

Response of EREF to the public consultation of the European Commission concerning the revision of the Energy Taxation Directive

Background information

The main objectives of revising this Directive are:

1. aligning taxation of energy products and electricity with EU energy and climate policies, to contribute to the EU 2030 energy targets and climate neutrality by 2050;
2. preserving the EU single market by updating the scope and the structure of tax rates, and rationalising the use of optional tax exemptions and reductions.

EREF's response as of 1 April 2020

The EU needs to maintain its commitment to “Net Zero 2050” and take on the leading role for making Europe become the first climate neutral continent – which can only succeed if clear goals, limits and criteria are set at EU level and Member State level. Therefore, we support plans to revise all relevant energy and climate legislative measures to reflect this significantly higher climate ambition, including the Energy Taxation Directive.

The current Energy Taxation Directive dates back to 2003, in which the energy landscape was very different to what it is now. Renewable energies played a minor role in the energy mix. However, this landscape has evolved considerably to the point where renewable energy is a crucial player in the energy mix. This is a vital development in order to achieve the European Commission's goal of climate neutrality by 2050. This can only be achieved with considerable support for renewable energy uptake and a much higher taxation on fossil fuels.

Renewables represent the only viable and economic option to provide sustainable and secure energy for EU citizens – which is why we propose to increase the EU's 2030 energy and climate targets from the current – and insufficient – 32% renewables target to at least 45%, and support the Commission's recent Climate Law proposal to raise the GHG emission reduction target to at least 55%.

EREF is the federation of national renewable energy associations, representing all renewable energy technologies. For 20 years, EREF has promoted the interests of independent renewable power, fuel and heat production by striving to create and maintain a stable and reliable framework for producers of all renewable energies.

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Presently, the Energy Taxation Directive taxes electricity, gas and oil at very different rates across the EU. However, this taxation does not effectively reflect the carbon dioxide content of these sources. This has led to the taxation of gas remaining particularly low compared to taxation on electricity for example. Therefore a crucial amendment which must be considered in this revision of the ETD in order to achieve the higher targets of GHGs reduction, is the re-structuring of the taxation on energy sources, so that the taxation is dependent on the CO₂ content of the sources. We are in support of introducing a CO₂ component to the revision, whereby the taxation of fuels is dependent on their CO₂ content.

It is worth looking for inspiration from our closest neighbours, especially when their practices are yielding some positive and encouraging results. Sweden introduced a carbon tax in 1991 and has been increasing this tax ever since. This has led to emissions reductions while still maintaining economic growth. It is crucial that the revision of the Energy Taxation Directive takes into account the best practices already available, and applies them within the EU. There needs to be a CO₂ tax with an ever increasing price.

It is crucial that we introduce the taxation on the primary source of energy. This must be done at a European level as a result of the competition in the internal electricity market.

The current ETD has provided a framework in which there are energy tax exemptions and reductions available to fossil fuels. This provided a considerable advantage to fossil fuels during a time when there should have been measures in place deterring investment in these fuels. Therefore, it is crucial that these tax exemptions are reduced and eventually stopped all together for fossil fuels under the revision of the ETD. This in turn would allow for greater investment into sustainable energy sources. This would be in line with the goal of carbon neutrality by 2050.

Another important issue to address is that of storage and the taxation on storage. It is crucial that the revision of the Energy Taxation Directive includes measures which would prevent the double taxation on storage, whereby one must pay for the electricity entering the storage facility and then pay once again as an end-consumer.