TAXAND

Energy & Tax Updates

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INTRODUCTION

Building on the insights from our Tax and Energy Country Guide released last year, we are delighted to launch Taxand's Tax and Energy Newsletter—a dedicated resource delivering expert perspectives and the latest global updates on energy taxation.

In today's world, energy is at the forefront of economic and environmental discussions, especially as countries push forward with decarbonization efforts. The scale of investment in this sector is immense, often driven by tax incentives and shaped by how capital-intensive projects are taxed.

Governments around the world are leveraging tax policy to accelerate the transition to a low-carbon economy. From promoting green hydrogen and clean energy investments to phasing out fossil fuel exemptions to "greening" traditional energy sources via carbon capture, these shifts reflect a growing commitment to sustainable energy systems. At the same time, regulatory developments and legal rulings continue to reshape the fiscal landscape, influencing how energy taxation evolves in response to both environmental and economic priorities.

We hope you find this inaugural edition insightful. If you have any questions about the topics covered, please do reach out to the listed contacts or local experts featured in this newsletter. Further insights from jurisdictions around the world can also be found in our Tax and Energy Country Guide.

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AUSTRALIA

CORRS CHAMBERS WESTGARTH

Australian Parliament passes Future Made in Australia incentives

On 11 February 2025, two tax incentives passed Parliament, intended to support Australia's transition to net zero emissions.

Hydrogen Production Tax Incentive
This incentive is provided in the form of a refundable tax offset available at AUD 2 per kilo of eligible hydrogen. It aims to provide an incentive for companies to commence medium to large scale production of renewable hydrogen in Australia. Renewable hydrogen can be used for high temperature industrial processes, clean fuel, as an effective means of storing renewable energy and is a key feedstock for producing chemicals such as ammonia and methanol. It is also a precursor to green metals like iron, steel, alumina and aluminium.

A company is eligible for the incentive where it is a constitutional corporation subject to tax in Australia which holds the production profile under which the hydrogen was produced and has complied with the rules implementing the community benefit principles. These rules will be subject to further consultation and are yet to be announced by the Treasurer, but the community benefit principles include:

- Promoting safe and secure jobs that are well paid with good conditions;
- Developing skilled and inclusive workforces by investing in training/skills development and broadening opportunities for workforce participation;
- Engaging collaboratively with and achieving positive outcomes for local communities, such as First Nations communities and communities directly affected by the transition to net zero;
- Strengthening domestic industrial capabilities including through stronger local supply chains; and
- Demonstrating transparency and compliance in relation to the management of tax affairs, including benefits receives under Future Made in Australia supports.

There is no cap on the amount a company can receive under this offset but it is only available for hydrogen produced in income years commencing on or after 1 July 2027 and ending before 1 July 2040, reflecting the Government's intention to support early investment in this sector.

Critical Minerals Production Tax Incentive
This incentive is also provided by way of a refundable tax offset, equal to 10% of eligible expenditure of an eligible company, intended to support the refining and processing of 31 critical minerals. However, Uranium has been specifically excluded. The credit will be available for a maximum of 10 years during the period commencing on 1 July 2027 and ending on 30 June 2040.

The supply of critical minerals is crucial to facilitate a shift to renewable energy. Currently, only a small amount of critical minerals mined in Australia are processed to a refined end-product entirely onshore. The incentive will encourage investment in minerals processing and the onshoring of existing processing activity currently performed offshore.

A company is eligible where they are a constitutional corporation that pays tax in Australia, is carrying on a registered CMPTI processing activity resulting in relevant expenditure and the company complies with any rules implementing the community benefit principles as outlined above. The offset may be reduced if the entity does not comply with implementing the community benefit principles for the CMPTI.

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Politics Delays Clean Economy Tax Incentive Legislation

Canada's federal government is currently a minority, where the governing Liberal Party has the most seats in Parliament but not a majority, meaning it requires the support of at least one of the three opposition parties to survive. All three opposition parties have stated they will vote against the government at the first opportunity, which would trigger new elections.

Deeply unpopular Prime Minister Trudeau announced on January 6th that he was stepping down as soon as his party found a new leader (Mark Carney was chosen on March 9th) and immediately prorogued (suspended) Parliament until March 24. The result is that no new initiatives will be introduced until then, and all in-progress legislation before Parliament was wiped away. The country awaits an all-but-certain imminent new election.

This development is unhelpful for the renewable energy sector. Over the past few years the government has announced a number of "clean economy" investment tax credits ("ITCs") (summarized here) that form a major part of the government's support for transitioning to a net-zero carbon intensity economy by 2050. Four of these ITCs have been enacted into law (although various proposed amendments are still outstanding), while the other two (Clean Electricity and EV Supply Chain) have not been.

The uncertainty created by this situation puts many important investment decisions on hold until a new government takes office (likely May or early June). While the poll-leading Conservatives (whose lead has shrunken dramatically) have not stated a position on these ITCs, a new government creates change-of-law risk, making it very hard for major capital-intensive projects to proceed. If the clean economy ITCs were cancelled, generous grandfathering treatment to protect taxpayers who have already taken on existing commitments would be both appropriate and anticipated.

The 2024 Fall Economic Statement

On December 16, 2024, the Canadian federal government released its annual Fall Economic Statement, which typically serves as an important waystation between annual federal budgets and an opportunity for the government to announce new initiatives and provide updates on existing ones not yet completed.

This year's FES included updates on certain aspects of the clean economy ITCs. Most notably:

- The Clean Hydrogen ITC that supports capital expenditures on qualifying equipment used in Canada to create hydrogen in a low-carbon process will be expanded to include hydrogen created from the pyrolysis of natural gas and other eligible hydrocarbons (methane pyrolysis), effective for property that is acquired and becomes available for use in an eligible project on or after December 16, 2024;

- New information was provided on the conditions that provincial and territorial Crown (i.e., government-owned) corporations must meet to claim the Clean Electricity ITC (which supports clean energy generation, transmission and storage in Canada), as well as extending eligibility to the government-owned Canada Infrastructure Bank; and

- Additional design and implementation details were provided on the EV Supply Chain ITC, designed to support manufacturing of electric vehicles in Canada.

Whether these measures get enacted depends on whether the government resulting from pending elections supports them, which is unclear as yet.

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Coal Industry

- **Tax Risks and Compliance**: The coal industry faces significant tax risks due to the quota system for mining and strict invoice management. Issues such as fictitious invoicing and tax evasion related to value-added tax (VAT), resource tax, consumption tax, and income tax are prevalent. The eight-department joint crackdown on tax-related crimes has further highlighted the tax risks in the coal sector.
- **Policy Impact**: The government has continued to strengthen tax supervision in the coal industry to promote compliance among enterprises.

Renewable Energy Industry

- **Export Tax Rebate Adjustment**: In November 2024, the Ministry of Finance and the State Taxation Administration reduced the export tax rebate rate for photovoltaic (PV) cells and modules to 9%. This move aims to mitigate the risk of anti-dumping actions by foreign markets and avoid the externalization of internal competition.
- **Tax Incentives**: The government continued to support the renewable energy sector through various tax incentives, including the exemption of purchase tax for new energy vehicles and a preferential corporate income tax rate of 15% for qualified pollution control third-party enterprises.
- **Green Electricity Market**: The government has pushed for the marketization of green electricity transactions by establishing cross-provincial trading platforms. Enterprises are now allowed to offset carbon emissions quotas with green certificates.
- **Energy Storage and Coal-to-Grid Transition**: From 2025, the target for new energy storage installations has doubled, with a requirement for new energy projects to be equipped with a minimum of 15% energy storage. Existing coal-fired power plants are mandated to complete flexibility upgrades by 2027.

General Energy Sector

- **Implementation of the Energy Law**: As of January 1, 2025, the "Energy Law of the People's Republic of China" has been officially implemented. The law emphasizes that energy development and utilization must comply with environmental protection regulations to reduce pollutant and greenhouse gas emissions.
- **Tax Cuts and Fee Reductions**: The State Taxation Administration implemented structural tax cuts and fee reductions to support scientific and technological innovation as well as the manufacturing sector. The policy resulted in tax cuts, fee reductions, and tax refunds amounting to RMB 80.69 billion.
- **"Two New" Policy**: The State Council launched the "Two New" policy, which promotes large-scale equipment renewal and consumer goods replacement. This policy has significantly boosted the sales of new energy vehicles, which increased by 45% year-on-year.

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FINLAND

BORENIUS

Investment Support for Climate-Neutral Economy Initiatives

Finland has introduced two new interesting investment support programs aimed at encouraging large-scale industrial investments that promote a transition towards a climate-neutral economy. These are referred to as "**Investment Aid**" and "**Investment Credit**" and both are enabled by the European Commission's Temporary Crisis and Transition Framework (TCTF).

Investment Aid (effective legislation)

- A direct grant which will be paid after the completion of the project
- Minimum required investment of 30 million euros;
- Depending on the nature of the investment, the direct grant may be 15–50 percent of the total investment expenses, capped at 150–200 million euros;
- Time to apply: 13 January 2025 – 14 March 2025.

Investment Credit (recently approved by European Commission, pending for national preparation)

- A tax credit which can be deducted from the corporate income tax after the completion of the project, annual deduction capped at 10 percent of the granted investment credit;
- Minimum required investment of 50 million euros;
- Tax credit may be 20 percent of the investment expenses, capped at 150 million euros;
- (Estimated) Time to apply: March 2025 – August 2025

Business Finland will manage the approval and monitoring process for both programs. Due to the provisions of the TCTF, all official decisions need to be made by 31 December 2025.

Projects eligible for support include investments in:

- Energy production from renewable sources and energy storage (Investment Credit);
- Decarbonization of industrial production processes, and improvements in energy efficiency (Investment Credit & Investment Aid);
- Production of strategic equipment, its components, and raw materials essential for the transition to a climate-neutral economy (Investment Credit & Investment Aid).

Investments related to electricity production are excluded from the scope of acceptable investment projects. The aim of the investment support programs is to specifically promote investments in clean transition projects which would utilize electricity, rather than those that produce it.

The applications for investment support under both programs should be made before the commencement of work related to the investment, meaning that only new investment projects would be eligible for support. This is justified by the fact that the support should have an incentivising effect, so it should not be granted for projects that have already begun.

It is advisable to begin identifying projects that may qualify for support and begin preparing calculations and estimates to ensure that the applications can be processed smoothly by the end of 2025. Since the initiatives offer significant financial advantages, companies are encouraged to seek expert guidance to navigate the application process and maximize the benefits.

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New elections in Germany

On February 23, 2025, new parliamentary elections took place in Germany. The Christian conservative party CDU and the social democratic party SPD emerged from this election as the parties that, in purely mathematical terms, have to form a coalition. Such coalition will have a narrow simple majority, but no qualified majority. The Greens, who as a party have significantly influenced energy policy in recent years, will no longer be part of the coalition.

Coalition negotiations between CDU and SPD are currently taking place, and have so far focused primarily on the financing of armaments and infrastructure spending and migration issues. Precise details of the proposed energy policy in a coalition agreement are not yet known.

In this respect, it is useful to look at party and election programs as indicators of the energy policy that is expected. These parties are aware that energy costs will have a significant impact on Germany's economic development in the coming years and that the current economic weakness will be overcome.

CDU

Although the CDU recently endorsed nuclear energy as an indispensable bridging technology and advocated an extension of the operating life of existing nuclear power plants, it rejects the construction of new such plants. However, since a complete shutdown has already taken place, it is rather unlikely that nuclear energy will become relevant again in Germany in the next few years, even if individual politicians question whether individual nuclear plants could be put back into operation.

The use of coal and gas is considered necessary, seeing carbon capture and storage (CCS) technology as an important contribution to climate friendliness.

Regarding grid extension, the aim is to combine the existing grid control areas into a unified “German grid control system”, although state participation in this is not considered to be expedient.

The CDU emphasizes the priority of industrial policy and warns against phasing out coal and gas-fired power plants without sufficient replacement capacity in order not to endanger Germany as an industrial location.

SPD

The SPD has set itself the goal of achieving at least 50% of electricity generation from renewable sources by 2030.

In order to reduce greenhouse gas emissions, investments are to be made in the modernization of coal- and gas-fired power plants.

The party aims to still reduce greenhouse gas emissions.

Both parties

These positions illustrate the different priorities of the two parties in energy policy, with the CDU/CSU emphasizing a balanced energy mix and the SPD placing a stronger focus on renewable energies.

Both parties want to reduce electricity taxes and also promote grid expansion, so that lower grid fees would be incurred.

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Greek developments

Below we summarise certain recent developments that are of particular interest to Renewable Energy Companies, which are very active in Greece, such as business transformation rules, digital transaction duty rules and recent tax audit trends.

Reform of rules on business transformations

A new law has been introduced in Greece regarding transformations, Law 5162/2024, which unified various scattered tax neutrality regimes in one single set of rules, harmonized with corporate law.

Law 4935/2022 on SME's transformation incentives and the special regime of law 2515/1997 for credit institutions, remain in effect, while transformations of REICs are covered by the new law.

The scope of Law 5162 covers domestic and cross-border mergers, divisions, partial divisions, spin-offs and legal form conversions as well as share exchanges. It applies in case of transformation plans or corporate resolutions which are published after the effective date of the Law, i.e. 05.12.2024. Specifically, as regards spin-offs and share exchanges, the ambit of the new law is extended, and a foreign non-EU entity may be involved provided it is tax resident in a country maintaining in force a Double Tax Treaty or Mutual Administrative Assistance Convention with Greece.

Under the new law, valuation requirements should be determined under corporate law on mergers and company law. For the recipient entity, there is no increase in the taxable value of assets transferred to it and any capital gains upon transformation are tax exempt. And for tax neutrality to apply to the shareholder, a minimum 2-year holding period is introduced.

A further important feature of Law 5162 is that it introduces an amendment to the definition of the sector for purposes of the partial division or spin-off. In particular, the new law defines the sector or branch of activity to be the entirety of the assets and liabilities of a division of a company or the designated assets along with the corresponding liabilities, that constitute, from an organizational perspective, an autonomous operation — that is, a unit capable of functioning independently — regardless of whether it generates income from its operations prior to the transformation. This definition is broader to the one provided by the EU Tax Merger Directive and corporate law on mergers. Guidelines are expected to be issued in the first half of 2025.

The replacement of stamp duty by the digital transaction duty (DTD Law 5135/2024)

DTD Law replaced a very old legislation on stamp duty. DTD is applicable only on transactions restrictively enumerated under the provisions of the Law, among which loans and assignments, in principle at the rate of 2,4% when companies are parties to transactions.

It is levied on transactions and not on written agreements, as was previously the case with stamp duty.

The replacement of stamp duty by the digital transaction duty (DTD Law 5135/2024) continued.

DTD law abolishes the so-called, under stamp duty regime, "territoriality principle" as per which an agreement signed and executed outside Greece remained outside the scope of the Greek stamp duty. The DTD applies, irrespective of the place where the transaction was executed or the place where the contract was concluded, as long as at least one of the transacting parties is a tax resident of Greece or has a permanent establishment in Greece (if the transaction in question relates to the activity of that permanent establishment in Greece).

DTD shall not apply on transactions that fall within the scope of the provisions of the Value Added Tax (VAT) Code, the Inheritance, Donation, and Parental Gift Tax Code, the Real Estate Transfer Tax, the Capital Concentration Tax, and the Special Banking Tax.

The Law also explicitly allows the transacting parties to mutually decide how to allocate this expense without affecting the transaction's value.

It shall apply on acts, transactions and contracts concluded or executed as of 01.12.2024 onwards. Guidelines are expected to be issued by the Greek tax administration in the first half of 2025.

Trends in tax audits

RES companies are often subject to tax audits, given that in the development phase they are in a credit VAT position and therefore they file VAT refund applications. Recently, the trend in such audits is for tax authorities to deny the refund on the basis that the companies have not started yet their VATable activity and it is not certain that they will start it, as long as the licensing procedure has not been completed.

This position is contrary to VAT legislation and relevant courts case law, both domestic and EU. In this respect, the Greek Dispute Resolution Committee has issued several decisions, taking the position that RES companies are entitled to the refund, to the extent it is established that they actually have the intention to carry out VATable activity in the future.

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INDIA

India is projected to see robust growth in renewable energy, smart grids, and electric vehicles by 2025. India's installed renewable energy capacity is expected to increase to about 170 GW by March 2025. The country is targeting about 450 Gigawatt (GW) of installed renewable energy capacity by 2030 – about 280 GW (over 60%) is expected from solar.

As per the report issued by the Department for Promotion of Industry and Internal Trade ("DPIIT"), the non-conventional energy space in India has become highly attractive for investors and received an FDI inflow of US$ 15.36 billion between April 2000-September 2023. For instance, Bharat Petroleum Corporation Limited, a Central Public Sector Enterprise ("CPSE") set-up under the Ministry of Petroleum and Natural Gas, Government of India, plans US$ 1.19 billion for green energy, targeting 2 GW by 2025, 10 GW by 2035, and 7,000 EV chargers in five years.

Major investments and developments in the Indian renewable energy sector:

- India is set to invest over US$ 360 billion in renewable energy and infrastructure by 2030, with US$ 190 billion to US$ 215 billion needed to achieve 500 GW of renewable capacity. An additional US$ 150 billion to US$ 170 billion will be required for electricity transmission and storage.
- According to Moody's, India will require US$ 190 billion-US$ 215 billion of investment over the next seven years to achieve the target of 500 GW of renewable energy capacity by 2030, and another US$ 150 billion-US$ 170 billion for electricity transmission, distribution, and energy storage.
- The world's largest renewable energy park of 30 GW capacity solar-wind hybrid project is under installation in Gujarat.
- India offers a great opportunity for investments in the RE sector; $196.98 Bn worth of projects are underway in India.
- Wind Energy has an offshore target of 30 GW by 2030 with 3 potential sites identified.
- The Solar Energy Corporation of India (SECI) implemented large-scale central auctions for solar parks and has awarded contracts for 47 parks with over 25 GW of combined capacity.

Production Linked Incentive ("PLI") Scheme

India's manufacturing sector is undergoing a transformative shift, driven by visionary policies aimed at redefining its global standing. At the heart of this transformation is the **PLI Scheme**. The Government has significantly increased budget allocations for key sectors under the PLI Scheme in 2025-26, reaffirming its commitment to strengthening domestic manufacturing. The quantum of the incentive would depend on: (i) the quantum of sales; (ii) performance parameters; and (iii) the percentage of local value addition in India.

Renewable Energy and Solar PV – In the first phase, manufacturing capacities were established with an incentive outlay of US$ 541.8 million. The second tranche, aims to build 65 GW of capacity with US$ 2.35 billion incentive outlay.

State incentives

- Notably, several State Governments, in addition to the Government of India, have announced certain incentives for setting up Renewable Energy projects and green hydrogen/ammonia projects in their respective states, such as a waiver/ reduction on wheeling / transmission charges on intra-state sale of power, electricity duty, cross-subsidy surcharge ("CSS"), capital subsidy, etc.

India Union Budget 2025-26

The Indian Finance Minister presented the budget for 2025-26 (Budget) before the Parliament on 1 February 2025 underscoring the government's continued commitment to sustainable development, infrastructure expansion, and energy security.

Significant allocations have been made to strengthen domestic manufacturing, enhance state-level infrastructure, and encourage private sector participation in critical sectors like nuclear energy and mining.

The key highlights of the Budget impacting energy and infrastructure sectors are discussed below:

Solar Energy

- The Basic Customs Duty ("BCD") on solar cells has been revised from 25% to 20%, and on solar modules from 40% to 20%, effective from 2 February 2025.
- Although this lowers the BCD payable on imports of solar cells and modules however, the Government has simultaneously imposed an Agricultural and Infrastructure Development Cess ("AIDC") on import of solar cells and solar modules at 7.5% and 20%, respectively. As a result, the total duty burden on import of such goods appears to remain largely unchanged to the effect that solar cells will continue to attract a 27.5% effective duty and solar modules will attract an effective duty of 40% (a slight reduction from earlier effective rate of 44%).

Nuclear Energy

- The Government of India has set a target of developing at least 100 GW of nuclear energy capacity by 2047. A '*Nuclear Energy Mission*' will be launched with an outlay of US$ 2.38 billion, focusing on the development of small modular reactors. The mission aims to operationalize at least five indigenously developed small modular reactors by 2033. To facilitate participation from the private sector, the government will propose amendments to the Atomic Energy Act, 1962 and the Civil Liability for Nuclear Damage Act, 2010.

Critical minerals

- The Government of India has fully exempted BCD on cobalt powder, waste and scrap of lithium-ion batteries, lead, zinc, and 12 other critical minerals. Previously subject to varying duty rates ranging from 2.5% to 10%, these minerals will be exempted from import duties.

ECONOMIC LAWS PRACTICE ADVOCATES & SOLICITORS

EV battery

- With a strategic focus on sustainable development, infrastructure enhancement, and energy transition, 35 additional capital goods for EV battery manufacturing have been added to the list of exempted items. These measures are expected to boost domestic production of lithium-ion batteries for EVs.

Parts of Wind Operated Electricity Generator

The concessional rate available on import of generators/ battery chargers up to 30KW, blades for rotor winds and raw-materials for manufacturing of blades for rotor (except balsa wood and carbon fibre) has been removed w.e.f. February 2, 2025 to promote domestic manufacturing.

Key Regulatory Updates

- Solar PV Regulations – India tightened solar PV regulations under the 2025 Quality Control Order, mandating stricter Bureau of Indian Standards ("BIS") standards for solar PV modules, inverters, and storage batteries, aiming for enhanced reliability and efficiency.

- Ministry of New and Renewable Energy ("MNRE") has issued a "Guidelines on Design Specifications, Performance Guidelines, and Testing Procedure for Solar Cold Storage with Thermal Energy Storage Backup".

- Ministry of Power has issued the Tariff Based Competitive Bidding Guidelines For Procurement Of Storage Capacity/Stored Energy From Pumped Storage Plants.

- Ministry of Power has issued the amendment to the Guidelines for Tariff Based Competitive Bidding Process for Procurement of Firm and Dispatchable Power from Grid Connected Renewable Energy Power Projects with Energy Storage Systems.

- Central Electricity Regulatory Commission ("CERC") has issued first amendment of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2025.

- Central Electricity Authority ("CEA") has issued an advisory on co-locating Energy Storage Systems with Solar Power Projects to enhance grid stability and cost efficiency.

- The CEA has issued Procedure for Verification of Captive Status of Such Generating Plant, Where Captive Generating Plant and its Captive User(s) are located in more than One State.

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Subsidy Stimulation of Sustainable Energy production and Climate Transition (SDE++) Program

To accelerate the reduction in greenhouse gas emissions in the Netherlands, the government introduced a subsidy for the entire exploitation period of certain installations. This SDE++ program pays for the incremental costs of a sustainable energy producing installation, covering the 'unrentable' difference between the 'base price' and the market price, until a certain maximum. No subsidy is provided when the market price is above a predetermined ceiling.

In 2025 a new SDE++ round has started, with a budget of €8 billion, it continues to drive renewable energy production and climate transition efforts by supporting large-scale renewable installations and emission reduction projects. This round introduces new funding opportunities for Direct Air Capture (DAC) and hydrogen derived from waste. Additionally, recent guidelines provide a clearer eligibility framework, ensuring that initiatives—ranging from heat pumps and solar panels to small-scale wind turbines and heating networks—meet well-defined criteria.

Environmental Investment Allowance (MIA) and Vamil

The Vamil (*Willekeurige afschrijving milieu-investeringen*) and MIA (*Milieu-investeringsaftrek*) are two Dutch tax incentive programs designed to encourage environmentally friendly investments by businesses. For certain investments, taxpayers can accelerate depreciation on assets and are allowed an additional deduction exceeding of costs. Each year the legislator updates a list of investments that qualify for the schemes, with their respective deductions.

In 2025, the MIA allows for a tax deduction of up to 45% on eligible investment costs, while the Vamil enables accelerated depreciation of up to 75%. These enhanced incentives aim to improve capital efficiency and encourage strategic investments in sustainable and environmentally friendly technologies while also optimizing corporate income tax liabilities.

Energy Investment Allowance (EIA)

Companies investing in clean energy and energy efficiency measures can deduct 40% of qualifying investment costs from their taxable profits under the EIA scheme. This initiative lowers operational expenses and fosters innovation in energy efficiency, contributing to improved EBITDA margins. For 2025 the Dutch legislator has updated the list of qualifying investments.

Introduction of a Separate Hydrogen Tax Tariff

The Netherlands levies taxes on the use of natural gas. To accelerate the use of more sustainable energy sources, in this case Hydrogen, there are plans for a reduced tariff. Users of Hydrogen will thus pay lower taxes on the hydrogen they use compared to natural gas.

The reduced tax tariff on hydrogen will take effect in 2026, aligning its cost structure more closely with renewable energy sources. This measure, which runs parallel to fossil fuel taxation (currently approximately €0.70/m^3), encourages companies to begin strategic planning in 2025 to optimize benefits from this fiscal adjustment.

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Phase-Out of the Netting Scheme

The Netherlands has a net metering scheme (*salderingsregeling*) for households and small businesses that own solar panels. This scheme allows excess self-generated energy to be fed into the grid and offset against energy drawn from the grid. Currently, excess energy produced during periods of oversupply can be offset against energy consumption during times of scarcity. This creates a misalignment where low-cost surplus energy can be offset against high-cost energy, leading to inefficiencies in the system.

The netting scheme for households and small businesses will be gradually phased out by 2027, necessitating a greater reliance on battery storage solutions to store excess energy. From 2027 to 2030, surplus electricity fed back into the grid will be compensated at a minimum of 50% of the basic delivery rate.

This transition requires homeowners and small businesses to reassess their financial strategies and risk management plans. By assessing whether their investments will pay themselves back in an over seeable timespan. More people will likely be investing in home batteries.

Expansion of Wind Energy

The Netherlands’ location on the relatively shallow North Sea, combined with large amounts of wind during the year, makes it an ideal spot for building large wind parks off the coastline. In combination with renewable energy targets, the offshore wind energy target has been increased to 50 GW by 2040, with ambitions to reach 70 GW by 2050.

This expansion is expected to have significant regulatory and financial implications and opportunities for project developers and investors.

Reduction of Natural Gas Tax

As the Netherlands transitions toward a more sustainable energy system, policy measures aim to balance affordability and environmental responsibility. In 2025, the energy tax on natural gas will be reduced by 4%, offering short-term relief for fossil fuel users. However, this measure must be balanced with aggressive renewable energy incentives to mitigate continued reliance on fossil fuels.

CO_2 Tax for Energy-Intensive Industries

To accelerate the transition toward a low-carbon economy, the Netherlands is implementing stricter carbon pricing policies. The CO_2 tax for energy-intensive industries will rise by €12.84 per year until 2028, providing a predictable framework that supports long-term decarbonization strategies.

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Gradual elimination of harmful exemptions for petroleum and energy products

The State Budget for 2025 established several measures to gradual eliminate the harmful exemptions for petroleum and energy products.

Several products used in the production of electricity and in the production of electricity and heat, or town gas on the mainland, are now taxed at a rate corresponding to 100% of the rate of tax on petroleum and energy products (ISP) and at a rate corresponding to 100% of the addition on CO emissions (index 2).

Others, consumed in the Autonomous Regions of the Azores and Madeira and used in the production of electricity, electricity and heat, or town gas, by entities that carry out these activities as their main activity, are taxed at a rate corresponding to 100% of the ISP rate and at a rate corresponding to 100% of the rate of the addition on CO emissions (index 2).

In 2025, certain products, used in the production of electricity, electricity and heat, or city gas, by entities that carry out these activities as their main activity, with the exception of those used in the autonomous regions, shall be taxed at a rate corresponding to 50% of the ISP rate and at a rate corresponding to 50% of the rate of the addition on CO emissions (index 2).

On the other hand, petroleum and energy products used in certain installations and fuel oil with a sulphur content equal to or less than 0.5%, classified shall be taxed at a rate corresponding to 100% of the rate of the addition to CO emissions (index 2).

Extraordinary contribution on the energy sector

The extraordinary contribution on the energy sector remains in force, with slight amendments which do not impact its structure and applicability.

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SOUTH AFRICA

South Africa extends energy efficiency savings deduction

What you need to know

The South African government has decided to extend the Section 12L energy efficiency savings deduction, which was meant to expire on 31 December 2025, for 5 years until 31 December 2030.

This extension aims to encourage businesses to invest in energy-efficient technologies by offering a tax deduction for verified energy savings. The incentive, which allows for deductions calculated at 90 cents per kilowatt-hour saved, is part of the broader effort to reduce carbon emissions and promote sustainable energy practices

South Africa introduces tax incentive for production of hydrogen-powered vehicles

What you need to know

To encourage investment in the local production of hydrogen-powered vehicles, the South African government has passed into law a 150% investment allowance targeting new investments in the production of hydrogen-powered vehicles in South Africa.

This means motor vehicle manufacturers will be able to claim 150% of qualifying investment spending on production capacity for hydrogen-powered vehicles in the year the investment assets are brought into use.

South Africa to publish consultation paper on flow-though tax regime

What you need to know

- The South African Government intends to publish a consultation paper on unlocking institutional funding for infrastructure. It will propose that certain investment vehicles be enabled to facilitate such investments and would offer a flow-through tax regime.
- Flow-through tax regimes allow certain sectors to benefit from the ability to transfer tax deductions to investors, making it easier to attract investment for high-risk exploration projects.
- Flow-through tax regimes could benefit sectors such as energy, mining and oil & gas.
- Further consultations will take place during 2025.

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Recovery of fuel tax because of infringement of EU law

The Court of Justice of the European Union (C-743/22) declared last May that the regional tranche of the Spanish fuel tax (in force between 2013 and 2018) was not in conformity with EU law. In practice, this meant that several billion euros should, in theory, be refunded.

However, this refund had been requested both by the fuel operators who had paid this tax and by the consumers of hydrocarbon who, ultimately and via price, had borne its cost.

Last September, several judgments of the Supreme Court, after confirming that the infringement of Community law gave rise to a refund, nevertheless denied consumers standing to obtain a refund directly from the tax authorities by means of a tax claim (which had been requested on the basis of the Community case law established in the Danfoss and Sauer Danfoss case (C-94/10).

It noted, on the contrary, that consumers may have recourse to civil proceedings against their suppliers or to a claim for State liability, both of which are subject to their own rules and requirements, which opens up new questions that are certainly complex to analyse. This litigation scenario is the one that must now be faced, given that some deadlines are beginning to approach, which must be taken into account when bringing certain actions.

Tax measures repealed by the Parliament

Royal Decree-Law 9/2024, of 23 December, extended to 2025 several tax incentives aimed at promoting the energy transition:

- The deduction provided in the Personal Income Tax for the acquisition of "plug-in" and fuel cell electric vehicles and charging points.
- The deduction provided in the Personal Income Tax for works to improve the energy efficiency of homes.
- Free amortization in the Corporate Income Tax of investments that use energy from renewable sources. This incentive is conditional on a requirement to maintain employment.

On the other hand, Royal Decree-Law 10/2024, of 23 December, introduced a temporary energy levy for the year 2025. Among other differences with the previous levy in force in 2023 and 2024, the amounts of the levy and the advance payment could be reduced by the amount of the provision of a reserve for the implementation of strategic investments linked to the ecological transition and decarbonisation.

However, both royal decree-laws have been repealed by two resolutions published in the Official Gazette of 22 January 2025.

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