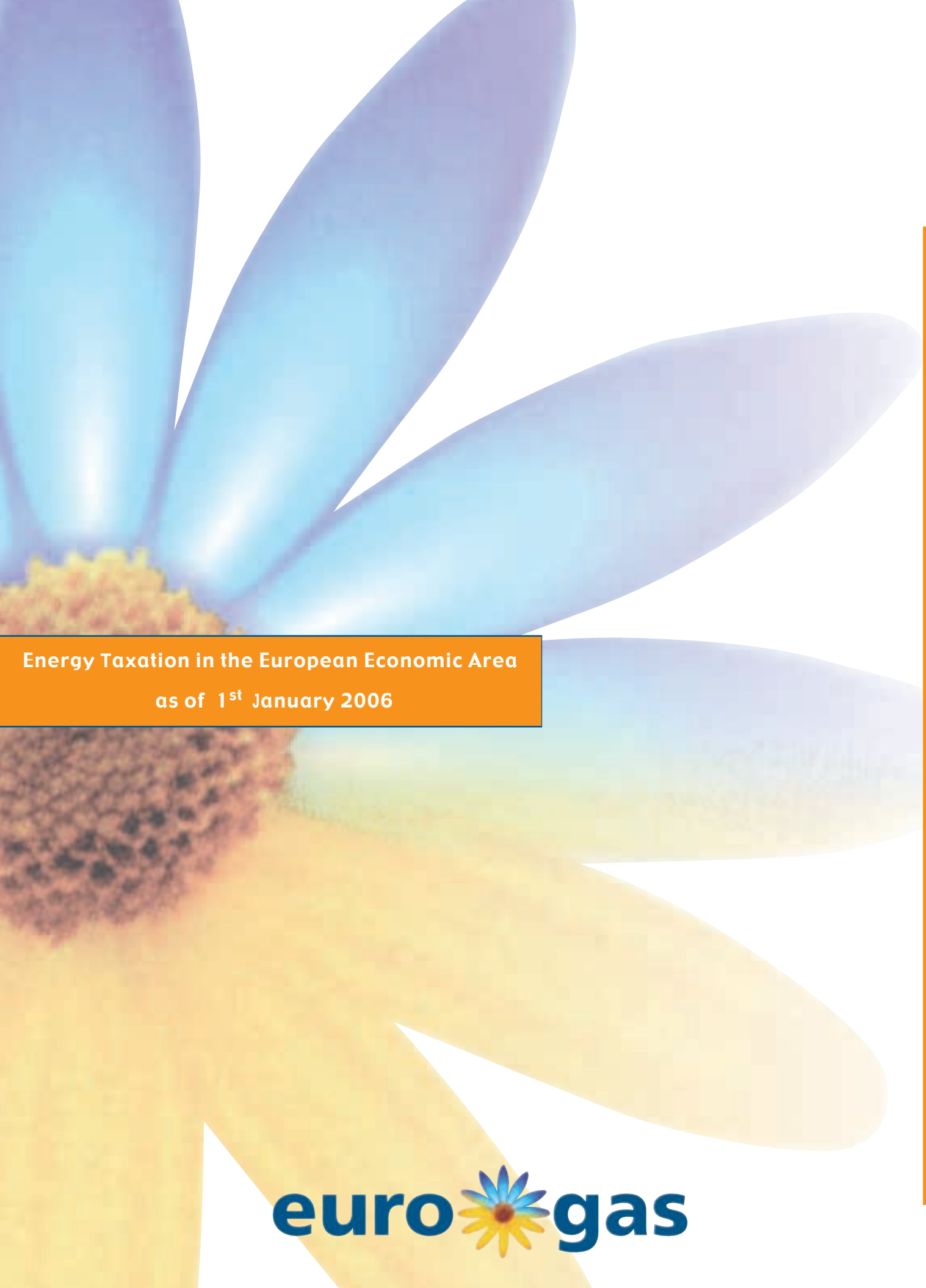
Energy Taxation in the European Economic Area

as of 1st January 2006



The European Union of the Natural Gas Industry

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INTRODUCTION

This report is issued each year with the intention of providing an up-to-date overview of the national energy taxation systems and the latest fiscal developments in energy in the European member countries of EUROGAS. It has been prepared by the EUROGAS Taxation Committee, based on the input of EUROGAS members.

The present report provides a factual description of national energy tax systems and taxes in the residential, commercial, industrial and power generating sectors as of 1 January 2006. It consists of two parts. The first part provides an overview and a comparison in tables and graphs of the aggregated factual data on energy taxes applied for the six most important sources of energy in the four main energy sectors in the EUROGAS member countries. The second part contains detailed descriptions of each of the individual national energy taxation systems.

All types of energy taxes (directly levied on the energy sold/consumed) are covered, regardless of their labels and professed objectives, except for taxes on motor fuels.

Due to the complexity of the energy fiscality, and limits to available up-to-date statistics, it is difficult to provide a fully detailed up-to-date picture of the fiscal situation of each country's energy sector. Therefore, the report contains some relevant information concerning the fiscality applied to undertakings in the different energy sectors, and having an impact on energy prices, such as levies in the form of royalties (charged to oil and gas exploration and production activities) or concession fees (charged to natural gas, electricity and district heat supply undertakings in some countries).

The following countries contributed to this report:

Austria	Hungary
Belgium	Italy
Czech Republic	Spain
Denmark	Sweden
Germany	Switzerland
Finland	Poland
France	The Netherlands
Greece	United Kingdom

COMMENT

In the European Union, the level of energy taxation greatly differs from one country to another. Behind this are differing national energy tax systems that have been devised according to each country's specific circumstances, such as the structural characteristics of natural gas final markets (per-capita consumption, infrastructures, etc.) and specific political choices, such as revenue raising, protection/promotion of national energy production (e.g. domestic coal), protection of the international competitiveness of industry (energy taxes applied in the residential sector are typically higher than energy taxes applied in the commercial and industrial sectors), environment and/or climate protection. Consequently, not only do the taxation levels on the different fuels differ, but so also does the relative tax treatment of competing fuels in every country's energy market.

Natural gas can be substituted by or replace at least one form of energy supply in every market sector. In practice, this creates strong inter-fuel competition, particularly in the industrial and power generation sectors. Thus, for natural gas suppliers, the relative taxation of natural gas against competing energies in the different outlet sectors matters almost more than the absolute level of taxation.

DEFINITIONS

- **VAT** (Value Added Tax) is the most general type of tax. VAT not only applies to energy but to most consumer goods. In principle, VAT applies in most countries to all consumer categories. In practice, however, VAT on energy is recoverable in all Eurogas member countries when used for commercial or industrial purposes. VAT is therefore mainly a tax on energy in the residential sector.

- **Excise Duty** is a general tax charged on energy consumption as such. In most countries (like Finland, Germany, Spain, The Netherlands and the UK) excise duties apply across all consumer categories. In other countries (like Belgium and France) some excise taxes are differentiated between different consumer categories, whereas industry, in some countries (like Denmark and Sweden), is exempt from excise taxes on energy.

- **Environmental Levies** are tax elements directly related to environmental aspects of energy consumption such as emissions of SO_2 or CO_2.

- **Other tax elements** include, often less significant fees or charges related to energy supply, storage, clean up etc. Examples of such charges are emergency stock fees, and oil pollution fees. In some cases, these fees are not being charged directly to the end-users but for example to oil suppliers as an extra cost element. In the end, however, these costs are borne by the consumers.

PART ONE: COMPARISON OF COUNTRY DATA AND FIGURES ON ENERGY TAXATION AS OF 1 JANUARY 2006

The present report is organised into two parts: the first part provides a comparison of the energy taxes in 15 EU countries and the second part describes the national tax systems of these countries. From a methodological point of view, a strict comparison between the different tax rates is not quite accurate, as numerous exceptions and country specifications in the political and environmental choices have to be taken into consideration. Notwithstanding this simplification, the report gives an indication of the countries' positioning amongst themselves and in comparison to the "minimum rates" proposed in the EU Directive.

The implementation of the EU minimum tax rates entered into force on 1 January 2004, as stipulated in Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity. The Directive widens the scope of the EU's minimum rate system for energy products, previously limited to mineral oils, to all energy products, including coal, natural gas and electricity. The objectives of the directive are twofold: economic and environmental. On the one hand, the legal text aims at reducing distortions of competition between Member States and energy products and on the other, it promotes energy efficiency and emission reductions.

EU Minimum energy tax rates (EURO/GJ)

Households		Industry	
Coal	0,30	Coal	0,15
Oil	0,58	Heavy Fuel Oil (HFO)	0,37
Natural gas	0,30	Light Fuel Oil (LFO)	0,58
Electricity	0,28	Natural gas	0,15
		Electricity	0,14

Source: DG TREN (Directive 2003/96/EC)

For a better understanding of the sector comparison, the inter-fuel differences amongst the countries have to be taken into account, considering that the countries' specific energy mix as well as taxation regimes are not amongst the EC competences.

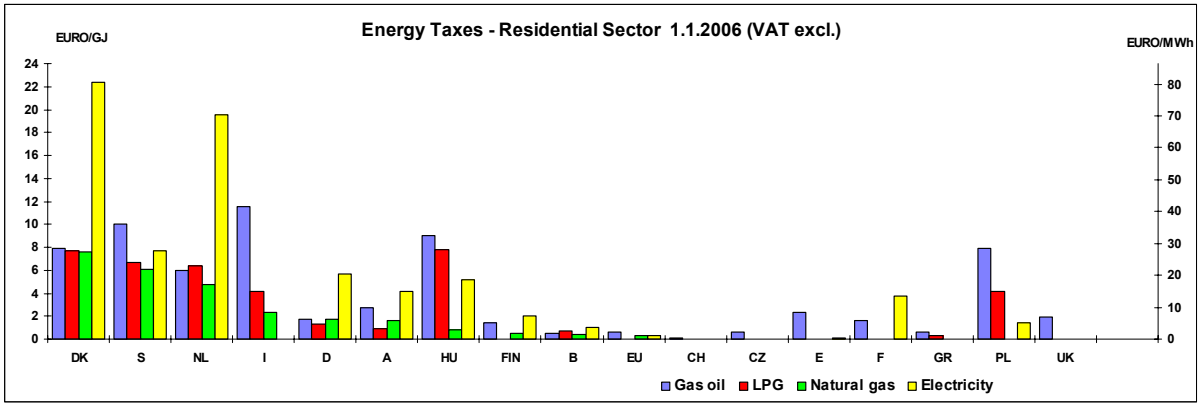
Share of the different fuels in the Final Energy Consumption (2004)

(%)	A	B	CH	CZ	D	DK	E	EL	F	FIN	HU	I	NL	PL	S	UK
Natural Gas	18,3	27,6	12,1	26,1	25,6	11	16,1	2,8	19,8	6,1	41,3	29,1	35,2	16,4	1,7	35,8
Oil	44,4	48,8	57	28	41,1	47,7	59	69,1	45,2	32,5	30,7	48,6	38,6	30,9	33,8	43,1
Solid Fossil Fuels	2,37	5,8	0	11,9	8	1,9	2,3	2,7	3,9	4,8	4,2	3,1	3,6	16,6	19,8	2,1
Electricity	18,8	16,7	23,1	17,2	19,8	18,1	19,1	20,3	22,5	26,3	14,3	17,7	14,3	18,8	32,4	18,7

The following presentation is articulated around three parts: the first one describes the differences in energy taxes according to the sectors. The second part puts the emphasis on the specific treatment of natural gas in the sector under consideration and the conclusions focus on the recent changes observed.

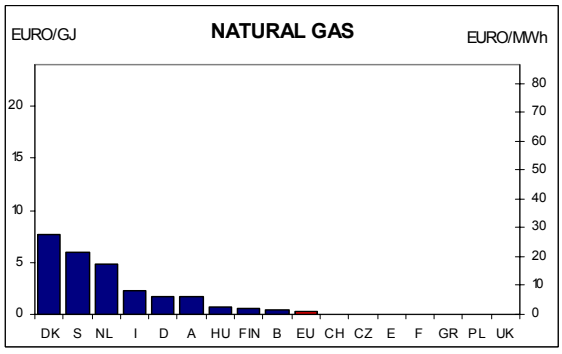
Residential sector

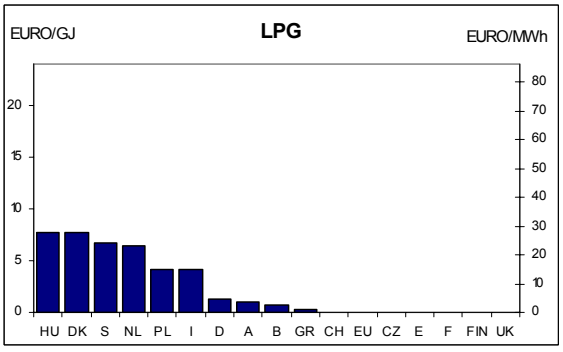
When looking at the energy consumption in the residential sector, the countries with the highest energy taxes are Denmark, Sweden, the Netherlands and Italy, whereas countries like Switzerland and the Czech Republic chose to raise low taxes.



In the residential sector, natural gas in the Czech Republic, Spain, France, Greece and UK is not taxed. In contrast, in Denmark, Sweden, Italy and the Netherlands the taxes on natural gas are high. In certain countries, such as Austria, Germany, Finland and Italy, natural gas is taxed even more heavily than LPG.

In the Netherlands, Sweden, Denmark and Belgium natural gas in the residential sector is treated more favourably than other fuels.





The latest changes in the residential sector are mainly observed in the Netherlands where overall taxation on fuels has increased. In France, and to a certain extent in Belgium, taxation on natural gas has increased[1]. Austria has raised its taxes on coal and Belgium on electricity. Finally, the Czech Republic has also increased its taxes on HFO and gasoil.

[1] In France the final price has not changed

RESIDENTIAL SECTOR

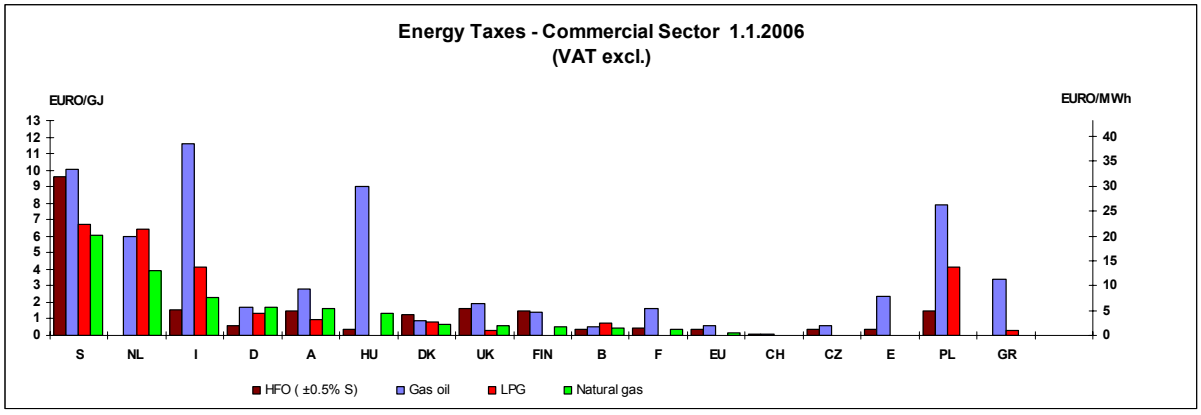
EURO/GJ (NCV)	A	B	CH	CZ	D	DK [DK1]	E	F	FIN	GR	HU	I [I9]	NL [NL2]	PL [P1]	S [S1]	UK
HFO (±0.5% S) [S1]	1,50	0,37	0,06	0,41	-	8,17	0,35	0,44	1,47	-	0,36	1,57	not rel.	1,48	9,59	1,59
HFO (≥1% S)	1,50	not rel.	0,06	0,41	-	not rel.	0,37	0,44		-	2,20 [HU1]	3,19	not rel	1,48	9,88 [S2]	1,59
Gas oil	2,78	0,51	0,06	0,65	1,72	7,93	2,33	1,59	1,41	6,87 [GR1] 0.59	8,98 [HU1]	[I5] 11,58	5,97 [NL1]	7,90 [P2]	10,04	1,90
LPG	0,94	0,72	0,03	no tax	1,31	7,74	no tax	no tax	no tax	0,28	7,77 [HU2]	[I5] 4,12 [I1] 0.41	6,39 [NL1]	4,16	6,71	no tax
Natural gas	1,65	0,42	0,03	no tax	1,69	7,60	no tax	no tax [F1]	0,53	no tax [GR2]	0,76	[I2] 1.30 [I6] 1.12 [I3] 2.28 [I7] 1.12 [I4] 5.02 [I8] 3.60	4,76 [NL1]	no tax	6,03	no tax
Coal	1,99	0,32	no tax	no tax	no tax	8,73	no tax	no tax	1,75	no tax	0,590	no tax	0,43	no tax	10,38	no tax
Electricity	4,17	1,06	no tax	no tax	5,69	22,40	0,14	[F2] 3,75 [F3] 1,39	[FIN1] 1,258 [FIN2] 2,064 [FIN3]	no tax	5,2	no tax	19,58 [NL1]	1,43 [P3]	7,71	no tax
non-recoverable VAT (%)	20,00	21,00 [B1]	7,60	19,00	16,00	25,00	16,00	19,60 [F4] 5.5	22,00	[GR3] 19.00 [GR4] 9.00	20,00	[I10] 10.00 [I12] 10.00 [I11] 20.00 [I13] 20.00	19,00	22,00	25,00	5,00

EURO/MWh (NCV)	A	B	CH	CZ	D	DK [DK1]	E	F	FIN	GR	HU	I [I9]	NL [NL2]	PL	S	UK
HFO (±0.5% S) [S1]	5,41	1,33	0,23	1,41	-	29,40	1,25	1,59	5,28	-	1,29	5,64	not rel.	5,32	34,51	5,73
HFO (≥1% S)	5,41	not rel.	0,23	1,46	-	not rel.	1,35	1,59	-	-	7,92 [HU1]	11,49	not rel.	5,32	35,58	5,73
Gas oil	10,00	1,83	0,23	2,32	6,21	28,50	8,40	5,73	5,08	24,73 [GR1] 2.12	52,25 [HU1]	[I5] 40,71	21,48 [NL1]	28,40 [P2]	36,14	6,83
LPG	3,39	2,57	0,12	no tax	4,73	27,90	no tax	no tax	no tax	1,02	27,97 [HU2]	[I5] 14,85 [I1] 1.49	23,00 [NL1]	14,98	24,14	no tax
Natural gas	5,94	1,52	0,11	no tax	6,09	27,40	no tax	no tax [F1]	1,90	0,00 [GR2]	2,74	[I2] 4.67 [I6] 4.03 [I3] 8.22 [I7] 4.03 [I4] 18.06 [I8] 12.95	17,14 [NL1]	no tax	21,72	no tax
Coal	7,16	1,14	no tax	no tax	no tax	31,40	no tax	no tax	6,30	no tax	2,120	no tax	1,54	no tax	38,97	no tax
Electricity	15,00	3,80	no tax	no tax	20,50	80,80	1,00	[F5] 13,5 [F6] 5	[FIN1] 4,51 [FIN2] 7,43 [FIN3]	no tax	18,7	no tax	70,50 [NL1]	5,17 [P3]	27,77	no tax
non-recoverable VAT (%)	20,00	21,00 [B1]	7,60	19,00	16,00	25,00	16,00	19,60 [F4] 5.5	22,00	[GR3] 19.00 [GR4] 9.00	20,00	[I10] 10.00 [I12] 10.00 [I11] 20.00 [I13] 20.00	19,00	22,00	25,00	5,00

[B1] VAT for coal 12%.
[DK1] Tax includes excise tax, CO2 tax and SO2 tax. SO2 tax is indicated for common commercial fuel qualities
[F1] District heating support a gas tax in amount of 1.19 Eur/MWh on the part of consumption over over 5 GWh
[F2] Maximum tax 2.50 Eur/GJ (local tax) + 1.25 Eur/GJ (CSPE)
[F3] Min tax 0.14 Eur/GJ (local tax) + 1.25 Eur/GJ (CSPE)
[F4] Subscription
[F5] Maximum tax 9.00 Eur/MWh (local tax) + 4.50 Eur/MWh (CSPE)
[F6] Min tax 0.50 Eur/MWh (local tax) + 4.50 Eur/MWh (CSPE)
[FIN1] Minimum Tax
[FIN2] Maximum Tax
[FIN3] Tax is paid by the owner of the electricity network or power producer who sells the electricity. Tax is not paid for wind power or very small power plants.
In CHP it is assumed that the heat is produced by 100% efficiency.
[GR1] During the heating period and for heating use only.
[GR2] Exemption by law up to 2013
[GR3] VAT: 19% for oil products
[GR4] VAT: 9% for natural gas and electricity
[HU1] The rate expressed is from 2003
[HU2] The rate concerns LPG used for automobile only
[I1] For industries using cilinders bigger than 10m3
[I2] For cooking and water heating - Northern and Central Regions
[I3] For cooking, water heating and individual heating up to 250 m³ - Northern and Central Regions
[I5] Considering LPG and gasoil taxation in the residential and commercial sectors there is a different regime in northern provinces and in the mountain areas.
[I4] For cooking, water heating and individual heating over 250 m³ and for all other uses - Northern and Central Regions
[I6] For cooking and water heating - Northern and Southern Regions
[I7] For cooking, water heating and individual heating up to 250 m³ - Southern Regions
[I8] For cooking, water heating and individual heating over 250 m³ and for all other uses - Southern Regions
[I9] Additional regional tax can vary between 0.15 and 0.9 EURO/GJ (0.54 and 3.23 Euro/MWh), but cannot exceed 50% of the level of the corresponding national excise
[I10] VAT for HFO and coal
[I11] VAT for gasoil and LPG
[I12] VAT for natural gas used for cooking and water heating
[I13] VAT for natural gas used for heating
[NL1] The given figures are not exact, but refer to a typical consumption level for this sector.
[NL2] All consumers with an electricity connection get a refund of Euro 197.00 per connection per year.
[P1] The conversion is made for analytical reason as in Poland's law the taxes are not indicated in GJ
[P2]The value corresponds to gasoil with Sulphur content between 0,001%-0,005%. For Sulphur content above 0,005% = 305,18 E/1000l and below 0,01% = 271,04 E/1000L
[P3] The tax for electricity is the Maximum
[S1] Tax rates have been upgraded with the inflation. Because the Crown is weaker, taxes in Euros are lower in 2006 than in 2005
[S2] HSFO with 0.8% S and LSFO with 0.4%

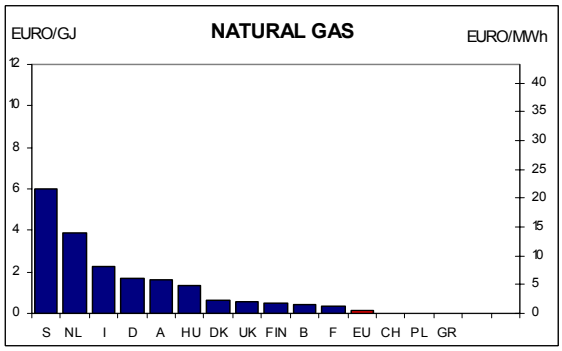
Commercial sector

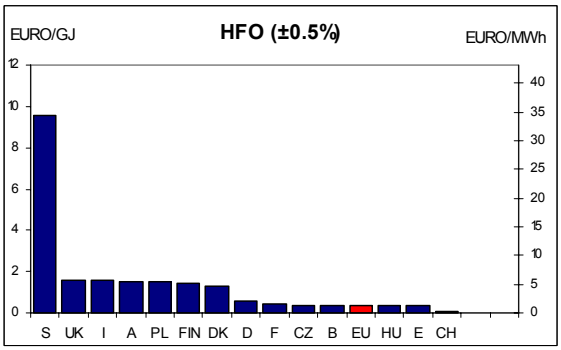
In the commercial sector, Sweden, the Netherlands, Italy and Poland are the most taxed countries, whereas Switzerland, Czech Republic, France, Belgium and UK register lower levels of taxation. In the Czech Republic and Spain both LPG and Natural gas are exempted from taxes.



Natural gas is not taxed in the Czech Republic, Spain and Greece. In contrast, it is the most taxed in Sweden, the Netherlands, Italy and Germany. In certain countries, like Germany, Belgium and Austria, natural gas is even more taxed than HFO.

In the commercial sector Italy strongly encourages the use of natural gas, via its low taxation. Denmark and Sweden also favour the use of natural gas in this sector.





The latest changes in the commercial sector concern the Netherlands, where the taxes on electricity and natural gas have increased respectively by 30%[1] and 21%[2].

[1] The increase concerns areas between 10 000 and 50 000 kWh

[2] The increase concerns areas between 5 000 and 170 000 m³

COMMERCIAL SECTOR

EURO/GJ (NCV)	A	B	CH	CZ	D	DK [DK1]	E	F	FIN	GR	HU	I [I9]	NL [NL2]	PL [P1]	S [S1]	UK
HFO (±0.5% S) [S1]	1,50	0,37	0,06	0,38	0,61	1,28	0,35	0,44	1,47		0,36	1,57	not rel.	1,48	9,59	1,59
HFO (≥1% S)	1,50	-	0,06	0,39	0,61	-	0,37	0,44	-		2,20 [HU1]	3,19	not rel	1,48	9,88 [S2]	1,59
Gas oil	2,78	0,51	0,06	0,62	1,72	0,92	2,33	1,59	1,41	3,36 [GR1] 0.59	8,98 [HU1]	[I5] 11,58	5,97 [NL1]	7,90 [P2]	10,04	1,90
LPG	0,94	0,72	0,03	no tax	1,31	0,79	no tax	no tax	no tax	0,28	no tax	[I5] 4,12 [I1] 0.41	6,39 [NL1]	4,16	6,71	0,27
Natural gas	1,65	0,41	0,03	no tax	1,69	0,67	no tax	0,37 [F4]	0,53	0,00 [GR2]	1,36 [HU2]	[I2] 1.30 [I6] 1.12 [I3] 2.28 [I7] 1.12 [I4] 5.02 [I8] 3.60	3,91 [NL1]	no tax	6,03	0,60
Coal	1,99	0,32	no tax	no tax	no tax	1,75	no tax	no tax	1,75	no tax	no tax	no tax	0,43	no tax	10,83	0,60
Electricity	4,17	0,48	no tax	no tax	5,69	3,40	0,14	[F2] 3,75 [F3] 1,39 [F7]	2,06 [FIN1]	no tax	5,3 [HU3]	no tax	9,53 [NL1]	1,43 [P3]	7,71	1,73
non-recoverable VAT (%)	0,00	0,00	0,00	0,00	0,00	25,00	0,00	0,00	0,00	0,00	20,00	[I10] 10.00 [I12] 10.00 [I11] 20.00 [I13] 20.00	0,00	22,00	25,00	0,00

EURO/MWh (NCV)	A	B	CH	CZ	D	DK [DK1]	E	F	FIN	GR	HU	I [I9]	NL [NL2]	PL [P1]	S	UK
HFO (±0.5% S) [S1]	5,41	1,33	0,23	1,36	2,19	4,60	1,25	1,59	5,28	-	1,29	5,64	not rel.	5,32	34,51	5,73
HFO (≥1% S)	5,41	-	0,23	1,40	2,19	-	1,35	1,59	-	-	7,92 [HU1]	11,49	not rel.	5,32	35,58	5,73
Gas oil	10,00	1,83	0,23	2,22	6,21	3,30	8,40	5,73	5,08	12,11 [GR1] 2.12	52,25 [HU1]	[I5] 40,71	21,48 [NL1]	28,40 [P2]	36,14	6,83
LPG	3,39	2,57	0,12	no tax	4,73	2,80	no tax	no tax	no tax	1,02	no tax	[I5] 14,85 [I1] 1.49	23,00 [NL1]	14,98	24,14	0,99
Natural gas	5,94	1,48	0,11	no tax	6,09	2,40	no tax	1,32 [F4]	1,90	0,00 [GR2]	4,90 [HU2]	[I2] 4.67 [I6] 4.03 [I3] 8.22 [I7] 4.03 [I4] 18.06 [I8] 12.95	14,08 [NL1]	no tax	21,72	2,15
Coal	7,16	1,14	no tax	no tax	no tax	6,30	no tax	no tax	6,30	no tax	no tax	-	1,54	no tax	38,97	2,15
Electricity	15,00	1,73	no tax	no tax	20,50	12,10	1,00	[F5] 13,5 [F6] 5 [F7]	7,43 [FIN1]	no tax	19,1 [HU3]	-	34,30 [NL1]	5,17 [P3]	27,77	6,26
non-recoverable VAT (%)	0,00	0,00	0,00	0,00	0,00	25,00	0,00	0,00	0,00	0,00	20,00	[I10] 10.00 [I12] 10.00 [I11] 20.00 [I13] 20.00	0,00	22,00	25,00	0,00

[DK1] Tax includes CO_2 tax and SO2 tax. SO2 tax is indicated for common commercial fuel qualities
[F1] Maximum tax 2.50 Eur/GJ (local tax) + 1.25 Eur/GJ (CSPE)
[F2] Min tax 0.14 Eur/GJ (local tax) + 1.25 Eur/GJ (CSPE)
[F4] Commercial uses support a gas tax (TICGN) on the part of their consumption over 5 GWh (rate 1.19 Eur/MWh)
[F5] Maximum tax 9.00 Eur/MWh (local tax) + 4.50 Eur/MWh (CSPE)
[F6] Min tax 0.50 Eur/MWh (local tax) + 4.50 Eur/MWh (CSPE)
[F7] Consumers above 250 kVa of power are exempted from local tax
[FIN1] Tax is paid by the owner of the electricity network or power producer who sells the electricity. Tax is not paid for wind power or very small power plants.
In CHP it is assumed that the heat is produced by 100% efficiency.
[GR1] During the heating period and for heating use only.
[GR2] Exemption by law up to 2013
[HU1] VAT + Excise duty and indirect tax
[HU2] VAT 15% + Energy tax: 0,2216 Euro/GJ
[HU3] VAT 20% + Energy tax: 0,736 Euro/Mwh
[I1] For industries using cilinders bigger than 10m3
[I2] For cooking and water heating - Northern and Central Regions
[I3] For cooking, water heating and individual heating up to 250 m³ - Northern and Central Regions
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[I9] Additional regional tax can vary between 0.15 and 0.9 EURO/GJ (0.54 and 3.23 Euro/MWh), but cannot exceed 50% of the level of the corresponding national excise
[I10] VAT for HFO and coal
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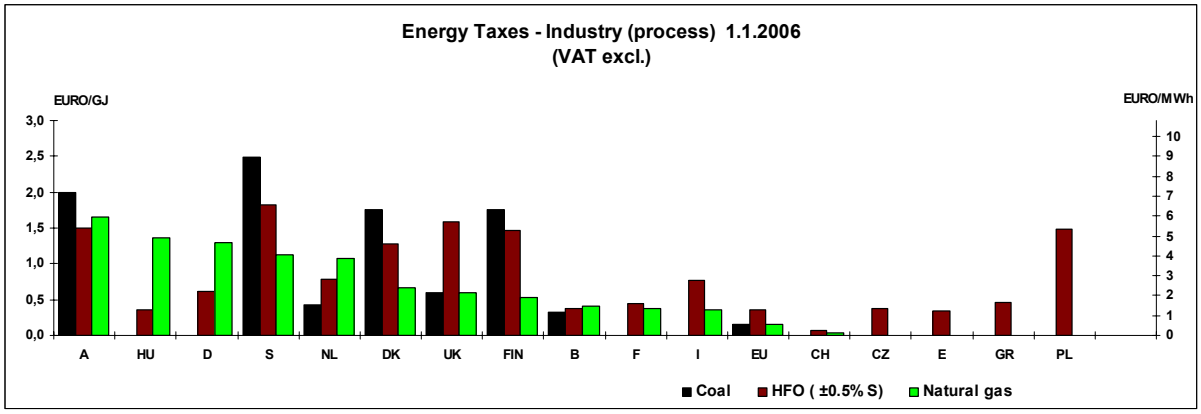
[I13] VAT for natural gas used for heating
[NL1] The given figures are not exact, but refer to a typical consumption level for this sector.
[NL2] All consumers with an electricity connection get a refund of Euro 194.00 per connection per year.
The first 800 m3 or 800 kWh invoiced in 2001.
[P1] The conversion is made for analytical reason as in Poland's law the taxes are not indicated in GJ
[P2]The value corresponds to gasoil with Sulphur content between 0,001%-0,005%. For Sulphur content above 0,005% = 305,18 E/1000l and below 0,01% = 271,04 E/1000L
[P3] The tax for electricity is the Maximum
[S1] Tax rates have been upgraded with the inflation. Because the Crown is weaker, taxes in Euros are lower in 2006 than in 2005
[S2] HSFO with 0.8% S and LSFO with 0.4%

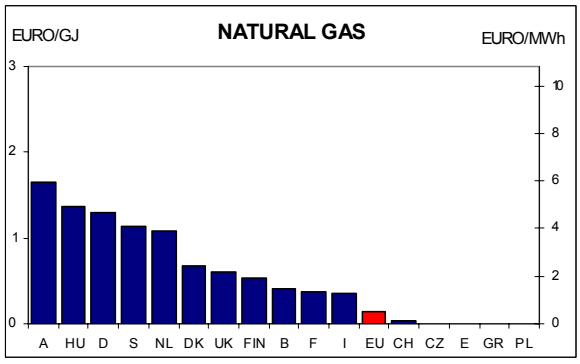
Industrial sector

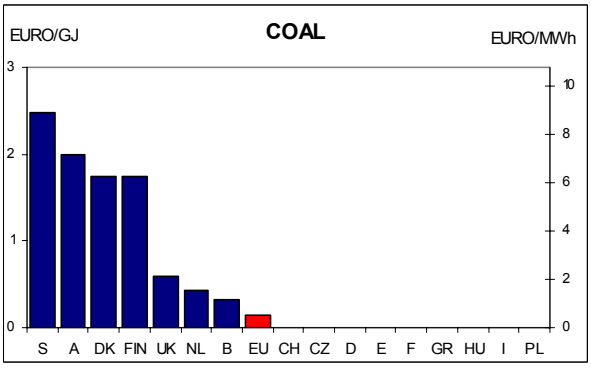
In the industrial sector Sweden, Austria, Finland and Denmark register high energy taxes, whereas Switzerland and Belgium have relatively low taxes.



In the industrial sector, natural gas is not taxed in the Czech Republic, Spain and Greece. Austria has the highest tax on natural gas, followed by Germany, Sweden and the Netherlands. In this sector, the fuels are treated differently. In Belgium, Germany and the Netherlands, natural gas is more taxed than HFO and coal despite its environmental advantage. Also, numerous countries see their industrial sector exempted from coal taxation. Coal is thus "normally" taxed in Austria, Denmark, Finland and Sweden and slightly taxed in Belgium, the Netherlands and the UK.

In the industrial sector, only Denmark, Finland and Sweden favour the use of natural gas.





The latest evolutions in the industrial sector relate to the Dutch taxation, as the taxes on coal have increased by 0,9%, and those on natural gas by 9%[3].

3 The increase concerns areas between 170 000 and 1 000 000 m³

INDUSTRIAL SECTOR

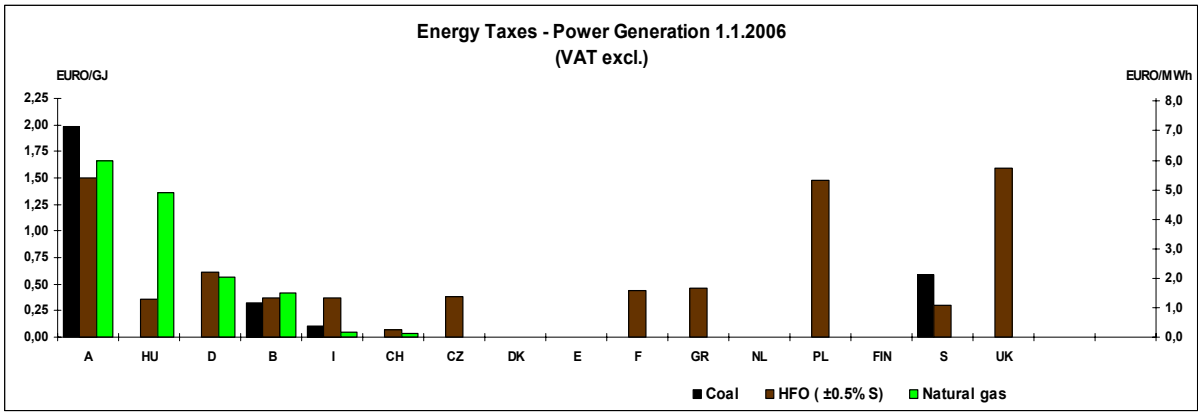
EURO/GJ (NCV)	A	B	CH	CZ	D	DK [DK1]	E	F	FIN	GR	HU	I	NL [NL2]	PL [P1]	S	UK
HFO (±0.5% S) [S1]	1,50	0,37	0,06	0,38	0,61	1,28	0,35	0,44	1,47	0,46	0,36	0,77	0,7843	1,48	1,82	1,59
HFO (≥1% S)	1,50	-	0,06	0,39	0,61	-	0,37	0,44	-	[GR3] 0.48	2,20 [HU1]	1,59	not rel	1,48	2,12	1,59
Gas oil	2,78	0,51	0,06	0,62	1,49	0,92	2,33	1,59	1,41	3,36 [GR1] 0.59	8,98 [HU1]	[I5] 11,31	1,8705 [NL1]	7,90 [P2]	1,64	1,90
LPG	0,94	0,72	0,03	no tax	1,01	0,79	no tax	no tax	no tax	0,01	no tax	[I5] 4,12 [I1] 0.41	2,6048 [NL1]	4,16	1,34	0,27
Natural gas	1,65	0,41	0,03	no tax	1,29	0,67	no tax	0,37 [F4]	0,53	0,0 [GR2]	1,36 [HU2]	[I2] 0.36 [I3] 0.22	1,0742 [NL1]	no tax	1,13	0,60
Coal	1,99	0,32	no tax	no tax	no tax	1,75	no tax	no tax	1,75	no tax	no tax	-	0,4285	no tax	2,48	0,60
Electricity	4,17	0,48	no tax	no tax	2,83	3,40	0,14	[F1] 3,75 [F2] 1,39 [F3]	1,26	no tax	5,3 [HU3]	-	2,6111 [NL1]	1,43 [P3]	0,15	1,73
non-recoverable VAT (%)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	[I7] 0.00	0,00	0,00	0,00	0,00

EURO/MWh (NCV)	A	B	CH	CZ	D	DK [DK1]	E	F	FIN	GR	HU	I	NL [NL2]	PL [P1]	S	UK
HFO (±0.5% S) [S1]	5,41	1,33	0,23	1,36	2,19	4,60	1,253	1,59	5,28	1,66	1,290	2,75	2,82	5,32	6,55	5,73
HFO (≥1% S)	5,41	-	0,23	1,4	2,19	-	1,346	1,59	-	[GR3] 1.71	7,920 [HU1]	5,71	not rel.	5,32	7,63	5,73
Gas oil	10,00	1,83	0,23	2,22	5,38	3,30	8,401	5,73	5,08	12,11 [GR1] 2.12	32,33 [HU1]	[I5] 40,71	6,73 [NL1]	28,40 [P2]	5,92	6,83
LPG	3,39	2,57	0,12	no tax	3,63	2,80	no tax	no tax	no tax	0,02	no tax	[I5] 14,85 [I1] 1.49	9,38 [NL1]	14,98	4,82	0,99
Natural gas	5,94	1,48	0,11	no tax	4,65	2,4	no tax	1,32 [F4]	1,90	0,00 [GR2]	4,90 [HU2]	[I4] 1.30 [I6] 0.78	3,87 [NL1]	no tax	4,07	2,15
Coal	7,16	1,14	no tax	no tax	no tax	6,30	no tax	no tax	6,30	no tax	no tax	-	1,54	no tax	8,93	2,15
Electricity	15,00	1,73	no tax	no tax	10,20	12,1	1,00	[F5] 13,5 [F6] 5 [F3]	4,53 [FIN1]	no tax	19,1 [HU3]	-	9,40 [NL1]	5,17 [P3]	0,53	6,26
non-recoverable VAT (%)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	[I7] 0.00	0,00	0,00	0,00	0,00

[DK1] Tax includes CO_2 tax and SO2 tax. SO2 tax is indicated for common commercial fuel qualities
[F1] Maximum tax 2.50 Eur/GJ (local tax) + 1.25 Eur/GJ (CSPE)
[F2] Min tax 0.14 Eur/GJ (local tax) + 1.25 Eur/GJ (CSPE)
[F3] Consumers above 250 kVa of power are exempted from local tax
[F4] Industrial uses support a gas tax (TICGN) on the part of their consumption over 5 GWh (rate 1.19 Eur/MWh)
[F5] Maximum tax 9.00 Eur/MWh (local tax) + 4.50 Eur/MWh (CSPE)
[F6] Min tax 0.50 Eur/MWh (local tax) + 4.50 Eur/MWh (CSPE)
[FIN1] Tax is paid by the owner of the electricity network or power producer who sells the electricity. Tax is not paid for wind power or very small power plants. In CHP it is assumed that the heat is produced by 100% efficiency.
[GR1] During the heating period and for heating use only.
[GR2] Exemption by law up to 2013
[GR3] Usage prohibited in the Athens region
[HU1] VAT + Excise duty and indirect tax
[HU2] VAT 15% + Energy tax: 0,2216 Euro/GJ
[HU3] VAT 20% + Energy tax: 0,736 Euro/Mwh
[I4] Additional regional tax 0.54 - 0.65 Euro/MWh
[I5] Considering LPG and gasoil taxation in the residential and commercial sectors there is a different regime in northern provinces and in the mountain areas.
[I6] For users consuming over 1,200,000 m³, additional regional tax 0.54 Euro/MWh
[I7] For all fuels, VAT is recoverable for industrial uses, otherwise VAT for gas 10% and other VAT rates see residential sector data
[NL1] The given figures are not exact, but refer to a typical consumption level for this sector.
[NL2] All consumers with an electricity connection get a refund of Euro 197.00 per connection per year.
[P1] The conversion is made for analytical reason as in Poland's law the taxes are not indicated in GJ
[P2]The value corresponds to gasoil with Sulphur content between 0,001%-0,005%. For Sulphur content above 0,005% = 305,18 E/1000l and below 0,01% = 271,04 E/1000L
[P3] The tax for electricity is the Maximum
[S1] HSFO with 0.8% S and LSFO with 0.4%

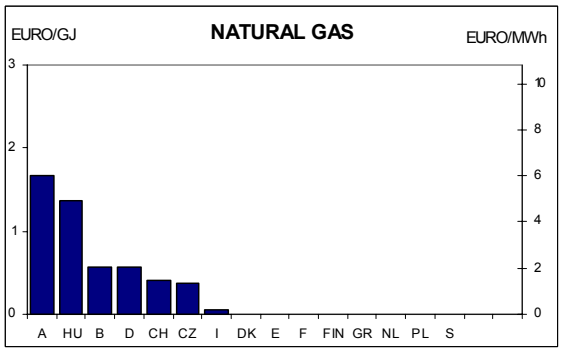
Power Sector

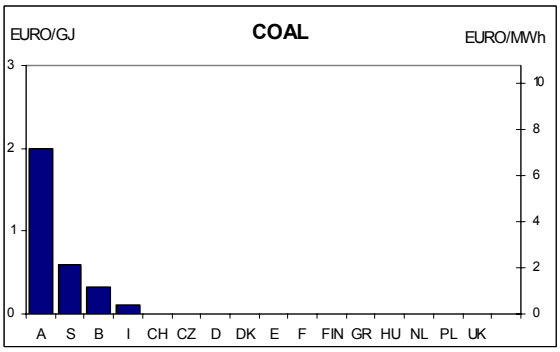
In the power sector, Austria is leading in terms of its level of taxation. Denmark, Spain, Finland and the Netherlands are exempted from taxation in the power sector.



In the power sector, natural gas is disadvantaged as compared to other fuels. In few countries, like Austria, Sweden, Belgium and Italy, coal is taxed. Natural gas is taxed in Austria, Germany, Belgium, Sweden and Italy. The highest levels of taxation on Natural gas are in Austria, Germany and Belgium. Despite its environmental advantage natural gas is taxed in Switzerland and Germany, whereas coal is not. In Belgium, natural gas is more taxed than coal and HFO.

In the power sector, Sweden and Italy favour the use of natural gas.





The latest developments in the power sector taxation are observed in France, where the tax on natural gas used for power generation was suppressed.

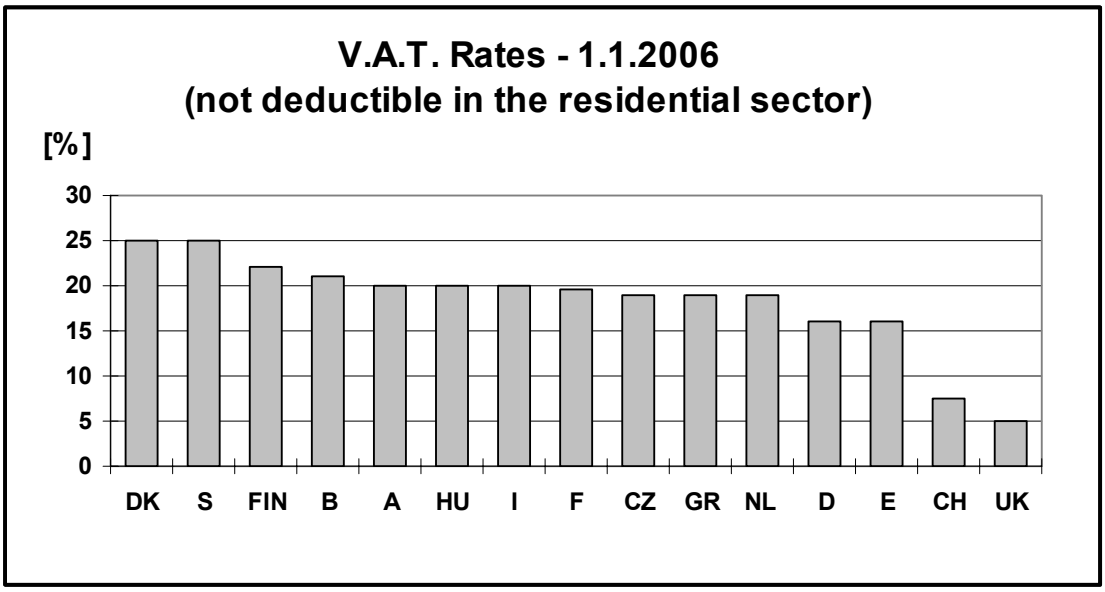
POWER GENERATION

EURO/GJ (NCV)	A	B	CH	CZ	D	DK	E	F	FIN	GR	HU	I	NL	PL	S	UK
												[I1]		[P1]	[S1]	
HFO (±0.5% S) [S2]	1,50 [A1] [A2]	0,37	0,06	0,38	0,61	no tax	no tax	0,44	no tax	0,46	0,36	0,37	no tax	1,48	0,30	1,59
HFO (≥1% S)	1,50	-	0,06	0,39	0,61	no tax	no tax	0,44	no tax	[GR4] 0.48	2,20 [HU1]	0,38	not rel	1,48	0,60	1,59
Gas oil	2,78 [A1] [A3]	0,51	0,06	0,62	no tax	no tax	no tax	1,59	no tax	3,36	8,98 [HU1]	0,36	not rel	7,90 [P2]	no tax	1,90
LPG	0,94 [A1] [A4]	0,72	0,03	no tax	no tax	no tax	no tax	no tax	no tax	0,01	no tax	0,01	not rel	4,16	no tax	no tax
Natural gas	1,66 [A5]	0,41	0,03	no tax	0,57 [D1]	no tax	no tax	no tax	no tax	no tax [GR2]	1,36 [HU2]	0,05 (I2) 0,004	no tax	no tax	no tax	no tax
Coal	1,99 [A1]	0,32	no tax	no tax	no tax	no tax	no tax	no tax	no tax	no tax	no tax	0,10	no tax	no tax	0,59	no tax
non-recoverable VAT (%)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

EURO/MWh (NCV)	A	B	CH	CZ	D	DK	E	F	FIN	GR	HU	I	NL	PL	S	UK
												[I1]		[P1]	[S1]	
HFO (±0.5% S) [S2]	5,41 [A1] [A2]	1,33	0,23	1,36	2,19	no tax	no tax	1,59	no tax	1,66	1,290	1,35	no tax	5,32	1,07	5,73
HFO (≥1% S)	5,41	-	0,23	1,4	2,19	no tax	no tax	1,59	no tax	[GR4] 1.71	7,920 [HU1]	1,37	not rel.	5,32	2,15	5,73
Gas oil	10,00 [A1] [A3]	1,83	0,23	2,22	-	no tax	no tax	5,73	no tax	12,11	32,33 [HU1]	1,28	not rel.	28,40 [P2]	no tax	6,83
LPG	3,39 [A1] [A4]	2,57	0,12	no tax	-	no tax	no tax	no tax	no tax	0,02	no tax	0,036	not rel.	14,98	no tax	no tax
Natural gas	5,96 [A5]	1,48	0,11	no tax	2,04 [D1]	no tax	no tax	no tax	no tax	0,00 [GR2]	4,90 [HU2]	0,18 (I2)0,0114	no tax	no tax	no tax	no tax
Coal	7,04 [A1]	1,14	no tax	no tax	-	no tax	no tax	no tax	no tax	no tax	no tax	0,36	no tax	no tax	2,13	no tax
non-recoverable VAT (%)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,0	0,00	0,00	0,00	0,00	0,00

[A1] tax exemption concerning energy input for electricity generation
[A2] for CHP reduced tax: 0.36 EUR/GJ=1.31 €/MWh
[A3] effective tax after refund on input-energy as to CHP plants producing electricity and heat
[A4] reduced tax for CHP: 0.32 EUR/GJ=1.14 EUR/GJ
[A5] complete tax refund for natural gas used in power generation
[D1] no taxation of fuel input to CHP plants with an annual utilisation rate of 70% or more and gas-steam power plants with an electric efficiency of at least 57.5%
[GR2] Exemption by law up to 2013
[GR4] Usage prohibited in the Athens region
[HU1] VAT + Excise duty and indirect tax
[HU2] VAT 15% + Energy tax: 0,2216 Euro/GJ
[HU3] VAT 20% + Energy tax: 0,736 Euro/Mwh
[I6] applied to fuels used by public utilities and by electricity producers that sell electricity to public utilities.
[P1] The conversion is made for analytical reason as in Poland's law the taxes are not indicated in GJ
[P2]The value corresponds to gasoil with Sulphur content between 0,001%-0,005%. For Sulphur content above 0,005% = 305,18 E/1000l and below 0,01% = 271,04 E/1000L
[S1] 5% of the fuel for electricity from considering power and 1.5% of the fuel for electricity from CHP production is defined as auxiliary fuel and taxed at normal level
[S2] HSFO with 0.8% S and LSFO with 0.4%

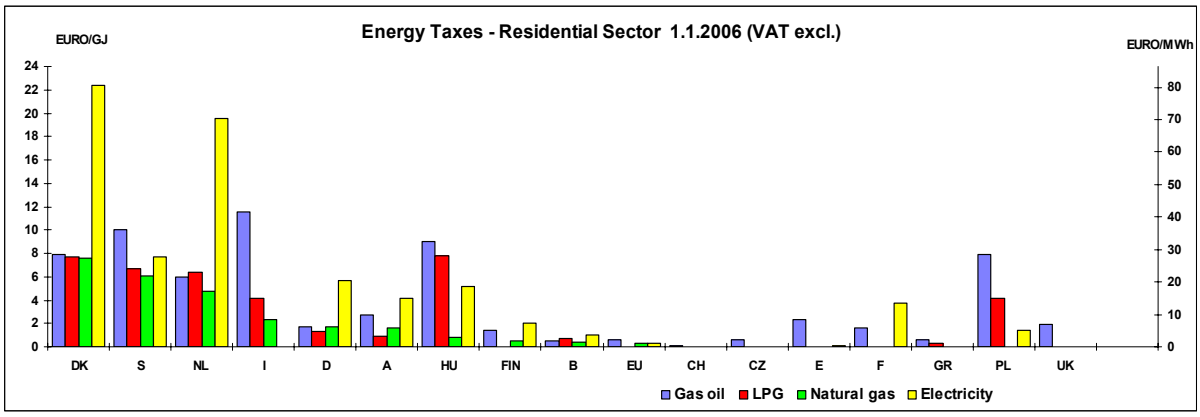
VAT Rates

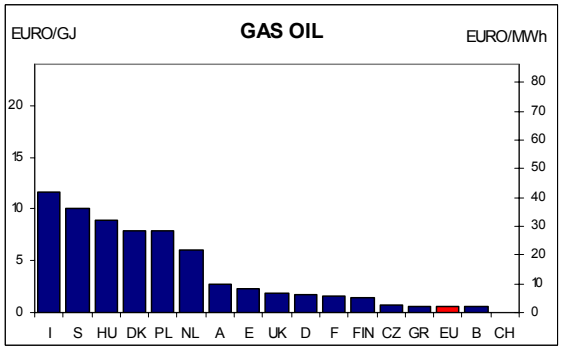


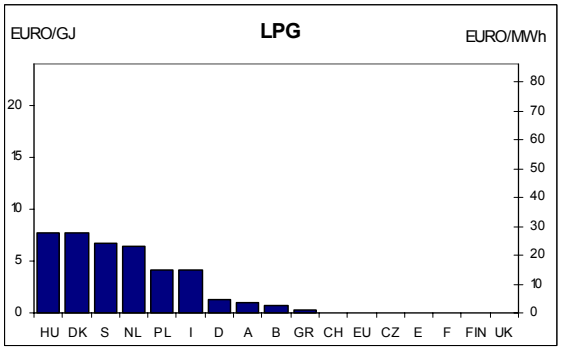
GR: 9% for natural gas and electricity

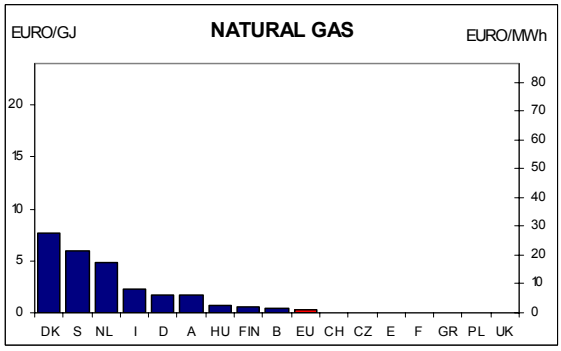
I: Natural Gas for cooking and water heating is only 10%

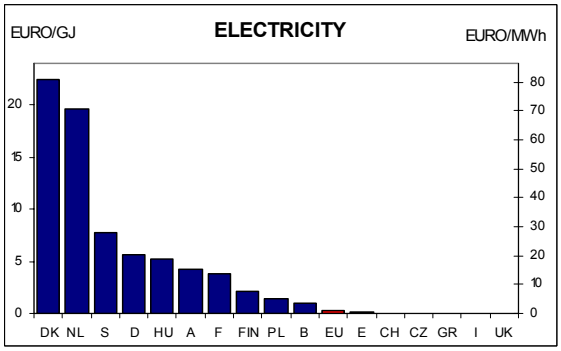
RESIDENTIAL SECTOR





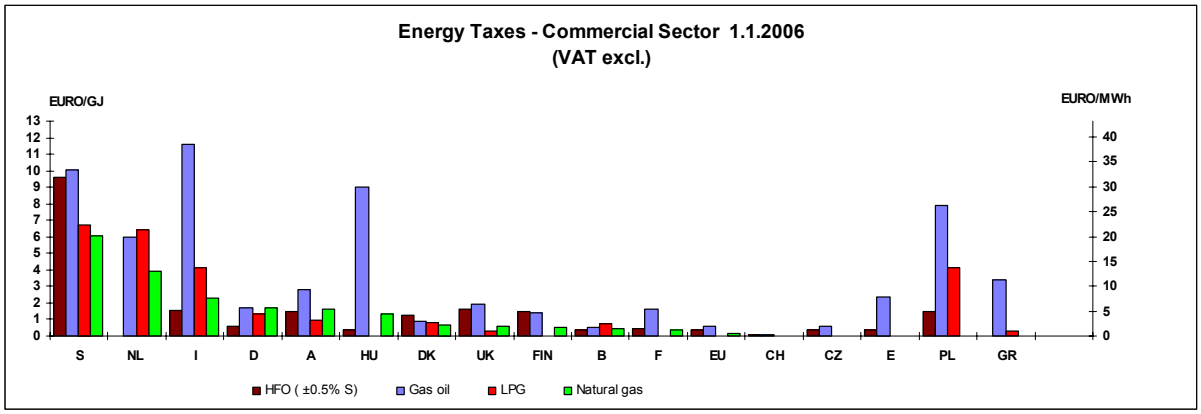


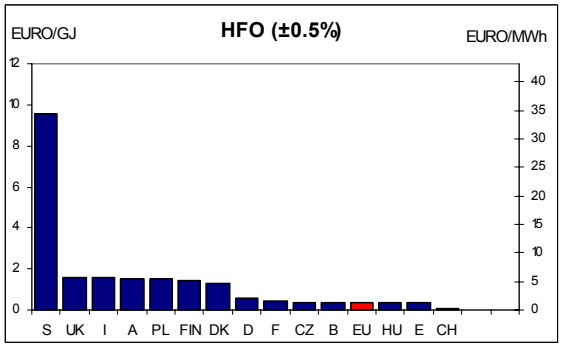


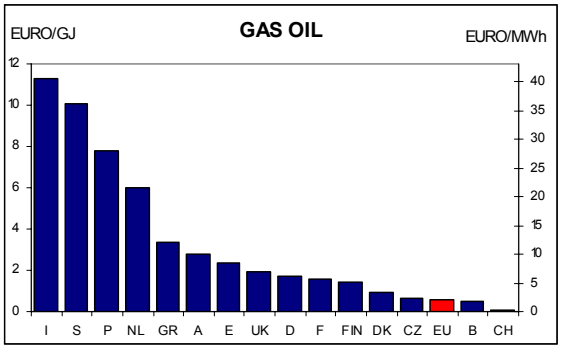


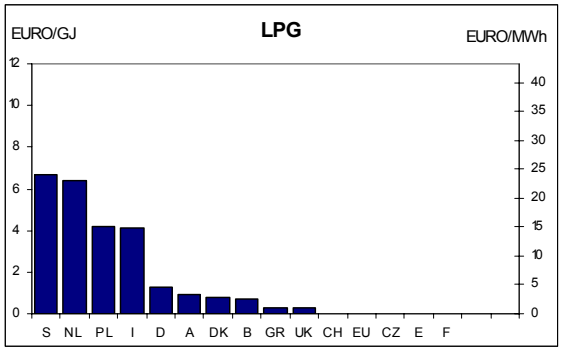
[EU] The values shown for EU are the minimum levels proposed by the European Commission

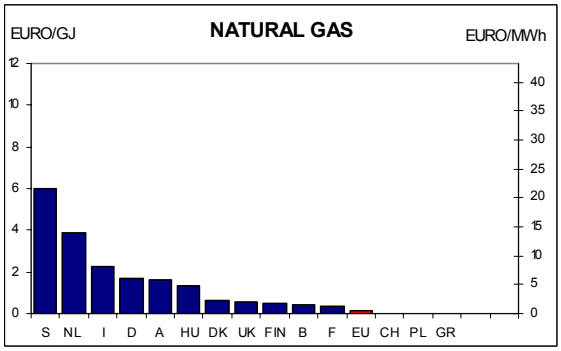
COMMERCIAL SECTOR





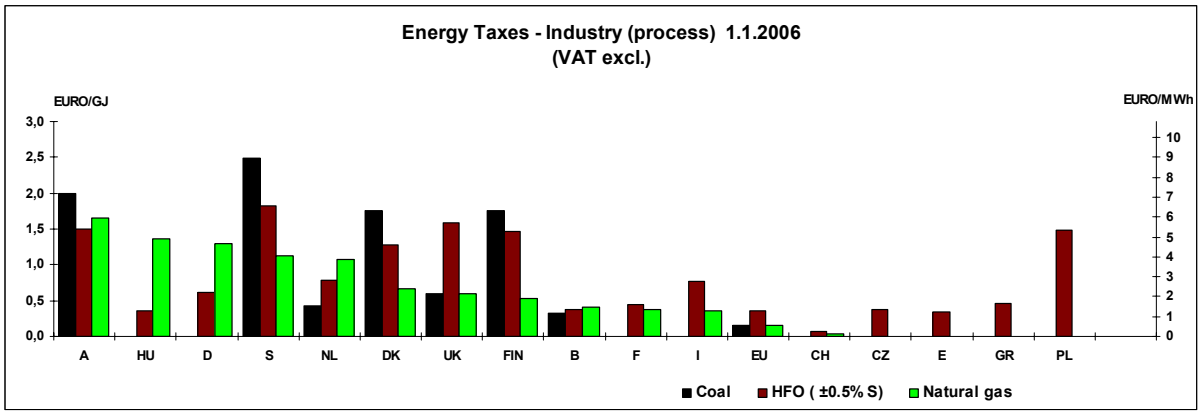


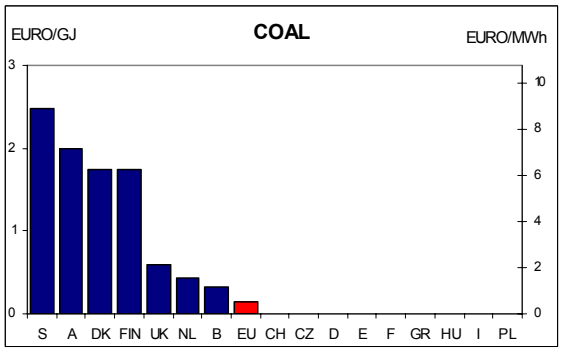


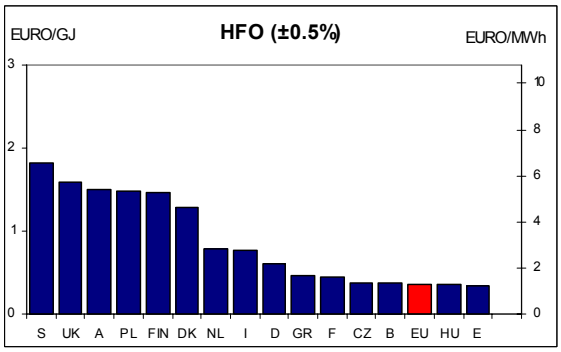


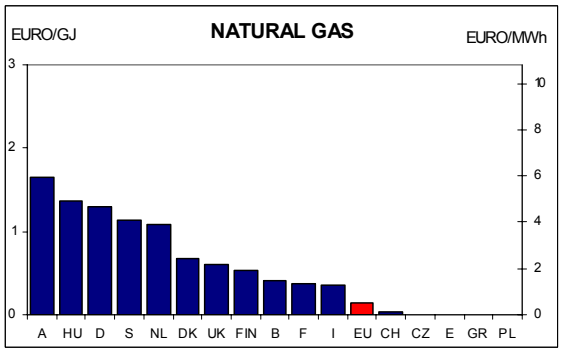
[EU] The values shown for EU are the minimum levels proposed by the European Commission

INDUSTRY SECTOR



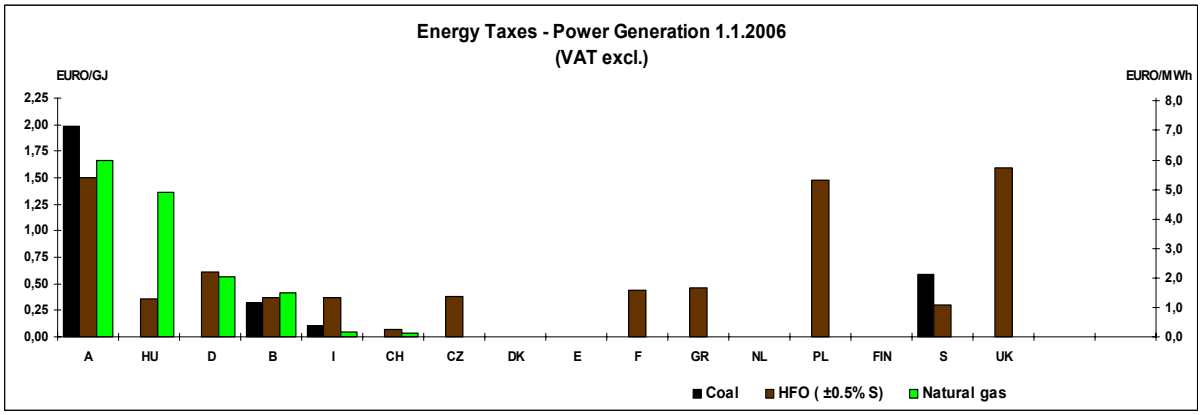


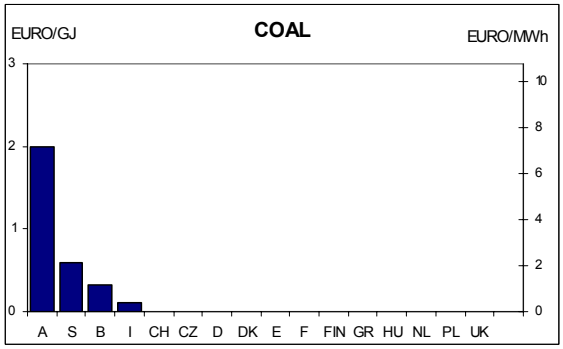


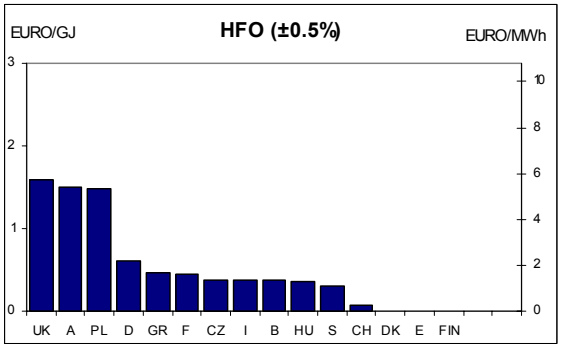


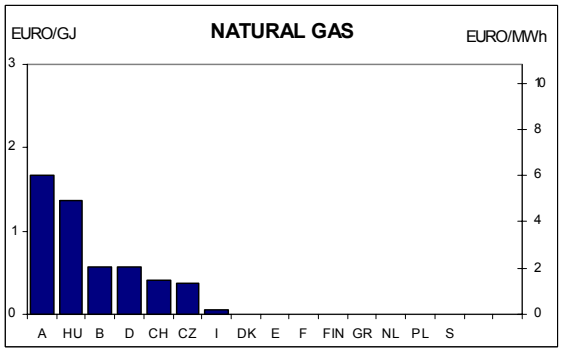
[EU] The values shown for EU are the minimum levels proposed by the European Commission

POWER SECTOR









[EU] The values shown for EU are the minimum levels proposed by the European Commission

PART TWO: DESCRIPTION OF NATIONAL ENERGY TAXATION SYSTEMS IN EUROGAS MEMBER COUNTRIES AS OF 1 JANUARY 2006

AUSTRIA

1) Tax regime specifications

1.1) Are there different energy taxes for different end-use sectors (e.g. households, district heating, industry (heating, processes), power generation, cogenerations)?

Not in general. However, with respect to the Consumption tax, there is a refund system for entrepreneurs: The actual tax refund system became effective as of 1 January 2004 and is applicable for producing companies as well as for service companies. Whenever the amount of the taxes on energy consumption exceeds 0.5% of the so called net production value "Nettoproduktionswert" (defined by turnover minus input costs), this percentage effectively represents a tax ceiling on energy sources. In addition, coal tax and mineral oil tax have been incorporated into the tax refund system and minimum levels of energy taxes have been established from 1 January 2004 on, in order to comply with the guidelines contained in the Electricity Directive. These minimum levels of energy taxes are:

	unit		Unit	
HFO	0,3754	EUR/GJ	1,3514	EUR/MWh
Gas Oil	0,5952	EUR/GJ	2,1429	EUR/MWh
LPG	0,1640	EUR/GJ	0,5906	EUR/MWh
Natural Gas	0,1495	EUR/GJ	0,5383	EUR/MWh
Coal	0,1500	EUR/GJ	0,5400	EUR/MWh
Electricity	0,1389	EUR/GJ	0,5000	EUR/MWh

Due to the general output-taxation system there is an input tax exemption for HFO, natural gas and coal as far as electricity production is concerned. For the input of gas oil there is a partial tax-refund in case of electricity production and co-generation of electricity and heat.

1.2) Breakdown of total energy taxes on the different tax elements (e.g. general excise duty, environmental levy, storage taxes).

All taxes are a lump sum without specified elements, especially when there is no environmental background.

1.3) Description of the fiscality applied on undertakings in energy sectors having an impact on energy prices, such as royalties and concession fees.

In Vienna City, and also in Lower Austria beginning on 1 January 2006, a duty for the usage of public land is charged by the municipality to the local electricity utility; in economic terms this levy is similar and comparable to a concession fee. The tax-rate for the City of Vienna is 6 % on electricity revenues in the municipal territory. The tax-rate for Lower Austria amounts to € 25.40 per 100 meters of grid on public land.

2) Description of legal framework of tax regime

2.1) Which changes in the energy tax system have taken place since 1 January 1995 and for which stated reasons?

On 1 June 1996 the electricity and natural gas taxation system was introduced and has been, in general, maintained since then. With effect from 1 June 2000 the tax-rate for electricity was more than doubled, whereas the tax-rate for natural gas was maintained.
On 1 January 2004 the tax rate for natural gas was more than doubled (from 0.0436 €/m³ to 0.066 €/m³). The tax rate for electricity was maintained and amounts to 0.015 €/kWh.
Furthermore, the process of tax-collection was changed due to the liberalisation of the energy markets. It is now effected by the grid operators. This means that the electricity tax as well as the natural gas tax is paid by the consumers but levied and administrated by the respective grid company by way of a separate item on the electricity or gas bill.

With effect from 1 January 2004 a taxation of the supply and consumption of coal was introduced. The tax rate amounts to 0.05 €/kg.

As previously mentioned, there is a tax refund system for energy taxes. This system was continuously changed in the last years. The actual effective system exists since 1 January 2004 (see above).
With effect from 1 January 2005 the mineral oil tax on Petrol and Diesel is lowered if biogenous substances (like Bio-Ethyl Alcohol, Biogas, Bio-Methanol) are added. Mineral oil which consists solely of biogenous substances is tax exempt.

2.2) Is natural gas coming under pressure with regard to changes in the energy taxation system (from governments or other energy lobbies, e.g. the oil or coal lobbies)?

The taxes on gas (and electricity), which have become effective on June 1 1996, have clearly shifted the balance in favour of mineral oil products and coal. The present system is definitely not ecologically-driven and represents a contradiction to the official Austrian energy policy favouring environmentally-friendly forms of energy and reduction of emissions. Due to the above mentioned national implementation of the Electricity Directive – implementation of minimum levels of energy taxes and inclusion of coal tax and mineral oil tax in the energy tax refund system – it can be supposed that the usage of natural gas is coming under pressure.

Furthermore, because of the non-taxation of biomass as fuel and the incentives from the government to encourage the installation of biomass-heating, the usage of natural gas as fuel is coming under pressure.

2.3) Are any changes foreseen in the energy tax system? Please specify. Why are energy taxes to change and how will the foreseen changes affect the market position of natural gas?

Because of the abundance of changes in the Austrian energy tax system in the last years and the implementation of the Electricity Directive into Austrian law, further changes are not foreseeable in the near future.

3) Natural gas competitiveness

3.1) Is the tax system "fair" to natural gas or does the tax regime in itself cause problems in relation to the competitive position/marketing of natural gas?

When the tax on natural gas was introduced natural gas prices were burdened in comparison to competing oil products which were subject to mineral oil tax. But market forces had quickly reached a certain balance. However, because of the inclusion of mineral oil tax in the tax refund system these balances were interfered with.

3.2) Are tax revenues in any way used to promote/support the use of natural gas?

No. The tax revenues only contribute to the public budget.

3.3) Who benefits from any tax differentials between different fuels (e.g. consumers, energy producers, energy distributors)?

In general there are no benefits for a certain user group. Since 1st January 2004 the taxation of coal was introduced which means an increase of tax payments for all users of coal, especially for the households who have no possibility of entering the existing tax refund system. The tax rate for coal amounts to 0.05 €/kg.

4) VAT Regime

The VAT-system corresponds to the 6th EU-Directive. The standard VAT-rate is 20%. It is reduced for the supply of those goods listed in Appendix A to the VAT Act, e.g. certain foodstuffs, books, newspapers and periodicals, objects of art, leases of land and buildings for living, services rendered by hospitals or homes for aged people, by theatres, museums or cinemas.
In principle, VAT is neither an expense nor an income item for most businesses because the input tax paid to suppliers is recoverable from the fiscal authorities.

With effect from 1 January 2005 the changes in the 6th EU-directive – modification of the place of supply for the delivery of gas and electricity – were transferred into the Austrian VAT Act. According to the new regulations, deliveries of gas and electricity to energy supply companies or to electricity traders are taxed in the country where the customer locates his company. Deliveries to end consumers have to be taxed in that country, where the deliveries are used by the end consumer.

5) Taxation and pollution

In Austria there is no premium for natural gas. Due to the fact that in general there is an output taxation system for energy, there is no special tax-regime on renewable energy sources.

6) Biogas taxation

As already mentioned above (2nd point) mineral oil which consists solely of biogenous substances such as Biogas is tax exempt in Austria since 1 January 2005. So Biogas will not be taxed under the mineral oil tax act. Furthermore, Biogas doesn't meet the requirements of the definition of natural gas according to the natural gas tax act. So the usage of Biogas is not taxed in Austria.

7) Taxation for Natural Gas Vehicles (NGV)

There is no special tax-regime on NGVs in Austria. CNG is taxed as natural gas. But there are several incentives to encourage the use of NGVs, but no tax-driven ones.

8) LNG taxation

LNG has no preferential treatments.

BELGIUM

1) Description of legal framework of tax regime

To transpose the Energy taxation Directive 2003/96/EC of 27 October 2003, two Royal Decrees dated on the 29 February 2004 were first published in Belgium.

On 27 December 2004, a program law applicable since 1January 2005, has been published to replace these two Royal Decrees.

Each energy product described in the Directive is considered in this program law.

1.1) The first part of this program law set up the ordinary regime. This ordinary regime involves 4 kinds of taxes ("accise") :

- the right of accise
- the right of special accise
- the control tax on the heating gasoil
- the energy tax.

To reach the levels of the Council Directive these four taxes and, until now, only the federal taxes for electricity and gas (which cover the federal regulation costs and the public obligation costs) are considered. Nevertheless, the Authorities are open to also consider other taxes. This ordinary regime includes the tax reductions foreseen in Article 17 of the European Directive in favour of energy-intensive business and when agreements are concluded in so far as they lead to the achievement of environmental protection objectives or to improvements in energy efficiency.

1.2) The second part concerns the exemption of taxation, as foreseen in the Directive.

When transposing the Council Directive for natural gas in Belgium, Belgium partially made use of the annex II authorisation given to Belgium until 31 December 2006.

For the execution of this program law, 3 Royal Decrees were published during 2005.

On 27 December 2005, a new program law was again published. It concerns a further reduction of the tax rate reductions.
In addition to these federal taxes, some regional taxes are applied on the consumption of natural gas by the eligible customers (= free customers i.e. the entire Flemish region and parts of the two other regions).

- Walloon region (AGW 19 June 2003) from 15 July 2003
  For the first 100 kWh : lump sump of 0,0075 EUR/year
  For the next kWh :
  if < 1 GWh : 0,0075 c/kWh

if <10 GWh : 0,006 c/kWh
if ≥ 10 GWh : 0,003 c/kWh

- Brussels region (ORBC 1 April 2004)
  0,0975499 c/kWh from 1 January 2006.

For the non-eligible customers (residential customers in the Walloon and Brussels regions until 31 December 2006), the old system is maintained to date. It consists of an income related tax levied as a withholding tax on income earned by gas companies ("intangible dividends").

Due to the liberalisation process, the regions may impose some additional taxes (added to the federal ones) on the distribution of electricity and natural gas.

2) Natural gas competitiveness

In general, the taxation system in Belgium does not favour the use of natural gas.

3) VAT Regime

The rate of VAT is generally 21%, except for coal where the VAT= 12%

4) Taxation and pollution

There are no energy taxes directly linked to pollution (e.g. SO2 or CO2 emissions).

5) Taxation for Natural Gas Vehicles (NGV)

- Right of Accise = 0 EUR/MWh_s
- Right of special accise = 0 EUR/MWh_s
- Energy tax if ≥ 977 MWh/year = 0 EUR/MWh_s
  if < 977 MWh/year = 1,1589 EUR/MWh_s
- federal tax = 0,1252 EUR/MWh_s
- tax for protected customers (without VAT) = 0,0878 EUR/MWh_s

6) LNG taxation

The taxation on LNG is the same as the taxation on gaseous natural gas.

CZECH REPUBLIC

1) Tax regime specifications

1.1) Are there different energy taxes for different end-use sectors (e.g. households, district heating, industry (heating, processes), power generation, cogenerations)?

The energy taxes in the Czech Republic are set in Act No. 353/2003 Coll. (Act on excise taxes).It does not differentiate between end-use sectors such as residential, commercial or industrial. In order to determine energy tax for particular fuel one needs to specify the type of final consumption of that fuel irrespective of which sector the end-customer comes from. What matters is whether the fuel is used for instance for heating or rather as power for an engine, etc. The table above shows the energy taxes when the fuels are used for heating and thermal energy generation, no matter how this energy is used afterwards.

1.2) Breakdown of total energy taxes on the different tax elements (e.g. general excise duty, environmental levy, storage taxes).

Energy taxes outlined in the tables include only excise taxes. Besides excise tax one has to also consider emission fees (see below) and VAT.

2) Description of the legal framework and natural gas competitiveness

The natural gas is under pressure in the sense that there has been a huge delay in preparing environmental tax reform which should introduce new excise taxes in the Czech Republic. The Czech Republic should apply the minimum rates for natural gas, electricity and coal as of January 1, 2008. However, no government has been created after the elections in June 2006. Therefore, it is impossible to say what the environmental tax reform will look like.

3) VAT Regime

Entities registered for Czech VAT can generally recover Czech VAT costs incurred during the course of economic activity. In other words, an end-customer which does not use fuel for the economic activity cannot recover VAT. Generally, excise taxes are not recoverable at all. There are a couple of exceptions, depending again on type of use.

4) Taxation and pollution

Energy taxes are not linked to pollution. There are special emission fees for pollution (these are not included in the figures in the above table) and they depend on the emissions content. The table below shows emissions charges for particular pollutants.

Charges for air pollution	EUR/ton
Particulates	99
SO2	33
NOx	26
CO	20

The charges for pollution are related to tons of pollutants (not to the type of fuel).

An environmental tax reform (ETR) was proposed by the Ministry of Environment in October 2005. However it has not been approved at government level yet.

4.1) What tax premium is there for natural gas ?

There is no tax premium for natural gas (for instance when compared to coal in thermal energy generation). The competitive advantage of natural gas stems from the fact that during its combustion only some of the pollutants are produced. Obviously, that is caused by its nature.

4.2) How are renewable energy sources generally taxed?

Only VAT is applied on renewable energy sources (no excise tax).

5) Biogas Taxation

The environmental tax reform (ETR) proposed by the Ministry of Environment in October 2005 also covers biogas. However as it has not been approved at government level yet, currently there is no special treatment for Biogas.

6) Taxation for Natural Gas Vehicles (NGV)

The tax rate for natural gas used in the vehicles amounts to 115,57 EUR/ton. The tax brings around 200 000 EUR into the budget annually. The reason is that there are only a few hundred vehicles which use natural gas.

7) LNG taxation

The same rate applies for all forms of natural gas

DENMARK

1) Tax Regime specifications

Since 1 January 1996 energy taxation in Denmark consists of three elements: Excise tax, CO_2 tax and SO_2 tax. The CO_2 tax has been in force since 1992/93 while the SO_2 tax was introduced in 1996, together with certain increases of the CO_2 taxation, as part of a programme to emphasise the environmental profile of taxation. In Denmark all fuels are thus taxed at the same rates independent of use but based on the content of energy, CO_2 and SO_2 / sulphur.

Energy tax: 6,8 Euro/GJ
CO_2 tax: 12,1 Euro/ton
SO_2 tax: 1,34 Euro/ton
Sulphur: 2,68 Euro/ton

The general level for each of the three tax elements is now a rate of approx. 6,8 Euro/GJ for the excise tax, 12,1 Euro/ton CO_2 and 1,34 Euro/ton SO_2. Present rates of taxation, however, will differ somewhat both according to fuel and end-use. By 1 January 2001 and 2002 excise tax on natural gas was increased to the same level as that of HFO, LPG, Gas oil and Coal.
Energy used for space heating in the commercial and industrial sectors is, since 1996, taxed with rates equal to those applied to the residential sector (i.e. both excise and CO_2/SO_2 tax)

1.1) Are there different energy taxes for different end-use sectors (e.g. households, district heating, industry (heating, processes), power generation, cogeneration)? Please specify.

Fuels used for electricity production in cogeneration are not taxed if the electricity produced is taxed. Industry (processes) are exempted from energy tax

2) Description of legal framework of tax regime

All recent changes in the energy tax system are due to environmental concerns. For the time being, no changes are foreseen.

2.1) Is natural gas coming under pressure with regard to changes in the energy taxation system (from governments or other energy lobbies, e.g. the oil or coal lobbies)?

In general no, but the new subsidiary regime for local CHP's can affect gas demand negatively.

3) Natural gas competitiveness

The tax system is “fair” to natural gas, since all fossil fuels are taxed equally; however it is increasingly a problem that bio fuels are exempted from energy taxation.
Tax revenues are not used for the promotion/support of natural gas.

4) VAT Regime

In Denmark the general VAT rules apply and there are no special energy VAT rules. The general principle for energy taxation is that households are subject to the 25% VAT and the excise tax as well as the full amount of CO_2 and SO_2 tax elements, whereas industrial and commercial energy users can recover VAT and excise tax.

5) Taxation and pollution

In Denmark all fuels are thus taxed at the same rates independent of use but based on the content of energy, CO_2 and SO_2 / sulphur.
Since natural gas contains less CO_2 and SO_2 than oil and coal it is taxed less heavily.
As to renewables, since they produce less CO_2 and SO_2 than fossil fuels they are taxed less heavily.

6) Biogas taxation

At present, there is no CO_2 tax. In general there are no special rules, although the issue is under consideration at political level.

7) Taxation for Natural Gas Vehicles (NGV)

Natural gas used for vehicles is taxed more heavily than other uses of natural gas: 9,5 Euro/GJ instead of 6,8 Euro/GJ

8) LNG taxation

No special rules

FINLAND

1) Tax regime specifications

1.1) Are there different energy taxes for different end-use sectors (e.g. households, district heating, industry (heating, processes), power generation, cogenerations)?

Taxes are not levied on fuels used in power generation, but there is output tax for consumption of electricity. Electricity tax class II is paid by industry and green houses. All other users pay tax class I.

In the current tax law applicable since 1.1.2003 there are some tax reliefs for energy intensive industries. Companies can apply for reimbursement if paid taxes exceed 3,7% of the added value of the company.

Electricity is free of output tax if it is used in transmission of electricity, exported, used in railways or used in power plants.

If fuel is used in CHP plants, the tax base of fuels used in heat production is 90% of produced heat. Fuels used for power generation in CHP plants are free of taxes as mentioned earlier.

1.2) Breakdown of total energy taxes on the different tax elements (e.g. general excise duty, environmental levy, storage taxes).

The Finnish energy taxation system consists of three tax components: a basic tax, an additional tax and a security of supply fee. All fossil fuels are being charged with an additional tax, which represents the bulk of the tax burden. All of them are subject to security of supply fees. Light fuel oil is charged with a basic tax, which is fiscal.

The additional tax of fossil fuels is based on the CO_2 emissions of the respective fuel, with the exception of peat and natural gas. They have a lower CO_2 tax rate.

The power generation is subject to an output tax only, consisting mainly of the environmental tax. The environmental tax on electricity is charged to the owner of the electricity network or to the power producer selling its electricity to the customer. Very small hydro, wind, wood or peat power producers do not pay tax. There are two tax classes - I and II - for electricity. Class II is paid by industry and greenhouses, class I by all other users.

Fuel	Basic tax	Additional tax	Security of supply fee
HFO, cent/kg	-	5,68	0,28
LFO, cent /l	1,93	4,78	0,35
Natural Gas, cent/m^3	-	1,82	0,084
Coal, €/tonne	-	43,52	1,18
Electricity, cent/kWh I	-	0,73	0,013
II	-	0,44	0,013

2) Description of legal framework of tax regime

The Finnish energy taxation system consists of three tax components: a basic tax, an additional tax and a security of supply fee. All fossil fuels are being charged with an additional tax, which represents the bulk of the tax burden. All of them, except peat, are subject to security of supply fees. Light fuel oil is charged with a basic tax, which is fiscal.

2.1) Which changes in the energy tax system have taken place since 1 January 1995 and for which stated reasons?

Since 1.07.2005, the tax on Peat was removed in order to support the domestic energy production.

2.2) Is natural gas coming under pressure with regard to changes in the energy taxation system (from governments or other energy lobbies, e.g. the oil or coal lobbies)?

There has been some criticism of the 50% lower CO_2-based energy tax of natural gas among the industry lobby.

2.3) Are any changes foreseen in the energy tax system? Please specify. Why are energy taxes to change and how will the foreseen changes affect the market position of natural gas?

Emission trading is worsening the competitiveness of industry. Government is also considering giving tax allowances for industry by decreasing taxation of electricity.

3) Natural gas competitiveness

3.1) Is the tax system "fair" to natural gas or does the tax regime in itself cause problems in relation to the competitive position/marketing of natural gas?

Natural gas benefits from lower CO_2-emissions in taxation of fuels used for heat production and this is considered fair. But CO_2-based additional tax for natural gas is 50% lower than for other fossil fuel tax. There has been criticism of this benefit of natural gas. On the other hand, in power generation, there is no advantage of lower emissions of natural gas because there are no taxes for fuels.
The use of natural gas is not promoted/supported by tax revenues.

3.3) Who benefits from any tax differentials between different fuels (e.g. consumers, energy producers, energy distributors)?

Natural gas benefits especially in CHP production of tax differentials, but it is not easy to say who benefits in the natural gas chain.

4) VAT Regime

VAT is recoverable for industry and power producers and non-recoverable for households. Energy taxes are non-recoverable for all consumer categories.

5) Taxation and pollution

5.1) To what extent are energy taxes directly linked to pollution (e.g. SO2 or CO2 emissions)?

The additional tax of fossil fuels is based on CO_2 emissions. There are tax reliefs for natural gas and peat. Wood is considered as green energy with no CO_2 emissions and it has been exempted from energy taxes.

5.2) What tax premium is there for natural gas?

Natural gas has a premium due to lower specific emission of CO_2. CO_2-based additional tax for natural gas is 50% lower than for other fossil fuel tax.

5.3) How are renewable energy sources generally taxed?

Renewable energy is free of all energy taxes. Very small power plants (40 MVA) which make electricity of wood or peat as well as very small hydro and all wind power plants get also investment support. Plants using recycled material can also get support.

6) Biogas taxation

Biogas is free of energy taxes.

7) Taxation for Natural Gas Vehicles (NGV)

NGVs pay the same tax on natural gas as other users.

8) LNG taxation

LNG taxation is similar to natural gas taxation

FRANCE

1) Tax Regime specifications

Fuel oil and gas oil

In France, the "TIPP" (Taxe Intérieure sur les Produits Pétroliers) levied on all uses of HFO and LFO. Once a year, the government establishes the rates for the different taxes (TIPP on petroleum products and TICGN on natural gas).

From 2004, the excise (TIPP factor) on gasoil corresponds to 5,66 Euros/hl. On fuel oil, the level is 18,5 Euros/t regardless of sulphur content.

Electricity

- Local tax is levied on behalf of the municipalities (from 0 to 8 %) and local districts (from 0 to 4 %). Consumers above 250 kVA of power are exempted. The tax is applied on 80 % of the consumption for power subscription under P= 36kVA and on 30 % of the consumption for power subcription from 36 kVA to 250 kVA. The mean level of these taxes is of 8 €/MWh for residential users and can vary from 0,5 € to 9 €/MWh for non household customers depending on the consumption. Since 1 August 1991, local taxes have been subject to VAT.

- CSPE (Charges de service public de l'électricité) created by the law "loi n° 2000- 108 du 10 février 2000 relative à la modernisation et au développement du service public de l'électricité" to compensate the extra charges paid to renewable energy and CHP producers and also to compensate some social electricity prices and isolated areas (islands). Rate: 4,5 EUR/MWh.

Natural gas

District heating, commercial and industrial uses support a gas tax on the part of their consumption over 5 GWh per year: the TICGN ("taxe intérieure à la consommation de gaz naturel"). As from 1 January 2002, the rate has been 1,19 EUROS/MWh PCS.

Residential heating and industries using the gas as raw material are exempt from this tax. CHP plants are also exempt from this tax for the first five operating years. From 1 January 2006, power generation is exempted.

Greenhouse operators got 0,95 Euros/MWh pay-back for the period from 01/09/2005 to 31/12/2005.

Coal, LPG, wood and renewable source energies

Only VAT is applied on these fuels, except LPG used for vehicles (GPL carburant) which is taxed at 5,99 €/hl equivalent to 107,60 €/t (density is 557 kg/m3 ,60 % butane, 40 % propane).

Other taxes

There are some taxes on electricity generation and distribution such as high-voltage pylons and nuclear and hydroelectric power plants.

There are no taxes or concession fees in France as regards gas storage.

2) Description of legal framework of tax regime

- A new tax, called CTA (Contribution tarifaire d'acheminement), on natural gas transit and distribution capacity charges had been created since 1 January 2005. It is balanced by a decrease in prices.
- Additional new tax on natural gas or an extension of the natural gas taxation for customers under 5 GWh could be introduced through the implementation of directive 2003/96/CE.
- "Energy saving certificates" under discussion in Sénat (spring 2005).

3) VAT Regime

Since 1 January 2004, the rate of VAT has been set at 5,5 % both for the standing charge and the capacity price for electricity (P ≤ 36 kVA) and gas connected to grids. The normal rate of 19,6 % is applied to energy consumption for continental France.

Companies and district heating installation can recover VAT. Every three months, they have to repay to the State the difference between their sales cashed VAT and their buying paid VAT. Apart from some export industries, there are no cases of VAT exemption. Final consumers, generally households, cannot recover the VAT paid.

4) Taxation and pollution

Taxes on emissions

Combustion installations larger than 20 MWth are taxed on their emissions of SO2, NOx and VOC. This tax was created on 1 January 1999 and is called the TGAP (Taxe Générale sur les Activités Polluantes= General tax on polluting activities). It's rate is in the range of SOx, COV= 38,11€/t and NOx = 45,73 €/t

CO2 :

-Implementation of the directive on EU emission trading scheme 2003/87/CE.

Every combustion plant larger than 20 MWth will get some CO2 quotas and will have to cope with them. In France, this directive has been implemented by 2 Décrets: du 19 août 2004 and du 25 février 2005.

The competitiveness of natural gas CHP and power stations is affected by this tax.

5) Biogas taxation

When biogas is injected in natural gas networks, it is considered as natural gas. So, the taxation is the same.

Under certain conditions, investment aids or energy saving certificates can be granted to biogas projects.

6) Taxation for Natural Gas Vehicles (NGV)

Natural gas vehicle tax is set at TICGNV: 8,47 €/100 m3 or 147,41€/tC or 0,74 c€/kWh
Conversion factor: 100 m3 GNV is equivalent to 1150 kWh PCS.

7) LNG taxation

There is only a port tax on LNG. Its rate is over incoming total weights. It goes to the port administration.

GERMANY

1) Tax regime specifications

The fiscal burden on natural gas (mineral oil tax on natural gas, concession fees on natural gas, production levies) in 2005 amounted to a net figure (i.e. following deduction of tax credits, refunds and similar) of approx. 4.2 billion Euro. The high fiscal burden on natural gas is due to the introduction of the ecological tax reform on 1 April 1999, a further increase in the tax rate for natural gas and the run-down of tax breaks for the manufacturing industry and the agricultural and forestry sector with effect from 1 January 2003.

2) Description of legal framework of tax regime

2.1) Which changes in the energy tax system have taken place since 1 January 1995 and for which stated reasons?

Based on the present situation, the EU energy taxation directive will probably be implemented under national law on 1 August 2006. A new energy taxation law will replace the present mineral oil taxation legislation. All minimum tax rates are already applicable in Germany, so that no changes in tax rates are envisaged.

2.3) Are any changes foreseen in the energy tax system? Please specify. Why are energy taxes to change and how will the foreseen changes affect the market position of natural gas?

There will, however, be changes in the taxation method. While the present tax on natural gas is levied on natural gas imports, under the new energy taxation law this tax will only be charged when the gas is delivered to the final user. A key issue regarding implementation of the Directive will be input taxation (use of natural gas for power generation). Under the terms of the present draft, power generation in stationary plant with a rated power output of more than 2 Megawatt will be fully exempt from the tax. The mechanical energy generated by the plant must be exclusively used to produce power. If this is not the case, exemption will only be partial. Combined heat and power plants with a utilization rate of 70% or more will continue to remain fully exempt from the tax.

In the context of the deliberations on the new law, a discussion is under way to bring forward the expiry date for the tax reduction for natural gas as a motor fuel to 31 December 2018 and to extend the tax exemption period for liquid gas used as a motor fuel until 31 December 2018. Taxation of biofuels is also under consideration.

3) Natural gas competitiveness

The tax rate for natural gas when used as a heating fuel is 5.50 Euro/MWh (gcv), the tax rate for light heating oil is 61.35 Euro/1000 l, the tax rate for heavy heating oil is 25 Euro/1000 kg, the tax rate for liquid gas is 60.60 Euro/1000 kg.

Tax reductions for the manufacturing sector

The manufacturing industry in Germany has been granted a special tax reduction, namely 40% tax relief for ecological tax, i.e. for natural gas, this means 40 % of 3.66 Euro/MWh. The figure of 3.66 Euro/MWh is made up of the increases in the tax on natural gas since 1 April 1999. By reference to the tax rate for natural gas (5.50 Euro/MWh) tax relief amounts to 1.464 Euro/MWh. The tax burden for the manufacturing industry is therefore 4.036 Euro/MWh. The tax reduction also affects gas, water, power and district heat suppliers as undertakings in the manufacturing sector. Undertakings in the manufacturing sector additionally have the opportunity to benefit from further tax relief under what is known as “peak adjustment”.

Tax relief rates for combined heat and power plants and gas-steam power plants

Combined heat and power plants with a utilization rate of 70% or more and gas-steam power plants with an electric efficiency of at least 57.5 % are credited the natural gas tax of 5.50 Euro/MWh in full. Combined heat and power plants with a utilization rate of between 60 % and 70 % receive 100% reimbursement of the ecological tax, i.e. 3.66 Euro/MWh. Gas-steam power plants are only granted tax relief for a maximum period of five years following the date on which permanent power generation from the plant commenced. Relief only applies for plants completed after 31 December 1999 and where permanent power generation began between the period 11 December 2002 and 10 September 2007.

4) VAT Regime

The VAT-system corresponds to the 6th EU-Directive.

5) Taxation and pollution

In 1995, the German gas industry undertook to reduce the level of CO2 emissions. In November 2000, this climate protection commitment was developed further. The objective of the undertaking for 2012 is to achieve a reduction in emissions of climate-relevant gases generated by natural gas used in households, commerce and transport and through modernisation of natural gas pipelines to an amount of approx. 45 million tonnes of CO2 equivalent per year referred to 1990 levels. In 2003, emissions of climate-relevant gases generated by natural gas used in households, commerce and transport and through modernisation of natural gas pipelines had already been reduced by approx. 37 million tonnes CO2 equivalent per year by reference to 1990 levels.

6) Taxation for Natural Gas Vehicles (NGV)

In the context of the deliberations on the new law, a discussion is under way to bring forward the expiry date for the tax reduction for natural gas as a motor fuel to 31 December 2018 and to extend the tax exemption period for liquid gas used as a motor fuel until 31 December 2018. Taxation of biofuels is also under consideration.

Tax reduction for natural gas as a motor fuel has been extended until 2020. The reduced rate is 13.90 Euro/MWh.

7) LNG taxation

LNG taxation is similar to Natural Gas taxation

GREECE

1) Tax regime specifications

There are different energy taxes for different end users as far as gas oil and LPG are concerned.

Gas oil has three excise taxes:

for heating purposes during the heating period (~ Oct. to Apr.) and for agricultural usage
for power generation, for industrial and for commercial usage
for automotive usage

LPG also has three excise taxes:

for general purposes
for automotive usage
for industrial usage

Total energy tax consists almost exclusively in general excise duty.

2) Description of legal framework of tax regime

Heating gas oil excise tax in the last two years was set at the following levels:

Jan. '02	18	€/1000lt
Oct. '03	21	€/1000lt

Starting from October 2003 the agricultural uses of gas oil, previously subject to the excise tax of gas oil for the automotive sector, are subject to the above excise tax of 21 €/1000lt.

Fuel oil excise tax was, since Jan. '02 set at 19 €/MT

Gas oil excise tax for purposes other than heating or outside the heating period (~ Oct. to Apr.) was, since January, 2002 set at 245€/1000lt

At the end of 1999 a new category was introduced for the gas oil used exclusively for power generation and the excise tax was fixed at 120€/1000lt since January 2002

Starting from October 2003 the industrial and commercial uses of gas oil, previously subject to the excise tax of gas oil for the automotive sector, are subject to the above (reduced) excise tax.

The main changes concern:

- the reduction of the excise tax applied on heating gas oil since 1996 and on gas oil used for power generation since end 1999, both for inflation reduction purposes
- the drastic reduction of excise tax for gas oil used in the agricultural sector in October 2003 (from 245 €/1000lt to 21 €/1000lt)

- the reduction of excise tax for gas oil used in the industrial and commercial sector (for purposes other than space heating) (from 245 €/1000lt to 120 €/1000lt)

Excise tax levels as of 01.01.2004 are as follows:

Excise Tax as of 01.01.2004

HFO	19	€/MT
Gas oil		
for heating purposes during the heating period (~ Oct. to Apr.) and for agricultural usage	21	€/1000lt
for power generation, for industrial and for commercial usage	120	€/1000lt
for automotive usage	245	€/1000lt
LPG		
for general purposes	13	€/MT
for automotive usage	100	€/MT
for industrial usage	0,29	€/MT
Natural gas	0	

There is no open discussion on a change in the energy tax system.

3) Natural gas competitiveness

Natural gas is by law exempted from excise tax in Greece up to 2013 (Law 3336/05, article 78). The excise tax of competing fuels thus constitutes an indirect subsidy to the project of introduction of natural gas in Greece. The reduction of the heating oil and fuel oil excise tax in recent years drastically reduced this benefit for natural gas.

As from 01.01.2003 the tax incentives for the support of the penetration of natural gas in the residential sector (reduction of taxable income) were removed.
Tax differential between natural gas and competitive fuel benefits to the natural gas distributor. Other differentials benefit to consumers.

4) VAT Regime

VAT on energy products is recoverable by all users subject to accounting regulation (i.e. excluding private users) with the exception of transportation fuel where VAT of fuel used by personal cars (even owned by companies) may not be recovered.
The VAT was increased by 1 point since 1.05.05 (VAT rate is now 9% and 19%)

5) Taxation and pollution

Energy taxes are not presently linked to pollution.

6) Biogas taxation

There is no special treatment for Biogas

7) Taxation for Natural Gas Vehicles (NGV)

NGVs are exempted by law up to 2013. The Vat applicable in the transportation sector is 19% for oil products and 9% for natural gas and electricity (which represents a 1 point increase since 1.4.2005

8) LNG taxation

Same treatment as natural gas (thus exemption up to 2013, with VAT of 9%)

HUNGARY

1) Tax regime specifications

- The rate of the energy tax is the same for all customer sectors except residential customers. These customers do not pay any excise tax.

2) Description of legal framework of tax regime

- The Tax Law (2003. LXXXVIII.) having legal effect from 1 January 2004 without any change.

3) VAT Regime

- The VAT is reclaimable except for residential customers.
- The rate of VAT presently 20%, as it was increased by 5% from 1 September 2006.

ITALY

1) Tax regime specifications

1.1) Are there different energy taxes for different end-use sectors (e.g. households, district heating, industry (heating, processes), power generation, cogenerations)?

Energy taxation differs widely amongst sectors (residential, industrial, power generation) and amongst regions: taxes on fuels for industrial uses are lower than taxes in the residential sector, but higher than those for electricity generation. Moreover, a tax incentive is given to auto producers of electricity.

1.2) Taxation of natural gas

In relation to natural gas, taxes differ between sectors.

In the industrial one the excise tax amounts to 0,36 EURO/GJ (1,30 EURO/MWh) plus a regional tax of 0,15 EURO/GJ (0,54 EURO/MWh)- 0,18 EURO/GJ (0,65 EURO/MWh). The reform introduced by the Budget for 2001 (Legge Finanziaria 2001) for excise tax on natural gas for industrial uses that introduced a discount of 40% of the excise tax for the industrial user consuming more than 1.200.000 m3 on an annual basis had been extended with three different Government acts until 1 January 2002; the Budget 2003 (Legge finanziaria 2003) extended this reform until the end of June 2003. The discount has been extended until the end of 2005 by Budget Law 2004 (Legge Finanziaria 2004) and Budget Law 2005 (Legge Finanziaria 2005) and finally it has been confirmed by the Budget Law 2006 (Legge Finanziaria 2006) until the end of 2006. In this case the excise tax on natural gas for industrial uses is reduced at 0,22 EURO/GJ (0,78 EURO/MWh); the regional tax on natural gas for industrial uses is, in this case, reduced at a maximum rate of 0,15 EURO/GJ (0,54 EURO/MWh).

Gas used for power generation (production) is subjected to an excise tax of 0,01 EURO/GJ (0,05 EURO/MWh); in case of self production natural gas used for power generation is subjected to an excise tax of 0,004 EURO/GJ (0,01 EURO/MWh); in refining processes and gas used as raw material in chemical plants are exempted.

Gas used in the residential sector is subject to different excise taxes, to regional taxes and to value added tax; the level of these taxes differs among uses and regions (northern and central regions versus southern regions known as “Cassa del Mezzogiorno”).

In this sector gas can be sold under three kinds of contract:

T1 cooking and water heating

T2 cooking, water heating and individual heating

T3 all other uses

The following table shows the present level of excise tax for the different contracts:

Excise taxes	Northern and Central regions	Southern Regions
T1	1,3 Euro/GJ (4,67 Euro/MWh)	1,12 Euro /GJ (4,03 Euro/MWh)
First 250 m3 of T2	2,28 Euro/GJ *(8,22 Euro MWh)	1,12 Euro /GJ (4,03 Euro/MWh)
T3 and the rest of consumption T2	5,02 Euro/GJ** (18,06 Euro/MWh)	3,60 Euro/GJ(12,95Euro/MWh)

(*) The budget for 2001 (Legge Finanziaria 2001) introduced a reduction to 1,18 EURO/GJ (4,24 EURO/MWh): for some provinces (Aosta, Belluno, Trento, Bolzano, Sondrio).
(**)The budget for 2001 (Legge Finanziaria 2001) introduced a reduction to 3,91 EURO/GJ (14,08 EURO/MWh): for some provinces (Aosta, Belluno, Trento, Bolzano, Sondrio).

Throughout Italy there are furthermore different regional taxes whose level can vary between 0,15 and 0,90 EURO/GJ (0,54 and 3,23 EURO/MWH), but cannot exceed 50% of the level of the corresponding national excise.

The Independent Authority (Autorità per l'energia elettrica e il gas) is going to reform the tariffs for non eligible customers (domestic users); the excise taxes on natural gas for residential uses will be adapted to the new tariff structure not based on different uses.

2) Description of legal framework of tax regime

The Government introduced in 2000 a temporary reform for taxation on energy products aimed at reducing the inflationary tendency deriving from the international trend of the oil quotations. This reform stopped the second step provided for in 2000 in order to achieve the target tax rate by 1 January 2005 introduced by the carbon tax law in 1999.

The temporary reform was extended with some limited variations, consequently, excise tax rates on energy products have been extended until November 2001. From November 1 2001 the Government decided to increase excise taxes on fuels used for Residential and Commercial Uses (in particular Natural Gas, Gasoil, LPG, and LSFO), used for Industrial uses (in particular LSFO, Gasoil and GPL). The Government, with a decree in March 2002, decided to decrease excise on natural gas used for Residential and Commercial uses in the Northern Regions; the reduction is retroactive from January 1 2002. A decree in July 2002 and The Budget for 2003 (Legge Finanziaria 2003) extend the previous level of the excises on natural gas until June 2003.

The same levels of excise tariffs have been confirmed until December 2004 and extended for 2005 except for:

- the increasing of excises regarding gas consumption for residential sector in Northern Regions.

In 2004 tariffs T3 and T2[1] for consumption higher than 250 m3 increased (Budget 2004).
In 2005 all kinds of domestic contracts, T1, T2, T3 increased (Budget 2005);

- the increasing, in 2005, of excises regarding gasoil for residential uses (Legislative Decree n. 16, 2nd February 2005).

2.1) Recent measures

The law 17 April 2003 n° 80 delegated government to reform the actual tax system, taking into account the following main criteria:

- Health and environment safety through the use of ecological energy products.
- Coordination between tax on thermoelectric energy products and tax on electricity
- Gradual reduction in the differences between excises in Northern and Southern regions.
-

The government had to adopt reform measures before 3 May 2005 but the deadline expired and so did the proxy.

The matter regarding the tax system reform still remains an unresolved question.

3) Natural gas competitiveness

The analysis of competitiveness between natural gas and gas oil in the residential and commercial sectors needs to take into account the different situation of the Italian regions as to climate (which is reflected into the specific consumption of each region) and as to the presence of numerous levels of excise tax applied to natural gas.

The combined effect of these two factors is a differentiated level of competitiveness throughout the national territory, and normally natural gas is competitive in comparison with alternative fuels.
Generally speaking, a relevant share of the benefits of tax differential between gas oil and natural gas is transferred to final consumers.

In the industrial sector, tax differentials between natural gas and heavy fuel oils are not substantial; some remarkable exceptions to this set-up are worth noting:

1) Power generation, the carbon tax does not change significantly the actual competitiveness ratios between natural gas and fuel oil.

[1] T1:cooking and water heating, T2:cooking, water heating and individual heating and T3:all other uses

2) The gas oil and LPG allowances for users in some northern provinces (Aosta, Trento, Bolzano and Belluno) and in the mountain areas, which are characterised by rigid climate and by being not reached by the natural gas net have strongly reduced the competitiveness of natural gas in these areas.

3) The previous structure of taxation on natural gas for domestic uses shows a reduction in the differences between Northern and Southern regions.

4) VAT Regime

The VAT regime on natural gas is also differentiated by sectors. VAT rate is now at two different levels: 10% and 20% (see table).

For all fuels, VAT is recoverable for industrial and commercial uses.

VAT rates on energy products:

	Power generation	All other uses
HSFO & LSFO	10%	10%
Gasoil	10%	20%
Coal	10%	10%
LPG	10%	20% (*)

(*) 10% for cooking and water heating using cilinders of 10/20 kg.

	Industry	Power generation	
Natural gas	10%	20%	
	Cooking & water heating	Heating	Commercial
Natural gas	10%	20%	20%

5) Taxation and pollution

In July 2004, two Ministerial Decrees issued by the Minister of Productive Activities jointly with the Minister of the Environment and Land Protection set targets of reducing consumption of electricity and gas; the quantitative objectives pursued by the scheme for the improvement of energy efficiency are expressed in primary energy units (Mtoe) to be saved in comparison with the business as usual scenario for each year in the period 2005 – 2009.

The national target is apportioned to electricity and gas suppliers with more than 100,000 customers according to their individual market shares. At least 50 % of the individual obligations need to be covered

by Energy Efficiency measures in the electricity and gas sectors respectively whereas the remaining obligation may be fulfilled with any other Energy Efficiency measures.

The regulator[1] issues the **white certificates** to obliged electricity and gas suppliers as well as Energy Saving Companies (*ESCO*) who have paid for Energy Efficiency measures.

6) Biogas taxation and LNG taxation

Consumption of gas coming from LNG import is taxed in the same way as gas coming from pipeline import. In general, gas consumption is taxed when it is sold, so the provenance is not relevant.

7) Taxation for Natural Gas Vehicles (NGV)

A fiscal incentive exists. The excise value amounts for this sector to 0,31 euro/GJ

1 *The regulation of the system is mainly run by the Italian Electricity & Gas Regulator (AEEG); the market and the issuing of the certificates is run by GME, as reported in the following section.*

THE NETHERLANDS

1) Tax regime specifications

1.1) Are there different energy taxes for different end-use sectors (e.g. households, district heating, industry (heating, processes), power generation, cogenerations)?

Energy:	Euro per energy unit	EURO/GJ (NCV)	EURO/MWh (NCV)
HFO - 1% S)*	0.03251	0.7843	2.8235
Gas Oil**			
0 - 153000 l	0.21436	5.9677	21.4837
>153000 l	0.06719	1.8705	6.7340
LPG**			
0 - 119000 kg	0.29391	6.3893	23.0017
>119000 kg	0.11982	2.6048	9.3772
Natural gas/*****			
0 - 5000 m^3	0.15070	4.7615	17.1412
5001 - 170000 m^3	0.12380	3.9115	14.0815
170001 - 1000000 m^3	0.03400	1.0742	3.8673
1000001 - 10000000 m^3	0.01160	0.3665	1.3194
> 10000000 m^3	0.00770	0.2433	0.8758
Coal	0.01256	0.4285	1.5427
Electricity/*****			
0 - 10000 kWh	0.07050	19.5833	70.5000
10001 - 50000 kWh 50001 -	0.03430	9,5278	34.3000
10000000 kWh	0.00940	2.6111	9.4000
> 10000000 kWh	0.00050	0.1389	0.5000
VAT-rate	19.0%	19.0%	19.0%

* *HFO sulphur >1% is no longer in use in the Netherlands.*
** *Taxes/consumption levels based on annual consumption.*
*** *All consumers with an electricity connection get a refund of Euro 197.— per connection per year.*

Local energy units and calorific values (NCV):

HFO in terms of euro/kilogram (1 kilogram = 41.45 MJ)	*Natural gas in terms of euro/cubic meter (1 cubic meter = 31.65 MJ)*
Gasoil in terms of euro/litre (1 litre = 35.92 MJ)	*Coal in terms of euro/kilogram (1 kilogram = 29.31 MJ)*
LPG in terms of euro/kilogram (1 kilogram = 46 MJ)	*Electricity in terms of euro/kWh (1 kWh = 3.6 MJ)*

1.2) Break down of total energy taxes on the different tax elements (e.g. general excise duty, environmental levy, storage taxes).

Energy:	Excise duty	Environ-mental levy	Stock levy	Energy tax
HFO – 1% S)	100.0%	0.0%	0.0%	0.0%
Gas Oil				
0 - 153000 l	21.7%	0.0%	2.5 %	75.8%
> 153000 l	69.3%	0.0%	7.9 %	22.8%
LPG				
0 - 119000 kg	32.7%	0.0%	1.8%	65.5 %
> 119000 kg	80.3%	0.0%	4.4%	15.3 %
Natural gas				
0 - 5000 m^3	0.0%	0.0%	0.0%	100.0%
5001 - 170000 m^3	0.0%	0.0%	0.0%	100.0%
170001 - 1000000 m^3	0.0%	0.0%	0.0%	100.0%
1000001 - 10000000 m^3	0.0%	0.0%	0.0%	100.0%
> 10000000 m^3	0.0%	0.0%	0.0%	100.0%
Coal	0.0%	100.0%	0.0%	0.0%
Electricity				
0 - 10000 kWh	0.0%	0.0%	0.0%	100.0%
10001 - 50000 kWh 50001 - 10000000 kWh	0.0%	0.0%	0.0%	100.0%
> 10000000 kWh	0.0%	0.0%	0.0%	100.0%

1.3) Description of the fiscality applied on undertakings in energy sectors having an impact on energy prices, such as royalties and concession fees.

Generally speaking there are no different energy taxes for different end-use sectors except for green house horticulture, power- and co-generation.

Natural gas for horticultural use was exempted from tax up to the end of 1999.
Starting from January 1 2000 the Government also introduced an Energy tax for this sector, but it is much lower than the normal tax rates. For rates for 2006 see table below:

Natural gas for Horticulture use	Energy tax €/m^3
0 - 5000 m^3	0.01390
5000 - 170.000 m^3	0.02074
170.000 - 1.000.000 m^3	0.01717
1.000.000 >10.000.000 m^3	0.01160
>10.000.000 m^3	0.00770

Power generation and co-generation above 20 MW are exempted from all taxes.

2) Description of legal framework of tax regime

2.1) Which changes in the energy tax system have taken place since 1 January 1995 and for which stated reasons?

Ecotax / Energy tax

Since 1995 an Ecotax has been introduced in The Netherlands. For natural gas and electricity the first 800 m^3/ 800 kWh were free of Ecotax.

On January 1 2001 the Ecotax system on natural gas and electricity changed. Up to the end of 2000 there was a (first) free part of 800 m^3 and 800 kWh's per customer/connection per year.
On January 1 2001 these free parts were cancelled and were replaced by an annual refund of € 142.-- per connection per year. For 2006 this refund amounts to € 197,-- per year. This refund has no link with the annual consumption of a customer.

The energy tax in the category 5000–170.000 m^3 natural gas and 10.000–50.000 kWh electricity has risen substantially in 2006 by comparison with 2005.

Since January 1 2004 the so called "Ecotax" has been renamed as "Energy tax". This Energy tax includes the Environmental levy and the Ecotax. Only for coal is there still an Environmental levy.
For HFO, on 1 January 2004 the Environmental levy and Excise duty were joined together.

Stock levy

Since 1 October 2004 the government introduced a stock levy LPG. Up to this date there was only a stock levy for gas oil.

VAT

The VAT rate for 2001 went up from 17.5% to 19.0% (January 1).

2.3) Are any changes foreseen in the energy tax system? Please specify. Why are energy taxes to change and how will the foreseen changes affect the market position of natural gas?

No changes in taxation are foreseen in the near future. If increases of taxes will take place they will have no effect on the market position of natural gas.

3) Natural gas competitiveness

3.1) Is the tax system "fair" to natural gas or does the tax regime in itself cause problems in relation to the competitive position/marketing of natural gas?

In The Netherlands nearly all energy users are connected to the gas grid so there is no need to promote

natural gas. The tax system also does not really encourage the use of other energy sources.

3.3) Who benefits from any tax differentials between different fuels (e.g. consumers, energy producers, energy distributors)?

4) VAT Regime

The general VAT-rate for energy is 19%. For horticultural uses the VAT-rate is 6%. In The Netherlands the VAT is recoverable for all the business community.

5) Taxation and pollution

Energy taxes are not directly linked to pollution. There is no tax premium for natural gas.
Renewable energy sources were not taxed in The Netherlands up to the end of 2003.

Starting from 2005 renewable energy is fully taxed in The Netherlands. From 2006 green gas is also fully taxed in the Netherlands.

6) Biogas taxation

Biogas has the same tax tariff structure as natural gas.

7) Taxation for Natural Gas Vehicles (NGV)

Gas for Natural Gas Vehicles has the same tax tariff structure as natural gas.

8) LNG taxation

The Netherlands does not have an LNG taxation at the moment.

The Netherlands has only a small LNG-installation which is only used as storage-capacity

POLAND

1) Tax regime specifications

1.1) Are there different energy taxes for different end-use sectors (e.g. households, district heating, industry (heating, processes), power generation, cogenerations)?

Not in general. However, with respect to LPG, different rates exist, whether the LPG is used as fuels or for other purposes.

1.2) Breakdown of total energy taxes on the different tax elements (e.g. general excise duty, environmental levy, storage taxes).

In Poland, the excise taxes are suspended when harmonised energy products are stored in “fiscal depot” (the products are thus imposed when leaving the depot and not the manufacturer).

2) Description of legal framework of tax regime

2.1) Which changes in the energy tax system have taken place since 1 January 1995 and for which stated reasons?

Numerous changes have occurred in the Polish tax legislation in the last years. In general the taxation rates were modified on an annual basis. In 2004 general excise regulations were introduced in line with the EU directives.

2.2) Is natural gas coming under pressure with regard to changes in the energy taxation system (from governments or other energy lobbies, e.g. the oil or coal lobbies)?

The percentage of use of natural gas in the total consumption of energy products is slowly increasing. The excise rates for natural gas are in general at zero level.

2.3) Are any changes foreseen in the energy tax system? Please specify. Why are energy taxes to change and how will the foreseen changes affect the market position of natural gas?

Currently a new project aiming at equalising the rates for gas oil for heating purposes and fuel purposes is under discussion and most probably will enter into force in 2007. A system of tax reimbursement for households within some limits is also envisaged.

3) Natural gas competitiveness

3.1) Is the tax system "fair" to natural gas or does the tax regime in itself cause problems in relation to the competitive position/marketing of natural gas?

There is no excise tax imposed on natural gas. The fiscal situation of CNG used for fuel purposes is not

clear under the current system. The rate is not formally specified but a common interpretation is that the tax is zero.

3.2) Are tax revenues in any way used to promote/support the use of natural gas?

There is no redistribution of tax revenues towards the energy sector.

3.3) Who benefits from any tax differentials between different fuels (e.g. consumers, energy producers, energy distributors)?

In general, coal producers, consumers of LPG for non fuel usage, energy distributors in the case of gas oil and heating oil (there are difficulties in controlling the sale of heating oil for fuel purposes).

4) VAT Regime

The VAT regulation is in general in line with the 6th Directive.

The VAT paid by producers is recoverable from fiscal authorities, with some exceptions.

5) Taxation and pollution

The different excise taxes for gas oil depend on the sulphur content (as expressed in the table at the beginning).

The excise rate on natural gas is zero, which can be considered as a premium.

For the time being, there is no specific regulation for the taxation of renewables.

6) Biogas taxation

No regulation

7) Taxation for Natural Gas Vehicles (NGV)

The NGV are not clearly regulated so far. Nevertheless there is a common understanding that the excise rate is zero.

8) LNG taxation

There is no specific regulation for LNG.

SPAIN

1) Legal framework and Tax regime specifications

The energy tax system in Spain is fully in line with Directive 2003/96/CE after its transposition into the Spanish legislative framework in 2005. The government has introduced some exemptions or tax reductions for the utilisation of energy using the authorisation granted to Members States to do so in the European Directive:

1. Energy products (natural gas, gas-oil and coal) used in power generation are tax exempted;
2. Natural gas and LPG used for heating purposes are taxed at 0 €/GJ rate;
3. Bio-fuels used as motor fuels are exempted until 2013.

A tax rate of 10,23% over the published electricity tariff is charged to electricity utilities. According to the European Directive the minimum rate is of 0,5 €/MWh for industrial and commercial consumers and of 1€/MWh for residential users.

3) Natural gas competitiveness

3.1) Is the tax system "fair" to natural gas or does the tax regime in itself cause problems in relation to the competitive position/marketing of natural gas?

Natural gas and LPG used for heating purposes are taxed at 0 €/GJ rate

4) VAT Regime

VAT is a recoverable tax except for residential consumers.
VAT rate is the same for all fuels and energy uses.

5) Taxation and pollution

Although there are no taxes on pollutant emissions, local authorities (Autonomous Regions) have been authorised to set specific taxes to protect air quality.

6) Biofuel taxation (and BIOGAS)

Bio-fuels used as motor fuels are exempted until 2013. From 1/1/2003, bio-ethanol and bio-methanol (biogas) will be taxed at 371, 69 €/1.000 litres, the same tax rate used for unleaded gasoline with less

than 97 octanes.

7) Taxation for Natural Gas Vehicles (NGV)

The Spanish law 22/2005 of November 18 transposing the European Directive removed the restrictions for the use of natural gas as motor fuel even for private use vehicles. To promote the use of natural gas in this market segment, the specific excise duty for this purpose was set at 1,15 €/GJ. The same rate applies to vehicles for private and public use.

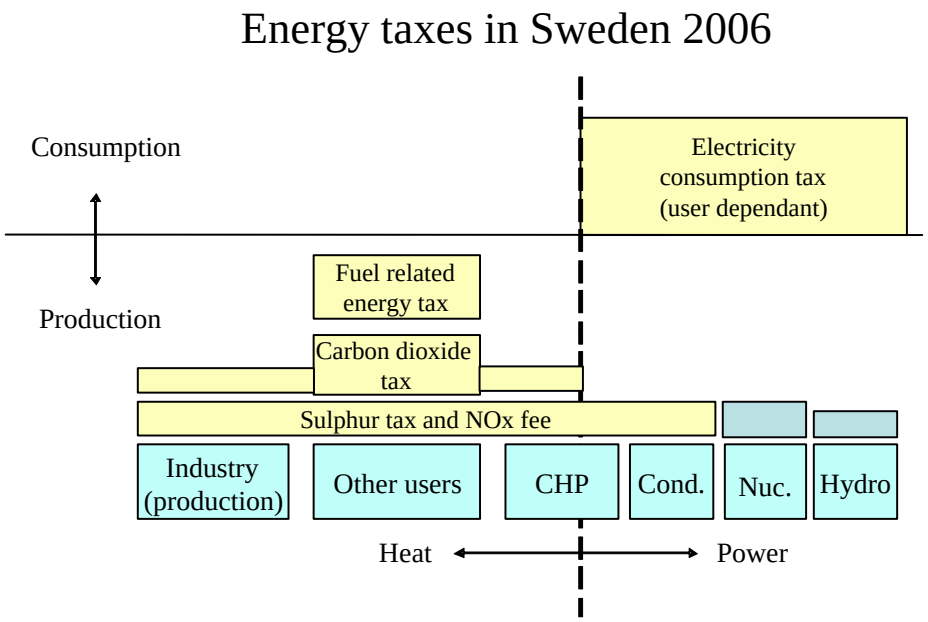
The tax rate applied to LPG has not been removed but reduced from 125 €/Tm to 57,47 €/Tm when used as motor fuel both for private and public use vehicles.

8) LNG taxation

There is no difference in the taxation of natural gas and LNG, except in certain customs offices that do not apply the VAT exemption to LNG imports, which is a consequence of the different interpretation of the European Directive on VAT.

SWEDEN

1) Tax regime specifications



The Swedish energy tax system includes fuel taxes, nuclear power capacity taxes, hydro power property tax, electricity consumption taxes and VAT. Renewable energy is not taxed.

The fuel taxes comprise:

- a fuel related energy tax;
- a carbon dioxide tax at a level of 103 Euro/ton CO_2;
- a sulphur tax at a level of 3,19 Euro/kg S.

The energy tax and the carbon dioxide tax are revised each year in relation to the development of the consumer price index. The taxes were increased by 0,5 % according to the development of the consumer price index.

The so called “green tax change”, amounting to about 0,3 billion Euro each year, was mainly reached by increasing the nuclear power capacity tax, increasing the electricity consumption tax, increasing the tax on heavy vehicles, increasing the waste tax and introducing a tax on travel tickets by air.

2) Description of legal framework of tax regime

2.1) Which changes in the energy tax system have taken place since 1 January 1995 and for which stated reasons?

Since 1 January 1995 the following changes in the fuel tax system have been carried through.

On 1 July 1997 the CO_2 tax level for industry was raised from 25 % to 50 % of the normal level. This was done mainly to increase the environmental fuel tax profile of the industry sector.
A tax change policy to increase energy taxes and reduce taxes on labour and employment was decided on in the year 2000. In 10 years the intention is that 3 billon Euro per year shall be exchanged and the first step was taken in January 2001 when a sharp increase of the CO_2 taxes was introduced. In order to compensate the industry the CO_2 tax level for this sector was reduced to 35 %. The further CO_2 tax increase in 2002, 2003 and 2004 has been compensated for the industry by reducing the CO_2 tax level further, to 30 %, 25 % and 21 % respectively.

The fuels used in combined heat and power plants got a new tax regime in 2004. Each fuel is split in two parts according to the electricity and heat ratio and taxed accordingly. The taxes on the heat fuel were reduced to the industry level to make the CHP plants more competitive in the market.

2.2) Are any changes foreseen in the energy tax system? Please specify. Why are energy taxes to change and how will the foreseen changes affect the market position of natural gas?

An overview of the entire energy tax system started in 1997 and is still on the agenda. The main intention is to introduce a more stable and reliable taxation framework, to make a clearer split between fiscal taxes and environmental taxes and to promote a stronger environmental profile. A harmonisation with the taxes in other EU countries is also considered important. In January 2001 a report was presented analysing the consequences of a tax change in accordance with this structure where governing environmental taxes are introduced on the production side and fiscal taxes on the consumption side. The proposal for taxes according to this model are further analysed and discussed among the politicians.

Apart from the energy taxes there is a growing interest in market based governing systems like certificates where the politicians can decide the objects and the rules and then let the market administrate the work.

3) Natural gas competitiveness

3.1) Is the tax system "fair" to natural gas or does the tax regime in itself cause problems in relation to the competitive position/marketing of natural gas?

The tax system is in favour of natural gas compared to other fossil fuels in the residential, commercial and district heating sector where the energy taxes and the environmental taxes are applied with their full value.

On the other hand the continuing increase of the energy tax and the carbon dioxide tax has reduced the competitiveness of natural gas compared to heat production by electricity devices and to fuels without taxes or with lower taxes. No tax revenues are used to support natural gas.

3.3) Who benefits from any tax differentials between different fuels (e.g. consumers, energy producers, energy distributors)?

The energy-suppliers benefit economically by the tax differentials as the market price for fuels include taxes. The customers benefit by the environmental advantages of the tax system.

4) VAT Regime

VAT is recoverable for enterprises but not for household customers.

5) Taxation and pollution

Apart from specified energy tax, carbon dioxide tax and sulphur tax there is a NO_x fee for units producing useful energy of minimum 25 GWh per year. The NO_x fee (reduced with administration costs) is paid back to the energy producers in relation to the net energy produced. The NO_x fee level is 4,26 Euro/kg NO_2 equivalent.

The carbon dioxide tax, the sulphur tax and the NO_x fee are directly related to the pollution.

The previous subsidy system for electricity produced from renewable energy sources was replaced by a "green certificate" quota system in May 2003. The intention is to increase the electricity production from renewable energy sources with 10 TWh in the period up to 2010 by increasing the quota each year. Electricity qualified to receive certificates is produced by wind, solar energy, small scale hydro power and biomass and the certificates can be traded in a market system. The electricity consumers (with the exception of energy intensive industries) are obliged to buy electricity certificates according to the actual quota. In order to increase the incentive to invest in new capacity based on renewable energy the government has proposed to prolong the system to 2030 and also set a new quota level at 2016 based on 17 TWh of renewable electricity. Natural gas for CHP has great difficulties in competing with this support system.

Since 1 January 2005 Sweden takes part in the trading system for carbon dioxide. The allocation of free emission rights for the first 3 year period has in principle satisfied the industry sector with requested amount and the energy sector with 80 % of existing emission level. For new energy plants the emission rights are even lower. As an example a new CHP plant based on CCGT technology and fuelled with natural gas will only be allowed free emission rights to about 60 %. A more generous allowance for new pants is being discussed for the next 5 year period resulting in a more restricted allowance for existing plants. The exemption of carbon dioxide taxes for the customers included in the trade system with CO_2 is still being discussed.

6) Biogas taxation

Biogas that is derived from biological possesses is exempted from taxation in Sweden

7) Taxation for Natural Gas Vehicles (NGV)

The transportation sector is taxed with 100 % CO_2 tax and a considerably higher energy tax. To promote the alternative fuel development for vehicles a lower tax level is applied on methane, natural gas and LPG.

8) LNG taxation

LNG is taxed with energy tax and carbon dioxide tax in line with other fossil fuels

SWITZERLAND

1) Tax regime specifications

1.1) Are there different energy taxes for different end-use sectors (e.g. households, district heating, industry (heating, processes), power generation, cogenerations)?

The same tax rates are applicable for all sectors.
Just one single tax, called "Mineralölsteuer" is charged (apart from the VAT); no different tax elements; same rate for all users except for motor fuels.

2) Description of legal framework of tax regime

2.1) Which changes in the energy tax system have taken place since 1 January 1995 and for which stated reasons?

The "Mineralölsteuer" has been introduced in 1997, replacing the import duties, but keeping the same rates. No changes have occurred since.

2.2) Is natural gas coming under pressure with regard to changes in the energy taxation system (from governments or other energy lobbies, e.g. the oil or coal lobbies)?

As long as the general level of the "Mineralölsteuer" is very low (not for motor fuels), the modification of relative prices (oil vs. gas) is not an issue.

2.3) Are any changes foreseen in the energy tax system? Please specify. Why are energy taxes to change and how will the foreseen changes affect the market position of natural gas?

During the last years, the gas industry has made many efforts in order to obtain a tax reduction for natural gas and biogas as a motor fuel. Finally, a proposal for an amendment to the law on the "Mineralölsteuer" has been submitted to the parliament. The decision should be taken in the coming months. The tax reduction could come into effect in mid-2007. The tax reduction on natural gas, biogas and liquid biofuels will cause revenue reductions, which must be compensated by a slightly higher tax on gasoline.

3) Natural gas competitiveness

3.1) Is the tax system "fair" to natural gas or does the tax regime in itself cause problems in relation to the competitive position/marketing of natural gas?

The tax system is generally "fair". However, with regards to motor fuels, natural gas has a disadvantage compared to other European countries. Hopefully, this flaw should be eliminated soon.

The planned CO_2-tax will be an obstacle to the construction of gas-fired power stations in Switzerland.

4) VAT Regime

VAT is recoverable for commercial and industrial users, but non recoverable for households.

5) Taxation and pollution

On fossil energies used for heating and industrial purposes, a CO_2-tax will be introduced, most probably only in 2008. It may be introduced in several steps; the tax rates have yet to be decided upon by the parliament.
The tax rates will be calculated on the basis of the specific carbon-content of the different fossil energies. Thus, natural gas will have a slight advantage compared to other fossil energies - but a disadvantage compared to renewables.

6) Biogas taxation

Biogas for heating purposes would be charged with the "Mineralölsteuer". But as the tax rates for heating energies are very low, this is not an issue. Motor fuels are a different story: here, biogas can currently be exempted, if produced in pilot- and demonstration installations. Once the above mentioned amendment to the law has come into effect, biogas as motor fuel will automatically get the tax exemption. As to the tax exemption of liquid biofuels, the discussions regarding their LCA are on-going.

7) Taxation for Natural Gas Vehicles (NGV)

On the federal level, the chances of the introduction of a tax incentive (eco-bonus) on new car sales for NGVs are slim. However, different cantons are granting reductions on the annual car taxes in the case of NGVs and other low emission vehicles.

UNITED KINGDOM

1) Tax regime specifications

Excise duties are levied on HFO and gas oil. The duties apply uniformly to all market sectors. The current duty rates, effective 1 September 2005, are as below. As announced in the Budget earlier this year, these rates will change in line with inflation with effect from 1 September 2006.

	Effective duty rate per litre (£)	Effective duty rate per litre (€)
Light oils		
Ultra low sulphur petrol (ULSP)	0. 4832	0.7039
Sulphur-free petrol (SFP)	0. 4832	0.7039
Unleaded petrol that is not ULSP or SFP	0.5149	0.7500
Aviation gasoline (AVGAS)	0.2883	0.4200
Light oil delivered to an approved person for use as furnace fuel	0.0604	0.0880
Other light oil (including leaded petrol)	0.5766	0.8399
Heavy oils		
Ultra low sulphur diesel (ULSD)	0.4832	0.7039
Sulphur-free diesel (SFD)	0.4832	0.7039
Heavy oil which is not ULSD or SFD (conventional diesel)	0.5465	0.7961
Marked gas oil and ultra-low sulphur diesel not for road fuel use	0.0644	0.0938
Fuel oil	0.0604	0.0880
Kerosene to be used as motor fuel off-road or in an excepted vehicle	0.0644	0.0938
Biofuels		
Biodiesel	0.2832	0.4125
Biodiesel used otherwise than as road fuel	0.0313	0.0456
Bioethanol	0.2832	0.4125
Road Fuel Gases		
Natural gas (NG)	0.108	0.1573
Road fuel gas other than natural gas – e.g. liquefied petroleum gas (LPG)	0.127	0.1850

Changes to excise duty rates are normally contained in the annual Finance Act and are published in Budget Notices.

As part of its commitment under Kyoto, the UK introduced a new environmental measure, **Climate Change Levy ("CCL")**, with effect from 1 April 2001. CCL is chargeable on the industrial and commercial use of certain taxable commodities for lighting, heating and power purposes at the rates overleaf, and is charged to consumers in the following sectors: Industry, Commerce, Agriculture, Public Administration and Other Services. Taxable commodities are Electricity, Natural Gas (as supplied by a gas utility), Petroleum and Hydrocarbon gas in a liquid state, Coke, and semi-coke of coal or lignite, and Petroleum Coke. CCL is a

single-stage tax and is non-recoverable by the consumer/user. It therefore represents a cost to business. (for more information please refer to Annex)

UK oil and gas production is subject to **Petroleum Revenue Tax ("PRT")** of 50% and ring fence corporation tax ("CT") of 50%. PRT is deductible in computing ring fence CT. There are special rules regarding the valuation of non-arm's length sales. Fields which obtained development consent after 16 March 1993 are not subject to PRT. The 2005 Finance Act introduced measures which accelerated the payment of ring fenced corporation tax. The 2005 Finance Bill has increased the rate of ring fence corporation tax to 50% with effect from 1 January 2006.

North Sea royalties were abolished with effect from 31 December 2002.

2) Description of legal framework of tax regime

As of 1 January 2006, the Government introduced a relief from duty for oil used in electricity generation. This was to remove the risk of double taxation on electricity generated and also to put oil fired power stations on a par with gas fired power stations (where the input is not subject to any form of environmental taxation). It also ensures compliance with the Energy Products Directive (Council Directive 2003/96/EC). Duty on the oil is initially paid by the generator but can then be reclaimed from HM Revenue & Customs, subject to certain qualifying conditions. There is also a relief for biofuels used for electricity generation.

3) Natural gas competitiveness

3.1) Is the tax system "fair" to natural gas or does the tax regime in itself cause problems in relation to the competitive position/marketing of natural gas?

The rate of CCL applied to coal is the same as for gas. This is seen as being anti-competitive given the environmental differences between the two sources of fuel. Natural gas is coming under pressure, although there are no imminent changes expected.

4) VAT Regime

VAT is levied at 5% on supplies of fuel and power sold for qualifying use (domestic use and charity non-business use), on small quantities of fuel and power supplied not exceeding prescribed de minimis limits, and on certain mixed use supplies (where there is a dual use of business and qualifying use). All other supplies of fuel and power are subject to VAT at 17.5%. In practice most VAT charged in the commercial and industrial sectors can be reclaimed. VAT is levied on top of the duty and the Climate Change Levy where applied.

It is widely accepted that the measure to introduce, as from 1 April 1994, VAT on domestic fuel was taken primarily to raise revenue although the Government did state that higher taxes discourage consumption and were therefore environmentally desirable.

5) Taxation and pollution (for more information on the CCL, please see Annex)

As part of its commitment under Kyoto, the UK introduced a new environmental measure, **Climate Change Levy ("CCL")**, with effect from 1st April 2001.

CCL does not apply to the domestic use of energy (or in general on other supplies qualifying for the reduced rate of VAT). In addition, electricity produced in good quality heat and power plants as well as that generated from 'new' forms of renewable sources such as wind and power is exempt from CCL. Certain other types of supplies, such as supplies not used as fuel and supplies used to produce taxable commodities other than electricity are also exempt from CCL. As CCL is consumption based, wholesale supplies fall outside the scope of the levy.
Energy intensive sectors, which have concluded climate change agreements that meet the Government's criteria, are subject to a reduced rate of CCL.

In order to ensure that domestic consumption of energy is not subject to CCL, the levy is imposed at the time of supply to commercial and industrial consumers.
CCL was designed to be revenue neutral, and, on introduction, was offset by a reduction in employer national insurance contributions. Since its introduction, however, increases to both employer and employee national insurance contributions have been announced.

6) LNG taxation

The taxation of liquefied natural gas (LNG) is the same as for natural gas. Imports of LNG into the UK are currently subject to import VAT as are imports of wet gas (natural gas containing condensable hydrocarbons or other liquids). Imports of dry gas (natural gas containing little or no condensate) are exempt from import VAT.