



Proposed changes

Energy Tax Directive

The main objectives for updating the ETD are: (1) aligning the ETD with the EU's climate objectives, (2) preserving and improving the EU internal market and (3) preserving the Member States' ability to generate revenues for their budgets. The changes vary from fundamental to smaller changes in e.g. definitions. The fundamental changes are summarised below.

Tax base and rates

A fundamental change is that the basis for the energy taxation levy is related to the energy content and environmental impact of the respective energy product and/or electricity instead of volumes (such as litres or cubic metres). This means e.g. that sustainable biofuels would be taxed at lower rates than fossil fuels. To realise a unified approach, a list of energy products is included. Any mixed products are taxed based on the components, independently from the CN code under which the product falls as a whole. The minimum levels of taxation are indexed, aligning with current price levels and different minimum levels of taxation apply for motor fuels, heating fuels and electricity, where electricity should always be among the least taxed energy sources in view of fostering its use.

Taxability

The revised ETD intends to cover with 'new' energy products as well. Where the taxability of hydrogen is unclear under the current ETD, the revised ETD explicitly mentions that hydrogen should be taxed in alignment with natural gas and thus also based on its energy content.

Another recent (and future) development that is covered by the revised ETD is avoiding the risk of double taxation where electricity is stored. This is realised by including that electricity storage facilities and transformers of electricity can be considered redistributors.

Any energy products and electricity used for the production of electricity should not be taxed. However, if required from an environmental policy perspective, Member States are allowed to still tax these products - without having to respect the minimum levels of taxation.

Energy products and electricity used by aircrafts and vessels

One of the other key changes proposed by the revised ETD is the withdrawal of the general exemption for energy products and electricity that are supplied for aviation and maritime purposes. The Commission intends to withdraw the current exemption, because it is not in line with the present climate and energy policies of the EU.

Following the withdrawal of the exemption, the ETD will cover intra-EU air navigation (i.e. flights between two airports located in the EU), as well as intra-EU maritime and inland waterways navigation (i.e. navigation between two ports in the EU). The minimum level of taxation may differ depending on the activity and some intra-EU activities remain exempt under the revised ETD. The minimum levels of taxation for intra-EU air and waterborne navigation will be introduced for a transitional period. This entails that the minimum level will start at zero and increase each year, until the full minimum rates are reached in 10 years. During this transitional period the minimum rate for cleaner energy sources will remain zero (e.g. sustainable biofuel, low-carbon fuels and renewable fuels).

Furthermore, for extra-EU air and waterborne navigation, without prejudice to international obligations, Member States may exempt or apply the same levels of taxation as for intra-EU navigation, according to the type of activity (e.g. €10.75/Gj for kerosene and €5.38/Gj for sustainable biofuels). Finally, shore-side electricity or electricity supplied to stationary aircraft can be exempt to incentivise such development and use.

Other exemptions and reductions

The revised ETD provides Member States with more possibilities to introduce exemptions or reductions for certain energy products, insofar these are beneficial to reaching environmental goals. Such exemptions or reductions may apply for electricity produced from specific sustainable sources (i.e. renewable sources and environmentally friendly combined heat and power generation) and a number of specific sustainable products (i.e. renewable fuels of non-biological origin, advanced sustainable biofuels, bioliquids and biogases).

Member States will also be able to implement tax reductions targeted at certain uses (not going below the fixed minima rates). Reductions may e.g. be introduced for energy products and electricity used for combined heat and power generation, certain carriages of goods and passengers, certain households/organisations and certain sectors (i.e. agri-, horti- and aquacultural, as well as forestry). Further, reductions in the tax level are (under conditions) possible to tackle the risk of a loss of international competitiveness of EU energy intensive businesses or to incentivise the achievement of environmental protection objectives and improvements in energy efficiency of the EU productive sector.

Last but not least, to avoid the ETD (again) lacking relevance it is proposed that every five years the ETD is evaluated and - if necessary - a proposal for modification is submitted to the Council.

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