EURELECTRIC'S STATEMENT ON THE PROPOSAL FOR A COUNCIL DIRECTIVE AMENDING DIRECTIVE 2003/96/EC RESTRUCTURING THE COMMUNITY FRAMEWORK FOR THE TAXATION OF ENERGY PRODUCTS AND ELECTRICITY
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In April 2011 the European Commission published its long-awaited proposal to revise the Energy Taxation Directive (ETD). EURELECTRIC, representing the common interests of the European electricity industry, has welcomed the initiative to overhaul several outdated rules on the taxation of energy products and electricity in the EU, with a view to aligning them more closely with the EU's energy and climate policy objectives.

EURELECTRIC recognises and supports those objectives and acknowledges the key role our sector will play in achieving a secure, sustainable and competitive energy supply. EURELECTRIC stresses that these objectives must be met by using the most cost-effective instruments and by ensuring their mutual coherence.

In the context of the ongoing political discussions on this proposed review, EURELECTRIC would like to draw attention to the following points:

The Commission initially proposed a **new CO_2 tax component** along with an exemption from this component for sectors covered by the EU Emissions Trading Scheme (EU ETS), which also includes the electricity sector. The proposed measure is welcome: the introduction of such a CO_2 tax for the non-ETS sectors would contribute to a level playing field and to an overall least cost approach to reducing CO_2 emissions. To this end, instead of fixing the minimum CO_2 component at a fixed level of 20 EUR/t CO_2, it should be linked to the ETS carbon price and automatically adjusted on a regular basis (e.g. annually) to reflect the development of the carbon price. As a reference, the average forward prices for CO_2 allowances during the year n-1 could be used. We regret that current discussions seem to indicate a step back from this approach.

We note that the **"proportionality principle"** foreseen in the initial proposal has been deleted. We urge policymakers to ensure that this does not lead to a discrimination against the use of electricity in heating and transport, e.g. in the form of heat pumps or electric vehicles. Electricity-based measures can play an important role in decarbonising those sectors.

EURELECTRIC is also concerned by the lack of ambition shown by the Council in starting discussions on the **need to harmonise energy taxation rates at EU level** in order to ensure a level playing field between Member States and between energies in competition. We call on the European Commission and Member States to propose a mechanism to limit the discrepancies between the taxation levels of the various energy products in the EU.

EURELECTRIC notes that some Member States impose **taxes or levies on fossil fuels used for power**

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generation[1] or on hydro and nuclear power generation (e.g. Sweden). These different national taxes hamper market integration and distort competition. Furthermore, maintaining an option for Member States to tax fuels used to produce electricity "*for reasons of environmental policy*" (article 14.1.a of the draft proposal), together with the taxation of power itself, leads to diverging national taxes and is contradictory to the dual excise duty structure contemplated under the ETD reform, whereby the energy content would be taxed only once and separately from the CO_2 content: (i) these environmental concerns will be essentially covered by the CO_2 excise duty and (ii) the provision would result in taxing the same energy content twice: once on fuel input and once on power generated.

Finally EURELECTRIC is concerned about **increasing taxes and public charges on electricity**. Some Member States impose taxes or levies on electricity in order to finance energy efficiency, environmental policy or carbon reduction measures in other sectors.[2] In order to keep electricity affordable for households and avoid a negative impact on the competitiveness of industrial electricity consumers , EURELECTRIC calls on the European Commission and Member States to limit the tax burden on electricity in general and to apply only taxes and levies that are proportionate and directly related to electricity.

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[1] e.g. in Belgium, a tax of € 11.6526/tonne of coal and a levy of € 0.6484/MWh of natural gas; in Italy, a tax of € 2.60/tonne of coal, a tax of € 0.0004493/m^3 of natural gas, a tax of € 12.72601/tonne of diesel fuel, a tax of € 15.33154 of combustible oil; in France, excise duties on deliveries to households : natural gas (€0/MWh), power (€9/MWh) ; excise duties on deliveries to small and medium size companies : natural gas (€1.19 /MWh), power (€3/MWh).

[2] In France, the tax levied to subsidize mainly feed-in tariffs for renewable power, exclusively levied on electricity, amounts to €10.5/MWh