

Energy Taxation Directive

EUROFER's contribution to the public consultation

Publication date: 14 October 2020

EUROFER, the European steel association, welcomes the possibility of contributing to the consultation on the Energy Taxation Directive (ETD) and will support the European Commission to ensure that the ETD remains effective and operational, without hampering competitiveness for business while supporting wider societal objectives.

Aligning different EU policies is a commendable ambition. Different policy areas influence each other and to reach an efficient development in line with the Green Deal the combination of regulatory measures need to be complementary. At the same time, different legislation shall not overlap each other. It is necessary that every piece of legislation has a well-defined purpose and does not aim at being the solution to everything.

Concerning ETD, we believe that the purpose is to support EU member states with a tool to tax energy and at the same time limit the risk of creating different terms of competition for companies within the internal market. However, the ETD also has to consider the effect on sectors that are subject to fierce international competition from regions with significantly lower ambitions concerning e.g. climate change and therefore at risk of carbon leakage.

In the current climate and energy policy framework, the Emissions Trading System (ETS) covers greenhouse gas emissions from power and process industry and hence these emissions shall not be subject to any additional carbon tax. To fulfil the effort sharing legislation, each Member state has discretion to use whatever strategies that are best suitable in each country. The same flexibility goes for the energy efficiency targets. Energy and carbon tax may be relevant and usable measures within these strategies, but also other measures are needed such as research support, education and supportive incentives. The ETD should therefore be neutral, i.e. not have the ambition nor the effect to promote one set of measures over another, i.e. neither emission reduction nor energy efficiency over whatever measure.

A common EU-framework is necessary for the smooth functioning of the EU energy market. Minimum tariffs do not exist in large part of the rest of the world and the ETD should consider this so as to help Member States mitigate the negative impact of energy taxation to international competitiveness. Minimum tariffs shall therefore be kept at a low level.

We believe that companies need a stable policy environment to be able to make long-term investment decisions. This is particularly relevant in the development of a low-carbon economy in highly competitive international markets.

Specifically, metallurgical process should not be subject to energy taxation in order to avoid deepening the already unbalanced playing field. Similarly, the exemptions in article 15 and 17 concerning energy intensive industries are important and should foster the internal market within EU. These exemptions facilitate implementation and minimize costs and administrative burdens for Member States and businesses; hence, they should be fully applied without any conditionality requirement.

An abrupt modification of these provisions would have a disruptive impact on the EU steel industry and the related value chains, as it would expose EU steel producers and downstream sectors to very high unilateral regulatory costs, undermining the financial ability to invest in low carbon technologies and jeopardising the competitiveness against third countries' producers that are not subject to equivalent costs.

Sectoral differentiation of tax levels is a possibility for Member States to optimize their policy framework to efficiently reach desired overall targets. Such differentiation shall not be regarded as subsidies within EU since it contributes to a better level playing field between competing sectors on international markets.

Access to competitive low carbon energy sources will be indeed essential for the decarbonization of the EU steel industry. Yet, the promotion of low carbon fuels should be mainstreamed throughout the overall regulatory framework (e.g. state aid rules, renewables support, etc.) rather than with specific rules under the Energy Taxation Directive in addition.

To ensure greater legal certainty for companies and to foster the internal market within the EU, we would encourage the Commission to ensure that any energy tax reduction or exemption allowed by the ETD is automatically considered in line with state aid rules and fall under the revised General Block Exemption Regulation. This would avoid the substantial but unnecessary additional burdens for taxpayers and Member States.