

Uniform CO₂-taxation

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Denmark has with the Climate Act committed itself to reduce greenhouse gas emissions in 2030 by 70 pct. compared to the level in 1990. From a national socioeconomic point of view a uniform tax on all greenhouse gas emissions encompassed by the 70-pct. target is in general the most cost-effective instrument to achieve this goal. Furthermore, a negative tax/subsidy at the same level as the tax should be granted to all negative emissions encompassed by the 70-pct. target.

Today, CO₂e taxation (energy taxes and the CO₂ tax) entails large differences. For example, emissions from heating and especially from road transport are taxed at a much higher level than emissions related to production purposes in industry. Some emissions are exempt of taxation, e.g. some emissions from industry and non-energy related emissions from agriculture. As part of the political agreement on the *Green tax reform* from 2022 it has been agreed to introduce a high and more uniform CO₂-tax where the tax base is broadened.

Some emissions in industry, the energy sector and aviation are covered by the EU ETS. It can be illustrated that a uniform CO₂-tax minimizes socioeconomic costs related to CO₂-reductions compared to a differentiated tax where rates are differentiated between ETS emissions and non-ETS emissions. Thus, a national tax rebate on emissions covered by the EU ETS will increase national socioeconomic costs of achieving the 70-pct. target. Other differentiations will increase socioeconomic cost as well.

It is very uncertain to estimate CO₂-effects and socioeconomic costs of a CO₂-tax in 2030. This uncertainty implies that obtaining the 70-pct. target potentially can be much more costly than the central estimates of socioeconomic cost.