

EFIEES' Feedback to the revision of the Energy Taxation Directive

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EFIEES, the European Federation of Intelligent Energy Efficiency Services, is the voice of energy service companies (ESCOs) and their national associations in 12 Member States. Our members represent over 130.000 professionals engaged in energy-efficiency solutions in buildings and industry. They also operate district heating & cooling networks.

We welcome the Commission's Roadmap for the revision of the Energy Taxation Directive (ETD), with the following remarks:

1. The EU climate and energy objectives for 2030 and 2050 require effective taxation based on CO2 and energy content of energy products.

Taxation is key for transitioning to a carbon neutral economy. The current ETD sets minimum levels of taxation on motor fuels, heating fuels and electricity. However, these are not proportionally based on the CO2 or energy content of the products consumed and have not been updated since 2003. Hence, it is largely outdated and not designed for more ambitious climate goals.

The new ETD should enable a consistent treatment of all energy sources to provide a level playing field for energy consumers and steer their choices towards decarbonised fuel options and energy efficiency. This could be achieved by setting a minimum taxation rate based on energy content and CO2 emissions, with an equal taxation for competing products.

This rate, especially the carbon component, should be sufficient to reflect the GHG externalities of fossil primary energies. This would ensure fairer prices against renewable energies and thus support their development.

2. Energy taxation on fossil fuels for heat production based on CO2 and energy content would allow for effective decarbonisation and a level playing field in the whole heating and cooling (H&C) sector.

H&C represents around 50% of energy consumption and its decarbonisation is one of the main challenges of the energy transition and requires the creation of a real level playing field across the entire H&C market.

District heating and cooling (DHC) networks currently suffer from a competition distortion, when subject to the EU ETS, while individual boilers and heating installations under 20 MW are not. Consequently, only the CO2 impact of the fossil energy used by DHC is taken into account, while that of the largest part of the market is not. This prevents any significant decarbonisation of the sector. **A revised ETD should hence be a tool for Member States to establish a pricing mechanism for CO2 emissions in installations not under the ETS today, with rates regularly reviewed to remain consistent with the ETS carbon prices.**

Installations already under ETS should not be taxed (to avoid double taxation) as well as renewable energy sources, including biomass and biogas.

3. The new ETD should aim at fully reflecting the carbon impact of fuels used in individual installations, for which low excise rates and too many exemptions are still allowed by Article 14.1.

All heating solutions, thermal or electric, should be under the same levels of taxation as far as fossil primary energy is concerned.

Hence, households should not benefit from tax exemptions nor reduced rates. Other national mechanisms should set up, when necessary, **accompanying measures mitigating the economic impact of a heavier taxation on specific categories.** These could include support to energy efficiency actions that reduce energy bills on the long term.

4. The revised ETD should stimulate energy efficiency actions.

The new ETD should **stimulate energy efficiency actions** in industry and buildings by making energy efficiency measures and projects more attractive. Likewise the ETS, increasing the cost of use of CO₂ intensive fuels will indeed provide incentives to energy consumers to invest in energy efficiency measures, in line with the “Energy Efficiency First” principle.

This could also be facilitated by providing energy intensive industries with **reduced rates, conditioned by the achievement of environmental objectives and increased energy efficiency.**