

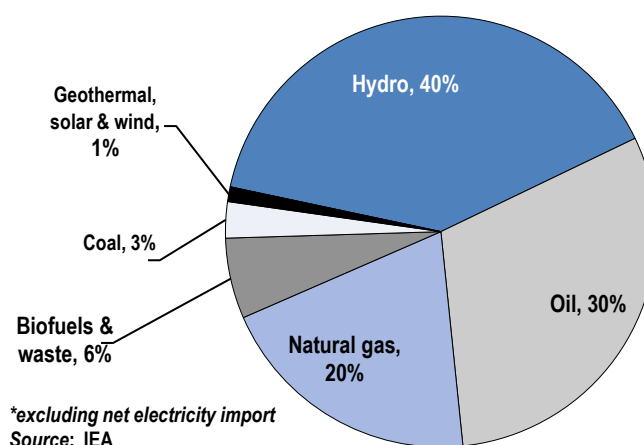
Norway

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, eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa) and EU Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

Energy resources and market structure

Norway is the third-leading exporter of natural gas in the world, after Russia and Qatar. Norway saw a four-fold increase in oil production between 1980 and 1997, with declining oil output being offset by rising gas production since then. By the end of 2018, all but a single coal mine, Mine 7 in the Arctic archipelago of Svalbard, has closed. Norway is also involved in significant electricity trade with its neighbours, the magnitude of which depends on precipitation and water inflows to the water reservoirs powering the nation's numerous hydroelectric plants.

Total Primary Energy Supply* in 2018



Given the importance of oil and natural gas to the wider Norwegian economy, the state is a major actor in the sector. The state holds one-third of Norway's proven oil and gas reserves. The state-owned shares in exploration and production licences are organized under a portfolio called State's Direct Financial Interest (SDFI), which is managed by the state-owned company, Petoro. The Government decides on the SDFI's share of participation when production licences are awarded. Equinor ASA, an international company, is the biggest player in the upstream market, operating four-fifths of the total production on the Norwegian continental shelf. The state owns 67% of the company. Equinor, in addition to its own petroleum, is responsible for marketing petroleum owned by SDFI. Gassco, wholly owned by the state, is the operator of the integrated gas transportation system from the Norwegian Continental Shelf to other European countries.

The Ministry of Trade and Industry owns 99.9% of the shares in Norske Spitsbergen Kulkompani AS (SNSK), the parent company of Store Norske Spitsbergen Grubekompani AS (SNSG), which carries out coal-mining operations on the main island of Svalbard.

The Norwegian electricity market is fully open for all producers¹ and consumers. All end-users are free to choose electricity suppliers. Hydropower is the source of virtually all electricity generated in Norway. Some 90% of the generating capacity is in public ownership. State-owned Statkraft AS is the largest generator. Statnett, a state enterprise, is the system operator in the Norwegian electricity system, and there are more than 160, mostly publicly owned, small distribution system operators (DSOs). By 2008, 70% of Nordic electrical energy market in the Nordic (elspot, covering Sweden Norway, Finland and Denmark) were traded through Nord Pool AS.

Energy prices and taxes

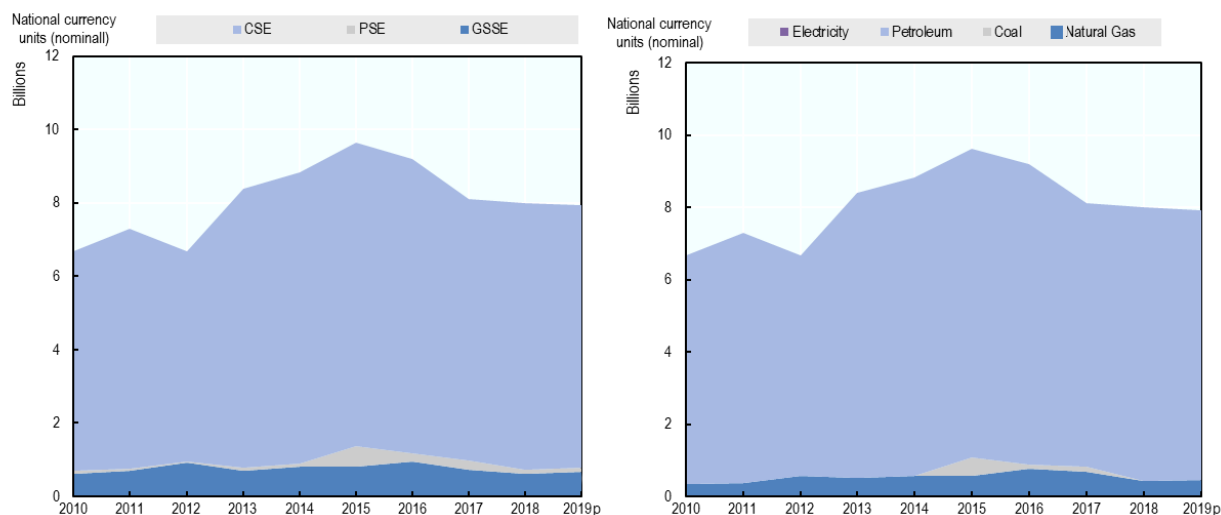
All retail energy prices in Norway are determined in the market. The Norwegian Water Resources and Energy Directorate (NVE), an agency under the Ministry of Petroleum and Energy, is responsible for regulating electricity network charges. A uniform 25% VAT is applied to all energy consumption except

¹ Large hydropower plants in Norway must however have at least 2/3 public ownership.

household use of electricity and energy from alternative energy sources in Northern Norway. Excise taxes are levied on mineral products and electricity. There is a CO₂-tax levied on mineral products (petrol, mineral oil (diesel), natural gas and LPG). There is a road usage tax on fuels used in road transport (petrol, mineral oil (diesel), bioethanol, biodiesel, natural gas and LPG) and a basic tax on mineral oil for mineral oil used outside road transport. In addition there is an electricity tax. Some industries are exempt from or charged a reduced rate for various excise taxes on energy products.

The Norwegian petroleum tax system is designed to capture a large part of the excess return (resource rent) from the sector. In addition to the ordinary business tax of 22%, petroleum companies on the nation's continental shelf are liable to a special tax rate of 56% (as of 2019). The marginal tax rate for petroleum is 78%. In the National Budget for 2020, the cash flows from Norway's petroleum sector is forecasted to represent 19% of government revenues in 2020 (or NOK 245billion).

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



Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate. Users of tax expenditure estimates should bear in mind that the Inventory records tax expenditures as estimates of revenue that is foregone due to a particular feature of the tax system that reduces or postpones tax relative to a jurisdiction's benchmark tax system, to the benefit of fossil fuels. Hence, (i) tax expenditure estimates could increase either because of greater concessions, relative to the benchmark tax treatment, or because of a raise in the benchmark itself; (ii) international comparison of tax expenditures could be misleading, due to country-specific benchmark tax treatments.

Recent developments and trends in support

Exemptions and reduced rates of energy taxes are reported as tax expenditures and could comprise consumer support. Approximately 54% of the calculated total support for fossil fuels in Norway are related to the relative lower road usage tax on diesel than on petrol and approximately 30% are related to exemptions from the Basic Tax on Mineral Oil. The Basic Tax on Mineral Oil was introduced in 2001 to avoid a switch from electricity to mineral oil for heating purposes due to increased electricity tax. Many activities, where electricity not were an option, including shipping and aviation, were thus exempted from the tax. When calculating tax expenditures for petroleum, the Petroleum tax system is compared to a neutral tax. The investment based deductions in the Norwegian petroleum tax system are higher than in a neutral resource rent tax. This is reported as tax expenditure in the annual National Budgets. These estimates measure the effects of deviations from a neutral tax system and, in the view of the Norwegian Ministry of Finance, are not an estimate of fossil fuel support. These tax expenditures are thus not included in the figures.

Examples of measures

Exemptions and reduced rates on the CO₂ tax (1991-)

The CO₂ tax on mineral products was introduced in 1991. As of 2019, almost all domestic use of mineral products (petrol, mineral oil (diesel), natural gas and LPG) outside the EU ETS are levied a CO₂-tax equivalent to 510 NOK/tCO₂. The only remaining exemptions are natural gas and LPG to greenhouse and to chemical reduction or electrolysis, metallurgical and mineralogical processes. Exemptions and reduced rates are reported as tax expenditures.

From 1991 to 2016, the CO₂ tax on mineral oil was lower than the CO₂ tax on petrol, measured in terms of NOK per tonne CO₂. The lower tax on mineral oil compared to the petrol benchmark, was reported as a tax expenditure. In 2018, most remaining exemptions and reduced rates were abolished.

Lower road usage tax on diesel than on petrol (1993-)

The road usage tax on diesel was introduced in 1993. The road usage tax on diesel is lower than the road usage tax on petrol, especially when calculated relative to the energy content of the fuel. According to the national budget, the lower tax rate on diesel is a tax expenditure, as the road usage tax on petrol is treated as the benchmark for the road usage tax on diesel.