

EU Green Deal – Revision of the Energy Taxation Directive

REPLY FROM EDF

EDF welcomes the intention of the Commission to review the Energy Taxation Directive (ETD).

The current Energy Taxation Directive does not contribute to the EU's climate and energy policy goals: there is no link between minimum tax rates and their energy content and CO₂ emissions. The ETD does not provide preferential tax treatment for low-carbon energy final consumption. Thus, the minimum rate for electricity, natural gas and coal is identical (0.15 EUR / GJ) while their contribution to the objectives of reducing greenhouse gas emissions is antagonistic. On top of it, rates applied today by Member States differ significantly.

However, as indicated in the long-term strategy of the European Commission, taxation is an effective tool for the implementation of environmental policies. **Therefore, carbon taxes and pricing should take into account negative environmental impacts** and help reducing greenhouse gas emissions, improving energy efficiency and on strengthening the circular economy.

The ETD should therefore include a carbon-related component. It is the best way to both (i) enhancing the minimum rate within the EU by integrating a CO₂-component and (ii) securing an incentive which is consistent with EU energy and climate targets. Securing such consistency is desirable, since in a majority of Member States, electricity consumption is more taxed than fossil fuels at present, despite the fact that electricity generation has been charged with ETS. This is especially the case in France where gas is taxed 3 times less than electricity for domestic use, while its carbon content is rather three times higher.

Today, taxes, levies and charges represent a significant, and often growing, part of the electricity bills. The ETD should pave the way for a reallocation of budget resources that are collected upon carbonized final energies, in order to favour energies that contribute to energy & climate targets of the Union. **We insist on the fact that electricity, which will be more and more low-carbon and which will replace more and more uses of fossil hydrocarbons, comes on the top of the merit-order.** Taxes on final consumption should not hamper the electrification of European economy.

Taxation of energy products and fuels plays an important role in decarbonising the transport and building sectors, as it provides a price signal to consumers. The current ETD is not providing equal treatment of energy supplies to the transport and building industries thus hampering investments in much needed clean technologies. ETD must be modified in order to incentivise the uptake of electromobility - which is 3-4 times more efficient than a usual car- that should be taxed the same as the rest of electricity used for other purposes, to avoid any distinction in usage or asset class.

Significant side-effects created by the ETD should also be addressed, such as the tax collecting role that energy suppliers are often assuming for Member-States and the financial responsibility they are therefore endorsing in case of non-payment by the final customer. **The fact to recover the tax in case of unpaid operations should be explicitly integrated and mentioned in the ETD.**

In addition the review should maintain clear exemptions for energy products and electricity used to produce electricity and electricity used to maintain the ability to produce electricity in order to avoid any double-taxation. Also, in order to avoid any unintended application of the ETD, it should explicitly be stated that storage, which is one of the means to enhance the flexibility of the system, is not to be considered as an end-consumption.