Taxing Energy Use 2019: Country Note - The Netherlands

This note explains how the Netherlands 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.*

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 the Netherlands can be found in Chapter 2 of the report. Chapter 3 additionally shows effective carbon tax rates per tonne of CO_2, and presents the corresponding carbon tax profiles for all countries. The report also contains StatLinks to the official data.

Structure of energy taxation in The Netherlands

Energy taxes in The Netherlands are levied within the framework of the 2003 European Union (EU) Energy Tax Directive, which sets minimum rates for the taxation of energy products in EU member states. Within this framework, as at 1 July 2018, the main taxes on energy use in the Netherlands are the following:

- The Coal Tax (*Kolenbelasting*) applies to coal and coke products (classified as a "fuel excise" according to the TEU methodology).
- The Excise Duty (equally classified as "fuel excise" in TEU) applies to liquid fuels, including biodiesel and biogasoline.[1]
- The Energy Tax (*Energiebelasting*) applies to natural gas (classified as "fuel excise" in TEU) and electricity consumption (classified as an "electricity excise tax" according to the TEU methodology).[2]

[1] In addition, the Strategic Stockpiling Fee (*Voorraadheffing*) of EUR 8.00 per 1000 litres applies to the same fuels subject to the excise duty, with the exception of fuel oil and biofuels.

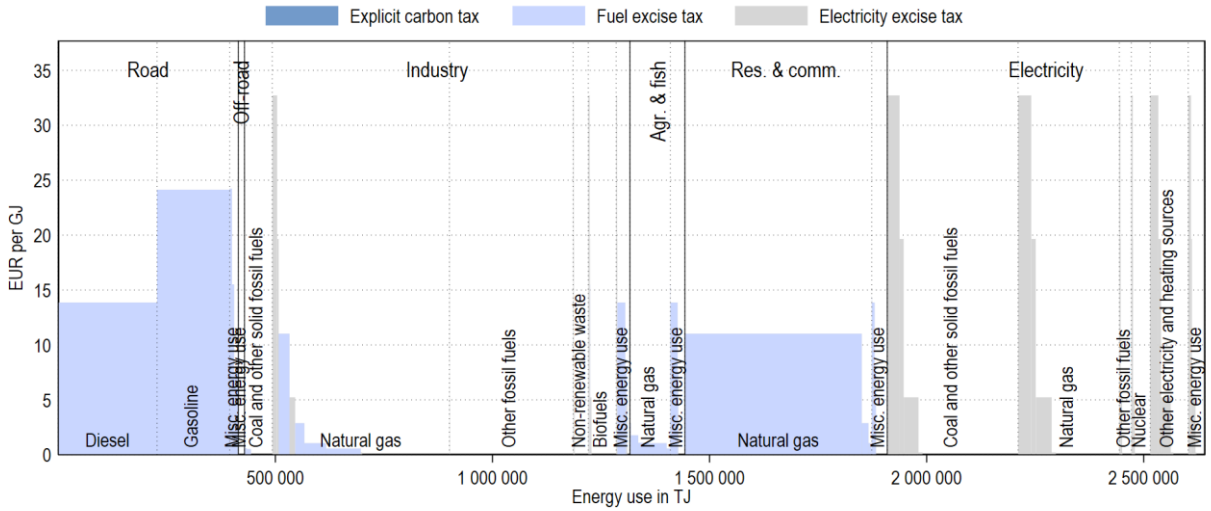
[2] The taxation of natural gas and electricity output is based on a bracket system which provides a schedule of marginal rates that decrease with consumption volumes. Natural gas and electricity use are additionally subject to the Sustainable Energy Surcharge (*Opslag Duurzame Energie* - ODE), and its taxation is also based on the bracket system. The energy base in TEU has been partitioned in

The Netherlands does not have a CO_2 tax, but participates in the EU emissions trading system (ETS) (OECD, 2018[1]). Permit prices are not shown in the energy tax profiles.

Effective tax rates on energy use in The Netherlands

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



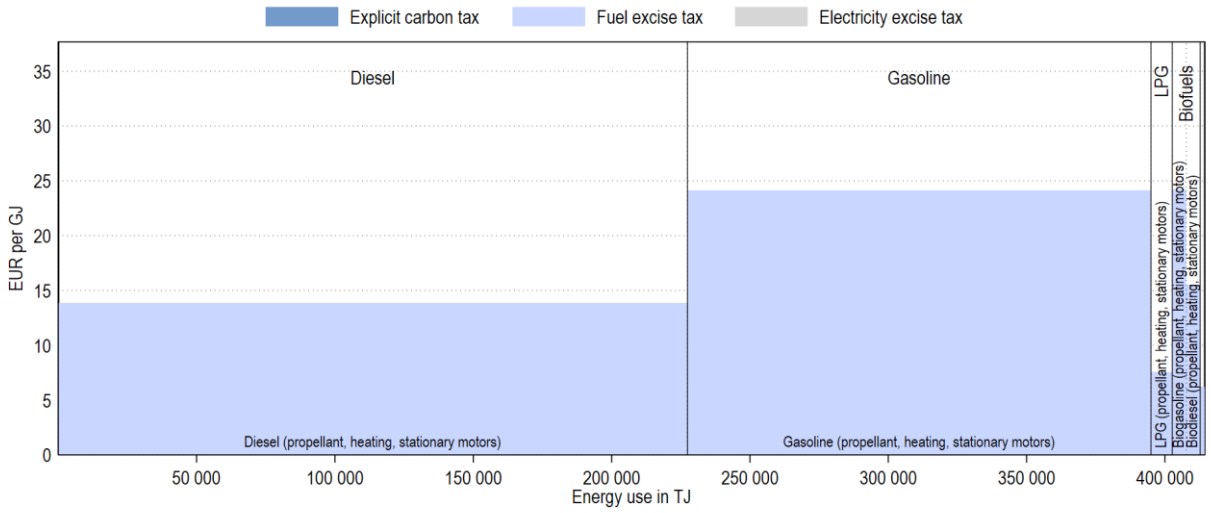
Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the bottom) that represent less than 1% of a country's energy consumption are grouped into "misc. energy use" and may not be labelled.

accordance with the consumption volume shares of the respective user group (Statistics Netherlands, 2019[3]).

Road

Figure 2 shows that within the road sector, gasoline is taxed at a higher effective tax rate than diesel. LPG is taxed as well. Biofuels benefit from a partial refund on the statutory rate for their fossil fuel equivalents. Their effective tax rates per GJ are nevertheless similar because these biofuels' have a lower energy content per litre.

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

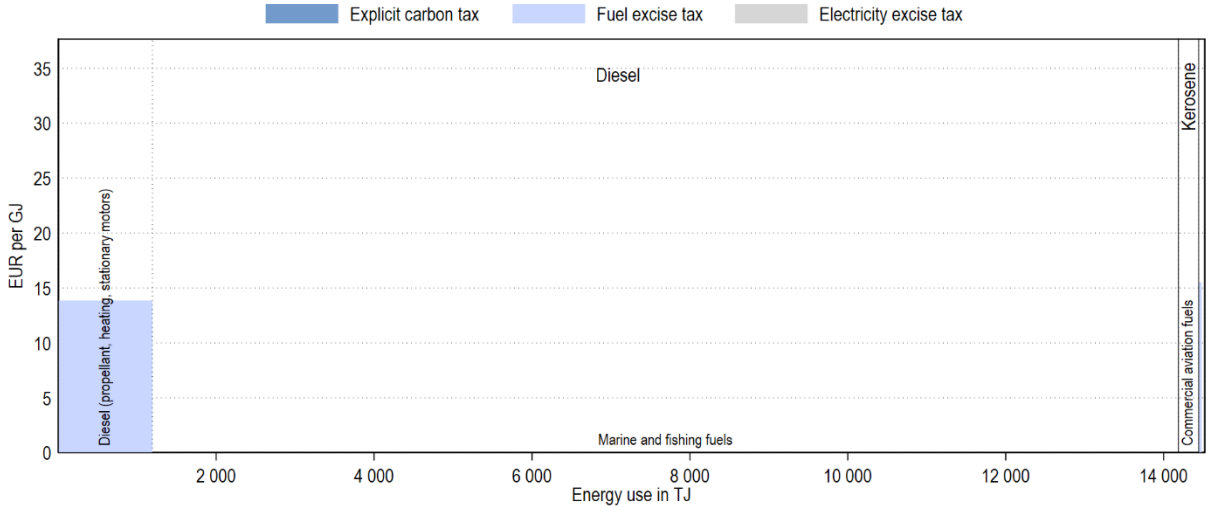


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018[2]), *World Energy Statistics and Balances.* Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled.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

Off-road

Fossil fuels used for railway transport (mainly diesel) are taxed at their propellant rates. Fuels used for commercial domestic navigation ("marine") are not taxed. Fuels used for commercial aviation are not taxed either.[3]

Figure 3. Effective tax rates on energy use in the industry 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.

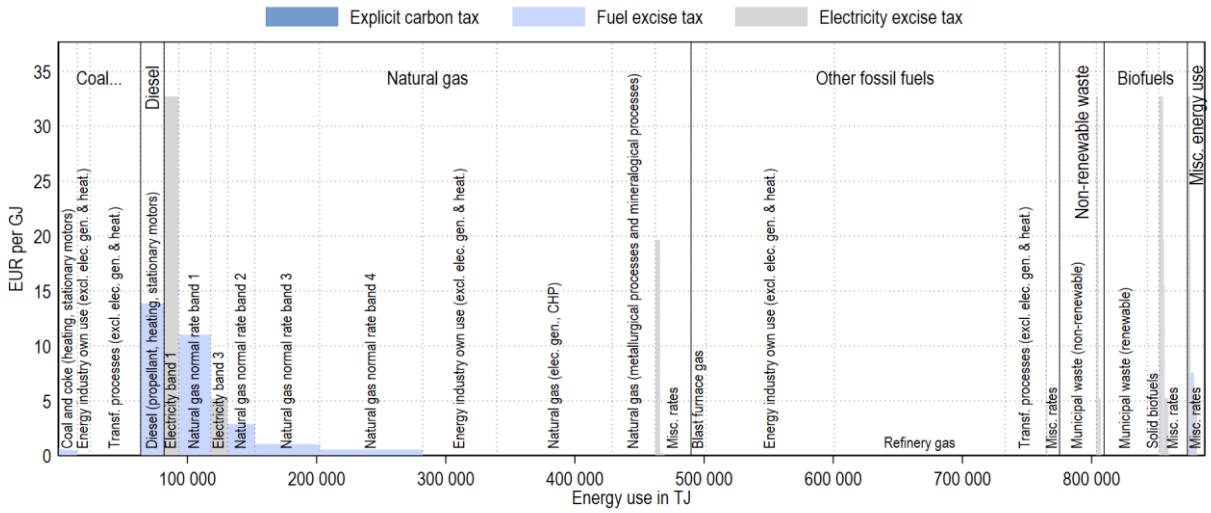
[3] Diesel and kerosene used in private pleasure craft and private planes are taxed (not modelled in TEU due to a lack of consumption data.

Industry

Coal and coke use for heating and stationary motors is taxed, and so is diesel use. Natural gas is taxed when used as a propellant, for stationary motors, and for heating. However, natural gas used in combined heat and power (CHP) generation is exempt. In addition, natural gas used in metallurgical processes and mineralogical processes benefits from a full refund. The energy industry's own use, e.g. for the extraction of natural gas, is not taxed. Other fossil fuels, mainly by-products of industrial processes, such as blast furnace gas and refinery gas, are generally not taxed.

Electricity from industrial cogeneration and autoproducer plants is subject to the electricity tax (called "electricity excise tax" in TEU) (see electricity section below).

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



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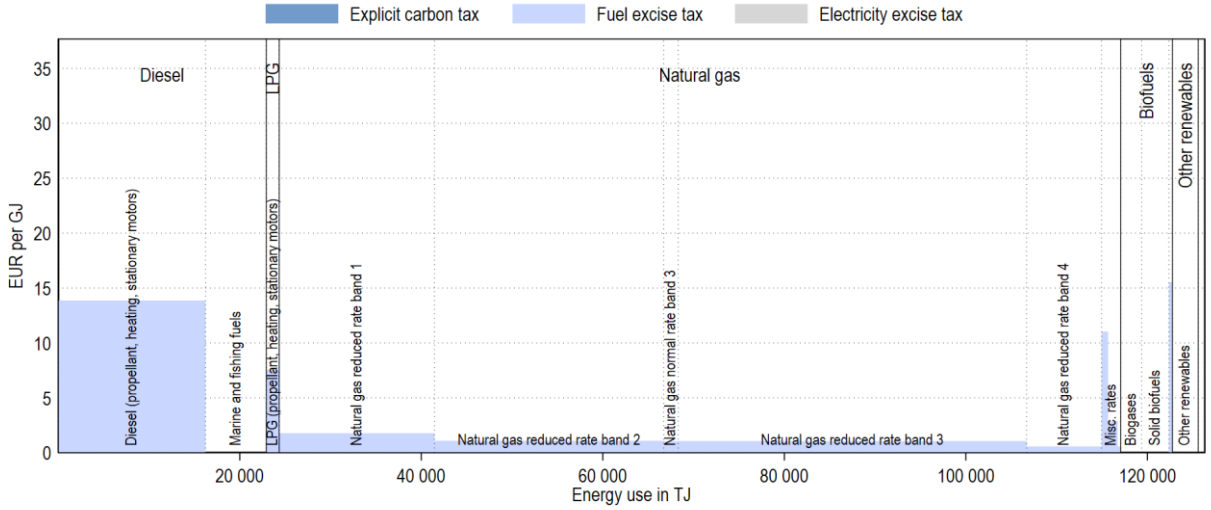
Agriculture and fisheries

Diesel used in agriculture is taxed. Diesel used in fishing is not taxed. LPG is taxed, and so is natural gas although horticulture benefits from reduced rates. Biogases and solid biofuels are not taxed, and neither are "other renewables", here geothermal.

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



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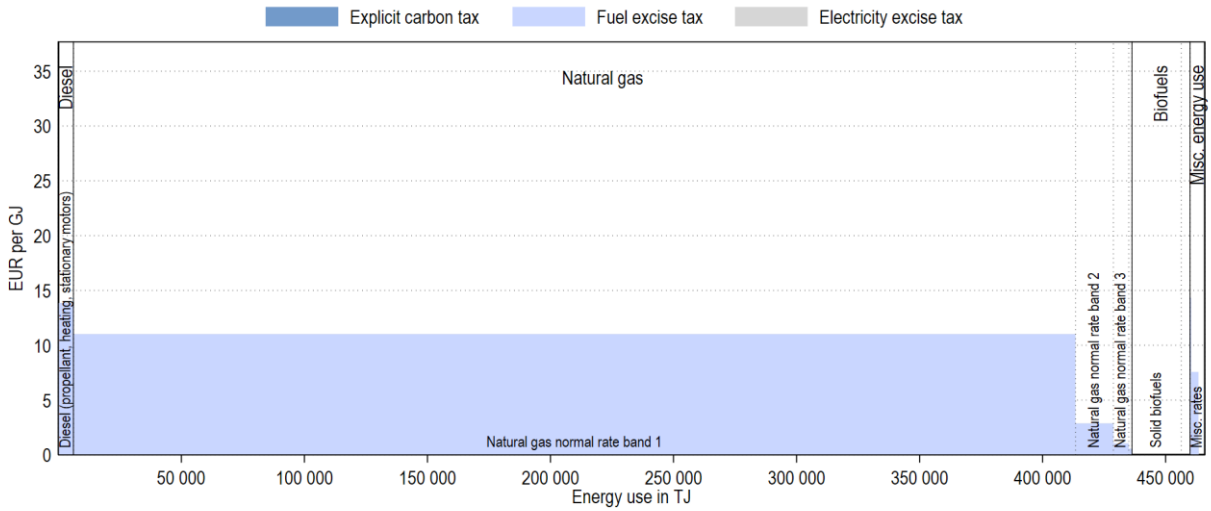
Residential and commercial

Fossil fuel use in the residential and commercial sector (Figure 6) is taxed. Biofuels are not 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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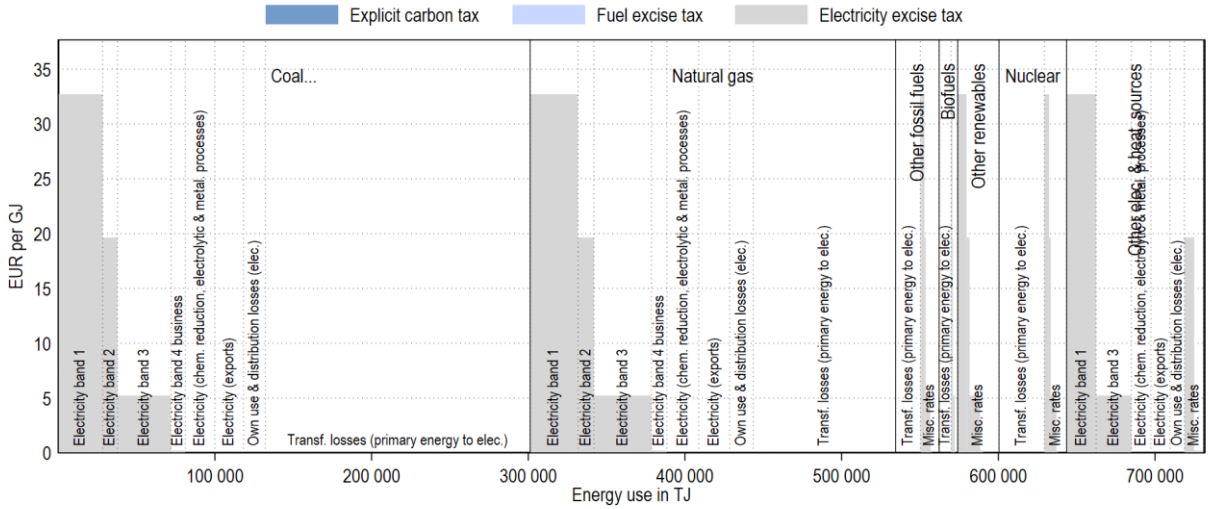
Electricity

Figure 7 shows how the electricity sector, as defined in TEU, is taxed in the Netherlands. The fuels used to generate electricity are not taxed, but the electricity sector is covered by the EU ETS (OECD, 2018[1]).

The use of electricity, on the other hand, is taxed. Applicable rates vary by consumption volume.[4] Electricity used for chemical reduction and electrolytic and metallurgical processes are not taxed. As is standard, electricity exports are not subject to the electricity tax in The Netherlands, but may be subject to electricity taxes elsewhere. The electricity industry's own use, as well as transmission and distribution losses are not taxed either.

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



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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, https://dx.doi.org/10.1787/9789264305304-en. [1]

Statistics Netherlands (2019), "Elektriciteit en aardgas naar energiebelastingschijf", *Elektriciteit en aardgas naar energiebelastingschijf*, https://www.cbs.nl/nl- [3]

[4] TEU includes average rates for major user groups based on a methodology developed in collaboration with national officials for previous vintages of Taxing Energy Use.

nl/maatwerk/2019/14/elektriciteit-en-aardgas-naar-energiebelastingschijf (accessed on 1 November 2020).