

## PUBLIC CONSULTATION ON THE REVISION OF THE ENERGY TAXATION DIRECTIVE (ETD) DRAFT POSITION PAPER

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

The evaluation of the Energy Taxation Directive published at the end of 2019, highlighted that, since the adoption of the Directive in 2003, energy markets and technologies in the EU have undergone significant developments. The current ETD does not contribute to the EU's climate and energy policy goals, as there is no link between minimum tax rates and energy content or CO<sub>2</sub> emissions. This results in inappropriate price signals to users, thereby discouraging them from choosing low-carbon energy sources. Today, the minimum levels of taxation for fossil fuels defined in the ETD are relatively low, and therefore cannot contribute to reaching the EU climate neutrality objective. On top of it, the current directive offers too many exemptions and country-specific rates. The restructuring of the ETD should be used to ensure the EU will achieve its energy and climate transition.

### Introduce a carbon-related component to drive decarbonisation

First, the ETD must remove disparities between energy carriers by including a carbon-related component. Integrating **climatic performance of energy sources** is the best way to create incentives consistent with the EU 2030 and 2050 targets. It will also create a level-playing field (i) between competing energy sources by providing a clear price-signal to consumers, and (ii) among Member States thanks to harmonised minimum tax levels based on CO<sub>2</sub> content.

The current ETD does not provide the right signals in the building and transport sectors, thus hampering investments in low-carbon technologies such as heat pumps and electric vehicles. UFE believes that **an appropriate taxation of fuels should integrate their CO<sub>2</sub> content**, in order to encourage the uptake of electromobility. Tax exemptions for fossil fuels should be removed in all sectors, such as maritime, in order to guarantee the uptake of low-carbon fuels.

The introduction of the CO<sub>2</sub> component must be done in coordination with the EU ETS in order to establish a complementary, harmonised and holistic framework. The new framework should also ensure full consistency with the upcoming carbon border adjustment mechanism (CBAM).

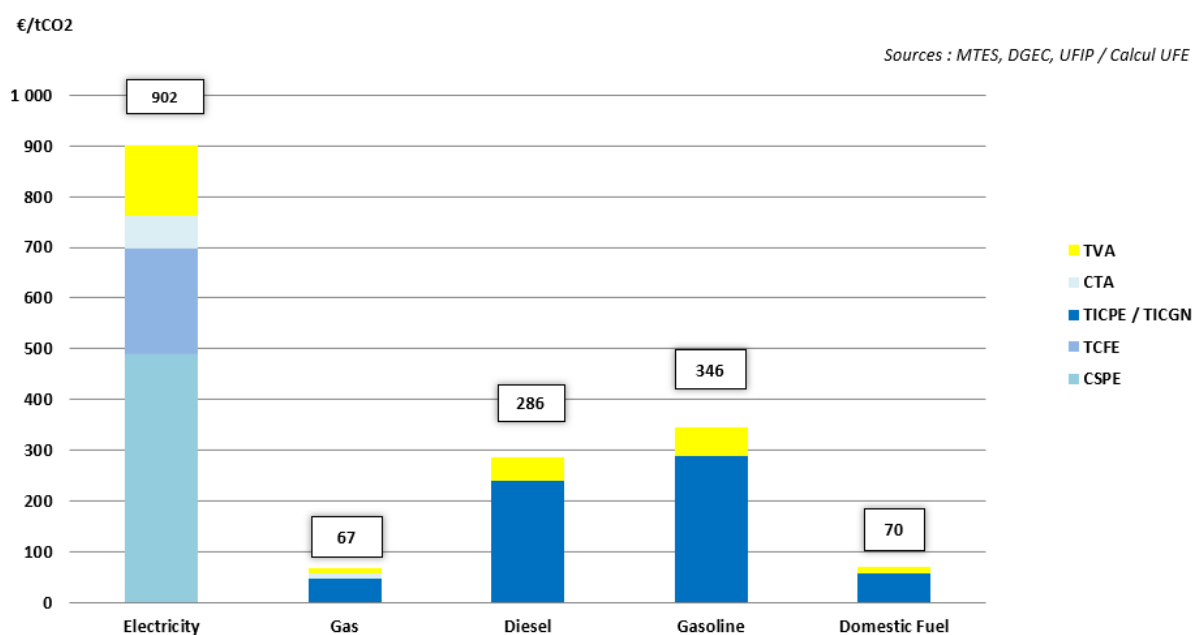
### Alleviate the fiscal burden on the electricity sector

Electricity consumption is currently **more taxed**, compared to its CO<sub>2</sub> content, than fossil fuels, even though electricity generation is already subject to taxation via the EU ETS. Today, taxes, levies and charges represent a significant, and even growing, part of the electricity bill. Therefore, the future ETD should ensure a better allocation of charges to ensure that **taxes and levies that are not related to energy are not included in energy taxes**. Such improvement would reduce the overall costs borne by consumers. Otherwise, it could endanger the development of electrification, recognised as a major tool for decarbonisation. Thus, Member-States should limit the tax burden on the electricity sector and apply only taxes and levies that directly relate to electricity.

In addition, when it comes to electricity taxation as such, UFE underlines that the **taxation level should be the same whatever the final use of the electricity is**, so as not to distort competition between electricity solutions themselves.

The revision of the ETD should maintain clear exemptions for energy products, electricity used to produce electricity and electricity used to maintain the ability to produce electricity, so as to avoid any double taxation. With the aim of avoiding any unintended application of the ETD, it should also 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.

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



Finally, UFE supports a change in the voting procedure and a move from unanimity to qualified majority to ensure a necessary and ambitious revision.