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Public consultation on the revision of the Energy Taxation Directive

Contribution from GAZ-SYSTEM S.A.

Introduction

GAZ-SYSTEM S.A. would like to thank the European Commission for the opportunity to express its views in the public consultation on the revision of the Energy Taxation Directive (ETD). The revised ETD should support the implementation of climate and environmental objectives both in the mid-term perspective (i.e. 2030) and in the long run (i.e. 2050) in a timely and cost-efficient manner. At the same time, the future taxation regulatory framework needs to duly consider regional specificities across the EU. From the Polish perspective this means that:

- The Polish energy market is largely based on solid fuels (i.e. coal and lignite). 47% of the primary energy in Poland comes from solid fuels, while the share of low emission natural gas and renewables is limited (15% and 13%, respectively)¹.
- The magnitude of solid fuels is especially visible in the electricity and heating generation sectors considering that 74% of electricity in Poland is produced from coal and lignite while the share of coal in heating totals 72%. On top of that, 80% of district heating systems in Poland are inefficient and thus require modernisation and fuel switch. Households in Poland consume 87% of coal used across the whole UE for heating purposes².
- Air pollution resulting from burning high emission and low-quality fuels, especially in the winter period, constitutes a serious socio-economic problem in Poland with an adverse effect on public health and life expectancy.

General comments

GAZ-SYSTEM S.A. is of the opinion that the ETD should build on the principle of technology neutrality and support all kinds of energy sources and technologies as long as they are aligned with the 2030 and 2050 objectives including through replacing carbon intensive fossil fuels.

The taxation of the energy products should also be based on a properly prepared Life Cycle Analysis (LCA); assessing the overall GHG impact of a product, including each stage of its production and use along the entire supply chain. Also, the possibility of its quick implementation and time needed for improvement of already existing emissions should be accounted for.

The European Commission should also make sure that the revision of the ETD is aligned with possible extension of the EU Emissions Trading Scheme (EU ETS). This will allow to avoid double taxation of the GHG content.

¹ Source: European Commission, DG Energy.

² Source: Energy Regulatory Office, Eurostat, PSE S.A., Statistics Poland.

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Specific remarks

Natural gas is a low emission source of energy that may well bring environmental benefits and the same time accommodate the need for affordable solutions for the society in Poland and other countries in Central-Eastern Europe:

- Gas infrastructure delivers natural gas as a low emission energy source to the power, heating sectors and other industries and enables CO₂ reduction with the switch from carbon intensive fuels towards low emission sources.
- Natural gas provides reliable and flexible back-up for variable renewables that will be deployed in the coming years in Poland (e.g. wind power, solar PV).
- Natural gas is an efficient energy source that may be used efficiently to mitigate air pollution resulting from burning high emission and low-quality fuels. This may be achieved in a timely and cost-efficient manner with the connection of households, heat and power plants to the gas grid and the wider use of LNG and CNG in inland and maritime transport.
- Gas grids contribute towards the deployment of renewable and decarbonised gases (biogas, green and blue hydrogen, synthetic methane) through adapting the existing infrastructure or by considering relevant requirements for new investments.

The taxation regime for natural gas should reflect its lower GHG-emissions levels when compared to solid fossil fuels and the potential for natural gas usage to ensure immediate emissions and air pollutant reductions. In addition, the taxation regime should also take into account the increasing share of low-carbon and renewable gases (esp. biomethane and clean hydrogen) in gas grids and provide necessary incentives to ensure the fast market-based development of these gases.

In order to promote the development and deployment of low carbon fuels, any decision to grant possible exemptions from the revised ETD for specific sectors, such as maritime and road transport, should be carefully considered - not least because any such exemptions would dis-incentivise the use of low-carbon fuels within these sectors. For example, any blanket exemptions from the ETD would dis-incentivise the use of CNG and LNG (and also bio-CNG/bio-LNG) which have significant CO₂ and local pollutant emission benefits compared to fuels that are currently predominantly used in the maritime and road transport sectors. Furthermore, there would be no lock-in effect by initially promoting CNG/LNG in these sectors as the relevant infrastructure can subsequently be used by bio-CNG/bio-LNG. In line with the above, Member States should continue to have the possibility to determine minimum taxation levels for maritime and transport fuels.