Public consultation on the revision of the Energy Taxation Directive (ETD)

Fields marked with * are mandatory.

1
Introduction

The European Green Deal adopted by the Commission on 11 December 2019 is a new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. It also aims to protect, conserve and enhance the EU's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts.
To deliver the European Green Deal, there is a need to rethink policies for clean energy supply across the economy, industry, production and consumption, large-scale infrastructure, transport, food and agriculture, construction, taxation and social benefits. Well-designed taxes play a direct role by sending the right price signals and providing the right incentives for sustainable practices of producers, users and consumers. The revision of the Energy Taxation Directive is an integral part of the European Green Deal and should be focused on environmental issues.
The European Green Deal includes the objective of increasing the EU's climate ambition to reduce greenhouse gases emissions by at least 50% and towards 55% by 2030. The revision of the Energy Taxation Directive forms part of a group of policy reforms to deliver on this increased ambition and achieve climate neutrality by 2050: review of the Emissions Trading System Directive, Effort Sharing Regulation, Land use, land use change and forestry Regulation, Energy Efficiency Directive, Renewable Energy Directive and CO2 emissions performance standards for cars and vans as well as a proposal for a Carbon Border Adjustment Mechanism. The Energy Taxation Directive and the Emissions Trading System are complementary instruments and consistency should be ensured in their parallel reviews.
The COVID-19 pandemic is seriously disrupting the European economy. The European Green Deal and the EU tax policies will play a crucial role in the recovery. Tax policy mainly serves to raise the necessary funds for the desired level of public expenditure, to redistribute income, to influence the allocation of resources and to address externalities.

The Energy Taxation Directive 2003/96 lays down the EU rules for the taxation of energy products used as motor fuel or heating fuel and of electricity. However, since its adoption in 2003, energy markets and technologies in the EU have experienced significant developments, and the EU's international commitments, including the Paris Agreement, as well as the EU's regulatory framework in the area of energy and climate change, have evolved considerably since then. This is confirmed in the evaluation that the Commission services published in September 2019 and recognised by the Council Conclusions adopted by the EU Finance Ministers at the ECOFIN meeting of 5 December 2019.
The main findings of the Commission's evaluation are:

- The wide range of exemptions and reductions de facto, favours the consumption of fossil fuel.
- The Directive does not adequately promote greenhouse gas emission reductions, energy efficiency, or alternative fuels (hydrogen, synthetic fuels, e-fuels, advanced biofuels, electricity, etc.). The ETD does not provide sufficient incentives for investments in clean technologies.
- The ETD does not achieve anymore its primary objective in relation to the proper functioning of the internal market.

Restructuring energy taxation and reducing fossil fuels subsidies contributes to the climate neutrality and sustainability of the EU economy. At the same time, while shifting part of the tax burden away from labour taxation and social contributions it would be a step towards more growth oriented tax systems. A budget-neutral shift from taxing labour to environmental taxation, while having a positive effect on GDP and employment, allows for diversion away from polluting consumption and thus contributes to greening growth. Such an environmental tax reform therefore can be a win-win option to address both environmental and employment issues such as those that Europe is facing now.
In order to support the revision of the Energy Taxation Directive, the European Commission is seeking citizens and stakeholder views and feedback, including this open public consultation.

2 Guidance to the questionnaire

After some introductory questions related to your general profile in section 3, the questionnaire has a number of substantive questions in the sections 4 to 8.

Section 4 looks into overall energy taxation as well as challenges associated with it. Section 5 investigates the social impact of potential changes in energy taxation as well as related compensation measures. Section 6 has a specific focus on the EU standard rules of energy taxation, i.e; minimum tax rates and nominal tax rates.

Sections 7 and 8 include questions of technical nature. The questions in section 7 address potential exceptions to the standard energy taxation rules for particular sectors of activity (Agriculture, Transport, Industry, Production of electricity). Section 8 concerns potential exceptions for specific energy products such as sustainable biofuels.
Finally, in section 9 you are invited to provide any additional comments and to upload additional information, position papers or policy briefs that express the position or views of yourself or your organisation.

Please note that to participate in the public consultation you are not obliged to respond to all questions, e.g. the ones of more technical nature and those, investigating options on how to improve the design of specific policies, are more tailored to professionals/stakeholders.

The results of the questionnaire as well as the uploaded position papers and policy briefs will be published online. Please read the specific privacy statement attached to this consultation informing on how personal data and contributions will be dealt with.

In the interest of transparency, if you are replying on behalf of an organisation, please register with the register of interest representatives if you have not already done so. Registering commits you to complying with a Code of Conduct. If you do not wish to register, your contribution will be treated and published together with those received from individuals.

3 About you

*Language of my contribution

- ○ Bulgarian
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- ○ Czech
- ○ Danish
- ○ Dutch
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- ○ Estonian
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*I am giving my contribution as

- ○ Academic/research institution
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- ○

- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

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* Organisation name

255 character(s) maximum

Association of Chartered Certified Accountants (ACCA)

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more) [selected]

Transparency register number

255 character(s) maximum

Check if your organisation is on the transparency register. It's a voluntary database for organisations seeking to influence EU decision-making.

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* Country of origin

Please add your country of origin, or that of your organisation.

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- Albania
- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
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- Dominica
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- Ecuador
- Egypt
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- Eswatini
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- France
- French Guiana
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- French Southern and Antarctic Lands
- Gabon
- Georgia
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- Libya
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- Madagascar
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- Malaysia
- Maldives
- Mali
- Malta
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- Martinique
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- Mayotte
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- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Saint Martin
- Saint Pierre and Miquelon
- Saint Vincent and the Grenadines
- Samoa
- San Marino
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain

- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Montserrat
- Morocco
- Mozambique
- Myanmar /Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu

Chad
Chile
China
Christmas Island
Clipperton
Cocos (Keeling) Islands
Colombia
Comoros
Congo
Cook Islands
Costa Rica
Côte d’Ivoire
Croatia
Cuba
Curaçao
Cyprus
Czechia
Democratic Republic of the Congo
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Saint Helena Ascension and Tristan da Cunha
Saint Kitts and Nevis
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The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

Anonymous
Only your type of respondent, country of origin and contribution will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.

◉ **Public**
Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

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4 General context for the revision of Energy Taxation Directive and main challenge

The European Union is at the forefront of the fight against climate change and biodiversity loss and has set ambitious climate and environmental targets, including energy targets. The European Green Deal adopted by the Commission on 11 December 2019 sets out the policies to achieve climate neutrality by 2050. Delivering on the Green Deal will require action by all actors and all sectors of our economy.
More than 75% of the EU's greenhouse gas emissions are caused by the use of energy products and electricity. Consequently, energy is a key element of the fight against climate change and energy taxation could be an efficient instrument for that purpose by providing incentives for low carbon fuels and energy efficiency.
While it varies between Member States, energy taxes represent a significant part of state revenue, about 3 to 5% of the states' budget.

To what extent are you familiar with the following climate and energy related initiatives

	a) Very familiar	b) Moderately familiar	c) Slightly familiar	d) Not familiar
1) The EU Energy Tax Directive (ETD) and its planned revision	◉	○	○	○
2) The EU Emissions Trading System (ETS)	◉	○	○	○
3) The EU Energy Union	○	◉	○	○
4) The EU policies on energy efficiency	○	◉	○	○
5) The revised Renewable Energy Directive (RED II)	○	◉	○	○

To what extent are you familiar with the following initiatives?

	a) Very familiar	b) Moderately familiar	c) Slightly familiar	d) Not familiar

1) The European Green Deal	◉	○	○	○
2) The EU Climate Policy	◉	○	○	○
3) The Paris Agreement on climate change	◉	○	○	○

To what extent do you agree with the following objectives?

	a) Strongly agree	b) Somewhat agree	c) Somewhat disagree	d) Strongly disagree	e) Do not know
1) EU’s plans to increase climate ambition for 2030	◉	○	○	○	○
2) EU’s economy and society becoming climate-neutral by 2050	◉	○	○	○	○
3) EU’s Green Deal zero-pollution ambition for a toxic-free environment	◉	○	○	○	○

To what extent do you agree with the following statements about the EU Energy Taxation Directive (ETD)?

	a) Strongly agree	b) Somewhat agree	c) Somewhat disagree	d) Strongly disagree	e) Do not know
1) The ETD should be revised in order to support the transition towards climate neutrality	◉	○	○	○	○
2) The ETD has to be revised in order to better tackle environmental concerns, like air pollution	◉	○	○	○	○
3) The ETD has to be revised in order to better ensure the smooth functioning of the internal market	◉	○	○	○	○
4) The ETD has to be revised in order to take into account the changed energy mix with higher share of renewables and electricity	◉	○	○	○	○
5) The ETD should better promote energy saving/efficiency	◉	○	○	○	○
6) The ETD de facto favours fossil fuels consumption	◉	○	○	○	○

7) The ETD is applied in a too diversified way across the Member States	●	○	○	○	○

To what extent do you agree with the following statements?

	a) Strongly agree	b) Somewhat agree	c) Somewhat disagree	d) Strongly disagree	e) Do not know
1) The recent sanitary and economic crisis increases the need to comply with the objectives of EU's Green Deal	●	○	○	○	○
2) Fiscal reforms consisting in shifting taxation from labour to environment can contribute to the economic recovery	●	○	○	○	○

Which of the following priorities are important for the EU Energy Taxation Directive (ETD)?

	a) Strongly agree	b) Somewhat agree	c) Somewhat disagree	d) Strongly disagree	e) Do not know
1) The ETD should ensure adequate amounts of tax revenues	●	○	○	○	○
2) The ETD should not tax the energy use in sectors or companies which are at risk of carbon leakage	○	○	○	●	○
3) The ETD revision should reduce the possibility of favouring fossil fuels via tax reductions, exemptions and rebates	●	○	○	○	○
4) The tax system should ensure compensations for low income households when implementing energy taxation	●	○	○	○	○
5) The ETD revision should take into account energy content in the definition of rates	●	○	○	○	○
6) The ETD revision should take into account greenhouse gas emissions in the definition of rates	●	○	○	○	○

7) The ETD should not tax greenhouse gas emissions if these are already subject to the carbon price of the EU Emissions Trading System (EU ETS)				X	
8) The ETD revision should introduce incentives for alternative energy sources (e.g. sustainable biofuels, clean hydrogen)		X			
9) The ETD revision should support the objective to minimise the use of whole trees and food and feed crops for energy production, whether produced in the EU or imported		X			
10) Other	X				

Please specify the other important priority(ies) for the ETD

450 character(s) maximum

The risk of carbon leakage can be mitigated by taxing businesses and households at the point of consumption. The effectiveness of carbon taxes at the point of production can be improved by including carbon taxes as a condition to the negotiation of trade deals with third countries, as set out in the EU Tax Package.

The price signals that the ETS sends is more indirect than taxes. It is therefore not an alternative to fiscal measures.

5 Social Impact and Compensation Measures

Taxing the consumption of fossil fuels are powerful incentives towards behavioural change. However, by affecting the costs of heating, electricity and transport, these taxes impose a financial burden on citizens. This burden is often heavier on low-income households than on high-income households. Therefore, the social impact of these taxes deserves attention.
In order to tackle this unintended negative effect, accompanying measures with a view to compensate undesirable social effects should be promoted. The reduction of other taxes (e.g. taxes on labour) or direct compensation to lower income households could compensate for the possible undesirable social effects of energy taxation.

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	X				

2) Direct compensation to lower income groups via a lump sum	●	○	○	○	○
3) Direct compensation to all households via lump sum	○	●	○	○	○
4) Social welfare programs directed at poor households, reducing their energy costs for both home owners and rental dwellings	●	○	○	○	○
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.	○	●	○	○	○
6) The possibility for lower taxation for local public transport should be kept	○	●	○	○	○
7) No accompanying social measures are needed	○	○	○	●	○
8) Other	●	○	○	○	○

Please specify the other accompanying measure(s) you consider as most relevant social policies

450 character(s) maximum

Compensation to lower-income groups should be as targeted to these groups as possible, and geared towards long-term reductions in consumption. Programs such as improving the energy efficiency of the housing stock are therefore as important as fiscal measures.

6 Standard Rules for Taxation of Energy Products and Electricity

6.1 Minimum Tax Rates

Minimum tax rates are the minimum thresholds for the taxation of energy products or electricity. They are defined in the Energy Taxation Directive (ETD) and are applicable in all Member States. They were set in 2003 and have never been updated since. The minimum tax rates may be different for different energy products or electricity; they may also be different for different uses.
For instance, the current minimum tax rate is 33 and 2.1 euro cents per litre of gasoil used as motor fuel and for heating respectively and 0.1 euro cents per kilowatt-hour of electricity for non-business use. They are far from the rates actually applied by Member States.
According to the Commission evaluation, at present, the contribution of the minimum levels of taxation as set by the ETD to the smooth functioning of the single market is limited. The converging effects of rates on petrol and gas oil used as transport fuels were stronger at the time when the directive was agreed. However, the ETD's impact of approximating rates has been diminishing ever since. Moreover, being based on volumes of consumption, the rates do not take into account the energy content and the

externalities involved in the use of different products, in particular environmental externalities. For example, in transport, the favourable minimum taxation for gas oil used as propellant compared to petrol has contributed to excessive dieselization of the European vehicle fleet resulting in negative consequences on air quality. The ETD minimum rates on electricity and natural gas account for such an insignificant share of their respective final prices that they can have no positive impact on the internal market or consumer behaviour.

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

- [x] 1) The minimum tax rate of an energy product should be based on its energy content rather than on its volume or mass
- [x] 2) The minimum tax rate of an energy product should be based on the amount of greenhouse gases emitted per Joule
- [x] 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
- [x] 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

6.2 Nominal Tax Rates

Nominal tax rates are the actual tax rates, when no exception applies. The nominal tax rates vary a lot between Member States. They are different for different uses and for different energy products or electricity. For instance, in January 2020, the current nominal tax rate in the EU varies between 33 and 61.7 and 2.1 and 50.4 euro cents per litre of gasoil used as motor fuel and for heating respectively and 0.1 and 12.5 euro cents per kilowatt-hour of electricity.
Overall, the highly divergent national implementation of the ETD rates has resulted in the fragmentation of the internal market. The nominal rates should also take into account externalities involved in the use of different products, in particular environmental externalities.

Which option do you consider as most relevant for nominal tax rates.

- (●) 1) If a tax structure is introduced for minimum tax rates (e.g. tax structure based on energy content and/or on greenhouse gases emissions), then national nominal tax rates should follow the same structure
- ( ) 2) No constraint or restriction should apply to any national nominal tax rate beyond respecting the minimum rate threshold
- ( ) 3) I do not know / I have no opinion

7 Exceptions specific to some sectors of activity

7.1 Agriculture, Fishery and Forestry

The current EU legislation allows each individual Member State to set differentiated tax rates on energy products and electricity when used in the primary sector (agriculture, fishery and forestry). These tax rates may be lower than the minimum and even be set to zero. This option is used by some Member States as a form of income support for primary producers.

Agriculture is responsible for 12% of EU greenhouse gas emissions, mostly due to methane from livestock and nitrogen oxide from fertilisers. Some of these greenhouse gas emissions come nevertheless from energy use (around 2%), as the primary sector represents roughly 3% of the EU's energy final consumption at the EU level, with a range from 0.5% to 8.5% across Member States.

Please select the proposal in the list below that is most relevant to you for Agriculture and Forestry.

- ○ 1) No energy tax treatment exception, neither exemption nor differentiated rate, should be granted for any activity in agriculture and forestry
- ○ 2) Energy tax treatment exceptions for agriculture and forestry should be granted but only for Heating use (e.g. heated greenhouses)
- ○ 3) Energy tax treatment exceptions for agriculture and forestry should be granted but only for Motor fuel use
- ○ 4) Energy tax treatment exceptions for agriculture and forestry should be granted for both Heating and Motor fuel uses
- ○ 5) Energy tax treatment exceptions for agriculture and forestry should be kept as they are currently
- ◉ 6) I do not know / I have no opinion

Please select the proposal in the list below that is most relevant to you for Fishery

- ○ 1) No energy tax treatment exception, neither exemption nor differentiated rate, should be granted for any activity in fishery
- ○ 2) Energy tax treatment exceptions for fishery should be kept as they are currently
- ◉ 3) I do not know / I have no opinion

7.2 Transport

The current Energy Taxation Directive does not treat different transport modes, different transport uses or different transport fuels in a consistent manner.
For example, while it sets minimum tax rates for road transport fuels, the current Directive sets mandatory tax exemptions for air and maritime transport.
It also allows each individual Member State to set differentiated tax rates on energy products and electricity when used in local public transport, in public transport of passengers (including taxis), in freight transport

and in inland waterways transport but not in private transport using electric vehicles. These tax rates can be lower than the minimum and may even be set at zero.
The current approach fails to create a level playing field for all modes of transport and does not provide sufficient incentives for energy efficiency and the use of clean technologies.

7.2.1 Aviation

The current EU legislation imposes a mandatory tax exemption for aviation fuels used for international aviation. The Directive allows EU Member States to tax kerosene used for aviation in domestic flights. Fuel used for intra EU flights (flights between two Member States) may be taxed provided there is a bilateral agreement between departing and arriving countries. In practice, no such bilateral agreement currently exists and all the fuel used in intra-EU flights is untaxed.
The mandatory tax exemption contributes to increased demand for flights and consequently increases the negative environmental impact of aviation and does not ensure a level playing field for all means of transport.

What is your opinion on the tax treatment of energy products and electricity for the aviation sector? Multiple options are possible.

- [ ] 1) The current rules should be kept
- [x] 2) There should not be a mandatory exemption for kerosene and other aviation fuels for flights between the EU and third countries, even if the possibility to tax them depends on the relevant bilateral Air Service Agreements
- [ ] 3) Kerosene and other aviation fuels for intra EU flights should be taxed with the standard rules on nominal and minimum rates for motor fuels
- [ ] 4) Kerosene and other aviation fuels for intra EU flights should be taxed as a motor fuel but at a lower rate
- [ ] 5) Taxing kerosene and other aviation fuels for intra EU flights would be counterproductive because of the risk of “tankering” (i.e. planes filling in their tank in third countries where fuel is not taxed)
- [ ] 6) Ticket taxes based on distance price should be introduced for Origin-Destination passengers (excluding transfer passenger)
- [x] 7) Ticket taxes based on distance price should be introduced for all passengers (including transfer passengers)
- [ ] 8) The air transport of goods should be taxed in some other way, outside the scope of the Energy Taxation Directive, g. based on the airplane’s weight
- [ ] 9) I do not know / I have no opinion

7.2.2 Waterborne Transport

The current Directive imposes a mandatory tax exemption for fuel used for waterborne transport within EU waters. In addition, there is an optional tax exemption for fuel used in inland waterways transport, which is also guaranteed in some international treaties (e.g. the Convention of Mannheim for navigation on the Rhine).
The mandatory exemption could have a negative impact for the attainment of the EU climate neutrality objective and does not ensure a level playing field for all means of transport.

What is your opinion on the energy tax treatment of energy products and electricity for maritime transport?

- ( ) 1) The current tax treatment of fuels used for maritime transport in EU waters should be kept, in particular given the risk of “tankering” (i.e. vessels filling in their tank in third countries where fuel is not taxed)
- ( ) 2) Fuels used for maritime transport should be taxed as motor fuel
- ( ) 3) Fuels used for maritime transport should be taxed as motor fuel but at a lower rate
- (x) 4) I do not know / I do not have an opinion

What is your opinion on the energy tax treatment of energy products and electricity for the navigation on inland waterways?

- ( ) 1) The current tax treatment of fuels used for inland waterways transport should be kept
- ( ) 2) Fuels used for inland waterways transport should be taxed as motor fuel
- ( ) 3) Fuels used for inland waterways transport should be taxed as motor fuel but at a lower rate
- (x) 4) I do not know / I have no opinion

Shore Side Electricity (SSE) is an option for reducing environmental impact of ships using fossil fuels while in the port, i.e. greenhouse gas emissions, air pollutant emissions and noise pollution. In the current EU energy tax legislation, there are no general provisions for differentiated tax treatment for SSE, while at the same time there is a tax exemption for fossil fuels.
What is your opinion on the treatment of shore side electricity? (Multiple options are possible)

- [ ] 1) SSE should be stimulated by regulation, for instance by an obligation to use shore side electricity in harbours when available
- [ ] 2) SSE should be stimulated by introducing the possibility to introduce a differentiated energy tax treatment (e.g. reduced tax rate) for shore side electricity
- [ ]

3) SSE should be stimulated by a mandatory zero rate (energy tax exemption) for shore side electricity

- [ ] 4) Instead of giving a special tax treatment for SSE, the use of fossil fuels on board of ship in harbours should be subject to energy taxation
- [x] 5) I do not know / I have no opinion

7.2.3 Road Transport

The current EU legislation allows each individual Member State to apply differentiated tax rates for gasoil used as a propellant in road transport for commercial purposes (e.g. carriage of goods or of passengers) provided that the EU minimum levels are observed. This may favour road freight over more sustainable transport modes.
In general, tax rates for road fuels are relatively high compared to other transport modes and other sectors. Tax rates also differ significantly between Member States. National differences in taxation often result in “tank tourism” whereby transport operators take advantage of lower tax rates in neighbouring countries. These practices also contribute to congestion and air pollution.

What is your opinion on the tax treatment of diesel or other motor fuels used as a propellant for commercial purposes? Multiple options are possible.

- [ ] 1) Any motor fuel used in road transport should be taxed with the standard rules, whether used for commercial purposes or not.
- [ ] 2) Gasoil used for commercial purposes should be taxed as a motor fuel, but at a lower rate
- [x] 3) I do not know / I have no opinion

In the European Commission's long term strategic vision for achieving climate neutrality in 2050, it is projected that the share of electric vehicles should be between 50% and 80% by 2050. The ETD does not contain a specific tax treatment for electricity used as propellant. At present, the ETD only provides minimum levels of taxation for electricity for business and non-business heating use. These minimum rates for heating are lower than the minimum levels of taxation applicable to motor fuels.

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
- [x]

6) I do not know / I have no opinion

Please specify the other tax treatment(s) you consider possible for electricity used in electric vehicles

450 character(s) maximum

7.3 Industry

The current EU legislation has several provisions for exceptions in the tax treatment of energy products and electricity in industry.
Energy products and electricity used in industrial processes (e.g. chemical reduction, electrolytic, metallurgical and mineralogical processes, dual use) are out of scope of the current EU legislation. This means that these energy products and electricity may be taxed at whatever tax rate, or not taxed at all, by each individual Member State. Most Member States do not tax this use.
Energy products and electricity used for combined heat and power generation (CHP) as well as electricity produced from CHP can currently be exempted or differentiated under the ETD. Also the energy products used to produce other energy products can be exempted by Member States.
Moreover, the current ETD gives Member States the possibility to tax energy products and electricity used by energy intensive companies at a lower level than other companies, and under some conditions even below the EU minimum tax levels.
The effective energy tax rates in industry are low compared to those applied in other sectors, especially for energy intensive companies. The low effective energy tax rate can be explained by the fact that the greenhouse gas emissions of the industry are covered inter alia in the EU Emissions Trading System and that the energy intensive industry is subject to international competition with industry in third countries with lower environmental and climate ambition than the EU.
While these provisions might be needed to allow individual Member States to introduce energy tax rates well above the EU minima for all other uses that are less exposed to competition on the internal market, this might provide less incentives for investments in clean technologies (be it greenhouse gas or other air polluting emissions), nor for energy-efficiency. In addition, not all industrial energy consumption is covered by the EU ETS. Moreover, the EU ETS is a market-based instrument with an annually reducing cap on emissions, thus guaranteeing emission reductions, while leaving it to the market to determine the price, which distinguishes it from a tax that sets price signals based on a rate.

What is your opinion on the energy tax treatment of energy products in industry? Multiple options are possible.

- [ ] 1) The current energy taxation system should be kept
- [ ] 2) Special tax treatment for energy products and electricity used by industry should be restricted to industries which are at risk of carbon leakage as defined in the EU ETS
- [x] 3) Energy products and electricity in the Industry sector should not be exempted when used for heating (including Combined Heat & Power generation), motor fuels and industrial processes

- [ ] 4) Energy products and electricity in the Industry sector should not be differentiated when used for heating (including Combined Heat & Power generation) and motor fuels
- [ ] 5) I do not know / I have no opinion

What is your opinion on the EU rules for the taxation of energy products and electricity used in the Industry sector? Multiple options are possible.

- [x] 1) Energy products and electricity consumption by industry should be taxed on the basis of the EU standard rules on nominal and minimum rates
- [ ] 2) Energy products and electricity consumption by industry should be taxed on the basis of the EU rules only for the energy content and not for the carbon content, because the latter is, for an important part, covered by the EU Emissions Trading System
- [ ] 3) The EU rules of energy taxation can depend on the quantitative consumption levels for electricity and energy products used for heating purposes, for example if you use more, you pay less per unity.
- [ ] 4) I do not know / I have no opinion

7.4 Production of energy products and of electricity

There are provisions in the ETD in relation to the taxation treatment of the production of energy products and electricity. These are, for example, the optional tax exemptions or reductions for electricity produced from renewable sources, and for energy products used in and electricity produced from Combined Heat Power (CHP) generation. In addition to these optional exemptions or reductions, there is a mandatory tax exemption for energy products and electricity used to produce electricity, unless they are taxed for environmental purposes.
Some of these provisions could be updated, taking into account new technologies and policies.

To what extent do you agree with the following statements taking into account environmental and efficiency goals and the functioning of the internal market?

	a) Strongly agree	b) Somewhat agree	c) Somewhat disagree	d) Strongly disagree	e) Do not know
1) The relevant provisions of the Energy Taxation Directive (ETD) are sufficiently comprehensive also in relation to the new technologies (e.g. production of hydrogen, biofuels, synthetic fuels, e-fuels, etc.)	○	○	○	○	●

2) The provisions related to the tax exemption for energy products used to produce energy products and the uses of energy products and electricity considered out of scope (e.g. industrial processes such as chemical reduction, electrolytic, metallurgical, mineralogical processes, dual use, etc.) are sufficiently clear and comprehensive	○	○	○	○	◉
3) The mandatory exemption for energy products for electricity production, which can be waived for reasons of environmental policy, is sufficiently clear and comprehensive	○	○	○	○	◉
4) The ETD can play a significant role in supporting production of energy from renewable sources	◉	○	○	○	○
5) The ETD should particularly support self-consumption and small producers of electricity coming from renewables	○	○	○	○	◉
6) The possibility of granting tax exemptions or reductions related to combined heat and power generation (CHP) should be restricted	○	○	○	○	◉

8 Lower Carbon products and applications

Low and zero-carbon fuels, such as sustainable advanced biofuels, bio-methane, synthetic fuels and clean hydrogen will play an important role in the transition to climate neutrality. The current Directive does not provide for any special tax treatment to low-carbon fuels and applications as compared to fossil fuels. It also does not differentiate between the environmental performance of biofuels. The revised Renewable Energy Directive contains reinforced sustainability criteria for bioenergy and promotes the shift to advanced biofuels based on residues and non-reusable and non-recyclable waste. The EU Biodiversity Strategy for 2030 also sets an objective that the use of whole trees and food and feed crops for energy production – whether produced in the EU or imported – should be minimised.

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

In the absence of a tax structure for minimum tax rates (including energy content and/or greenhouse gases emissions), do you think that the Energy Taxation

Directive need differentiated tax treatment for selected fuels (e.g. advanced biofuels and synthetic fuels) and applications?

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

As hydrogen will play an important role in achieving climate neutrality, which particular uses should be addressed in the Energy Taxation Directive? (Multiple options are possible)

- ☐ 1) When used in mobile fuel cells in transport
- ☐ 2) When used as a fuel in transport
- ☐ 3) When used as a heating fuel in the building sector
- ☐ 4) When used in the production processes of e-fuels (electricity-based gaseous or liquid fuels which can be used in internal combustion engines)
- ☐ 5) When transported in pipelines
- ☐ 6) When used in industrial production processes
- ☐ 7) Only if it is clean hydrogen produced from renewable energy sources, e.g. from electrolysis with renewable electricity, in any of the above
- ☑ 8) I do not know / I have no opinion

Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG) currently provide lower carbon alternatives to gasoline and diesel and coal/lignite. Yet, CNG and LNG are also fossil fuels and their consumption produces significant amounts greenhouse gas emissions. In your opinion, would differentiated tax treatment to CGN and LNG be acceptable? (Multiple options are possible)

- ☐ 1) Yes, without any constraint or restriction
- ☐ 2) Yes, but with a time limit to avoid lock- in
- ☐ 3) Yes, but the preferential treatment should be linked to the standard energy tax components (e.g. energy content and greenhouse gas emissions)
- ☐ 4) Yes, with some conditions to avoid lock-in
- ☐ 5) No
- ☑ 6) I do not know / I have no opinion

please specify the conditions for a differentiated tax treatment of LNG/CNG to avoid lock-in

450 character(s) maximum

9 Additional Information

Are there other key aspects which you did not find reflected in the questions and you would like to comment upon?

2000 character(s) maximum

The impact of revisions to the ETD on regulatory and administrative burden as a result of introducing more complex tax rules should be carefully considered. Wherever possible, rates, exemptions and incentives should be designed so that they are not costly for tax administrations to administer, and easy for taxpayers to understand and comply with. We would therefore caution against introducing additional exemptions and incentives that add complexity to the tax system, and can become hostage to future technological developments.

Where lower tax rates or exemptions currently apply, we would recommend that the existing differences in tax rates are removed progressively, through incrementally increasing tax rates over several years. The annual increase in tax rates should be clearly defined from the start, in order to allow for businesses and individuals to plan ahead and adopt alternative courses of action. For example, taxes on kerosene and other aviation fuels should be introduced progressively, perhaps at a lower rate to start with but reaching the same nominal and minimum rate as motor fuels by a clearly defined date.

To achieve climate neutrality by 2050, reducing greenhouse gas emissions will not be enough. It will be equally important to reduce the level of energy consumption overall. This, and other future priorities such as discouraging the use of food crops in energy production, should therefore be built into the mechanism for determining tax rates. They may, at the start, have a zero weighting to tax rates, but once built into the rate-determination mechanism, they can be introduced in future years.

We would urge the Commission to consider broader policy incentives to encourage the scale-up of circular businesses, and the adoption of more local, less time-pressured supply chains

If appropriate, please upload position papers or policy briefs that express the position or views of yourself or your organisation.

The maximum file size is 1 MB
Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

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