

EDISON'S CONTRIBUTION TO THE REVISION OF THE DIRECTIVE 2003/96/EC ON THE TAXATION OF ENERGY PRODUCTS AND ELECTRICITY

Edison strongly welcomes the possibility to share its thoughts regarding the revision of the Directive 2003/96/EC on the taxation of energy products and electricity (hereinafter, ETD). We firmly believe that this review process represents a very important step in support of the Green Deal and the long-term climate objectives of the European Union, as well-designed taxes provide, by sending the right price signals, the right stimulus for the implementation of sustainable practices by all parties involved.

At European level, it is believed that the current European rules on energy taxation no longer provide an appropriate and incisive contribution in today's regulatory framework. These rules, in fact, no longer seem in line with recent European Union environmental policies and with the climate targets established for 2030 and 2050. Consequently, the tax regime introduced in 2003 is considered obsolete. In the light of the foregoing, the Commission has included among the aims of the Green Deal the following:

- alignment of the taxation of energy products and electricity with EU energy and climate policies, with the provision of effective carbon pricing and removal of fossil fuel subsidies;
- preservation of the EU internal market by updating the scope and structure of rates, by rationalizing the use of tax exemptions and reductions;
- utilization of the taxation to promote renewable energy and increase energy efficiency.

It should be noted that, in terms of complementarity between the taxation of energy products and the objectives of the energy and environmental policies of the EU, the final objective of any update and alignment of the current energy tax legislation should be to mitigate climate change and reduce emissions.

In this sense, we share the statement contained in the Report concerning the ETD, published by the European Commission, according to which, precisely with the view to technological evolution, in the Directive there is no link between, on the one hand, the minimum tax rates and exemptions and, on the other hand, their energy content and CO₂ emissions. In fact, the ETD does not reflect the current plurality of energy products existing on the market.

On this point, it seems correct to increase the taxation on the most polluting energy products, in order to discourage their use. At the same time, however, it does not seem right or logical to tax all fossil fuels indiscriminately, as this would not effectively contribute to the fight against climate change. Preferential tax treatment should be applied for sources that have efficient characteristics and have a lower environmental impact, such as natural gas. Therefore, the various types of fossil sources should be distinguished and, consequently, the related tax treatment should be aligned with the resulting environmental impact.

The less polluting sources, such as alternative fuels, which include, for example, natural gas also in the form of liquefied natural gas, should certainly continue to benefit from the exemptions currently envisaged, including those for maritime and air transport. The category of so-called alternative fuels should receive preferential tax treatment. In fact, these types of fuels include all those fuels or energy sources which act, at least in part, as substitutes for fossil oil sources in the supply of energy for transport and which can contribute to improving the environmental performance of the transport sector. These sources include electricity, hydrogen, biofuels, paraffinic synthetic fuels, natural gas (including biomethane) in gaseous (CNG) and liquefied (LNG) form and liquefied petroleum gas (LPG).

For example, natural gas is the fossil source that releases less CO₂ per unit of energy produced and can be useful as a transition source. There is no doubt that this is the lowest CO₂-emitting fossil fuel and can both significantly reduce CO₂ emissions in place of coal or oil and emit no CO₂ in renewable forms. Natural gas

therefore represents the less polluting energy source and the most convenient decarbonization technology in the areas of energy production, heating, cooling and transport. This statement finds even more ground in the light of the various European policies adopted on the subject and recent national interventions. The different action plans of the European Union are, in fact, widely oriented towards the valorization of alternative fuels.

The use of natural gas, in gaseous (LNG) and liquefied (LNG) form, is part of the wider energy-environmental policy design of the European Union, which aims at the gradual transition to a low carbon economy implemented through substantial reduction of polluting emissions, the use of clean fuels and renewable sources.

In 2013, the European Commission adopted the Clean Power for Transport package containing a proposal for a directive on the development of infrastructures for the diffusion of alternative fuels such as, for example, LNG. Moreover, in 2014, Directive n. 2014/94/EU for alternative fuels (so-called DAFI) was adopted. The Directive provides the increase, in the use of electricity, of hydrogen, natural gas (gaseous and liquefied) and LPG in order to reduce the consumption of the most polluting oil products in transport and, consequently, to reduce the emissions into the atmosphere, both from the point of view of the objectives of improving air quality and reducing climate-changing emissions.

It is evident that the European Union, therefore, already favors the use of alternative fuels, promoting in particular the use of LNG in transport, to reduce dependence on oil and minimize negative effects on the environment (60% reduction in emissions of GHG – Green House Gas in the transport sector in 2050 compared to 1990). Recent technological developments and the price differential between crude oil and gas have opened the way to new possibilities of use for LNG in road transport of goods and for ship propulsion.

With specific reference to the maritime transport sector, the use of natural gas as a primary source of energy for the propulsion and production of electricity is strongly encouraged (among others, also by the International Maritime Organization - IMO). The use of natural gas as a fuel is one of the ways that the maritime industry can adopt to meet the increasingly restrictive limits of emissions into the atmosphere with reference to polluting, harmful and climatic substances, such as nitrogen oxides (NOx), sulfur oxides (SOx) and carbon dioxide (CO₂) due to the use of traditional fuels under normal ship operating conditions.

There are aspects, including those indicated below, that make LNG used as marine fuel, one of the most promising technological solutions for the maritime industry. In fact, the use of LNG as an alternative to traditional fuels allows:

- the reduction to almost zero of sulfur oxide (SOx) and particulate matter (PM) emissions;
- the reduction of nitrogen oxide (NOx) emissions due to compliance with the limits applicable since 2016 in the Nitrogen-oxides Emission Control Areas (NECA);
- a 20-25% reduction in CO₂ emissions.

The energy tax policy, currently under discussion both at European and national level, continues in an unequivocal direction: the decisive role in the future development of the market for alternative fuels and, in particular, for gas natural, in its various forms, including LNG.

In conclusion, the energy evolution, also in fiscal terms, cannot fail to take into account the current context: it seems correct, in fact, on the one hand, to implement a differentiated taxation in relation to the different types of sources and due to the different environmental impact and, from the other, to maintain the exemption system currently envisaged for natural gas (CNG and LNG), including measures relating to uses in air and maritime transport.