

DISCUSSION PAPER – REVISED DRAFT IIGCC RESPONSE TO EUROPEAN REVISION OF THE ENERGY TAXATION DIRECTIVE

This paper sets out IIGCC’s proposed position and inputs into the European consultation ‘[Public consultation on the revision of the Energy Taxation Directive](#)’. The consultation opened on 22 July and closes on 14 October, with a legislative proposal expected June 2021.

1. IIGCC revised draft positions

This section sets out IIGCC’s proposed position on each of the questions based on previous IIGCC positions and feedback from members on the draft response circulated on 9th September. Any background or contextual information to the consultation is in black, the questions of the consultation are in navy blue and the selected response to the multiple choice questions are highlighted in yellow, with inputs from IIGCC in a lighter blue. Depending on member views, a webinar can be scheduled to discuss IIGCC’s response to the consultation.

The proposed principles underpinning IIGCC’s positions on the ETD are suggested below:

- ETD revision should take into account greenhouse gas emissions and support clean energy technologies, e.g. within the definition of rates and any tax reductions, exemptions and rebates.
- ETD revision should avoid and reduce tax reductions, exemptions and rebates for fossil fuels.

Section 4 of the consultation questionnaire: general context for the revision of the Energy Taxation Directive and main challenges

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.

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

IIGCC’s response is highlighted in yellow below.

	Very familiar	Moderately familiar	Slightly familiar	Not familiar
The EU Energy Tax Directive (ETD) and its planned revision	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The EU Emissions Trading System (ETS)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The EU Energy Union	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The EU policies on energy efficiency	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
The revised Renewable Energy Directive (RED II)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

b) To what extent are you familiar with the following initiatives?

IIGCC's response is highlighted in yellow below.

	Very familiar	Moderately familiar	Slightly familiar	Not familiar
The European Green Deal	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The EU Climate Policy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The Paris Agreement on climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

c) To what extent do you agree with the following objectives?

IIGCC's response is highlighted in yellow below.

	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree	Do not know
EU's plans to increase climate ambition for 2030	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EU's economy and society becoming climate-neutral by 2050	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EU's Green Deal zero-pollution ambition for a toxic-free environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

IIGCC's response is highlighted in yellow below.

	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree	Do not know
The ETD should be revised in order to support the transition towards climate neutrality	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The ETD has to be revised in order to better tackle environmental concerns, like air pollution	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ETD has to be revised in order to better ensure the smooth functioning of the internal market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ETD has to be revised in order to take into account the changed energy mix with higher share of renewables and electricity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ETD should better promote energy saving/efficiency	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The ETD de facto favours fossil fuels consumption	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ETD is applied in a too diversified way across the Member States	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

e) To what extent do you agree with the following statements?

IIGCC's response is highlighted in yellow below.

	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree	Do not know
The recent sanitary and economic crisis increases the need to comply with the objectives of EU's Green Deal	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fiscal reforms consisting in shifting taxation from labour to environment can contribute to the economic recovery	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

IIGCC's response is highlighted in yellow below.

	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree	Do not know
The ETD should ensure adequate amounts of tax revenues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ETD should not tax the energy use in sectors or companies which are at risk of carbon leakage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The ETD revision should reduce the possibility of favouring fossil fuels via tax reductions, exemptions and rebates	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The tax system should ensure compensations for low income households when implementing energy taxation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ETD revision should take into account energy content in the definition of rates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ETD revision should take into account greenhouse gas emissions in the definition of rates	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ETD revision should introduce incentives for alternative energy sources (e.g. sustainable biofuels, clean hydrogen)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Section 5 of the consultation questionnaire: Social Impact and Compensation Measures

IIGCC does not intend to answer this section of the questionnaire, and proposes to focus on the climate-related aspects of the consultation questionnaire.

Section 6 of the consultation questionnaire: 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.

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

IIGCC's response is highlighted in yellow below.

- The minimum tax rate of an energy product should be based on its energy content rather than on its volume or mass
- The minimum tax rate of an energy product should be based on the amount of greenhouse gases emitted per Joule
- 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
- The minimum tax rates of energy products and electricity should be indexed yearly based on the average inflation of the EU
- 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.

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

IIGCC's response is highlighted in yellow below.

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

No constraint or restriction should apply to any national nominal tax rate beyond respecting the minimum rate threshold

I do not know / I have no opinion

Section 7 of the consultation questionnaire: 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.

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

IIGCC's response is highlighted in yellow below.

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

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

IIGCC's response is highlighted in yellow below.

- No energy tax treatment exception, neither exemption nor differentiated rate, should be granted for any activity in fishery
- Energy tax treatment exceptions for fishery should be kept as they are currently
- 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.

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

IIGCC would welcome member views on the tax treatment of energy products and electricity for the aviation sector.

- The current rules should be kept
- 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
- Kerosene and other aviation fuels for intra EU flights should be taxed with the standard rules on nominal and minimum rates for motor fuels
- Kerosene and other aviation fuels for intra EU flights should be taxed as a motor fuel but at a lower rate
- 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)

- Ticket taxes based on distance price should be introduced for Origin-Destination passengers (excluding transfer passenger)
- Ticket taxes based on distance price should be introduced for all passengers (including transfer passengers)
- 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
- 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.

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

IIGCC's response is highlighted in yellow below.

- 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)
- Fuels used for maritime transport should be taxed as motor fuel
- Fuels used for maritime transport should be taxed as motor fuel but at a lower rate
- I do not know / I do not have an opinion

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

IIGCC's response is highlighted in yellow below.

- The current tax treatment of fuels used for inland waterways transport should be kept
- Fuels used for inland waterways transport should be taxed as motor fuel
- Fuels used for inland waterways transport should be taxed as motor fuel but at a lower rate
- 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.

c) What is your opinion on the treatment of shore side electricity? (Multiple options are possible)

IIGCC's response is highlighted in yellow below.

- SSE should be stimulated by regulation, for instance by an obligation to use shore side electricity in harbours when available
- SSE should be stimulated by introducing the possibility to introduce a differentiated energy tax treatment (e.g. reduced tax rate) for shore side electricity
- SSE should be stimulated by a mandatory zero rate (energy tax exemption) for shore side electricity
- 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
- I do not know / I have no opinion

7.2.3 Road transport

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.

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.

a) 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.

IIGCC’s response is highlighted in yellow below.

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

b) What is your opinion on the tax treatment of electricity used in electric vehicles in road transport? Multiple options are possible.

IIGCC’s response is highlighted in yellow below.

- There is no need for a specific treatment under the ETD
- A specific lower tax rate should be introduced for this use of electricity for electric vehicles
- An exemption should be introduced for this use of electricity in the ETD
- Any specific treatment for electricity propelled vehicles would need to be phased out over time to preserve MS revenues from energy taxation
- Other

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.

- a) *What is your opinion on the energy tax treatment of energy products in industry? Multiple options are possible.***
IIGCC's response is highlighted in yellow below.

- The current energy taxation system should be kept
- 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
- 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
- Energy products and electricity in the Industry sector should not be differentiated when used for heating (including Combined Heat & Power generation) and motor fuels
- I do not know / I have no opinion

b) 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.

IIGCC's response is highlighted in yellow below.

- Energy products and electricity consumption by industry should be taxed on the basis of the EU standard rules on nominal and minimum rates
- 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
- 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 unit.
- 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.

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

IIGCC's response is highlighted in yellow below.

	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree	Do not know
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.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The mandatory exemption for energy products for electricity production, which can be waived for reasons of environmental policy, is sufficiently clear and comprehensive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ETD can play a significant role in supporting production of energy from renewable sources	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The ETD should particularly support self-consumption and small producers of electricity coming from renewables	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The possibility of granting tax exemptions or reductions related to combined heat and power generation (CHP) should be restricted	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Section 8 of the consultation questionnaire: 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.

a) *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?*

IIGCC's response is highlighted in yellow below.

Yes

No

I do not know / I have no opinion

b) *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?*

IIGCC's response is highlighted in yellow below.

Yes

No

I do not know / I have no opinion

c) *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)*

IIGCC's response is highlighted in yellow below, with additional explanation.

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

IIGCC recommends prioritising the development of green hydrogen. In the context of fuel in transport, IIGCC would support the same incentives applied for hydrogen as for zero emission vehicles.

d) 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)

IIGCC's response is highlighted in yellow below.

- Yes, without any constraint or restriction
- Yes, but with a time limit to avoid lock-in
- Yes, but the preferential treatment should be linked to the standard energy tax components (e.g. energy content and greenhouse gas emissions)

Yes, with some conditions to avoid lock-in

No

I do not know / I have no opinion

2. **Next steps**

The next steps to finalise IIGCC's position and response to the consultation are set out below:

- Member feedback is welcomed – please provide comments at your earliest convenience or by COB Friday 9 October.
- Additional member webinars or discussions as needed.
- Submission of IIGCC position to consultation by 14 October.