

Public Consultation on the Revision of the Energy Taxation Directive

AOP is the Spanish Oil Companies Association. Committed to an energy transition toward a lower emissions future we support the European Green Deal's ambition for climate neutrality in 2050. We believe that the Oil & Gas sector has an important role to play in responding to this challenge being, thus, a relevant stakeholder to consider in the review process of the Energy Taxation Directive (hereinafter called ETD). AOP welcomes the opportunity given by the Commission to provide input to the Public Consultation on the Revision of the Energy Taxation Directive (hereinafter called ETD).

AOP is convinced that a new energy model based on innovation and technology is necessary. Consequently, the revision of the ETD should consider regulatory measures aimed to encourage the investments in new technologies and the use of alternative and more sustainable energy, but **always respecting a technology neutral approach.**

AOP supports a reform of fuel and energy taxation that should invite producers to research and commercialize low-carbon fuels. From our point of view, the best way to lead a real decarbonization is to incentive all of kind of renewable sources of energy guaranteeing their performance on a level playing field. To this end, taxation can be an important tool to provide strong market signals for the development of low-carbon fuels. Currently all liquid fuels are taxed regardless of carbon intensity. In this sense, zero tax for low-carbon liquid fuels would facilitate fuel pricing that is both socially acceptable, and able to contribute to a business case for investments. **Therefore, AOP advocates for a definition of the tax rates based on CO2 emissions** that should be determined based on the combustion carbon intensity of the fuel emitted at the point of final consumption. The point of consumption is considered as the point where currently excise tax becomes due. At the moment, this is where products are removed from the EU excise warehouse system and are supplied to a non-exempt destination (such as a retail station), which is the point of supply to the market, or any point of obligation that the Member State selects as being representative for the final consumption.

Sustainable low-carbon fuels should be exempted from the combustion-CO2 based taxation, creating as such the ability to deliver a contribution to a business case for investments.

In addition to that, AOP feels obliged to call the attention on the need for carefully considering two particular aspects on the revision of the ETD:



- **Competitiveness of peripheral countries of the EU:** (i) much more dependent on road transport, maritime transport and aviation, and (ii) nearest to other economical areas with lower environmental standards.
- Regressive distributional repercussion on small and medium enterprises (SME) and on the low-income households.

Bearing in mind the above-mentioned points, **AOP supports some kind of diversity in the application of the ETD** based on the diversity of social structure, energy mix for heating (e.g. LPG) and geographical situation of the Member States.

This concern about the impact on the competitiveness of companies and low-income households becomes even more crucial at this time due to the adverse economic consequences of the COVID-19 pandemic, which makes a transition period recommended in order to adapt business models to the new environment.

AOP would also like to highlight the need of maintaining the current exemptions for fuels and/or energies used in the manufacturing and in the logistics chain. In this sense, we support a mandatory exemption for both the produced and purchased energy under article 21 (3) of the current ETD, without the possibility to tax those upon Member States decision; and an own use privilege that covers the production of all energy products defined in article 2 (1) of the ETD, irrespective of their uses.

Lastly, but not least, AOP cannot fail to notice **the critical need of a coordinated revision of the ETD together with existing Emissions Trading System (EU ETS) and Carbon Leakage Protection, the foreseen extension of the scope of the ETS and the possible implementation of a Carbon Border Adjustment Mechanism (CBAM)**. All this in order to avoid any kind of double taxation on the EU industry that may hinder its competitiveness in the international market.