Environmentally related taxes
Taxes on energy use

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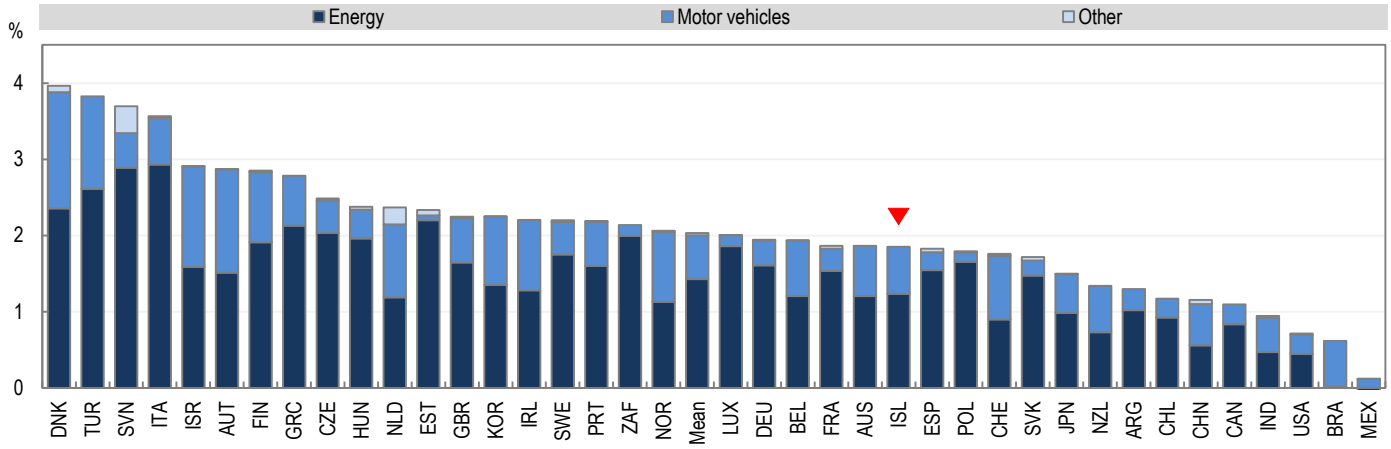
Revenue from environmentally related taxes in Iceland[1]

As a share of GDP, Iceland has the 15th lowest environmentally related tax revenue among 34 OECD and 5 partner economies. In 2014, environmentally related tax revenues were at 1.85% of GDP, compared to 2.0% on average among the 39 countries.

In Iceland, taxes on energy represented 67% of total environmentally related tax revenue, compared to 70% on average among the 39 countries.

Environmentally related tax revenue as a percentage of GDP, 2014



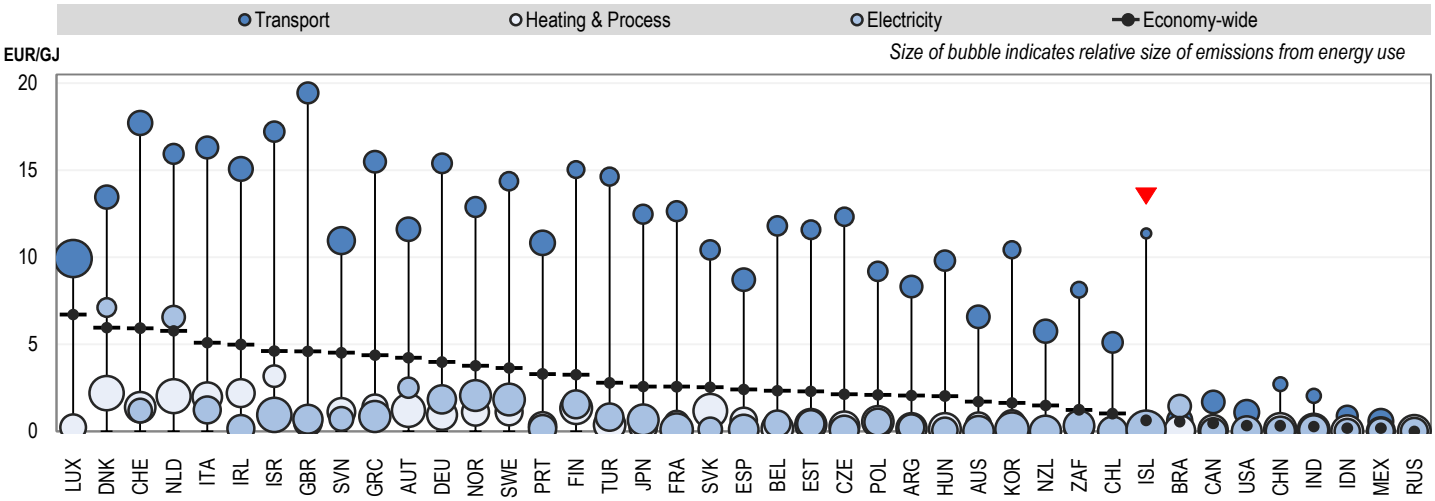
[1]Data from OECD.Stat include all OECD countries (except Latvia) and Argentina, Brazil, China, India and South Africa. Please see OECD.Stat for country specific notes.

Taxes on energy use in Iceland[2]

The **OECD's Taxing Energy Use (2015)** publication compares taxes on energy use (excise and carbon taxes) across 34 OECD and 7 partner economies. The chart below shows average tax rates, expressed in EUR per GJ, by sector across all fuels and the economy-wide average. The bubble size represents the weight of the sector in total energy use.

- Iceland has higher average tax rates on transport fuels (11.37 EUR/GJ) than on fuels used for heating and process purposes (0.12 EUR/GJ) or electricity generation (0.08 EUR/GJ);
- Iceland has the 9th lowest tax rate on energy on an economy-wide basis, at EUR 0.63 per GJ, compared with EUR 2.7 per GJ on a simple-average basis across the 34 OECD and 7 partner economies.

Average tax rates on energy in transport, heating and process use, and electricity generation



[2]Data from *Taxing Energy Use* are for 2012 and include all OECD countries (except Latvia) and Argentina, Brazil, China, India, Indonesia, Russia and South Africa.

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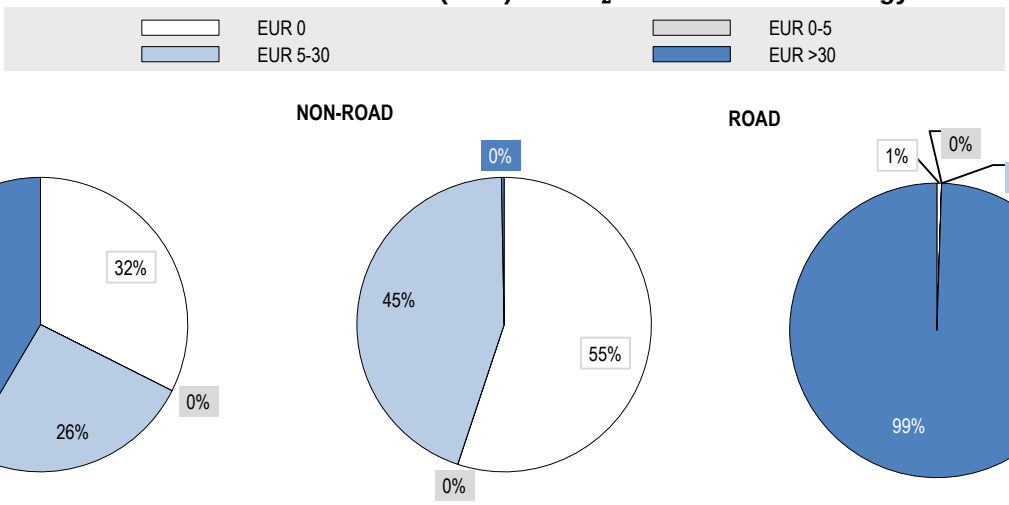
Effective carbon rates in Iceland

The **OECD's Effective Carbon Rates (2016)** publication presents the combined price signal on CO_2 emissions from taxes on energy and emissions trading systems (ETS), or the effective carbon rate (ECR).[3] The charts below show shares of CO_2 emissions subject to different price ranges, for road, non-road and all emissions from energy use. EUR 30 is a conservative estimate of the climate damage from one tonne of CO_2 emissions.

» In Iceland, 32% of carbon emissions from energy use face no price signal at all; 68% face a price at or above EUR 5 per tonne of CO_2; and 42% face a price at or above EUR 30 per tonne of CO_2. This compares to a zero price for 60% of emissions across all countries, a price at or above EUR 5 per tonne for 30% and at or above EUR 30 per tonne for 10% of emissions.

» Excluding road use, 55% of carbon emissions from energy use in Iceland face no price signal at all; 45% face a price at or above EUR 5 per tonne of CO_2; and 0% face a price at or above EUR 30 per tonne of CO_2. This compares to a zero price for 70% of emissions across all countries, a price at or above EUR 5 per tonne for 19% and at or above EUR 30 per tonne for 4% of emissions.

Distribution of Effective Carbon Rates (ECR) on CO_2 emissions from energy use in Iceland



Figures shown in the charts may not add up to 100% due to rounding.

[3]Notes on the interpretation of effective carbon rates: Box 3.1 (p.38-40), OECD's Effective Carbon Rates (2016), or consult http://oe.cd/ECRinterpretation

CO_2 emissions priced and average rates in Iceland

The table below shows the average price signals from taxes and trading systems, and the share of emissions priced by these instruments.

» Iceland is subject to the EU ETS, which had an average permit price of EUR 7.24 per tonne of CO_2 in 2012.

» In total, taxes in Iceland price 67% of CO_2 emissions from energy use; and the EU ETS prices 1%. The sectors with the highest tax coverage are electricity (100%) and road transport (99%). The main sector covered by the EU ETS in Iceland is off-road transport (58%)

Share of emissions priced and average price signals from tax & ETS, Iceland

	CO_2 emissions by sector (in t CO_2)	Tax		ETS		Overlap of tax and ETS[5]	Emissions not priced by tax or ETS
		Average price (in EUR/tCO_2)	Share of emissions priced	Average price (in EUR/tCO_2)	Share of emissions priced		
Agriculture & Fishing	549	13.5	67%	0.0	0%	0%	33%
Electricity	3	4168.2	100%	0.0	0%	0%	0%
Industry	490	13.5	19%	0.0	0%	0%	81%
Offroad transport	31	13.5	41%	7.2	58%	23%	25%
Residential & Commercial	12	13.5	26%	0.0	0%	0%	74%
Road transport	772	166.4	99%	0.0	0%	0%	1%
Total[4]	**1 858**	**79.3**	**67%**	**0.1**	**1%**	**0%**	**32%**

Access the data for all 41 countries: http://oe.cd/emissionsdata

[4]Total average prices are weighted by the share of emissions in each sector that is priced in the country.

[5]Tax and ETS can apply to the same emissions base. The overlap describes the percentage of emissions in a sector that is priced by both tax and ETS.