



CO₂-tax in aviation Norwegian experiences

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Norwegian CO₂-tax – an overview

- Introduced in 1991
 - An addition to other fuel taxes
- Applies to mineral oil (diesel, heating oil etc.), petrol, natural gas and LPG
- Tax base: “Domestic use”
 - Domestic production + imports – exports
 - Very few companies are responsible for paying the tax
- CO₂-tax rates are equivalent to 50 EUR per ton CO₂
 - 0.135 EUR per litre mineral oil
- Most exemptions and reduced rates have been abolished

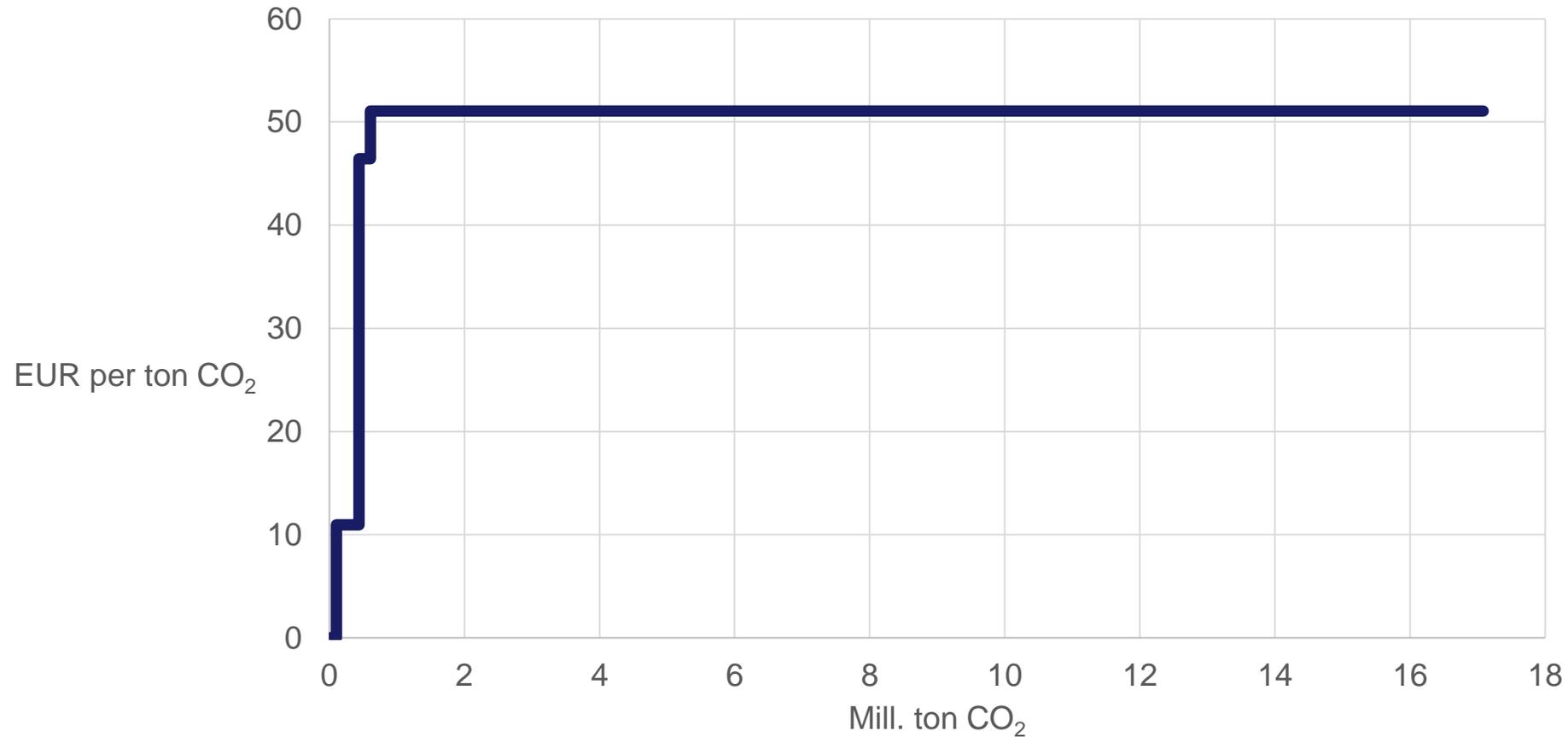


Norwegian CO₂-tax – exemptions and reduced rates

- The current reduced rate
 - Mineral oil used for fishing in inshore waters (11 EUR per ton CO₂)
- Current exemptions
 - Mineral products delivered for uses that are covered by the Greenhouse Gas Emission Trading Act (EU ETS).
 - Natural gas and LPG used for fishing in inshore waters
 - Natural gas and LPG used in commercial greenhouses
 - Natural gas and LPG used in chemical reduction or electrolysis, metallurgical and mineralogical processes
 - Mineral products to fishing in distant waters
 - Mineral products to international shipping
 - Mineral products to international aviation



Carbon prices on mineral products (used domestically) outside the EU ETS



CO₂-tax in aviation - history

- 1991 CO₂-tax introduced, but aviation fuel exempted
- 1996 The Green Tax Commission recommended to extend the CO₂-tax to emissions not covered.
(NOU 1996: 9)
- 1998 The Government proposed to extend the CO₂-tax to include aviation fuel.
(St. prp. nr. 54 (1997-98))
- 1998 The Storting supported the Governments proposal.
(Innst. S. nr. 247 (1997-98))
- 1999 CO₂-tax on all aviation fuel from 1 January.

CO₂-tax in aviation – legal considerations

- In 1998 The Government found that
 - The Chicago Convention was not an obstacle to a CO₂-tax on fuel to international aviation.
 - The Agreement on the European Economic Area (EEA) was not an obstacle to a CO₂-tax on fuel to international aviation.
- ... but The Government did not consider the bilateral Air Service Agreements.

Bilateral Air Service Agreements – Article 6

1. Aircraft operated on international air services by a designated airline of either Contracting Party, as well as its regular equipment, supplies of fuel and lubricants and aircraft stores (including food, beverages and tobacco) on board such aircraft shall be exempt from all customs duties, inspection fees and other duties or taxes on arriving in the territory of the other Contracting Party, provided such equipment, supplies and stores remain on board the aircraft up to such time as they are re-exported.
2. With the exception of charges based on the cost of the service provided, the following items shall also be exempt from duties, fees and charges referred to in paragraph 1 of this Article:
[...]
 - c. fuel, lubricants and consumable technical supplies introduced into or supplied in the territory of a Contracting Party for use in an aircraft engaged in an international air service of a designated airline of the other Contracting Party, even when these supplies are to be used on a part of the journey performed over the territory of the Contracting Party in which they are taken on board.

Bilateral Air Service Agreements and taxes

- Does the bilateral Air Service Agreements say anything about fuel taxes?
 - Is a CO₂-tax covered by «duties, fees and charges»?
- Norwegian Constitution Article 75 a)
 - “It devolves upon the Storting:
 - a) (...) to impose taxes, duties, customs and other public charges, (...)”
- Can the taxing rights of the Storting be reduced by bilateral Air Service Agreements?

CO₂-tax in aviation

- 1999 The Government found that a CO₂-tax on international aviation *might be in conflict* with the bilateral Air Service Agreements and proposed to abolish the CO₂-tax on international aviation.
(St.prp. nr. 53 (1998-99))
- 1999 The Parliament supported the Governments proposal.
(Innst. S. nr. 163 (1998-99))
- 1999 The CO₂-tax on international aviation was abolished with effect from 1 January 1999.

Current policy instruments (taxes and ETS)

	CO ₂ -tax	EU ETS	Passenger tax
Domestic aviation	YES 50 EUR/ton CO ₂	YES 25-30 EUR/ton CO ₂	YES 7.50 EUR/passenger
International aviation within Europe	No	YES 25-30 EUR/ton CO ₂	YES 7.50 EUR/passenger
International aviation outside Europe	No	No	YES 20 EUR/passenger



Norwegian Ministry
of Finance

Carbon prices, in sum, across all recorded sources of emissions in Norway

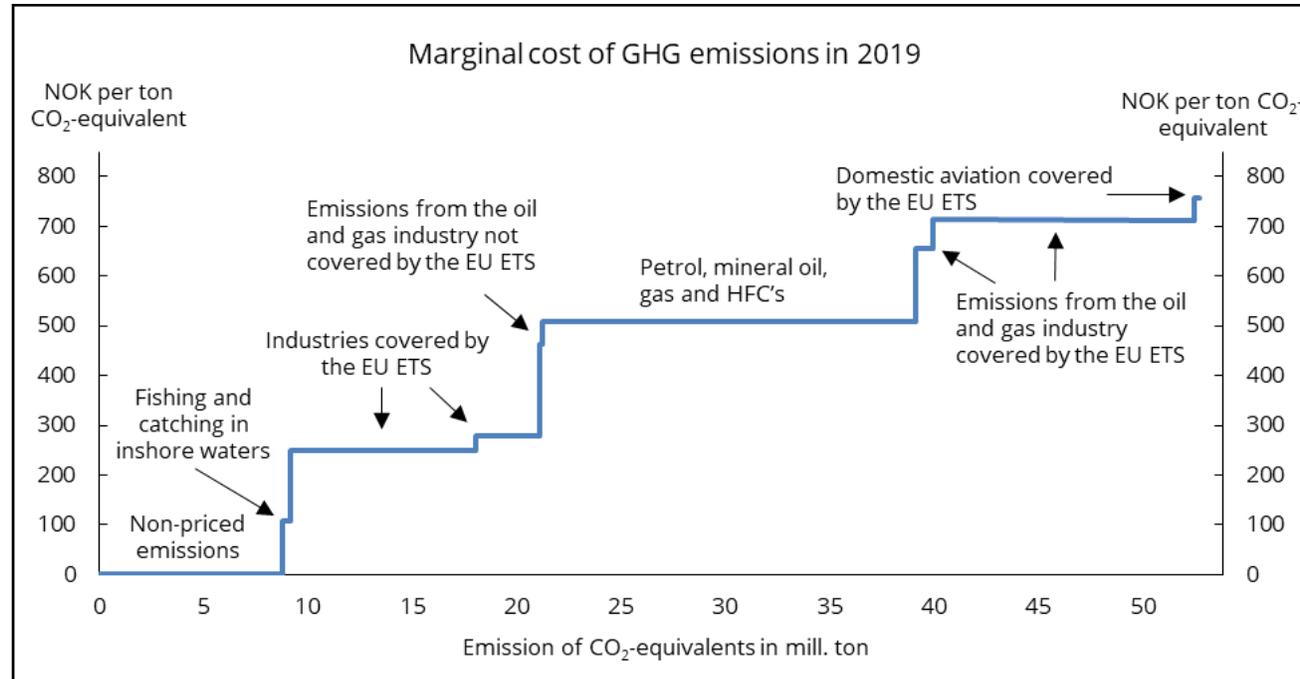


Figure 2.18 Marginal cost of GHG emissions across sectors. The tax-rates are shown in NOK per ton CO₂-equivalents in 2019 and a EU ETS price of 25 EUR. Recorded emissions from 2017.

Sources: Statistisk sentralbyrå, Miljødirektoratet og Finansdepartementet.

