



SECTION 8

Taxes on oil

Petroleum taxation in main OECD countries

Every increase in oil price is thought to raise fuel costs to the detriment of consumers while generating huge income for foreign oil producers — such as OPEC Member Countries. But this is a misconception. While huge revenues are indeed generated, they are earned primarily by major oil consuming countries. OECD economies, for example, earn far more revenue from the retail sale of petroleum products than OPEC Countries make from the original sale of their oil.

In principle, in most industrialized economies, there are two types of taxes imposed on oil-derived fuels at pump stations. The first one is a fixed fee added to the fuel on a per litre basis. It goes by various names like, for example, an excise tax, fuel tax or a CO₂ tax. Most countries impose a combination of these. The other one is a given percentage share imposed on both the raw fuel price and the fixed tax component called value added tax (VAT). Within such tax schemes, when the raw fuel price decreases the share of tax in percentage terms rises.

Through this taxation scheme, from 2012 to 2016, OECD economies earned on average about \$1,498bn/yr more from retail sales of petroleum products than OPEC Member Countries made from oil revenues. A significant amount of the final retail prices of petroleum products is attributed to high taxation rates. In fact, during 2016, the share of total tax of the final retail price amounted to around 54 per cent in the main OECD countries. Therefore, the real burden on end-use consumers comes from taxes — not from the original price paid for crude oil. Moreover, between 2012 and 2016, OECD countries earned on average \$1,100bn/yr from taxes alone compared to OPEC's \$835bn/yr in oil revenues. And while the trillions of dollars earned from oil taxes are pure income for OECD governments, oil export revenues of OPEC Member Countries must also cover the high costs of exploration, production and transportation. In a comparison of a composite barrel of oil between 2013 and 2016 in the OECD, crude oil prices plummeted by 41 per cent, while taxes increased by 20 per cent.

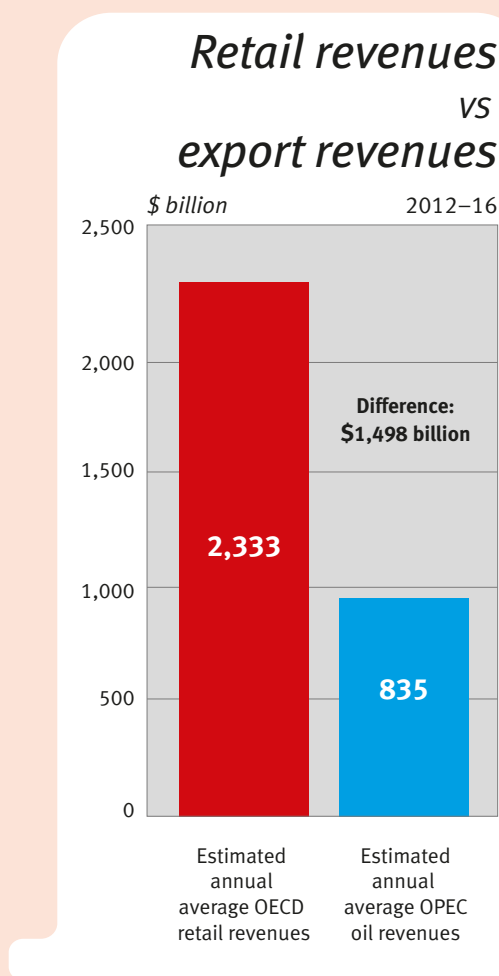
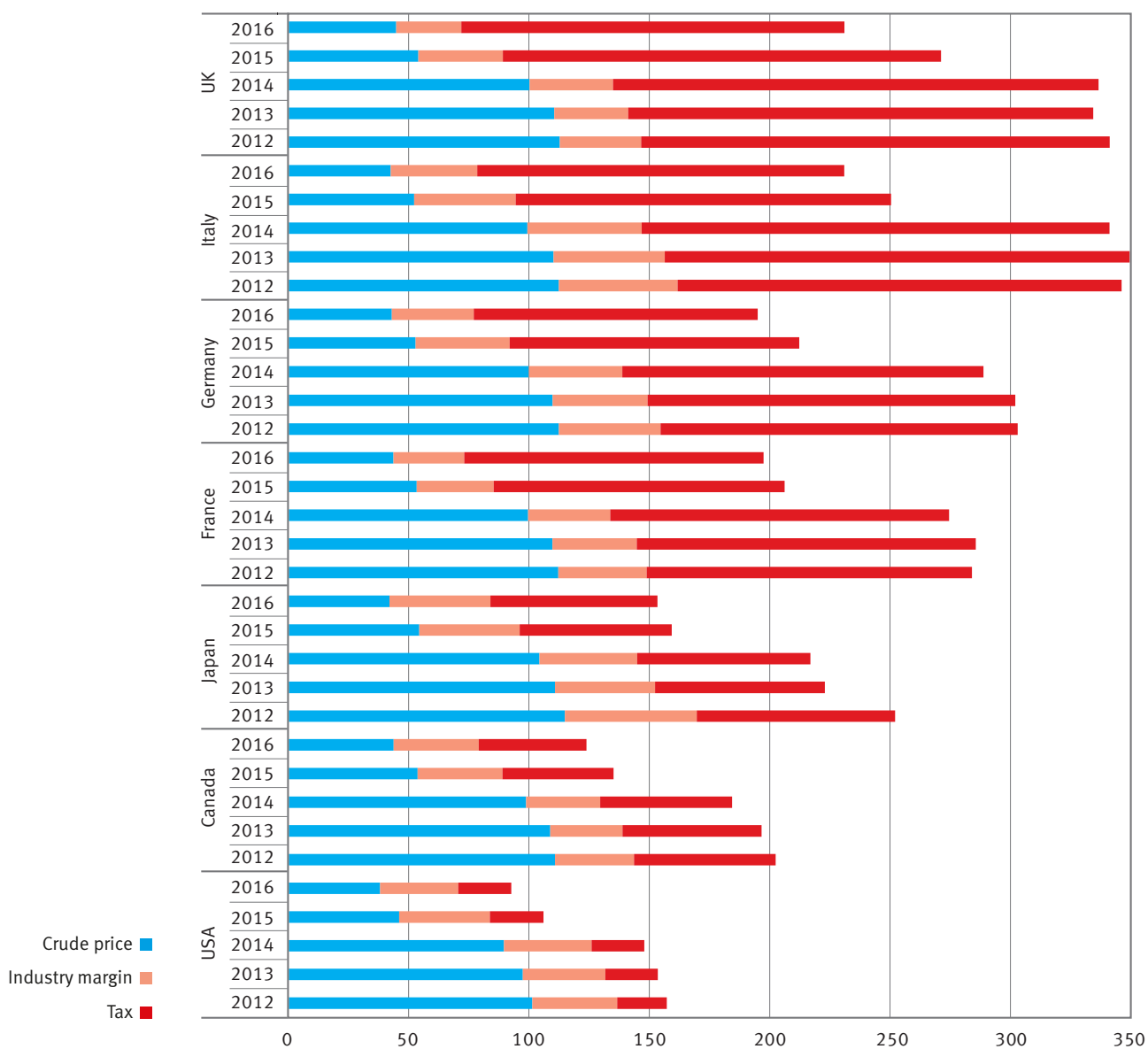


Table 8.1
Composite barrel and its components in major OECD oil consuming countries

	2012			2013			2014			2015			2016		
	\$/b	% share	% change y-o-y	\$/b	% share	% change y-o-y	\$/b	% share	% change y-o-y	\$/b	% share	% change y-o-y	\$/b	% share	% change y-o-y
United States															
Composite barrel	157.09	64.4	3.1	153.34	63.4	-2.4	147.69	60.6	-3.7	105.81	43.3	-28.4	92.46	41.0	-12.6
Crude cif price	101.16	13.1	-1.2	97.25	14.2	-3.9	89.43	14.8	-8.0	45.83	21.1	-48.8	37.94	23.9	-17.2
Tax	20.65	22.5	0.5	21.81	22.4	5.6	21.88	24.6	0.3	22.29	35.6	1.9	22.11	35.0	-0.8
Industry margin	35.28		19.9	34.28		-2.8	36.37		6.1	37.69		3.6	32.41		-14.0
Canada															
Composite barrel	202.34	54.7	2.5	196.43	55.3	-2.9	184.18	53.5	-6.2	134.96	39.6	-26.7	123.67	35.2	-8.4
Crude cif price	110.61	29.1	-0.2	108.60	29.4	-1.8	98.60	29.7	-9.2	53.48	34.2	-45.8	43.57	36.2	-18.5
Tax	58.88	16.2	2.8	57.74	15.3	-1.9	54.76	16.7	-5.2	46.21	26.1	-15.6	44.76	28.6	-3.1
Industry margin	32.85		11.8	30.09		-8.4	30.83		2.4	35.27		14.4	35.34		0.2
Japan															
Composite barrel	252.00	45.5	-0.8	222.76	49.7	-11.6	216.76	48.1	-2.7	159.11	34.1	-26.6	153.17	27.3	-3.7
Crude cif price	114.75	32.7	5.0	110.61	31.7	-3.6	104.16	33.2	-5.8	54.20	39.7	-48.0	41.79	45.3	-22.9
Tax	82.48	21.7	-3.8	70.59	18.7	-14.4	72.03	18.7	2.0	63.17	26.2	-12.3	69.37	27.4	9.8
Industry margin	54.77		-7.1	41.56		-24.1	40.57		-2.4	41.75		2.9	42.01		0.6
France															
Composite barrel	283.93	39.5	-3.4	285.54	38.4	0.6	274.40	36.2	-3.9	206.08	25.8	-24.9	197.31	22.0	-4.3
Crude cif price	112.01	47.6	0.2	109.56	49.4	-2.2	99.40	51.3	-9.3	53.14	58.7	-46.5	43.48	63.0	-18.2
Tax	135.23	12.9	-6.2	140.93	12.3	4.2	140.80	12.5	-0.1	120.96	15.5	-14.1	124.38	14.9	2.8
Industry margin	36.69		-3.1	35.05		-4.5	34.20		-2.4	31.98		-6.5	29.45		-7.9
Germany															
Composite barrel	302.95	37.0	-2.6	301.96	36.3	-0.3	288.69	34.6	-4.4	212.11	24.8	-26.5	194.90	22.0	-8.1
Crude cif price	112.21	49.0	1.4	109.62	50.6	-2.3	99.76	52.0	-9.0	52.65	56.8	-47.2	42.80	60.6	-18.7
Tax	148.43	14.0	-6.5	152.84	13.1	3.0	150.11	13.4	-1.8	120.38	18.4	-19.8	118.06	17.5	-1.9
Industry margin	42.31		1.4	39.50		-6.6	38.82		-1.7	39.08		0.7	34.04		-12.9
Italy															
Composite barrel	346.10	32.4	6.9	349.45	31.5	1.0	341.10	29.1	-2.4	250.27	20.8	-26.6	230.81	18.3	-7.8
Crude cif price	112.18	53.3	1.8	109.98	55.3	-2.0	99.09	57.0	-9.9	52.06	62.3	-47.5	42.33	66.1	-18.7
Tax	184.56	14.3	12.8	193.23	13.2	4.7	194.42	14.0	0.6	156.04	16.9	-19.7	152.54	15.6	-2.2
Industry margin	49.35		-0.9	46.24		-6.3	47.59		2.9	42.17		-11.4	35.94		-14.8
United Kingdom															
Composite barrel	341.20	33.0	2.0	334.32	33.0	-2.0	336.57	29.7	0.7	271.03	19.9	-19.5	230.91	19.3	-14.8
Crude cif price	112.62	57.1	-0.8	110.27	57.8	-2.1	100.07	60.0	-9.3	53.81	67.2	-46.2	44.62	69.0	-17.1
Tax	194.79	9.9	0.7	193.29	9.2	-0.8	201.89	10.3	4.4	182.10	13.0	-9.8	159.21	11.7	-12.6
Industry margin	33.79		22.1	30.76		-9.0	34.61		12.5	35.12		1.5	27.08		-22.9
G7															
Composite barrel	269.37	41.1	1.0	263.40	41.0	-2.2	255.63	38.6	-3.0	191.34	27.3	-25.1	174.75	24.2	-8.7
Crude cif price	110.79	43.8	0.9	107.98	45.0	-2.5	98.64	46.7	-8.6	52.17	53.1	-47.1	42.36	56.4	-18.8
Tax	117.86	15.1	3.7	118.63	14.0	0.7	119.41	14.7	0.7	101.59	19.6	-14.9	98.64	19.3	-2.9
Industry margin	40.72		0.8	36.78		-9.7	37.57		2.1	37.58		-	33.75		-10.2
OECD															
Composite barrel	271.41	40.9	0.8	272.28	39.9	0.3	263.92	37.6	-3.1	197.98	26.4	-25.0	181.74	23.5	-8.2
Crude cif price	111.06	43.9	0.6	108.53	45.0	-2.3	99.25	45.4	-8.6	52.17	50.5	-47.4	42.64	53.8	-18.3
Tax	119.19	15.2	-1.7	122.56	15.1	-2.2	119.91	17.0	-2.2	99.95	23.2	-16.6	97.85	22.7	-2.1
Industry margin	41.16		9.0	41.19		0.1	44.76		8.7	45.86		2.5	41.24		-10.1

Graph 8.1
Composite barrel and its components in volume

(\$/b)



Graph 8.2
Composite barrel and its components (%)

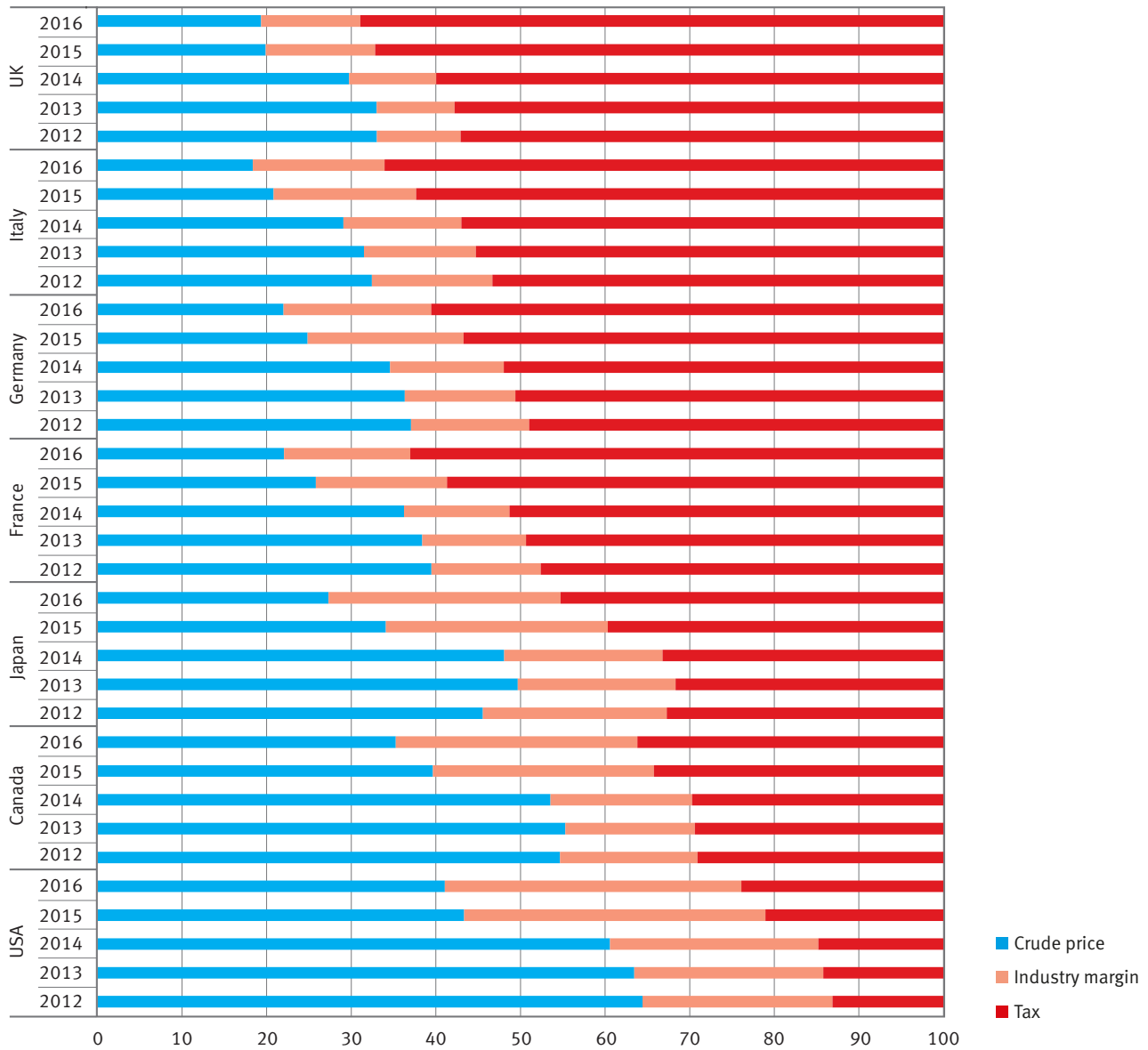


Table 8.2
Tax to CIF crude oil price ratio in major OECD oil consuming countries (ratio)

	2012	2013	2014	2015	2016
USA	0.20	0.22	0.24	0.49	0.58
Canada	0.53	0.53	0.56	0.86	1.03
Japan	0.72	0.64	0.69	1.17	1.66
France	1.21	1.29	1.42	2.28	2.86
Germany	1.32	1.39	1.50	2.29	2.76
Italy	1.65	1.76	1.96	3.00	3.60
UK	1.73	1.75	2.02	3.38	3.57
G7	1.06	1.10	1.21	1.95	2.33
OECD	1.07	1.13	1.21	1.92	2.29

Notes:

G7 includes Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

Table 8.3
Euro Big 4 household energy prices, 2016 (\$/toe NCV)

	Automotive diesel	Premium unleaded 95 RON	Liquefied petroleum gas	Natural gas	Electricity
Tax	996.0	1,254.4	372.1	217.4	1,032.6
Non-tax	545.9	595.7	698.3	741.3	1,878.1
Total price	1,541.9	1,850.0	1,070.5	958.7	2,910.7
Tax share (%)	64.6	67.8	34.8	22.7	35.5

Notes:

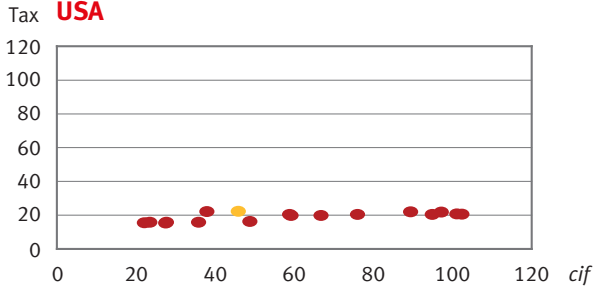
Euro Big 4 includes France, Germany, Italy and the United Kingdom.

Graphs 8.3–8.11

Tax versus CIF crude oil price for major OECD oil consuming countries, 2000–2016 (\$/b) (b)

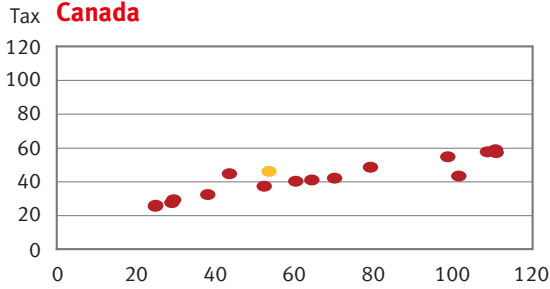
Graph 8.3

USA



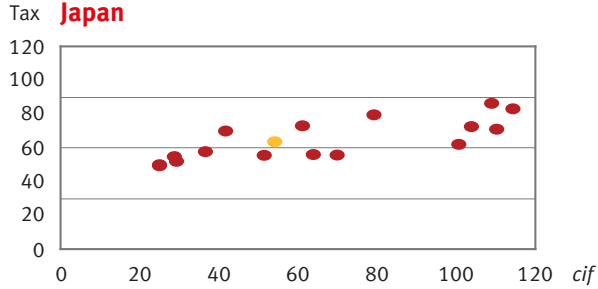
Graph 8.4

Canada



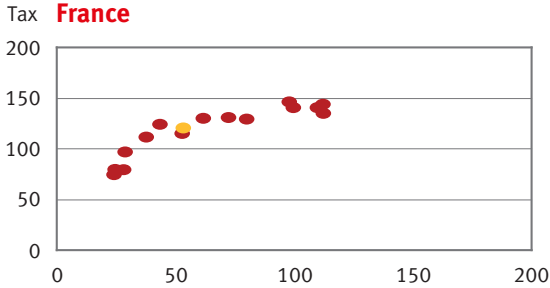
Graph 8.5

Japan



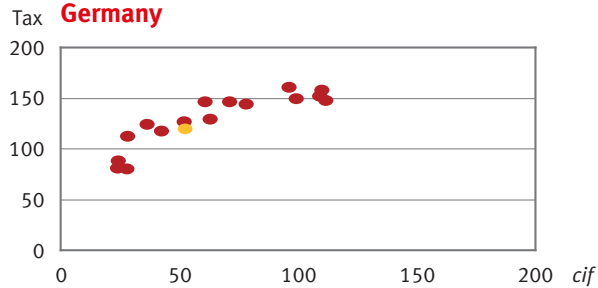
Graph 8.6

France



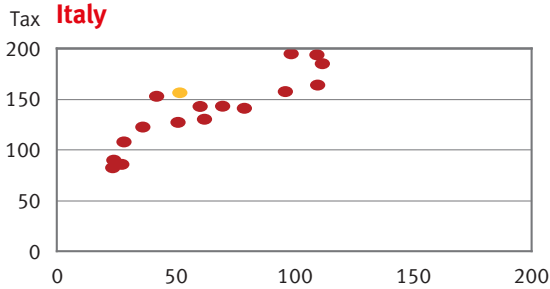
Graph 8.7

Germany



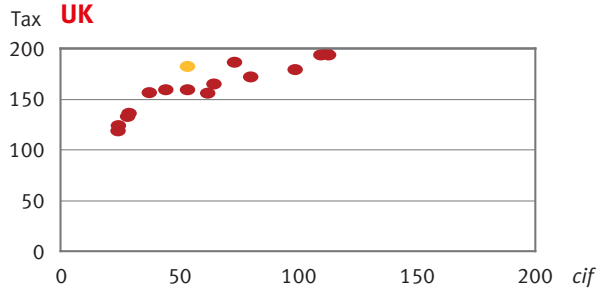
Graph 8.8

Italy



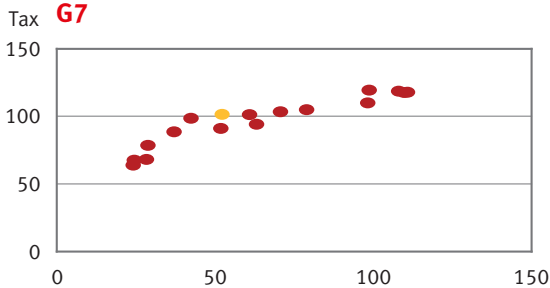
Graph 8.9

UK



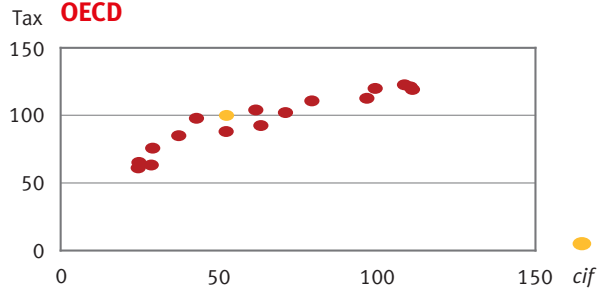
Graph 8.10

G7



Graph 8.11

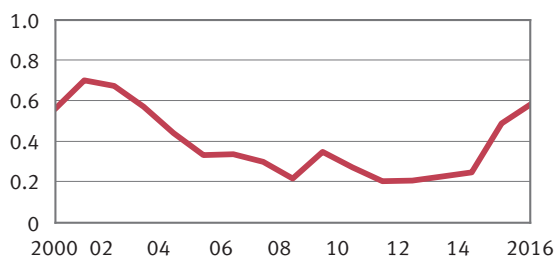
OECD



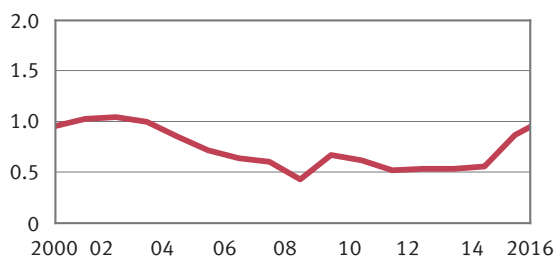
● 2016

Graph 8.12–8.20
Tax to CIF crude oil price ratio for major OECD oil consuming countries *(ratio)*

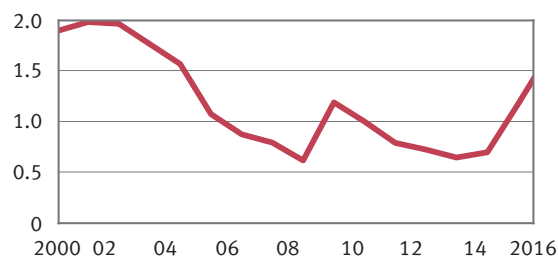
Graph 8.12
USA



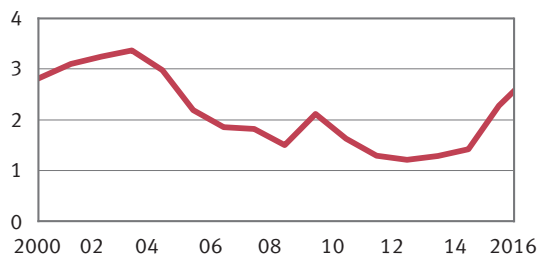
Graph 8.13
Canada



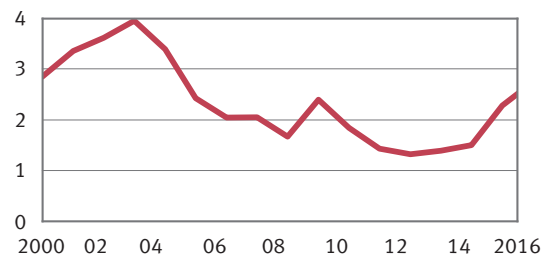
Graph 8.14
Japan



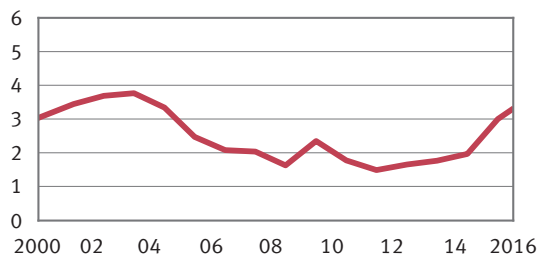
Graph 8.15
France



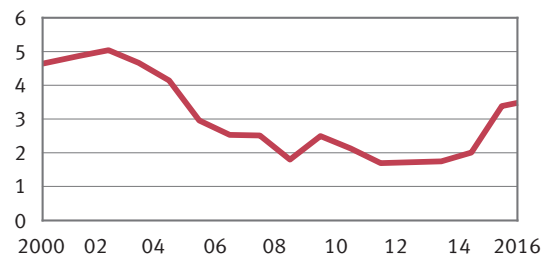
Graph 8.16
Germany



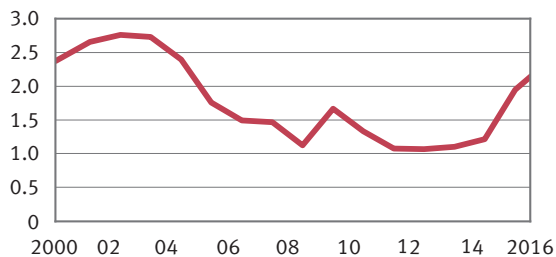
Graph 8.17
Italy



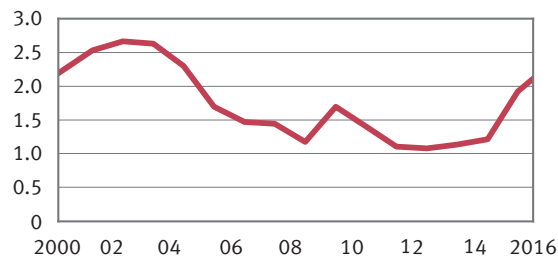
Graph 8.18
UK



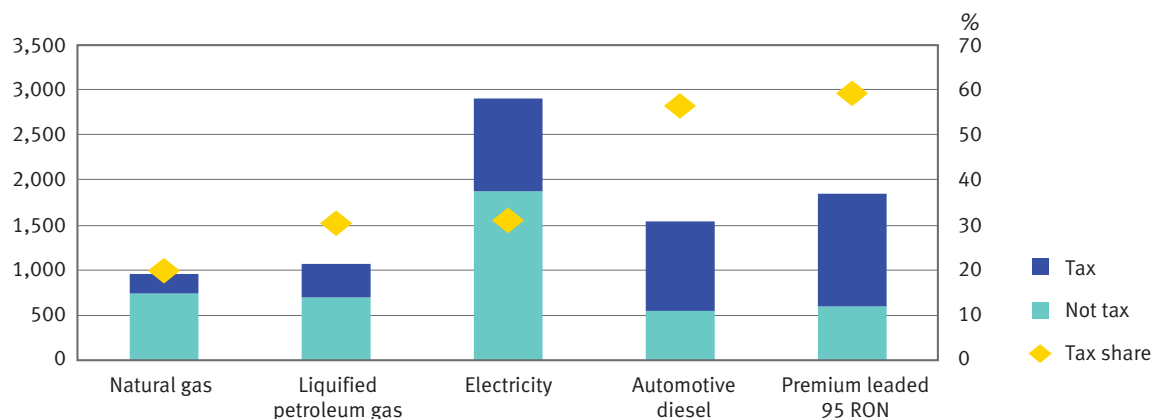
Graph 8.19
G7



Graph 8.20
OECD



Graph 8.21
Euro Big 4 household energy prices, 2016 (\$/toe NCV)



Graph 8.22
Euro Big 4 share of tax in household energy prices (%)

