ERCST

European Roundtable on
Climate Change and
Sustainable Transition

Revision of the Energy Taxation Directive

Synthesis of the Submissions to the Inception Impact Assessment

Andrei Marcu
Dana Agrotti

ERCST

European Roundtable on Climate Change and Sustainable Transition

On March 4th, 2020, the Inception Impact Assessment (IIA) for the revision of the Energy Taxation Directive (ETD) was published on the European Commission's website. IIAs describe the problem aimed to be tackled by the policy initiative and the objectives to be met, explain why EU action is needed, outline policy options, and describe the main features of the consultation strategy and impact assessment.

Citizens, industry representatives, NGOs, and other stakeholders were invited to comment on the IIA for an updated directive aimed at addressing a number of shortcomings identified in the 2003 Directive, notably its inability to deliver on the 2030 and 2050 climate targets, and on the effective functioning of the internal market. By April 1st, 180 representatives of different organisations, citizens, as well as two Member States had submitted their feedback to the Commission. ERCST has participated by submitting its own feedback.

Leading up to the public consultation period, foreseen for Q2 2020 but likely postponed to Q3 due to the ongoing Covid-19 crisis, ERCST has selected a number of submissions. The selection process aimed at including feedback from the most recognised organisations based on the quality of their submissions.

This paper highlights the suggestions, differences and commonalities in the submissions analysed. The main objective is to highlight key points in selected feedbacks to provide an overview of what those submitting their comments want the review of the ETD to focus on, as well as to provide a broad summary of selected feedback received by the Commission and capture trends and important points in a synthesis.
As an ex-ante remark, it would seem that most submissions focused more on the substance of the directive rather than on the upcoming Impact Assessment.

Synthesis

In general, the submissions have a positive outlook towards a revision of the ETD and support updating the Directive in line with the 2030 and 2050 EU-wide climate and energy targets.

It is worth highlighting that several submissions mention the ongoing Covid-19 crisis, noting that any measure that will need to be taken with respect to the revision of the ETD, and of other policies which are part of the EGD, should be adapted in line with the recovery needs of Member States and businesses.

However, regarding the policy options that are proposed in the IIA to deliver on the objectives outlined in section B – Objectives and Policy Options – views vary largely among stakeholders, and are very much aligned with the interests of their respective constituencies.

Before synthesising the main points in the feedback received, it is important to highlight a distinction between submissions that focus on how the Commission should conduct the Revision of the ETD, thus focusing on the process, and those that are concerned with what they would like the revised Directive to look like, thus focusing on the outcome.

Although most of the feedback considered in this paper focused on stakeholders' views on the outcome of the revision, the first section below illustrates the points in the feedbacks that relate specifically to the process of revision.

Explicit and implicit considerations on the process of revision

One explicit consideration on the revision process present in several submissions is the legal basis for EU intervention on a review of the ETD. Indeed, the IIA states that, because the revision is considered as part of the European Green Deal communication, the revision of the Directive should focus on environmental issues. Therefore, it would be possible to use Article 192 of the Treaty of the Functioning of the EU, which allows the European Parliament and the Council to decide on these matters through qualified majority voting instead of unanimity, as currently required by Article 113.

The two Member States that submitted their feedback, together with a majority of industry stakeholders, advocate for maintaining Article 113 which requires the Council to act unanimously on matters of turnover taxes, excise duties and other forms of indirect taxation.

However, two submissions analysed in this paper explicitly mention that the urgency of the climate crisis justifies the use of Article 192 of TFEU. Although not all submissions openly state whether they are in support of using Article 192 or not, several explained there are internal discussions to develop a position on the issue. Certainly, this will be one of the most contested points in the revision.

Another point raised in some submissions relates to how the greenhouse gas (GHG) component in the taxation formula would be calculated. For example, several submissions stress the need to take a lifecycle approach when taxing products based on their GHG emissions.

Additionally, multiple submissions mention the need to assess the overlaps between the EU Emission Trading System (ETS) and the ETD and how to avoid them, as well to establish a framework for the taxation of energy storage.

One of the rationales for the revision of the ETD is that, in its current form, it does not adequately promote energy efficiency. In this sense, an interesting point raised in one submission is that taxing the energy and CO2 content of fuels is not the only way in which energy efficiency targets can be achieved. The point is also raised that energy taxation is not the only instrument that can be used to achieve the 2030 and 2050 climate goals. Although it is explicitly mentioned that the policy options explored in the IIA do not preclude the possibility of alternative approaches emerging from stakeholder consultations, these submissions call on the Commission to explore other sets of measures that could deliver on the targets outlined in the IIA, in line with State Aid processes and rules.

Another remark regarding how the impact assessment should be conducted relates to the consequences that the application of the Directive will have on energy-intensive sectors. While the IIA mentions that this will be an element in the assessment, without going into much detail on how it will be included, several submissions request that the removal of exemptions and the impact on the competitiveness of EU industries be carefully assessed to avoid unexpected consequences such as an increase in the risk of carbon leakage. Some submissions from representatives of this sector also propose assessing the feasibility of including a taxation ceiling for energy-intensive businesses, to minimise market distortions and reduce the risk of fragmentation in the internal market.

A final point relates to the level of disaggregation of the upcoming assessment. Indeed, several submissions highlight the need to consider the impacts of the various policy options under consideration at EU, MS, and sectoral level.

Views on the outcome of the revision

It is possible to group submissions based on their broad views regarding what they would like the substance of the revised ETD to focus on.

One group, mainly composed of NGOs and representatives of the power sector, is broadly in favour of a revision of the ETD, agreeing to all the key points outlined in the IIA, and especially with the removal of current sectoral exemptions for the maritime and aviation sectors, which in their view is not justifiable in light of the climate crisis. Regarding these sectors, they point out to the need to help them switch to low-carbon fuels, with some advocating for a gradual removal of exemptions to facilitate this transition.

This group also agrees to having a tax rate based on both the energy and CO2 content of energy products, and to increase the minimum tax rates, which have eroded over time. This would encourage uptake of renewables and low-carbon fuels whose use is often disincentivised vis-à-vis fossil fuels in the current Directive. On this point, although generally they support having minimum tax rates for all types of fuels, some propose exemptions, rebates, and tax incentives for renewable energy, sustainable biofuels and hydrogen to accelerate the decarbonisation process of EU economies.

Regarding the legal basis for intervention, this group does not have a clear position on what legislative procedure they would support, whether it be unanimity under Article 113 or qualified majority voting under Article 192. Indeed, several said they would formulate a position to present during the public consultation period. However, among the submissions in this group none appeared to be strongly against the use of Article 192.

Notably, all submissions in this group highlighted the need to direct revenues from taxation to help low-income households and address energy-poverty, ensuring the transition to low-carbon economies is just and that no one is left behind. Some of the approaches suggested in the submissions include direct payments to affected households, tax rebates, and financing re-training programs for workers.

It is possible to outline another set of submissions with almost opposite views. Consisting mainly of energy-intensive and trade exposed industries, this group does not support the revision of the ETD in its current form and only welcomes a few points. This group represents the industries that would likely be impacted most by the revision of the Directive, being generally exposed to competition in a global market with different environmental standards and taxation rates than in the EU.

This is indeed a point that comes up in most of the submissions from this group, which argue that environmental standards outside the EU are laxer. Therefore, if taxation within the Union was to increase, or if exemptions were to be removed, they argue it would become difficult if not impossible for them to compete with producers of cheaper, but more carbon-intensive goods.

This may be seen as going against one of the very reasons for the revision of the Directive, which is to address the risk of climate change, as an increase in taxation or a removal of exemptions could possibly result in carbon leakage. Because of this threat, the group advocates for maintaining the status quo in terms of tax exemptions and reductions. Also, any reduction or exemption should be automatically considered valid under State Aid rules.

Additionally, some submissions from the group also call on the Commission to consider introducing maximum taxation levels rather than minimum rates, not only for external competitiveness issues, but also to avoid a distortion of the internal market.

However, some submissions in this group show an openness towards the ideas presented in the IIA and ask that the revised ETD supports them during the transition by switching to low-carbon fuels and innovative technologies. With the support set in the new Directive, they could convert their production processes to incorporate renewables and other types of low-carbon fuels, allowing these sectors to decarbonise while remaining competitive in the global market.

Additionally, often the carbon component in production for these sectors is already covered by the EU ETS. Therefore, these sectors ask that, when considering a tax scheme based on GHG emissions, potential double taxation of energy and electricity under both the ETD and the EU ETS should be avoided.

This is a common topic throughout most submissions. Indeed, what stakeholders call for is for the ETD not to overlap with the ETS, but rather to be seen as a way of complementing it by providing a strong carbon price signal to sectors that are not included in its coverage.

Commonalities

The treatment of electricity is a topic that emerges from the submissions of almost all stakeholders. It is seen as a key driver in decarbonising the EU economy, particularly the transport and building sector, as well as (energy-intensive) industry. Many stakeholders ague that its crucial role should be reflected in the revision of the ETD by keeping taxation rates to a minimum.

Additionally, some advocate for full exemptions for electricity from renewable sources. Finally, limiting the pressure of taxes on electricity would also make electricity more affordable for households, which in turn would alleviate social and distributional impacts.

Another fuel that could play a role in the decarbonisation of the EU economies is low-carbon hydrogen, which is mentioned in several submissions, often together with sustainable biofuels, which also support decarbonisation of the transport and heating sectors.

These sectors can be seen as having an untapped potential for decarbonisation, as they are currently not covered by the ETS and thus are not incentivised to switch away from carbon-intensive fuels. As their inclusion within the scope of the ETS is not certain in the near future, some stakeholders argue that the revision of the ETD is an opportunity to incentivise decarbonisation of these sectors.

Additionally, taxation of energy storage is mentioned in several submissions, from many "sides". These submissions agree that storage cannot be considered as end consumption and as such it should not be taxed at the point of entry, which would result in double taxation.

Cogeneration of heat and power (CHP) is another point mentioned in several submissions. It is seen as a way to increase energy efficiency and should therefore be fully exempted, to also help decarbonising energy-intensive sectors. Many agree that the deployment of high efficiency CHP, together with other technologies that can deliver a clean transition, should continue to be supported through reductions, exemptions, and incentives, even if only temporary.

Comparison between groups

INDUSTRY (14)	NGOs (4)	POWER SECTOR (8)
- Not in support of removing exemptions and raising minima, but positive opinion on encouraging low-carbon investments and technologies. - Energy-intensive industries should be shielded from international competition. - If excise duties are increased, there is a risk of carbon leakage to countries with different (laxer) environmental standards than the EU. - Most industries are already covered by the EU ETS. Overlaps should be avoided. - Promote and support deployment of renewables, climate-friendly technologies and electrification through tax exemptions and other means. - Address higher carbon intensity of foreign products through a CBAM. - Taxation on storage: avoid double taxation (at point of entry and at consumption).	- In support of a revision of the ETD. - In support of including both a CO2 and energy content component in the taxation formula. - Support removing exemptions for fossil fuels and in the aviation and maritime sectors. - Ensure taxation is always above the minima, although some advocate tax exemptions for renewables/sustainable biofuels/ hydrogen. - Provide incentives to accelerate uptake of renewables, climate-friendly fuels and cleaner technologies. - Electricity should be taxed but at a minimum level, recognising its key role in the decarbonisation of the EU economy. Temporary exemptions should be considered. - Revenues should be reinvested in just transition/to support low-income households.	- In support of a revision of the ETD. - In support of including both a CO2 and energy content component in the taxation formula. The CO2 component should be aligned with the ETS carbon price - Support removing fossil fuel exemptions. - Keep the same minimum level of taxation for electricity for all its purposes and usages. - Tax reductions/temporary exemptions for renewables used in transport and buildings. - Only keep exemptions (for the carbon component) for sectors already covered by the EU ETS. - Avoid duplication of electricity taxation with ETS. - Encourage use of innovative technologies. - Taxation on storage: avoid double taxation (at point of entry and at consumption).

- Consider making a full exemption of high efficiency CHP mandatory to help decarbonisation. - Consider setting a taxation ceiling.	- To avoid erosion of taxation minima over time, consider an indexation mechanism.	

This categorisation does not consider all the submissions previously analysed, as some of these did not fit into any of the categories in this table.

ERCST

European Roundtable on Climate Change and Sustainable Transition

Submissions summary

Organisation	Key points
Association for District Heating of the Czech Republic	- The ETD is currently not in line with EU decarbonisation targets - The ETD should be aligned with the ETS and signal a strong price on carbon to installations not covered by the ETS. - The possibility for Member States to apply exemptions or reductions in the level of taxation of fossil fuels, including coal, used by households (Article 15(h)) should be removed as it runs directly against decarbonisation targets. They should be kept only for fuels used for heating in installations covered by ETS. - Avoid double taxation
AFEP (French Association of Large Companies)	- In light of the current COVID-19 crisis, the EC should ensure that climate, energy and industrial policies updates contribute to the mitigation of the economic crisis. - The impact assessment should ensure that the impact on climate is reflected in the taxation rate, by updating tax rates, reductions and exemptions based on life cycle analyses. - The revision must ensure that the taxation framework is harmonised within the EU, to avoid the risk of distortion between Member States that include a CO2 component in their energy taxes and those who do not and those that exempt sectors already covered by the ETS. - Sectors that are within the scope of the ETS should not be subject to the carbon component in taxation. - In addition to revising the minimum levels of taxation over time, the impact assessment should also consider the feasibility of setting up a tax ceiling. - The revision process must not result in further increased burdens for businesses exposed to international competition, so consider keeping exemptions. - Consider providing subsidies to energy-intensive and trade-exposed sectors to boost investments in low-carbon technologies.

	- The impact assessment study should identify measures to ensure: predictability, progressivity, business and social acceptance, availability of alternative solutions and transparency/relevance on the use of the additional tax resources. - The revised ETD should increase support for the development of low carbon alternative energy carriers, for instance through exemptions, and foster innovation and investments in low-carbon technologies.
Climate Action Network Europe	- Strongly in favour of removing subsidies and tax breaks for fossil fuels. - The revision of the ETD should support clean energy solutions that lead to deeper GHG reductions, more energy savings, and faster deployment of renewables. - In support of using Article 192. - Any exemption applied must be consist with the EU's climate commitments. Those that are contradictory to the energy transition agenda and climate neutrality goal should be removed. - The minimum excise rates should be revised and harmonised across MS to avoid overestimating energy savings. - Revenues should be invested in just transition, clean energy, and international climate action to mitigate the economic and social impacts related to transitioning away from a carbon intensive economy.
Carbon Market Watch	- The ETD should be aligned with a carbon price in line with the Paris Agreement. - Revenues from taxation should be invested into climate action and a just transition, following the "leave no one behind" principle. Therefore, revenues should be redistributed to the most affected individuals and communities. - Taxation on fuels for international transportation should be regulated at the EU level to protect the single market and ensure that Member States do not further engage in a race-to-the-bottom. - Taxation rates for the aviation should at least be equal to the level faced by road transport. The maritime sector should also be taxed according to its emissions. - Both the energy content and fossil GHG emissions should be reflected in the level of taxation. - Use and development of climate-friendly fuels should be incentivised fiscally.

CEEP (European Centre of Employers and Enterprises providing Public Services and Services of General Interest)	- The carbon content of the different energy carriers should be taken into account to include a real CO2 component in taxation. This is key to encourage customers to switch toward decarbonised and renewables solution. - The revised ETD is an opportunity to favour better heating solutions using biomethane and heat pumps. It should also encourage the uptake of electromobility. - Regarding public transport, its role as a low-CO2 emitting mode of transport should be acknowledged. The ETD has a role in setting the framework to support this sector, for instance by ensuring that the exemption clause in Art 15(1)e is applied to all local public passenger transport, instead of being treated separately under Article 5. - Taxes and levies from energy bills that are not electricity, gas or heat are currently a burden for final consumers. Therefore, they should be removed. - The ETS should be taken into account when introducing a CO2 component in taxation. - In support of using Article 192 as the legal basis for the revision.

CEFIC	- Propose a shift in tax systems by turning minimum into mandatory maximum levels of taxation – which take into account international competitiveness conditions. This would:
	    o Minimise distortion on the EU internal market (no Member States with very high tax rates)
	    o Minimise competition concerns.
	- Similarly, to preserve international competitiveness and avoid double taxation, exemptions for energy-intensive sectors that are already covered by the ETS should be maintained.
	- The ETD should recognise industry's need to access climate-friendly energy and electricity at an affordable price.
	- National governments should prioritise investments in infrastructure for energy, as well as transport and storage of CO2. The ETD must complement this and other investments by recycling taxes back into the necessary infrastructure.
	- Tax exemptions and indirect carbon cost compensation should be used to incentivise innovation in climate-friendly technologies.
	- The ETD should facilitate promoting the electrification of industry, as it is an important way to reduce emissions.

	- The potential to realise synergies between different industrial sectors should be leveraged, for instance, by exempting energy products and electricity used in CHP units.
Cepi - European paper industry	- For businesses that are already covered by the EU ETS, the process of being exempted from the ETD to avoid double taxation should be facilitated/ ensured. - Energy intensive industries exposed to the risk of carbon leakage should be excluded from the scope of the ETD. - Exemptions should not be seen as "forms of fossil fuel subsidies".
Cerame-Unie	- EU policies should be adapted to the post COVID-19 scenario. - Exemptions and reductions that help protect the international competitiveness of energy-intensive sectors must be maintained. - High efficiency combined heat and power must be fully exempted. - Double taxation of sectors already under the scope of the ETS must be avoided. - Questions the effectiveness of having minimum levels of taxation, as it leads to large differences across Member States, as well as negatively impacting global competitiveness as such minimum tariffs do not exist in the rest of the world. - When considering raising taxation minima, legislators should keep in mind that minimum tariffs don't exist outside the EU. It must be ensured that an increase in minimum excise rates does not produce any negative effect on the global competitiveness of EU manufacturers.
COGEN Europe	The ETD should: - Include a full mandatory exemption of excise tax on 100% of energy products and electricity used for high efficiency cogeneration, contributing to the achievement of the energy efficiency goals outlined in the Clean Energy Package. - Use the "high efficiency cogeneration" methodology instead of the outdated "environmentally friendly" cogeneration standard, referring to Directive 2012/27/EU. - Calibrate energy taxation to foster energy systems integration and incentivise the maximum and cost-effective uptake of renewable energies and energy efficiency across electricity, gas and heat infrastructure.

	- Energy taxation should account for the role of gas grids, as well as off-grid solutions, in integrating renewable energy sources and foster their uptake - Adequately account for energy and carbon intensities, by taking a system-level perspective
Confindustria	- The revision should consider disparity in member states sustainability index performance when harmonising taxation, so as to not discourage ambitious MS but rather to bring other countries in line with the best-practices identified in some MS. - The revision should take a holistic approach by considering the impact of lifting exemptions and raising minimum taxation levels on EU competitiveness. - Energy taxation instruments should be harmonised with other policies aiming to achieve environmental objectives such as the ETS in order to avoid double taxation. - A revision of the minimum levels of taxation should be done by differentiating the sectors included in the Directive; it should be based on the availability and affordability of alternative fuels. - The revision of the Directive should include both the energy content and CO2 emissions components in taxation - A favourable fiscal regime can be considered for efficient energy carriers with a low environmental impact such as electricity and gas. - The revised taxation regime should account for the role of CCS and HE CHP in the decarbonisation process. - Exemptions for low-carbon fuels should be maintained, even in the road transport, maritime and aviation sectors. - A differentiation in the tax regime should be considered in line with the RED II Directive. - CHP should be subject to a favourable tax rate. - Storage should not be considered as end consumption. - The role that hydrogen will play in the decarbonisation of the industrial and transport sectors must be acknowledged. - Exemptions should be maintained for LPG used in heating and transport. - Methane should be exempted when used in high efficiency CHP - The Directive should promote innovation and investments in sustainable technologies

Électricité De France	- Carbon taxes and pricing should take into account negative environmental impacts and help reduce GHG emissions, improve energy efficiency and strengthen the circular economy. - The ETD should include a carbon-related component to enhance the minimum rate within the EU and secure an incentive which is consistent with EU energy and climate targets. - The Directive must be modified to encourage uptake of electromobility, which should be taxed as the rest of electricity used for other purposes to avoid distinctions in usage or asset class. - Electricity is key in contributing to the EU's climate and energy target, and taxes on consumption should not hamper the electrification of the European economy. - The review must maintain clear exemptions for energy products used to produce electricity and electricity used to maintain the ability to produce electricity in order to avoid double taxation. - Energy storage shouldn't be considered as end consumption.
Enel Italy	- ETD revision, Climate Law and other EGD updates should support the economic recovery in the aftermath of the COVID-19 crisis. - The taxation of energy products should ensure full alignment between climate protection goals and other policy objectives such as equity, energy poverty, competitiveness of EU industry and harmonization at EU level - The prices of electricity and fossil fuels should fully reflect their environmental impact, so in support of the inclusion of a CO_2 component. However, electricity and energy products already covered by the ETS should be exempted from taxation based on CO_2 content to avoid duplication. - Energy prices should reflect scarcity, efficiency and environmental impact. - Taxes related to climate policies should be recovered via general taxation. - Intermediate goods taxation should be avoided. - Exemptions should be exceptional and harmonised at EU level and justified by the objective of pursuing climate objectives or to protect the competitiveness of EU industry.

	- Electricity from renewables helps achieve climate policy objectives. To incentivise electrification, the tax exemptions as per article 14 (1)(a) and as per article 15(1)(b) for the share of renewables electricity shall be confirmed. - Electricity as a fuel for transport should also be considered for transitory exemption in light of its environmental benefits
Eurelectric	- In support of a revision of the ETD, acknowledging that taxation is a responsibility of MS. - Fiscal rules among Member States must converge to contribute to the functioning of the Internal Energy Market - The externalities produced by fossil fuels must be reflected in their taxation rate, to address the current disparities between energy carriers e.g. EU ETS applies CO2 pricing to electricity but not to fossil alternatives in transport and building → disincentivising use of electricity in these sectors. This problem must be tackled by integrating a component in taxation which reflects the climate impact of different energy sources. - Sectoral discrepancies must be tackled by gradually removing aviation and maritime exemptions until cleaner solutions are available, and in other sectors without a meaningful price signal by extending the ETS scope or by carbon pricing measures. The introduction of a CO2 component must complement the carbon price of the ETS. - 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 achieving the decarbonisation targets. - Review scope and product coverage of the ETD to comply with neutrality objective by limiting the weight of taxes on electricity → this will help make electricity more affordable to households and reduce distributional impacts.
Eurofer	- The CO2 emissions from the power and process industry are already covered by ETS and as such should not be subject to a CO2 tax. - Energy and CO2 content are not the only set of measures that can achieve energy efficiency targets. Therefore, the ETD should be neutral in not favouring emissions reductions or energy efficiency over other measures. - Sectoral differentiation of taxation levels should not be regarded as subsidies, as they are based on a national comparison while keeping equal levels between competing sectors within the EU.

	- Companies in highly competitive international markets and energy-intensive industries should be exempted from taxation under the ETD. - Minimum tariffs should be kept at a low level, considering that many other regions in the world don't have any such measures in place. - Any energy tax exemptions or reduction by the ETD should be automatically considered in line with state aid rules.
Eurogas	- Taxation is exclusively a MS prerogative, and MS should be left with complete flexibility to adopt an energy taxation policy appropriate to their national situations. - Maintain tax incentives for natural gas in transport to ensure greater use of alternative fuels that are decarbonising mobility. - Investments in clean alternatives to the current polluting fuels must be incentivised. - Avoid double taxation of energy conversion and storage processes to ensure that only end consumption is subject to taxation. - The ETD must recognise the emissions reduction potential of renewable and decarbonised gas technologies by adapting the tax rate to the relevant market conditions, and possibly through tax exemptions. - Consider the distorting effects of fossil fuel subsidies: It's not the energy per se that is subsidised but the use of energy in a given sector.
Eurometaux	- Exemptions help safeguard the competitiveness of Europe's metals industry. Specifically, Article 2(4) and Article 17 must be preserved. - Metals industries are already covered by the EU ETS for the climate component, therefore policymakers should be careful to avoid double taxation under the ETD. - Any change to the minima set in the ETD must be coordinated with a symmetric exemption in state aid guidelines, otherwise it would have detrimental effects on the competitiveness of energy-intensive industries exposed to the risk of carbon leakage such as metals.
European Environmental	- Fiscal instruments should be redirected towards a green recovery stimulus in the wake of the COVID-19 crisis.

Bureau	- All energy products should be taxed based on their energy and carbon content to tackle emissions, especially in the transport and building sector for which coverage under the ETS can't be foreseen in the short to medium term. The tax rate should complement the price signal provided by the EU ETS. - All subsidies to fossil fuels should be removed and advantageous conditions should be created for new alternative fuels (e.g. hydrogen) to accelerate decarbonisation of the grid. Only those exemptions that can be justified in the context of the European Green Deal and the Paris agreement should remain either temporarily or undergo frequent revision. - Social provisions related to energy poverty should be put in place to help households during the transition. - Energy taxation should be a key component in the National Energy and Climate Plans to increase consistency at EU level and avoid distortions in the market. - A coordinated effort to promote decentralised renewable energy production and self-consumption should be favoured.
European Renewable Energies Federation	- A restructuring of taxation on energy sources is needed, which reflect the new EU climate targets. Thus, it is necessary to base taxation on both a CO2 and energy content component. - This CO2 tax should incorporate an increasing price. - Taxation should be on the primary source of energy and harmonised at EU level. - Tax exemptions and reductions for fossil fuels must be reduced and eventually stopped. - The revision should include measures that prevent double taxation on storage, at point of entry and at consumption.
FuelsEurope	- The ETD should enable very low or zero taxation for low-carbon fuels, to incentivise investments in the development of low-carbon fuels and making fuel pricing socially acceptable. - All sustainable biofuels, not only advanced biofuels, should be considered in the review of the ETD.
Government of Malta	- Article 113 TFEU should be kept as the basis for revision of the ETD. - Removing exemptions from the maritime sector would seriously undermine the shipping of cargo on which the economy relies. - ICAO is better suited than the ETD to cover aviation emissions.

	- Energy taxation is not the only fiscal instrument that can deliver a successful energy transition. Therefore, the Commission should also consider other instruments taking into account state aid processes and rules. - The impact assessment should be assessed both at the single market level and address Member State-specific challenges. - The Impact Assessment should consider the short to medium to long term effects on connectivity of Member States and impacts on sectorial competitiveness that additional taxes could bring about.
Government of Sweden	- Minimum excise rates should consider energy content and fossil GHG emissions. - The revision should promote sustainable biofuels. - An indexation mechanism is desirable. - Product coverage should be reviewed to clarify taxation of new energy products and alternative fuels such as sustainable hydrogen, and to remove exemptions and reductions for fossil fuels in other sectors, which increase the fragmentation and distort competition in the internal market. - The review should allow for taxation of commercial aviation. If a proposal on a revised directive as such would not be possible to launch within the timeframe set, then a proposal on the removal of the exemption regarding jet fuel should be brought forward as a stand-alone proposal. - Synergies should be found between the ETD and other EU legislative instruments such as the EU ETS and the proposed CBAM. - Unanimity should be kept as the legal basis for intervention on a revision of the ETD instead of QMV.
Hydro	- Because the electricity sector is rapidly decarbonising, electro-intensive businesses are also decarbonising. Therefore, for industrial electricity consumption, decarbonisation is already incentivised by means other that the ETD. - The possibility to apply tax reductions to energy-intensive businesses under article 17 should be maintained. Otherwise, there is a risk of carbon leakage. - The revision should carefully consider the impacts of updating minimum tax rates on the competitiveness of electro-intensive industries.

Iberdrola	- The revision must consider a thorough revision of current fiscal and "parafiscal" schemes (policy charges) burdening unevenly electricity consumers vs. other energy sectors. - All energy sectors should be taxed based on their carbon content and other pollutants emissions, to ensure that taxation borne by energy products and services is proportional to their environmental impact. - The ETD should set minima according to the CO2 content of energy products and MS should not be able to change tax rates. - To avoid distortion of the market, exemptions of energy products used to produce electricity should be maintained. - The ETD should reflect the decarbonisation target in the minimum rate applied to electricity. - The Directive should ensure that any change at the MS level does not distort the price and environmental signal of energy products. - Charge energy products based on their carbon content
Neste Corp.	- A CO2 tax element would help accelerate the decarbonisation of transport. When designing a tax model for low-carbon fuels, all RED II compatible sustainable biofuels should be considered. - The revision should allow an exemption from the minimum tax level for environmentally preferred fuels. - Regarding aviation and maritime taxes, in support of them following a similar low-carbon incentivisation model as other transport fuels.
Polish Electricity Association	- The revision of the ETD should be based on Article 113 TFEU, as voting by qualified majority will not guarantee that the adopted measures will take into account the local circumstances of MS. - Adding a tax-based price component on top of EUAs prices increases the risk of carbon leakage, and should thus be avoided. - The revision of the ETD should not overlap with the ETS. - Exemptions and reductions were introduced to maintain the competitiveness of EU businesses in relation to third countries. The import of products from countries with laxer climate policies should be addressed through a carbon border adjustment mechanism.

SolarPower Europe	- The revision of the ETD should tackle the redistribution of the cost of the energy transition and of electrification among all energy carriers by introducing a CO2 component and ending fossil fuel subsidies. - The issues under scrutiny in section B of the IIA (stated objectives and policy options) are appropriate. - The way in which the GHG content of fuels will be calculated must be clarified in terms of methodologies, what GHG will be included, and how these methodologies contribute to achieving carbon-neutrality in 2050. - The revision should acknowledge renewable electricity used in transport and to make future synthetic fuels. This requires an assessment of the electric mobility growth trajectories, and of the potential of renewable-based electric mobility. On this basis, it would be possible to grant tax reductions for renewables used in transport, e.g. as part of a PPA or renewable self-consumption scheme. - The ETD should consider a framework for the taxation of hydrogen based on a lifecycle analysis, thus incentivising hydrogen technologies with a low CO2 footprint. - Charging of storage facilities should not be treated as final use. However, the ETD should acknowledge that in some countries the prohibition of double-taxation is conditional on the possession of expensive metering systems.
Solvay	- Exemptions and reductions for energy-intensive businesses should be maintained, to address competitiveness concerns. - The impact assessment is necessary to ensure that a revision of the ETD does not damage the competitiveness of EU businesses. - Energy used as raw material or dual use and in mineralogical process shall continue to be exempted. - A full exemption for high-efficiency CHP should be applied across Member States, to promote energy efficiency in industrial sites. - Renewable and alternative energy fuels should be promoted through tax exemptions. - The revision should include a taxation ceiling for energy intensive consumers. - Double taxation of activities already covered by the EU ETS should be avoided.

	- Outsourcing and insourcing of utilities should be treated on an equal footing by excluding certain industrial processes from the scope of the ETD. Regarding outsourcing of utilities, the taxation scheme should provide the same levels of reduction or exemption as for integrated companies.
Total	- Tax rates, reductions and exemptions should be redesigned for all energy carriers and users to better reflect their impact on the climate and environment, based on life cycle assessments, and to provide a level playing field across the involved sectors. - The revised ETD should provide adequate support for the development of alternative energy carriers. - The incoherent treatment of some energy carriers in the various elements of EU policy (ETD, ETS, RED, emission performance standards) should be removed. - Innovation and investments for greenhouse gas reduction technologies, energy efficiency and clean energy, should be supported to help difficult-to-abate sectors to reduce their emissions, including transport. - The revised ETD should strengthen the competitiveness of the European industry in the energy sector. - The new taxation regime must provide affordable access to cleaner energy and mobility for all EU citizens. Where needed, alternative support measures must be developed to mitigate the effect of increased taxation on vulnerable sectors and populations, by redistributing part of the taxation revenues to the households.
Transport & Environment	- The urgency of climate change justifies using qualified majority voting. The distortions in competition created by the current taxation treatments of different modes of transport could also justify the use of Article 116 TFUE to revise the ETD and lift unanimity rules. - Exemptions for the aviation and maritime sectors should be removed. - Regarding aviation, both ETS and ETD should apply. - For the maritime sector, the EU ETS is more effective than a fuel tax. Shore Side Electricity supplied to ships should remain an affordable and economically preferable option through a favourable tax regime under the ETD.

	- On road transport, the CO2 impact of fuels for diesel petrol and natural gas should be reflected in the tax rate. MS should not have the possibility to apply total or partial exemptions or reductions in the level of taxation to natural gas and LPG used as transport propellants. Track fuel tourism must be stopped. - Biofuels should be based on their CO2 impact. The tax exemption for biomass-based fuels should be removed. - Electromobility should be incentivised through rebates or incentives to zero emissions company cars/corporate fleets. - Fuel taxes should be linked to inflation.
WindEurope	- The revision must be aligned with the European climate and energy goals. - Some exemptions from full harmonisation can be justified on the grounds of climate and energy policy objectives, such as tax exemptions for the share of renewables electricity that can be granted as per article 14 (1)(a) and article 15(1)(b) of the ETD. - The revised Directive should provide a level-playing field for renewable electricity. - The current weight of taxes on electricity is greater than on gas. To address this the ETD should provide a level playing field between gas and electricity taxation and minimise the level of taxes applied to electricity in order to foster renewable based electrification. - The energy content of fuels must be acknowledged. - To avoid distinction in usage or asset class, the same minimum level of taxation for electricity for all its purposes and usages should be maintained. - The revision should factor-in new technologies such as storage and renewable hydrogen, and it should acknowledge that electricity supplied to storage facilities cannot be considered as end-consumption.

ERCST

European Roundtable on
Climate Change and
Sustainable Transition

European Roundtable on
Climate Change and
Sustainable Transition