

The new Danish CO₂e-tax on Agriculture - observations on the role of scientific advisors

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Content

- The new Danish CO₂e-tax on Agriculture
 - Main Tradeoffs
- Observations on the role of scientific advisors

The CO₂e-tax etc.

Agreement:

- Tax of 750 DKK/ton (100 Euro/ton) on emissions from farm animals
- Subsidy of 750 DKK/ton (100 Euro/ton) for reduced fertilizer use
- Deduction/subsidy of 60% of tax per farm animal
- Subsidies to Pyrolysis of 0.5 billion DKK/year (0.07 billion Euro/year)
 - Tax fully implemented in 2035 – subsidies in 2030

Economic council evaluation:

- Marginal tax same as in rest of economy (welfare economically efficient)
- Deductions and subsidies welfare economically *inefficient*, cost: 0,5 – 1,5 billion DKK/year (0.07-0.2 billion Euro/year)

Key issues in policy discussion

CO₂e-tax causes:

- Carbon leakage to the rest of the world
- Loss of agricultural/rural jobs
- Asset and income loss to farmers

EC input to leakage discussion

- Leakage op til 2030
 - Greater in agriculture (35%) than in rest of economy (20%)
- Leakage after 2030 (EU reform: Fit for 55)
 - Less in agriculture than in rest of economy
 - after 2030 ETS encompasses everything but agriculture
 - After ca. 2032 leakage in ETS sectors close to 100%
 - After 2030 expected leakage in agriculture 30-40%

EC input to job loss discussion

	----- Annual mean -----	
	CO2e-Tax	Added Effect
	No Comp*	Comp**
	----- Mio. ton CO2e -----	
Effect on CO2e emissions from DK	-3,2	+0,6
	----- Bil. 2023-kr. -----	
Income effect on farmers	-0,8	+0,2
Total Income effect on all Danes	-0,5	-1,0
	----- jobs -----	
Job effect agriculture and food ind.	-8.200	+4.300
	----- 1000 kr. pr. job -----	
Annual extra cost per job	-	260

- Subsidies based on criteria that production decisions can not effect
 - Subsidy on number of animals/area year prior to implementation (rather than current number of animals/area)

EC input to job loss discussion

	----- Annual mean -----		
	CO2e-Tax	Added Effect	Added Effect
	No Comp*	Comp**	Comp EC
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	----- 1000 kr. pr. job -----		
Annual extra cost per job	-	260	-

Key issues in policy discussion

CO₂e-tax causes:

- Carbon leakage to the rest of the world
 - Argument for relatively stricter agricultural regulation
- Loss of agricultural/rural jobs
 - Avoided at added cost of 260.000 DKK/job (35000 Euro/job) not moved to a less polluting sector
- Asset and income loss to farmers
 - Can be compensated at no added cost

Observations on the role of scientific advisors

- What we do ... what we don't
- Who we help
- How we help
- A delicate balance