

## *Taxing Energy Use 2018*

### **Estonia**

This note describes the taxation of energy use in Estonia. It contains the country's energy tax profiles, followed by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). The note contains four energy tax profiles for Estonia:

Figure 1: Effective tax rates on energy use in EUR/GJ, 2015, including electricity output taxes and energy use from biomass

Figure 2: Effective tax rates on energy use in EUR/tCO<sub>2</sub>, 2015, including electricity output taxes and energy use from biomass

Figure 3: Effective tax rates on energy use in EUR/tCO<sub>2</sub>, 2015, excluding taxes on electricity output, including carbon emissions from biomass

Figure 4: Effective tax rates on energy in EUR/tCO<sub>2</sub>, 2015, excluding taxes on electricity output and carbon emissions from biomass

The main insights from the second vintage of the *Taxing Energy Use* database, including a systematic comparison of patterns of the taxation of energy use across countries, sectors and fuels are available in *Taxing Energy Use 2018* (OECD, 2018) at: <http://oe.cd/TEU2018>.



Figure 2. Effective tax rates on energy use in EUR/tCO<sub>2</sub>, 2015, including electricity output taxes and carbon emissions from biomass

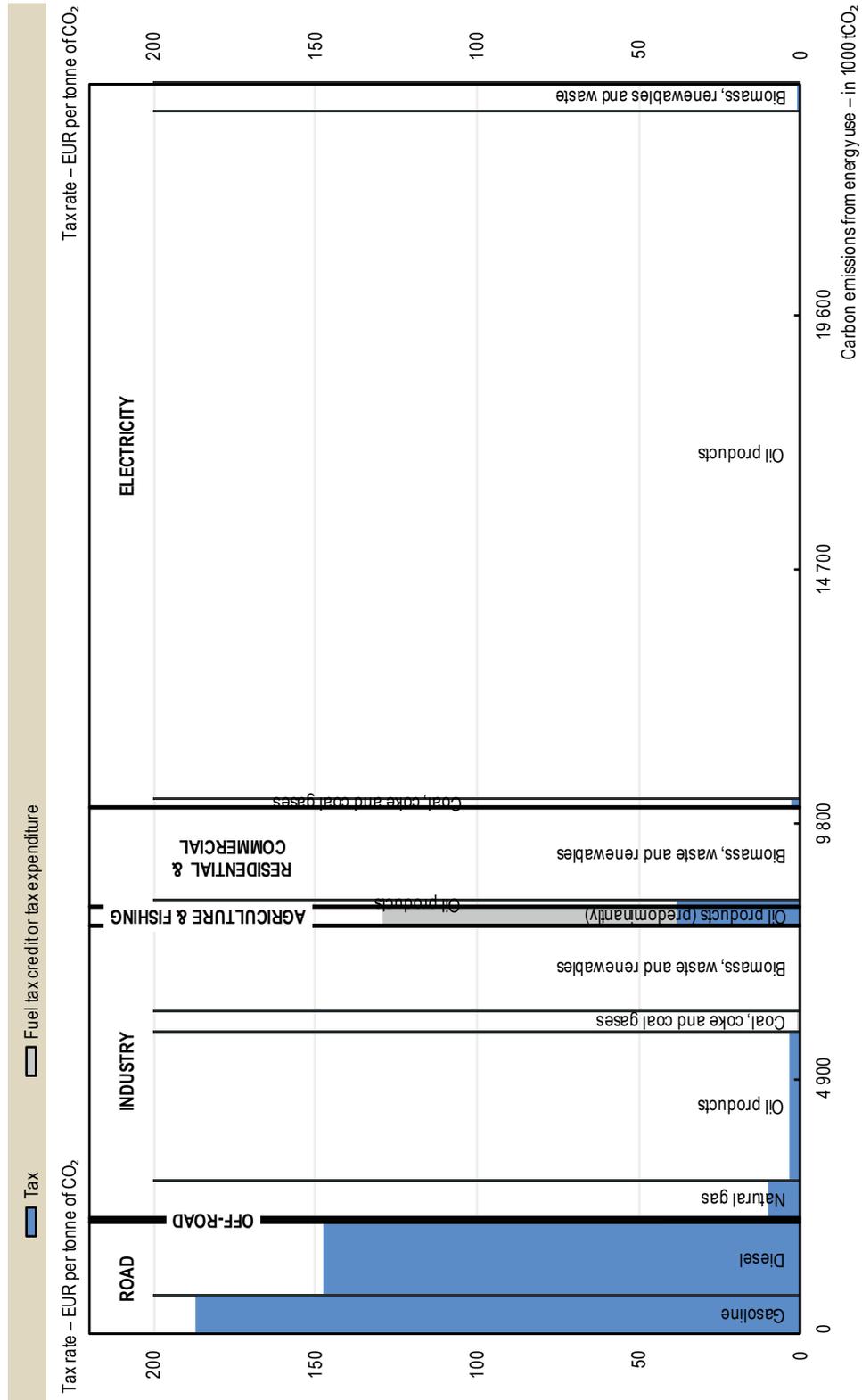


Figure 3. Effective tax rates on energy use in EUR/tCO<sub>2</sub>, 2015, excluding taxes on electricity output, including carbon emissions from biomass

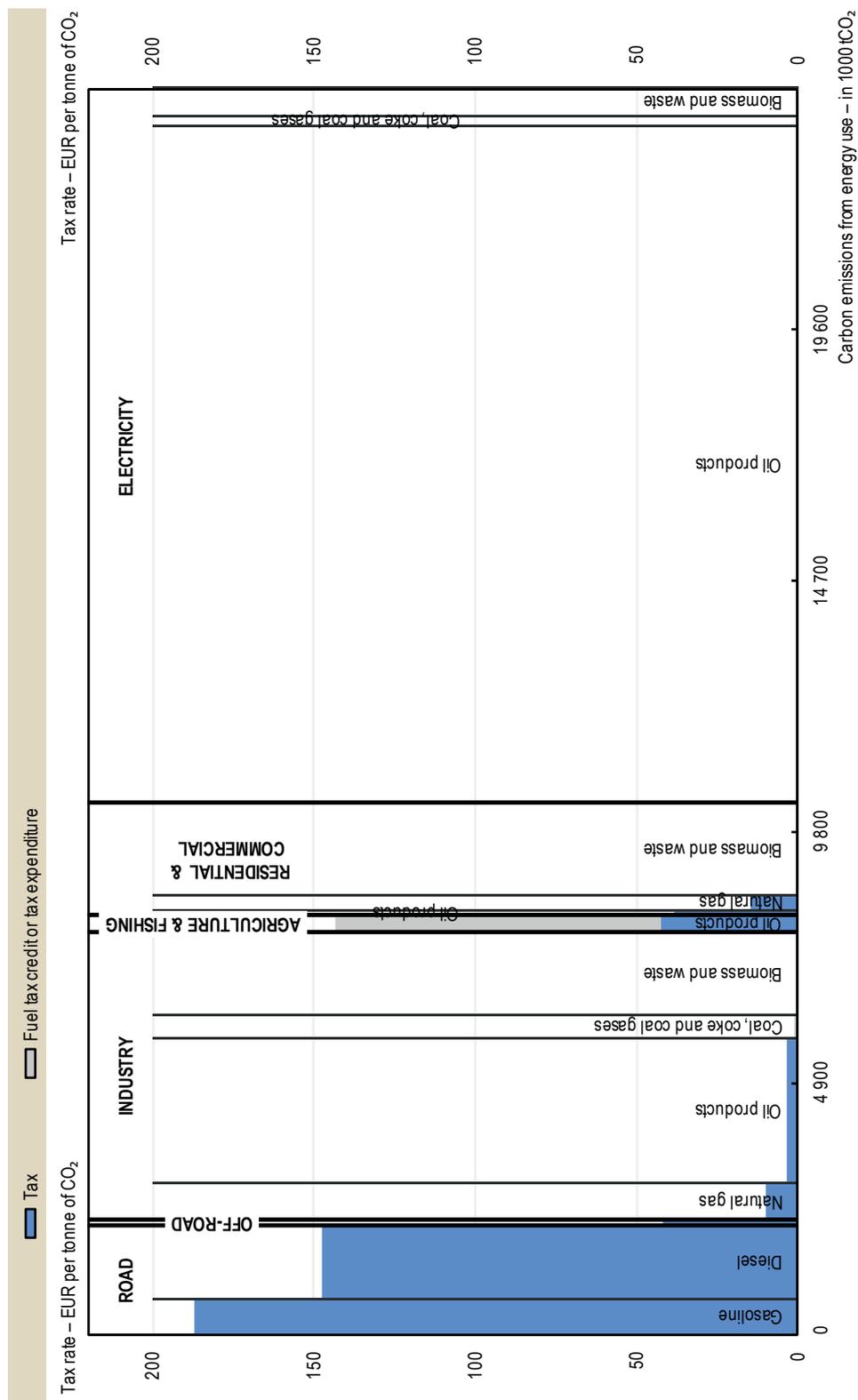
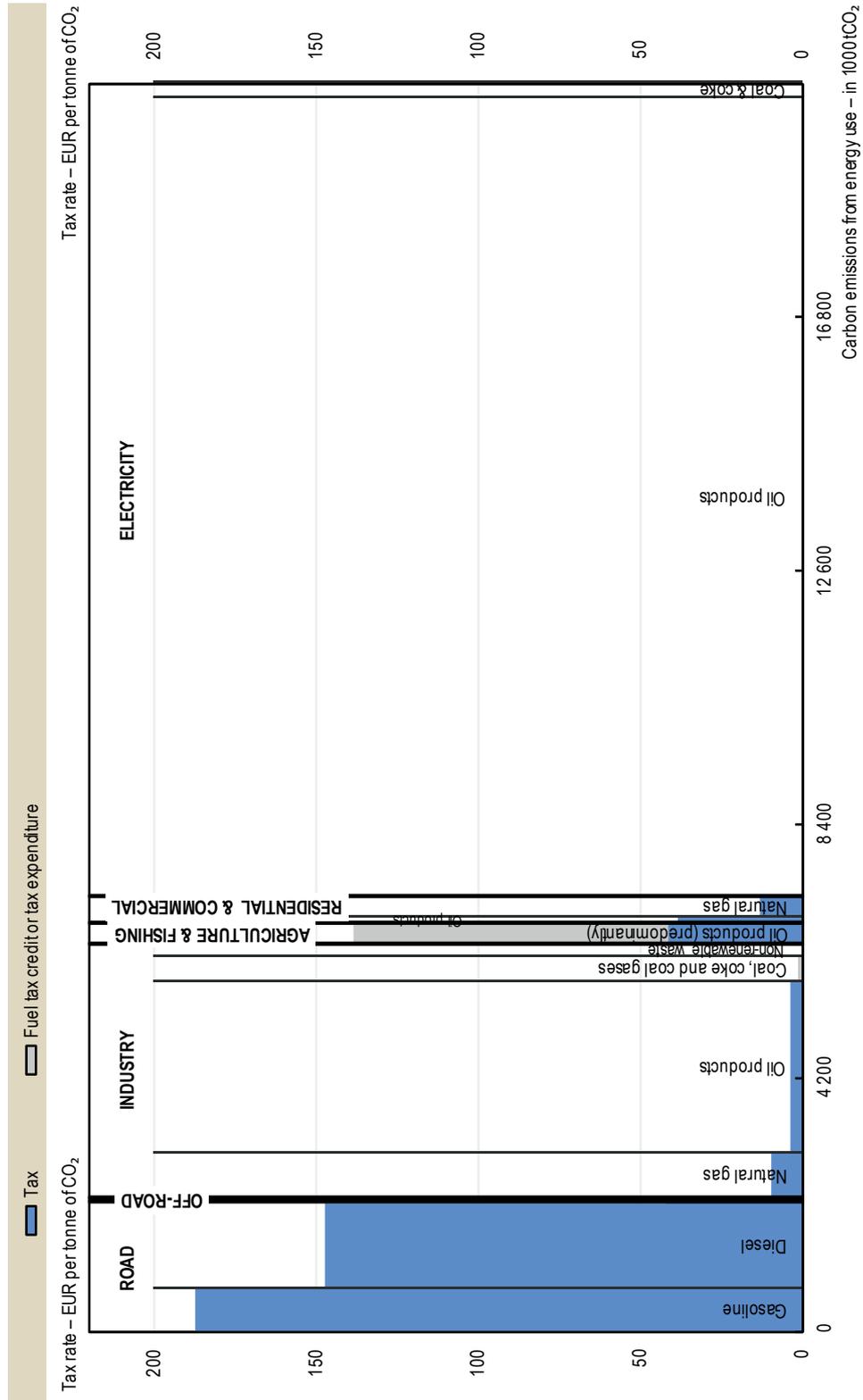


Figure 4. Effective tax rates on energy use in EUR/tCO<sub>2</sub>, 2015, excluding taxes on electricity output and carbon emissions from biomass



## 2. Country-specific notes

This note describes the taxation of energy use in Estonia. It contains the country's energy tax profiles, accompanied by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). Tax rates are those applicable in April 2015, energy use data are for 2014.

The data shown in the energy tax profiles is from the OECD's *Taxing Energy Use* (TEU) Database. More detail on the TEU Database, the calculation of effective tax rates on energy use and the interpretation of the energy tax profiles can be found in *Taxing Energy Use 2018* (OECD, 2018).

Estonia participates in the European Union emissions trading system (ETS), not shown in the energy tax profiles.<sup>1</sup>

### *Energy and carbon taxes*

Energy taxes in Estonia are levied within the framework of the 2003 EU Energy Tax Directive, which sets out minimum rates for the taxation of energy products in member states. Within this framework, the main taxes on energy use in Estonia are the following:

- An energy tax applies to oil products, including oil shale, natural gas and coal and coke consumption.
- Electricity output is taxed at a uniform rate, except if used for chemical reduction and in electrolytical, metallurgical and mineralogical processes.

Statutory rates can further differ across fuels and different users, as described below.

These taxes are included in the energy tax profiles of Estonia, but the tax on electricity output is only included when separately indicated (see below). Where more than one tax rate applies to an energy user or fuel, the energy tax profile shows their sum.

### *Effective tax rates on energy use for different fuels and users*

The tax rates on different fuels and uses are linked to Estonia's energy use<sup>2</sup> to calculate effective tax rates on energy use (in EUR/TJ) or CO<sub>2</sub> emissions from energy use (in EUR/tCO<sub>2</sub>). Energy use and the CO<sub>2</sub> emissions associated with it are shown for six economic sectors: road transport, domestic offroad transport, industry, agriculture and fishing, residential and commercial, and electricity.

The Estonian energy tax profiles (Figures 1 and 2) show effective tax rates for different fuels and uses in terms of the fuels' energy and carbon content, respectively. Figures 1 and 2 include energy use and carbon emissions from biomass and they show output taxes on electricity. Figure 3 is identical to Figure 2, except that taxes on electricity output are excluded. Figure 4 excludes carbon emissions from biomass and taxes on electricity output.

- Of the six economic sectors, the **road** sector is taxed at the highest rates, both in terms of the fuels' energy and carbon content. Within the road sector, gasoline is taxed at the highest effective tax rate, diesel is taxed at a lower rate in terms of TJ and in terms of CO<sub>2</sub>. Biofuels are untaxed.

1. The OECD's [Effective Carbon Rates](#) contains information on emissions trading systems.

2. Data on energy use is taken from the IEA's *Extended World Energy Balances*, see Chapter 1 of *Taxing Energy Use 2018* (OECD, 2018) for additional detail.

- Fossil fuels used in domestic **off-road** transport are taxed at lower effective rates than fuels used in road transport. Diesel used for railway transport and domestic navigation is taxed at lower statutory rates.
- Fossil fuels in the **industry** sector are taxed, but some reduced rates and exemptions reduce average effective tax rates. In particular:
  - Oil products and coal and coke used for mineralogical processes are untaxed. It is assumed mineralogical processes cover the manufacture of non-metallic mineral products;
  - Oil shale and natural gas consumption is untaxed;
  - Diesel use in industry benefits from a reduced statutory rate;
- Fuel use in the **residential and commercial** sectors are taxed, but reduced rates and exemptions apply as follows:
  - Diesel used by commercial users benefits from a reduced statutory rate;
  - Coal and coke products used for residential heating are untaxed;
  - LPG used for residential and commercial purposes is untaxed.
- Fossil fuels used in **agriculture and fishing** are taxed, but exemptions and reduced rates are included as follows:
  - Diesel used for agriculture benefits from a reduced statutory rate, and is untaxed if used for fishing activities;
  - Natural gas used for agriculture activities is untaxed.
- Fuels used to generate **electricity** are untaxed. **Electricity output** is taxed (per MWh), except when electricity is used for chemical reduction and in electrolytical, metallurgical and mineralogical processes. This exemption is shown as applying to the chemical and petrochemical, iron and steel, non-ferrous metals and non-metallic minerals industrial sectors.

Where not separately indicated, assumptions have been arrived at in consultation with national officials, or otherwise are based on previous *Taxing Energy Use* publications.

### ***Reported tax expenditures and rebates***

The following tax expenditures are included in the *Taxing Energy Use* data for Estonia:

- Marked diesel used in agriculture and fishing activities is taxed at a reduced rate.
- LPG, coal and coke used for metallurgical and mineralogical processes are untaxed.
- Electricity output used for chemical reduction and in electrolytical, metallurgical and mineralogical processes is untaxed.

Reported tax expenditures or rebates might be averaged with tax rates on other energy uses, in which cases they are not visibly identifiable in the graphical profile. Additional detail on the treatment of tax expenditures is available in Chapter 1 of *Taxing Energy Use 2018*.

## *Sources*

The main insights from the second vintage of the *Taxing Energy Use* database are analysed in:

OECD (2018), *Taxing Energy Use 2018 – Companion to the Taxing Energy Use Database*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264289635-en>.

Apart from the sources included in the *Taxing Energy Use 2018* (OECD, 2018), and consultation with national delegates, no country-specific sources were used.