FoodDrinkEurope contribution to the Energy Taxation directive consultation

The European Union aims to build an economy with net-zero greenhouse gas emissions by 2050 – an objective at the heart of the European Green Deal. This objective is in line with the Paris Agreement objective to keep the global temperature increase to well below 2°C and pursue efforts to keep it to 1.5°C. The European Commission set out a vision to achieve this objective in November 2018 which looks at all the key sectors of the economy and explores pathways for the transition towards a decarbonized EU economy.

Driving the ambition further, the Energy Taxation Directive 2003/96/EC will be revised in June 2021, as part of the European Green Deal. The revision of the Energy Taxation Directive is an integral part of the European Green Deal as a part of the ambitions set in the EU proposed climate Law.

The food and drink manufacturing sector is energy intensive[1] . In the last decades, the sector has made steady progress towards decarbonisation, especially through increased energy efficiency and renewable energy. However, additional efforts by the sector could increase the contribution to achieve climate neutrality in the EU by 2050.

New and reviewed climate and energy policies implementing the Climate 2030 objectives[2] will clearly impact the objectives of the Energy Taxation Directive (ETD). The ETD revision should identify the interactions between these policies, including at Member State level.

Companies covered by the Emissions Trading Scheme (ETS) Directive[3], whether included or not in the EU carbon leakage list[4], should be exempted from further charges on related energy carbon emissions, as these sectors are already contributing (or legally exempted) to The ETS, setting a price to industry emissions.

In addition, the ETS Directive covers fuels, gas and electricity production. These costs are passed on to energy users, and increase the bill as indirect costs for energy intensive sectors like the food and drink industry. Applying energy taxes to fuels already covered by the ETS should be avoided as this would result in a double levy for energy users on the same concept, i.e. emissions derived from energy use.

Also from a competitive point of view, a good number of sectors in the food and drink industry are not included in the ETS carbon leakage list and still face strong competition from third countries. Companies not covered by the ETS system should also make the necessary efforts to achieve the 2050

---

[1] According to the International Energy Agency Food and drink industry is amongst the top 6 energy intensive industries https://www.iea.org/reports/energy-efficiency-indicators-2020

[2] Enshrined in the European Commission communication COM(2020) 562 final "Stepping up Europe's 2030 climate ambition Investing in a climate-neutral future for the benefit of our people"

[3] Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC

[4] European Commission decision C(2019) 930 final

Avenue des Nerviens 9-31 - 1040 Brussels - BELGIUM - Tel. +32 2 514 11 11
info@fooddrinkeurope.eu - www.fooddrinkeurope.eu - ETI Register 75818824519-45

objectives. However, the review of the ETD needs to ensure that these companies can remain competitive and continue to grow . That is why the future impact assessment should as well analyse the effect of new or higher taxes on non -ETS energy intensive companies which face indirect levies on energy (fuels covered by the ETS) and strong competition from third countries. We would therefore advise that the impact assessment foresees the option to exempt such sectors from the energy tax.

Finally we believe that it is also necessary to consider incentives (tax breaks) supporting companies which are taking steps towards decarbonising their operations. We advocate for differentiation on minimum tax rates on renewable electricity compared to non-renewable electricity. This would incentivise further investments to a broad spectrum of renewable electricity production and incentivise companies to shift to renewable electricity which will contribute towards decarbonisation and an increasing share of renewable electricity in Europe. "