



BELGIUM: INVENTORY OF ESTIMATED BUDGETARY SUPPORT AND TAX EXPENDITURES FOR FOSSIL-FUELS

Energy resources and market structure

Belgium has negligible economically recoverable resources of fossil energy and relies heavily on imported energy. Coal was once the main indigenous energy source, but there has been no domestic production of coal since the last mine closed in 1992. Primary energy supply is relatively diversified, with oil meeting 42% of the country's needs in 2010, natural gas 28% and coal 5%. Nuclear power accounts for a fifth of energy supply and about half of total electricity generation. Renewables and imported electricity and heat account for the remaining 5% of primary energy supply. In aggregate, imports meet more than three-quarters of the country's energy needs (treating nuclear power as indigenous production).

The principal goals of Belgian energy policy are security of supply through the diversification of geographical sources of supply and fuels; energy efficiency; transparent and competitive energy pricing; and environmental protection. The three regions—Wallonia, Brussels-Capital, and the Flemish region—have also adopted energy policies covering their areas of competence, prioritising energy efficiency and renewables. Increasingly, policy is driven by EU laws and regulations. At the national level, a key policy objective is the phase-out of nuclear energy. A 2003 law prohibits the construction of new nuclear plants and sets a 40-year limit on the operating lifetime of existing plants. The Belgian government has recently decided to maintain the nuclear phase-out law with the exception of one nuclear power plant (Tihange 1), which is allowed to operate for ten years longer (i.e. until 2025). A new bill amending the nuclear phase-out law is also being considered for approval by Parliament. Should this proposal be approved, only two reactors would have to shut down by 2015. The safety problems encountered at Doel 3 and Tihange 2 have not influenced the government's decision so far.

Belgium's energy sector is almost entirely in private hands, though some local distribution of electricity and natural gas is carried out by companies that are wholly or partially owned by municipalities. The gas and electricity markets have been fully opened to competition, as required under EU law, but traditional suppliers, notably GDF Suez in gas and its subsidiary, Electrabel, in electricity, continue to hold dominant positions. The national regulator, the Electricity and Gas Regulatory Commission (CREG), is mainly responsible for approving transmission and distribution tariffs and market monitoring. Each of the three regions has its own regulatory body, which are primarily responsible for approving local distribution tariffs.

Prices, taxes and support mechanisms

As required by EU law, there are no price controls on energy as such. However, the central government maintains a system of price ceilings on the main oil products under an agreement with the national oil industry federation. These ceilings are intended to act as a cushion against sudden price spikes. The CREG and the regional regulators set network charges for electricity and natural gas, but do not have the legal means to control electricity or gas prices to most final consumers. Nevertheless, faced with a rapid rise in final energy prices, the government has recently decided to freeze retail energy prices until the end of 2012. Proposals are being prepared by the legislator with a view to imposing standard rules for setting retail energy price rises in the future.

Energy supply attracts VAT at the standard rate of 21%, with the exception of coal for household use, which is taxed at 12%. Excise duties are levied on petroleum products at different rates. There is also a special levy on the household use of gasoline, light heating oil, natural gas, LPG and electricity, which is used to finance various public services, including the CREG. Electricity and gas supplied under social tariffs are exempt from this levy. In 2008, the government introduced a special annual tax on the nuclear power generators in response to concerns that they were making large profits from assets that were depreciated before liberalisation.

There are a number of tax preferences relating to energy consumption in Belgium. Certain categories of business consumers, notably companies consuming large quantities of energy and those holding an environmental permit, benefit from a reduced rate of excise tax on sales of some petroleum products (diesel fuel, heavy fuel oil, LPG, natural gas and kerosene). Some off-road vehicles and stationary engines that are operated in the construction and civil-engineering sectors also qualify for tax reductions. Energy products used in farming, forestry, horticulture, and pisciculture, as well as certain solid fuels used by households, also attract fuel-tax reductions. There are two measures that directly support household energy use: the Heating Oil Social Fund (*Fonds Social Mazout*), which provides low-income and heavily indebted households with grants to help them pay their heating bills; and a social tariff for natural gas and electricity for disadvantaged households, set every six months by the CREG on the basis of the lowest commercial tariff in the country, with suppliers receiving the difference between the social tariff and the actual market tariff from a fund managed by the regulator and financed by the federal government.

Data documentation

General notes

The fiscal year in Belgium coincides with the calendar year. Following OECD convention, amounts prior to 1999 are expressed as 'euro-fixed series', meaning that we applied the fixed EMU conversion rate (1 EUR = 40.339 BEF) to data initially expressed in the Belgian Franc (BEF).

Producer Support Estimate

Belgium supported the production of hard coal until 1992, at which time the last mine still in operation was closed. Since then, it has not supported the production of any fossil fuel.

Consumer Support Estimate

Fuel-Tax Reduction for Certain Professional Uses (data for 1997-)

This measure provides certain professional users with reductions in the rate of excise tax applicable to sales of petroleum products and natural gas in Belgium. Eligible users include those companies that consume large quantities of such fuels and those that possess a *Permis Environnemental* or *Vergunning Milieudoelstelling* (Environmental Permit).

These tax reductions apply mainly to diesel fuel (containing both low and high levels of sulphur) but recent budget documents also provide estimates for LPG and kerosene starting in 2004. None are, however, provided for heavy fuel and natural gas. Data are not available prior to 1997.

Sources: Chambre des Représentants de Belgique (various years [a]).

Tag: BEL_te_01

Fuel-Tax Exemption for Regional Bus Transport (data for 1997-2008)

This measure exempted providers of regional bus-transport services from the excise tax that is normally levied on sales of petroleum products in Belgium. It was initially capped at BEF 2 000 (EUR 50) per 1 000 litres, but was then phased out in June 2008.

Sources: Chambre des Représentants de Belgique (various years [a]).

Tag: BEL_te_02

Fuel-Tax Reduction for Certain Industrial Uses (data for 1997-)

Certain industrial and commercial activities undertaken in Belgium can benefit from a reduced rate of excise tax applicable to petroleum products. Eligible uses include some off-road vehicles and stationary engines that are operated in the construction and civil-engineering sectors.

The provision applies to diesel fuel, LPG and kerosene. No estimates are, however, available for LPG. Accordingly, we allocate the annual amounts reported in official budget documents to diesel fuel and kerosene on the basis of the IEA's Energy Balances for the construction and commercial and public services sectors.

Sources: Chambre des Représentants de Belgique (various years [a]), IEA.

Tag: BEL_te_03

Fuel-Tax Exemption for Agriculture (data for 1997-2004)

This provision exempts agriculture, horticulture, forestry, and pisciculture from the excise tax that is normally levied on sales of energy products in Belgium. The measure applied only to diesel fuel and kerosene until 2004, at which time coverage was extended to heavy fuel, LPG, natural gas, electricity, hard coal, coke, and lignite.

Data are only available up to 2004 for both diesel fuel and kerosene. We allocate the annual amounts reported in official budget documents to diesel fuel and kerosene on the basis of the IEA's Energy Balances for the agriculture and forestry sector.

Sources: Chambre des Représentants de Belgique (various years [a]), IEA.

Tag: BEL_te_04

Fonds Social Mazout (data for 2007-)

The Fonds Social Mazout or *Sociaal Verwarmingsfonds* (Heating Oil Social Fund) is a programme that provides low-income and heavily indebted households with grants to help them pay their heating bills. The fund operates all year long and is specifically tied to consumption of heating oil.

Funding comes from both the industry and the Belgian government but we only report here the amounts that are attributable to government funding.

Sources: Directorate General Statistics and Economic Information, Chambre des Représentants de Belgique (various years [b]).

Tag: BEL_dt_01

Social Tariff for Natural Gas (data for 2004-)

Certain households in Belgium are entitled to a reduced tariff for both natural gas and electricity. This “social tariff” was introduced in 2004. It is set once every six months by the Commission de Régulation de l’Électricité et du Gaz or Commissie voor de Regulering van de Elektriciteit en het Gas (Regulatory Commission for Electricity and Natural Gas) on the basis of the lowest commercial tariff in the country. Beneficiaries of the social tariff are also exempt from the excise tax normally levied on sales of natural gas.

Payments are made to suppliers out of a fund partly financed through the federal budget to compensate them for the difference between the reduced tariff and the market price. Eligible households include those that are entitled to welfare programmes, disabled persons, and the elderly.

Only those amounts that pertain to natural gas are here being reported.

Sources: Directorate General Statistics and Economic Information, Chambre des Représentants de Belgique (various years [b]).

Tag: BEL_dt_02

Special Heating Grant (data for 2009-)

This programme was introduced in 2009 to dampen the impact of rising energy prices on poor households. It provides eligible consumers with a lump-sum discount on their heating bills worth EUR 105 a year. The measure applies to heating in general, irrespective of whether it comes from electricity, natural gas or heating oil (so-called mazout). To be eligible, households must not already benefit from either the Fonds Social Mazout or the Social Tariff for Natural Gas (see above).

We use the IEA’s Energy Balances for the residential sector to allocate the amounts reported in official budget documents to heating oil, natural gas, and electricity. Only those amounts that pertain to heating oil and natural gas are here being considered.

Sources: Chambre des Représentants de Belgique (various years [b]), IEA.

Tag: BEL_dt_03

Fuel-Tax Rebate for Taxi Drivers (no data available)

This measure provides taxi drivers in Belgium with a partial rebate on their excise-tax bill to compensate for the increase in the rate of excise tax that came into force on 1 February 2004.

No estimates are available for this scheme.

Sources: Chambre des Représentants de Belgique (various years [a]).

Fuel-Tax Exemption for Natural Gas Used as Motor Fuel (no data available)

The use of natural gas and LPG as motor fuels in Belgium is exempt from excise tax.

No estimates are available for this scheme.

Sources: Chambre des Représentants de Belgique (various years [a]).

Fuel-Tax Exemption for Rail Transport (no data available)

Rail transport in Belgium is exempted from the excise tax that normally applies to sales of petroleum products.

No estimates are available for this scheme.

Sources: Chambre des Représentants de Belgique (various years [a]).

Fuel-Tax Exemption for Inland Navigation (no data available)

The use of petroleum products as fuel for inland navigation in Belgium is exempt from the excise tax normally levied on sales of such fuels.

No estimates are available for this scheme.

Sources: Chambre des Représentants de Belgique (various years [a]).

Fuel-Tax Exemption for the Residential Use of Coal (no data available)

The use of hard coal, lignite, and coke by households in Belgium is exempt from the excise tax that normally applies to sales of such fuels.

No estimates are available for this scheme.

Sources: Chambre des Représentants de Belgique (various years [a]).

Sources

Policies or transfers

Chambre des Représentants de Belgique (various years [a]), *Annexe – Inventaire des Exonérations, Abattements et Réductions qui Influencent les Recettes de l'État*, Budget des Voies et Moyens, Available at: docufin.fgov.be/intersalgr/thema/stat/Stat_fiscale_uitgaven_fed.htm

Chambre des Représentants de Belgique (various years [b]), *Projet de Budget Général des Dépenses*, Available at: www.lachambre.be/kvvcr/showpage.cfm?section=|pri|budget&language=fr&rightmenu=right_pri&story=2010-2011.xml

Energy statistics

IEA (2011), *Energy Balances of OECD Countries*, International Energy Agency, Paris.