

IFIEC Europe's position paper on Energy Taxation Directive

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Background

The European Commission currently indicates that the Energy Taxation Directive 2003/96/EC (ETD) would not be aligned with the objectives of the European Green Deal and would not adequately promote greenhouse gas emission reductions, energy efficiency and the uses of low carbon fuels.

Europe needs a competitive industry to develop sustainable innovations, products and jobs

Due to COVID-19 pandemic, Europe is facing a global economic collapse. In this context, IFIEC recommends that European Commission redefines completely Climate, Energy and Industry Policies to mitigate the consequences of the current economic crisis.

In order to meet the Green Deal targets, Europe needs a strong and competitive industry able to develop innovative sustainable technologies and products. For that, a revision of Energy Taxation Directive revision should not create additional or unnecessary tax burdens. European industries' global competitiveness should not be eroded by an overall increase in European energy tax burden through the removal of current taxation exemptions or reductions. An impact assessment is vital to ensure that the revision of the ETD does not damage European industrial competitiveness and the mere presence of EU based energy-intensive industries proving sustainable products and jobs to Europeans.

IFIEC asks for the following elements in a possible ETD revision:

1. Restoring global energy cost competitiveness is a priority: Energy cost (driven by energy prices, grid tariffs and energy taxes) is currently a significant component of the cost of production of energy-intensive industries. Thus, to keep the possibility of exempted or reduced level energy consumption taxation for those energy-intensive businesses competing globally is a way to maintain their competitiveness. Such exemptions applied on energy sources do not reduce the incentives to invest in energy efficient technology, energy prices and grid tariffs being in themselves sufficient.
2. European harmonized taxation framework is a necessity: IFIEC welcomes Commission's objectives to remove fragmentation of internal energy market and distortions in the European level playing field. To mitigate current divergences in national energy tax rates

amongst Member States, optional exemptions or reductions foreseen in the current ETD should become mandatory and a taxation ceiling by category of consumers should be set to prevent Member States to introduce above the tax component, additional levies, which can in certain cases represent huge financial burden for industrial energy consumers. To avoid unfair distortion of competition between companies which have outsourced some activities and those which have not, exclusion of certain industrial processes from the taxation scope should be applied regardless of the plant set-up. In case of outsourcing of utilities (e.g. electricity, steam, compressed air production, industrial gases production...), the taxation scheme should provide the same levels of reduction or exemption as for integrated companies.

3. Non-avoidable energy use should be exempted: to focus on energy use (possibly in a harmonised fashion) when taxation aims to steer energy use toward a reduction. Meanwhile avoid overlaps/interference with other regulations: In case of introduction of an explicit CO₂-related tax component, activities covered by ETS should be fully exempted to avoid a double taxation.
4. Energy Taxation Directive should promote the decarbonation of EU industry: Electrification of production processes and appliances and the use of low carbon fuels will contribute to decarbonize the European economy. The reviewed ETD could more adequately promote electrification or the switch towards low carbon fuels (Biomass, biogas, hydrogen...) by setting exemptions for those energy carriers. The revised ETD could also help the development of circular economy. In order to promote ecological alternatives, ETD could foster the incineration of wastes or refused derived fuels rather putting them in landfill by setting energy tax exemptions, for such fuels.