Chapter 12
The recommendations of the Commission

This chapter chronologically presents the recommendations of the Commission, as set out in Chapters 6 – 11.

CO_2 tax and emission allowances

- All emissions from the non-EU ETS sector to be subjected to the same CO_2 tax per tonne of CO_2 equivalents.
- The new, general tax level for greenhouse gas emissions to be equal to the current CO_2 tax on petrol and diesel as measured in Norwegian kroner per tonne of CO_2 equivalents (NOK 420 in 2016).
- The CO_2 tax on mineral oil and the tax on HFC and PFC to be increased to the new, general tax level for greenhouse gas emissions.
- Reduced rates and exemptions from existing taxes to be abolished, and replaced by CO_2 tax on a par with the new, general tax level for greenhouse gas emissions. This pertains to:
  - Gas for the greenhouse industry, domestic shipping and offshore vessels
  - Mineral oil for fishing and catching in coastal waters
  - Emissions of natural gas (methane) in petroleum activities
  - Waste oil
- After 2020, the general CO_2 tax to be at the level necessary to meet the national emission target for the non-EU ETS sector in a cost-effective manner. This implies that the CO_2 tax should be equal to the price under the EU internal flexible mechanisms, or alternatively at the level necessary to meet a domestic emission target for the non-EU ETS sector.
- EU ETS emissions should in principle not be subjected to the CO_2 tax. The Commission nonetheless proposes retaining the tax for those activities currently subject to both tax and EU ETS (petroleum and aviation activities) and to reduce the tax level in line with increases in the emission allowance price.

Vehicle and fuel taxes

Usage-based taxes

- The road usage tax to be restructured for better pricing of the external costs of road traffic.
- From an economic perspective, GNSS-based road pricing is the most precise method of pricing the external costs of road traffic. However, such an arrangement involves disadvantages relating to data protection and tax administration. This pertains, in particular, to light vehicles.
- The Commission has outlined an alternative model involving fewer disadvantages:
  - GNSS-based road pricing to be introduced for heavy vehicles.
  - An alternative model without GNSS-based road pricing to be introduced for light vehicles, comprising the following three elements:
    1. Environment and congestion pricing for all light vehicles in major urban areas, reflecting higher marginal external costs of air pollution and congestion in major urban areas and their variation with the time of day and the type of vehicle. A set out rules for environment and congestion pricing to be prepared to facilitate this.
    2. Accident tax collected together with the third-party insurance premium and encompassing all light vehicles.
    3. A tax on all types of fuel, including biofuels, intended to cover external costs of road wear and tear, winter operations and noise. The new road usage tax to be at a level reflecting the energy contents of the various types of fuel and to be at about the same level per kilometre driven.
- Environment and congestion pricing or GNSS-based road pricing to be used instead of other traffic management measures, such as for example driving bans for certain vehicles.

Non-usage-based taxes

- The environmental differentiation (CO_2 and NO_X) of the motor vehicle registration tax to be maintained in order to compensate for present bias and network externalities.
- The CO_2 component of the motor vehicle registration tax to be reduced.
- The NO_X component to be considered in light of the CO_2 component to prevent undesirable distortions.
- The CO_2 component to be levied at the same rate from the first gram of CO_2 emissions, such as to make incentives for purchasing lower-emission cars the same for all vehicles.
- Campervans, vans, taxis and minibuses to be subjected to the full CO_2 and NO_X components of the motor vehicle registration tax. The weight and power components may, if necessary, be reduced to avoid increasing the tax burden of enterprises.
- Retailers of new vehicles to be required to specify the estimated annual fuel costs of vehicles in accordance with a standardised method.
- The environmental differentiation of the annual motor vehicle tax for light vehicles to be maintained until the introduction of either GNSS-based road pricing or environment and congestion pricing differentiated by vehicle characteristics. The environmental component of the annual weight-based tax for heavy vehicles to be abolished if GNSS-based road pricing is introduced.

Zero- and low-emission cars

- Zero- and low-emission cars to be subjected to motor vehicle registration tax and annual motor vehicle tax in the same manner as other vehicles.
- The exemption from value added tax, the discount under the company car scheme and the special preferential usage treatment for electric cars and other zero-emission cars to be abolished.
- Grants for the purchase of zero-emission cars may take the form of temporary subsidies on the expenditure side of the budget, subject to an announced reduction and abolition schedule.

Miscellaneous

- Environmentally differentiated tax on motorised equipment, such as for example pleasure boat engines and snowmobiles, to be examined in further detail.

Other existing environmental taxes

- No changes to the tax on lubricating oil.
- The environmental impacts of sulphur dioxide (SO_2) emissions to be examined.
- The current intervals of the sulphur tax on mineral oil to be reduced. Alternatively, the tax may be calculated at a rate per litre multiplied by the sulphur content of the oil.
- The Commission is of the opinion that tax is in principle a better policy measure than voluntary agreements. The Commission recommends that the use of environmental agreements, including the agreements on SO_2 and NO_X, be evaluated prior to the conclusion of new agreements.
- The sulphur tax to be expanded to encompass coal and coke, including the use of coal and coke in manufacturing industry, as well as emissions from refineries.
- The tax exemption for waste oil to be abolished.
- The introduction of a geographically differentiated tax on SO_2 and NO_X emissions with a particularly high marginal damage cost, for example on emissions from stationary emission sources and ships in port, to be considered.
- No changes to the taxes on trichloroethene (TRI) and tetrachloroethene (PER).
- The damage costs from the use of pesticides to be examined, and the tax level to be considered thereafter.
- Restructuring of the base tax on pesticides from an area-based to a volume-based tax to be considered.

Fiscal taxes

- The Commission considers the base tax on disposable beverage packaging to be a fiscal tax. It falls outside its mandate to propose changes to this tax.

- The Commission considers the electricity consumption tax to be a fiscal tax. It falls outside its mandate to propose changes to this tax.
- The Commission considers the base tax on mineral oil to be a fiscal tax. It falls outside its mandate to propose changes to this tax.
- The electricity certificate scheme not to be extended beyond the period for which it has been approved.

Assessment of new climate taxes

- Climate considerations alone would imply the introduction of a tax on red meat and the reduction of production grants. Such a tax should, if adopted, be at a level corresponding to the new, general tax level for greenhouse gas emissions. Structuring of the said tax to be considered in more detail.
- No tax to be introduced on animal feeds or on farmyard manure.
- No tax to be introduced on waste disposal or on emissions from waste disposal sites.
- A tax to be introduced on nitrogen in mineral fertilisers. Such tax to be at a level corresponding to the new, general tax level for greenhouse gas emissions.
- A CO_2 tax to be introduced on greenhouse gas emissions from major land-use changes, for example deforestation, draining, ditch digging and bog reduction, as well as peat removal. The tax may be structured as a CO_2 element of an ecosystem services tax. Structuring of the tax to be considered in more detail, including on whom the tax shall be levied and when the tax liability shall arise.
- The tax on greenhouse gas emissions from land-use changes to be at a level corresponding to the new, general tax level for greenhouse gas emissions. Good methods for calculating emissions from the land-use changes is a prerequisite for determining the tax rate.
- A tax to be introduced on non-EU ETS emissions of CO_2 from waste incineration, at a level corresponding to the new, general tax level for greenhouse gas emissions.
- Efforts to be pursued with a view to amending the international aviation framework, such as to enable the pricing of greenhouse gas emissions from international aviation.
- Efforts to be pursued with a view to introducing a system for the pricing of greenhouse gas emissions from international shipping.
- A seat/passenger tax for flights between Norway and non-EEA areas to be considered in more detail.
- A black carbon element to be added to the CO_2 tax on mineral oil. The tax level to be considered in more detail.

Assessment of other new environmental taxes

- Tax on emissions from enterprises subject to mandatory licencing requirements under the Pollution Act to be examined in further detail. As a main rule, the tax is not to be levied on emissions that are already subject to tax.
- Tax on products containing PVC to be considered in more detail.
- No tax to be introduced on emissions of non-methane volatile organic compounds (nmVOC).
- A tax to be introduced on nitrogen and phosphorus in mineral fertilisers. The tax to be at a level corresponding to the marginal damage cost of nitrogen and phosphorus.
- No tax to be introduced on fish feeds at present.
- External costs of aquaculture to be examined and new taxes in the area to be considered on that basis.
- A tax to be introduced on interventions in nature (ecosystem services tax). Structuring of the tax to be considered in more detail, including on whom the tax shall be levied and when the tax liability shall arise.
- The level and scope of the ecosystem services tax to be examined in further detail, but may, as a starting point, be based on the classification of land and intervention types in the land-use indicator «areas without major infrastructure development in Norway» (INON). Areas not encompassed by INON must also be considered with a view to inclusion under the tax. Both biodiversity loss and reduced recreational value need to be taken into account.
- If it is not possible to estimate the cost of various interventions in nature by using rules of thumb, new valuation studies should be carried out.
- CO_2 emissions from major land-use changes should be encompassed by the ecosystem services tax.

- The environmental costs of littering that may represent an environmental problem should be examined in further detail.
- A system for noise taxes at Norwegian airports should be examined.
- If knowledge of the external costs of noise is improved, a general noise tax may be examined in further detail.
- Local authorities should structure the tax on refuse collection and disposal such as to prevent refuse from ending up in nature.

Subsidy schemes and tax expenditure with environmental effects

- Considerations relating to agricultural greenhouse gas emissions to be accorded more weight in agricultural negotiations.
- Production grants for red meat to be reduced in order to lower greenhouse gas emissions. The reduction needs to recognise regional policy considerations and the positive contribution made by grazing livestock to the preservation of cultivated landscapes and biodiversity.
- Grants for logging roads and forestry cableways to be abolished.
- Use of funds from the forest fund scheme in the construction of logging roads and steep-terrain logging not to be permitted.
- Passenger transport services to be subjected to value added tax at the ordinary rate. Public transport compensation to be considered in more detail.
- Central government procurement of domestic air services to be scaled back, whilst at the same time considering an airport structure with fewer airports than at present.
- Abolition of the subvention for non-government airports.
- Procurement of national road ferry services to be considered regularly on the basis of social profitability. Environmental considerations to form part of such assessment.
- The agreement for the procurement of sea transport services on the Bergen-Kirkenes coastal route to be replaced by a scheme for targeted procurement on individual route sections.
- The tax allowance for commuting between home and work to be abolished.
- In principle, the benefits from parking funded by employers should be taxed. Practical considerations suggest that tax on free parking at the workplace should not be levied on employees.
- Public transport season tickets paid by employers to remain classified as taxable income.
- The tax-exempted rate on the use of private cars for business travel to be reduced such as to make the compensation correspond to the real variable costs.
- The right to duty-free imports of alcohol and tobacco to be abolished.
- No tax allowance to be introduced on energy efficiency measures in private households.
- Environmental and climate considerations suggest that coal mining in Svalbard should not be subsidised. The imposition of emission-reduction measures to be considered.

Environmental technology

- A combination of environmental taxes and financial grants for technological development will in most cases be the most appropriate package of measures for promoting the development and use of environmental technology. Grants alone will not suffice. A second-best solution in the absence of grants would be to put the tax at a level in excess of the marginal environmental damage.
- A small knowledge base may indicate that environmental technologies involve larger positive knowledge externalities than other technologies in the research phase. In addition, stakeholders are faced with uncertainty in relation to future environmental and climate policy. Consequently, environmental technology should receive specific support.
- Positive learning effects and network externalities are arguments in favour of making temporary grants for environmental technologies in the dissemination phase.
- No special depreciation rules to be introduced to promote the use of environmentally friendly technology.
- Norway should participate in international collaboration on environmental technology R&D.

Green tax shift

- Increased government revenues as the result of the Commission's recommendations should be allocated to general reductions in tax rates for individuals and enterprises.