

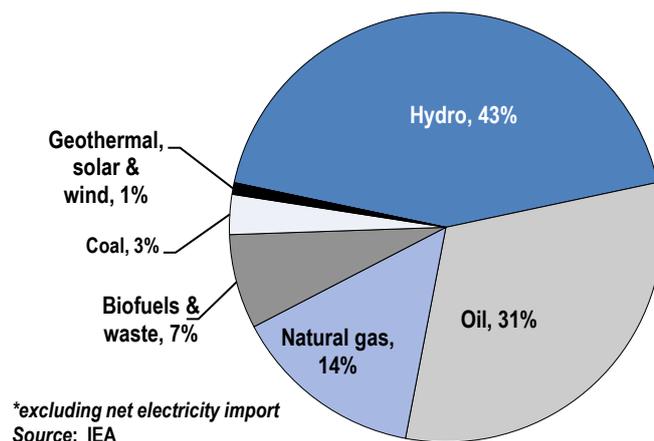
Norway

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 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

Norway is the third-leading exporter of oil and 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 2017, all but a single coal mine on the Svalbard Archipelago has since closed, and almost all of the remaining coal production ends up exported, mostly to Germany. Norway is also involved in a significant power exchange with its neighbours, the magnitude of which depends on precipitation and water inflows to the water reservoirs of the country.

Total Primary Energy Supply* in 2017



Given the importance of petroleum 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, it 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.

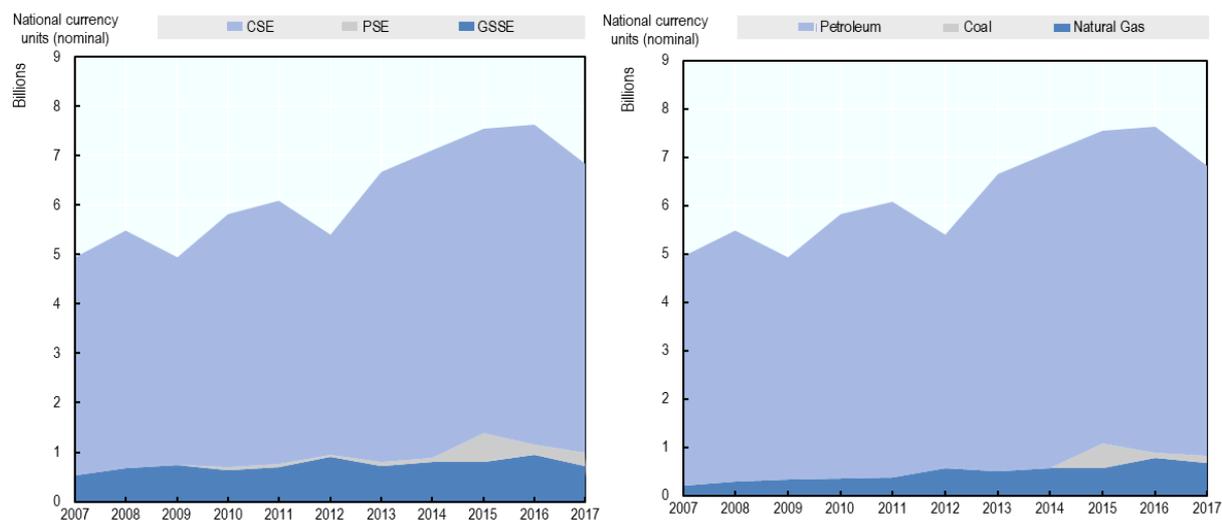
The Norwegian electricity market is fully open for all producers and consumers. All end-users are free to choose electricity suppliers. Hydropower is the source of virtually all electricity generated in Norway. Some 90% of the generating capacity is in public ownership. State-owned Statkraft AS is the 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). Already by 2008, 70% of elspot in the Nordic market 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 MPE, is responsible for regulating electricity network charges. A uniform 25% VAT is applied to all energy consumption except household use of electricity and energy from alternative energy sources in Northern Norway. Excise taxes are levied on oil products, natural gas and electricity. Some industries are exempt from or charged a reduced rate for various excise taxes on energy products. Petrol and auto diesel are levied road-usage tax and CO₂ tax. 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 2019, the cash flows from the Norway's petroleum sector represented 20% of government revenues in 2019 (or NOK 285.8 billion).

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 comprise consumer support. Norway taxes greenhouse gases such as CO₂ and pollutants such as NO_x. Before 2008, petroleum companies paying the CO₂ tax were exempt from the Norwegian Emissions Trading System (ETS). After Norway became part of the European ETS in 2008, tax on CO₂ for the petroleum industry was reduced so that the combined incentive of the tax plus the ETS price was equivalent to levels prior to the introduction of the emissions trading. The tax for the petroleum industry was increased in 2013, to offset reduced ETS prices.

Latest estimates indicate a slight decline in support, mainly brought about by the changes on Norway's CO₂ taxation on mineral oil adjusting to parity on the tax level on petrol, its used benchmark.

When calculating tax expenditures for petroleum, the Petroleum tax system is compared to a completely 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 Government of Norway, 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. 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, is reported as a tax expenditure. The CO₂ tax was extended to natural gas and LPG in 2010. Exemptions and reduced rates are reported as tax expenditures. In 2018, several exemptions and reduced rates were abolished. The following industrial processes and sectors are exempt from the CO₂ tax on LNG or natural gas: chemical reduction or electrolysis, metallurgical and mineralogical processes, greenhouse industry, fishing and hunting in waters. In addition there is a reduced rate for mineral oil used for fishing and hunting in eaters.

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 diesel tax.