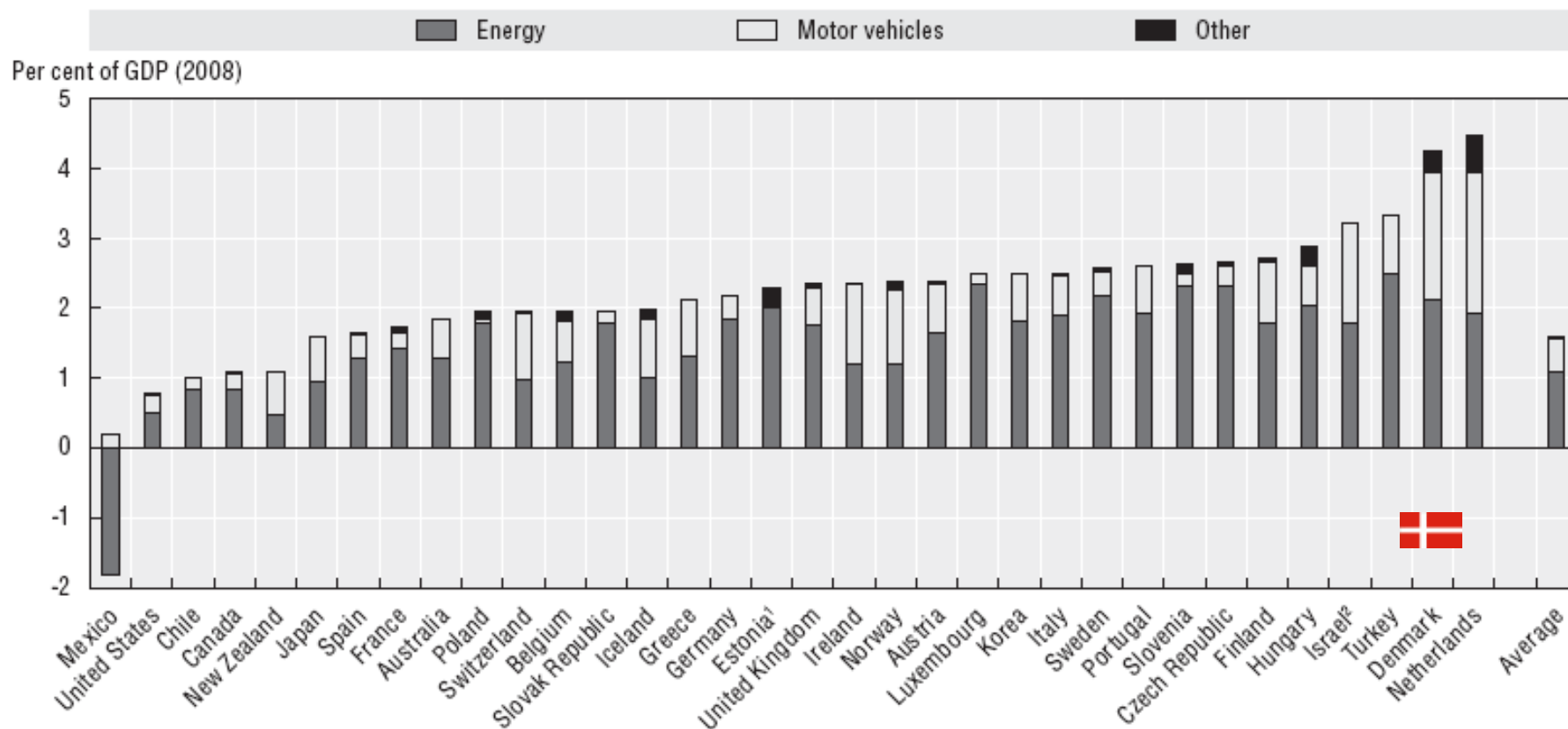
Examples of tax expenditures: consumption

- **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.

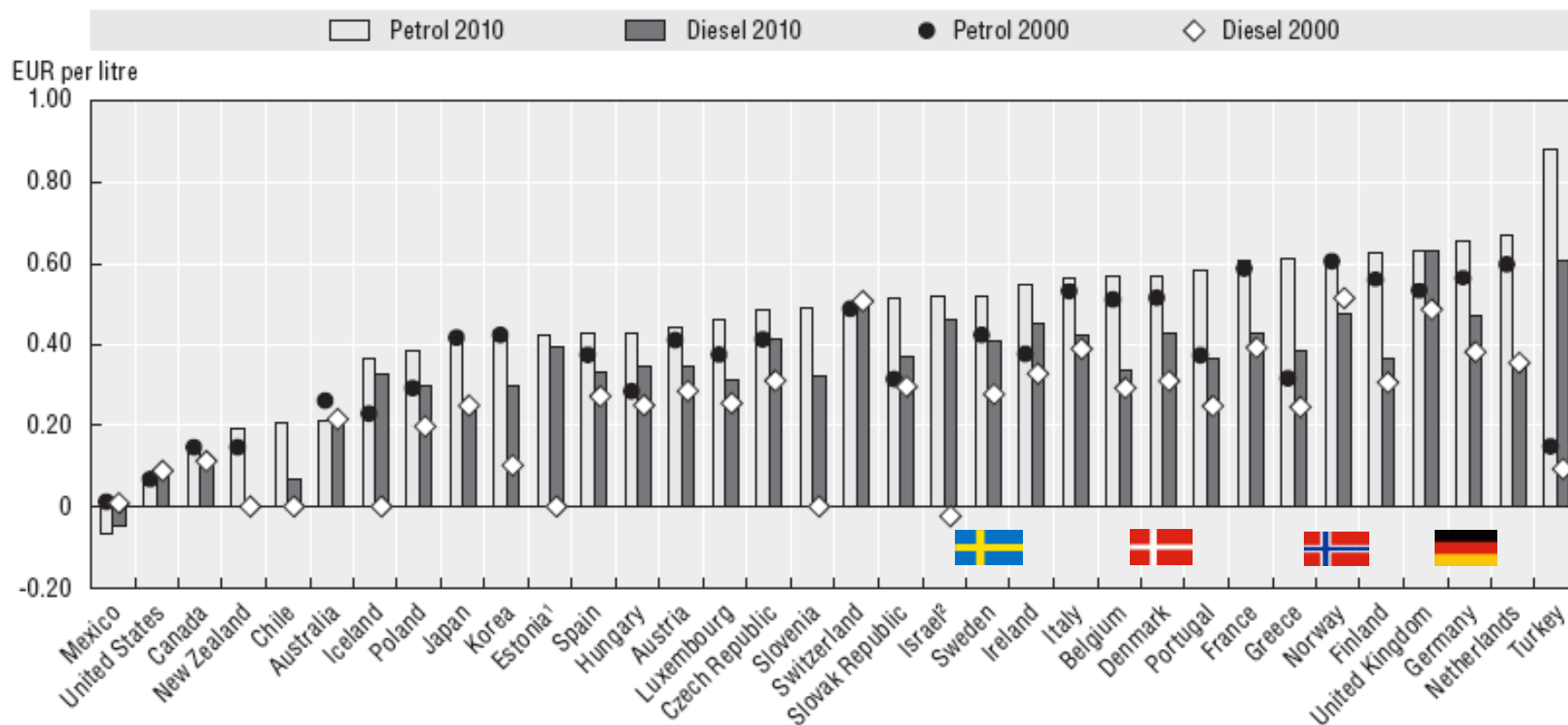
High Danish revenues from environmentally related taxes ...



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

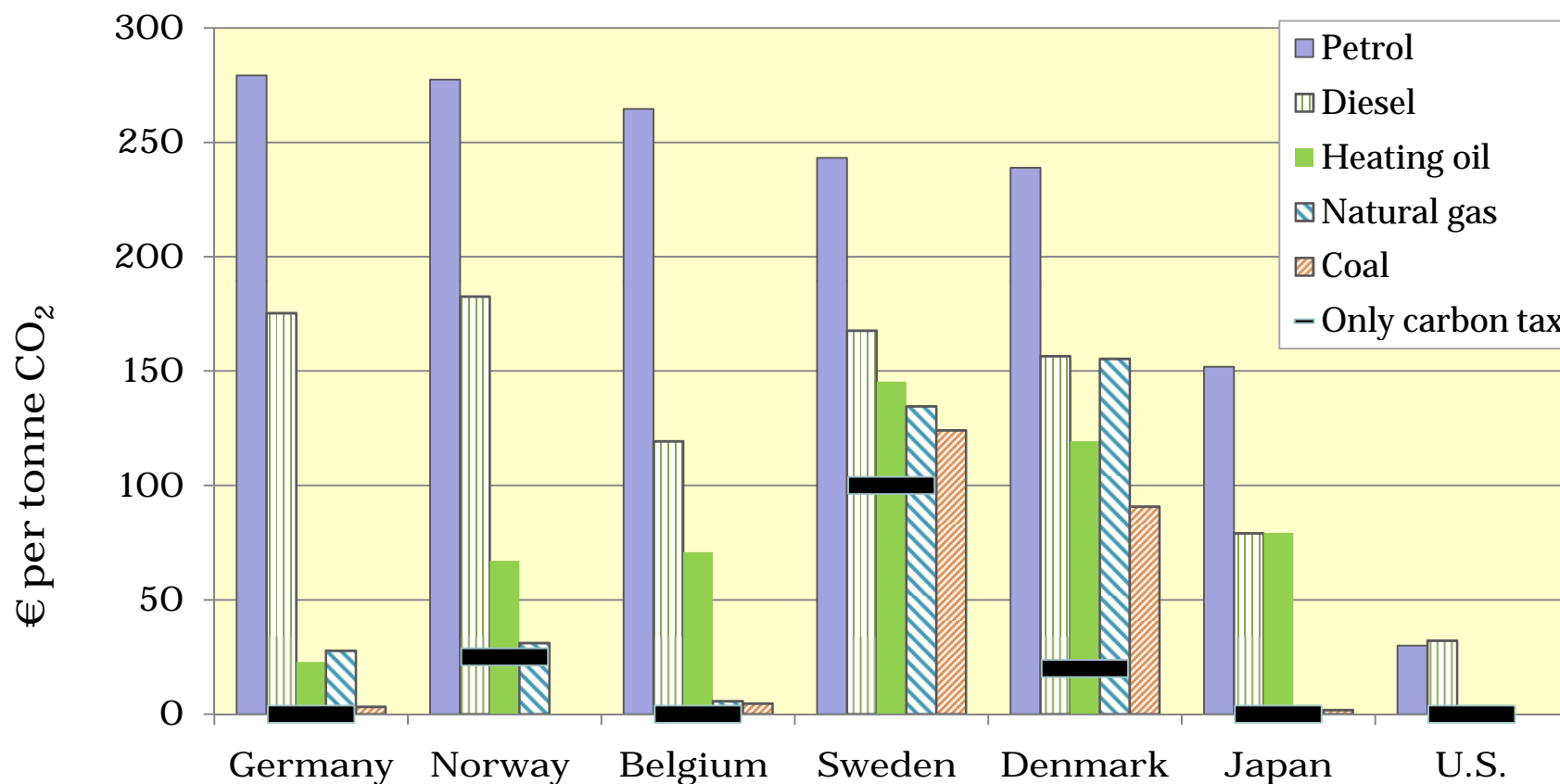


Tax rates on petrol and diesel similar to neighbouring countries



Total tax on CO₂ emissions

– from explicit CO₂ taxes and
from CO₂ taxes and excise duties combined



The Post-Copenhagen Tax Agenda

- A renewed interest in CO₂ Taxes
- Tax implications of Tradable Permits
- Using tax measures to promote environmentally friendly innovation
- Reviewing fossil fuel subsidies

“GREEN” and “GROWTH”
can be COMPATIBLE