

Consultation on the Revision of the Energy Taxation Directive

St1 Nordic Oy welcomes the initiative of the Commission to consider reviewing and updating Energy Taxation Directive (ETD) with the aim of achieving more ambitious 2030 climate goals laid out by the Green Deal. Stepping up the deployment of higher shares of Renewable Energy and other Low/No Carbon energy sources should be enabled by a well-designed and with other legislation coherent ETD.

Target should be to design a technology neutral ETD structure that would send the desired price signal to companies developing and investing in low carbon fuel technologies to ramp up the production capacity. Current, volume based, ETD structure does not enable enough price differentiation between low carbon and fossil fuels. In contrary, it favors fossil fuels over biofuels, and it favors diesel over gasoline, for example. Thus, moving away from a volume-based ETD is critical part of the revision.

Key messages:

1. Reduction of the CO₂ emissions has been set as one key objective of the ETD revision. Accordingly, the life cycle CO₂ emissions of the fuel or the energy carrier should, primarily or wholly, form the basis of the taxation (€/tCO₂). A technology neutral tax component, based on the energy content (€/MJ), could be considered, if there was a need to address the fiscal function of the excise taxes at the EU level. However, the higher the energy-based element was, the less powerful the CO₂ component becomes as a price differentiation instrument.
2. EU level default CO₂ intensity values should be used for each fuel component, to keep the structure manageable. Carbon intensity of low carbon fuels (e.g. synthetic, advanced biofuels etc.), fulfilling the sustainability criteria set out in the revised Renewable Energy Directive, should be applied with a tax level of 0 €/tCO₂.
3. If aviation and maritime fuels would be taxed, the same principal with road fuels and energy taxation should be applied. Different tax rates could be applied, eg. for competitive reasons.
4. Heating fuels and energy carriers should be taxed according to the same principals with transport fuel taxation. Different tax rates could be applied, eg. for societal reasons.
5. Energy and fuel taxes should only be applied once in the value chain, ie. the possibility for double or multiple taxation should be prevented. Energy products can be used as intermediate inputs in the production process of other energy products. Eliminating the possibility for multiple taxation can be critical enabler when developing and deploying new technologies, especially in cross sectoral technologies. Without coherent taxation, an efficient sector integration, needed eg. for ramping up the clean hydrogen or Power-to-X value chains, can become very difficult or even impossible.
6. Electricity used in electrolysis to produce clean hydrogen, as a component of low carbon fuel, should be classified as raw material, and be tax exempted in the production process.



14.10.2020

St1 Nordic Oy
PO BOX 68
00521 Helsinki, Finland

7. In general, a coherent legislative approach is particularly relevant for the long-term investments in low carbon technologies and production. For example, only one set of coherent sustainability criteria and GHG calculation methodologies should be applied in all related regulated, also in the ETD. The same applies also for the required comprehensive terminology.

St1 Nordic Oy

Mika Aho
Director, Public Affairs