

FACTSHEET on energy taxation

The impact of taxation on energy prices today

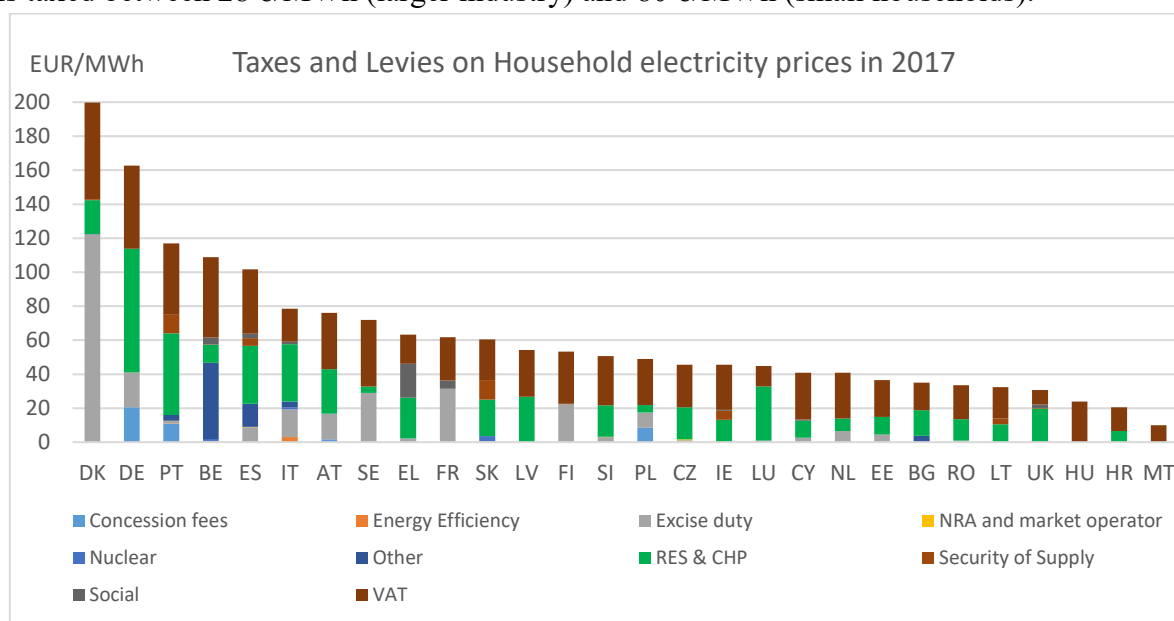
Taxes account for a significant share of the final prices of energy products and vary across consumers (industry vs. households), energy products (e.g. electricity vs. gas) and across Member States. For households, they represent on average 40% of the electricity price, 25% of the gas price and 31% of the heating oil price in 2017¹. Industry, for competitiveness reasons, is usually taxed less than households: the average industrial consumer pays 13% of the gas price in taxes (and large consumers only 6%), and between 34-38% in taxes on electricity. The importance of taxes on prices also varies significantly across Member States, e.g. taxes on households range from 7% to 70% of the price for electricity and from 10% to nearly 60% for gas.

Taxes on motor fuels account for 60% for gasoline and 55% for diesel², with a variation range across Member States of 50-66% for gasoline and 45-60% for diesel.

Tax rates vary considerably between households and industry, as important tax reductions or exemptions are applied by Member States for various users or uses of these products.

The fragmentation of taxation across energy products

Electricity, gas and oil products are taxed at very different rates across Member States (*Figure 1*) which do not necessarily reflect the energy content³. Comparing the average rates per MWh, gasoline and diesel are taxed at 94 €/MWh and 73 €/MWh, respectively, whereas heating oil is taxed at 25 €/MWh and gas taxation ranges from 2 €/MWh (large industrial consumers) to 15 €/MWh (households). This contrasts with electricity which on EU average is taxed between 28 €/MWh (larger industry) and 80 €/MWh (small households).



¹ 2018 Energy Prices and Cost in Europe – COM(2019) 1.

² DG ENER Weekly Oil Bulletin.

³ The Energy Taxation Directive recommends (but does not oblige) Member States to tax energy products according to their energy content. The taxes per energy calculated here refer to 'pure fuels', not the actual blended fuels found at the pump (e.g. gasoline and diesel contain some amount of biofuels).

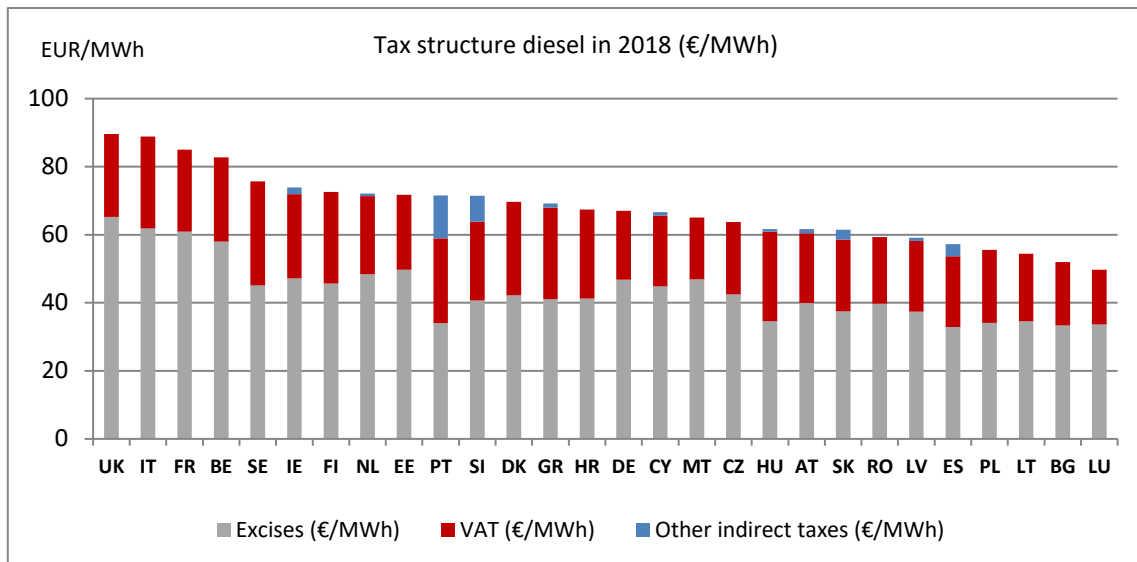


Figure 1- Breakdown of taxes to electricity (above) and diesel (below) in the EU –Source: DG ENER

Inconsistency of the external costs with taxation

The external costs associated with the generation and consumption of the fuel are often not fully reflected in taxes⁴. For instance, despite a large variation in the external costs between different heating generation technologies (Figure 2)⁵, excise taxes for heat from heating oil for households represent on average around 8 €/MWh and from natural gas around 5.5 €/MWh⁶. Excises rates for heat from coal used at homes are generally close to the minimum rate (~1€/MWh) and less than 5 €/MWh in most countries⁷. In addition, excises for heat from industrial fuels amount only to 6 €/MWh.

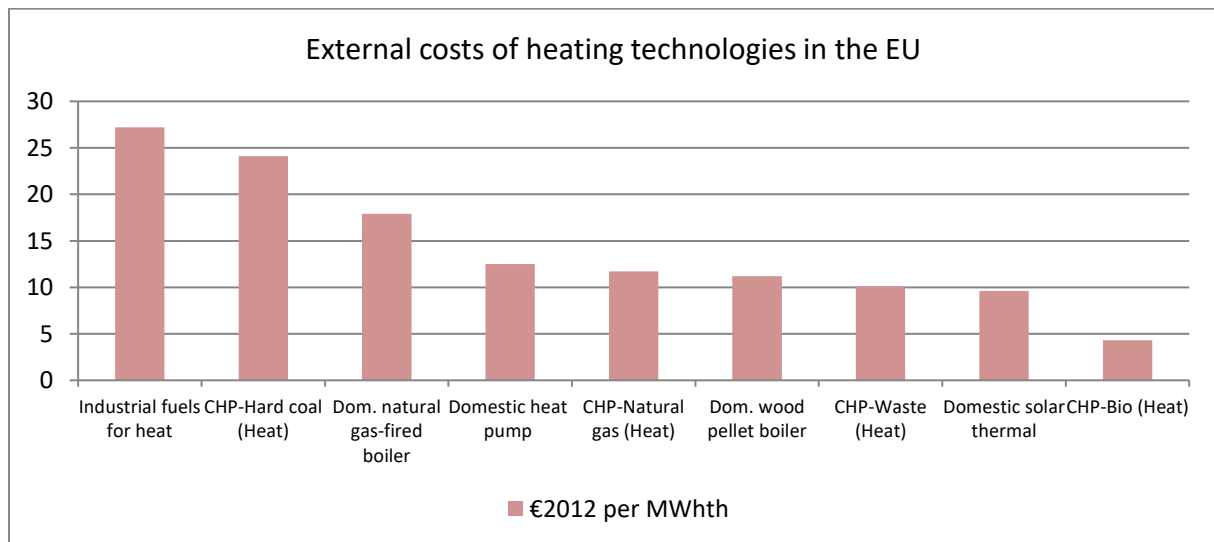


Figure 2 –External costs of heating by technology- Source: Subsidies & costs study (Ecofys 2014)

⁴ Neither VAT nor the current ETD prescribes tax rates directly in function of reducing externalities (CO₂, health, etc.).

⁵ Figure 2 shows that heat from industrial fuels and CHP-coal produce roughly 1.3-1.5 times more external costs than heat from natural gas, 3 times more than heat from CHP-waste and solar thermal and 7 times more than CHP-biomass.

⁶ 2018 Energy Prices and Cost in Europe – COM(2019) 1

⁷ Excise duty tables, DG TAXUD. Published on 1/1/2018

Incoherent and persistent tax benefits to fossil fuels

The current taxation framework provides incentives to fossil fuels use in the form of tax benefits that have been persistent over the last decade in the EU⁸ and amounted to around €40 billion in 2016. A large extent of these tax benefits come from tax reductions for fossil fuels used as motor and heating fuels granted mainly under the Energy Taxation Directive.

⁸ 2018 Energy Prices and Cost in Europe – COM(2019) 1.