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

ENGIE sees positively the establishment of a **European tax system** - through the definition of minimum tax thresholds - **linked to energy decarbonisation efforts**.

We supports a level-playing field for taxation of various energy carriers as well as **harmonisation at EU level**. We consider that the current directive offers too many exemptions and country-specific rates.

By favouring transitional fuels and the most renewable energies in this recasting of the text, **each sector** (EU-ETS or not) will be able to **contribute to the collective effort** to achieve the objectives of the Paris agreement.

Taxation should continue to be applied only to **end use** leaving all energy supplies within the energy sector untaxed. This includes energy conversion and storage across all forms of energy to enable energy system integration.

ETD should be put **in connection** to what it may be prepared, planned and targeted on the **Carbon Border Tax Adjustment** initiative. Meaning that this revision must be considered in conjunction with the introduction of CO2 taxation mechanisms (EU-ETS - CBAM) in order to avoid double taxation. A specific attention should be given to maritime transport, that is at the same time very exposed to carbon leakage, and that needs clear taxation signals to move away from heavy fuel oil and marine gas oil.

Therefore, we support having a fiscal base linked to **carbon content**. We suggest that the carbon content of each energy products shall not only be calculated at the consumption level but along the **lifecycle** of the energy product.

The directive should be updated to take into **account new types of (bio)fuels, (bio)gas and new technologies**, and possibly related exemptions. We consider that subsidies to solid fossil fuels should be eliminated. We would like to see an energy taxation **rewarding less emitting fuels, energy products and electricity, and include an environmental component**. In particular, ENGIE has welcomed in the past a more CO2 driven taxation, e.g. carbon taxation in non-ETS sectors, in the previous Commission proposal.

Alternative fuels and mobility

With regard on **E-mobility** and electricity used for mobility, we think that the ETD should promote temporarily different taxation in order to support the deployment of i.a. fast-charging stations network. Given that it is not always possible to distinguish between the share of domestic electricity consumption and that used for the vehicle and that around 40% of charging of an electric vehicle happens at home (for households), ENGIE recommends to have a pragmatic view on the different use of electricity and to favour renewable sources of production.
More specifically on **gas mobility**, BioCNG, BioLNG, renewable hydrogen used in transport, all advanced biofuels (if they respect RED II criteria), should all be eligible to trigger biofuels incorporation tax incentive schemes.

The directive should create coherence between the directive on the development of alternative fuels infrastructure (DAFI) : refuelling points development, including for LNG[1], and more generally alternative fuels, should benefit from tax incentives.

With regard to their crucial role in the EU's decarbonisation ambitions, ENGIE agrees that low and zero-carbon fuels (e.g. clean hydrogen, advanced biofuels, synthetic fuels…) and their applications should benefit from a differentiated tax treatment. Against that background, hydrogen uses and blends in the transport sector, in industrial production processes and when transported in pipelines should be addressed in the energy taxation directive. The details of the differentiated tax treatments should be subject to a public consultation.

On consumers side

About **renewable gases**, we strongly recommend that a clear distinction be made between renewable gases and natural gas in terms of taxation. The dilution of the tax exemption attributed to biomethane to all gas users, whether they are using renewable gas or not – does not contribute to the decarbonisation effort.
As such, **biomethane** must be recognized as a **climate-friendly energy** through taxation and should benefit from coherent, incentive tax exemption or differentiation to foster its development. In particular, we fully support the Commission's approach which requires that biomethane must respect RED II's GHG emission reduction and sustainability criteria in order to be exempted form carbon tax. Thus, we see here the possibility to make the connection between RED II and DAFI -asking for a favourable taxation because of the target for advanced biofuels.

We consider that it should be left up to Member States to decide on the **social measures** to be applied in order to protect the most vulnerable consumers. That is why we recommend **not to mix** social measures **with fiscal policy**.

The energy taxation directive should be fair towards energy suppliers. Regarding Art. 21 (5), the **supplier** of electricity and gas should **not be exposed to the risk of bad debt**, i.e. he should not be

[1] LNG is explicitly mentioned as refuelling point for LNG is singled out in DAFI definitions.

obliged to pay taxes in case of default of the customer. Also the **possibility to recover the tax in case of unpaid operations** should be explicitly integrated and mentioned in the ETD.

Finally, in related issues, **specific VAT reductions** for energy **efficiency services**, alternative powertrains **in transport** (e.g. natural gas, fuel cell and electric vehicles) and efficient district heating & cooling networks should be introduced in order to favour their deployment to achieve EU targets.

In that respect, we would like to point the fact that some Member States apply VAT on certain taxes on the energy bill. This leads to a double taxation which should be avoided.