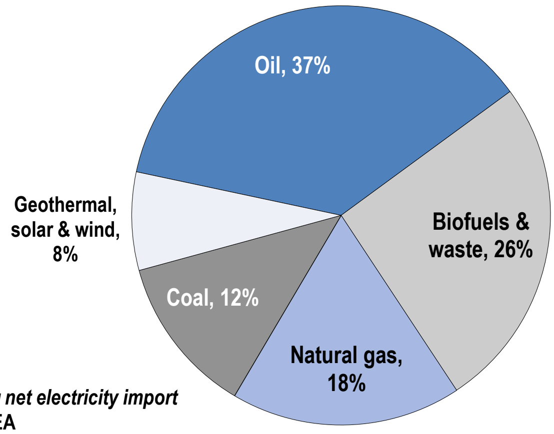
Denmark

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries and eight large partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa).

Energy resources and market structure

Denmark has considerable oil and gas resources in the North Sea, which have been exploited since the early 1970s. It is the second-largest producer of oil in the EU. The country became a net exporter of oil and gas in 1997, and can be expected to remain so at least until the end of 2018 and 2020, respectively. There has been significant fuel switching from oil to coal, natural gas and renewables in electricity production since the 1980s. The country imports all of the coal it uses for electricity production, mainly from Colombia, Russia, and South Africa.

Total Primary Energy Supply* in 2016



***excluding net electricity import**
Source: IEA

Despite continued investment in new production wells, ageing oil fields were accompanied by a decrease in oil production in Denmark of 3% to 9% a year since 2005. Gas production on the other hand has been relatively stable. Oil and gas exploration rights are granted by the Ministry for Climate and Energy and cover all non-licensed areas. The state usually holds a 20% share of each concession.

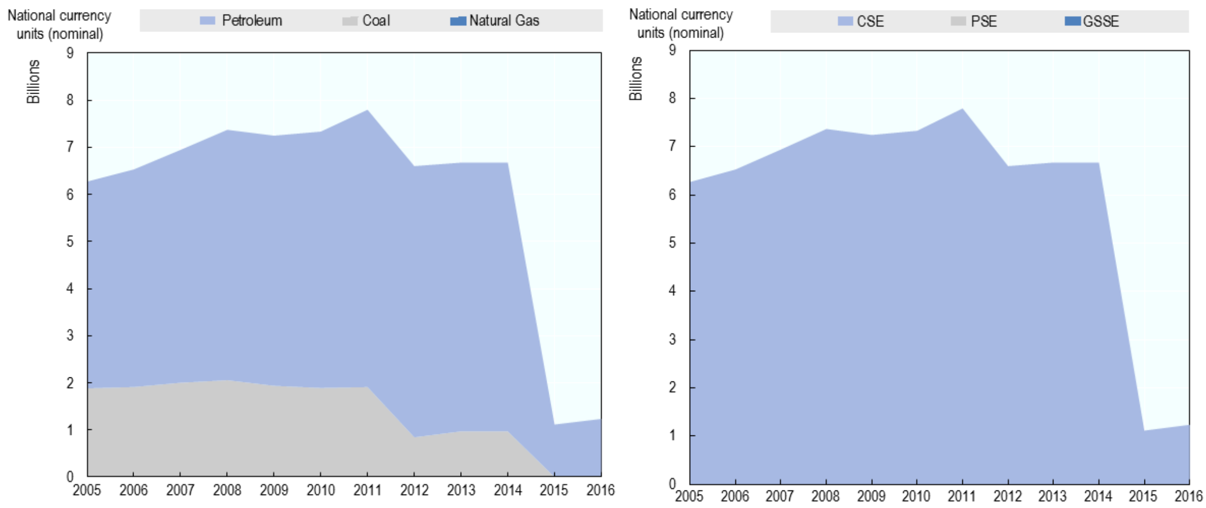
Previously dominated by two players in the electricity sector, and only one player in the gas sector (Danish Oil and Natural Gas Group), the Danish electricity and gas transmission assets are now merged into one entity, Energinet.dk. Third parties can access the pipelines, but must negotiate the terms and tariffs for access with the company. Both markets are fully liberalized. Because Denmark participates in a common electricity market with other Nordic countries, Nordpool, fluctuations in wholesale electricity prices depend on market conditions in all member countries. At the retail level, all customers can purchase electricity and gas in the open market and choose any suppliers.

Energy prices and taxes

Although ex-tax electricity prices reflect costs, end-user prices are among the highest in the OECD area because of high taxation rates. Retail prices consist of four different elements: production, transmission and distribution elements, and the PSO (additional tax to support renewable energy). Denmark has the highest share of taxes in electricity prices for households – 58.3% in 2015 – while taxes levied on industrial users are relatively lower. The same holds for ex-tax gas prices, where the percentage of taxes for households amounted to 58% in 2015.

In Denmark, energy duty commonly refers to the combined tax rate of the energy tax, carbon dioxide tax, sulphur tax and nitrogen-oxide tax. Energy products – including electricity, natural gas, coal and motor fuels – are also excisable.

Total support for fossil fuels in Denmark by fuel type (left) and support indicator (right)



Note: CSE=Consumer Support Estimate: PSE=Producer Support Estimate: GSSE=General Services Support Estimate.

Recent developments and trends in support

Due to a lack of data, the above graphs represent only two support measures, targeted at household consumers. One of them is the *Reduced Energy Duty for Combined Heat and Power Generation*. Customers of district heating pay a reduced energy duty for heat delivered from a combined heat and power plant. The aim of this concession is to provide a disincentive to consumers for using other sources of heating fuel, such as fuel oil as combined heat and power plants, in general, are more energy efficient than individual heating. However, the Ministry of Taxation has ceased to consider such measure a tax expenditure and to produce forgone revenue estimates. Accordingly, this inventory will not report estimates for the years 2015 onwards.

Examples of measures	
Hydrocarbon Tax Allowance	The Danish Government provided hydrocarbon tax allowances for licences granted before January 2004, when this measure terminated. Licensees were allowed to offset 25% of their capital expenditure (CAPEX) against their hydrocarbon tax bill over a 10-year period, where CAPEX included capitalised exploration costs incurred before any of the fields owned by the company were classified as commercial, and before investments were made in drilling rigs, ships, pipelines.
Carbon Dioxide Tax Refund for Refining	The carbon dioxide tax levied on electricity in Denmark is refundable if used in refining processes in 2014, following the enactment of Bill L 219, the CO_2 tax levied on electricity used for business purposes, including those in refining, was abolished.