

Public Consultation on the Revision of the Energy Taxation Directive

Compañía Española de Petróleos, S.A., hereinafter Cepsa, is committed to an energy transition toward a lower emissions future, and Cepsa supports the European Green Deal's ambition for climate neutrality in 2050. Cepsa believes that the Oil & Gas sector has an important role to play in this energy transition and in all the regulatory landscape movement. Cepsa welcomes the opportunity given by the Commission to provide input to the Public Consultation on the Revision of the Energy Taxation Directive (hereinafter ETD).

- Cepsa supports the Energy Green Deal and Low Carbon economy future and so therefore Cepsa supports the **CO₂ emissions contribution into the taxation architecture to promote this energy transition towards a low Carbon future.**
- Cepsa 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.** So therefore, energy contribution into the taxation architecture should be also included, at least in the first years of ETD implementation to help the energy transition. It would be a progressive approach in which energy contribution would be included but would gradually decrease until final zero contribution.
- Cepsa 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 at a similar level regardless of carbon intensity. In this sense, zero or very low 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, Cepsa advocates for a definition of the tax rates based on the emissions at the combustion point according to the European regulation, existing and coming, and taking into account the zero net accounting of CO₂¹ in low Carbon fuels that should have a zero taxation.**

- **Cepsa 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 natural gas), and geographical situation of the Member States.
- Cepsa would also like to highlight the need of maintaining the current exemptions for fuels and/or energies used in the industrial and power sector covered by European Emissions Trading System (hereinafter EU ETS).
- Last, but not least, Cepsa wants to assess **the critical need of a coordinated revision of the ETD together with the existing EU ETS and Carbon Leakage, the foreseen extension of the scope of the EU 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.

¹ Considering low Carbon fuel according to different sources as defined by Renewable Directive 2018/2001