european network
of transmission system operators
for gas

ENTSOG's response to the public consultation on the revision of the Energy Taxation Directive (ETD)

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The European Network of Transmission System Operators for Gas (ENTSOG) is a European Association established to enhance cooperation among gas Transmission System Operators (TSOs) at the European level. Starting in 2009, when ENTSOG was established by the Third Energy Package, it has contributed to the development and liberalisation of the EU Internal Energy Market.

ENTSOG believes energy taxation can give clear price signals to support decarbonisation and the energy transition in order to meet the climate targets for 2030 and 2050 laid out by the EU Commission. ENTSOG supports the Commission´s ambition of adapting the ETD to align with these targets. The revised ETD should ensure a level playing field between different energy sources and vectors, taking account of their externalities. We have set out a number of additional points below for your consideration.

1. Taxation centred on greenhouse gas (GHG) emissions should be based on a robust Life Cycle Analysis (LCA); assessing the overall GHG impact of a product, including each stage of its production and use along the entire supply chain. Counting GHG emissions during final use alone does not take into account the origin of the product or its sustainability.

2. To avoid any double environmental taxation the revised ETD and scope of the EU Emissions Trading Scheme (EU ETS) should be complementary with distinct applications. If the EU ETS is to be extended to a certain sector, this should be taken into account in the scope of the ETD revision to avoid GHG content being taxed twice. The EU ETS should be the primary mechanism to price GHG emissions.

3. Differentiated tax treatment for low-carbon fuels and applications should be ensured (as proposed in the consultation). If taxation is applied, taking into account GHG emissions based on a robust LCA and other negative externalities, the inherent benefits of low-carbon fuels would already be taken into account and differentiated tax treatment for low-carbon fuels may not be needed. However, until we reach that point, and to incentivise / kick start the production of low carbon fuels, differentiated tax treatment should be put in place.

4. In order to promote the development and deployment of low carbon fuels, any decision to grant possible exemptions from the revised ETD for specific sectors, such as maritime and road transport, should be carefully considered - not least because any such exemptions would dis-incentivise the use of low-carbon fuels within these sectors. For example, any blanket exemptions from the ETD would dis-incentivise the use of CNG and LNG (and also bio-CNG/bio-LNG) which have significant CO_2 and local pollutant emission benefits compared to fuels that are currently predominantly used in the maritime and road transport sectors. Furthermore, there would be no lock-in effect by initially promoting CNG/LNG in these sectors as the relevant infrastructure can subsequently be used by bio-CNG/bio-LNG. In line with the abov*e,* Member States should continue to have the possibility to determine minimum taxation levels for maritime and transport fuels.

5. Local pollutant emissions (particle matter, NOx, SOx) should also be taken into account by the revised ETD due to their health impacts on the citizens of Europe.

The taxation regime for natural gas should reflect its lower GHG-emissions levels when compared to other fossil fuels and the potential for natural gas usage to ensure immediate emissions and air pollutant reductions. In addition, the taxation regime should also take into account the increasing share of low-carbon and renewable gases (esp. biomethane and clean hydrogen) in the overall gas system and provide necessary incentives to ensure the fast market-based development of these gases.