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## **Danish Energy's comments on the Revision of the Energy Taxation Directive**

Danish Energy would like to thank for the opportunity to present our views in the assessment of the current Energy Taxation Directive (ETD). We welcome the evaluation as part of the policy updates foreseen under the European Green Deal and urge for a revision of the much-outdated ETD.

Created in 2003, the ETD seeks to support a proper functioning of the internal market and to avoid distortion of competition. Today, the EU has agreed on climate neutrality by 2050 the latest and the Commission proposes to increase the 2030 climate target to at least -55%. Being an efficient tool for emissions reduction, the rules for energy taxation must be revised in order to address the EU's higher ambitions in energy and climate policies.

In certain areas the taxation directive has failed to deliver:

- It has not ensured a favourable treatment for low carbon energy technologies and products with lower externalities.
- There has been no common framework for exemptions letting each member country define their own standards.
- It does not reflect the importance, which direct and indirect electrification will carry in moving Europe towards climate neutrality.

The latter point can be exemplified by two concrete examples:

- In the maritime field, the use of shore-side electricity has not been sufficiently incentivised with regard to abandoning fossil fuels.
- Double taxation for flexibility tools such as storage, batteries or power-to-gas facilities should be removed as these technologies, will play a key role in decarbonising the economy and in integrating the growing shares of renewables.

### **Align energy taxation rules with the EU's climate objectives**

A redrawing of the energy taxation directive should keep a clear focus on its purpose. The central tenets should be the aim of a well-functioning internal market and the overriding goal of supporting Europe's path towards climate neutrality.

Therefore, the basis for taxation should be on the energy and carbon content of the energy product rather than volume. Under the current taxation structure, renewables carry a heavier

tax burden compared to for instance fossil fuels, as renewables often have a lower energy content, creating unfair competition between fuel sources.

Energy taxation must remain a tool only of energy policy not a social policy. It should facilitate, that member states can price externalities of energy production and energy consumption correctly, whilst alleviating the inherent pressures of cross-European competition. It should not be a tool of social policy.

An efficient taxation directive would ease the possibilities of exposing more sectors to a meaningful carbon price signal. The introduction of a climate component must be an effective complement to the ETS, which should remain Europe's primary tool in decarbonising.

A common EU framework is necessary for a well-functioning EU energy market; however, a revised Energy Taxation Directive should still take into consideration the global competitiveness of EU companies. Therefore, special tax treatment should be restricted to industries which are at risk of carbon leakage as defined in the EU ETS, and options for introducing a carbon border adjustment mechanism must be carefully examined by the Commission.

In the Commission's impact assessment from March 2020, one of the findings was that the wide range of exemptions and reductions are de facto forms of fossil fuel subsidies, which are not in line with the objectives of the European Green Deal. The review of the ETD must reconsider the mandatory and optional tax exemptions for international and intra-EU aviation fuels and maritime fuels. In order to accelerate the decarbonization of the transport sector, these fuels must be taxed and pay their contribution to the green transition.

Danish Energy supports a review of the ETD, which aligns it with Europe's goal of climate neutrality and reflects the important role of electricity in the decarbonisation of Europe. In order to adopt a much-needed revised ETD, Danish Energy supports the ordinary legislative procedure by Qualified Majority Voting instead of unanimity in the Council. This is key to increase the EU's ability to make decisions regarding the green transition and prevent national special interests to have an inappropriately large impact.

Yours sincerely  
Dansk Energi

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