

Taxing Energy Use 2019: Country Note – Argentina

This note explains how Argentina taxes energy use. The note shows the distribution of effective energy tax rates – the sum of fuel excise taxes, explicit carbon taxes, and electricity excise taxes, net of applicable exemptions, rate reductions, and refunds – across all domestic energy use. It also details the country-specific assumptions made when calculating effective energy tax rates and matching tax rates to the corresponding energy base.

The note complements the Taxing Energy Use 2019 report that is available at <http://oe.cd/TEU2019>. The report analyses where OECD and G20 countries stand in deploying energy and carbon taxes, tracks progress made, and makes actionable recommendations on how governments could do better to use taxes to reach environmental and climate goals.

The general methodology employed to calculate effective energy tax rates and assign tax rates to the energy base is explained in Chapter 1 of the report. The official energy tax profile for Argentina can be found in Chapter 2 of the report. Chapter 3 additionally shows effective carbon tax rates per tonne of CO₂, and presents the corresponding carbon tax profiles for all countries. The report also contains StatLinks to the official data.

Structure of energy taxation in Argentina

In Argentina, the 2017 Tax Reform simplified the system pertaining to the taxation of energy use. It replaced the ad-valorem tax system with a per metric unit system, and introduced a Carbon Tax of USD 10 per tCO₂e on fossil fuels, which is in place since March 2018.

As at 1 July 2018, the main taxes on energy use in Argentina are the following:

- The Tax on Liquid Fuels and on Carbon Dioxide (*Impuesto sobre los Combustibles Líquidos y al dióxido de carbono*) applies to liquid fuels and to solid fuels, but not to natural gas. The Tax is indexed to the Consumer Price Index.
 - The executive branch may increase the Tax on Liquid Fuels by 25%, or decrease rates by 10%, based on political economy considerations;
 - The executive branch may increase the Carbon Tax by 25% based on environmental or energy considerations.

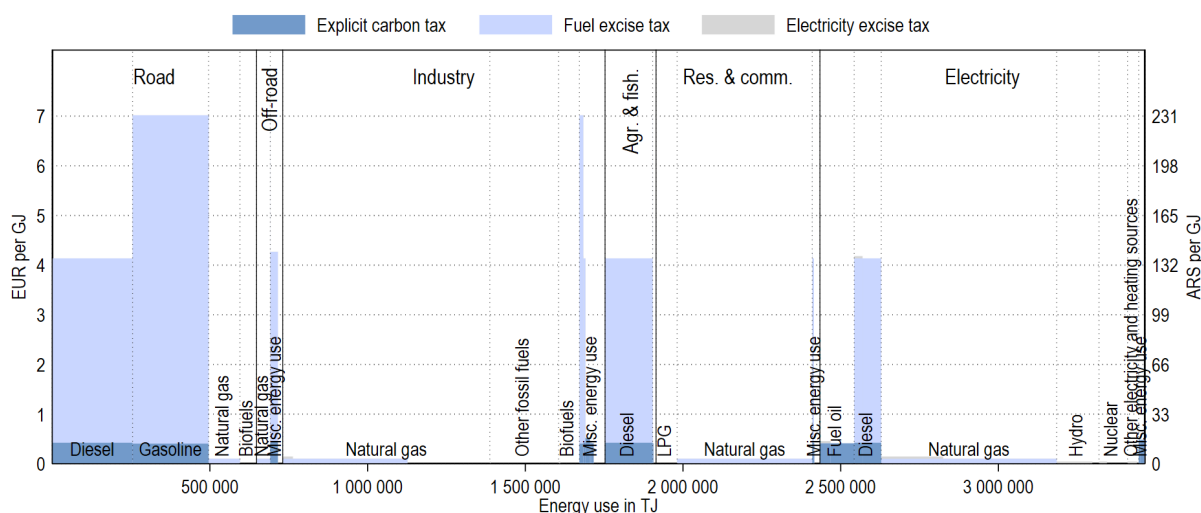
- The Surcharge on Natural Gas (*Recargo al Gas Natural*) applies to natural gas use at the point of entry into the distribution system.¹
- The Tax on Electricity (*Impuesto a la Energía Eléctrica*) applies to electricity consumption.

Argentina does not have a CO₂ emissions trading system (OECD, 2018^[1]).

Effective tax rates on energy use in Argentina

Tax rates can differ across energy products and users, as described below. Figure 1 provides an overview of how energy and carbon taxes apply to different energy categories across the economy. The remainder of this document discusses details on tax rates and tax bases for each of the six economic sectors.

Figure 1. Effective tax rates on energy use by sector and energy category



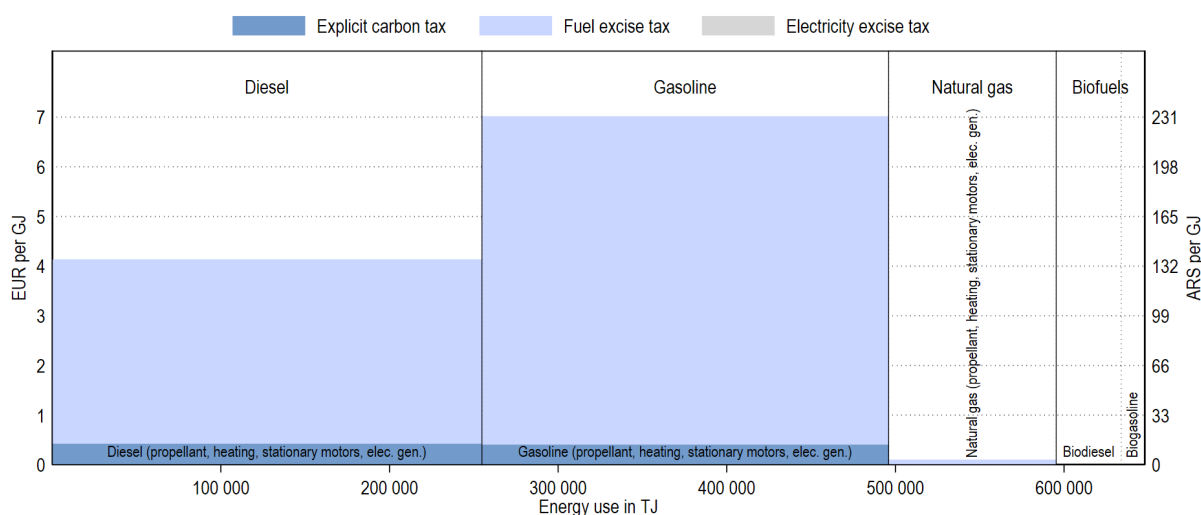
Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the bottom) that represent less than 1% of a country's energy consumption are grouped into "misc. energy use" and may not be labelled.

¹ The Surcharge on Natural Gas (applies to natural gas use at a rate of 2.58% of the price of natural gas charged at the point of entry into the distribution system per cubic meter of 9,300 kilocalories. According to the Ministry of Energy and Mining of Argentina, the surcharge is roughly equivalent to ARS 0.10 per cubic metre, and this is the rate included in TEU.

Road

Figure 2 shows that within the road sector, gasoline is taxed at a higher effective tax rate than diesel. Natural gas is subject to the surcharge on natural gas. Biofuels are not taxed; only the proportion of fossil fuel is taxed when they are blended.

Figure 2. Effective tax rates on energy use in the road sector

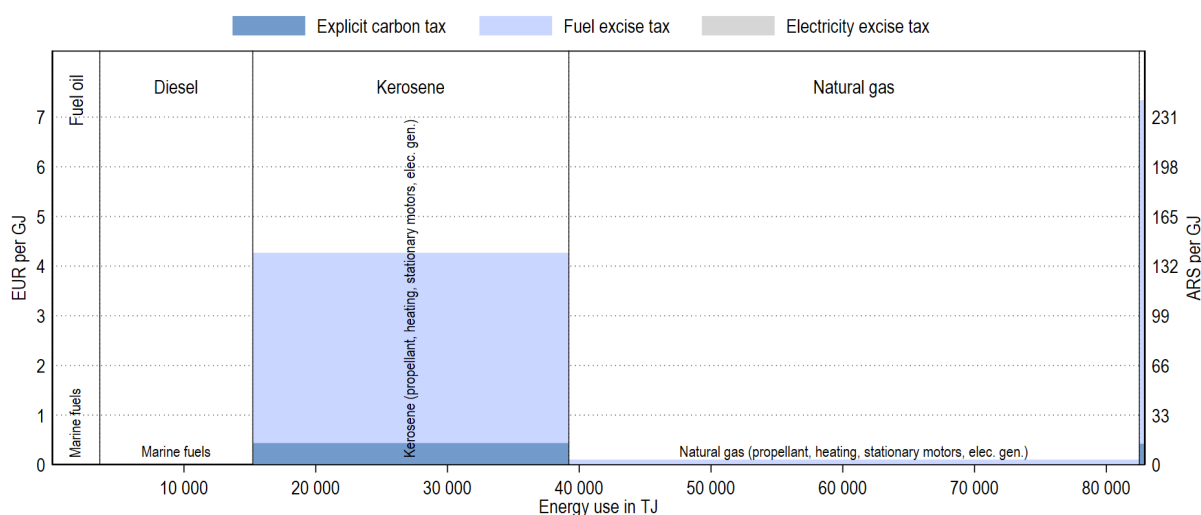


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector’s energy consumption are grouped into “misc. energy use” and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into “misc. rates” using the same threshold.

Off-road

In the off-road sector (Figure 3), fuel oil and diesel are untaxed when used for navigation (“marine”). Jet kerosene and aviation gasoline used for domestic aviation are taxed as regular kerosene and gasoline. Natural gas used in pipeline transport is taxed.

Figure 3. Effective tax rates on energy use in the off-road sector

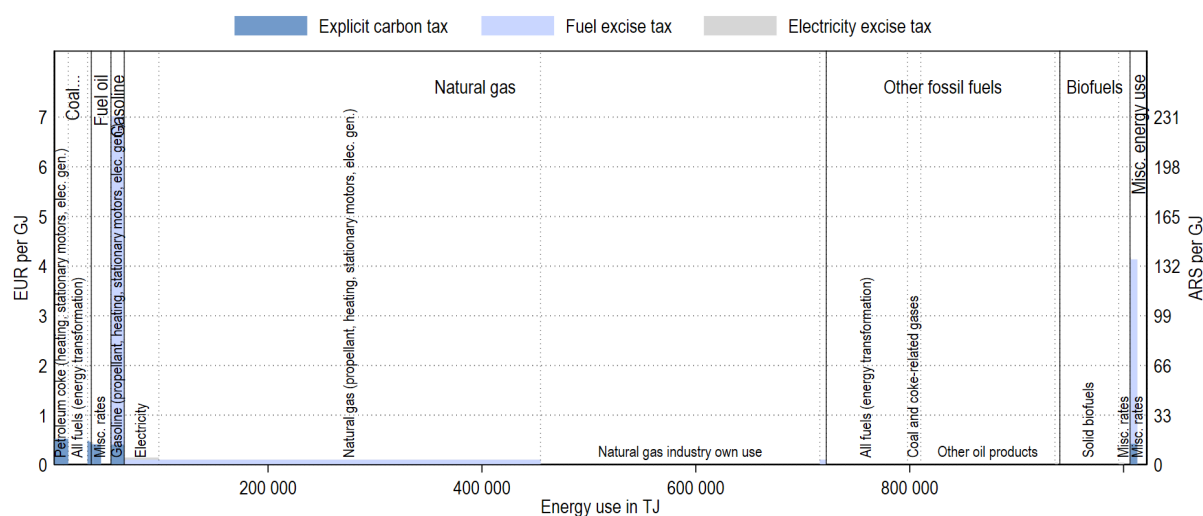


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector’s energy consumption are grouped into “misc. energy use” and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into “misc. rates” using the same threshold.

Industry

In the industry sector (Figure 4), fossil fuels are generally taxed when used for heating purposes and to fuel stationary motors. Only the Carbon Tax applies to fuel oil, petroleum coke and mineral coal. Fuels used for energy transformation processes other than electricity generation and heating (e.g. coking coal to coke) are untaxed. Natural gas industry own use is not taxed. Coal and coke-related gases are not taxed.

Figure 4. Effective tax rates on energy use in the industry sector



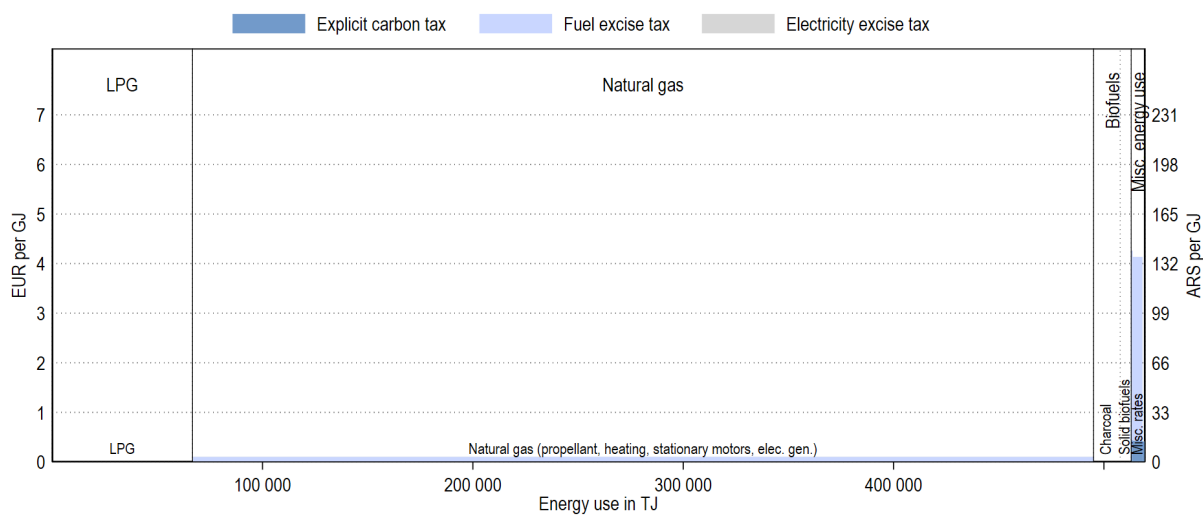
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Residential and commercial

In the residential and commercial sector (Figure 6), LPG is not taxed, as in the other sectors. Natural gas is taxed. Biofuels are not taxed.

Notice that TEU reports the energy use associated with electricity consumption in the industry and electricity sector as that is where the primary energy consumption occurs.

Figure 6. Effective tax rates on energy use in the residential & commercial sector

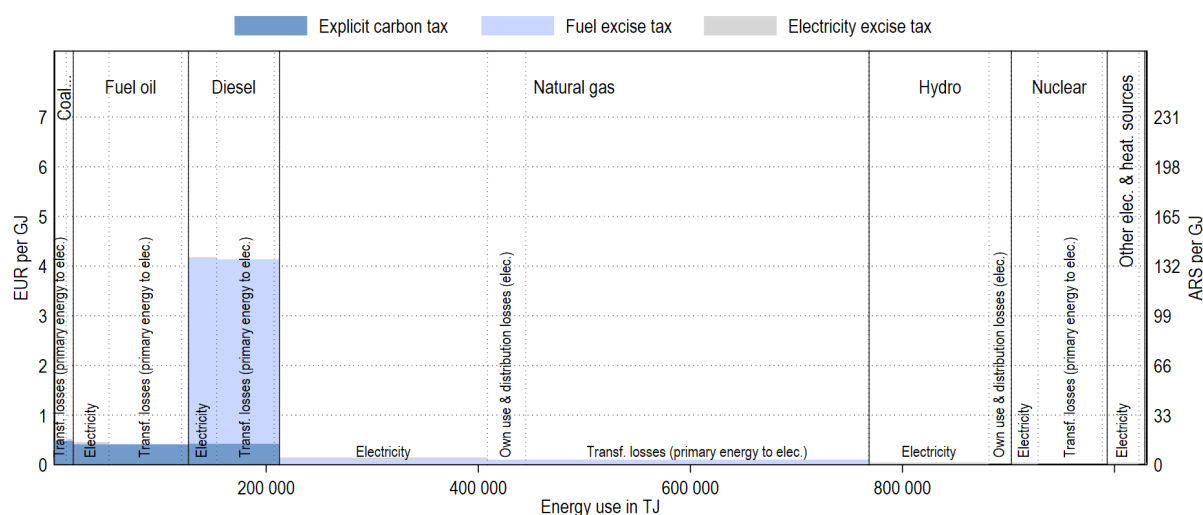


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Electricity

Figure 7 shows how the electricity sector, as defined in TEU, is taxed in Argentina. Fossil fuels used to generate electricity are taxed. The final consumption of electricity is also taxed, but the rate is comparatively low and barely discernible in the figure.

Figure 7. Effective tax rates on energy use in the electricity sector



Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

References

- IEA (2018), "Extended world energy balances", *IEA World Energy Statistics and Balances* (database), <http://dx.doi.org/10.1787/data-00513-en> (accessed on 16 October 2018). [2]
- OECD (2018), *Effective Carbon Rates 2018: Pricing Carbon Emissions Through Taxes and Emissions Trading*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264305304-en>. [1]