Taxing Energy Use 2019: Country Note – Lithuania

This note explains how Lithuania taxes energy use. The note shows the distribution of effective energy tax rates – the sum of fuel excise taxes, explicit carbon taxes, and electricity excise taxes, net of applicable exemptions, rate reductions, and refunds – across all domestic energy use. It also details the country-specific assumptions made when calculating effective energy tax rates and matching tax rates to the corresponding energy base.

The note complements the Taxing Energy Use 2019 report that is available at http://oe.cd/TEU2019. *The report analyses where OECD and G20 countries stand in deploying energy and carbon taxes, tracks progress made, and makes actionable recommendations on how governments could do better to use taxes to reach environmental and climate goals.*

The general methodology employed to calculate effective energy tax rates and assign tax rates to the energy base is explained in Chapter 1 of the report. The official energy tax profile for Lithuania can be found in Chapter 2 of the report. Chapter 3 additionally shows effective carbon tax rates per tonne of CO_2, and presents the corresponding carbon tax profiles for all countries. The report also contains StatLinks to the official data.

Structure of energy taxation in Lithuania

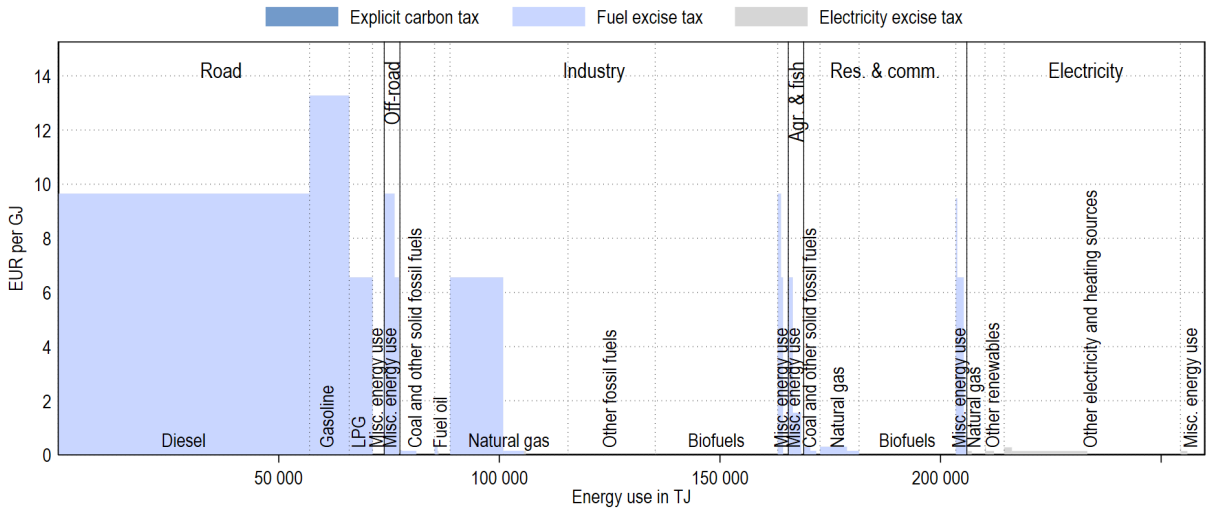
Energy taxes in Lithuania are levied within the framework of the 2003 European Union (EU) Energy Tax Directive, which sets minimum rates for the taxation of energy products in EU member states. Within this framework, as at 1 July 2018, excise duties apply to liquid, gaseous and solid fossil fuels, including lubricating oils, as well as to electricity consumption by end users.

Lithuania does not levy a carbon tax. However, Lithuania participates in the EU emissions trading system (ETS) (OECD, 2018[1]). Permit prices are not shown in the energy tax profiles.

Effective tax rates on energy use in Lithuania

Tax rates can differ across energy products and users, as described below. Figure 1 provides an overview of how energy taxes apply to different energy categories across the economy. The remainder of this document discusses details on tax rates and tax bases for each of the six economic sectors.

Figure 1. Effective tax rates on energy use by sector and energy category

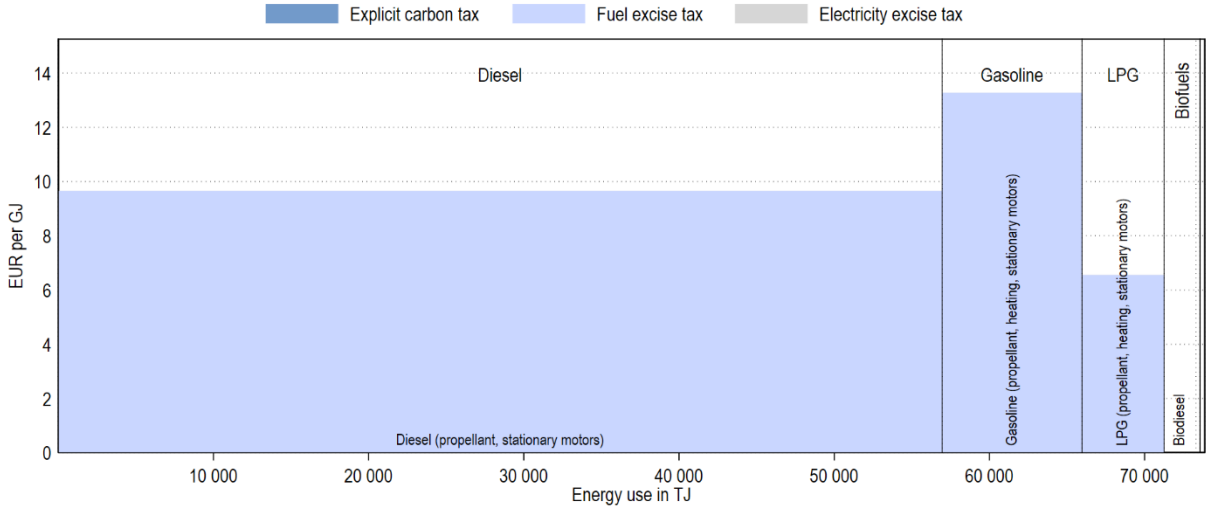


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the bottom) that represent less than 1% of a country's energy consumption are grouped into "misc. energy use" and may not be labelled.

Road

Figure 2 shows that within the road sector, gasoline is taxed at a higher effective tax rate than diesel. LPG is taxed as well. Biofuels complying with the applicable European Standards (EN 14214 and CEN/TS 15293) benefit from an excise duty exemption.[1] TEU assumes that all biofuel use in the Lithuanian off-road sector is in compliance with these standards.

Figure 2. Effective tax rates on energy use in the road sector



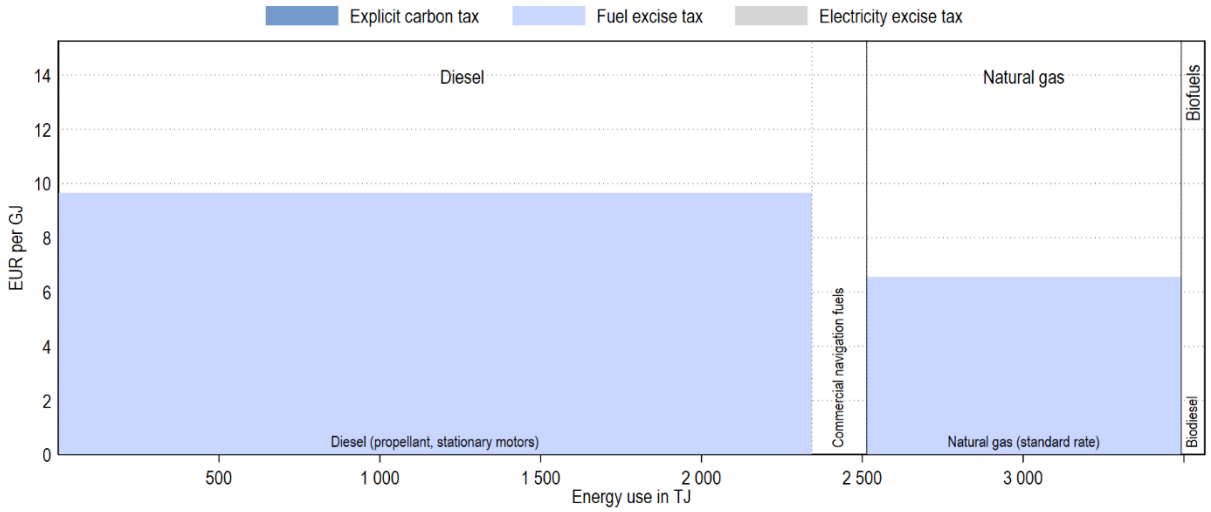
Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018[2]), *World Energy Statistics and Balances.* Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

[1] The excise duty rate of the blended fuel is reduced in proportion to the percentage of additives of biological origin in the product.

Off-road

Fossil fuels used in the off-road sector are taxed, unless when used for commercial domestic navigation.[2] Diesel used in private pleasure craft is taxed (not modelled in TEU due to a lack of consumption data). Biofuels complying with the applicable European Standards (EN 14214 and CEN/TS 15293) benefit from an excise duty exemption.[3] TEU assumes that all biofuel use in the Lithuanian off-road sector is in compliance with these standards.

Figure 3. Effective tax rates on energy use in the off-road sector



Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

[2] The energy balances do not report any energy use for domestic aviation.

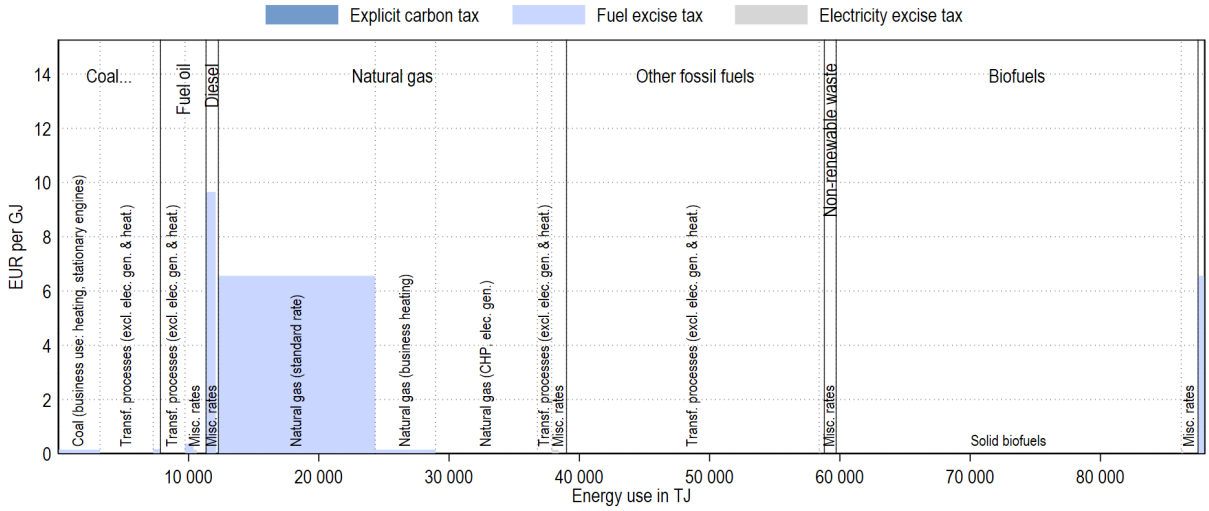
[3] The excise duty rate of the blended fuel is reduced in proportion to the percentage of additives of biological origin in the product.

Industry

Most fossil fuels used in the industry are taxed in principle. Fossil fuels that are used in industrial processes are not taxed if the conditions for non-taxation of the EU Energy Tax Directive are fulfilled. Non-renewable waste is not taxed. Solid biofuels are not taxed.

Natural gas used in combined heat and power (CHP) plants and autoproducer electricity plants is exempt from the excise duty. Electricity from industrial cogeneration is subject to the general electricity tax (called "electricity excise tax" in TEU) (see electricity section below).

Figure 4. Effective tax rates on energy use in the industry sector



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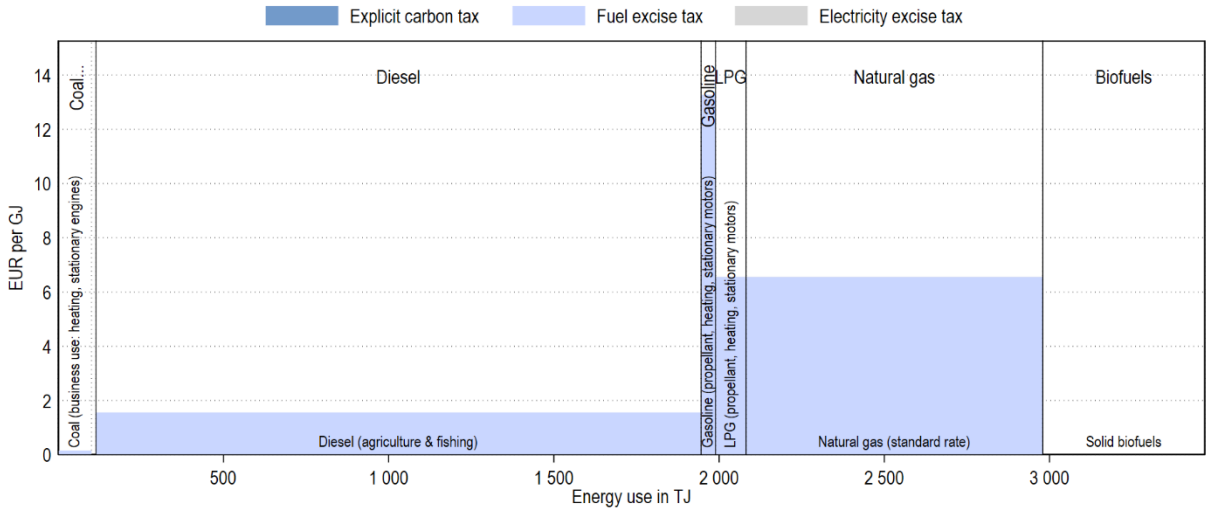
Agriculture and fisheries

Fossil fuels used in the agriculture and fisheries (Figure 5) sector are taxed, albeit at a reduced excise duty. Solid biofuels are not taxed.

Figure 5. Effective tax rates on energy use in the agriculture & fisheries sector



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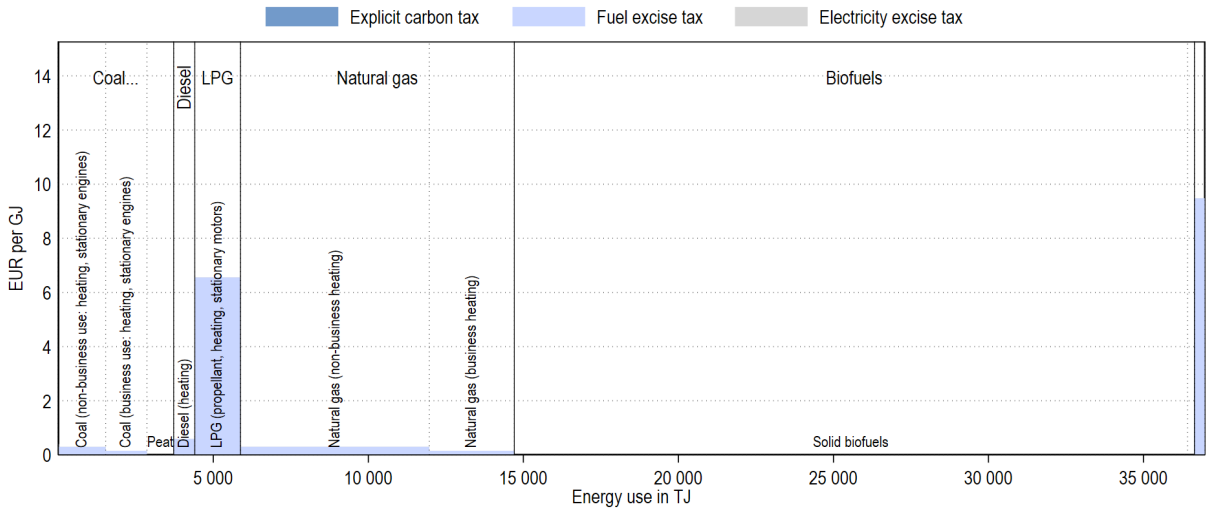
Residential and commercial

Fossil fuel use in the residential and commercial sector (Figure 6) are taxed. Solid biofuels are not taxed. Notice that TEU reports the energy use associated with electricity and district heating consumption in the industry and electricity sector as that is where the primary energy consumption occurs.

Figure 6. Effective tax rates on energy use in the residential & commercial sector



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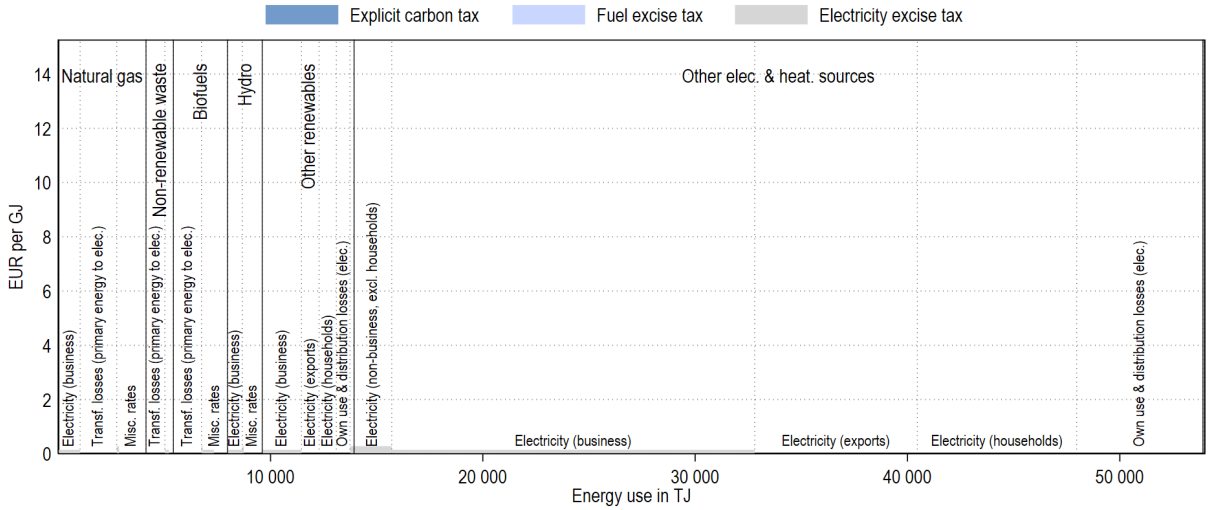
Electricity

Figure 7 shows how the electricity sector, as defined in TEU, is taxed in Lithuania. The fuels used to generate electricity are not taxed, but the electricity sector is covered by the EU ETS (OECD, 2018[1]).

The use of electricity, on the other hand, is taxed in principle. This rate is barely visible in the figure because TEU uses the same scale for all sectors in a given country to facilitate inter-sectoral comparisons. Household electricity consumption is not taxed. As is standard, electricity exports are not subject to the electricity tax in Lithuania, but may be subject to electricity taxes elsewhere.

Notice that most electricity used in Lithuania is imported from abroad ("other elec. & heat. sources").

Figure 7. Effective tax rates on energy use in the electricity sector



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References

IEA (2018), "Extended world energy balances", *IEA World Energy Statistics and Balances* (database), http://dx.doi.org/10.1787/data-00513-en (accessed on 16 October 2018). [2]

OECD (2018), *Effective Carbon Rates 2018: Pricing Carbon Emissions Through Taxes and Emissions Trading*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264305304-en. [1]