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# Implementing Environmental Taxes

## Norway - best practices and lessons learned

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# Norway

- Population 5,55 million people
- Large natural resources: offshore oil/gas, hydropower and fisheries/fish farming
- Part of European Economic Area (EEA), but not EU
  - Does not include EU taxation policy/regulation
  - Indirect effects of EU tax regulation through state aid regulation, single market rules

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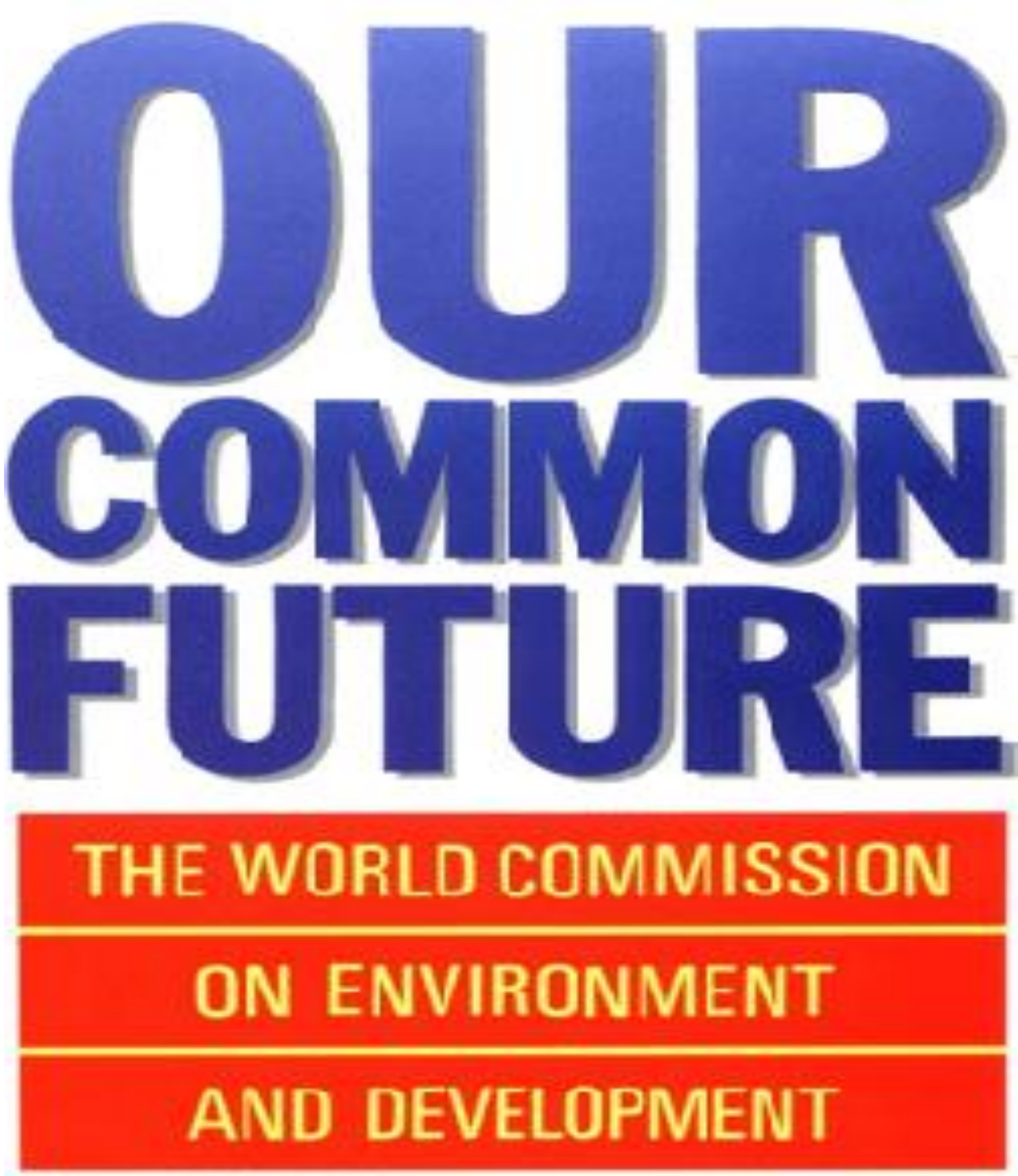
# Norway indirect taxes

- Long history of Excise taxation
- From the early 1990s several significant taxes with environmental purposes, e.g.
  - $CO_2$-taxes
  - $NO_x$-emissions
  - Fish-farming
  - Wind power
- Today a significant source of income (abt. $ 10 bn.)
- Generally, producers/importers of taxed products are liable to pay excise tax, in some cases the polluter



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# CO2-taxes in Norway

- CO2-tax on gasoline (1991)
- CO2-tax on mineral oils (1991)
- CO2-tax on coal/coke (1992-2002, revival?)
- CO2-tax on burning of petroleum and release of natural gas in the offshore petroleum industry (1991)
- CO2-tax on incineration of waste (2022)

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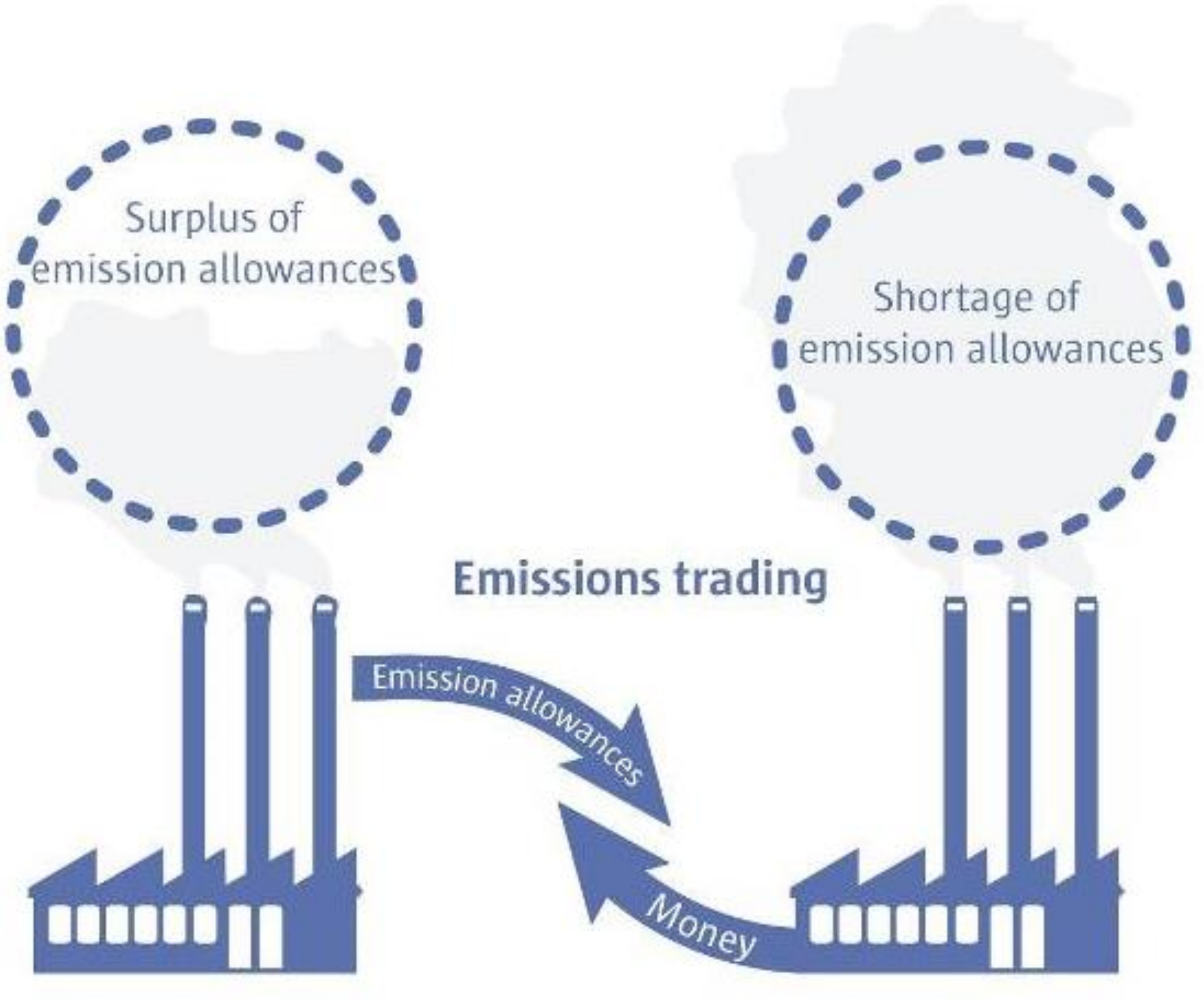
# CO2-fuel taxes and emissions trading

- Emissions trading system in line with EU ETS 1 from 2005
  - Began with larger stationary plants from 2005
  - Airline industry from 2012
  - Maritime sector from 2024
- EU ETS 2 covering buildings, road transport and other sectors from 2027 – effects under consideration in Norway
- Exemption/refund (down to reduced rate) of CO2-tax on fuels for end users covered by EU ETS 1
- Stationary plants apply for refunds, controlled by Tax Authority against emission reports, airlines and maritime sector (proposal) get direct exemptions at purchase as a main rule



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# CO2-taxes and biofuels

- Fuel traders must blend in a certain percentage (sustainable) biofuels in fuels for road use (2009), air traffic (2020), off road (2023) and shipping (2023) according to product regulations
- Biofuels (or biofuel part) exempt for CO2-tax on fuels, based on certificates, not physical product.
- Use of certificates/mass balance is a new approach for fuel tax
- Practical considerations vs. legal

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# CO2-taxes and the future

- Rapid developments and new industry actors (importers/producers), especially within biofuels (methanol etc.)
- Carbon capture and storage (CCS) – already exempted from CO2-tax – learn as we go…
- Large increase in the CO2-tax rate planned – increased risks?
- Our experience has shown need for close cooperation with both the environmental authorities, industry and other stakeholders

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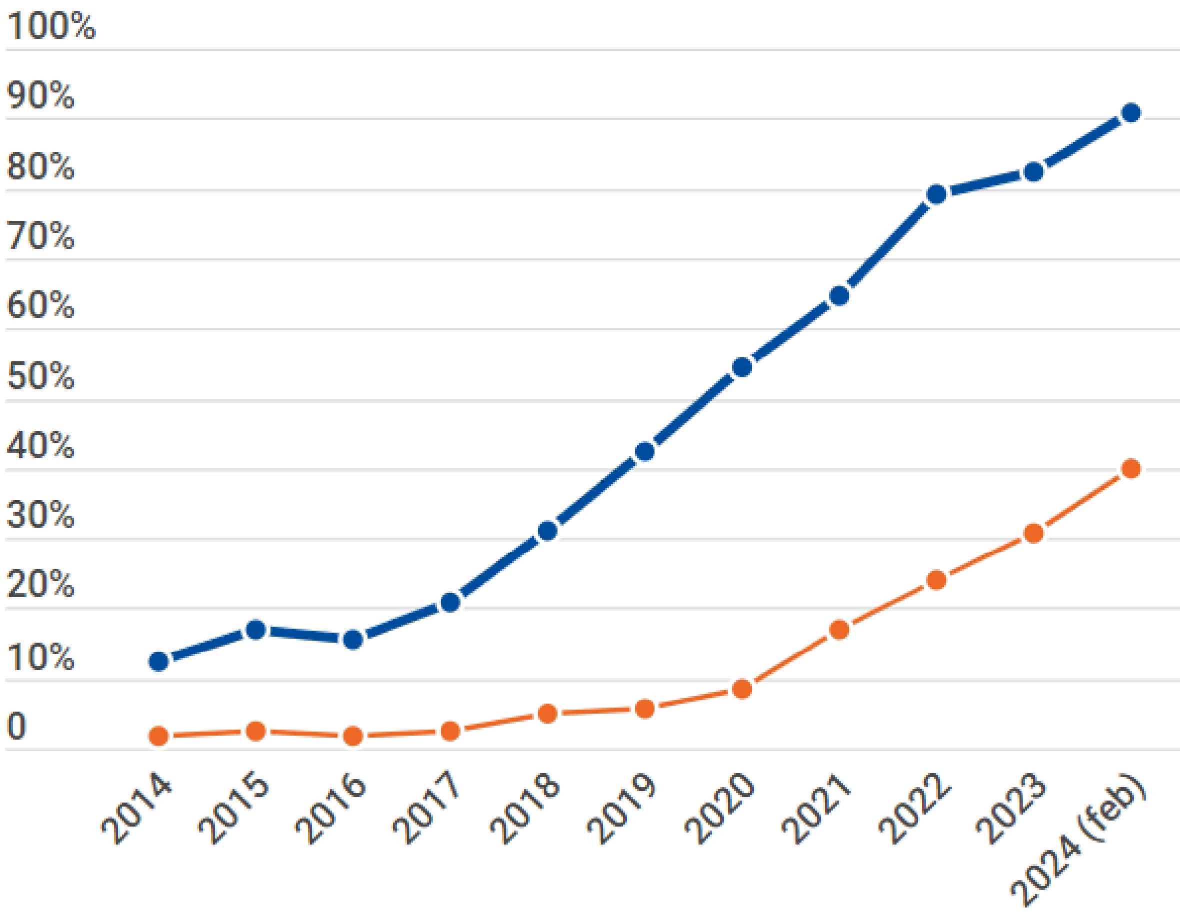
# Road usage tax – from fuel to GPS

- Other external costs of road usage, except CO2-emissions, such as local pollution, noise etc. have traditionally been priced through road usage fuel tax
- Rapid increase of EVs in the 2010-2020s, with a target of 100% EV sales of new cars by 2025 (next year!) has reduced the road usage tax income significantly
- Need for a new future proof and technology independent system




EV MARKET SHARE OF NEW PASSENGER VEHICLES (BLUE) AND COMMERCIAL VANS (ORANGE) IN NORWAY (SOURCE WWW.OFVSTATISTIKK.NO)

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# Road usage tax – from fuel to GPS

- Project to develop concept for replacing the fuel tax with a general position (GNSS/GPS) based tax 2021-2023
- Report found transition of all vehicles to GNSS too risky
- Report recommends manual reporting of distance for road usage tax for EVs, as a first phase
- GNSS-based tax of heavy vehicles as a second phase
- GNSS-based tax for all vehicles optional third phase

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# Road usage tax – from fuel to GPS

- Still questions regarding implementation which must be answered in detail design phase
- Awaiting political decisions?
- Close cooperation between Transport authority and Tax authority considered success factor
- Early and continuous involvement of different stakeholders
- **Translated excerpt available:** Concept Selection Study of Road Usage Charges | Statens vegvesen

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# Thank you for your attention!

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