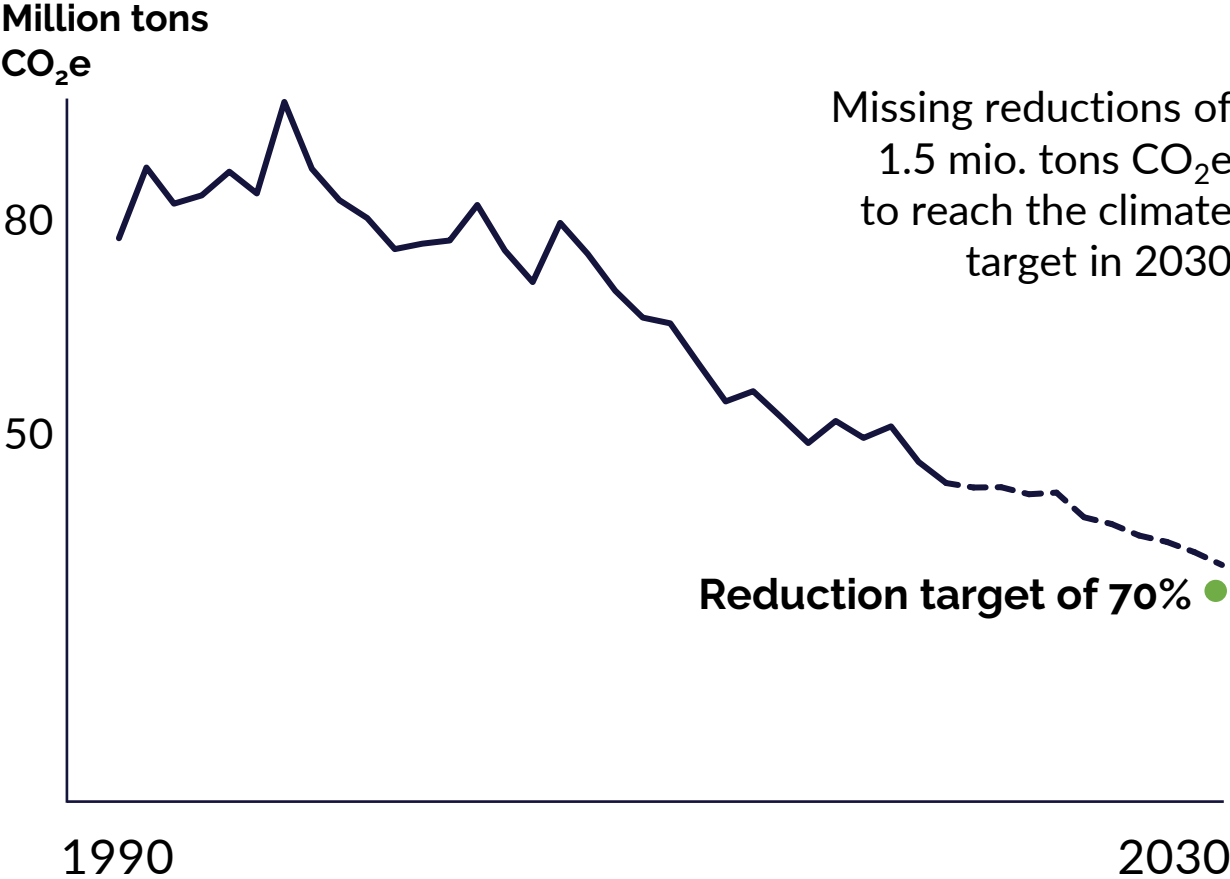


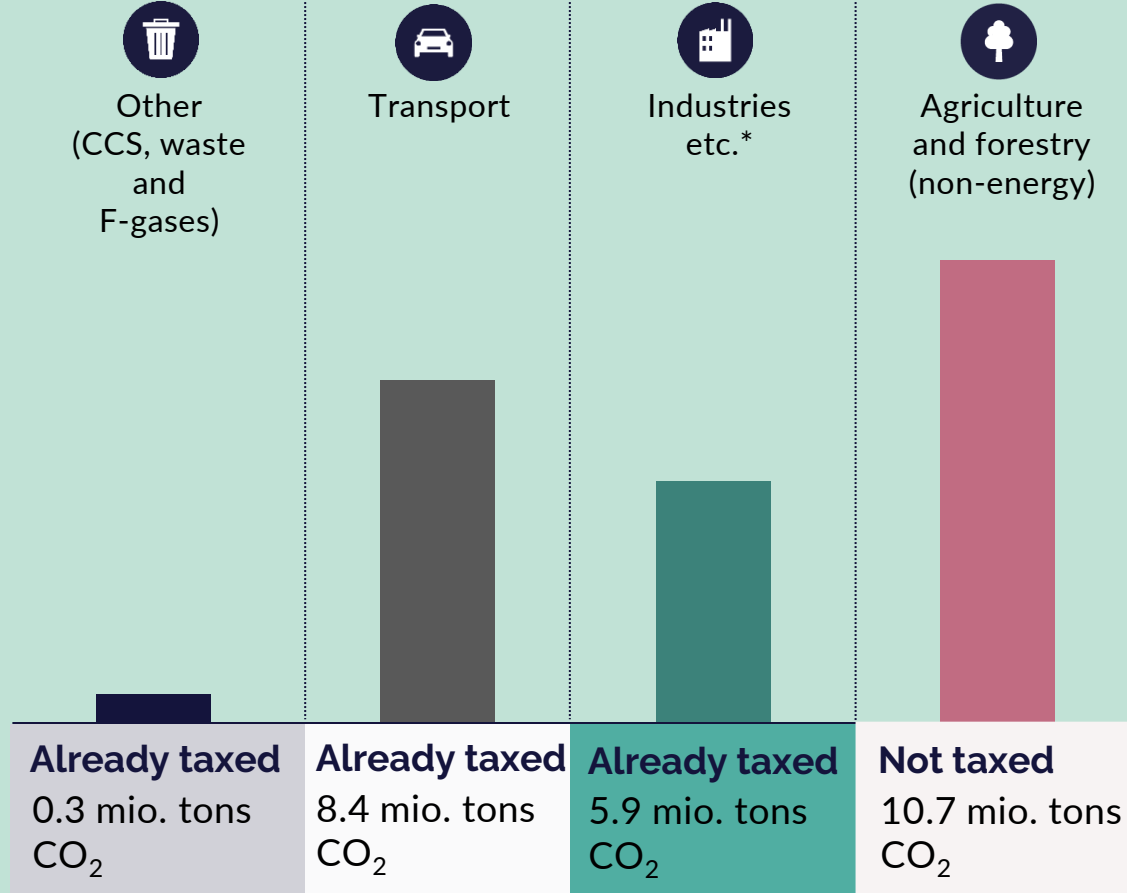
Denmark's pathway towards reaching 2030 climate target

Presentation at First Workshop under the Sharm el-Sheikh Dialogue on Article 2, paragraph 1(c) of the Paris Agreement and its complementarity with Article 9 in 2024

Denmark has an emissions reduction target of 70 pct. by 2030



Expected emissions in 2030 across sectors



*Industries, businesses, non-road transport, production of electricity as well as heating (collective and individual)

Green Tax Reform for industries etc. in 2022

”

With this agreement a new and ambitious CO₂ tax is introduced. A long-term decision on a new and ambitious CO₂-tax will give companies incentives and time to transition, improve energy efficiency and create a stable, sustainable business framework.

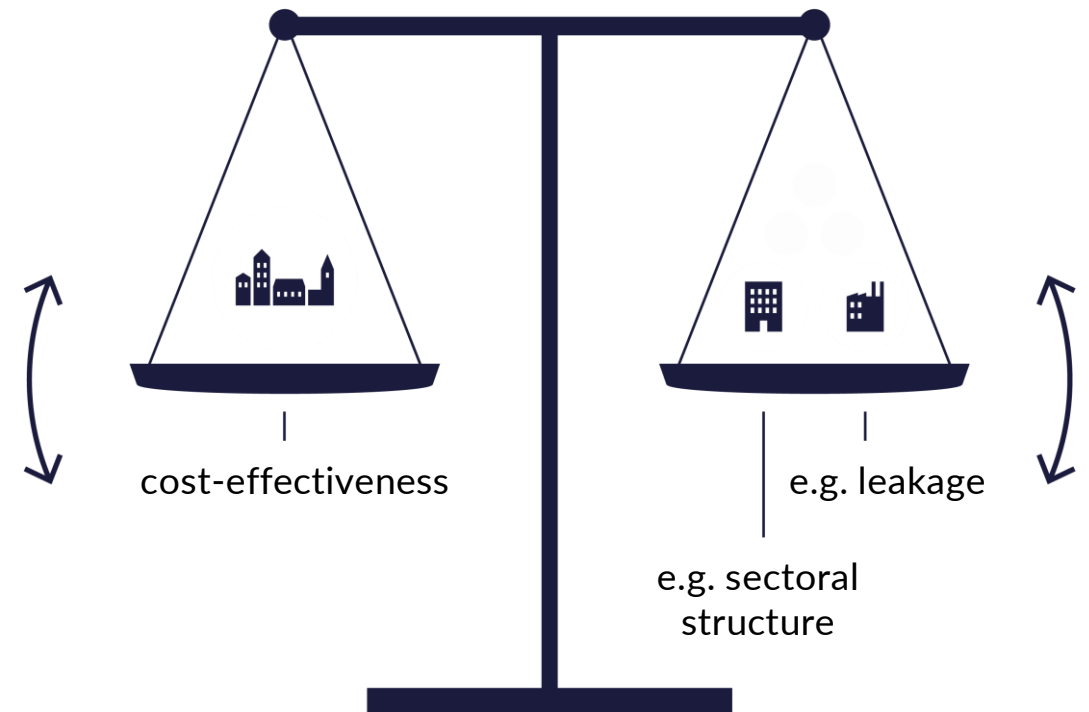
Agreement on Green Tax Reform from
24th of June 2022

Not all considerations can be managed at the same time

Cost-effectiveness

(dictates a uniform tax and thus uniform incentives)




Other considerations



Key elements of The Green Tax Reform for industries etc.

“Stick”

New and ambitious CO₂ tax

-  Higher and more uniform taxes on CO₂ emissions
-  4.3 mio. tons CO₂ reductions in 2030
-  Minimum price for the CO₂ tax

“Carrot”

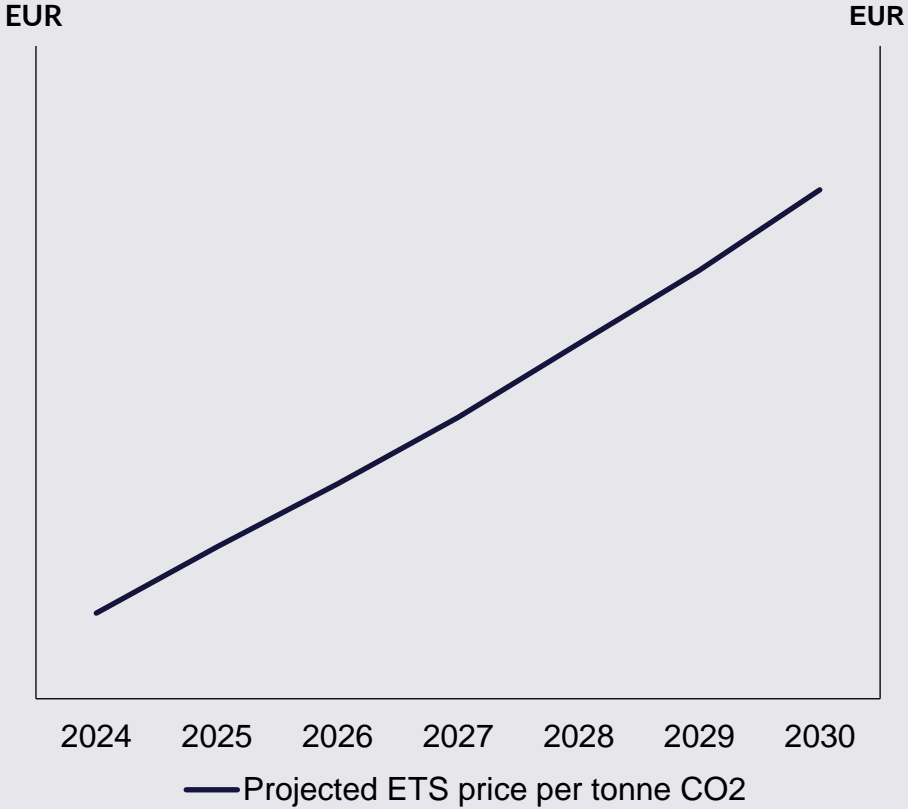
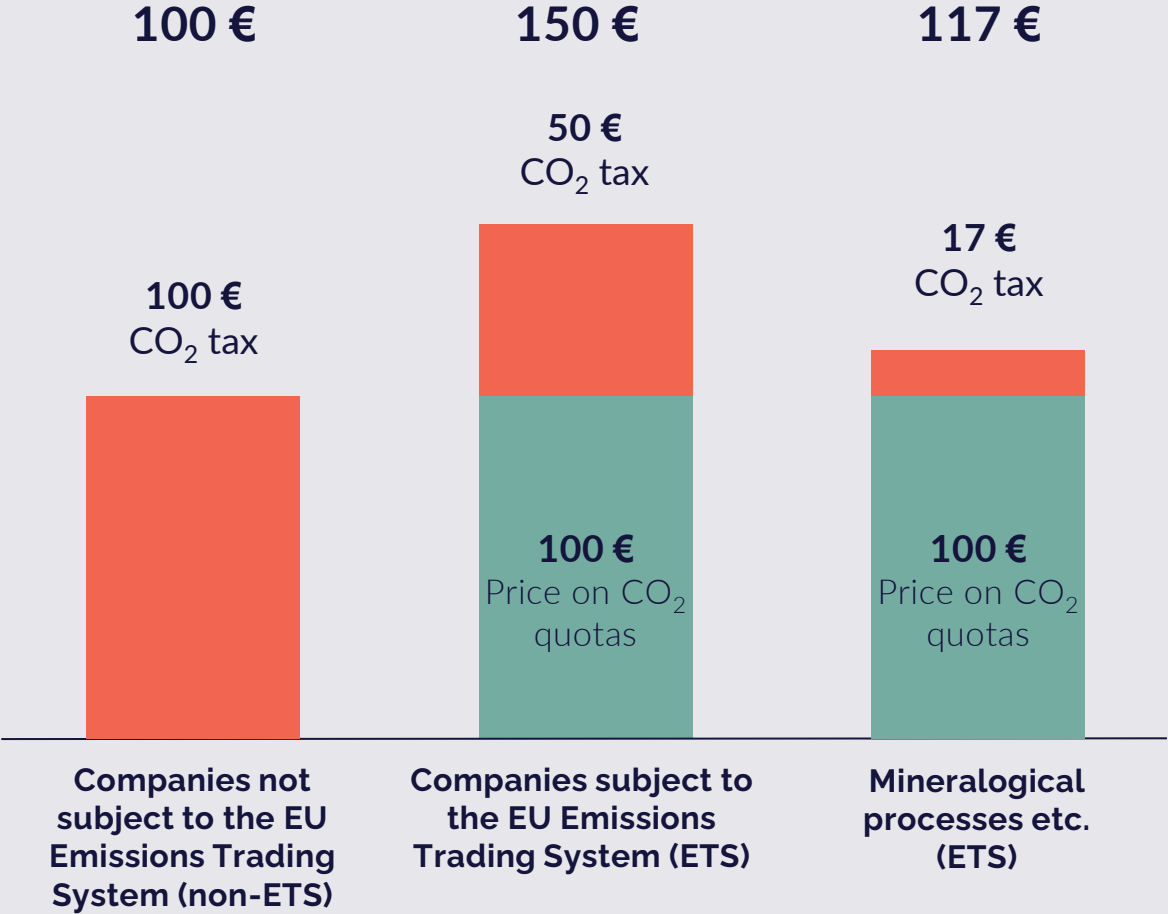
Transition support

- 1 bn. euros to investments in green transition 
- 0.8 bn. euros in targeted tax reliefs 
- 7.2 bn. euros towards 2040 in a Green Fund financed by an advance taxation of pensions 

Revenue recycling



An ambitious CO₂ tax with a minimum price will be gradually phased-in from 2025 until 2030



Green Tax Reform for agriculture (forthcoming)

Publication of
expert group
recommendations
for a Green Tax
Reform for
agriculture

”

Emissions from the agricultural sector need to be reduced. Denmark needs a CO₂-tax on for the agricultural sector to achieve its climate goal. Green farming is future-proof farming.

Lars Aagaard
Minister of Climate, Energy and Utilities
on 21st of February 2024

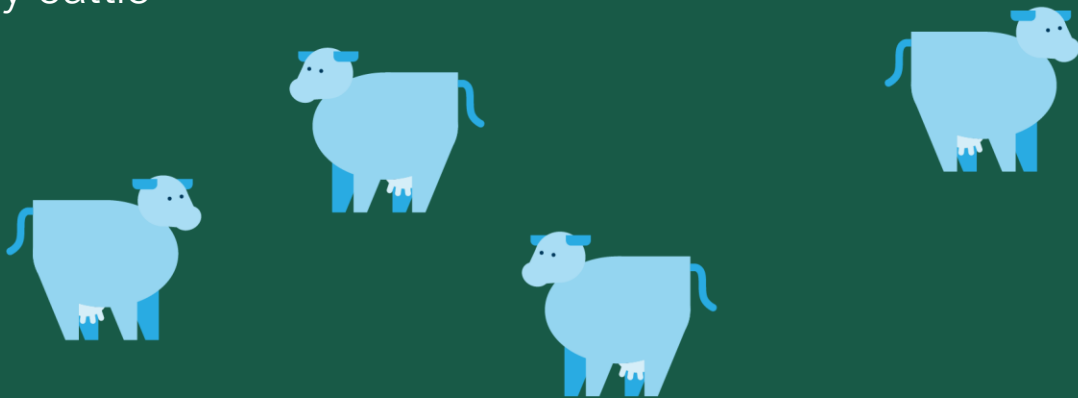
Total non-energy related emissions from agriculture and forestry in 2030

10.7 mio. ton CO₂e

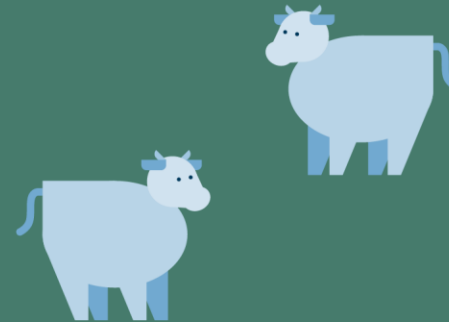
Forest
-1.6



Dairy cattle
3.1



Other cattle
1.5



Pigs
1.5



Cultivation of fields etc.
1.7



Other farm animals
0.3



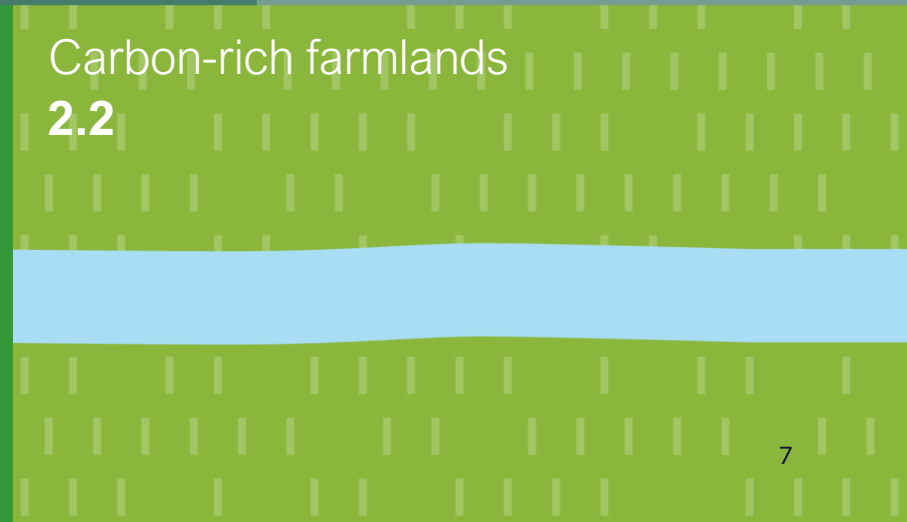
Other use of land
0.3



Fertiliser and lime applied on fields
1.9



Carbon-rich farmlands
2.2



The expert group suggested three models

	Model 1	Model 2	Model 3
Price per ton CO ₂ e (average)	100€	50€	50€/17€
Emission reductions in 2030 (% of 2030-target)	3.2 mio. ton CO ₂ e (124%)	2.8 mio. ton CO ₂ e (113%)	2.6 mio. ton CO ₂ e (106%)
Socio-economic costs	Low	Medium	High
Immediate financial burden on farmers	High	Medium	Low
Public finances in 2030	160 mio. €	-60 mio. €	-270 mio. €
Changes in sectoral composition and risk of leakage	High	Medium	Low
Price increase for 500g ground beef	0.67€	0.37€	0.20€

Process for a CO₂e tax on agriculture in Denmark

Step 1: An expert group appointed by the government provides their recommendations for the architecture of a CO₂e tax. *This step is already finalized.*

Step 2: The government, together with the agricultural sector, climate organizations, and other stakeholders, discusses the recommendations from the expert group and formulates their own recommendations.

Step 3: The political parties decide whether to adopt or modify the recommendations from step 2, potentially leading to a political agreement.

Step 4: After a political agreement is reached, the actual implementation begins.

Implementation

The farmer declares activity data (AD) following the usual practice in the manure accounts and livestock databases regarding livestock and barn type (number of cattle/pigs, type - dairy cattle/slaughter pigs).

The Tax Administration calculates the tax based on farm-specific activity data (AD) and emission factors (EF). **The Tax Administration** sends a tax assessment (to the farmer from point. **The Tax Administration** handles any complaints regarding calculations, corrections, and supplementary declarations.



The manure accounts are controlled and administered by the data owner (**Danish Agricultural Agency/ Environmental Protection Agency**), which also handles other administrative duties (such as data declaration, data correction, and complaint handling). **The Ministry of Climate, Energy, and Utilities** ensures that the emission factors (EF) are up to date.

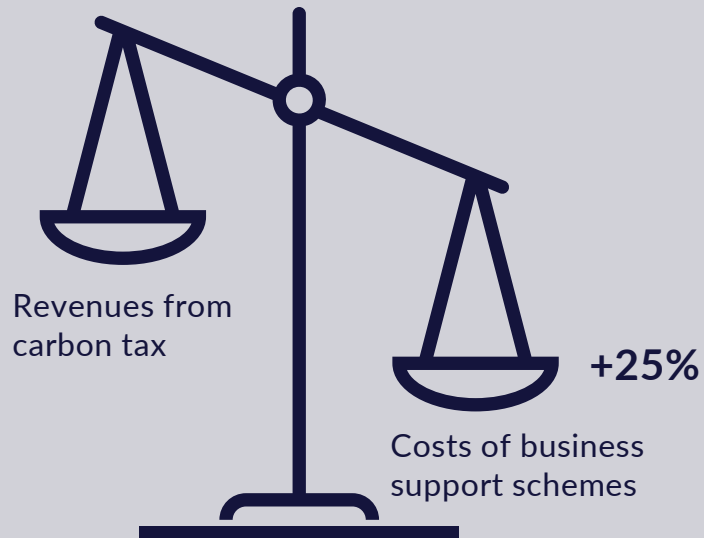
The emission factors (EF) and activity data (cattle/pigs, type - dairy cattle/slaughter pigs, and barn type) are sent to **the Tax Administration**.

Lessons learned from The Green Tax Reform

Green Tax Reform for industries etc.

Political Economy

To reach a political agreement, the Danish government agreed to a business support and compensation package that exceeds total revenues from the carbon tax.



Green Tax Reform for agriculture

Design and Implementation

The design of a CO₂-tax on non-energy related emissions from agriculture poses a number of technical challenges to be addressed.



Questions

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