



## AUSTRIA: INVENTORY OF ESTIMATED BUDGETARY SUPPORT AND TAX EXPENDITURES FOR FOSSIL-FUELS - 2013

### Energy resources and market structure

Austria has a relatively large share of renewable energy in its total primary energy supply (TPES). In 2010, over 28% of TPES in Austria was produced from renewable sources — about 17% from wind, solar and geothermal power, 10% from hydropower and 2% from combustible waste. Fossil fuels — comprised of oil, natural gas and coal (37%, 25% and 10%, respectively) — accounted for the remaining 70% of TPES. Around 30% of Austria's energy needs are produced domestically. Despite having a significant share of fossil fuels in TPES, Austria produces about two-thirds of its electricity from renewable-energy sources.

The largest Austrian petroleum company, OMV AG, is 31.5%-owned by the state and it is the biggest integrated petroleum company in Central Europe. It undertakes petroleum exploration and production (E&P), refining, wholesale and retail sales, both domestically and internationally. Its biggest E&P activities are carried out in Austria and Romania. The company holds significant stakes in other petroleum companies abroad – for example, it owns a majority of share in Petrom SA (the largest petroleum company in Romania) and has a 97% stake in Petrol Ofisi (a leading retail and commercial petroleum company in Turkey). OMV also operates Austria's only refinery, in Schwechat, and operates three gas-storage facilities in the country. In 2010, the company covered 10% of Austria's oil and 19% of Austria's natural gas demand from domestic production. Austria imports most of its oil from Kazakhstan. The imported crude oil is primarily transported via the Adria Wien Pipeline (AWP) to the refinery in Schwechat.

Austria also imports most of its natural gas from Russia. The signatories of the major contract for imports of natural gas are EconGas and Russian Gazexport. EconGas is the largest Austrian gas supplier. OMV owns 50% of EconGas; the remaining 50% is in the hands of five municipal and state utilities in Vienna, Linz, Upper Austria, Lower Austria, and Burgenland. OMV also owns the Baumgarten gas hub operator.

Until the end of 2004, the mining company GKB-Bergbau GmbH produced small quantities of lignite. Any other production of coal is insignificant in scale and of sporadic nature. Most of the demand for coal is met by imports from Poland and the Czech Republic. Accompanying the liberalisation process in Austria, a compensation of sunk costs for the lignite power plant Voitsberg III was approved by the European Commission in 2001. The scheme terminated in 2008 and the plant shut down.

Austria liberalised its electricity market, ahead of the EU regulation, in 2001. Most of the significant electricity suppliers are partially owned by the federal and state governments. Public ownership of the main companies is prescribed by legislation with constitutional status. The transmission network has been unbundled and it is divided into two regions, each of which is operated by a different company. Austria occupies a central position in the EU electricity network and is connected to all of its neighbouring countries, with the exception of the Slovak Republic. Both the electricity and the gas markets are concentrated in the hands of big suppliers: about 70% of the gas market is controlled by OMV, while the biggest electricity supplier and generator, Verbund (51% owned by the state), accounts for approximately half of all electricity production. Similarly to all the other electricity generators, its portfolio comprises a mix of small and large hydropower stations. EnergieAllianz is the second-largest electricity company, indirectly owned by two states and the city of Vienna. A range of smaller,

regional and municipal electricity and gas suppliers are active in Austria, mostly in the regions and municipalities which own them.

In Austria, the energy policy is jointly conducted at both the Federal and State levels, as stipulated in the Federal Constitution. This joint responsibility applies to the supply of electricity, gas and heating; energy conservation; and regulatory supervision of energy companies. The Austrian Energy Agency, established by the federal government and the nine Austrian States (*Länder*), promotes clean energy in Austria. Most of the *Länder* have also set up energy agencies to assist them in fulfilling this role on the sub-national level. Any subsidies to energy are also jointly decided upon by the Federal government and the States. While subsidies to enterprises and companies fall under Federal jurisdiction, subsidies to households are provided at the sub-national level.

### **Prices, taxes and support mechanisms**

The prices of electricity and natural gas are set freely by the market. Energie-Control Austria (E-Control) is the federal regulator for electricity and gas. In March 2011, E-Control was transformed into a public company agency. Its tasks are stipulated by the E-Control Act.

The Federal Ministry of Finance sets the tax rates on fossil fuels and electricity in Austria. The government has included environmental objectives in its taxation policy since 1996, when a law on the taxation of natural gas and electricity was first implemented. An EU-approved tax reimbursement scheme for certain energy-intensive industries is in operation. In addition, the Federal authorities provide tax exemptions to international aviation and shipping, relief from the mineral-oil tax, as well as LPG used in public transport, and diesel fuel used in railways. Finally, farmers can obtain rebates for diesel fuel. A full VAT rate of 20% is levied on all energy sales, except for diesel and heavy fuel oil for commercial use. The Austrian Stability Law of 2012 stipulates that the energy-tax exemption from LPG used in public transport, the energy-tax relief for diesel fuel used in railways and the rebates to diesel used in agriculture will all expire at the end of 2012.

Austria provides support to R&D in the energy sector. Overall co-ordination for supervision of the research programmes and funding of the research institutions comes under the responsibility of the Ministry of Transport, Technology and Innovation. In 2008, about EUR 2.7 million, or 3.8% of the total public expenditure for R&D in the energy sector, was related to fossil fuels. In the same year, OMV AG reported spending about EUR 14.0 million from its own funds on R&D.

Austria also provides support to commuters who rely on their own cars to get to work. The support is made available in the form of a tax allowance — i.e. commuters are allowed a lump-sum deduction from their taxable income. The amount of the deduction is dependent on the distance between one's home and workplace, and the accessibility of public transport.

### **Data documentation**

#### ***General notes***

The fiscal year in Austria coincides with the calendar year. Amounts prior to 1999 are expressed as “euro-fixed series”, meaning that we applied the fixed EMU conversion rate (1 EUR = 13.7603 ATS) to data initially expressed in Austrian Schilling (ATS). In the case of the support measure tagged as *te\_04*, the conversion into EUR was already provided by the Federal Ministry of Finance.

Data estimates were downloaded from the website of the Federal Ministry of Finance (which published subsidy reports for the years 2004-9) and provided by the Federal Ministry of Finance (for the years prior to 2004).

## ***Producer Support Estimate***

### *Stranded Costs Compensation to Voitsberg III (2001-2007)*

European Parliament and Council Directive 96/92/EC of 19 December 1996 stipulating common rules for the internal market in electricity laid down the principles for opening up the European electricity markets to competition. Since the gradual transition to a competitive market was meant to take place under acceptable economic conditions that take into account the specific characteristics of the electricity industry, Member States were allowed to introduce State aid mechanisms that would allow their electricity producers to adapt to a competitive-market setting.

In Austria, one of such measures was a compensation of sunk costs for the lignite power plant Voitsberg III. The power plant had committed to firing only expensive lignite from the local lignite mines, which led to operating costs that were significantly higher than those incurred by similar coal power plants in the country. Since Voitsberg III would not have been economically viable under the liberalised electricity market and it had already signed contracts with the local lignite mines, the stranded-costs compensation scheme supporting the power plant was approved by the European Commission in 2001. The total nominal value of compensation was estimated to be EUR 102 million. The scheme terminated in 2008. Since Voitsberg III relies only on lignite, the scheme is an implicit subsidy to the coal sector. The measure is thus allocated to the PSE.

Since no detailed breakdown of the government expenditure pertaining to the stranded-costs compensation to Voitsberg III is available, the estimated compensation of EUR 102 million has been divided up into seven equal instalments, which are assigned to each of the years when the scheme was operating.

Source: European Staatliche Beihilfe Nr. N 34/99 — Österreich.

Tag: AUT\_dt\_01

## ***Consumer Support Estimate***

### *Energy-Tax Exemption for LPG Used in Public Transport (data for 1984- )*

As stipulated by the 1981 Mineralölsteuergesetz and the 1995 Mineralölsteuergesetz (Mineral Oil Taxation Law), LPG used as fuel for local public transport, on routes not exceeding 25 km, is fully exempt from energy-tax payments.

As stipulated by the Austrian Stability Law of 2012, this exemption will expire at the end of 2012.

Source: Federal Ministry of Finance, Förderungsberichte (various years); Mineralölsteuergesetz 1981; Mineralölsteuergesetz 1995.

Tag: AUT\_te\_01

### *Energy-Tax Relief for Diesel Used by Trains of the Austrian Railways (data for 1984- )*

As stipulated by the 1981 Mineralölsteuergesetz and the 1995 Mineralölsteuergesetz (Mineral Oil Taxation Law), diesel used as fuel for trains owned by the Austrian Railways is partially refunded.

As stipulated by the Austrian Stability Law of 2012, this measure will expire at the end of 2012.

Source: Federal Ministry of Finance, Förderungsberichte (various years); Mineralölsteuergesetz 1981, Mineralölsteuergesetz 1995.

Tag: AUT\_te\_02

*Energy-Tax Rebates to Diesel Used in Agriculture (data for 2005- )*

Rebates to diesel used in agriculture were introduced in 2005. Every farmer or forester is entitled to apply for a rebate which is equal to the difference between the energy-tax rate levied on diesel and the energy tax rate levied on light heating oil (*e.g.* in 2005, it amounted to EUR 0.204 per litre). Rebates are paid out from a special fund earmarked for this budgetary expenditure, the cap on which is set at EUR 50 million for each calendar year.

As stipulated by the Austrian Stability Law of 2012, this measure will expire at the end of 2012.

Source: Agrardieselverordnung (2012), Förderungsberichte (various years); Mineralölsteuergesetz 1995.

Tag: AUT\_te\_03

*Energy-Tax Refund to Energy-Intensive Industries (data for 1996- )*

An energy-tax refund to energy-intensive industries was introduced in 1996 and is currently still in operation. As stipulated by the EU Directive 2003/96/EC, EU member states may, fully or in part, refund energy taxes paid by businesses that have invested in the rationalisation of their energy use. This refund may be as much as 100% for energy-intensive businesses and up to 50% for other businesses. Energy-intensive businesses in Austria are not granted a complete refund of their energy-tax payments as they have to pay at least the minimum energy-tax rates stipulated by the EU Directive 2003/96/EC.

As of 2011 the services sector is no longer entitled to these refunds. The Ministry of Finance has estimated that this will result in reduction of this tax expenditure by about EUR 100 million per year.

We allocate the annual amounts reported by the Ministry of Finance to different fuels on the basis of the IEA's Energy Balances for the industries producing iron and steel, chemical and petrochemical, non-ferrous metals and non-metallic minerals, and to commercial and public services. Annual payments pertaining to electricity, which we exclude from reporting, constitute about 34%-44% of the total payments in a given year.

Payments are allocated to solid fuels from 2004 onwards as they had not been encompassed by the energy-taxation system prior to that year.

Source: IEA; Ministry of Finance.

Tag: AUT\_te\_04

*Energy-Tax Relief for Gasoil Used for Powering CHP Plants (data for 1984-1996)*

As stipulated by the 1981 Mineralölsteuergesetz, gasoil used for powering combined heat and power (CHP) plants is subject to an energy-tax relief. Although the scheme is still in operation, estimates are available only until 1996. After that time they were included in the Energy-Tax Refund to Energy-Intensive Industries (See "AUT\_te\_04").

Source: Mineralölsteuergesetz 1981, Förderungsberichte (various years).

Tag: AUT\_te\_05

*Energy-Tax Relief for Mineral Oil Used for Testing Motors or Motor Vehicles (data for 1984-1994)*

As stipulated by the 1981 Mineralölsteuergesetz, mineral oil used in the process of testing motors or motor vehicles in factories used to benefit from an energy-tax relief. The measure expired in 1995.

We allocate the annual amounts reported in the Förderungsberichte to diesel oil and motor gasoline on the basis of the IEA's Energy Balances for the road sector.

Source: Förderungsberichte (various years), IEA; Mineralölsteuergesetz 1981.

Tag: AUT\_te\_06

*Energy-Tax Relief for Mineral Oil Used in Certain Agricultural Machinery (data for 1984-1993)*

As stipulated by the 1981 Mineralölsteuergesetz, mineral oil used in certain agricultural machinery used to benefit from an energy-tax relief. The measure expired in 1994.

We allocate the annual amounts reported in the Förderungsberichte to diesel oil and fuel oil on the basis of the IEA's Energy Balances for the agricultural sector.

Source: Förderungsberichte (various years), IEA; Mineralölsteuergesetz 1981.

Tag: AUT\_te\_07

## Sources

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