Ministerie van Klimaat en
Groene Groei

Phasing out plan for fossil fuel subsidies

Contents

Introduction

The Netherlands aims to phase out fossil fuel subsidies wherever this action can contribute to or is in line with an effective and efficient transition towards a climate neutral, prosperous and competitive Europe. In this process, the Netherlands will focus on an international and European-based approach in order to minimise disruptions to the playing field and the relocation of production and emissions. As an integral part of the approach, each year the Netherlands will provide transparency about fossil fuel subsidies and will encourage other countries to do the same. The Netherlands will operate according to a so-called *Whole of Government Approach*. This entails cooperation by various government ministries in ensuring transparency about fossil fuel subsidies and developing policy for the phasing out of those subsidies.

In order to achieve greater international cooperation, in 2023, the Netherlands took the initiative of establishing a pioneering group of countries known as the *Coalition on Phasing Out Fossil Fuel Incentives Including Subsidies* (*COFFIS*). Within this coalition, joint agreements have been reached on providing transparency about fossil fuel subsidies and the phasing out of those subsidies. In the *Joint Ministerial Statement on Fossil Fuel Subsidies,* the basic underlying document for COFFIS, the members have committed to the publication of a national phasing out plan.[1] It was agreed that this plan will be published by each country within two years after accession.

This document is the fulfilment of that agreement and as such for the Netherlands provides greater clarity on the national and international approach to national fossil fuel subsidies. The phasing out plan comprises the following chapters:

1. Fossil fuel subsidies and the importance of cooperation and international action.
2. Dutch efforts on an international and European level.
3. Dutch national efforts.

1 Netherlands Ministry of Climate Policy and Green Growth. (2023). Via: https://www.rijksoverheid.nl/documenten/publicaties/2023/12/09/joint-statement-on-fossil-fuel-subsidies

1 Fossil fuel subsidies and international cooperation and action

1.1 Fossil fuel subsidies

The consumption of fossil energy carriers in energy-based applications automatically engender costs for society. In addition to costs of supply, the most important costs for society relate to the greenhouse gases released during consumption and which can lead to global warming if they enter the atmosphere. In particular the emission of CO_2 represents a high cost for society.

Fossil fuel subsidies[2] are financial and tax benefits for the direct and indirect use of fossil sources. In the Netherlands, two different approaches are employed in the Budget Memorandum[3] to present an overview of fossil fuel subsidies and the various schemes that contribute to those subsidies. These are the external costs approach and the inventory approach. The external costs approach provides an overview of the total of all implicit and explicit CO_2 pricing in the Netherlands, set off against the quantified external costs for the damage to the climate resulting from greenhouse gas emissions. Subject to the external costs approach, a fossil subsidy applies if the users of fossil fuels are not individually accountable for the related costs for society[4], but can instead pass on those costs to society. In this approach, the pricing tools are taken into account in such a way that a picture emerges of whether polluters pay enough for the damage they cause to the climate. According to the inventory method, an assessment is made of the subsidy expenditure and tax schemes that relate to direct or indirect fossil consumption. The level of expenditure is dependent on the regular tax rate. These schemes are referred to as fossil schemes.

The complete pricing of external costs to society ensures that the polluter pays, thereby eliminating fossil fuel subsidies. The 'polluter pays' principle is a key element of environmental and climate policy. What it means is that the party causing the environmental damage actually bears the costs for prevention, mitigation or remediation of that damage. Tools such as taxation, charges and levies or the emission trade are used to integrate the actual costs to society (the external costs) in the price of products or activities. This acts as a stimulus to manufacture more cleanly and efficiently, and to consume in a less polluting manner by making pollution proportionately more expensive and in turn making sustainable practices more attractive. This principle has been internationally recognised, among others by the Organisation for Economic Cooperation and Development (OECD) and the European Union (EU), and is a core principle of European environmental law.[5] In the Netherlands, this principle is the most essential policy objective in the phasing out of fossil fuel subsidies. To chart out the possible presence of fossil fuel subsidies, the total policy package of levies, charges and indirect subsidy schemes must be considered. Chapter 2 looks at this combined approach in more detail.

1.2 Importance of cooperation and international action

In sectors subject to the risk of leakage - such as the energy-intensive industry, the electricity sector and aviation - the pricing of greenhouse gas emissions is most effective when adapted according to a harmonised international approach and if the design of the pricing takes account of the international playing field. This is necessary because in these sectors there is a risk that production and emission will be transferred abroad in response to national or local measures. International action is also important because certain fossil fuel subsidies are laid down in international treaties. To reform these treaties, multiple countries will have to be willing to make the necessary adjustments, and that can only be achieved through cooperation. Against that background, in elaborating the pricing instruments in these sectors, the Netherlands is focused on maximum international cooperation with our neighbouring countries, in the EU and beyond.

2 In the Netherlands, in the annual monitor (see section 3.1), we use the term 'fossil fuel benefits' rather than 'fossil fuel subsidies' as a means of preventing the impression being created that financial resources are actually spent and that those amounts can actually be collected by government when fossil fuel subsidies are scrapped.

3 See appendices Budget Memorandum 2026 page 334 et seq.

4 Costs and benefits to society not only refer to financial costs and benefits but also social impact such as environmental pollution, harm to health and the quality of the living environment.

5 Treaty on the Functioning of the European Union, Section 191(2), OJ 2012 C 326/1

Within the EU, there is still plenty of room for improvement in reinforcing pricing and phasing out EU-wide exemptions. When such developments take place within the EU, it automatically also promotes a level playing within the EU. On an international scale, too, the EU can play a leading role. This is because when it operates jointly, the EU has considerably more opportunities for making adjustments and much more negotiating power than the individual Member States.[6]

6 Netherlands Ministry of Climate Policy and Green Growth. (2024). Government effort at EU and international level on phasing out fossil fuel subsidies. https://open.overheid.nl/documenten/8a20f8e3-e787-45de-8930-b13f5fada885/file

2 Dutch efforts on an international and European level

Dutch policy on fossil fuel subsidies is implemented at three levels: international, European and national. Each of these three levels impacts on the other: agreements laid down internationally or in Europe have an impact on national policy.

This chapter describes the Dutch efforts in phasing out fossil fuel subsidies at an international and European level. Chapter 3 describes the national efforts.

2.1 International

There are numerous international forums and coalitions within which countries are involved in drawing up an inventory of and phasing out fossil fuel subsidies. Almost every country has committed to the phasing out of 'inefficient subsidies' for fossil fuels. Since 2009, for example, the G20 countries have promised to reduce inefficient fossil fuel subsidies; a promise that was matched in 2021 by all parties to the United Nations Framework Convention on Climate Change (UNFCCC).

Via the *Clean Energy Transition Partners* launched in 2021 by the United Kingdom, forty countries have undertaken to no longer allocate public financial support to fossil fuels but instead to allocate funding to renewable energy. International organisations such as the Organisation for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF) and the International Energy Agency (IEA) have developed definitions for the term 'fossil fuel subsidies' and are active in monitoring the level of fossil fuel subsidies in various countries. They are assisted in this work by other coalitions and working groups. Not all the definitions are the same. Below we discuss three international groups important for the Netherlands in the phasing out of fossil fuel subsidies:

1. COFFIS.
2. The Coalition of Finance Ministers for Climate Action (CFMCA).
3. The Inclusive Forum on Carbon Mitigation Approaches (IFCMA).

2.1.1 COFFIS

Although many countries (G7, G20, UNFCCC) have made many promises, what they all lacked was a place to work on joint national implementation, to share lessons and to address international barriers. Against that background, the Netherlands established the international COFFIS coalition in 2023. The coalition is currently chaired by the Netherlands. The focus of COFFIS is on both national and international schemes. Within the coalition, countries work together on preparing an inventory and phasing out of fossil fuel subsidies via national inventories and national phasing out plans. This cooperation is extremely important because certain schemes are laid down internationally and these schemes can only be altered through supranational decision making. At present, COFFIS has seventeen country members, including the Netherlands. The COFFIS countries come together at a number of annual international meetings, for example during the United Nations climate conferences (COP), to discuss progress and plans.

The coalition is based on the '*Joint Ministerial Statement on Fossil Fuel Subsidies*'. This statement focuses on three pillars. The first pillar relates to providing transparency about fossil fuel subsidies through the publication of an annual or biannual national inventory. Supported by the COFFIS Member States, the *International Institute for Sustainable Development* (IISD) has been working on a framework with which a fossil fuel subsidies inventory must at a minimum comply.[7] The second pillar relates to the identification and tackling of international obstacles to the implementation of reforms in respect of fossil fuel subsidies. This refers to international treaties which make it more difficult to phase out fossil fuel subsidies at national level. The main point of focus of this pillar is on aviation and shipping. These are the largest emitting sectors for which the pricing is currently incomplete. Within COFFIS, a working group is responsible for examining possible solutions to this issue. Finally, the COFFIS statement calls for an international dialogue for the sharing of lessons learned and drawing up national plans for the phasing out of subsidies within a clear timeline, whereby emission reduction remains the key focus.

2.1.2 Coalition of Finance Ministers for Climate Action (CFMCA)

The Coalition of Finance Ministers for Climate Action (CFMCA) was established in 2019 and today brings together one hundred

7 Coalition on Phasing Out Fossil Fuel Incentives Including Subsidies (2025). Common Minimum Standards for the National Inventories of Fossil Fuel Subsidies. Developed by COFFIS Members. https://www.iisd.org/system/files/2025-10/coffis-standards-national-inventories.pdf

countries. Until April 2026, this initiative will be co-chaired by the Netherlands and Uganda. In April 2026, Croatia will take over from the Netherlands.

The aim of the Coalition is to reinforce the integration of climate policy in economic and financial policy. The CFMCA is not a decision-making body but is a policy and knowledge platform. Within this framework, ministries of Finance exchange experiences and policy options and work towards the development of instruments and methodologies to help bring about an effective and fair transition to a sustainable economy. Relevant work flows within the CFMCA include the gradual phasing out of fossil fuel subsidies, the further development of CO_2 pricing mechanisms, the drawing up of green budget frameworks and systematically addressing climate risks in financial policy.

2.1.3 Inclusive Forum on Carbon Mitigation Approaches (IFCMA)

In 2022, the Organisation for Economic Cooperation and Development (OECD) established the *Inclusive Forum on Carbon Mitigation Approaches* (IFCMA). The aim of this forum is to systematically map out the many and varied climate policy instruments - including CO_2 pricing, regulation and supplementary policy-based measures. By applying a consistent approach to analysing these policy options, it becomes possible to better compare their actual climate impact and to determine which mix of measures proves most effective.

One key element of this work involves determining what is known as net effective CO_2 pricing: a standard that provides an indication of the extent to which various countries actually create incentives for emission reduction via taxation, emission trading and other mechanisms. This not only makes it possible to compare the various sets of national policy instruments but also encourages international coherence and learning effects. The method employed by the Netherlands for mapping out the combined level of pricing and fossil fuel subsidies is based on this same approach. The Netherlands is an active participant in this process via the *Joint Working Party on Tax and Environmental Experts (JWPTXE)*, the OECD consultative body in which the methodological approach of the IFCMA is developed and further refined. This represents the Dutch contribution to the development of an international framework to assist countries in improving and more effectively harmonising their climate policy (for example on the basis of pricing).[8]

2.2 European Union

At EU level there is potential for specifying prices with a broad scope and mitigating unwanted effects such as the leakage of production activities abroad and carbon leakage. In addition, policy at EU level is important for the Netherlands in maintaining a level playing field within the EU and addressing fossil fuel subsidies laid down in a European context. Moreover, the EU is far better positioned than the Netherlands alone to play a pioneering international role. Finally, the EU can ensure that the prices for energy in the EU do not become excessively misaligned with competing economies such as the United States and China. Because of its sheer scale, the EU has the capacity to tighten up border levies and to implement far more control measures. It also has more negotiating capacity than individual Member States.

Within the European Union, there is an active effort to encourage pricing mechanisms and other policy options for promoting the phasing out of fossil fuel subsidies. The European Commission has only limited capacity to affect existing subsidy schemes to promote the use of fossil energy carriers, since this is a matter for individual Member States (subsidiarity principle). In addition to subsidy schemes, existing pricing instruments at European level including the European Emission Trading System (EU ETS) and the Carbon Border Adjustment Mechanism (CBAM) play an important role. The Commission also plays a role in the monitoring of national reports from Member States and on the basis of those reports issues recommendations to Member States for phasing out fossil fuel subsidies.

The current European Commission has announced a roadmap for the phasing out of fossil fuel subsidies also in the context of the next European Multiannual Financial Framework.[9] In response, at the end of 2024, the Netherlands called for a *non paper*[10] for the rapid establishment of the new EU action plan, drawing attention to the following components:

1. Transparent inventories at Member State level and in the EU budget based on unequivocal definitions. In both national and EU inventories it is important that the total set of levies, charges and subsidies be mapped out, as is already the case in the Netherlands in the Budget Memorandum.
2. Facilitate specific actions for the phasing out of fossil fuels and removing obstacles to the rollout of clean technology through a combination of standard setting, subsidies and pricing.
3. Further supporting international momentum and cooperation on this topic.

8 Netherlands Ministry of Climate Policy and Green Growth. (2024). Government effort at EU and international level on phasing out fossil subsidies. https://open.overheid.nl/documenten/8a20f8e3-e787-45de-8930-b13f5fada885/file

9 Mission letter from President of the European Commission Ursula von der Leyen to Wopke Hoekstra, European Commissioner Climate, Net Zero and Clean Growth, 17 September 2024 PM source acknowledgement

10 Non paper by NL | Rapport | Rijksoverheid.nl

In the same non paper, the Netherlands has issued suggestions for the drawing up of the action plan, including further reinforcing the EU ETS and CBAM, making better use of national reporting cycles such as the Integrated National Energy and Climate Plans (INECs) and the European Semester, to provide more information on the European policy for phasing out fossil fuel subsidies, and to take a critical look at (planned) state aid for the use of fossil fuels.

The Netherlands is actively promoting the phasing out of fossil fuel subsidies as part of the review of the EU Energy Taxation Directive (ETD), the EU state aid framework and the upcoming revision of the Emission Trading System (EU ETS). The Netherlands has also called upon the Commission to investigate how the new Multiannual Financial Framework (MFF) can contribute to the phasing out of fossil fuel subsidies.[11]

2.2.1 EU ETS & CBAM

The EU ETS is the most important instrument for the reduction and pricing of greenhouse gas emissions in the EU. The European emission ceiling is reduced each year. Year by year, lower emissions are permitted and emitters are required to reduce their emission levels. The space available beneath this ceiling is shared out via tradable emission allowances. These allowances are issued on an auction basis with a steadily declining quantity of freely awarded allowances combined with an expanding border correction mechanism (CBAM) aimed at reducing the risk of carbon leakage. The tradability of emission allowances encourages emission reduction to take place within the EU, where it is most cost effective. CBAM imposes a pricing mechanism linked to the EU ETS price at the EU border, on imports. This encourages countries from outside the EU to also operate an ambitious climate policy thereby protecting the playing field for internationally competing businesses and helping to prevent the transfer of carbon leakage.

A strong ETS can help restrict the number of measures needed at national level to encourage emission reduction and energy saving. A number of steps in that direction have been taken with the *Fit for 55* revision of the ETS Directive. For example, the number of emission allowances made available each year will be reduced at an accelerated pace in line with the 2030 target from the European Climate Law and the scope has been extended. In line with the agreement from the government programme to focus on phasing out fossil fuel subsidies at EU level, as part of the upcoming revision of the ETS Directive in 2026, the Dutch Government will focus on pricing as many emissions as possible that originate from the use of fossil fuels under the ETS. In a non-paper[12] addressed to the European Commission, the Netherlands has explained how in its opinion the ETS should and could be reinforced. The proposal submitted by the Netherlands is as follows.

According to the Netherlands, the EU ETS is the backbone for the climate policy architecture of the Union and has consistently resulted in considerable emission reductions at low costs to society. To keep the EU 's climate goals within reach, the ambition of the EU ETS must be maintained at least at the current level. The price signal transmitted by the EU ETS must be the primary motive for investments in emission reduction in the entire EU and must guarantee a level playing field. By integrating guarantees against carbon leakage, the instrument has demonstrated that competitiveness and climate action can go hand in hand. In the light of the above, wherever possible, the EU ETS1[13] should be further expanded to include fossil emissions that are beyond its current scope of application.

With regard to ETS1 this involves including waste incineration plants. From 2028 onwards, waste incineration should be included in the EU ETS in order to reinforce the business case for recycling, CCS and Bioenergy with CCS. The waste sector must be made ready for a circular and net-zero economy as quickly as possible. By introducing the right incentives, the waste sector has the potential to achieve net-zero or even become net-negative due to the huge volume of biogenic emissions.

Specifically for aviation, a decision must be taken in 2026 whether (a proportion of) the emissions from long-distance flights (from and to the EU) should be included in the ETS1 and how non-CO_2 climate impact should be handled. This must be considered in relation to global negotiations in the International Civil Aviation Organization[14] (ICAO), regarding CORSIA[15] and its contribution to achieving the climate goals from the Paris Agreement. The Netherlands has expressed a strong preference for action at global level, coordinated with ICAO. However, if global action proves insufficient, supplementary EU policy will become necessary.

Specifically for international maritime shipping, the Netherlands has also expressed a strong preference for action at global level in order to create a level playing field and to prevent possibilities of evasion. The recent *International Maritime Organisation* (IMO) agreement, adopted in October 2025, is therefore an encouraging

11 BNC Sheet 1: [MFK] Multiannual Financial Framework. Consulted via: https://www.rijksoverheid.nl/documenten/publicaties/2025/09/12/bnc-fiche-mfk-meerjarig-financieel-kader-prestatiekader (25-9-25)

12 Non-paper ETS1. Accessed via: Rijksoverheid.nl

13 ETS1 applies to installations of >20 MW in the sectors energy generation, industry, aviation (flights within the EEA) and since 2024 also in part maritime shipping (vessels > 5000 GT).

14 ICAO is a specialist organisation of the United Nations established by the Treaty of Chicago in 1944.

15 CORSIA stands for Carbon Offsetting and Reduction Scheme for International Aviation. This is a worldwide climate instrument adopted within the ICAO in 2016.

development. However, should the IMO instruments prove insufficient, supplementary EU policy will still be necessary. To guarantee an adequate contribution by the EU to the Paris goals, in an efficient and viable manner, we must be clear about the most important regulatory factors for emission reduction and energy transition in shipping. For that reason, in the upcoming ETS revision, it is vitally important to carefully assess the IMO instrument, ETS-Maritime, FuelEU Maritime and every possible combination of these instruments, ranging from the IMO instrument in isolation, to a combination of them all. For vessels not subject to any global regulations, such as ships below 5000 GT, it is important that Europe considers introducing its own instruments.

The revision of the ETS Directive will also consider the free allowances issued within the ETS system. The Netherlands believes in the necessity of evaluating which free allowances can be phased out. Given the reduction in the volume of free allowances, CBAM will be a more sustainable and effective instrument for reducing the risk of carbon leakage than the issuing of free allowances. The scope of CBAM should be expanded to include indirect emissions embedded in production from all CBAM sectors. Such a development would offer effective protection against carbon leakage in the context of the increased electrification of industrial processes. It will also contribute to a level playing field and prevent the need for indirect cost compensation.

There are a number of other specific regulations for the allocation of free allowances within the ETS, for other reasons than a risk of carbon leakage. The Dutch Government believes that these schemes also need to be evaluated as part of the revision of the ETS Directive in 2026. Wherever possible, free allowances should be phased out, also with the aim of retaining a level playing field. This includes free allowances for fossil-fired district heating installations. Such installations represent no risk of carbon leakage while the awarding of free allowances makes renewable heat sources less attractive.

In respect of the *Market Stability Reserve* (MSR), the Netherlands believes that the reserve should continue to deliver its essential contribution to a stable and effective EU ETS beyond 2030. In order to achieve balance between supply and demand with the MSR and to minimise price volatility, the parameters of the reserve for thresholds, intake and release speed must be adjusted, taking account of a lower ETS ceiling. The application of a linear reduction factor for the thresholds applicable within the MSR must be introduced in order to bring about a sustainable adjustment which in the long term will offer clarity to the market. As well as balancing supply and demand, the MSR has been of essential importance in mitigating the so-called waterbed effect[16].

In the future, the Commission should make it possible for the MSR to continue to fulfil this role. Possible adjustments which could further improve the performance include increasing the intake speed as well as strengthening the cancellation mechanism in the MSR.

ETS2 is due to become effective on 1 January 2027. This will broaden the scope of the ETS system to include fossil fuels in the sectors road transport, the built environment and other sectors (small-scale industry). Via a national *opt-in*, the Netherlands has also placed fossil fuels in agriculture, inland shipping and the railway sector under the ETS2. An opt-in to the European emission trading system (ETS) means that Member States are able to voluntarily place additional sectors or fuels within the scope of the ETS, over and above the compulsory scope laid down in EU legislation. This can help accelerate emission reductions. Together with other Member States, the Netherlands is already using this *opt-in*. As part of the revision of the ETS2, the Netherlands will work to expand the scope at EU level, thereby bringing about a level playing field across the EU.

2.2.2 Energy Taxation Directive (ETD)

The Energy Taxation Directive (ETD) has been in place since 2003, and provides minimum rates for the taxation of a variety of energy products and electricity. The ETD also specifies that various applications of energy products and electricity are exempted from taxation. Because the rates in the current ETD are not based on energy capacity or CO_2 emission, the use of sustainable alternatives for fossil fuels is not encouraged. On 14 July 2021, the European Commission presented a proposal for a revision of the ETD as part of the Fit-for-55 package. The aim of the ETD proposal is to restrict climate change by increasing the minimum rates for energy products and broadening the tax base. In addition, the minimum rates and taxation levels are adapted to the sustainability of a fuel.

The Netherlands is in favour of an ambitious ETD. However, under pressure from various other Member States, the proposal has become less ambitious during the course of the negotiations. The current compromise proposal still represents several steps forward, such as an increase and indexation of the minimum rates, a distinction between fossil and non-fossil energy products and the phasing out of the exemption for energy products used for heat cogeneration, but nevertheless leaves a number of barriers to the phasing out of fossil advantages in place. In the current text of the compromise, for example, the ban on taxing kerosene for aviation will be retained, leaving it up to the Commission to determine in 2035 whether it wishes to amend the ban. The Danish presidency is hoping to conclude the negotiations before the end of 2025.

16 The waterbed effect is caused by a reduction of the ETS price due to emission reduction which in turn make emissions cheaper for other sectors within the system.

As described in a so-called BNC sheet[17] addressed to the parliament, the Netherlands proposes an ambitious ETD with targeted strengthening of the instruments for encouraging the energy transition and the pricing of fossil fuels. The Netherlands also supports a link between the rates and the energy capacity and environmental performance of fuels, and in the past expressed its support for elements of the proposal, including higher minimum rates and the cutting back of exemptions.

2.2.3 Framework for state aid

In 2025, the European Commission came up with a new framework for state aid. In the spring of 2025, the Commission held a public consultation on this proposal. In response to this consultation, the Netherlands indicated that the rules on state aid should take into account the importance of the phasing out of fossil fuel subsidies. The Netherlands pointed out that in respect of state aid there is a clear task for the Commission to conduct a strict and thorough assessment to ensure that the positive effects of aid outweigh the negative effects on trade and competition, and to examine the contribution to urgent social challenges such as the digital challenge and the green transition.

17 Sheet 3: Revision of the Energy tax Directive.
https://www.eerstekamer.nl/bijlage/20210922/bnc_fiche_com_2021_563_2/document3/f=/vlmfiyzwwbda.pdf

3 Dutch national efforts

Wherever there is incomplete pricing for climate damage resulting from the use of fossil energy carriers in the energy supply as described above, in the first instance, the Netherlands focuses on the opportunities at EU and international level for increasing prices. If this proves ineffective or insufficient, national measures could be considered for reinforcing pricing. The national aspect of this phase out plan dealt with in this chapter relates to the following:

- Dutch efforts for achieving transparency on fossil fuel subsidies (section 3.1).
- Policy considerations of the Dutch Government in reaching decisions on fossil fuel subsidies (section 3.2).
- The approach to incomplete pricing (section 3.3). This will include introducing other national charges and increasing the rates of existing charges (section 3.3.1) and possibly phasing out existing subsidy schemes (section 3.3.2).

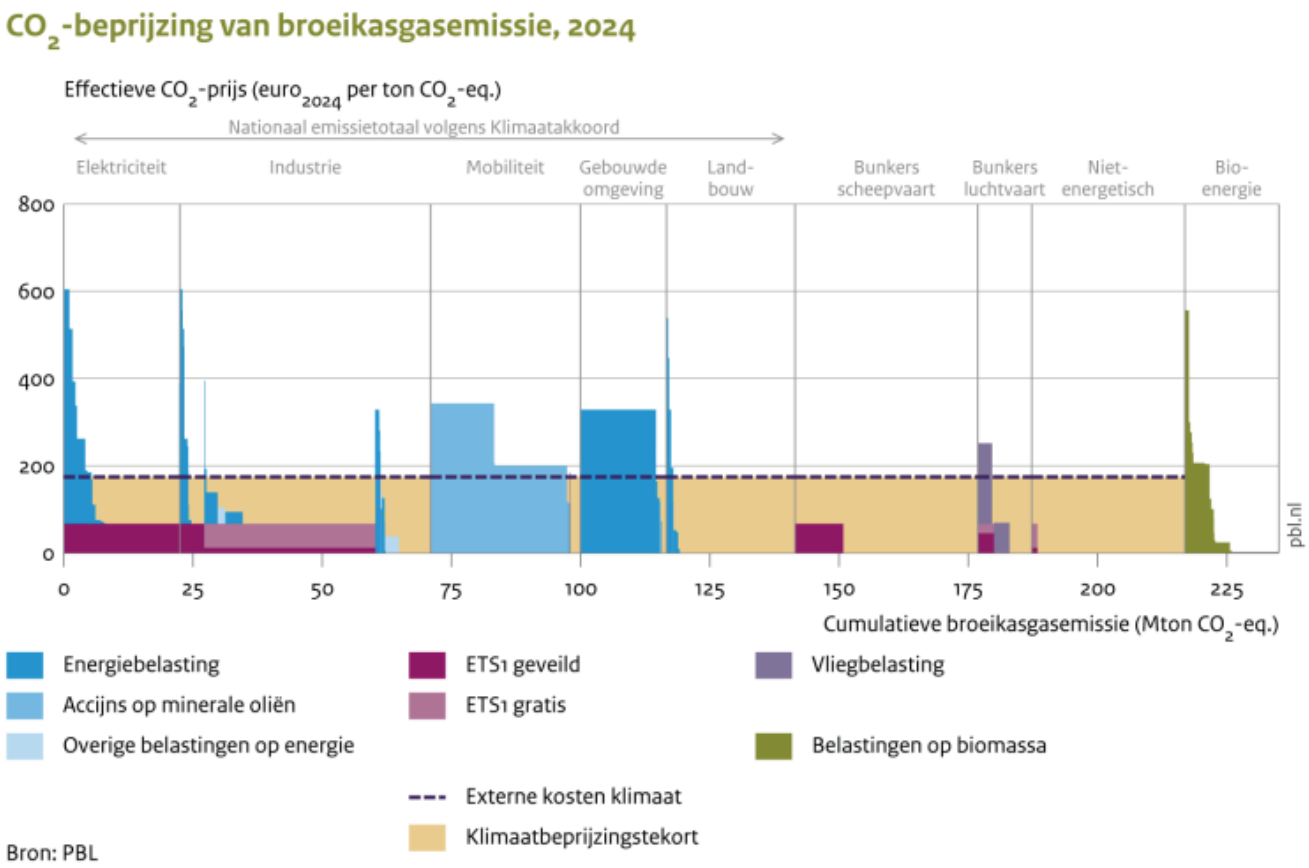
3.1 Transparency on fossil fuel subsidies in the Netherlands

As described in chapter 1, each year, the Netherlands provides transparency about fossil fuel subsidies in the Budget Memorandum. In accordance with the external costs method, first and foremost this is achieved by charting out all CO_2 emissions released during the use of fossil energy carriers as they apply directly or indirectly to the pricing level for these emissions. The pricing level is then set off against the quantified external costs of the climate damage resulting from greenhouse gas emissions. This overview is based on the reference price as calculated by CE Delft in the *Environmental Prices Handbook* (2023). The reference price is calculated on the basis of an IPCC calculation which most closely matches the current global target (limiting global warming to 1.5 degrees with a limited overshoot) and the prevention costs of climate policy. Each year, the reference price rises. External costs beyond the costs that can be related to the greenhouse gas emissions are not taken into account. Based on this overview it is possible to identify the price gaps in which fossil emissions are incompletely priced and which therefore reveal a fossil subsidy.

Figure 1 is a visualisation of this situation for the year 2024. The horizontal axis shows the total greenhouse gas emissions that form the relevant basis for pricing, based on emissions resulting from the use of fossil fuels and other emissions not related to energy. The vertical axis shows the level of both the direct and indirect prices per tonne of CO_2. Each block in the figure equates to a specific share of the emissions subject to the same CO_2 price. The width of the blocks shows which share of the emissions is subject to this CO_2 price. The colours indicate which policy instruments contribute to which share of the total effective CO_2 price. The purple dotted line shows the used level of the reference price (174 euro/tonne CO_2 in 2024). The price gap or fossil advantage is calculated by calculating the difference between the reference price of the external costs and the CO_2 price for all greenhouse gas emissions in a sector. The calculated price gap and hence the fossil subsidy for 2024 amounts to 18.0 billion euros.

In addition, in line with the inventory method, the figure maps out the subsidy expenditure and tax schemes which relate to direct and indirect fossil consumption, the level of which is dependent on the regular tax rate.

Figure 1: CO_2 pricing greenhouse gas emission and climate price gap



3.2 Policy considerations for national adjustments to fossil fuel subsidies

Wherever it is not possible to phase out fossil fuel subsidies on an international scale, the Netherlands will consider the national phasing out of fossil fuel subsidies according to policy considerations as explained in the Budget Memorandum 2024.[18] The policy considerations are as follows:

1. The pricing of external effects
2. Generating budgetary revenue
3. Prospects for action, carbon leakage effect and playing field
4. Fairness
5. Legal obstacles
6. Feasibility
7. Positive impact on business innovation

If there are legal obstacles to the phasing out of fossil fuel subsidies at a national level, or restrictions as a result of international treaties or EU regulations, the Netherlands will investigate how these can be removed. The various policy considerations are first briefly explained below. All these passages are taken verbatim from the 2024 Budget Memorandum, with the exception of the seventh policy consideration which was added following an undertaking made to the Dutch House of Representatives.[19]

Policy consideration 1: Pricing of external effects
The pricing of the costs of climate damage can be an effective instrument for bringing about CO_2 reduction. It increases the price of the use of fossil fuels and emission of greenhouse gases. This delivers a financial incentive to reduce the consumption of fossil fuels (and indirectly to reduce CO_2 emissions). Moreover, CO_2 reduction at global level depends on the degree of carbon leakage (see next policy consideration). As well as impacting on the emission of greenhouse gases, a situation of incomplete pricing of external effects can have consequences for example for the quality of air, water and soil, which in turn will among others impact on public health and biodiversity. The complete pricing of external effects resulting from the use of fossil energy carriers - or the phasing out of fossil fuel subsidies - can therefore make a positive contribution among others to public health and biodiversity.

Policy consideration 2: Generating budgetary revenue
The phasing out of fossil fuel subsidies can result in additional budgetary revenue for the government. These additional funds can be used by government for other policy objectives such as support for low incomes or helping businesses and households to become more sustainable. One key reservation is that in calculating the budgetary figures in the following overviews, no account was taken of behaviour impact (sustainability and risk of carbon leakage). A successful environmental policy, for example, will result in erosion of the basis for environmental taxation. In particular with regard to a number of schemes for industry and shipping, the risk of carbon leakage is considerable and increasing the price will in practice lead to no or lower budgetary revenue.

Policy consideration 3: Prospects for action, carbon leakage effect and playing field
The effectiveness of pricing for the transition objectives and budgetary objectives depends heavily on the design and context. Firstly, it is important that businesses and citizens are offered sufficient prospects for action. Reducing tax exemptions will create the incentives for more sustainability. Also relevant is the extent to which that incentive is taken up: if no technical alternatives are (yet) available to businesses, the incentive will not encourage them to make production more sustainable, and will instead lead to nothing more than increased burdens on the businesses in question. Depending on the product and the market, this increased cost can or cannot be passed on in the price. As a general rule, higher costs for manufacturers can be passed on to customers to a more limited extent in a market in which there is more international competition and more price sensitivity among customers. If the costs are passed on in the price, when making their decision to purchase, consumers will take more account of the external costs relating to the manufacture of the product. The pricing of emissions in aviation, for example, is expected to bring about a fall in demand and a reduction in global CO_2 emissions. A second point for attention relates to the international playing field: the origin of many tax exemptions lies in the protection of the international playing field. If the Netherlands were to unilaterally phase out or scrap tax exemptions, the international playing field and as a consequence the international competitive position of businesses would be adversely affected.

In addition to the attention for a level playing field, another restricting factor is the carbon leakage risk. A more stringent pricing policy could result in the shifting of consumption or production to places where the policy rules are less strict, so that instead of falling, emissions are simply moved around. The intended objective (be it securing the transition, generating government revenue or ensuring implementation of 'the polluter pays' principle), will then only be achieved to a limited extent, if at all. Policy that results in carbon leakage merely shifts 'our' pollution problem, hinders the global transition and results in less commercial activity in the Netherlands. By introducing different variants and a combination of instruments, it is possible to deliver pricing incentives to manufacturers and consumers while at the same time limiting leakage risks. Pricing can for example be structured at different scale levels and positions in the chain. Policy on a European level is the most suitable option for limiting leakage risks. Another option, often used at national level, is to offer exemptions for part of the emission to producers within

18 National government (2024). Budget Memorandum 2024. Appendix 25: Fossil Subsidies.

19 Commission debate Fossil subsidies/schemes. Dutch House of Representatives, 5 December 2024.

sectors susceptible to carbon leakage (charging 'on the margins') so that these leakage risks are limited. This can then be combined with separate (national) pricing for finished products so that the full environmental costs are considered in the choices made by consumers. Generally speaking, consumers are less likely to opt for places with lower pricing.

The current pricing of production and consumption of electricity is a good example. The pricing of production susceptible to leakage is effective at a European level. The EU ETS offers a price incentive for the upscaling of CO_2-free electricity. The national energy tax provides supplementary price incentives for users to be more economical with energy and in that way limit the Dutch footprint.

Policy consideration 4: Fairness
In the framework of fair play, the 'polluter pays' principle is often first referred to. The market price for sustainable products is often higher because additional costs are incurred to minimise the external effects. As a consequence, these products struggle to compete on price with conventional, polluting products. By pricing the external effects, the polluter pays and the price difference compared with sustainable products is reduced, bringing about fair competition between more sustainable and polluting products. This offers sustainable businesses a better chance to develop their activities in the Netherlands and in that way establish a new and sustainable industry.

Also in the framework of fair play, reference is often made to the sharing of burdens between citizens and businesses. The schemes that offer specific benefits for the use of fossil energy to a large extent apply to (large) companies from the energy, mobility and industrial sectors. In their energy tax, the degressive rate structure and exemptions mean that businesses with high energy consumption for example pay relatively little energy tax per unit of natural gas or electricity, compared with small consumers. Phasing out this degressive rate structure in energy tax in today's practice would result in a fairer relative sharing of burdens between households and businesses. In addition, the phasing out of free allowances within the ETS will for example mean that over the coming years, industrial companies will make a greater financial contribution.

Within the group of small consumers, the relative impact of pricing varies considerably, depending on the income group. Generally speaking, pricing policy has a greater impact on the spending power of poorer households. The impact varies depending on the service or the product that is priced. Additional pricing on energy bills and on air tickets will, for example, affect different income groups in different ways. The eventual impact will depend on the way in which the pricing is determined, in combination with flanking policy aimed at tackling unwanted income effects.

Policy consideration 5: Legal obstacles
Certain schemes can only be tightened up following amendments to international treaties and directives to which the Netherlands has committed. Examples include the exemption from excise duty on heavy fuel oil in maritime shipping, the exemption from excise duty on the use of fuels in international aviation and the consumption of natural gas and mineral oils as fuel within a business that produces natural gas and mineral oils. These fuels are subject to the EU Energy Tax Directive (ETD). For the use of gas oil (diesel) in inland shipping, the exemption from excise duty is imposed on the basis of the Mannheim Convention and/or the Gas Oil Protocol. The VAT exemption on kerosene is compulsory under the VAT Directive.

Policy consideration 6: Feasibility
When making choices on the phasing out of fossil fuel subsidies, careful consideration must be given to feasibility. In particular this applies in situations in which a subsidy scheme can only be partially scrapped at national level, because other parts are subject to compulsory exemption in international treaties or guidelines. One example is the VAT exemption scheme for international passenger transport, in which in legal terms, VAT can only be levied on that part of flights undertaken by aircraft above Dutch territory, which in practice is almost impossible to monitor.

Policy consideration 7: Positive impact on business innovation
Wherever the phasing out of fossil fuel subsidies has a negative impact on Dutch businesses that are heavily dependent on fossil energy, there are clear opportunities for a better business case for businesses that are less dependent or are indeed independent of fossil fuels and raw materials. In addition to businesses that currently form part of the circular economy, this also relates to businesses which will become part of that circular economy in the future. Creating opportunities for business activities of this kind must be taken into account in policy decisions on fossil fuel subsidies in line with the undertaking made to the Dutch House of Representatives.

3.3 National efforts for the phasing out of fossil fuel subsidies

Chapter 2 describes the Dutch efforts for the phasing out of fossil fuel subsidies on an international and EU level. In this section we explain the steps being taken at national level to further phase out fossil fuel subsidies. This refers both to adjustments to tax and payment schemes which result in financial benefits for fossil consumption and new pricing methods or adjustments to individual pricing measures. Because of the caretaker status of the current Government, any further phasing out of fossil fuel subsidies beyond those already announced will be task of a future Government.

3.3.1 Charges

Energy tax on natural gas
In the Netherlands, over the past few years, energy tax rates for natural gas have been raised, and an ongoing increase has been

adopted between now and 2030[20]. For consumption up to 170,000 m^3 / year, rates will be raised from 25.2 (+ 1.6 cents ODE) eurocents per m^3 in 2017 to 65.5 eurocents per m^3 in 2030. Expressed in euros per tonne of CO_2 emission upon combustion, this amounts to around 369 euros per tonne CO_2 by 2030.

For consumption between 170,000 m^3 / year and 1 million m^3 / year, rates will be raised from 6.2 (+0.8 cents ODE) eurocents in 2017 to 40.3 eurocents in 2030. Expressed in euros per tonne of CO_2 emission upon combustion, this amounts to around 227 euros per tonne CO_2 by 2030. For consumption of between 1 million m^3 / year and 10 million m^3 / year, rates will be raised from 22.3 (+0.3 cents ODE) eurocents in 2017 to 26.7 eurocents in 2030. Expressed in euros per tonne of CO_2 emission upon combustion, this amounts to around 150 euros per tonne of CO_2 by 2030. For consumption above 10 million m^3 / year, rates will be raised from 1.2 (+0.1 cents ODE) eurocents in 2017 to 6.1 eurocents in 2030. Expressed in euros per tonne of CO_2 emission upon combustion, this amounts to around 34 euros per tonne of CO_2 by 2030.

CO2 tax for industry

In 2021, the Netherlands introduced a CO_2 tax for industry. The aim of this charge is to safeguard CO_2 reduction in industry which contributes to achieving the applicable industrial target from the Climate Agreement while at the same time keeping the Netherlands attractive for new and existing sustainable business activity. The charge taxes CO_2 emissions thereby making it less attractive to emit and more attractive to reduce. The charge is over and above the European emission trading system (EU ETS) and ties in closely with that system. The EU ETS results in a balanced CO_2 price in all European Member States for the sectors covered by the system. The CO_2 tax was designed as a charge with a diminishing exemption base. Part of the emission is exempted and only the emissions that have to be reduced as part of the industrial reduction target from the Climate Agreement and the subsequent reassessments will be taxed. The CO_2 tax is designed as a minimum price in respect of the EU ETS. The national charge is defined by the difference between the tax rate applicable in that year and the EU ETS price. If the EU ETS price is above the tax rate, the national charge is set at zero euros. In 2025, the charge is 87.90 euros per tonne of CO_2. It was announced in the 2026 Budget Memorandum that the CO_2 tax for industry will be permanently reduced to 78.67 euros per tonne of CO_2 in combination with the expansion of the exempted emission. In the near future, this means that this price will be above the current ETS price.

In the CO_2 tax for industry, there is also a minimum price for that part of the emission which is exempted under the regular CO_2 tax for industry. This minimum CO_2 price features a statutory multiannual price pathway of 19.80 euros per tonne of CO_2 in 2025 rising to 31.90 euros per tonne of CO_2 in 2030 and beyond.

The emissions from heat production by electricity and heat generation stations for greenhouse horticulture and the built environment are subject to the charge. As a consequence, in principle all emissions related to industrial and heat produced by industrial and energy companies subject to the EU ETS have been placed under the charge regime. Exceptions are made for emissions related to heat production for district heating, Subject to the condition that 75% of the produced measurable heat is used for that purpose. Industrial installations not covered by the EU ETS regime are also not covered by the tax, with the exception of waste incineration plants and emitters of substantial quantities of nitrous oxide (in as much as that emission is not already included in the EU ETS). The incineration of industrial residual gases in the electricity sector is also subject to the charge. Emissions related to electricity generation are not subject to the tax. A number of EU ETS emitters in the agriculture sector (market gardeners subject to the EU ETS) and the built environment (a number of hospitals, a university, Schiphol Airport and auction warehouses) are not included in the list of compulsory tax payers under this scheme.

CO2 tax for greenhouse horticulture

In order to achieve the ambition of a climate-neutral sector by 2040 and the residual emission target of 4.3 megatonnes CO_2 eq. by 2030, in the Covenant Energy Transition Greenhouse Horticulture, a series of agreements have been reached on the development of the necessary policy instruments. One of these instruments is a flat individual CO_2 tax rate introduced in 2025, the aim of which is to encourage operators in greenhouse horticulture to save energy and to improve the sustainability of their other heat, electricity and CO_2 needs.

The level of the CO_2 tax was set at an amount which ensures that the target of not more than 4.3 megatonnes of emissions by 2030 is achieved. For 2025, the rates are 9.61 euros per tonne of CO_2 and for 2026 11.27 euros per tonne of CO_2. The CO_2 tax system will be replaced in 2027 by an ETS2 opt-in for the greenhouse horticulture sector. With this move, from 1 January 2027 onwards, the Netherlands will scrap the individual CO_2 tax. To ensure that within the ETS2 regime, the greenhouse horticulture sector does not pay more than under the CO_2tax, the Government has proposed compensation for the sector for any additional costs as compared with the costs that would apply in the CO_2tax, as a means of sufficiently safeguarding the residual emission target.

CO2 minimum price for electricity production

Since 1 January 2020, there has been a minimum CO_2 price for electricity production in the Netherlands. The aim of this instrument is to provide a larger incentive to companies that produce electricity to take account of the consequences of CO_2 emission for the climate and the harmful consequences for people and the planet, in making their choices. A minimum CO_2price for electricity producers provides long-term security about the

20 This also includes the annual correction for inflation. The rates beyond 2027 are therefore not yet definitive.

minimum level of CO_2 costs they must pay, allowing them to take this into account in their investment decisions. The measure goes hand in hand with the EU ETS price, the price of a greenhouse gas emission allowance, determined in the framework of the EU ETS. The development of the EU ETS price is characterised by relatively major fluctuations in price development. With the introduction of a minimum price, if the EU ETS price is lower than the minimum CO_2 price, it is supplemented with a national tax. In that case, therefore, the minimum price consists of a combination of the EU ETS price and supplementary national CO_2 tax. The legally embedded multiannual price pathway runs from 19.80 euros per tonne of CO_2 in 2025 to 31.90 euros per tonne of CO_2 in 2030 and beyond.

Air passenger tax

The Netherlands levies an air passenger tax. The tax is levied on each passenger departing from an airport in the Netherlands. Transfer passengers are exempted from the air passenger tax. As of 1 January 2025, the air passenger tax amounted to 29.40 euros per departing passenger. The tax is invoiced to the airline by the tax payer (the airport). The airline can then pass on the tax to the passenger. As from 1 January 2027, the Dutch Government wants to amend the air passenger tax so that the rate is made dependent on the passenger's final destination. The longer the flight the higher the tax. The plans are included in the Bill on differential air passenger tax, part of the Tax Plan Package 2026. The three proposed tax rate categories per passenger are 29.40 euros for final destinations in the EU or not further than approx. 2,000 km, 47.24 euros for mid-range flight distances (2,000 km - 5,500 km) and 70.86 euros for long-distance flights (> 5,500 km). The Bill will be discussed by the House of Representatives and the Senate at the end of 2025.

Green gas blending obligation

Green gas is a vital building block in a sustainable and robust energy, raw material and agricultural system. Green gas is a gas mixture produced by the fermentation or gasification of bio-based raw material which has the same chemical composition as natural gas. The Netherlands is focusing on introducing the blending obligation of green gas on energy suppliers who supply gas to user groups subject to the ETS2 system. According to the blending obligation, an increasing volume of green gas will be supplied to end users, rising to an eventual target expressed as 2.85 megatonnes of CO_2 of chain emission reduction in 2031. The assessment is that this can be achieved by supplying around 840 million m^3 of green gas in 2031. The blending obligation is currently being elaborated and is planned to come into effect on 1 January 2027. The blending obligation is not a tax or charge, but because green gas is currently more expensive than fossil gas, the blending mandate will go hand in hand with increased costs for gas in the user groups subject to ETS2.

3.3.2 Subsidy schemes that offer a specific benefit to the use of fossil energy carriers

Table 1 provides an overview of subsidy schemes that offer a specific benefit for the use of fossil energy carriers as listed in the fossil advantages appendix to the Budget Memorandum for 2026. In this Budget Memorandum appendix, in addition to fossil fuel subsidies, fossil resource subsidies are listed which for the sake of completeness are therefore also included in this section. It should be noted that COFFIS is focused entirely on fossil fuel subsidies and that there are not sufficient alternatives for the use of fossil resources, such that there are no plans for phasing out fossil resource subsidies.

We show three tables below which contain the following categories of fossil advantages: (1) advantages that will be phased out or reduced, (2) advantages which are laid down internationally and (3) advantages for which at present there is no phase out pathway. In the sections below these tables, an explanation is provided for each subsidy scheme making use of the policy considerations referred to in the previous section. Precise impact analyses will have to be conducted to be able to carefully balance the advantages and disadvantages of national pricing. Over the past few years, the impact of the national phasing out of these schemes has been investigated for the majority of existing subsidy schemes. Wherever relevant, this is referred to in the table.

With regard to environmental charges in this list, the budgetary interest accompanying the reduced rates or exemptions is calculated in relation to the regular or highest applicable rate in the environmental charge. This is characteristic for this 'inventory method', but it can result in a distorted picture because if the highest rate is raised, the budgetary interest of the reduced rate or the exemption also rises. It must also be noted that this budgetary interest for each scheme in the event of exemptions or reduced rates of charges takes no account of other charges or pricing instruments that may apply to the same group of users and/or emitters rather than exemption or a reduced rate.

Table 1. Schemes which offer a specific advantage for the use of fossil energy carriers that are due to be phased out or reduced

	Type of subsidy scheme	Budgetary scale per year (2025) in millions of euros	Other relevant pricing policy	Current status
1.	Reduced energy tax rate for greenhouse horticulture	114	CO_2 tax for greenhouse horticulture (from 2025) and ETS2 from 2027.	This scheme will be scrapped with a multiannual phase out pathway from 2025 to 2035.
2.	Input exemption natural gas electricity generation	876	Differs per tax payer: partly ETS1 and partly ETS2 (from 2027)	This scheme will be restricted with a multiannual phase out pathway from 2025 to 2030.
3.	Exemptions in coal tax for dual and non-energy use	79	Scope 1 emissions are subject to ETS1 and CO_2 tax for industry.	This scheme will be scrapped from 2027.
4.	Exemption for use of coal for electricity generation	37	ETS1 and CO_2 minimum price Also interferes with legal ban on use of coal in electricity production by 2030.	This scheme will effectively be phased out by 2030 when the legal ban on the use of coal for electricity production is introduced.
5.	Schemes for different target groups in motor vehicle tax (BPM/MRB)	PRIVATE MOTOR VEHICLE AND MOTORCYCLE TAX: 15 MOTOR VEHICLE TAX: 619	Excise duties, diesel surcharges motor vehicle tax and ETS2 (from 2027)	For part of the schemes, phase out and austerity measures have been introduced.
6.	Subsidy scheme for indirect cost compensation ETS (ICC)	167.4	ETS1.	For this subsidy scheme, budget has been reserved in 2025 through to 2028. No further budget is reserved from 2028 onwards.
7.	Degressive rate structure for energy tax natural gas & electricity	Natural gas: 2,919 Electricity: 2,529	ETS1, CO_2 tax for industry, ETS2 (from 2027).	Through the relative raising of rates in the middle brackets for gas and electricity, the degressive rate reduction is restricted.
8.	Allowances issued free of charge in the framework of EU-ETS (EU policy).	2,858	ETS1, energy tax, CO_2 tax	This subsidy is fixed in European treaties but will be gradually phased out on the basis of various categories in 2030, 2034 and 2040.
9.	Exemption use of diesel (in particular inland shipping and equipment on ships/barges)	1,260	ETS2 (from 2027).	Joint phasing out from 2030 is being considered. The subsidy is partly laid down in international treaties (Mannheim Convention).

Table 2. Schemes that offer a specific advantage for the use of fossil energy carriers that are laid down internationally and cannot be amended exclusively by Dutch legislation

	Type of subsidy scheme	Budgetary scale per year (2025) in millions of euros	Other relevant pricing policy	Current status
10.	Refinery exemption	296	Scope 1 emissions are subject to ETS1 and CO_2 tax for industry.	The scheme is mainly laid down in European treaties (ETD).
11.	Exemption (Section 51) and zero rate (Section 59) for energy products generated at own facility and reused at that facility	88	Scope 1 emissions are subject to ETS1 and CO_2 tax.	The scheme is laid down in European treaties (ETD).
12.	Refund scheme energy tax for use of natural gas as a fuel for vessels on community waters (including fishing, excluding private recreational craft)	0	ETS2 (from 2027).	The scheme is laid down in European treaties (ETD).
13.	Exemption for the use of kerosene in international aviation	2,845	Air passenger tax, ETS1 and CORSIA (international aviation)	The scheme is laid down in European treaties (ETD, Customs Code of the Union, Chicago Convention, EU-US Open Skies aviation agreement)
14.	Exemption use of fuel oil (in particular maritime shipping)	5,952	ETS1. IMO Net-Zero Framework.	This scheme is laid down in European treaties (ETD, Mannheim Convention).
15.	VAT exemption kerosene	9	Air passenger tax	The scheme is laid down in European treaties (EU VAT Directive).
16.	Exemption for non-energy use of LPG in steam crackers (part of the general exemption under Section 65 of the Excise Duty Act)	585	Scope 1 emissions are subject to ETS1 and CO_2 tax for industry.	This scheme is laid down in European treaties (Section 2(4)(b) of Directive 2003/96/EC).
17.	VAT exemption international passenger transport (ships and aircraft)	114	Aviation: national air passenger tax and ETS1. Shipping: ETS1 (from 2024 onwards). IMO Net-Zero Framework.	The subsidy is partially laid down in international or European treaties (EU VAT Directive).

Table 3. Schemes that offer a specific advantage for the use of fossil energy carriers for which there is no current phase out pathway.

	Type of subsidy scheme	Budgetary scale per year (2025) in millions of euros	Other relevant pricing policy	Current status
18.	Exemption for non-energic use of natural gas	144	Scope 1 emissions and part of the scope 3 emissions are subject to ETS1 and the CO_2 tax for industry. Other natural gas consumption is not priced.	No plans for phase out. Impact analysis 2023[21] indicates that phasing out this exemption is not expected to make an effective contribution to emission reduction.
19.	Exemption energy tax for metallurgical and mineralogical processes	163	ETS1, CO_2tax for industry and CO_2minimum price.	No plans for phase out. Impact analysis 2024 suggests that phasing out this exemption in combination with a number of other measures[22] will lead to a wide variety of effects per subsector in terms of the extent to which costs can be passed on, company profits are adversely affected and downscaling of production in the Netherlands can be expected.
20.	Exemption from energy tax for electricity used for chemical reduction and electrolytic processes	10	ETS1 and CO_2 minimum price.	No plans for phase out. Impact analysis 2024 suggests that phasing out this exemption in combination with a number of other measures[23] will lead to a wide variety of effects per subsector in terms of the extent to which costs can be passed on, company profits are adversely affected and downscaling of production in the Netherlands can be expected.
21.	Energy tax rebate (fixed amount per electricity connection)	4,797	ETS2 (from 2027).	No plans for phase out. Is seen as burden compensation. The marginal rate provides an incentive to save while the tax reduction prevents the total energy tax per consumer rising too high.[24]
22.	Energy tax refund scheme for institutions	30	ETS2 (from 2027).	No plans for phase out. Impact analysis (2023)[25] shows that there is much variation in the impact on the possibilities of continuing core activities and prospects for action on the part of institutions.
23.	Lower excise duty rate for diesel and LPG than for petrol	1,657+ 271	Diesel surcharges, motor vehicle tax (BPM/MRB) and ETS2 (from 2027)	No plans for phase out.

21 Hanemaaijer, N., J. Kerkhoven (2023). Impact analysis tax measures basic industry, Kalavasta.

22 The other measures are: the adopted multiannual increase in rates in Energy tax on natural gas, the scrapping of the exemption in coal tax for dual use, the scrapping of the exemption in energy tax for chemical reduction and electrolytic processes and the CO_2 tax according to the price pathway laid down in 2024 through to 2030.

23 The other measures are: The adopted multiannual increase in rates in Energy tax on natural gas, the scrapping of the exemption in coal tax for dual use, the scrapping of the exemption in energy tax for metallurgical and mineralogical processes and the CO_2 tax according to the price pathway laid down in 2024 through to 2030.

24 Ministry of Finance (2024) Towards a futureproof energy burden.

25 Gelder, E. de, ea (2023). Impact of scrapping the refund scheme for non-profit institutions, CE Delft.

	Type of subsidy scheme	Budgetary scale per year (2025) in millions of euros	Other relevant pricing policy	Current status
24.	Investment deduction for the exploration and production of natural gas from small fields in the North Sea (mining levy)	Not known	N/A	No plans for phase out. Official analysis (2024)[26] shows that scrapping the scheme will probably result in more greenhouse gas emission, less government revenue and more energy dependency.
25.	Emergency Energy Fund	56.3	Energy tax, ETS1.	For 2025, funds have been reserved. No decision has yet been taken on continuation beyond 2025.
26.	Reduced rate of motor vehicle tax for business delivery vans	1,251	Fuel duties, ETS2 (from 2027)	No plans for phase out.

1. Reduced energy tax rate for greenhouse horticulture

Explanatory notes

Greenhouse horticulture businesses can claim reduced rates for the use of natural gas up to 1 million m^3, if the natural gas is used for heating to promote the growth process of horticultural products. The reduced rates ensure that greenhouse horticulture businesses that are often relatively small pay similar energy tax rates as large energy-intensive companies.[27] The plan is between now and 2030 to broadly maintain the reduced rate in connection with the costs resulting from the green gas blending obligation for the sector. Beyond 2030, the reduced rate will be phased out through to 2035. With the phase out of reduced rates, the energy transition in greenhouse horticulture will be encouraged. This measure will make more sustainable techniques attractive. For heat demand in greenhouses, this refers in particular to connection to a heat network (supplied on the basis of residual heat or geothermal heat), the application of aquathermal systems, heat pump and e-boiler. The gradual phase out will ensure that businesses in the greenhouse horticulture sector are given the time they need to make changes to their business operations.

Pricing policy

In addition to the phasing out of the reduced energy tax rate, natural gas consumption in the greenhouse horticulture sector will be priced via ETS-2 from 2027 onwards. This will replace the national greenhouse horticulture CO_2 charging system as from 2027. The sector will be compensated for the ETS2 costs up to the amount of the new rate for the CO_2 charge necessary for achieving the 2030 residual emission target for the sector (4.3 megatonnes) with sufficient certainty.[28]

2. Input exemption natural gas electricity generation

Explanatory notes

Energy tax in the Netherlands included an exemption for the use of natural gas and electricity used for the generation of electricity (hereinafter: input exemption). This input exemption applied to installations with a power output greater than 60 kW. The input exemption ensures that the energy input of installations producing electricity is exempted from energy tax. The objective is to prevent double taxation in the electricity chain. The underlying principle is that electricity supplied to the public grid is taxed once at the moment of delivery to the end user. In practice, the input exemption does not only exempt the energy input for electricity supplied to the public grid. Firstly in natural gas-fired cogeneration installations, (usable) heat is generated alongside electricity. With the input exemption, the energy input used for this heat is also exempted. In addition, not all electricity generated is placed on the public grid. This electricity is then deployed for own use. This own use was not subsequently taxed in the chain and the energy input required for the generation of this electricity was exempted via the input exemption. The broad input exemption thereby offered a fiscal advantage to gas fired cogeneration installations. In the past, this benefit was considered justified because gas-fired cogeneration installations produce heat and electricity relatively efficiently. Compared with other forms of production of heat and electricity, the use of cogeneration installations on balance reduced CO_2 emissions. Today, natural gas-fired cogeneration installations are also in competition with more sustainable alternatives. These sustainable techniques are fiscally disadvantaged compared with cogeneration installations. For the electricity used for electric ovens and heat pumps for example, energy tax must be paid.

26 National government (2024). Taxes in a social perspective: Building blocks for a better and simpler tax system.

27 Parliamentary Papers II 2024/2025, 33043, no. 114

28 National government (2025). Explanatory notes to the decision and overview of climate and energy measures.

In order to encourage the transition to a fossil-free economy, it has been decided that we will work towards the taxing of (gas input for) heat and electricity for own use. This will include a gradual restriction according to which from 1 January 2030 onwards, the use of natural gas-fired cogeneration installations will be treated in the same way in terms of energy tax as more sustainable techniques. This measure will thereby contribute to further CO_2 reduction.

The input exemption will be gradually restricted between 2025 and 2030. In particular, this offers more prospects for action for the greenhouse horticulture sector to become more sustainable. In addition, producers for the public electricity grid will gradually be encouraged to switch to CO_2-neutral production. In 2025, an exemption will apply of 0.31658 Nm3 of natural gas per generated kWh of electricity. This is expected to generate an additional 100 million euros of additional government income in 2025, as agreed in the government coalition agreement. In the years beyond 2025, the input exemption will be phased out year by year, in a straight line approach so that from 2030 onwards, an exemption of 0.18957 Nm3 natural gas per generated kWh of electricity will apply.

3. Exemption in coal tax for dual and non-energy use

Explanatory notes

Dual and non-energy use of coal are exempted from coal tax. The EU Energy Taxation Directive provides for this possibility. The vast majority of exempted coal use relates to the coke, iron and steel industry. Exemptions also apply to foreign competitors. Emissions from these sectors are priced at the European level under the EU ETS. The exemptions in coal tax for dual use and non-energy use of coal will be scrapped as from 1 January 2027 onwards. The aim of ending the exemptions is twofold: 1) to introduce an additional encouragement for the majority phasing out of coal use in the Netherlands; and 2) to generate budgetary revenue.

Pricing policy

The scope-1 emissions are subject to ETS1 and the CO_2 tax for industry.

4. Exemption for use of coal for electricity generation

Explanatory notes

The use of coal for electricity generation is exempted from coal tax. The idea behind these exemptions is to prevent tax being levied both on the coal and the electricity generated by that coal and supplied via the grid. The prevention of double taxation follows from the EU Directive on energy tax but the exemption is not compulsory according to that Directive. Phase-out of coal use for electricity generation as of 2030 is guaranteed by the Prohibition of Coal in Electricity Production Act.

Pricing policy

The scope-1 emissions are subject to ETS1.

5. Schemes for different target groups in motor vehicle tax (BPM/MRB)

Explanatory notes

Tax on passenger cars and motor vehicles (BPM) is a one-off tax levied upon the registration of a motor vehicle in the vehicle registration system[29]. The rate depends on the CO_2 emission, the type of vehicle and the weight, such that the tax contributes to promoting cleaner vehicles and sustainable mobility. Motor vehicle tax (MRB) is a periodic holders tax, the rate of which depends on the fuel type, weight and province, and which encourages the efficient environmentally aware use of vehicles. A number of special schemes apply (refund schemes, quarter rates, etc.) for both the BPM and MRB for specific vehicles. These schemes are not specific to fossil fuelled vehicles. These schemes do however mean that no or a lower rate of car tax is payable for those vehicles, so that the use of fossil fuels is indirectly subject to a lower tax rate. In the Tax Plan 2023 and 2024 it was laid down in law that a number of special schemes will be tightened up or scrapped:

- Scrapping of the exemption from BPM for business delivery vans
- The quarter rate for motor vehicle tax (MRB) for camper vans will be cut back to a half-rate from 2026 onwards.
- The quarter rate in MRB for horse transporters will expire from 2026 onwards.
- The MRB exemption for classic cars will be cut back from 2028 onwards to an exemption for cars with a year of construction up to 1988.
- The BPM refund for money transport will be scrapped from 2026 onwards.
- The zero rate in motor vehicle tax (MRB) for public transport buses that run on liquified petroleum gas (LPG) or natural gas will be scrapped from 2030 onwards.
- Via the Tax Plan 2026 and Other Tax Measures 2026 it is further proposed:
  - The quarter rate for fairground and circus vehicles and for motor vehicles equipped as machines or workshops will be ended from 1 January 2028;
  - The refund for the commercial vehicle fleet will be ended when the truck toll comes into effect (planned for 1 July 2026).

Pricing policy

Road traffic will also be priced through fuel duties. From 2027 onwards, the sector will also be subject to ETS2. The pricing level in road traffic is generally higher than the costs of climate damage.

6. Subsidy scheme for indirect cost compensation ETS (ICC)

Explanatory notes

29 In the event of a non-registered passenger car, motorcycle or delivery van which is actually available to a natural person residing or body established in the Netherlands, tax is payable from the moment of the start of use of that motor vehicle on the road.

The European system of emission trading requires European electricity producers to purchase emission allowances for their CO_2 emissions. These producers then pass on these costs to the wholesale prices for electricity. This increases electricity costs for businesses within the EU, among others. This means that if not compensated for in the Carbon Border Adjustment Mechanism (CBAM), they may experience a competitive disadvantage as compared with businesses from countries outside the EU. This causes a risk of relocation of electricity-intensive production from within the EU to outside the EU, plus associated carbon leakage. The ETS Indirect Cost Compensation scheme (ICC-ETS) reduces this risk by compensating for the indirect ETS costs incurred by these businesses for their production. The scheme is available to businesses from specific business sectors identified by the EC and in 2025 was extended by three years in the Netherlands. Budget has been made available through to 2028. For businesses that make use of the ICC-ETS scheme, a condition is imposed that they must invest 50% of the subsidy received in CO_2-reducing measures. The specific budget is based on a forecast by the Dutch Emission Authority on production figures of ICC companies from previous years and the estimated EU ETS price for 2026. No budget has been set aside after 2028.

Pricing policy
The electricity chain is subject to energy tax for the consumption of electricity.

7. Degressive rate structure for energy tax on natural gas and electricity

Explanatory notes
A degressive rate structure is applied to energy tax. This means that the rate falls as consumption rises. The degressive structure is operated in view of a level playing field for larger consumers of gas and electricity as compared with their foreign competitors. Due to the relatively high energy tax rates on the first part of consumption, the energy tax provides an energy-saving incentive for that part of the energy consumption. A user-independent tax reduction (see scheme 21) at the same time reduces the energy bill in particular for households. Section 3.3.1 explains that energy tax on natural gas has been and will be raised. Since this relates to an increase in the first brackets and in the middle and higher brackets, the degressive character will continue to exist albeit in a slightly different form.

Pricing policy
The emission from electricity production and consumption of fossil gas is priced via ETS1 and the CO_2 tax for industry. ETS2 will also apply from 2027 onwards.

8. Allowances issued free of charge in the framework of EU ETS (EU policy)

Explanatory notes
Within the ETS, businesses that directly emit CO_2 must be in possession of emission allowances. If more emission allowances are needed than the company has available, the company is required to purchase these certificates or to take CO_2-reduction measures. To prevent companies competing on the world market from relocating their production to outside Europe (which could cause carbon leakage), certain industrial sectors are allocated free emission allowances, based on the emissions of the 10% of companies with the lowest CO_2 emissions per product.

These free allowances are subject to a phase out pathway. There are three categories of sectors that receive free allowances. For sectors in which no significant risk of carbon leakage has been identified, the number of free emission allowances will be reduced to zero in 2030 (and in 2026 for aviation). For sectors where there is a significant risk of carbon leakage but for which the recently established Carbon Border Adjustment Mechanism (CBAM) offers alternative protection against carbon leakage, the number of free emission allowances will be reduced to zero by 2034. For the remaining sectors (significant risk of carbon leakage and no protection via CBAM), a decreasing number of free emission allowances will continue to be issued through to 2040. From 2040, the ETS ceiling will be zero and no new ETS allowances will be granted (neither free nor auctioned).

Pricing policy
Parties that receive free allowances in the EU ETS do enjoy the price incentives of ETS1; because free allowances are issued on the basis of a benchmark and allowances must be handed in on the basis of the actual emission. In addition, energy tax and national CO_2 tax apply.

9. Exemption for use of diesel (in particular inland shipping and equipment on ships/barges)

Explanatory notes
Fuel use for commercial shipping on inland waterways is exempted from excise duty under the Excise Duty Act. This is a choice that Member States are permitted to make on the basis of the ETD. On the basis of this same Directive, recreational craft must still be taxed. The exempted fuel is coloured and is also known as red diesel. The *Mannheim Convention* of 1868 contains a prohibition on levying duties based exclusively on the performance of shipping operations. The 1952 Gas Oil Protocol contains a specific ruling for exemption from customs duty and tax on gas oil that is used as on-board supply, as a means of bridging the differences of opinion about the regime that follows from the Convention itself. The 1952 Gas Oil Protocol contains a termination clause, meaning that the Netherlands itself can decide to terminate this part and levy excise duty on fuel for inland shipping. However, if a decision were made to do so, it would apply to both fossil fuels and renewable fuels.

This would make the Netherlands the first Member State of the Mannheim Convention to levy excise duties on fuel for inland shipping. In the Central Commission for Navigation of the Rhine (CCNR), the Netherlands has already proposed working towards jointly lifting the levy ban towards 2030. In this context, the members reached a political-administrative agreement that if this objective is pursued, all participants must agree unanimously in case of a termination of the Gas Oil Protocol.

Pricing policy
The use of fossil fuels will be priced under ETS2 from 2027 onwards

10. Refinery exemption

Explanatory notes
Excise duty is payable when the excise goods are released for consumption. This is in principle the case when the goods leave the bonded warehouse. In a bonded warehouse, excise goods can be produced or processed with the excise duty suspended. For example, the supply of petrol to a petrol station is considered release for consumption and the supplier is required to pay excise duty. Excise duty is only payable on mineral oils used as engine fuel or heating fuel (the energy use of excise goods, for example the use of petrol in cars). Non-energetic use of mineral oils, for example use as a raw material, is not subject to excise duty. Crude oil is not used as engine fuel or heating fuel but is first processed at a refinery into usable products. As such, crude oil is beyond the scope of the excise duty.

If mineral oils are used as a fuel for the production/processing of mineral oils, the Excise Duty Act lays down an exemption (Section 2(9)). This includes mineral oils used in refineries for heating the necessary installations. The exemption under Section 2(9) breaks down into two parts: 1. Mineral oils purchased externally and subsequently directly used for the production of energy in the refinery process, for example for underfiring. This part of the exemption is optional under the ETD and can therefore be independently scrapped by the Netherlands. The budgetary revenue is expected to be zero, because refineries virtually never purchase mineral oils externally which are then used directly for energy production. The mineral oils produced within the refinery that instead of being supplied to an external party are used for the production of energy in the refinery. This part is compulsorily exempt under the EU Energy Taxation Directive (ETD) and therefore cannot be independently scrapped by the Netherlands.

Pricing policy
The scope 1 emissions are subject to ETS1 and the national CO_2 tax.

11. Exemption (Section 51) and zero rate (Section 59) for energy products generated at the own facility and reused at that facility

Explanatory notes
Refineries are subject to an exception for the energy products produced at the production site itself (Section 51 of the Environmental Taxes Act). In addition to this specific exemption, more generally (i.e. not only for refineries) a zero rate applies for residual gases generated and used at the own facility (Section 59 of the Environmental Taxes Act). These could be, for example, residual gases from a production process that are used for underfiring. In effect, this provides an automatic exemption for this use. These compulsory exemptions are subject to the EU Energy Taxation Directive and can therefore not be independently ended by the Netherlands.

Pricing policy
The scope 1 emissions are subject to ETS1 and the national CO_2 tax.

12. Energy tax refund scheme for use of natural gas as a fuel for vessels on community waters (including fishery, excluding private recreational craft)

Explanatory notes
In accordance with the EU Energy Taxation Directive, operators of commercial vessels that use natural gas as a fuel for sailing on community waters are eligible for an energy tax refund. This refund applies to natural gas used as fuel for vessels, including fishing vessels, and does not apply to private recreational craft.

Pricing policy
Maritime shipping is subject to ETS1. Inland shipping is subject to the opt-in ETS2.

13. Exemption for the use of kerosene in international aviation

Explanatory notes
Kerosene supplied for use as fuel in commercial aviation is compulsorily exempted from excise duty under the ETD. Recreational aviation is an exception and is not exempted under this Directive. Member States are free to tax kerosene used for domestic commercial flights. Excise duty on aviation fuels for flights between Member States within the EU is also possible under the ETD, if the EU Member States in question enter into bilateral agreements on this issue. When the air passenger tax was introduced, the Government indicated that at the time it was not in favour of a patchwork of bilateral agreements within the EU. Such an approach would detract from the concept of a single internal market, create uncertainty about the rules applicable between Member States and could disrupt the level playing field for airlines. For that reason, at the time, the Netherlands opted to introduce an air passenger tax. If the compulsory exemption from the ETD is scrapped, this will have no effect on international aviation because the use of kerosene for flights to destinations outside the EU will be a case of re-export or export under the Union Customs Code. Re-export or export are not taxable events, so that the kerosene can still not be taxed. After all, this concerns the use of kerosene outside the EU. The same applies to private recreational flying. Here too, for flights leaving the EU this is a case of re-export or export.

In addition to the ETD, there are aviation treaties that, for example, prevent the taxation of kerosene. The Chicago Convention on International Civil Aviation for example, specifies that – among other things – kerosene found on board an aircraft from a Convention Signatory State upon arrival in the territory of another Convention Signatory State and which is still on board upon departure from the territory of that State is exempt from customs duty, inspection costs or similar national or local duties and costs (such as excise duty). This same exemption is generally also laid down in aviation agreements in which landing rights are agreed with third countries. For example this applies under the Aviation agreement between the EU and its Member States and

the US (the EU-US Open Skies Agreement), for both extra-EU and intra-EU flights. It is however laid down in bilateral and EU aviation agreements that the levying of excise duty on flights within European territory must be possible in the future.

Pricing policy
Kerosene use is priced via ETS1, in respect of domestic and international flights between European airports. In addition, in the Netherlands, from 2027 onwards, an air passenger tax will be introduced differentiated according to distance.

14. Exemption use of fuel oil (in particular maritime shipping)

Explanatory notes
Fuel supplied for use in commercial shipping on community waters is compulsorily exempted from excise duty under the ETD. This does not apply to recreational craft; the use of fuel by these craft is not exempted under this Directive. If the compulsory exemption from the ETD is scrapped, this will be without prejudice to the fact that the use of fuel for journeys outside the EU via the open sea will represent re-export or export on the basis of the Union Customs Code. Re-export or export are not chargeable events, so that this fuel can also not be taxed. After all, this concerns the use of fuel outside the EU. The same applies to recreational craft. Here too, the consumption is considered re-export or export when relating to journeys leaving the EU. The Netherlands is not able to unilaterally phase out this exemption.

Pricing policy
The emissions from maritime shipping on journeys from and to EU ports are priced under ETS1. From 2028 onwards, a proportion of the emissions from maritime shipping will be priced in the IMO Net-Zero Framework.

15. VAT exemption kerosene

Explanatory notes
The supply of kerosene for aircraft mainly deployed for international passenger transport is taxed at the VAT zero rate (Table II, item a-3, part e to the Turnover Tax Act 1968). This is a compulsory VAT zero rate in the European VAT Directive. This zero rate is compulsory under the VAT Directive (Section 148(e) of the VAT Directive). It is therefore not possible to levy VAT on the supply of kerosene for these aircraft. Even if the levying of VAT on kerosene were possible, this would not lead to more expensive air tickets. Just like every other entrepreneur, airlines are entitled to deduct the VAT charged. Any VAT that could be charged on the purchase of kerosene could therefore also be deducted. This does not apply to exempt sectors such as the public sector. VAT on kerosene used by, for example, defence, the police or healthcare cannot be deducted by these parties, because they do not supply VAT-taxed services.

Pricing policy
Here the same applies as for the exemption on the use of kerosene in international aviation: although kerosene is not priced by national VAT charges, it is subject to ETS1. There is also ticket tax in international and commercial air traffic.

16. Exemption for non-energy use of LPG in steam crackers

Explanatory notes
Section 65 of the Excise Duty Act exempts the consumption of excise goods used as raw materials to produce non-excise goods. In part, this concerns the non-energy use of LPG in steam crackers. This exemption cannot be unilaterally adjusted since it is a compulsory exemption.

Pricing policy
The scope 1 emissions are subject to ETS1 and the national CO_2 tax for industry.

17. VAT exemption for international passenger transport (ships and aircraft)

Explanatory notes
The transport of passengers is taxable where the transport actually takes place (Section 6c(1) of the Turnover Tax Act 1968 and Section 48 of the VAT Directive). For the transport of passengers by aircraft and by seagoing vessel, for the VAT rate, a distinction must be made between domestic and foreign flights/boat journeys. Domestic flights/boat journeys are taxed at the general VAT rate. Flights/boat journeys to or from a foreign country are taxed at the VAT zero rate (Table II, item b-3 under the Turnover Tax Act 1968). This VAT zero rate means that entrepreneurs are not required to charge VAT for their services but are entitled to reduction of pre-tax. Because of difficulties in implementation, Member States use the VAT zero rate for flights to or from foreign countries. However, the application of the VAT zero rate is not compulsory under the VAT Directive. In theory, it is therefore conceivable that the Netherlands could waive the application of this VAT zero rate. However, this would mean that for all flights from and to the Netherlands it must be determined which part of the flight is flown above Dutch territory, because only that part is taxable with Dutch VAT. This is almost practically impossible. Moreover, the part of the international journey that takes place on or above Dutch territory is often limited, which has consequences for the balancing of levying versus implementation. VAT on aviation has been a subject of discussion in the European context for decades, but to date without any change being made to the approach.

Pricing policy
Here the same applies as for the VAT exemption on kerosene; although international passenger transport is not priced by national VAT charges, aviation and shipping are subject to ETS1. Within the European Economic Area (EEA), flights have been subject to ETS1 since 2012. Since 2024, this was further extended: also flights from and to destinations outside the EEA will come under the ETS regime in phases (although there is still a partial exemption for certain routes because of CORSIA, the global aviation compensation system). Since 1 January 2024, maritime shipping has also been subject to ETS1. This applies for large

seagoing vessels (>5,000 GT) which: sail within the EEA (100% emissions are taxed) and between the EEA and destinations outside the EEA (50% of emissions taxed). The introduction is in stages: shipping companies must surrender allowances for 40% of their emissions in 2024, 70% in 2025, and 100% in 2026. From 2028 onwards, a proportion of the emissions from maritime shipping will be priced in the IMO Net-Zero Framework.

18. Exemption for non-energy use of natural gas

Explanatory notes

Energy tax operates an exemption for the non-energy use of natural gas (in which hydrogen is also identified as a product consumed as natural gas). This for example occurs in the production of artificial fertiliser, whereby the use of hydrogen molecules which end up in the artificial fertiliser are considered non-energy. This exemption is not compulsory under the EU Energy Taxation Directive, and may therefore be abolished by the Netherlands at the national level. Kalavasta investigated the consequences of scrapping the exemption on the non-energy consumption of natural gas.[30] The analysis suggests that the scrapping of this exemption is not expected to make an effective contribution to emission reduction.

Pricing policy

Scope 1 emissions and part of scope 3 emissions are subject to ETS1 and the CO_2 tax for industry.

19. Exemptions from energy tax for metallurgical and mineralogical processes

Explanatory notes

Natural gas for mineralogical and metallurgical processes and electricity for metallurgical processes are subject to exemptions from energy tax. This relates for example to the heating of ovens for ceramic processes or the melting of steel. This use is beyond the scope of the EU Energy Taxation Directive, so that it is at the discretion of European Member States to determine their own fiscal treatment. The majority of European Member States opt to exempt this use. The Government commissioned an investigation into the effects of phasing out of this scheme.[31] The analysis suggests that phasing out this exemption in combination with a number of other measures will lead to a wide variety of effects per subsector in terms of the extent to which costs can be passed on, company profits are affected and the downscaling of production in the Netherlands can be expected.

Pricing policy

ETS1, CO_2 tax for industry and CO_2 minimum price.

20. Exemption from energy tax for electricity used for chemical reduction and electrolytic processes

Explanatory notes

For electricity used for chemical reduction and electrolytic processes, there is an exemption from energy tax. This use is beyond the scope of the EU Energy Taxation Directive, so that it is at the discretion of European Member States to determine their own fiscal treatment. The majority of European Member States opt to exempt this use. An impact analysis conducted into this measure reveals that the phasing out of this exemption would result in an increased burden for the sectors of in total 231 million in 2030.32 The above mentioned impact analysis also suggests that adjusting this scheme will have a minimal impact on sustainability.

Pricing policy

The fuels are priced under ETS1 and the CO_2 minimum price.

21. Energy tax rebate

Explanatory notes

Energy tax operates a tax rebate for each electricity connection on a property under the Valuation of Immovable Property Act (WOZ) with an accommodation function. All households and the vast majority of all businesses with an electricity connection receive this tax rebate. At present, the energy mix in the Netherlands is still mainly of fossil origin. As the energy mix becomes less based on fossil energy carriers, the size of the fossil advantage within the tax reduction will fall. Since it is not possible to precisely trace the proportion of energy used that is of fossil origin for parties that have qualified for the tax reduction, the budgetary interest of the entire tax reduction has been included in the table. In practice, only a proportion of this amount relates to fossil energy.

Pricing policy

Electricity and gas use are subject to energy tax. In addition, from 2027 onwards, fossil fuel will be priced via ETS2.

22. Energy tax refund scheme for institutions

Explanatory notes

The energy tax refund scheme for the natural gas and electricity use of religious and non-profit institutions applies to use in a real estate property intended for public worship or reflection meetings of an ideological nature or used by an organisation focused on the public good. Exceptions are institutions primarily active in the field of sport, healthcare or education. In other words, it primarily concerns buildings of a religious nature and non-profit institutions. These are entitled to a refund of half of the energy tax paid by them.

30 Kalavasta (2023). Impact analysis tax measures basic industry.

31 CE Delft (2024). Impact investigation of the stacking of measures for metallurgical and mineralogical industries.

32 Trinomics (2023). Impact investigation exemptions from energy tax Final Report.

With regard to these fossil fuel subsidies, studies have been conducted into the effects of phasing out.[33] This initial investigation reveals that the impact could be considerable depending on the user. There are major discrepancies between the users of the scheme. For a number of groups of users (including cultural institutions: museums, cultural centres, theatres, village and community halls, churches and scouting associations). It became clear that for all users, the energy crisis and COVID-19 crisis have had an impact on building operations and that in many cases this has led to a reduction of the organisation's assets. In addition, the financial resilience of these organisations is generally low and energy costs are a relatively large cost item. From a social viewpoint, it is therefore not desirable at present to aim to phase out this subsidy. The second study leads to the conclusion that the scheme is perceived by the institutions as simple and valuable. When asked about the financial consequences of the scrapping or phasing out of the scheme, interviewed institutions suggested halting or disposal of activities, the passing on of costs to their members or users or cutbacks. When asked about the social consequences of scrapping or phasing out, the answers included a reduction in activities and reduced ties to vulnerable groups.

Pricing policy
Fossil fuel use will be priced under the ETS2 from 2027 onwards.

23. Lower excise duty rate for diesel and LPG than for petrol

Explanatory notes
The Excise Duty Act specifies a lower excise duty rate per 1,000 litres of diesel than for petrol. The lower fuel excise duty on diesel has its origins in the international character of commercial (goods) transport, that mainly runs on diesel. The aim of the fuel surcharges in the vehicle tax (motor vehicle tax (MRB), purchase tax (BPM) and fuel surcharges) is to reduce the discrepancy in fiscal burden on car driving in the case of passenger cars and motorcycles that use diesel on the one hand and petrol on the other. The current system of taxation with lower diesel duty as compared with petrol in combination with the fixed motor vehicle surcharge (and BPM surcharge) results in differences in the tax burden per kilometre driven between petrol and diesel-powered vehicles.

The Excise Duty Act specifies a lower excise duty rate per 1,000 litres of LPG than for petrol. Compared with diesel, LPG offers an advantage in the emission of NO_x. Compared with petrol, LPG offers a CO_2 advantage.

A study was conducted into this structure of excise duties. It demonstrated that the precise nature of this burden for three different taxes depends strongly on the model of vehicle. The study also reveals that the Netherlands operates the highest diesel excise duty of all neighbouring countries and does not operate a refund scheme.[34] With regard to LPG, the Netherlands operates the second highest rate of excise duties.

Pricing policy
From 2027 onwards, diesel and LPG will be subject to ETS2. Via the BPM and MRB, motor vehicle tax pricing also applies. Via the BPM, a fixed amount is levied once only upon the purchase or import of a new car. Since 2013, this fixed amount is above all based on the CO_2 emission of the car in question.

24. Investment deduction for the exploration and production of natural gas from small fields in the North Sea (mining levy)

Explanatory notes
The (non-fiscal) investment deduction for investments in the exploration and production of natural gas from small fields in the North Sea can only be applied in calculating the specific payment of the profit share, which over and above corporation tax represents an additional charge for mining companies, under the Mining Act. For mining enterprises this results in a high(er) effective tax burden than for other enterprises that only pay corporation tax. The aim of this investment deduction is to encourage the exploration and production of natural gas from small fields in the North Sea. Given that starting a new exploration is time-consuming, this investment deduction has not been claimed (substantially) so far. Natural gas is expected to still be necessary over the next few decades, for the production of electricity, for example, and to meet the energy and heating needs of households in the Netherlands. Gas production from small fields in the North Sea makes the Netherlands less dependent on gas production from abroad, thereby contributing to the security of energy supply. In addition, the CO_2 footprint of imported gas is considerably larger than that of gas produced in the Netherlands, due to the long transport distances. The analysis by CE-Delft (November 2022) shows that gas production in the North Sea on balance has a positive impact on the level of emissions compared with a situation in which gas is imported from Russia or the United States.[35]

Pricing policy
The natural gas chain is subject to energy tax and the EU ETS.

25. Temporary Emergency Energy Fund

Explanatory notes
The government has provided a grant of 56.3 million euros to the Temporary Emergency Energy Fund foundation. In addition, the foundation also received 28.15 million euros from the private sector. This foundation utilises the funds to help low-income households with high energy bills meet the costs incurred for

33 CE Delft (2023). Impact of scrapping the refund scheme for non-profit institutions. and SEO (2024). Possible alternatives for the refund scheme for energy tax for religious and non-profit institutions.

34 Revnext (2023). Study into the adjustment of excise duties in response to characterisation as a 'fossil subsidy'.

35 CE-Delft (2022). Gas production in the North Sea. And the agreements on gas production in the North Sea Agreement.

energy. In most cases, the allowance is deducted directly from the energy bill, so it is not freely disposable income. Because only households that meet both requirements are eligible, it is a relatively targeted tool to compensate vulnerable households. The funds made available were fully spent in 2025. At present, the energy mix in the Netherlands is still mainly of fossil origin. As the energy mix becomes less based on fossil energy carriers, the size of the fossil advantage within the Temporary Energy Emergency Fund will fall. Because it is not possible to precisely trace what proportion of energy consumption for parties that received funds from the Temporary Emergency Energy Fund is of fossil origin, the budgetary interest of the subsidy cannot be easily calculated. As such, in practice, the subsidy is not actually entirely a fossil advantage. The Government informed the House of Representatives in a Letter to Parliament dated 30 September last, about the possibilities of complying with the Timmermans motion which calls once again this winter (2025/2026) for the organisation of direct income support to households unable to pay their energy bills. Before the elections of 29 October, the Government will inform the House of Representatives about the progress of this bill. The Government will investigate how the Temporary Emergency Energy Fund can be continued in a public form, for example via the European Social Climate Fund (SCF). This is an attempt to bring about more structural support for households with a low income and high energy costs. Despite its public nature, the same characteristics apply here in terms of possible fossil subsidies.

Pricing policy
Energy tax and ETS1.

26. Reduced MRB rate for business delivery vans

Explanatory notes
Delivery vans (light commercial vehicles) are often used in the Netherlands by businesses, for example in the construction and installation sectors, for deliveries and by the self-employed. The MRB features a reduced rate for business delivery vans. This reduced rate applies irrespective of the powertrain. According to the scheme, a lower rate of MRB also applies to fossil-powered vehicles. As a result, the use of fossil fuel is indirectly subject to a lower tax rate.

Pricing policy
The use of these vehicles is priced via fuel duties and from 2027 onwards via ETS2. In addition, the exemption in vehicle tax for business delivery vans was scrapped from 1 January 2025.

Publication details

Published by:

Ministry of Climate Policy and Green Growth
P.O. Box 20401 | 2500 EX The Hague

October 2025