

Taxing Energy Use 2019: Country Note – China

This note explains how China 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 China 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 China

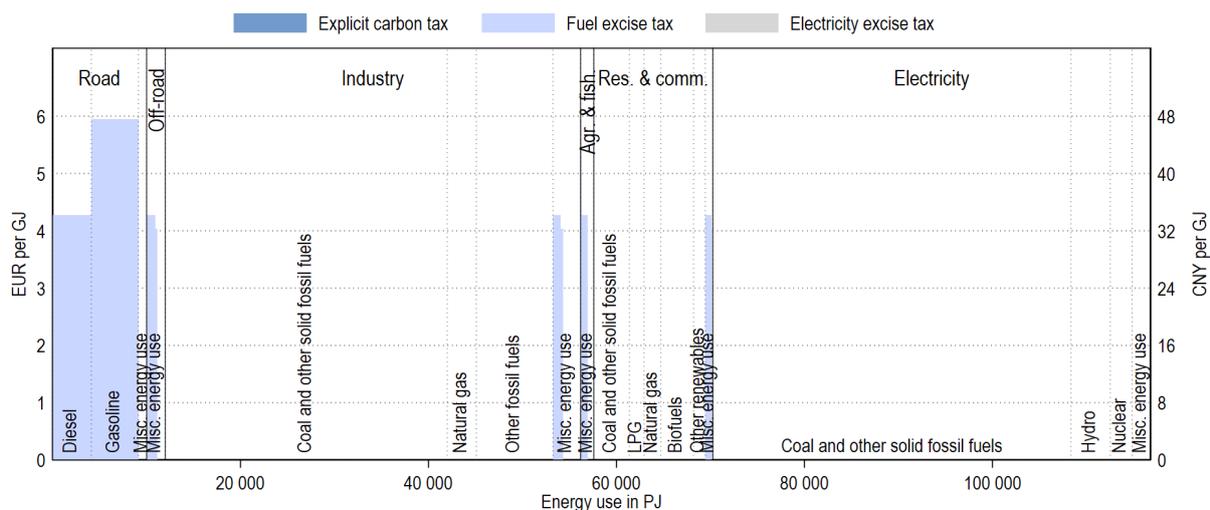
In China, the Refined Oil Excise Tax (成品油消费税) applies to gasoline, naphtha, solvent and lubricating oil at a uniform rate of CNY 1.52 per litre, as well as to diesel, and fuel oil at a uniform rate of CNY 1.2 per litre. Revenues are earmarked for transport funding and green purposes.

China operates several regional emissions trading systems (OECD, 2018^[1]). Permit prices are not included in Taxing Energy Use.

Effective tax rates on energy use in China

Tax rates can differ across energy products and users, as described below. Figure 1 provides an overview of how energy 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

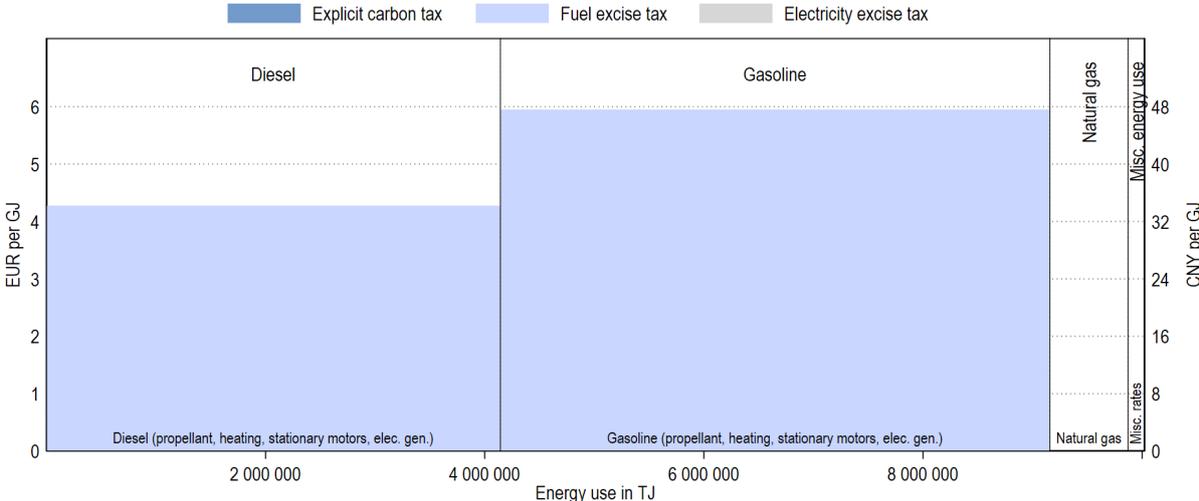


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the bottom) that represent less than 1% of a country's energy consumption are grouped into "misc. energy use" and may not be labelled.

Road

Figure 2 shows that within the road sector, gasoline is taxed at a higher effective tax rate than diesel. Natural gas is not taxed.

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

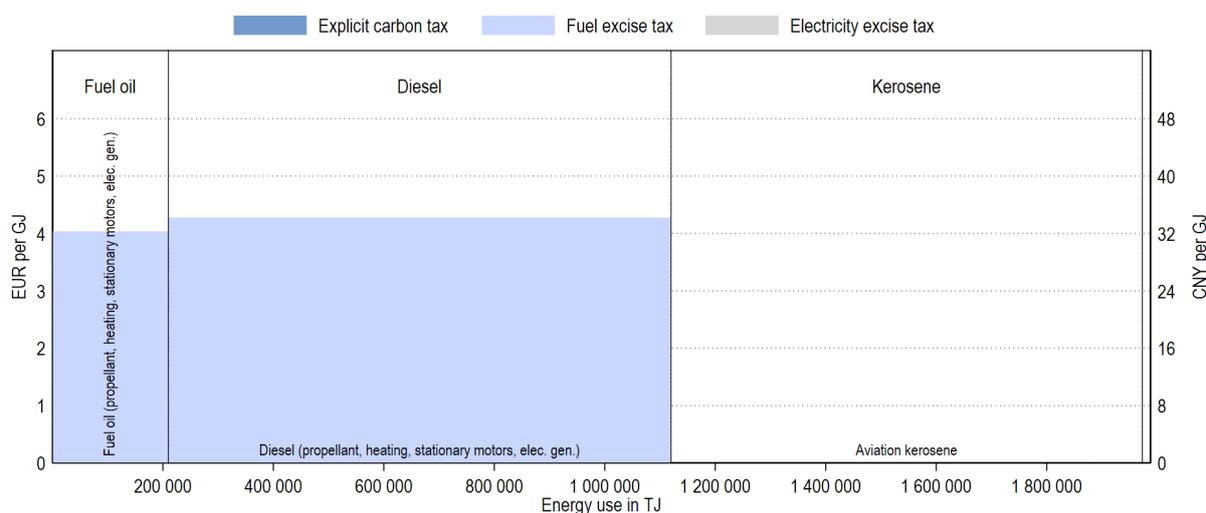


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector’s energy consumption are grouped into “misc. energy use” and may not be labelled.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

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

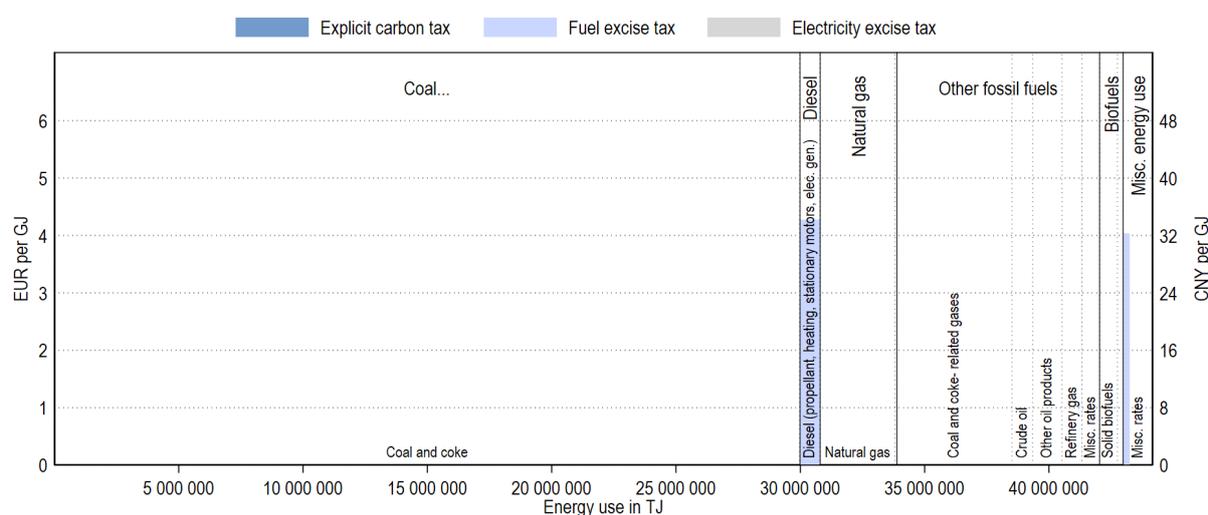


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018^[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled.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

Industry

Coal and coke, as well as natural gas and “other fossil fuels” are not taxed (Figure 4). Diesel and fuel oil are taxed. Biofuels are not taxed.

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

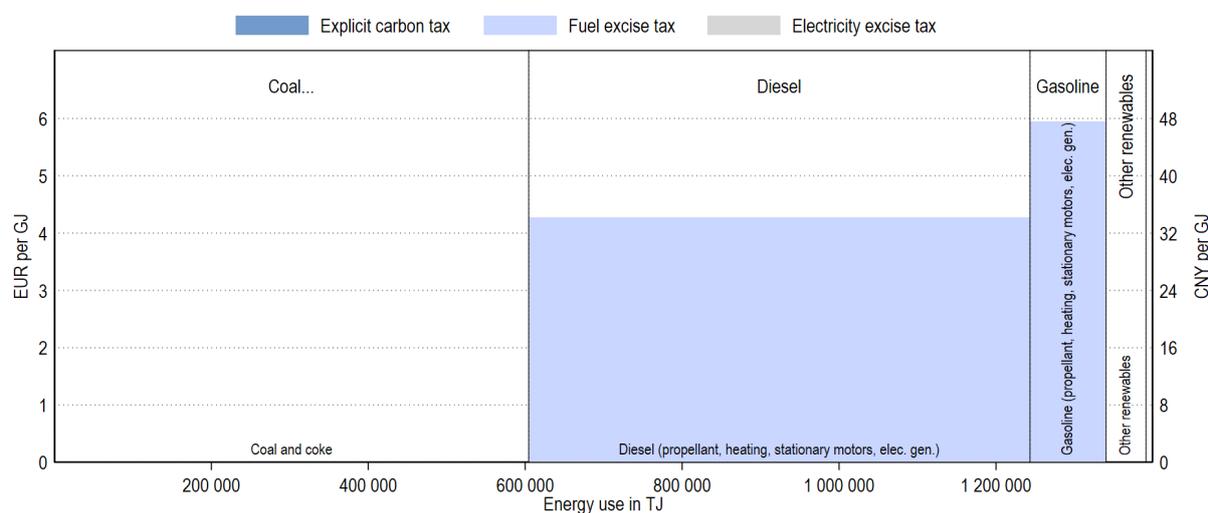


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Agriculture and fisheries

Coal and coke is not taxed. Diesel and gasoline are taxed (Figure 5).

Figure 5. Effective tax rates on energy use in the agriculture & fisheries sector



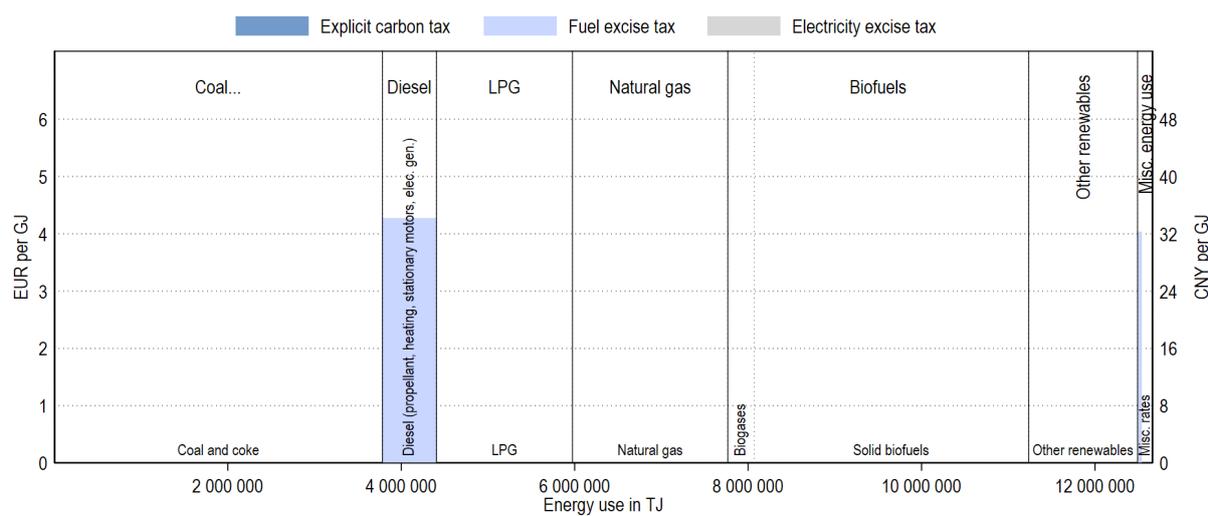
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Residential and commercial

In the residential and commercial sector (Figure 6), only diesel and fuel oil are taxed.

Notice that TEU reports the energy use associated with electricity and district heating 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

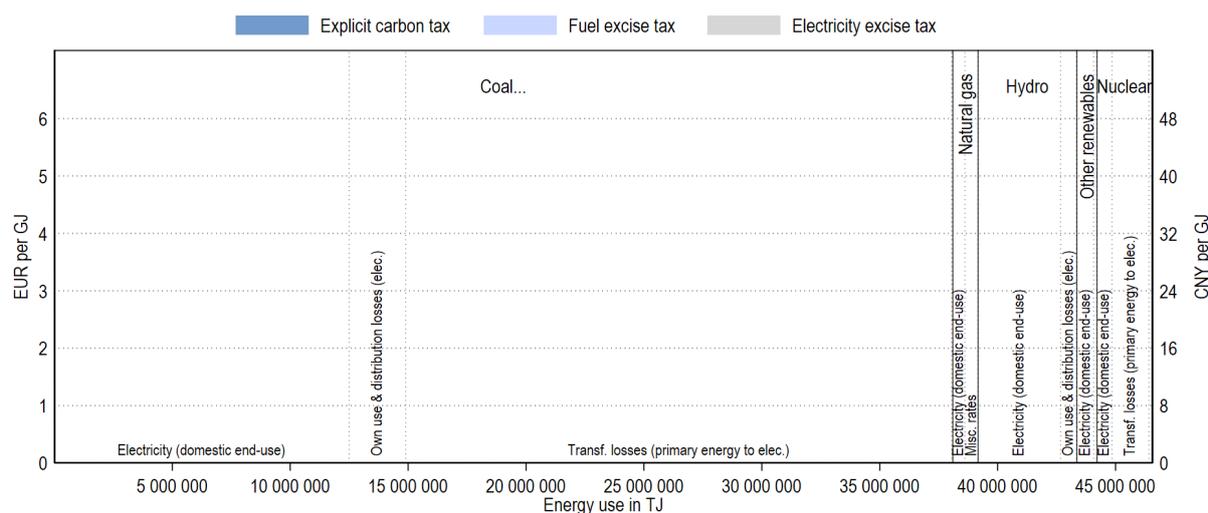


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Electricity

Figure 7 shows how the electricity sector, as defined in TEU, is taxed in China. The main fuels used to generate electricity are not taxed. Fuel oil and diesel are taxed, but their consumption is too low to be 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]