

#EUGreenDeal



REVISION OF THE ENERGY TAXATION DIRECTIVE





THE COMMISSION'S PROPOSALS WILL ENCOURAGE A SWITCH TO CLEANER ENERGY, SUSTAINABLE INDUSTRY AND GREENER HABITS

Taxation can help reach climate and environment objectives by encouraging a switch to cleaner energy and greener industry.

The EU's energy taxation framework was last updated in 2003. It is out of step with the Green Deal and poses problems for the EU's Internal Market.

We need to steer the transition away from fossil fuels towards cleaner energy and more environmentally friendly consumer choices.

Ah! Let's not forget to ensure the ability to preserve revenues generation

Key measures included under the review:



Fuels will start being taxed according to their energy content and environmental performance rather than their volume. In this way, we ensure that the environmental impact of individual fuels is better reflected, helping businesses and consumers alike to make cleaner, more climate-friendly choices.

The way in which energy products are categorised for taxation purposes is simplified to ensure that fuels most harmful to the environment are taxed the most. Products covered by the Directive are grouped and ranked according to their environmental performance. Fuels that have the most negative impact on the environment will be subject to higher minimum rates.





Exemptions for certain products and home heating will be phased out, so that fossil fuels can no longer be taxed below minimum rates. Member States will be able to support vulnerable households and protect against energy poverty.

Fossil fuels used as fuel for intra-EU air transport, maritime transport and fishing should no longer be fully exempt from energy taxation in the EU – a crucial measure given the role of these sectors in energy consumption and pollution.



How are the rates structured?

Energy Content Taxation

- All minimum rates are expressed in **EUR/GJ** to allow for direct comparison
- Eliminates the **disadvantage of biofuels** under the current ETD
- Should be calculated based on **net calorific value**

Ranking of rates

- Rates set by Member States have to follow **the ranking** (not the scaling) set by the structure of the environmental ranking of minima

Indexation

- Rates indexed in order to **avoid the erosion** of the minima over time

Transitional periods

- 10 year transitional period for some products/uses in order to ensure a **smooth implementation** of the new provisions

Table A. — Minimum levels of taxation applicable to motor fuels for the purposes of Article 7 (in EUR/Gigajoule)

	Start of transitional period (01.01.2023)	Final rate after completion of transitional period (01.01.2033) before indexation
Petrol	10,75	10,75
Gasoil	10,75	10,75
Kerosene	10,75	10,75
Non-sustainable biofuels	10,75	10,75
Liquefied Petroleum Gas (LPG)	7,17	10,75
Natural gas	7,17	10,75
Non-sustainable biogas	7,17	10,75
Non renewable fuels of non-biological origin	7,17	10,75
Sustainable food and feed crop biofuels	5,38	10,75
Sustainable food and feed crop biogas	5,38	10,75
Sustainable biofuels	5,38	5,38
Sustainable biogas	5,38	5,38
Low-carbon fuels	0,15	5,38
Renewable fuels of non-biological origin	0,15	0,15
Advanced sustainable biofuels and biogas	0,15	0,15

Table B. — Minimum levels of taxation applicable to motor fuels used for the purpose set out in Article 8(2) (in EUR/Gigajoule)

	Start of transitional period (01.01.2023)	Final rate after completion of transitional period (01.01.2033) before indexation
Gas oil	0,9	0,9
Heavy fuel oil	0,9	0,9
Kerosene	0,9	0,9
Non-sustainable biofuels	0,9	0,9
Liquefied Petroleum Gas (LPG)	0,6	0,9
Natural gas	0,6	0,9
Non-sustainable biogas	0,6	0,9
Non renewable fuels of non-biological origin	0,6	0,9
Sustainable food and feed crop biofuels	0,45	0,9
Sustainable food and feed crop biogas	0,45	0,9
Sustainable biofuels	0,45	0,45
Sustainable biogas	0,45	0,45
Low-carbon fuels	0,15	0,45
Renewable fuels of non-biological origin	0,15	0,15
Advanced sustainable biofuels and biogas	0,15	0,15

What general principles does the revision follow?

- As a general rule, **no more possibility of going below the minima** – for uses such as agriculture, households, energy intensive businesses. Very limited number of exemptions apply
- No more distinction between minima for **business and non-business use**
- No more possibility to distinguish between **commercial and non-commercial use of gas oil used as propellant**
- No more possibility to benefit from **reduced rates based on quantitative consumption** (i.e. lower per unit rate for consumers with higher annual energy consumption volume)



Taxation of the aviation sector

The current exemption will be lifted and the following rules shall apply:

- Fuel used for business and pleasure flights will be taxed as motor fuels
- For intra-EU non business and non pleasure flights, the EU minimum rate (single use) for kerosene shall be €10.75/GJ to be gradually introduced over a 10 years
- During the 10-year transitional period a minimum rate of zero will apply to SAF and electricity
- Intra-EU cargo only flights will be exempted
- Without prejudice to international obligations, Member States may exempt or apply the same levels of taxation applied for intra-EU air navigation to extra-EU air navigation according to the type of flight



Taxation of the shipping sector and fishing



The current exemption will be lifted and the following rules will apply:

- Intra-EU waterborne regular service navigation, fishing and freight transport will be subject to the same EU minimum rates as for agriculture
- The minimum rate will be €0.9/GJ for gas oil and heavy fuel oil
- Over 10 years a minimum rate of zero will apply to sustainable biofuels and biogas, low carbon fuels, renewable fuels of non-biological origin, advanced sustainable biofuels and biogas and electricity
- Member States may exempt or apply the same levels of taxation applied for intra-EU waterborne navigation to extra-EU waterborne navigation according to the type of activity

Taxation of Households



- **The minimum rates will gradually increase** each year during a 10- year transition period
- **Option to reduce rates** not below the minima in the directive
- Special consideration for **vulnerable households**: energy products and electricity used by households recognised as vulnerable may be exempt for a maximum period of ten years after the entry into force of the Directive.
- Common definition of ‘vulnerable households’: risk of poverty threshold defined as 60% of the national median equivalised disposable income

Taxation of the productive sector



- Member States may apply reduced rates for **energy-intensive businesses** but no possibility to go below the minima in the directive
 - Definition of energy intensive business remains substantially unchanged. No option to apply more restrictive concepts
- Member States may also apply reduced rates (until the minima) to **other business sectors** under the following conditions:
 - agreements are concluded with business entities or associations of such business entities or where tradable permit schemes or equivalent measures are implemented, as far as they lead to the achievement of environmental protection objectives or to improvements in energy efficiency (other than ETS)

Thank you



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