

## ANODE's position Paper

# Public consultation on the revision of the Energy Taxation Directive

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The association A.N.O.D.E welcomes the initiative of the European Commission to update the Energy Taxation Directive (ETD). As this association gathers the main alternative energy suppliers in France, we are responsible for collecting energy taxes and levies from a large part of the French customers for the benefit of the French State.

From suppliers' perspective, we have identified several difficulties which justify a revision of the ETD in order to better align the price signals with the climate and energy objectives, simplify the energy tax system in order to insure a better transparency and understanding for the customers and to limit undue costs for the taxes collection linked to complex rules for the suppliers.

From a more global energy market's perspective, we agree with the primary EC's evaluation of the ETD here that is to say the ETD today doesn't adequately promote the right signals to encourage the development of clean energy technologies or even reduce greenhouse gas emissions reductions and promote energy efficiency. This is why we are in favour of a progressive evolution of the energy taxation in order to take into account CO<sub>2</sub> emissions.

For these reasons, we propose the following recommendations for the revision of the ETD.

### Recommendation 1:

The economic signal given through energy taxes is supposed to drive final consumers' decisions and behaviour. Therefore the real targets for energy taxes are clearly end-consumers.

Consequently, energy **suppliers are only intermediaries in charge of energy taxes collection and shall not be financially responsible for taxes in case of unpaid bills by the final customer**. Energy suppliers already support taxes collection costs and should be, at least, reimbursed for the taxes part of their unpaid bills. This evolution is very important as the rate of unpaid bills is increasing and represents up to 2 digit percentage of suppliers' turnover.

The members of the association A.N.O.D.E consider that suppliers should be able to deduce the taxes part of their unpaid bills from the amounts of energy taxes collected and paid to the State, as this is the case for the VAT.

This recommendation was also one of the conclusions of French Parliamentary analysis on the energy market carried on after the COVID containment in France<sup>1</sup>.

### Recommendation 2:

From a global market perspective, we are in favour of a progressive evolution of the energy taxation in order to take into account CO<sub>2</sub> emissions.

### Recommendation 3:

**The Member States should be allowed to define a lower level of taxes for vulnerable customers from energy taxes which represent a more and more important share of the energy bills.** In some

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<sup>1</sup> Proposition 69 of the following online report : [http://www.assemblee-nationale.fr/dyn/15/rapports/cion-eco/l15b3170\\_rapport-information#](http://www.assemblee-nationale.fr/dyn/15/rapports/cion-eco/l15b3170_rapport-information#)

countries, the part of taxes can represent more than 1/3 of the total energy bills. This could be an adequate tool to reduce the energy bills burden for vulnerable customers without creating any market distortions, unlike energy regulated tariffs. In order to reduce IT costs of such measures for suppliers, it's better to define different rate levels for concerned households than to fix an amount of consumption that would be totally exempted from taxes.

#### Recommendation 4:

**The fiscal system should be simplified in order to ensure its efficiency and transparency and to avoid any distortion on the energy retail market or undue costs for suppliers in charge of collecting the taxes.** Indeed, the energy fiscal system is today complex due to a large number of tax rates which vary according to the use of energy and to calculation rules that are more and more complicated to understand for end consumers. To ensure the efficiency of the economic signal for end consumers the taxes rules should keep simple and easily understandable.

#### Recommendation 5:

In addition, **the member states should be encouraged to decrease the tax part of energy bills in order to improve the consistency and efficiency of the economic signals in favour of energy efficiency objectives.** The increase in the tax part of the energy bills has biased the economic signals in favour of energy efficiency actions/offers as the benefit of these actions on the bills is not enough compared with their cost. In fact the part of the bills linked to the consumption is less and less important when considering taxes and energy infrastructures costs. This evolution has a negative impact on the development of the competition on the retail energy market and on the efficiency of the EU policy in favour energy efficiency and energy consumption reduction.

For instance, **the VAT should not apply on energy taxes.** It does not send any economic or environmental signal to end consumer and it increases the level of energy taxation which becomes very important in many countries.

#### Recommendation 6:

**The energy taxes related revenues should contribute to support the energy transition and vulnerable customers.** A better identification of the taxes objectives as well as their budget orientation would contribute to the understanding and the social acceptance of the taxes.