

EU Green Deal - Revision of the Energy Taxation Directive

Bioenergy Association of Finland welcomes the planned revision of the Energy Taxation Directive (ETD).

Successful European Green Deal requires urgent alignment of taxation of energy products and electricity with EU energy and climate policies and the new sectoral legislation.

At the time of its adoption, the ETD represented a positive contribution to the EU's legislative framework. However, it has remained unchanged since 2003. **The Directive is outdated and poorly adapted to climate change challenges and developments in energy policy at EU level to address climate change and issues related to energy transition.**

Minimum rates have been unchanged since 2003, which does not reflect the need to get rid of fossil energy use.

ETD does not base taxation on products' energy or carbon content, but on volume alone. Furthermore, the Directive does not differentiate between renewable and carbon-intensive sources of electricity. The environmental differences between biofuels and fossil fuels are not recognised. This contradicts an energy policy that promotes fuel switching and the use of renewable and other clean energy sources. The Bioenergy Association of Finland believes that **key objectives of the revision of the ETD should be an increase in renewable energy share and improved energy security.**

Additionally, **ETD does not cover new technologies and products (such as biomethane and power-to-gas products) and is poorly aligned with newer energy legislation, such as the recast of Renewable Energy Directive (REDII). Current ETD does not encourage the use of advanced biofuels and other environmentally friendly fuels products.**

One example of this non-alignment is the mandatory tax exemption for international aviation and maritime transport. Such an exemption is not in line with the wider decarbonisation objectives of the Union's transport policies, nor REDII.

Roadmap Consultation reply

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European Commission
DG Taxud

Divergent national tax rates above the EU's rather low minimum rates increase the fragmentation of the internal market. There is a risk of growing distortion of competition in the internal market and erosion of the tax base in higher-taxing countries.

A low renewable energy (RES) share persists in the heating and cooling sector: RES represent only 20% of energy used in this sector in the EU. In several Member States the share is much higher, though. An analysis of these forerunner countries shows that **those Member States, where energy taxation is putting a higher price for emitting carbon, usually have higher RES penetration, too.**

(see: https://ec.europa.eu/taxation_customs/sites/taxation/files/energy-tax-report-2019.pdf)

In the transport sector, the current volume-based taxation has caused unintended effects on the market: renewable fuels have often higher taxes than fossil fuels. The EU transport sector alone is responsible for 22% of the EU's greenhouse gas emissions and is regarded as a 'hard to abate' sector. The total share of RES in the transport sector is equal to 8.03%, which is mostly provided by biofuels. **Revision of ETD is a matter of urgency to ensure decarbonization of the transport sector.**

Furthermore, the current volume-based approach to the taxation of fuels is disadvantageous for high blend biofuels with a lower energy content than their fossil alternative. The taxation according to volume (liter), means that biofuels are taxed more per MJ than fossil fuels.

The Revised Directive should allow member states to differentiate between the minimum tax levels for renewable, low-carbon fuels and fossil fuels similarly to Commission's approach to the revision of the Directive in 2011.

We would suggest the revised ETD to set credible minimum excise rates, with a workable indexation mechanism. **Energy taxation should be based on energy content and on CO2 emissions, providing a common framework for CO2 pricing.**

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