

A blurred background image showing a person in profile, wearing glasses and a dark jacket, looking at a tablet. The tablet screen displays a line chart with multiple data series. In the background, a large screen also shows a similar chart. The overall scene suggests a professional or academic presentation.

Webcast series 'State of Tax'

Energy transition, carbon pricing & NL taxation



Presentation by **Chris Winkelman, Niels Muller and Henri Bontenbal (Stedin)**
9 February 2021

Agenda

1. Welcome and introduction
2. Carbon pricing in the Netherlands
3. Carbon Border Adjustment Mechanism
4. Energy transition and taxes?



Introduction

- Watched live, this webinar qualifies for 1 PE point
- The button ‘**[Ask a question]**’ allows you to ask a live question via chat
- Any other questions via your PwC advisor or fill in the form on [**pwc.nl**](https://pwc.nl)
- View this webcast or presentation at a later stage
- Slides will become available afterwards
- Evaluation form afterwards



Agenda

1. Welcome and introduction
2. Carbon pricing in the Netherlands
3. Carbon Border Adjustment Mechanism
4. Energy transition and taxes?



Carbon pricing in the Netherlands



Carbon pricing - hot topic worldwide

- Countries are increasingly introducing carbon taxation or pricing:

UK (announced)	Ireland
Australia	Chile
Sweden	New Zealand
Finland	Columbia
Argentina	Singapore (announced)
Netherlands	Norway

- Different carbon taxes / carbon pricing systems
- Global trade system / carbon pricing? (COP26 Glasgow)
- Carbon leakage - unilateral carbon tax vs EU/OECD level



Significant increase in carbon prices expected

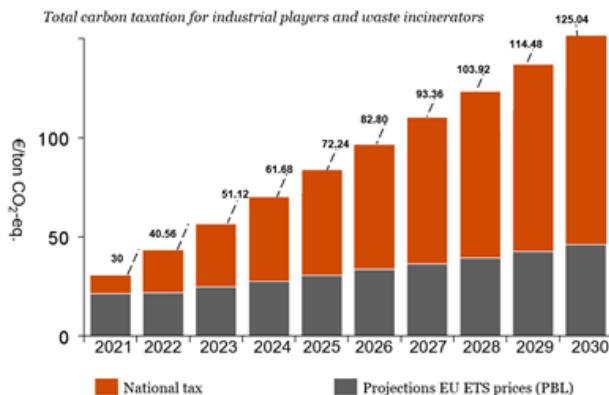
EU ETS



STEMMING CO₂-prijs naar recordhoogte, markt wijst naar financiële spelers

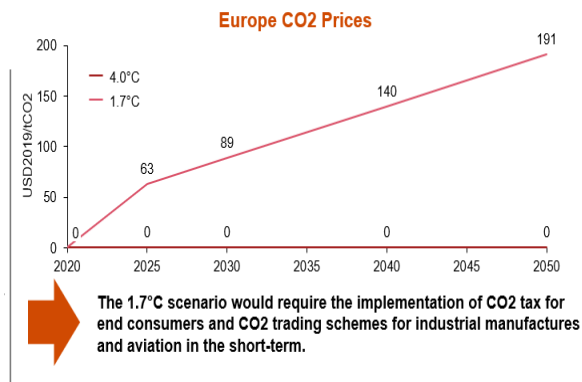
From €7,80 in January 2018
to **€38** in January 2021

Netherlands



Dutch CO₂ levy increase from
€30,48 in 2021 to **€127.05** in 2030

Long term CO₂ price projections



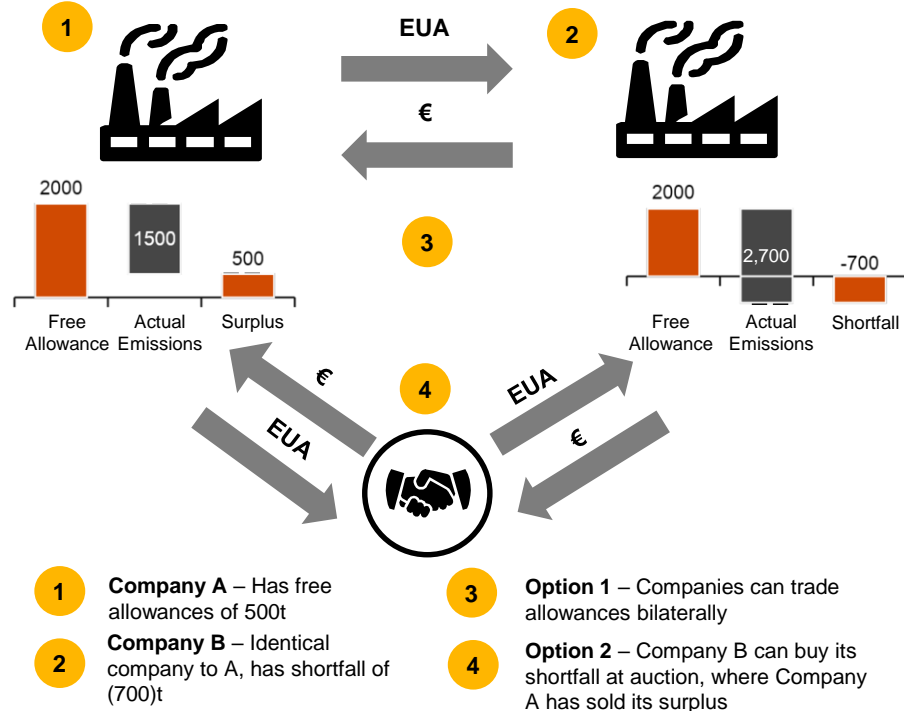
European CO₂ prices expected to
increase to **€191** in 1.7C scenario*

*Status Quo data set to 0. Price development follows the WEO 2020 CO₂ Price development for advanced economies in the Sustainable Development Scenario

EU ETS- How does it work?

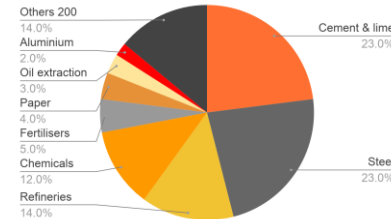
Illustration: European Union Allowance trading

EU ETS works on a “cap and trade basis”



Notes: (1) sectors which cannot pass on the cost of carbon to end customers due to lack of competitiveness against imports where carbon emissions not subject to a similar system to ETS

Sectors receiving free allowance for Direct (i.e. Scope 1) emissions (%)



- Heavy emitters such as steel, cement, refineries, chemical etc. account for 81% of allocation
- However, there are 200 more sectors receiving free allocations too

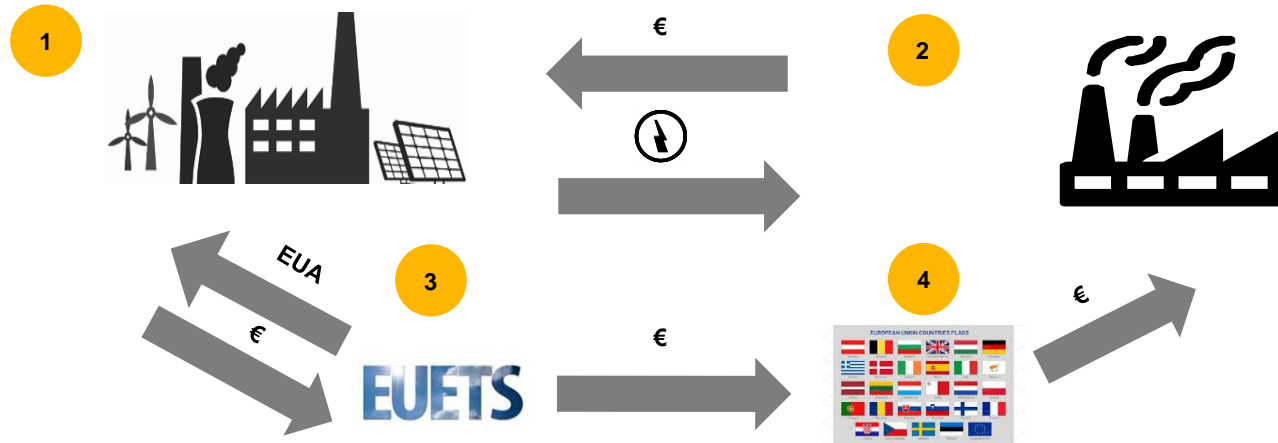
Implications of transition from Phase III to IV

In Phase IV, industries will face tighter emissions caps and lower free allowances

	Phase 3 2013-2020	Phase 4 2021-2030
Overall	<ul style="list-style-type: none"> Emission cap reduces by 1.74% per year 	<ul style="list-style-type: none"> Emission cap reduces by 2.20% per year
Power Generators	<ul style="list-style-type: none"> About 20% freely allocated for heat and electricity Auctioning by default; free allocation only for modernisation 	
Industry	<ul style="list-style-type: none"> 2013: 80% freely allocated 2020: 30% freely allocated 	<ul style="list-style-type: none"> Sectors not at risk of carbon leakage (1): Free allocation falls from 30% to 0% by 2030 District heating: 30% until 2030 100% free allocation for sectors at risk of carbon leakage
Aviation	<ul style="list-style-type: none"> 82% free allowances 15% auctioned 3% of allowances reserved for new entrants 	<ul style="list-style-type: none"> Rules remain unchanged until possible amendment in light of a globally harmonized scheme emerging

EU ETS- Scope 2 (indirect emissions) and state compensation mechanics

Energy intensive industries get compensated for CO2 price embedded in purchased electricity



1

Power Plant – buys CO2 allowances from EU ETS for all the emissions and passes all CO2 cost to industry

2

Industry - pays full CO2 cost embedded in electricity prices

3

EU ETS– Sells EUA to power plant and distributes part of the fund raised through EUA auctions to EU states

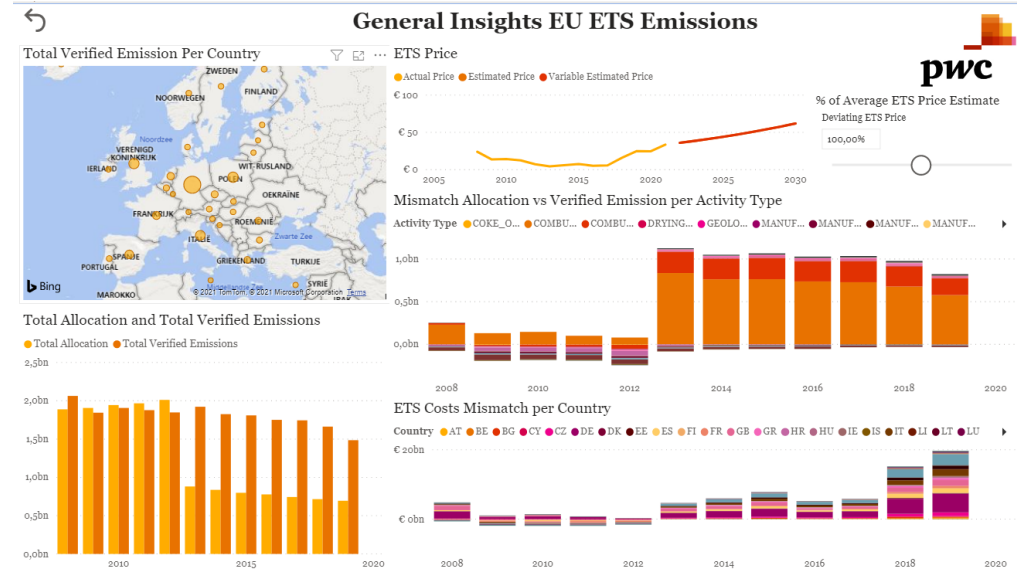
4

EU states – Distributes part of auction fund received from ETS to energy intensive industries purchasing electricity

Illustration: EU ETS indirect compensation system

PwC EU ETS analyser

- Analyser based on publicly available data
- Approximately 12,000 installations across EU covered
- Mismatch between allocation and verified emissions about 790 million tonne CO₂ equivalent in 2019
- Costs of the EU ETS certificates required for the 2019 mismatch around €20 billion
- Data allows for historic insights but also future modelling



Dutch CO2 levy for industry (1)

What and why?

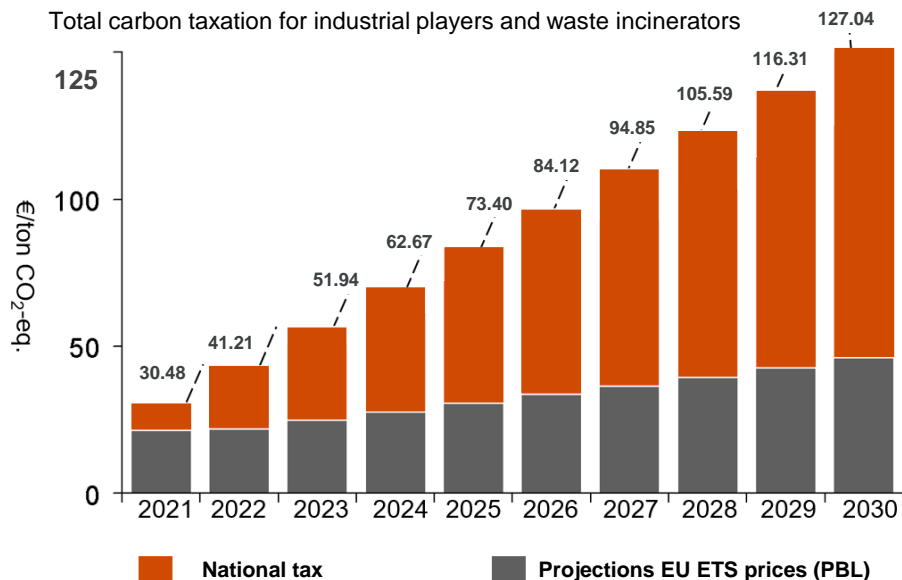
- Dutch National Climate Agreement
- National Carbon Tax above EU-ETS price => minimum price
- Applicable as of 1 January 2021 for industrial production and waste incineration (235 companies)
- Aim is to reduce 14.3Mton CO2 emissions by 2030



Dutch CO₂ levy for industry (2)

Application

- *Tax payers:* EU ETS producers + waste incinerators + N₂O
- *Tax rate:* from €30,48 per 2021 to €127,04 per 2030, minus ETS price (indexed)
- *Tax base:* emissions (CO₂, NO₂) during a year (“industriële jaarvracht”) -/- granted and acquired dispensation rights
- Dispensation rights will be reduced annually up to 2030 by annually decreasing reduction factor from 1.21% in 2020 to 0.69% after 2030
- Companies will effectively start paying taxes in 2024 due to volume of dispensation rights
- Dispensation rights can be traded/carried forward



Dutch CO2 levy for industry (3)

Timeline

	Verslag over het aantal dispensatie rechten	Industrieel emissieverslag	Industrieel monitoring plan	Historisch emissieverslag	Aangifte
ETS installaties met gratis toewijzing	Ja Gegevens over activiteitsniveau uit activiteitenverslag	Ja Gegevens over elektriciteitsproductie en stadsverwarming uit activiteitenverslag Geen verificatie nodig	Nee	Nee	Ja
ETS installaties zonder gratis toewijzing	Nee Geen dispensatierechten	Ja Op basis van industrieel monitoringsplan Verificatie nodig	Ja Omdat geen Monitoring Methodologie Plan en activiteitenverslag aanwezig is	Nee	Ja
Niet ETS installaties AVI en Lachgas	Ja Gegevens uit industrieel emissieverslag	Ja Op basis van een industrieel monitoringsplan Verificatie nodig	Ja Omdat geen Monitoringsplan en ETS-verslag aanwezig is	Ja Omdat nog niet eerder historische gegevens zijn gerapporteerd Verificatie nodig	Ja
Wanneer 1e keer inleveren	Uiterlijk 31 maart 2022	Uiterlijk 31 maart 2022	Uiterlijk 1 mei 2021	Uiterlijk 1 september 2021	Uiterlijk 1 oktober 2022

Carbon Pricing - key takeaways

Key Takeaways

- Determining (global) carbon footprint crucial
- Impact assessment of increased carbon prices, both local as well as on EU level
- Research viable abatement options, and consider impact on value chain, transfer pricing and availability of incentives
- Look out for increased reporting requirements (ESG/GRI/SDG)c

Poll 1

Wat betreft CO₂ heffing zouden we breder moeten denken dan de 'postzegel' Nederland en de CO₂-heffing moeten schrappen?

- A.** Ja
- B.** Nee
- C.** Alleen als de EU ETS prijs snel genoeg stijgt

Agenda

1. Introduction and welcome
2. Carbon pricing in the Netherlands
3. Carbon Border Adjustment Mechanism
4. Energy transition and taxes?





Carbon Border Adjustment Mechanism

Carbon Border Adjustment Mechanism

Why and what?

- Avoidance of 'carbon leakage' via countries that have less strict climate policies in place or replacing EU products by more carbon-intensive imports
- Levy on non-EU products based on their carbon content
- Own resource for the EC

What to expect?

- Alternatives currently under review of the EC
 - New carbon customs duty or tax on imports
 - Extension of the EU ETS to imports
 - EU ETS-like system for imports
 - Carbon tax for consumers on selected products

In preparation

Roadmap

Feedback period
04 March 2020 - 01 April 2020

FEEDBACK: CLOSED

Public consultation

Feedback period
22 July 2020 - 28 October 2020

FEEDBACK: CLOSED

Upcoming

Commission adoption

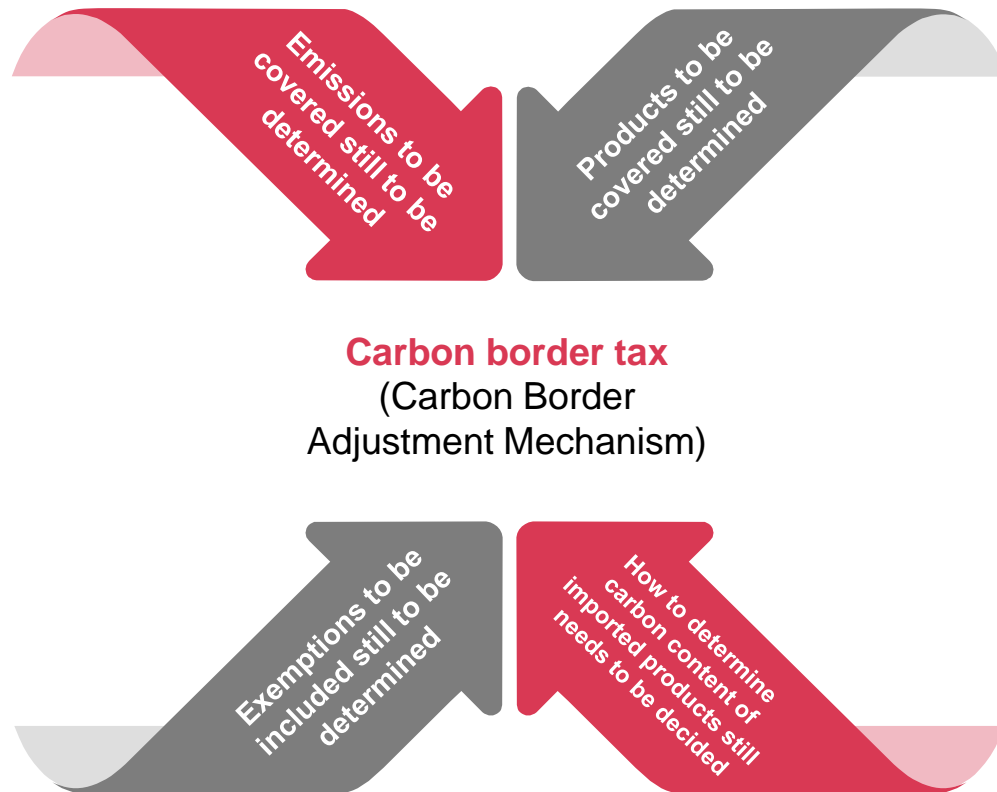
Planned for
Second quarter 2021

FEEDBACK: UPCOMING

Entering into force

(expected) 1 January 2023

Carbon Border Adjustment Mechanism



Carbon Border Adjustment Mechanism

Challenges

- **Legal:**
 - Validity of the measures under WTO rules
 - Revision of the EU ETD to admit introduction of a carbon tax on selected products or a tax on imports
 - How to fit into the existing EU ETS Scheme
- **Technical:**
 - how to measure CO₂ content of products
- **Economic / Financial:**
 - Financial consequences may be felt further down the value chain
 - Cut profits on imported goods
 - Competitive landscape may drastically change
- **Political**
 - What to do with the funds collected
 - Another disruption of global trade system
 - Impact to customs tariffs
 - Increased protectionism

Carbon Border Adjustment Mechanism

Procedural update

- February 4 and 5, 2021 European Parliament Committee on the Environment, Public Health and Food Safety discussed and voted in favor of a motion for an EP resolution “Towards a WTO-compatible EU carbon border adjustment mechanism”

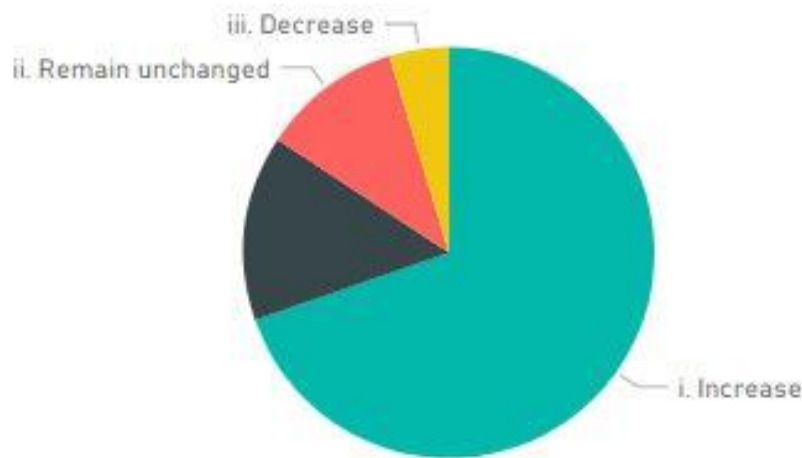
Some important elements of the motion:

- Carbon price on imports of EU ETS sector goods from outside the EU, if these countries are not ambitious enough about climate change
- By 2023 to cover power sector and energy-intensive industrial sectors like cement, steel, aluminium, oil refinery, paper, glass, chemicals and fertilisers, which continue to receive substantial free allocations, and still represent 94 % of EU industrial emissions.
- An effective CBAM should spell the end of free allowances.
- Sole aim: pursue climate objectives and a global level playing field

Carbon Border Adjustment Mechanism

Some interesting observations from the consultation

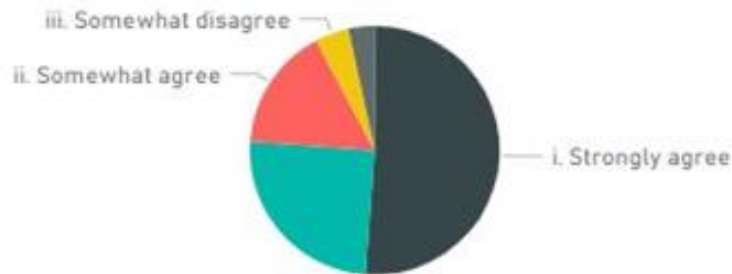
3.1 In view of EU's enhanced climate ambition the risk of carbon leakage is likely to:



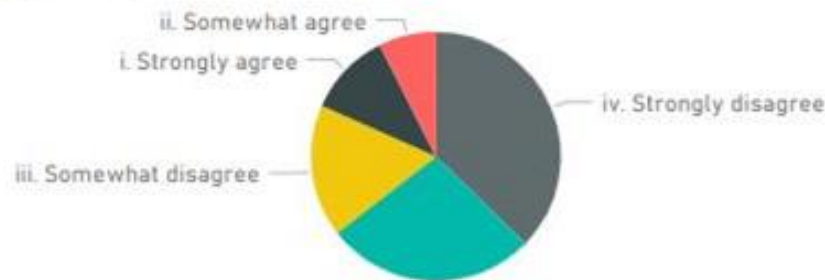
Carbon Border Adjustment Mechanism

Some interesting observations from the consultation

11. Please indicate to what extent you agree that the verification of the carbon content of imported products should: a. Be based on independent third party verification



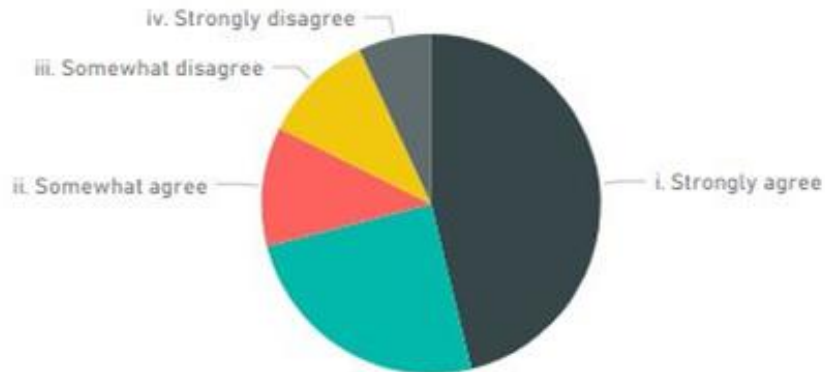
11. Please indicate to what extent you agree that the verification of the carbon content of imported products should: b. Allow for self-certification, supported by occasional external audit



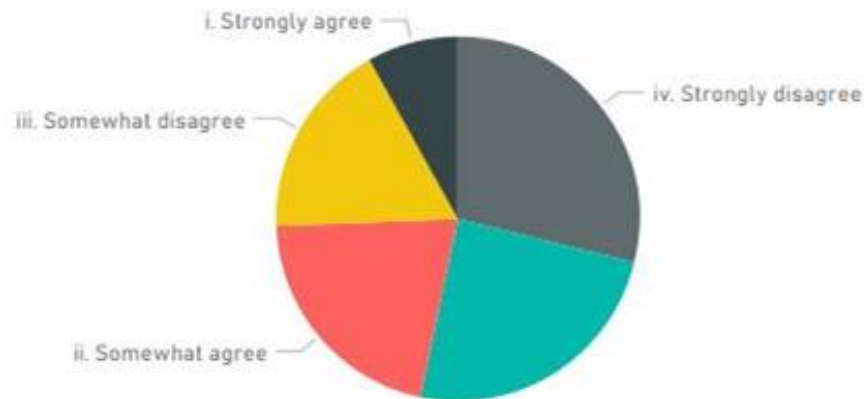
Carbon Border Adjustment Mechanism

Some interesting observations from the consultation

CBAM a. Should not allow for any exemptions. All imports should be subject to a carbon border adjustment mechanism equally no matter where they came from



CBAM b. Should allow for exemptions for least developed countries



CBAM - key takeaways

Key Takeaways

- Importing / Exporting companies: measure the carbon footprint to determine what's at stake + assess supply chain optimisation possibilities
- Can base materials / semi finished goods be obtained from less emitting countries or technologies
- Run initial simulations to determine impact and to determine the way forward

Poll 2

Zonder een CBAM verwacht ik ook in mijn (sub)sector dat door de striktere EU klimaatnormen het risico op CO2 weglek zal

- A. Toenemen
- B. Afnemen
- C. Gelijk blijven

Agenda

1. Introduction and welcome
2. Carbon pricing in the Netherlands
3. Carbon Border adjustment mechanism
4. Energy transition and taxes?



A photograph of an offshore wind farm with several large, three-bladed wind turbines standing in a row in the ocean. The sky is blue with scattered white clouds. The water is a deep blue. A red rectangular box is overlaid on the bottom right of the image, containing white text.

Energy Transition & Taxes?

**Kunnen we geen grotere
klimaatklappers maken door het
schrappen van de accijnsvrijstellingen
voor luchtvaart en scheepvaart?**

**Geen dubbele energiebelasting op
elektriciteitsopslag en
lager tarief voor laadpalen?**

Energiebelasting op warmtelevering gaan introduceren?

**Energiebelasting differentiëren voor
groene en grijze stroom: niet doen?**

**Moeten we de energietransitie niet uit de
algemene middelen gaan financieren en
ook stoppen met de ODE?**

Questions and answers



Closing

- **Questions?** Please contact your PwC advisor or let us know in the evaluation of this webcast.
- View this webcast or presentation at a [later stage](#)
- **Stay up to date:** register for our PwC Tax Newsletter on [pwc.nl](#)
- 'State of Tax' webcast series continues on [pwc.nl/evenementen](#)
- Please fill in the evaluation form

Evaluation

- How would you rate this webinar on a scale from 1 to 10?
- The content was relevant. (Totally agree/Agree/Neutral/Disagree/Totally disagree)
- Do you have any suggestions and/or comments?
- Do you have specific questions and would you like us to contact you?



Thank you

pwc.com



© 2020 PwC. All rights reserved. Not for further distribution without the permission of PwC. “PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm’s professional judgment or bind another member firm or PwCIL in any way.