

## ENERGY TAXATION DIRECTIVE – FEEDBACK – EuroACE Position

*This Paper sets out the EuroACE view in the framework of the stakeholder feedback sought by the European Commission by 1<sup>st</sup> April 2020 on its inception impact assessment of the Energy Taxation Directive.*

### 1. A much-needed revision of the Energy Taxation Directive (ETD)

The ETD, which was published in 2003, is out of date and **does not reflect at all the current ambition of EU energy & climate policies** (Paris Agreement commitments, Clean Energy for All Europeans Package, Green Deal and climate neutrality). EuroACE therefore welcomes the Commission proposal to update it in line with the Green Deal objectives.

Moreover, the ETD **does not reflect the decreased technology costs** in a lot of sectors, such as energy efficient buildings – this should also be considered. Finally, we welcome the proposal to review the ETD using **Article 192 TFEU as a legal basis**, which would enable the discussions to take place in the framework of the ordinary legislative procedure, giving the European Parliament and Council equal footing.

### 2. The ETD should reflect the Energy Efficiency First principle

EuroACE believes that inequalities of treatment which are currently stemming from the implementation of the ETD, whether between supply side measures and demand side measures, or between different energy carriers, should be corrected. This would enable the rollout of the Renovation Wave based on fair and cost-effective measures. This means that the ETD should ensure a level playing field by reflecting and **operationalising the Energy Efficiency First principle**.

According to the Governance Regulation Article 2§17a, it means “*considering, before taking energy planning, policy and investment decisions, whether energy efficiency measures could replace in whole or in part the envisaged planning, policy and investment measures*”. We think that **taxation measures should incentivise and reward saving energy**, not consuming more energy.

### 3. The ETD revision should effectively deliver investments & actions in energy efficient buildings

The ETD revision could also serve as **enabler of more investments and real actions into energy efficient building construction and renovation**.

As for the revenues stemming from the EU Emissions Trading Scheme, revenues coming from energy taxation should be targeted specifically at measures which serve the purpose of the Green Deal, and notably, to reduce our energy consumption. Therefore, we believe that the ETD should **include provisions on revenue recycling** and prioritise sectors such as energy renovation of buildings. Directing those revenues to the buildings sector would also help to **correct or at least compensate the distributional effect of the energy taxes**, which constitute a big part of energy bills. We also know that often, it is the households suffering from energy poverty (paying a proportionally higher part of their income on energy bills) who live in the worst performing segment of our building stock. Boosting the energy performance of

those buildings would also enable to improve health and comfort of occupants, and therefore, reduce healthcare system costs.

The ETD should also **effectively deliver actions in energy efficiency**, and not serve as basis for accounting tricks by Member States. National energy taxes are an instrument that can complement energy efficiency support schemes and regulatory actions. It can make investments in energy efficiency improvements more attractive and steer energy use behaviour in the right direction, if energy users are enabled to act. However, pricing signals alone are not an appropriate tool to overcome market barriers, mainly because the price elasticity of energy demand is very low, and most barriers are non-economic barriers. Specific support schemes and regulatory measures remain key in order to create demand for energy efficiency investments. **Funding streams** made available in that framework **should be effective and reward compliance with expected savings**.

However, several Member States are using the weakness of the ETD, namely the low EU level of minimum taxes, in an accounting practice that undermines the goals of the Energy Efficiency Directive (EED). For the purpose of achieving their energy saving obligation under EED Article 7, they report energy taxes, even though the effectiveness and eligibility of those taxes to save energy is not demonstrated. Member States simply calculate the difference between the minimum EU tax level and the national tax and credit this difference as “additional” savings – more information in [this study](#). Therefore, we call on the Commission to address this issue in the ETD revision, in conjunction with the EED revision planned in 2021, and to **explore how increasing the minimum EU tax level could help address this loophole in the EED**.

## **For further information**

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## **About EuroACE**

EuroACE represents Europe's leading companies involved with the manufacture, distribution and installation of energy saving goods and services for buildings. EuroACE members employ around 200,000 people in these activities in Europe and have around 900 production facilities and office locations. The mission of EuroACE is to work together with the EU institutions to help Europe move towards a more efficient use of energy in buildings, thereby contributing to Europe's commitments on climate change, energy security and economic growth.

## **EuroACE Members (2020)**

