



APREN'S Response to

Public consultation on the revision of the Energy Taxation Directive (ETD)

ETD has been in force since 2003 and we believe that it initially had an overall positive impact in ensuring the accurate functioning of the internal market, preventing double taxation or any distortion of trade and competition between the different energy sources and between energy consumers and suppliers.

However, the evolution and current trends of the energy system and technologies, as well as the applicable national tax rates and energy markets evolved, and the ETD no longer answers to the magnitude of the energy system and even less, to the current view of the European Union for the energy transition. The ETD did not follow the EU developments regarding recent legislation and regulations in the energy field, as a result, the overall EU added value of the ETD has reduced significantly over the years given the lack of update of the minimum rates, the extensive and divergent use of the optional tax exemptions and the lack of harmonization between Member States.

With this, APREN strongly supports the conclusions of the assessment from the European Commission published in 2019 – “Evaluation of the Council Directive 2003/96/EC of 27 October 2003, restructuring the Community framework for the taxation of energy products and electricity”.

APREN congratulates the European Commission's consultation on the revision of the ETD, since a reassessment of the Energy taxation incorporating the impact and externalities of energy products would give clearer price signals to support both the decarbonisation and the energy transition. APREN positively considers that the review of the ETD should prioritize and boost direct and indirect electrification of the energy system. Given the Portuguese experience on the ETD application, at this point, it does not contribute effectively to create a level playing field for renewable electricity and even less for the implementation and development of new disrupting technologies, such as storage and renewable hydrogen, due to the high exemptions applied in different energy sectors and to the nonexistence of an established system for differentiating the origin of the primary energy used to generate electricity. Last, the ETD is not aligned with the European climate and energy goals, and consequently with the Portuguese national targets for 2030 and 2050, which clearly acknowledges the need to review the ETD.

APREN recognizes that a review of the ETD is fundamental to support the energy transition, giving straight signals to what should be the path. We understand that a review of the ETD also requires a wider analysis from the Member States on their fiscal taxes and subsequent revenues for the annual state budget. Although, we have to keep in mind that the taxation on energy products currently represents a high share of revenues so, given the EU-wide ambition to phase out fossil fuels, the taxation based, solely, on carbon and energy content will, in the medium-long term, represent less revenues. Nevertheless, the redesign of taxes can, of course, be redirected for other economic areas that should also contribute and that, in the long term, will probably still be an issue, such as waste and other goods and consumables.

Moreover, social welfare needs to be taken into account and measures and exemption options for families with low income need to be considered. Portugal has implemented a social tariff for low income families based on the annual revenue of the families or on specific social conditions like unemployment, that APREN strongly supports. However, the social tariff is supported by the electricity producers operating on market regime, divided proportionally by their installed capacity. APREN does not agree with this methodology since these costs are inevitably translated in the electricity prices reducing the competitiveness in the wholesale market and consequently increasing costs for the final consumers. Social impact and compensation measures need to be considered, but should not impact or create market distortions, hence, the taxation on energy products should be redirected to support social costs related with social welfare.

APREN would also like to highlight the current lack of harmonisation of national energy taxation frameworks which today means a serious barrier to a wider integration of the European internal energy market. The unequal exposure and sometimes lack of transparency on the energy taxation across Member States leads to serious distortions to the internal market, with significant discriminatory impacts on the competitiveness of the EU businesses and social fairness for the most vulnerable consumers.

So, APREN considers that the ETD requires a larger consistency across Member States. Energy taxation should drive the achievement of the European Union's ambition to become a leader in renewable energy and in the fight against climate change. At the same time, it should avoid discriminatory treatment between energy consumers (electricity versus others) and European businesses. This consistency will ensure a smoother functioning of the European internal energy market and support the competitiveness of the European industry.

Last, the ETD review needs to reflect the EU commitment on renewable energies development and incentivise their uptake. Renewable energies will not only be the centre of the full decarbonisation of the energy system but will also represent an important economic potential for the EU in terms of job creation and add-value for economic and social welfare.

Given this, the energy taxation framework must push investments into renewable energy technologies and other technologies that entail to scale-up to push the energy transition, in line with the EU energy and climate commitments, imposing negatives signals on carbon and energy content of energy products.

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