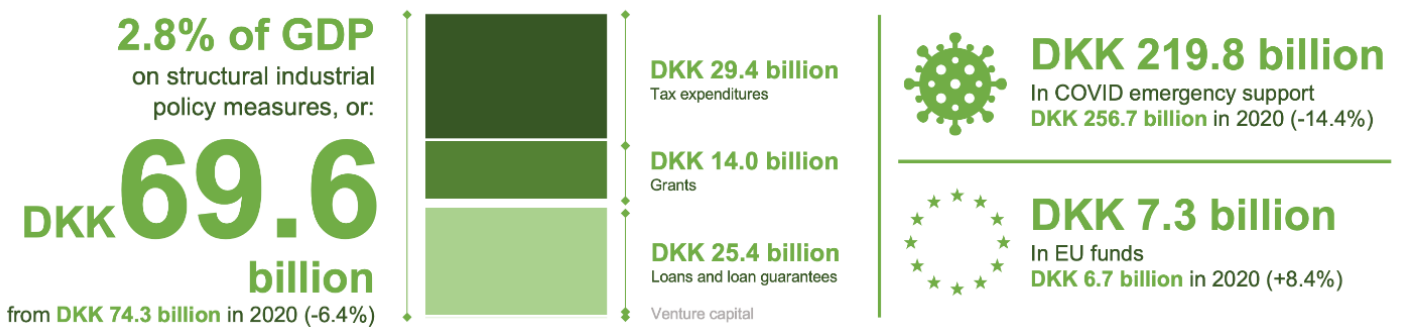


## Quantifying Industrial Strategy: Denmark Factsheet

### Highlights

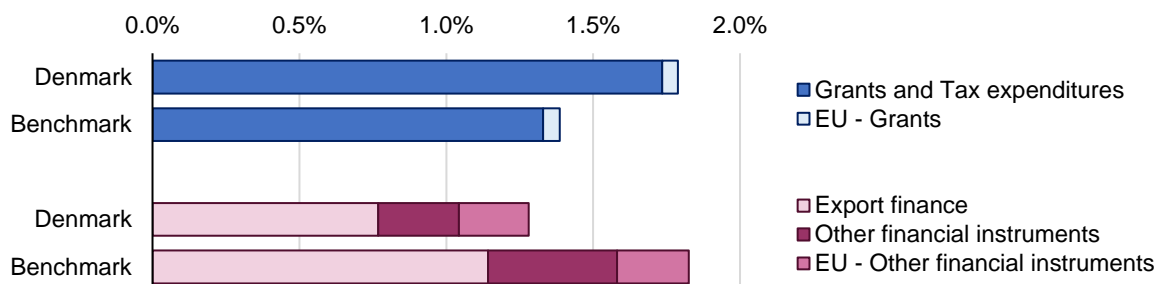
- Compared to other countries, the Danish industrial strategy is characterised by a strong green focus, which is mainly targeting the energy sector.
- Compared to other countries, the Danish industrial strategy, including green industrial policy, relies more on grants and tax expenditures and less on financial instruments, with the notable exception of COVID emergency support.
- Besides the energy sector, Danish sectoral support is mainly targeted to transport. The Danish support to businesses relies much less on labour cost reduction and support to training than in other countries. Training support and other active labour market programmes are provided at the worker level instead.

### DANISH INDUSTRIAL STRATEGY EXPENDITURES - 2021 NUMBERS

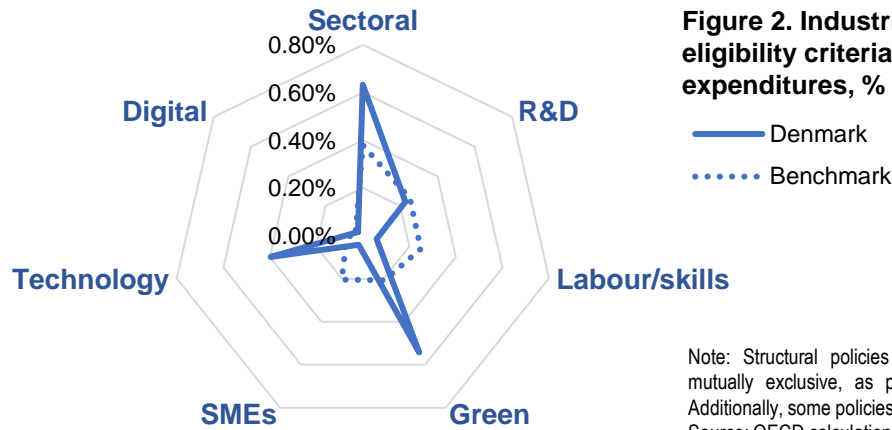


Denmark spends more on grants and tax expenditures as a percentage of GDP than the benchmark (1.7% vs 1.3% of GDP in 2021, **Figure 1**), while it spends less on financial instruments (1.3% vs 1.6% of GDP in 2021), with the notable exception of COVID emergency support, for which the country relied more on financial instruments. As for grants and tax expenditures, this difference comes from larger schemes supporting the green transition, specific technologies and from larger horizontal instruments. As for financial instruments, this difference can be explained by lower export financing support, and smaller SME-focused schemes.

**Figure 1. Danish industrial policy expenditures by instrument type in 2021, % of GDP**



Note: Includes EU support. Source: OECD calculations based on the QuIS database.



**Figure 2. Industrial policy expenditures by eligibility criteria in 2021, grants and tax expenditures, % of GDP**

— Denmark  
..... Benchmark

Note: Structural policies (i.e., excluding COVID). Categories are not mutually exclusive, as policies can be tagged in several categories. Additionally, some policies do not fulfil any of these eligibility criteria. Source: OECD calculations based on the QuIS database.

**Regarding grants and tax expenditures**, Danish industrial strategy is structurally different than that of other countries (Figure 2). Denmark spends more, as a percentage of GDP, on grants and tax expenditures supporting specific sectors, the green transition, and specific technologies. First, it has a strong green focus, with 0.54% of GDP spent on green policies (30% of its grants and tax expenditures vs 0.20% of GDP in the benchmark). Second, as a percentage of GDP, the share spent on technology-focused policies is almost six times higher than in the benchmark (0.40% vs 0.07% of GDP), with all these instruments being green, such as a grant supporting the development of biogas technologies (*'Tilskud til opgradering eller rensning af biogas'*, 0.10% of GDP).

#### The Danish jobs/skills and labour support model

While Denmark spends less than the benchmark on industrial policies in the jobs/skills category in 2020 (0.06% of GDP vs 0.22% of GDP), it spends much more than the benchmark on active labour market programmes<sup>1</sup> provided to workers (1.42% of GDP vs 0.31% of GDP). This reflects two major features:

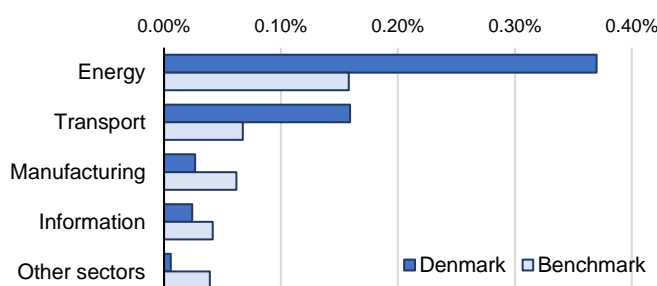
- 1) Labour policies in QuIS' scope and active labour market programmes can be considered by some countries as substitutes, and
- 2) Denmark focuses its employment support on policies provided to workers under the flex-security model.

Indeed, Denmark mostly relies on policies such as 'supported employment and rehabilitation' (0.98% of GDP) and institutional training (0.29% of GDP) to increase the skill level and labour market engagement of its workforce.

#### Sectoral support is mostly aimed at energy and transport

Sectoral industrial policy in Denmark overwhelmingly focuses on two sectors: Energy and to a lesser extent Transport. The Danish energy sector receives around 68% of green support.

**Figure 5. Sectoral support by sector as a percentage of total GDP - Grants and tax expenditures, 2021<sup>2</sup>**



#### Green support tend to focus on specific technologies

All of the Danish instruments targeted at specific technologies are also green instruments, with the main instruments of this type being:

- Grants for wind turbine electricity (*'Tilskud til vindmølleelektricitet'*, 0.16% of GDP)
- Grant supporting the development of biogas technologies (*'Tilskud til opgradering eller rensning af biogas'*, 0.10% of GDP).
- Tax exemption for renewable energy usage from biomass in the business sector (*'Afgiftsfritagelse af vedvarende energi fra biomasse'*, 0.06% of GDP)

#### Policy Highlight : grants for wind turbine electricity

*'Tilskud til vindmølleelektricitet'*, 0.16% of GDP, is given in the form of a price supplement which is either a fixed amount per produced kWh or an amount which is the difference between a fixed amount and the market price. The latter can ensure owners of the plants a settlement price for the electricity produced, which is independent of the market price.

#### The purpose of the scheme and the support element

The purpose of the scheme is to expand renewable energy production through wind turbines and contribute to meeting the Danish environmental and climate goals.

The support is paid in the form of price supplements to the owners of wind turbines to cover the production costs that are not covered by the sale of electricity generation on market terms.

#### Evaluation of the scheme

The scheme has been continuously assessed and changed as part of the changing energy policy agreements.

1: Source: OECD calculations based on the OECD Labour Market Programmes database and the QuIS database. Note: 2020 is the last available year of data on Labour Market Programmes. The labour market programmes considered were "Public employment services", "institutional training", "Sheltered and supported employment and rehabilitation" and "Direct job creation", which are the ones directly provided to workers. Passive labour market programmes (e.g. unemployment benefits) are not included.

2: Reading example: the amount of Danish grants and tax expenditures support specifically directed to the energy sector represents 0.37% of total GDP, vs 0.16% in the benchmark. Note: Includes EU support. Instruments targeting agricultural firms are excluded from QuIS. Source: OECD calculations based on the QuIS database.