International Association of Oil & Gas Producers

FACT SHEET JUNE 2018

European Government Revenues from Oil & Gas

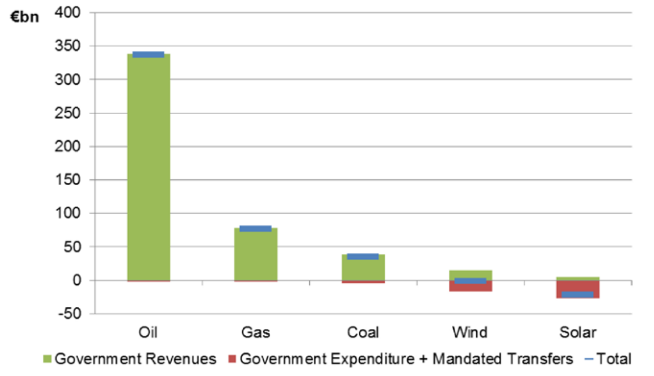
Oil & gas contributed around **€420bn out of an overall €475bn** in European Government Revenues from **taxation of analysed energy sources** in 2015. **Equivalent to 2.7% of EU GDP**, their contribution remains **by far the largest** of the energy sector.

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

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

This factsheet[1] looks at the **balance of government expenditures and revenues from 5 energy sources (oil, gas, coal, wind, solar)** in Europe, as the EU launches the review of its **long-term climate & energy strategy**.

EU28 + Norway Net Government Revenues and Mandated Transfers (2015)



Source: NERA Analysis

[1] Based on the Report "Update on Energy Taxation and Subsidies in Europe: An Analysis of Government Revenues from and Support Measures for Fossil Fuels and Renewables in the EU and Norway" prepared by NERA Economic Consulting (2018).

Net Contribution/ Cost to governments

Oil & gas received €3.3bn in government support in 2015.

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

EU28 + Norway Net Government Revenues and Mandated Transfers (2015)

Energy Source	Government Revenues	Government Expenditures and Mandated Transfers	Total	Primary Energy Consumption
	€ billion	*€ billion*	*€ billion*	*Mtoe*
Oil	338	-1.6	337	488
Gas	78	-1.7	76	350
Coal	39	-4.4	34	262
Wind	15	-17	-2	26
Solar	5	-27	-22	9

Source: NERA Analysis

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

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

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

These high levels of taxation are significantly above their GHG externality costs of €51bn for oil, and €26bn for gas, assuming a €30/tCO_2 carbon price[1].

For coal however, the **externality cost** at €30/tCO_2 **would amount to €32bn**, only **€2bn less than its net contribution** to governments.

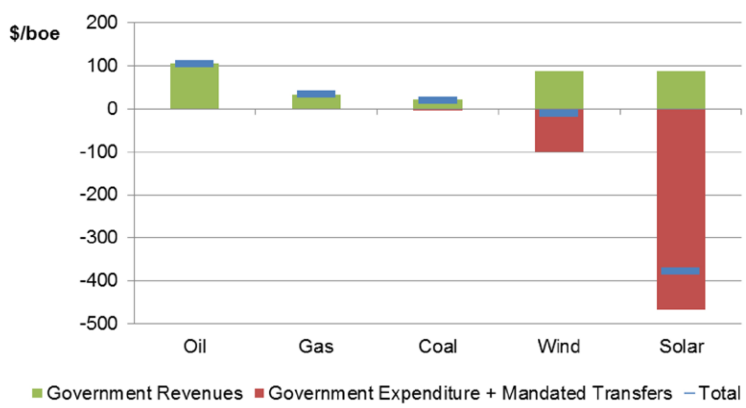
[1] These externalities are indicative figures and do not constitute direct transfers between energy sources and the government.

Revenue/Expenditure Per Unit of Energy

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

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

EU28 + Norway Net Government Revenues and Mandated Transfers ($/boe) (2015)



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

Main Conclusions

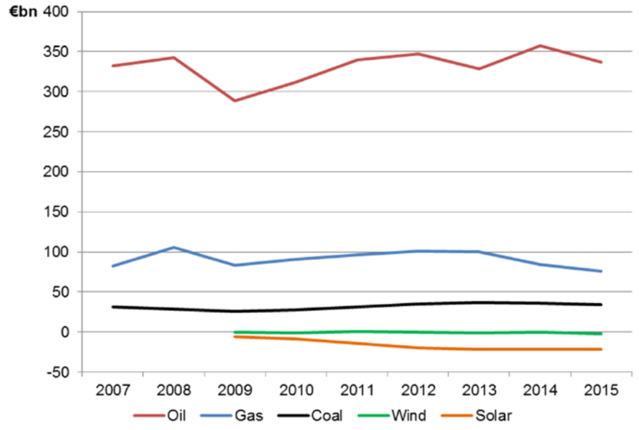
Oil & gas still constitute a **secure stream of revenue for European governments**, as they have done over the past decades.

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

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

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

EU28 + Norway Net Government Revenues and Mandated Transfers (2007 - 2015)



Note: Renewable support data are not available for 2007 and 2008, so we omit estimates of net transfer values for these years.

About IOGP

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

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

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

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