IFIEC feedback on: EU Green Deal – Revision of the Energy Taxation Directive

18/11/2021

IFIEC's contribution to Commission's consultation on the Energy Taxation Directive

IFIEC Europe, representing energy intensive industries (EIIs), welcomes the revision of the ETD that should give industry better visibility on tax framework and enable it to make long-term investment decisions. However, IFIEC is concerned by the impact on industries' competitiveness which will be created by the general increase of the minimum taxation level and the cancellation of most of the possibilities for exemptions and tax reductions.

Both the EC and MS need to commit to a long-term policy framework without hampering competitiveness for business while supporting climate policy objectives. As EIIs need vast amounts of energy at competitive costs for its operations, increased tax rates should go together with CL protection measures in the ETD.

The ETD proposal should not hamper competitiveness of energy intensive users

Europe needs a strong and competitive industry enable to develop innovative sustainable technologies and products in order to meet the Green Deal targets. Therefore, revision of the ETD should not create additional and unnecessary tax burdens.

The main priorities of the ETD should be implementation of a harmonized taxation framework avoiding distortion of competition within the EU and safeguarding the competitiveness of European industry that competes globally. Sectors exposed to international competition should keep the possibility to benefit from current reduced tax rates or exemptions. The differentiation between business and non-business users as well as the option to allow differentiated rates according to quantitative consumption levels should therefore be kept, and with a clearer definition of EIIs.

IFIEC expresses strong objections on the inclusion in the scope of the ETD of "mineralogical processes" and of activities where electricity represents 50% of the cost of the product.

IFIEC recommends setting a taxation ceiling for energy intensive consumers to prevent MS introducing additional levies above the tax component to support renewable energy production, which can represent huge financial burden.

Industry needs time to be able to invest for low carbon or renewable fuel conversion, and before this any tax increase would make the concerned industrial sites uneconomical to even consider their reconversion. A moratorium on the ETD proposal concerning fossil fuels should therefore be considered.

ETD should focus on energy and avoid overlap with other EU legislation

ETD is not meant to be an instrument to reduce greenhouse gas emissions for activities already covered by EU ETS. The combination of energy and environmental taxation criteria in the proposal could lead to double taxation with the ETS.

IFIEC has questions on the basis for EC's proposal to differentiate minimum rates for certain technologies through environmental performance ranking as this does not seem to be based on a common environmental parameter and as will run counter the energy efficiency targets. The lack of separation between energy and environmental taxation in the proposal could lead to double taxation with other carbon pricing.

Technology neutrality should be respected as a principle in any environmental ranking, by topping up a base rate on energy content (€/GJ) with an environmental rate reflecting the emission intensity of the fuels used (converted into €/GJ) to be levied on sectors that are not covered by EU ETS.

The ETD link with the definition of High-efficiency cogeneration given in the Energy Efficiency Directive EED can only be kept should the CO2 restrictions in article 2 (34) of the EED be removed.

Equal treatment between outsourced and internalized activities

The taxation scheme should be independent of the plant setup and should avoid unfair distortion of competition between companies that perform the same activities. In particular outsourced activities, e.g. industrial gases production, should be treated in the same way as if they were internalised.

IFIEC Europe

International Federation of Industrial Energy Consumers
Av. Louise 250, box 80 | 1050 Brussels
www.ifieceurope.org | ifieceurope@ifieceurope.org | Phone: +32 888 52 69 | Mobile: +49 172 26 99 063
a.i.s.b.l. NI 436 343 513 | VAT: BE 0436.343.513 | EU Transparency Register: 1978775156-31