



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

Energy resources and market structure

The Netherlands has substantial but dwindling resources of natural gas, having been a major producer and exporter of gas to the rest of Europe since the super-giant Groningen field — the 11th largest ever discovered and the fourth-largest by peak production — was first developed in the early 1960s. Production has been in decline for several years, as Groningen edges closer to exhaustion and as smaller fields are reaching maturity. Oil resources are smaller, with output meeting only two-thirds of the country's own needs (additional volumes of crude oil are imported and refined for export markets). Unsurprisingly, gas is the single largest fuel in the Dutch primary energy mix, in 2010 it accounted for about 47% of the country's energy use, closely followed by oil (37%). Coal contributes about 10%, with the remainder coming from a mixture of nuclear power (from one reactor) and renewables (mainly biomass and wind power). In total, indigenous production meets over four-fifths of the country's primary energy needs.

For the most part, the Dutch energy industry is in private hands, but there is significant ownership of assets by the state, the provinces and municipalities in the gas and electricity sectors. The upstream oil and gas industry is entirely private and liberalised. NAM, owned jointly by Shell and ExxonMobil, operates Groningen and is, hence, the largest gas producer; several other oil and gas producers operate small fields onshore and offshore in the North Sea. All the refineries and distribution and retailing networks are privately owned.

Gasunie, a wholly state-owned company, owns and operates the gas transportation network through its affiliate Gas Transport Services (GTS). A trading and supply company, GasTerra, which is half owned by the state (10% directly and 40% through EBN, a state-owned company) and half by Shell and Exxon (25% each), sells domestically produced gas in the Netherlands. It is the major player in the wholesale market, with a share of nearly 60%. Four supply companies – Essent, Eneco, Nuon and Delta, which are mainly owned by provincial and municipal governments – dominate the retail market. Under a 2006 law mandating ownership unbundling of distribution companies, distribution assets must be fully separated from supply activity, and cannot be sold to private companies or investors. Gas competition is well developed, with a relatively large proportion of small consumers having switched away from the incumbent suppliers, in contrast with the situation in most other EU countries.

Electricity generating assets are partly privately owned and partly owned by provincial or municipal governments. Some major players have been overtaken by foreign energy companies over the last years. These foreign energy companies are partly or wholly owned by other states. The five largest generators – Electrabel, Essent, Nuon, E.ON Benelux and Delta – together hold more than two-thirds of installed capacity. Most of the remaining capacity is in combined heat and power plants operated by industrial firms, municipalities and the horticultural sector. The country's transmission system operator, TenneT, is fully owned by the state. There are more than 30 supply companies, of which the largest are Essent, Nuon and Eneco. The fourth-largest, Oxxio, was first owned by the UK firm, Centrica, but it has been taken over by Eneco.

Prices, taxes and support mechanisms

There are no wholesale or retail price controls on any fuel or energy service in the Netherlands. However, a so-called safety net exists for retail electricity and gas prices. The national regulator, the Office of Energy Regulation (Energiekamer) within the Competition Authority, is responsible for approving all tariffs and for ensuring that prices charged to consumers are reasonable; where this is not the case, the regulator can impose a tariff on the supplier, though this has never been necessary in practice.

In addition to VAT, excise taxes and a special compulsory storage fee (COVA) are levied on the sale of oil products, and an energy tax is levied on the supply of electricity and gas (with tax rates decreasing with the level of consumption). As in many other countries, jet fuel is exempt from excise taxes when it is used for the purpose of commercial air navigation. There are some tax breaks aimed at encouraging exploration and production of hydrocarbons. For example, in order to promote the development of offshore marginal gas fields, a 25% deduction of investment costs can be applied to the calculation of the base for royalties.

Data documentation

General notes

The fiscal year in the Netherlands coincides with the calendar year.

Producer Support Estimate

The taxes and fees that apply to exploration and production of oil and gas are described in the 2003 Mining Act. Profits from production of hydrocarbons are subject to a 25.5% corporation tax (*Vennootschapsbelasting*) rate and royalty payments (*Winsttaandeel*) at a 50% rate. These payments are, however, reduced by a cost uplift that allows for an extra 10% of the costs to be deducted from the income for royalty purposes.

Small Fields Policy (no data available)

This measure was introduced in 1974 to encourage gas producers to exploit small fields. Many such fields have been discovered in the Netherlands since the 1970s. Their volume is about a third of the super-giant Groningen field, which acts as a 'swing producer', balancing fluctuations in supply and demand in the gas market.

The *1998 Gas Act* stipulates that the trading and supply company, Gas Terra, must act as a guaranteed buyer of gas from small fields. Although gas companies can sell their output from small fields to other parties, Gas Terra has an obligation to immediately buy their gas at the prevailing market price. Gas Terra thus removes all uncertainties related to demand. Since Gas Terra is half-state-owned, this purchase agreement constitutes a measure encouraging exploration and production of gas.

No estimates are available for this item.

Sources: Gas Act (1998), Small Fields Policy.

Aid for Exploration of Offshore Marginal Gas Fields (no data available)

This measure provides a deduction from the base for calculating royalty payments to gas companies that explore offshore marginal (i.e. insufficiently profitable) gas fields. This policy was approved by the

European Commission in 2010. Gas producers exploring offshore marginal gas fields can deduct up to 25% of their investment costs from their profit when calculating their amount of taxable income.

No estimates are available for this item.

Sources: Small Fields Policy.

Consumer Support Estimate

Tax-expenditure estimates between 2001 and 2009 were provided by the Ministry of Finance. All other data estimates come from publicly available government sources.

Reduced Energy-Tax Rate in Horticulture (data for 2001-)

At the introduction of the energy tax in 1996, the government decided to apply a zero energy-tax rate to fuels used in the horticultural sector, under the condition that those benefitting from the scheme would participate in voluntary agreements to improve their energy efficiency. The European Commission approved this exemption until the end of 1999.

In 2000, the exemption was replaced by a tax reduction that was to be diminished over time. In particular, the European Commission stipulated that the reduced energy-tax rate granted to the horticultural sector in the Netherlands had to be raised both in 2002 and 2005 by 10% in comparison with the benchmark, which was the rates of the energy tax that applied to other energy-intensive businesses.

This tax expenditure applies to natural gas (virtually all horticultural enterprises are connected to the natural-gas grids) and, hence, the amount of this tax expenditure is allocated to natural gas only.

Sources: Information on Tax Expenditures: 2009-2011, Information on Tax Expenditures: 2010-2012, Ministry of Finance (various years).

Tag: NLD_te_01

Energy-Tax Rebate for Religious Institutions (data for 2001-2009)

Since 2000, users of buildings that are primarily used for public religious services or for philosophical reflection can apply for a 50% energy-tax rebate for both natural gas and electricity. Those very few religious institutions that are not connected to the natural-gas grids can obtain a partial refund for mineral oils used for heating.

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

Data since 2010 are unavailable.

Sources: IEA, Ministry of Finance (various years).

Tag: NLD_te_02

Energy-Tax Rebate for Non-Profit Organisations (data for 2001-2009)

The 50% energy-tax rebate mentioned above also applies to the heating of buildings of non-profit organisations. The sport sector is (partially) compensated by the Ministry of Health, Welfare and Sport. Since 2006, community buildings used by non-profit organisations for over 70% of the time could also apply for the rebate.

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

Data since 2010 are unavailable.

Sources: IEA, Ministry of Finance (various years).

Tag: NLD_te_03

Differentiated Tax Rate on Gas Oil (data for 2001-)

A differentiated tax rate used to be applied to gas oil, depending on its use. A higher rate applies when it is used as transport fuel. A lower rate applied to uses other than as transport fuel, e.g. when used for heating or in off-road machinery.

This tax expenditure expires at the end of 2012.

Sources: Information on Tax Expenditures: 2009-2011, Information on Tax Expenditures: 2010-2012, Ministry of Finance (various years).

Tag: NLD_te_04

Sources

Policies or transfers

Government Budget (2009), Available at: www2.miljoennota.prinsjesdag2009.nl/downloads/Internetbijlagen.pdf.

European Commission (2007), *State Aid / The Netherlands, Aid No N 396/07, Energy green tax, reduction for the glasshouse horticulture sector*, Available at: ec.europa.eu/agriculture/stateaid/decisions/n39607_en.pdf

Gas Act (1998), Available at: www.energiekamer.nl/engels/gas/Index.asp.

NL Oil and Gas Portal (2009), *Fees and Taxation Related to Exploration and Production Licenses in the Netherlands and Its Continental Shelf*, Available at: www.nlog.nl/resources/procedures/NLOG_Taxation_Nov2009.pdf.

Parliamentary Note (2002), *Notitie fiscaliteit, landbouw- en natuurbeleid, Kamerstuk 28 207 nr. 1, Tweede Kamer der Staten-Generaal*, Available at: cdn.ikregeer.nl/pdf/kst-28207-1.pdf.

Small Fields Policy, *Kleine Gasvelden, Rijksoverheid*, Available at: www.rijksoverheid.nl/onderwerpen/gas/gasexploratie-en-productie/kleine-gasvelden.

Information on Tax Expenditures: 2009-2012, Available at: www.rijksoverheid.nl/bestanden/documenten-en-publicaties/brochures/2010/12/27/informatieblad-belastingtarieven-2008-2011/informatieblad-belastingtarieven-2008-2011.pdf.

Information on Tax Expenditures: 2010-2012, Available at: www.rijksoverheid.nl/documenten-en-publicaties/circulaires/2011/12/21/informatieblad-belastingtarieven-2009-2012.html.

Energy statistics

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