



Resource rent tax on onshore wind energy

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The government proposes the introduction of resource rent tax on onshore wind energy as from 2023. The proposal will be referred for public consultation before the end of the year, and involves the taxation of resource rent at an effective rate of 40 per cent.

Estimates from the Norwegian Water Resources and Energy Directorate (NVE) show that onshore wind power has become the most cost-effective energy technology. Expectations of a steadily falling cost level and persistently high energy prices indicate the appropriateness of introducing a resource rent tax on onshore wind power.

The new resource rent tax on onshore wind energy is expected to generate about NOK 2.5 billion in tax revenues. The Government intends half of the tax revenues to go to the municipal sector.

What is the content of the proposal?

The resource rent tax is designed as a cash flow tax. This means that revenues and investments are taxed on an ongoing basis in the year in which they are earned/incurred.

Revenues from energy production are usually determined on the basis of spot market prices. The proposal nevertheless provides for an exemption on energy production sold through *existing* fixed-price agreements entered into before 28 September 2022. Energy production for these will be valued at contract price. Exemptions for energy related to specified fixed-price agreements will also be considered (similar to the proposed contract exemption for fixed-price agreements in the resource rent tax for hydropower).

Revenue from the sale of guarantees of origin and electricity certificates will be included in the resource rent tax basis.

Non-current assets acquired before the introduction of the resource rent tax can be deducted through ordinary depreciation of their remaining tax values.

Negative calculated resource rent income can be carried forward with interest and be deducted from positive calculated resource rent income in subsequent years.

Corporation tax is calculated before resource rent tax, and resource rent-related corporation tax is deducted from the basis for resource rent tax (as for petroleum and hydropower). An effective resource rent tax rate of 40 per cent therefore means that the formal resource rent tax rate will be set at 51.3 per cent.

The Government proposes that the resource rent tax obligation should apply to onshore wind farms subject to licensing under the Energy Act. i.e. wind farms with more than 5 turbines or a total installed capacity of 1 megawatt (MW) or more.

Anticipated revenue from the resource rent tax

The income from resource rent tax on onshore wind power is provisionally estimated at about NOK 2.5 billion for 2023.

Half of the revenue will go to the municipal sector

Revenues for the municipal sector for the 2023 fiscal year are estimated to be just under NOK 1.3 billion, corresponding to 50 per cent of the estimated resource rent tax revenues. The revenues will be booked in 2024.

- Excise duty on production, payable to the host municipalities only, will be increased from 1 to 2 øre/kWh and made deductible from the resource rent tax set. At a rate of 2 øre/kWh, the excise duty is estimated to provide the host municipalities with about NOK 334 million in accrued revenues in 2023.
- A new natural resource tax to be included in the income equalisation system will be introduced. The new natural resource tax is proposed at 1.3 øre/kWh, from which 1.1 øre goes to the municipalities and 0.2 øre goes to the county councils, and is estimated to provide the municipal sector with about NOK 217 million in accrued revenues in 2023. The natural resource tax will be deductible from the resource rent tax set.
- An additional grant allocated according to the apportioning in the framework subsidy system for the municipalities will ensure that the sector receives the stipulated share of public sector revenues from the resource rent tax. The extra grant is expected to amount to just over NOK 700 million in the 2023 fiscal year.

The excise duty on production and the natural resource tax will ensure stable income, even in years with low resource rent. At the same time, the additional grant will mean that the municipal sector will benefit from high resource rent this year.

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