



Entrepreneurship and business environment/
Economic Policy
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Response to a consultation on a revision of Energy Taxation Directive

Confederation of Finnish Industries EK represents the entire private sector and has 24 member associations and 16,000 member companies. We speak for employers of all sizes, from public limited companies to SMEs. Our member companies create jobs and welfare in Finland, and are responsible for 70% of exports, 70% of R&D expenditure, 2/3 of the GDP created by companies and 2/3 of the private sector jobs.

The climate change is a huge global challenge in every level of societies. Confederation of Finnish Industries strongly supports the Paris agreement and 1.5-degree policies and is fully committed to the implementation of necessary measures to mitigate climate change. Enterprises are in the core of this long-lasting combat by innovating, investing, and offering solutions globally. In the on-going energy transition, they change their processes away from using fossil fuels, and at the same time they face daily tough international competition.

We appreciate a possibility to deliver views of Finnish businesses regarding the revision of the Energy Taxation Directive and align its content with the Green Deal.

Finnish businesses see the importance of the Energy Taxation Directive (ETD): it improves the function of the EU's internal market having minimum energy tax rates and exemptions determined. However, the ETD's effect has been limited: there is quite a variety of tax levels used in Europe.

The content of the 2003 implemented Energy Taxation Directive is clearly outdated, and there is an obvious need for a revision. The ETD should be at least in line with other updated energy, climate and environmental legislation, especially with the EU ETS Directive. The ETD should also take care of the competitiveness issues inside and outside Europe. The evaluation of the legislation and minimum rates within the EU is not enough because the companies face global competition. Most of the countries have no energy taxation in place globally.

Many Member States use carbon taxation in addition to energy content taxes, but carbon taxation is missing totally from the present Directive. The minimum level of carbon tax should be determined to increase the

level of harmonization in the EU. It should be set so that it does not negatively affect the competitiveness of the companies operating globally. To avoid double carbon taxation, the energy use in ETS-sector should clearly be exempted by the Directive. This is a question of competitiveness of the European companies in the global market.

Exemptions of direct heating are still utmost important to preserve. In addition to this, use of indirect heating in some industrial processes is in many cases necessary because of the nature of the product and process or simply for safety reasons. However, this kind of indirect heating cannot be exempted like direct process heating. This disadvantage needs to be removed, when revising the ETD.

For biofuels, there is no possibility to go under the minimum rate of similar fossil products, which makes for instance the promotion of the 100 % bio-based fuel by energy taxation difficult. The problem is the same with all new low-carbon or carbon-free energy products, which discourages to develop and use them instead of fossil fuels.

For international flights and maritime there are organizations in place to agree on global climate measures for these sectors. Therefore, the EU should not unilaterally implement climate or tax legislation on these sectors.

In general, all the accepted exemptions in the Directive should be taken into use without extra state aid processes, which are usually long-lasting and create unnecessary uncertainty among businesses.

Finally, in the inception impact assessment, the Commission has stated that it is possible to use Article 192 of the Treaty (environmental measures including measures of fiscal nature) that allows European Parliament and the Council to adopt proposals in this area through the ordinary legislative procedure by Qualified Majority Voting rather than by unanimity in the Council. In the view of the Confederation of Finnish Industries, the legal basis of the present Directive should continue to be Article 113 of the Treaty of the Functioning of the EU that provides for a special legislative procedure whereby the Council acts unanimously.