

## A sound energy taxation framework for cleaner transport

June 2019

The taxation of energy products and fuels is a central tool for an efficient clean transport policy, as it provides a key price signal to consumers and ensures a swift redistribution of energy transition costs. The EU energy taxation policy must therefore be modern and up to the challenge of a European prosperous, competitive and carbon-neutral economy.

As a prerequisite, **the Platform for Electromobility calls on the Finnish Presidency to address the question of voting rules on taxation issues in the Council** and consider resorting to an alternative to unanimity voting, as suggested by the European Commission<sup>1,2</sup>. This is consistent with the level of integration of the EU energy and climate policy but will also be pivotal to achieve a successful modernisation of the EU energy taxation framework.

With more than 5 million vehicles on the road, and increasingly electrified railways (already 4 trains out of 5), electric mobility today appears as the central solution driving a fast and cost-efficient decarbonisation of transport. Electrification of transport must therefore be encouraged, but it will also transform the architecture of the taxation of energy fuels. **Reforming the Directive on Energy Taxation (2003/96/EC) is thus a chance to build a future-proof taxation policy, adapting to a modern and clean economy while accompanying the uptake of electromobility.**

In particular, the Platform calls on the Commission, the Council and the European Parliament to update the energy taxation rules along the following principles:

- **Taxation rules on the consumption of energy products and electricity should encourage the uptake of electromobility.** Electric mobility will drive an evolution of the tax base for energy fuels taxation, and thus of taxation rules. In the short and medium term, it is therefore necessary to gradually adapt fuel taxes to maintain a stable tax revenue base for Member States, as fuel use declines. It is crucial that these changes always take into account the climate performance of the energy source and never result into a disincentive to electromobility.

**The Platform thus calls for the introduction of a CO<sub>2</sub> component in the Energy Directive Taxation** as proposed by European Commission in 2011. However, double counting should be avoided: electricity-related CO<sub>2</sub> is already covered by the EU-ETS, therefore the above-mentioned CO<sub>2</sub> component should not be applied to the electricity used in transport.

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<sup>1</sup> Communication COM(2019) 8 final “Towards a more efficient and democratic decision-making in EU tax policy”

<sup>2</sup> Communication COM(2019) 177 final “A more efficient and democratic decision making in EU energy and climate policy”

**Yet, electricity consumed in EVs should be taxed the same as the rest of electricity used for other purposes**, to avoid any distinction in usage or asset class. In fact, any difference in taxation would hinder the development of decentralised energy resources, be unfair to those that cannot merge their energy flows behind their meter or be an incentive to exploit loopholes.

- **Mandatory tax exemptions in article 14 of the current Directive 2003/96/EC for aviation and maritime shipping fuels should be removed.**

The current absence of taxation on fuels used for air and maritime navigation contradicts the polluter-pays principle (TFEU, article 191.2). Removing these mandatory tax exemptions would incentivise a switch to cleaner modes of air and maritime navigation (as electric boats) and create a level-playing field with alternative modes of transport, such as rail.

In addition, it would encourage ship owners to use shore-side electricity when stationed at ports, instead of polluting, on-board generators, which currently benefit from tax exemption on the fuels used. This would improve local air quality in ports

**Yet, double taxation should be avoided:** the exemption from taxes on the consumption of the electricity produced on board a craft should be maintained, to the extent that the fuel used for electricity generation is subject to taxes reflecting its carbon content.

- **Taxation rules on energy consumption should unlock the flexibility potential of EV batteries.** Electric vehicles' batteries can bring additional flexibility to the electricity system, thus optimize the vehicles charging patterns and grid integration but also support the integration of renewable energies.

The revised Energy Taxation Directive should set a clear tax exemption for electricity stored in the EV battery from the grid to provide grid services, in order to avoid double taxation. In addition, a favourable taxation of electricity consumed off-peak could be set in order to encourage storage/ consumption at off-peak times.