Oil & gas have been a secure stream of substantial government revenues for the past decades.

The evolution of their share in the energy mix will impact the taxation revenues of EU Member States.

This factsheet¹ looks at the balance of government expenditures and revenues from 5 energy sources (oil, gas, coal, wind, solar) in Europe, as the EU launches the review of its long-term climate & energy strategy.

¹ Based on the Report “Update on Energy Taxation and Subsidies in Europe: An Analysis of Government Revenues from and Support Measures for Fossil Fuels and Renewables in the EU and Norway” prepared by NERA Economic Consulting (2018).
Net Contribution/Cost to governments

Oil & gas received €3.3bn in government support in 2015. In comparison, coal received over €4bn in subsidies, while wind and solar received more (€17bn and €27bn respectively) than they contributed, amounting to a net expense of €2bn for wind and €22bn for solar.


<table>
<thead>
<tr>
<th>Energy Source</th>
<th>Government Revenues (€ billion)</th>
<th>Government Expenditures and Mandated Transfers (€ billion)</th>
<th>Total (€ billion)</th>
<th>Primary Energy Consumption (Mtoe)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>338</td>
<td>-1.6</td>
<td>337</td>
<td>488</td>
</tr>
<tr>
<td>Gas</td>
<td>78</td>
<td>-1.7</td>
<td>76</td>
<td>350</td>
</tr>
<tr>
<td>Coal</td>
<td>39</td>
<td>-4.4</td>
<td>34</td>
<td>262</td>
</tr>
<tr>
<td>Wind</td>
<td>15</td>
<td>-17</td>
<td>-2</td>
<td>26</td>
</tr>
<tr>
<td>Solar</td>
<td>5</td>
<td>-27</td>
<td>-22</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: NERA Analysis

After taking into account government support (e.g. on R&D) and mandated transfers, oil & gas accounted for €413bn out of an overall €423bn contribution from five energy sources (oil, gas, wind, solar, coal) in 2015.

The exploration & production segment alone provided a €37bn revenue to EU28+ Norway government treasuries. Taxes on the “Upstream” sector are high, sometimes reaching 80% tax on profit.

Further downstream, excise duties and VAT on gasoline and diesel made for the industry’s largest contribution, with €315bn.

These high levels of taxation are significantly above their GHG externality costs of €51bn for oil, and €26bn for gas, assuming a €30/tCO₂ carbon price.

For coal however, the externality cost at €30/tCO₂ would amount to €32bn, only €2bn less than its net contribution to governments.

¹ These externalities are indicative figures and do not constitute direct transfers between energy sources and the government.
Revenue/Expenditure Per Unit of Energy

Taken per unit of energy (here in barrel of oil equivalent), oil and gas remain a net source of income to government revenues (around $100/boe for oil, and $30/boe).

Government support for wind and solar result in a net cost for governments of $11/boe and $379/boe respectively.

Source: NERA analysis

Note: Values have been converted into barrels of oil equivalent using a conversion rate of 7.33 barrels of oil to 1 tonne of oil.
Main Conclusions

Oil & gas still constitute a secure stream of revenue for European governments, as they have done over the past decades.

A reduction in the share of oil & gas products in the EU energy mix is likely to translate into a significant loss of revenue for Member States.

Fiscal policies should remain responsive to market realities to protect the competitiveness of the European oil & gas industry.

Although their cost per unit of energy is falling, in absolute terms renewables remain a growing source of government expenditure rather than revenue for governments.

About IOGP

The International Association of Oil & Gas Producers (IOGP) is the voice of the global upstream industry. Oil and gas continue to provide a significant proportion of the world’s energy to meet growing demands for heat, light and transport.

Our Members produce 40% of the world’s oil and gas. They operate in all producing regions: The Americas, Africa, Europe, the Middle East, the Caspian, Asia and Australia.

We serve industry regulators as a global partner for improving safety, environmental and social performance. We also act as a uniquely upstream forum in which our members identify and share knowledge and good practices to achieve improvements in health, safety, the environment, security and social responsibility.

Contact:

Nareg Terzian, Media and EU Affairs Manager
T: +32 2 566 91 48
M: +32 470 90 59 62
E: ntz@iogp.org

For more information about oil and gas issues, visit www.iogp.org