

Response by BP Netherlands to the Government of The Netherlands on its open consultation on Dutch National Carbon Levy Implementation

1. bp supports ambitious climate action

bp supports progressive climate action to get the world to Net Zero. As such, we support the ambitions of the Dutch Government to reduce GHG emissions extensively - as exemplified by bp's ambition to get our own emissions to net zero by 2050 or sooner.

2. Pro Carbon Pricing

We support the Dutch Government's choice of a levy on avoidable emissions to speed up GHG emission reduction activity in industry - because we believe carbon pricing is the most efficient way to reduce GHG emissions and incentivize everyone to play their part.

We recognize and accept that such policy may have the potential to affect our sector's conventional businesses and activities adversely in the short term.

3. Achieving the Paris climate goals and global net zero is what matters most

We recognize that Dutch Government action must support the delivery of its own climate goals as well as the EU's NDC. But we believe that the over-riding goal of climate policy must be to reduce global net GHG emissions. Our own ambition is similarly framed – to become a net zero company by 2050 or sooner, and to help the world get to net zero.

It is also vital that climate policy maintains public support over the long-term, which means avoiding unnecessary harm to the Dutch economy.

For both of these reasons, it is vital to minimize 'carbon leakage', and to ensure that the detailed design of the levy is both effective and efficient. Our comments below are intended to help the Dutch Government achieve these design objectives.

4. Need Government to commit to enabling Infrastructure – Electricity, Hydrogen & CO2 networks

The design of the levy must take account of the investments needed to reduce GHG emissions, and what will be needed to 'unlock' those investments. As part of this, we also stress the necessity of a shared responsibility between industry and government regarding the presence of appropriate infrastructure for key technologies to reduce carbon emissions¹.

5. New low carbon technology incentives crucial

Sufficient incentives, including the SDE++ subsidy that support new activities for carbon reduction, are instrumental to effectively create new value propositions for a net zero future.

¹Taskforce Infrastructure Industry, 2020

6. Fiscal neutrality

We particularly appreciate the levy feedback mechanism through taxation and refunds. We consider the levy to be designed well, in this respect, since the objective of the levy is not to generate state income but to intensify investments in GHG emission reduction initiatives.

7. 'Staircase' flexibility

The ability to carry existing emission reduction levels backwards to up to five previous years when an installation reduces its emissions below the permissible CO₂ emission level demonstrates that the regulator understands that large innovative projects take time to execute.

As part of the 'Staircase', The Netherlands intends to create a market for surplus company CO₂ rights (e.g. due to investment in improving GHG performance). Such incentivization for early investments is appreciated, but we believe the overall market for such credits will be small and risks being illiquid.

8. An all-EITE sector approach by NL Government Scheme

In bp, we believe that well designed carbon pricing should:

- Apply to all quantifiable GHG emissions in all sectors of the economy on a CO₂ equivalent basis.
- Pre-empt future and replace existing regulations that overlap or duplicate the carbon price.
- Prevent the shifting of emissions and jobs from one country or jurisdiction to another to avoid carbon taxation.

To prevent a loss of effectiveness of the levy it's therefore important to avoid carbon leakage. We therefore advocate for a carbon price that is applied to the broadest geographical set of sectors preferably wider than on a national level. Most Dutch industrial emissions can be attributed to installations which primarily produce products for exports. Production in other countries would not be subject to NL Carbon Levy giving concerns around reducing effectiveness of the levy². We appreciate the efforts that the Dutch government has undertaken to strengthen the EU targets for more ambitious GHG emission reductions EU-wide but are concerned that this will not occur quickly enough to address concerns about leakage from the levy.

² PwC Speelveldtoets, 2019/2020

9. Lack of level playing field between sectors

Carbon abatement is most effective in the power sector. The fact that the Netherlands will apply two carbon pricing methodologies, one for the power sector with a minimum price rising from € 12.30 to € 31.90 by 2030 but with no carbon levy exposure and one for industry with full carbon levy exposure. This differential pricing between the two sectors goes against the most cost-effective way to reduce GHG emissions.

10. CCS supported

We are most encouraged that CCS is supported in the Netherlands as well as that carbon reduction through CCS technologies reduces the exposure to carbon taxation.

11. Need for predictable regulation across current and future NL Governments

bp believes that sustainable emission reductions benefit from stable and predictable regulations. We share our concerns that introducing a mechanism without clear boundaries may lead to unintended consequences and increased uncertainty.

Finally, while bp recognizes that the additional information required by the Dutch competent authorities to award permissible CO₂ may increase compliance cost, we would urge the government to seek to keep these costs to the minimum necessary.