



The ETD Public Consultation: stakeholder event

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ERCST

Roundtable on
Climate Change and
Sustainable Transition

Why are we discussing this now?

- 2003: introduction of the Energy Taxation Directive
- 2011: failed attempt to pass a revision (no agreement among MS)
- Current revision: mainly fiscal or environmental?
 - Initial objective: to support the proper functioning of the internal market and avoid harmful competition.
 - Proposed objective: in the context of the European Green Deal, the main objective is environmental → energy and carbon content are being considered as the basic structure for taxation.
- Overlapping areas: energy vs. fiscal vs. climate responsibilities, use of revenues?
- Broader policy context: ETS revision in 2021, other sectoral measures

Introduction

- The Consultation lasts until October 14.
- **Today's meeting outline:**
 - Key themes in the ETD public consultation
 - ERCST's rationale for answers to selected questions
 - Key questions to be covered in the discussion
 - Stakeholder discussion

Public consultation

Key themes:

- Social impacts and compensation measures
- Rules for taxation of energy products and electricity
- Exceptions specific to:
 - Agriculture, Fishery and Forestry
 - Transport: aviation, waterborne, and road transport
 - Industry
 - Production of energy products and electricity
- Lower carbon products and applications

ERCST's rationale example: accompanying social policies

Section 5: Social Impact and Compensation Measures

Q: Which of the following accompanying measures do you consider as most relevant social policies?

	a) Very relevant	b) Somewhat relevant	c) Somewhat irrelevant	d) Strongly irrelevant	e) Do not know
1) The reduction of other tax e.g. taxes on labour or social contributions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2) Direct compensation to lower income groups via a lump sum	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3) Direct compensation to all households via lump sum	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4) Social welfare programs directed at poor households, reducing their energy costs for both home owners and rental dwellings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5) Tax-free base/threshold for heating and electricity taxes for basis energy consumption. For instance, the first 1000 kWh and 100 Gigajoule for heating per year are not subject to energy taxation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6) The possibility for lower taxation for local public transport should be kept	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7) No accompanying social measures are needed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8) Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

ERCST's rationale example: accompanying social policies

Section 5: Social Impact and Compensation Measures

Q: Which of the following accompanying measures do you consider as most relevant social policies?

Very Relevant: 2) Direct compensation to lower income groups via a lump sum

Rationale: lower income households should be supported, given that they will likely be disproportionately affected by the increase in energy prices resulting from a revision of the ETD. Direct compensation via lump sum would enable them to redirect the money received towards, for instance, primary goods and services.

ERCST's rationale example: minimum tax rate

Section 6.1 Minimum tax rates

Q: Which options do you consider as relevant for minimum tax rates? Multiple options are possible.

- 1) The minimum tax rate of an energy product should be based on its energy content rather than on its volume or mass
- 2) The minimum tax rate of an energy product should be based on the amount of greenhouse gases emitted per Joule
- 3) The minimum tax rate of an energy product should be based on the cost on all their externalities such as greenhouse gases emissions, air polluting emissions and noise linked to their consumption
- 4) The minimum tax rates of energy products and electricity should be indexed yearly based on the average inflation of the EU
- 5) I do not know / I have no opinion

ERCST's rationale example: minimum tax rate

Section 6.1 Minimum tax rates

Q: Which options do you consider as relevant for minimum tax rates?

- 2) “The minimum tax rate of an energy product should be based on the amount of greenhouse gases emitted per Joule”, and
- 4) “The minimum tax rates of energy products and electricity should be indexed yearly based on the average inflation of the EU”

Rationale: because the revision of the ETD is part of the European Green Deal, its main rationale is environmental. Therefore, we believe the main focus should be on taxing the CO₂ content of fuels. Additionally, the minimum tax rates should be automatically updated to account for inflation, ensuring their relevance over time.

ERCST's rationale example: exceptions

Section 7.2.3 Exceptions specific to some sectors of activity: Road Transport

Q: What is your opinion on the tax treatment of electricity used in electric vehicles in road transport? Multiple options are possible

- 1) There is no need for a specific treatment under the ETD
- 2) A specific lower tax rate should be introduced for this use of electricity for electric vehicles
- 3) An exemption should be introduced for this use of electricity in the ETD
- 4) Any specific treatment for electricity propelled vehicles would need to be phased out over time to preserve MS revenues from energy taxation
- 5) Other
- 6) I do not know / I have no opinion

ERCST's rationale example: exceptions

Section 7.2.3 Exceptions specific to some sectors of activity: Road Transport

Q: What is your opinion on the tax treatment of electricity used in electric vehicles in road transport?

1) "There is no need for a specific treatment under the ETD"

Rationale: the ETD in its current form taxes electricity by the MWh, and does not have provisions for the taxation of electricity used as propellant.

Our view is that the taxation of electricity should be based only on its carbon content, a component which is already covered by the EU ETS.

Therefore, to avoid double taxation, the ETD should not tax electricity used in electric vehicles for road transport.

ERCST's rationale example: low carbon products

Section 8 Lower Carbon products and applications

Q: In your opinion, should the Energy Taxation Directive ensure differentiated tax treatment for low-carbon fuels and applications that drive the EU's green transition?

- 1) Yes
- 2) No
- 3) I do not know / I have no opinion

ERCST's rationale example: low carbon products

Section 8 Lower Carbon products and applications

Q: In your opinion, should the Energy Taxation Directive ensure differentiated tax treatment for low-carbon fuels and applications that drive the EU's green transition?

“No”

Rationale: because we believe the ETD should mainly tax the CO2 component, the advantage of low-carbon fuels vis-à-vis fuels with a higher carbon content would already be reflected in the tax rate.

Questions for our panelists

- Section 4: Which priorities are important for the EU Energy Taxation Directive (ETD)?
- Section 5: Which accompanying measures do you consider as most relevant social policies to address the impacts of the ETD on affected households?
- Section 6: what is the most relevant option for the design of a structure for minimum and nominal tax rates?
- Section 7: what should be the tax treatment of energy products and electricity for the aviation/maritime/road transport sector? And for industry?
- Section 8: should the ETD encourage, if at all, low carbon fuels and applications? If so, how?



Thank you!

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