Taxing Energy Use 2019: Country Note – Israel

This note explains how Israel 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 Israel 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 Israel

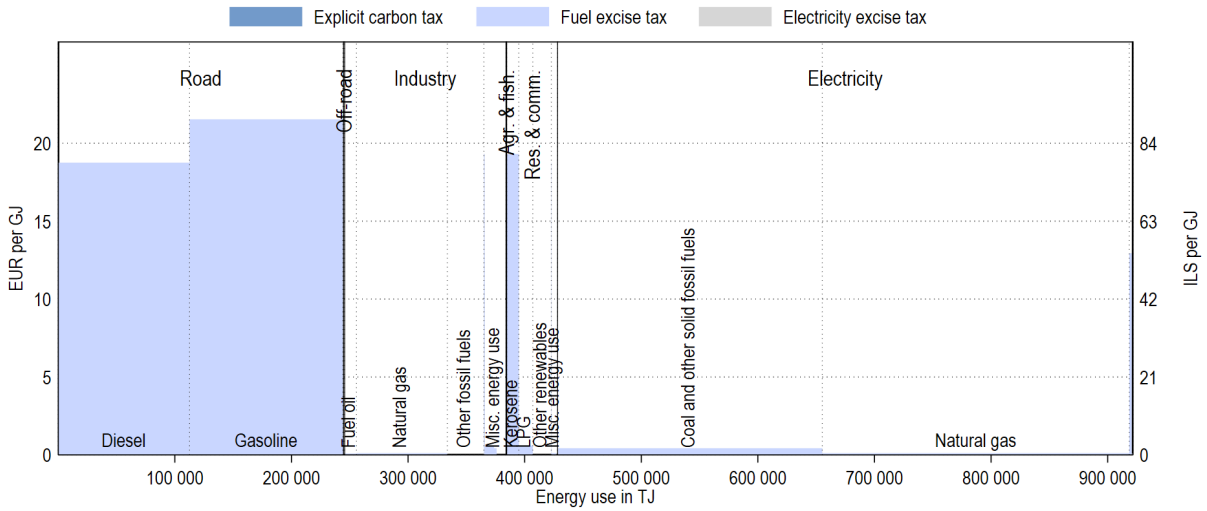
In Israel, excise taxes (דלק על הבלו) apply to gasoline, diesel LPG, coal, fuel oil and natural gas.

Israel does not levy a carbon tax and does not operate a CO_2 emissions trading system either (OECD, 2018[1]).

Effective tax rates on energy use in Israel

Tax rates can differ across energy products and users, as described below. Figure 1 provides an overview of how energy and carbon 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

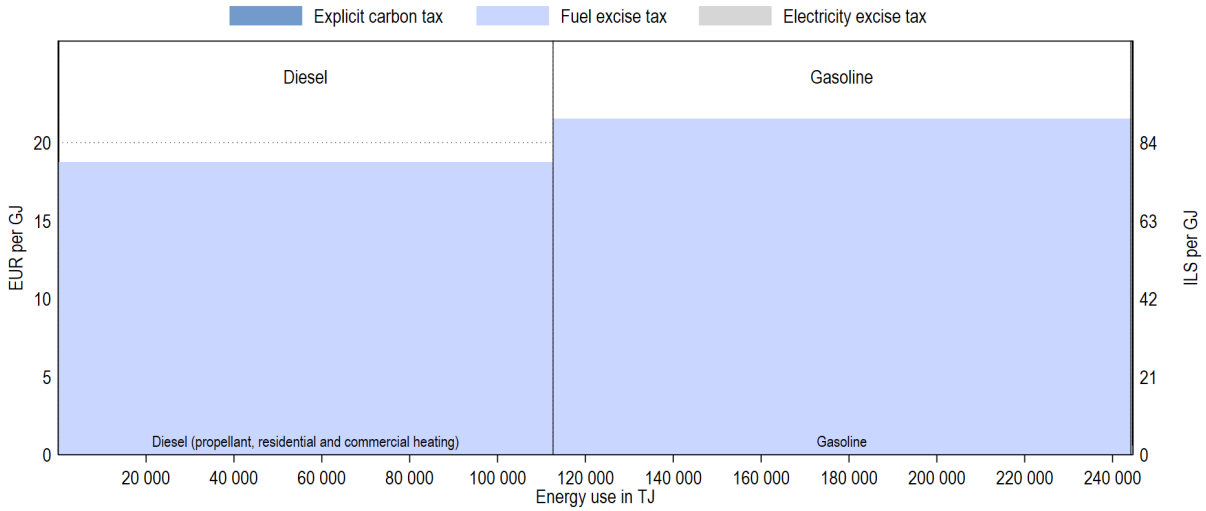


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the bottom) that represent less than 1% of a country's energy consumption are grouped into "misc. energy use" and may not be labelled.

Road

Figure 2 shows that within the road sector, gasoline is taxed at a higher effective energy tax rate than diesel.[1]

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



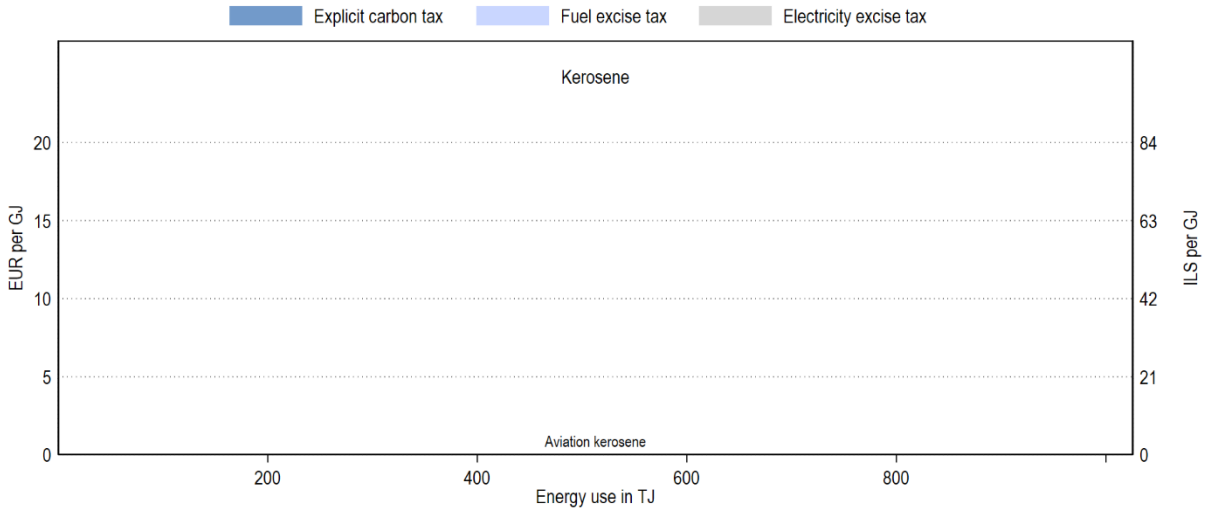
Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018[2]), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled.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

[1] Up until April 2018, taxis and driver instructors benefited from a tax refund equivalent to 45.5% of the standard excise tax rate on diesel fuel. As of May 2018, commercial drivers may benefit from tax refunds ranging from 40% - for bus drivers - to 50% - for commercial vehicles weighing over 32 tonnes - of the standard excise tax rate on diesel fuel. Due to data constraints, these tax refunds for road users are not included in the Taxing Energy Use (TEU) database.

Off-road

The only energy use reported for the off-road sector is jet kerosene, which is not taxed (Figure 3).

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



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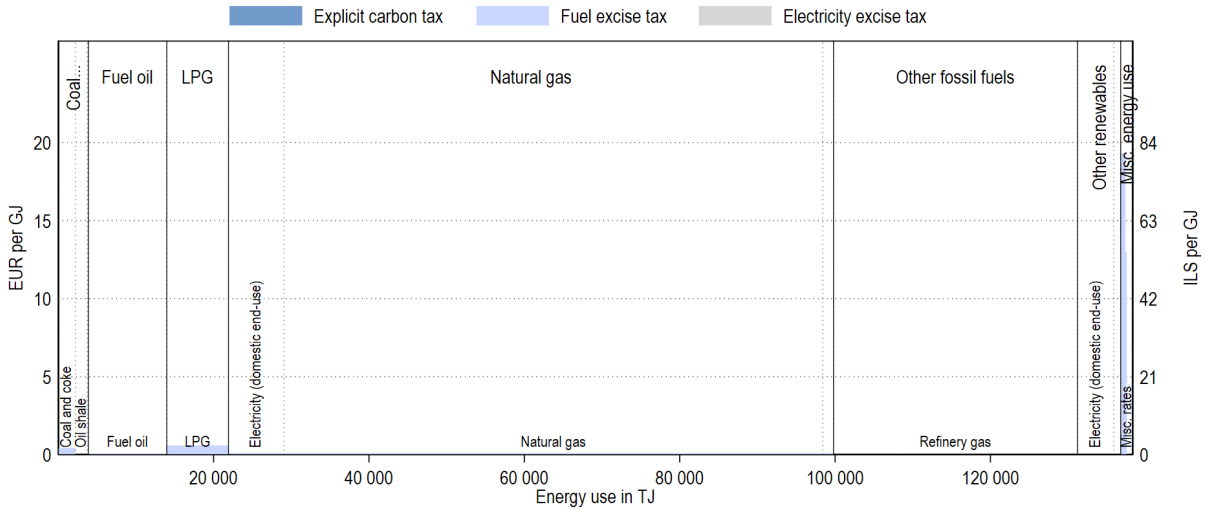
Industry

Coal, fuel oil, LPG and natural gas used in industry are generally taxed, albeit at relatively low rates relative to the road sector so that they are not always discernible in the figure (Figure 4). Other fossil fuels such as refinery gas are not taxed.

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



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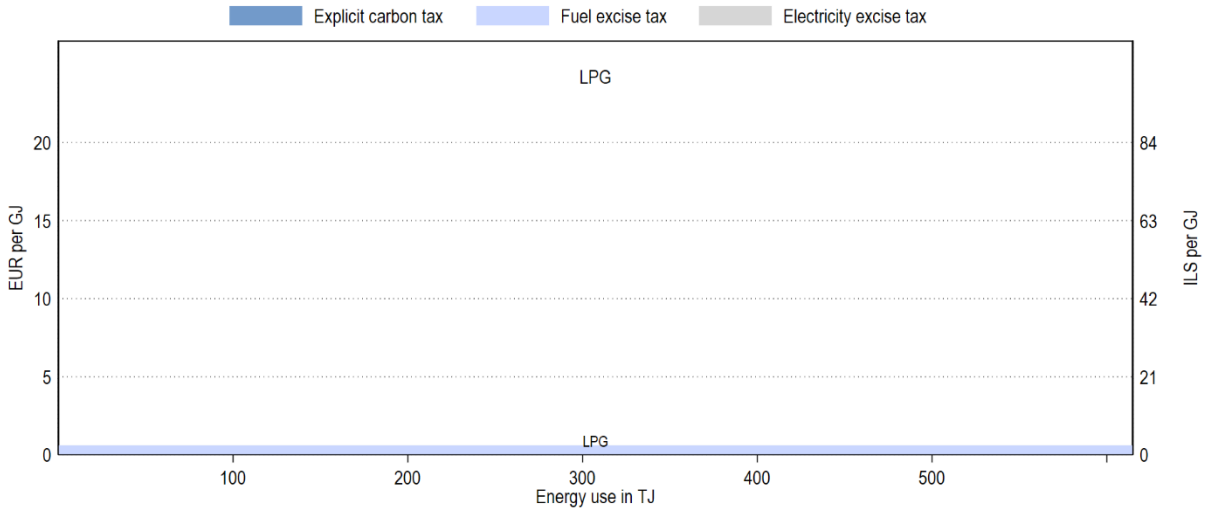
Agriculture and fisheries

The only reported fuel use for the agriculture and fisheries sector is LPG, which is taxed (Figure 5).

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



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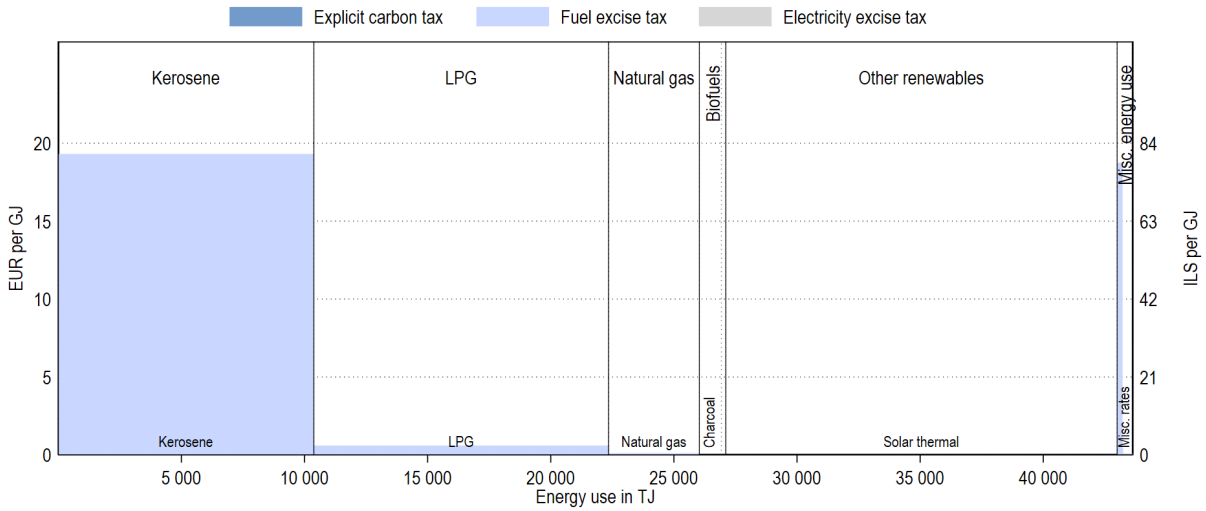
Residential and commercial

In the residential and commercial sector (Figure 6), fossil fuels are taxed. Biofuels and other renewables are not taxed.

Notice that TEU reports the energy use associated with electricity 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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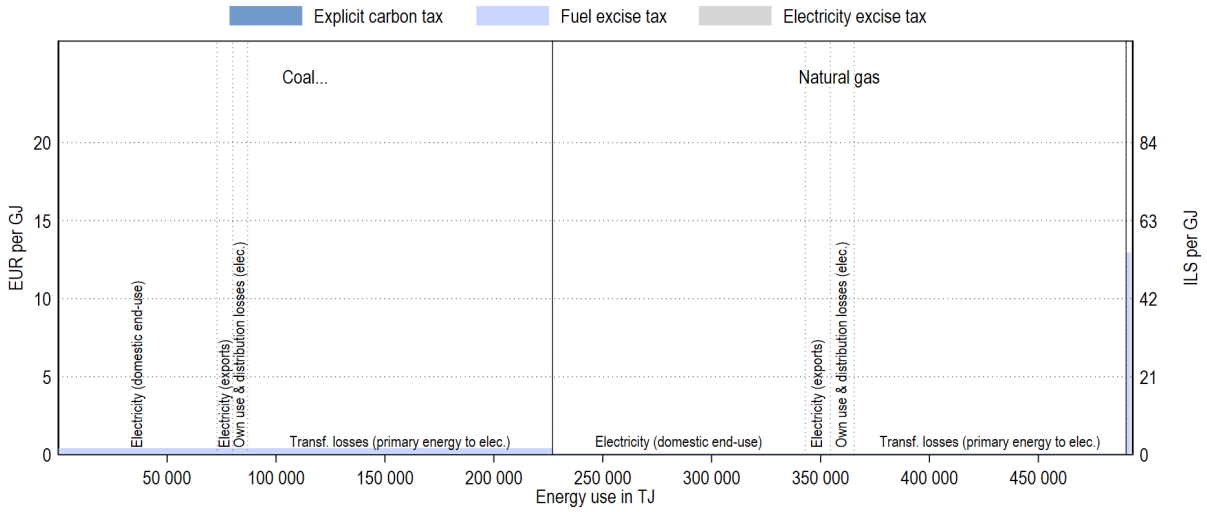
Electricity

Figure 7 shows how the electricity sector, as defined in TEU, is taxed in Israel. The fuels used to generate electricity are taxed at the same general rates as the fuels used in other sectors. Electricity consumption is not taxed.

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, http://dx.doi.org/10.1787/9789264305304-en. [1]