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Energy Taxation Directive (ETD)

Key messages

- The Energy Taxation Directive 2003/96/EC originates from 2003, and the revision is well-needed, to be in line with the current EU policy objectives.
- In order to promote the decarbonisation of transport, the revision should allow an exemption from minimum tax for environmentally preferred fuels.
- Revision should introduce a CO₂ element for transport fuels, as it is already used in some Member States, such as in Finland and Sweden.
- In case sectoral taxes are planned - e.g. for aviation and maritime - they should follow a similar low-carbon incentivisation model as for the other transport fuels.

Accelerated transport decarbonisation by CO₂ tax

The current directive includes minimum tax levels for diesel fuel and petrol. To promote the decarbonisation of transport, the revision should allow an exemption from minimum tax for environmentally preferred fuels. Alternatively, a CO₂-based/tiered minimum tax could be a good solution. Incentivising low-carbon transport fuels would promote the transition towards a cleaner transport sector.

The revised EU Energy Taxation Directive should introduce a CO₂ tax element. CO₂ taxation for transport fuels is used by some Member States, ie. Finland and Sweden.

The current Finnish fuel excise tax model could act as a starting point when designing a CO₂ tax component. Sweden is another Member State, where the transport fuel CO₂ component is in use. (Another concept to be evaluated could be a model, where all RED II compatible sustainable fuels are exempted from CO₂ tax.)

What should the EU do?

- In order for the Energy Taxation Directive to be in line with the current EU policy objectives, the revision is well-needed.
- Coherence with other EU legislation for fuels is essential. Therefore, when designing a tax model for low-carbon fuels, all RED II compatible sustainable biofuels need to be properly taken into consideration.
- To support emission reduction, the revision should allow an exemption from minimum tax for environmentally preferred fuels.
- In case sectoral taxes are planned - eg. for aviation and maritime - the tax model should follow a similar low-carbon incentivisation as for the other transport fuels.

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