FOSSIL FUEL SUPPORT COUNTRY NOTE

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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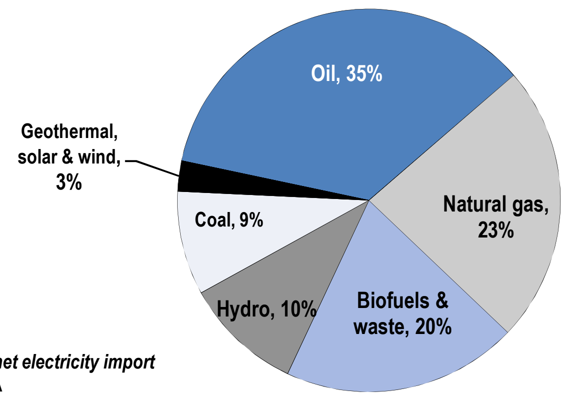
Austria

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 partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa).

Energy resources and market structure

Total Primary Energy Supply* in 2017



**excluding net electricity import*
Source: IEA

Renewable energy accounts for about one-third of Austria's total primary energy supply, most of it in the form of hydropower, biofuels and combustible wastes. As nearly two-thirds of the country's electricity is generated using hydro-electric power, around 37% of Austria's energy needs are produced domestically.

The largest Austrian petroleum company, OMV AG, is 31.5% state-owned and forms the single biggest integrated petroleum company in Central Europe. It undertakes petroleum exploration and production, refining, and wholesale and retail sales on a domestic and international level. OMV also operates—together with Rohöl Aufsuchungs AG (RAG)—Austria's only refinery, in Schwechat, and three natural-gas-storage facilities. In 2016, the two companies supplied about 6% of Austria's oil and 14% of Austria's natural-gas inland consumption from domestic production.

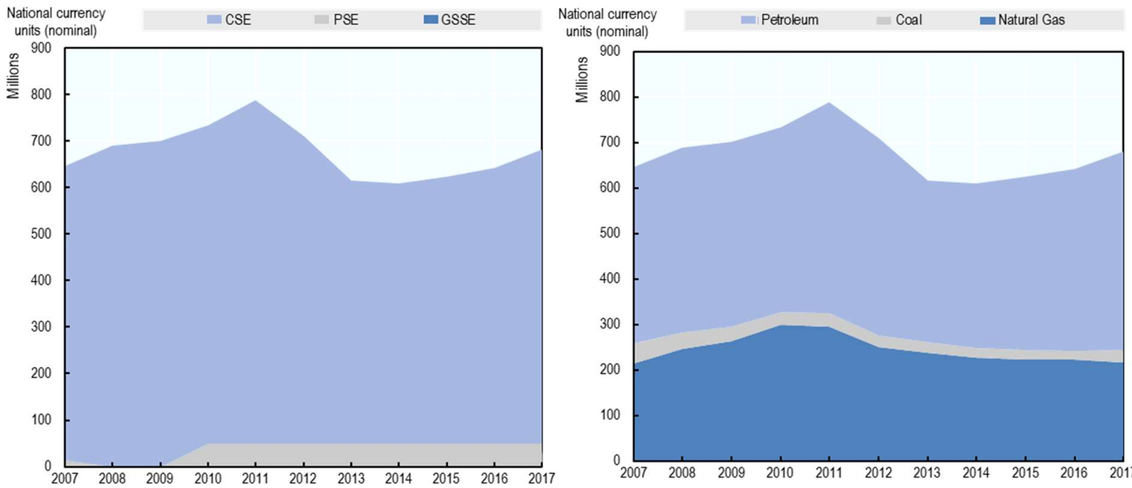
Oil is primarily imported from Kazakhstan while natural gas is mostly purchased from Russia. Signatories of the major contract for imports of natural gas into Austria are EconGas and Russian Gazexport. EconGas is the largest Austrian gas supplier and is 50% owned by OMV. Following the shutdown of the lignite power plant, Voitsberg III, Austria's production of coal has completely ceased while demand is essentially met through imports from the Czech Republic, Poland, and the United States.

Austria occupies a central position in the electricity network within the European Union due in part to its geographical location. The country is connected to all of its neighbouring countries, with the exception of the Slovak Republic. The electricity market was liberalised as early as 2001, way ahead of the EU regulation; but it remains in the hands of a few large suppliers. The largest electricity supplier and generator, Verbund (of which 51% is state-owned), accounts for approximately half of all electricity production in Austria. Similarly to all of the country's other electricity generators, Verbund's assets comprise a mix of small and large hydropower stations.

Energy prices and taxes

Prices for electricity and natural gas in Austria are set freely by the wholesale and retail markets. Competition is regulated by the federal agency, Energy-Control. Taxes applicable to fossil fuels and electricity are set by the Federal Ministry of Finance. Since 1996, when a law on the taxation of natural gas and electricity was first implemented, the Federal Government has included environmental objectives in its taxation policy. In general, all energy policies are set jointly at both federal and state levels, as stipulated by the Federal Constitution.

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



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

Recent developments and trends in support

In the wake of the financial crisis that brought the Eurozone economy to a halt, Austria took steps to improve its fiscal outlook through the Stability Act of 2012 (*Stabilitätsgesetz 2012*). Among other features, the Act provided for the elimination of several support measures benefitting the consumption of fuels in various sectors. The changes brought about by the Act included the elimination of targeted relief from energy tax for LPG used in public transport and diesel fuel used in railways and farming operations. Effective 1 January 2013, farmers in Austria now face the same rate of excise tax on their consumption of diesel fuel as other final users (EUR 0.410 per litre as of 2018)[1]. The removal of these measures accounts for the notable decline in consumer support observed starting in 2013. An EU-approved tax reimbursement scheme for certain energy-intensive industries is, however, still in operation and accounts for the persistence of support for natural gas and coal. Today, support for fossil fuels in Austria only benefits industrial consumers.

Examples of measures	
Energy Tax Rebates for Diesel Used in Agriculture (2005-2013)	Of all the support Austria provides for its farming sector (about EUR 3 billion a year), this tax expenditure accounted for only EUR 50 million until it was terminated at the end of 2012 with the passing of the country's Stability Act.
Natural Gas Tax Exemption for Transportation and Processing of Fossil Energy Resources (1996-)	This measure provides for natural gas consumed in the transformation and processing of another form of fuel should not be subject to taxation. This is the only remaining active producer measure in Austria. Support under this tax provision amounts to EUR 50 million a year.

[1] There are two different tax rates for diesel: (i) EUR 397/1000 litres if the share of biofuel is more than 66l and the sulphur content is not more than 10 mg/kg (corresponding to around 95% of total market share); (ii) EUR 425/1000 litres for the rest (corresponding to around 5% of total market share).