

Position Paper

Draft Directive on Energy Taxation

After examining the Working Document of the Directorate-General Taxation and Customs Union of the European Commission concerning the revision of the Directive on Energy Taxation, EURACOAL takes the following position:

1. General comments

In our opinion, the proposals of the Directorate-General Taxation and Customs Union (TAXUD) concerning the revision of the EU Directive on Energy Taxation are to be examined again in detail. If DG TAXUD were in future to suggest an EU-wide tax on CO₂ as an element of climate protection when taxing energy, the three energy policy objectives “Security of supply – Protection of the environment – Competitiveness” would all have to be fully included in the draft. So far, however, it is obvious that one single aspect has been over-emphasised, namely environmental and climate protection. Security of energy supply aspects, for example the increasing dependence on imports with oil and gas and the importance of indigenous coal, are not taken into account. DG TAXUD’s statements on the equal treatment of energy sources are therefore at least incomplete.

To that extent, in the case of CO₂ taxation, extensive corrections to the Draft Directive seem necessary, which should clearly also take the energy mix of Member States more into consideration.

2. Specific comments

a. Concerning Art. 2, para. 2 in connection with Art. 14, para.1

EURACOAL supports the European Commission's efforts to avoid double regulation and to guarantee a sharp separation between the instruments of Emissions Trading and taxation in case a CO₂ taxation is introduced. The EU ETS is in principle an instrument that guarantees a specific maximum amount of CO₂ emissions, and that links reaching the objective with cost-efficiency. If the European Union pursues ambitious climate protection objectives, going even further than the objectives of other industrial nations, this cost-efficiency is indispensable. The eventual effects of carbon leakage should be considered and dealt with separately also if CO₂ taxation is introduced. Europe must be able to remain an industrial region if it wants to continue to be a front runner in energy efficiency, environmental protection and prosperity for its citizens.

b. Concerning Art. 4, para. 3 in connection with the Annex

According to the European Commission's Draft, Member States that go beyond the minimum taxation according to the Annex must do so in such a way that the relations between tax rates (again according to the Annex 1:1:1) are observed. They would therefore have to completely harmonise the taxation of oil, gas and coal. This would be a substantial interference in Member States' existing energy taxation which should not occur for the following reasons:

- Reasons for taxing mineral oil and gas more than coal are energy consumption as a source of financing the state, energy savings / energy efficiency as well as decreasing dependence on energy imported from less

geopolitically stable regions. Concerning the latter, security of energy supply from indigenous sources is an important advantage of coal.

- Households and industry expect in the long run a certain energy service (warmth for heating, steam for production purposes etc.). The source of energy they choose does not only depend on its price. Other factors such as technology, maintenance, operating expenditure and / or long-term stability of prices are also important to them. Energy sources differ substantially for these factors; 1:1:1 tax rates do not do justice to these differences.

- 1:1:1 Tax rates for coal and oil / gas end up representing – because of expected higher tax rates for coal - a massive action burdening coal. In addition, they provide EU and also non-EU producers of natural gas scope for major price increases.

These points of views have so far not been dealt with in DG TAXUD's proposal. The suggested regulation is an example of the above-mentioned strong overemphasis on climate protection and simultaneous under estimation of security of supply.

We therefore suggest deleting Art. 4, para. 3.

c. Concerning Art. 15, para. 1, letter l

The European Commission Draft foresees deleting the tax exemption according to Art. 15, para. 1, letter l of the existing Directive 2003/96/EC for „products falling within CN code 2705 (i.e. coal gas ..., producer gas) used for heating purposes“.

Coking plants partly feed their coking plant gas into networks operated by third parties, networks out of which different customers take the gas. The gas is a secondary fuel, so that its utilisation for heating purposes represents an ecologically valuable recuperation of energy from a residual gas impacting on the climate.

This is fully in line with the Directive's objective to foster a most efficient use of energy. If a CO₂ tax would be applied to the gas, the option to sell it would decrease and the gas would be burnt preventively. As far as the coal gas / producer gas is used for municipal heating purposes, a CO₂ tax could have considerable social and financial impacts for inhabitants.

We therefore continue to consider the exemption of Art. 15, para. 1, letter 1 as necessary and request it be maintained.